

## DECISION NOTE

**DATE:** November 15, 2022

**PREPARED FOR:** Kevin Jardine, Deputy Minister, Ministry of Environment and Climate Change Strategy

**ISSUE:** Incentive payment to pulp and paper sector under CleanBC Industrial Incentive Program

### RECOMMENDED OPTION:

**Approve interim incentive ratio for paper production under CleanBC Industrial Incentive Program**

### BACKGROUND:

- During the benchmarking studies in 2019, two sets of benchmarks and thresholds were developed for the pulp and paper sector: Chemical pulp and non-chemical pulp. The benchmarks and thresholds were published on the CleanBC Industrial Incentive Program (CIIP) webpage. Benchmarks and thresholds were discussed in a working group consisting of industry representatives, B.C. pulp and paper Coalition and ministry staff before being published. No benchmark or threshold was developed for paper production.
- All pulp and paper facilities have reported their production in tonnes of dry chemical pulp and/or tonnes of non-chemical pulp between 2019 to 2021.
- Verification of production became a requirement of the CIIP in 2022. This meant all facilities which are emitting more than 25,000 tCO<sub>2</sub>e submitted a production verification statement together with their CIIP application that verifies the production amounts.
- During the CIIP application review period, third party verifiers approached CAS staff with questions concerning quantifying paper production as pulp production.<sup>s.17; s.21</sup>

s.17; s.21

### DISCUSSION:

s.17; s.21

Ministry staff visited Paper Excellence facilities in Port Alberni and Crofton in August to have a better understanding of the process and discuss potential solutions with the applicant's technical staff. Several technical meetings were held after the visits and actual chemical pulp, mechanical pulp and paper production data was collected for 2019-2021 period.

s.17; s.21

### **Benchmark and threshold**

Benchmarks for the CIIP were determined based on the emissions intensity of top facilities in the world. In the study performed by a third-party consultant for pulp and paper in 2019<sup>s.12; s.13</sup>

s.12; s.13

For all industrial sectors, eligibility thresholds are set as twice the provincial weighted average emissions intensity. Since the production data for paper is collected and associated emissions data are corrected, CAS staff can currently determine the eligibility threshold.

### **Interim Incentive ratio**

s.12; s.13

s.17; s.21

**OPTIONS:**

**Option 1:**

- **Approve using interim flat incentive ratio of 0.75 for paper production for the 2022 application period until a benchmark is developed prior to the 2023 CIIP application periods; and**
- **Approve adding paper production as a product to CIIP web application**


*Implications:*

- Consistent with program direction, expectations of industrial operators and CIIP policy.
- Correcting pulp and paper production and emissions data, which will be used for developing performance standards for new carbon pricing regime.

**RECOMMENDATION:**

- Option 1.

Approved / Not Approved:

  
\_\_\_\_\_  
Kevin Jardine, Deputy Minister

\_\_\_\_\_  
November 28, 2022  
Date

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## DECISION NOTE

**DATE:** November 7, 2022

**PREPARED FOR:** Honourable George Heyman, Minister of Environment and Climate Change Strategy

**ISSUE:** Minister's approval of projects for Investing in Canada Investment Program CleanBC Communities Fund Intake 3

**RECOMMENDED OPTION:**

s.13; s.17

### BACKGROUND:

- On March 22, 2018, the Government of Canada and British Columbia signed the Investing in Canada Infrastructure Program (ICIP) Integrated Bilateral Agreement (IBA) representing a \$3.917 billion federal investment.
  - The Province notionally allocated \$259.1 million (\$102.24 million provincial/\$156.86 million federal) to the CleanBC Communities Fund under the ICIP Green Infrastructure sub-stream for Climate Change Mitigation.
  - Under the first intake of the CleanBC Communities Fund (CCF),<sup>s.13; s.17</sup>  
s.13; s.16; s.17
- ,
- CCF is a component of the Province's CleanBC plan. At the Provincial level, CCF operates as a collaboration between MUNI and ENV. CCF supports cost-sharing of infrastructure projects for public use and benefit that focus ICIP objectives:
    - capacity to manage renewable energy;
    - access to clean-energy transportation;
    - energy efficiency of buildings; and
    - generation of clean energy.

