

MILLER THOMSON LLP

Barristers & Solicitors
Patent & Trade-Mark Agents

Robson Court
1000-840 Howe Street
Vancouver, BC Canada
V6Z 2M1
Tel. 604.687.2242
Fax. 604.643.1200
www.millerthomson.com



VANCOUVER

TORONTO

CALGARY

EDMONTON

LONDON

KITCHENER-WATERLOO

GUELPH

MARKHAM

MONTRÉAL

Climate Change: Managing Risks & Creating Opportunities

Tony Crossman
Sarah Hansen

Miller Thomson Seminar

*Climate Change: Managing Risks and Creating Opportunities in the New
Carbon World*

November 14, 2007

This presentation is provided as an information service only and is not meant as legal advice. Readers are cautioned not to act on the information provided without seeking specific legal advice with respect to their unique circumstances.

© Miller Thomson LLP 2007. All Rights Reserved. All Intellectual Property Rights including copyright in this presentation are owned by Miller Thomson LLP. This presentation may be reproduced and distributed in its entirety provided no alterations are made to the form or content. Any other form of reproduction or distribution requires the prior written consent of Miller Thomson LLP which may be obtained by contacting mt_vancouver@millerthomson.com



Overview

- The Kyoto Protocol
- Federal regime
- The BC regime

The Kyoto Protocol

- Drafted in 1997
- Ratified in February 2005
- 84 countries have ratified
- First compliance period set for 2008-2012





The Consequences of Failing To Comply With Kyoto

- Enforcement includes:
 - loss of use of Kyoto Mechanisms (no emissions trading, clean development or joint implementation participation)
 - requirement in next compliance period (commencing in 2013) to achieve targets plus 130% of shortfall
 - requirement to develop a compliance action plan



So Why is Kyoto Still Relevant?

➤ Emissions Trading

- Kyoto signatories can trade the portion of their assigned amounts of emissions that are not required to meet their targets to other Kyoto signatories
- It will be primarily “economies in transition” (Russia, Ukraine, Poland, etc.) that can sell

➤ Clean Development Mechanism (“CDM”)

- Projects in developing countries (that do not have Kyoto targets) that reduce GHG emissions against baseline
- “Baseline” is “what would have happened without project”



Kyoto Mechanisms (cont'd)

➤ Joint Implementation

- Projects undertaken jointly between participants in developed countries (Kyoto signatories) that reduce GHG emissions
- Allows one Kyoto signatory to receive an emissions credit for a specific project undertaken in another Kyoto signatories' country (where the host country doesn't require the emissions reduction to meet their Kyoto cap)



Federal Regulatory Framework on Air Emissions

A.K.A. Turning the Corner on Greenhouse Gas Emissions

- Framework will not meet Canada's Kyoto commitments
- New greenhouse gas (GHG) intensity-based emissions targets that will be sector specific
- New air pollution (AP) emission targets for emissions other than GHGs (NO_x, SO_x, PM)
- Mandatory and enforceable reductions but new facilities have a 3 year grace period



The Frameworks' Targets

- Short-term:
 - Emissions intensity targets
 - Targeted reductions relative to 2006 emissions
 - 2010 implementation date
- by 2010:
 - -18% (combustion & non-fixed process emissions)
 - 0% (predefined fixed process emissions)
- -2% emission intensity per year (2010-2020)

Goal (2020): 20% absolute emissions reduction



New Federal law

- Spring 08: New Regulation under Canadian Environmental Protection Act



The B.C. Situation

- Throne Speech February 2007
 - committed to reducing GHG emissions by 33% by 2020 (10 % from 1990 levels)
 - establish a Climate Action Team
 - new tailpipe emission standards for all vehicles to be phased in 2009-16



BC laws

- Legislation in spring 08
 - Market mechanisms
 - “hard caps” on GHG emissions



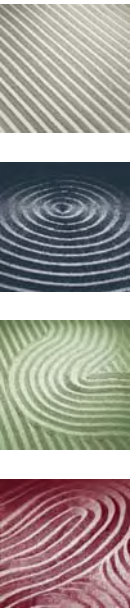
BC initiatives

- International Carbon Action Partnership
- Western Regional Climate Action Initiative
- The Climate Registry
- Carbon neutral govt
- BC New Energy Plan \$25M Innovative Clean Energy Fund

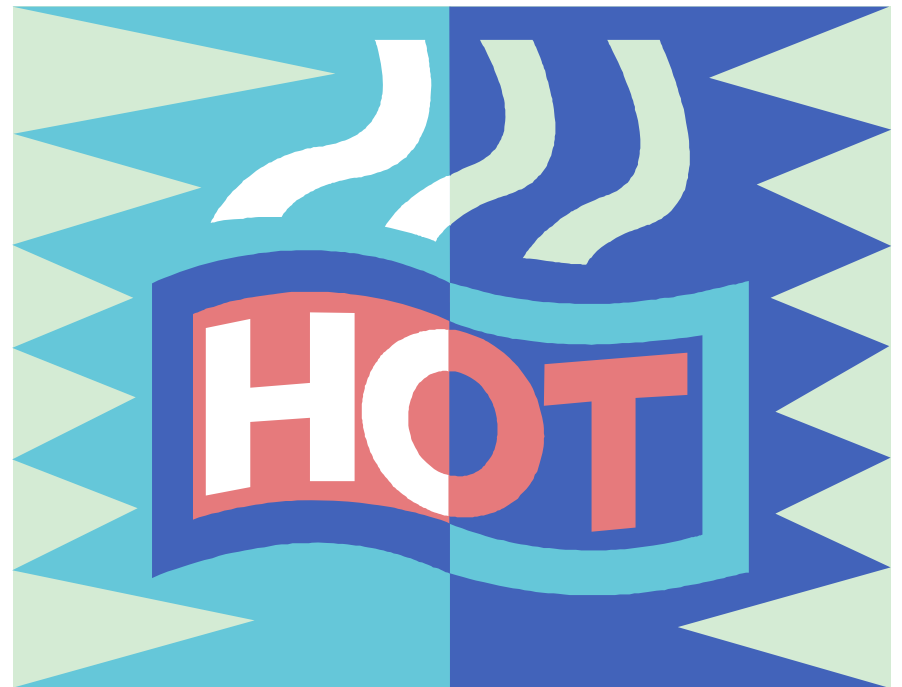


BC initiatives

A Carbon tax??



What does climate change mean for me? Managing risks – creating opportunities

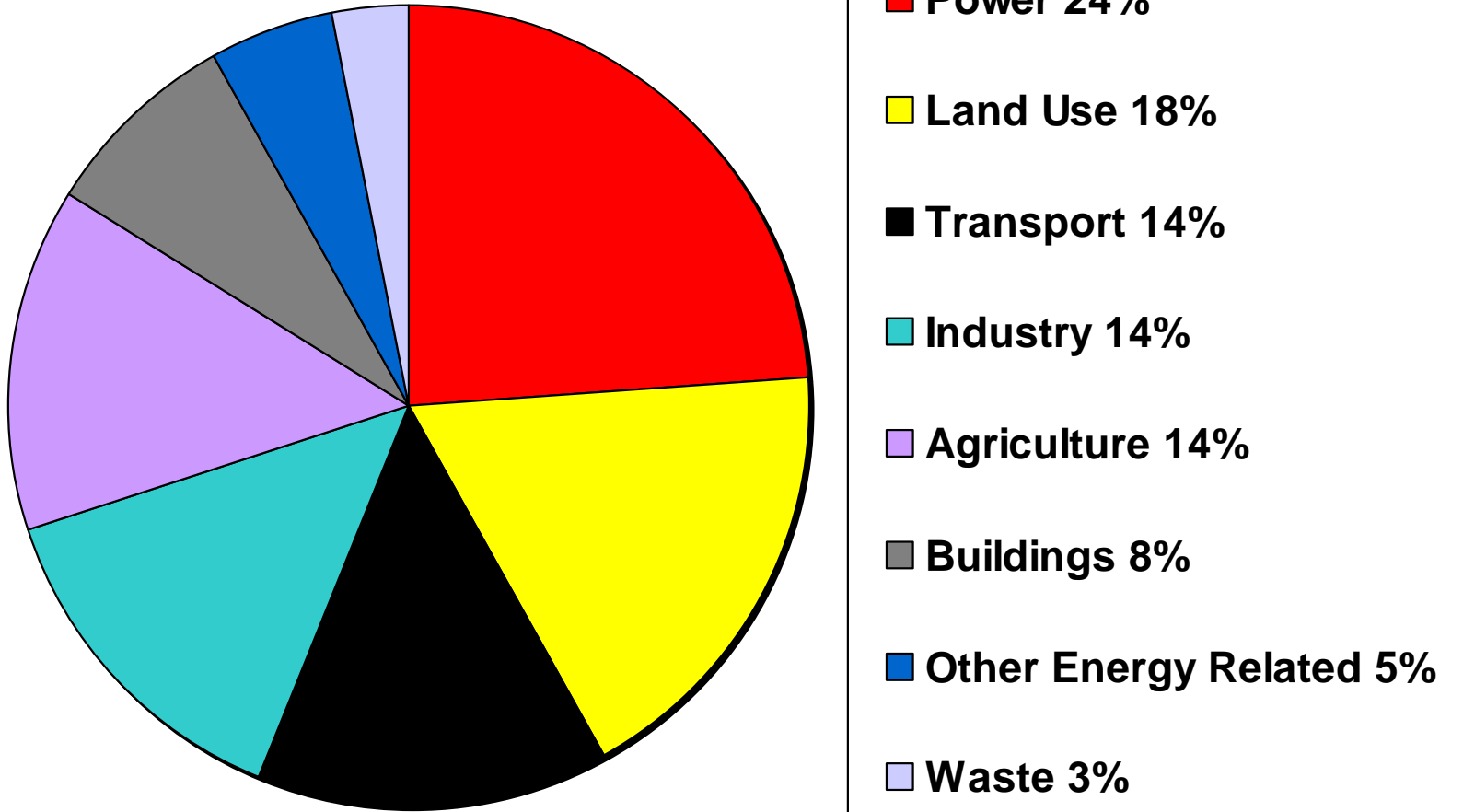




Managing Risks

- **Regulatory risk** - policies and regulation designed to reduce greenhouse gases emissions.
- **Financial risk** – infrastructure impacts, production, compliance with regulation, energy security/costs.
- **Reputational** – exposure from customers' and investors' perceptions of action or inaction on climate change.

Carbon Emissions by Industry Sector, 2000



World Resources Institute, 2006



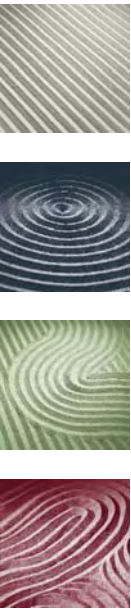
Creating Opportunities

- **Cost savings**
 - e.g., Wal-Mart Canada is buying green power & reduced waste by 87m kgs & 19k tonnes of CO2 emissions
- **Generate reputational capital**
 - e.g., Wal-Mart gives preference to suppliers who have aggressive targets to reduce GHG emissions
- **Generate financial capital**
 - e.g., Creating carbon credit assets
- **New technological and business opportunities**
 - resulting from increased demand for low-carbon, high efficiency goods and services.



How does business address climate change?

1. Assess emissions profile
2. Gauge risks & opportunities
3. Evaluate action options
4. Set goals & targets
5. Develop financial mechanisms
6. Engage the organisation
7. Formulate policy strategy
8. Manage external relations



Thank You

Questions??