- Under the ICIP Climate Change Mitigation sub-stream, there is an emphasis on reductions in greenhouse gas (GHG) emissions. Eligible applicants include local governments, Indigenous applicants and not-for-profit and for-profit organizations partnering with a local government or Indigenous group.

## **DISCUSSION:**

In the s.13; s.16; s.17  
s.13; s.16; s.17

CCF applications have been reviewed and evaluated by ENV and MUNI staff for: eligibility; alignment with program outcomes; GHG mitigation and robustness of calculation methodology; best practices, long-term planning; and sustainability and financial capacity of the applicant to fund the project. All applications were assigned scores for the project ranking.

Preliminary GHG Assessments were required with applications to estimate the GHG emissions impact of the infrastructure projects. These assessments were evaluated in the technical ranking of projects and will form the basis of the Climate Lens assessment required for federal government review.

The CCF Program Management Committee (MC) includes:

1. ADM – MUNI: Local Government Division (Co-Chair of the Committee)
2. ADM – ENV: Climate Action Secretariat (Co-Chair of the Committee)
3. ADM – TRAN: Infrastructure & Major Projects Division
4. ADM – EMLI: Electricity and Alternative Energy Division
5. ADM – MIRR: Strategic Partnerships and Initiatives Division
6. General Manager, Victoria Operations – Union of BC Municipalities (non-voting Observer)

The CCF MC reviewed the list of projects on October 28, 2022. Other non-technical factors such as regional distribution, equitable distribution, past funding and risk were also noted. The MC approved the list on November 2, 2022.

The resulting list of Projects Recommended for Approval is presented for the Minister's consideration (Attachment 2) and, if approved, the Minister will sign the Ministerial Decision Record (Attachment 1), which becomes the official record of projects to be submitted to Canada for final approvals. The project list, as approved by the Minister, is submitted to the Chair of the B.C. Treasury Board.

Successful applicants will be notified in mid-November 2022 that their project has received a confidential "Provincial Approval in Principle" with notification to complete federal requirements prior to submission of projects to Canada for federal approval. The federal requirements include a Climate Lens assessment and Aboriginal Consultation and Environmental Assessment questionnaire, which applicants are asked to complete by December 2022. Projects that do not receive an AIP will be notified with a regret letter in November 2022.

## **OPTIONS:**

s.13; s.17

**RECOMMENDATION:**

- Option 1

Approved / Not Approved:

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full name and title

Date

**Attachment(s):**

1. CCF3 Ministerial Decision Record
2. s.16; s.17
3. CCF3 CCF 3 summary presentation deck
4. CCF3 Program Summary Statistics
5. s.16; s.17
- 6.

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**Attachment 1**  
**Investing in Canada Infrastructure Program – CleanBC Communities Fund**  
**Ministerial Review Decision Record**

After the Ministerial review of the third intake of the CleanBC Communities Fund, the Minister is submitting the following projects for consideration to Canada for final approval:

s.13; s.17

**Decision Rationale:**

Approved projects have been assessed as providing the best overall benefit to British Columbia communities and families based on the following criteria:

1. Project Eligibility: Alignment with program criteria.
2. Support for Program Outcomes: Result in increased capacity to manage renewable energy; increased access to clean-energy transportation; increased energy efficiency of buildings or increased generation of clean energy. Projects provide benefits to the broader public including Indigenous communities.
3. Enhanced Service: Improved social benefits and are consistent with the approved plans for that community.
4. Long Term Planning and Sustainability: Plans are in place to operate and maintain infrastructure and plan for its replacement. Asset management is practiced within the organization supporting economic, social, and environmental sustainability of services.
5. Project Financing: Evidence that full project funding is in place or will be shortly, that a project risk management strategy has been developed and that projects will commence and complete construction in a timely fashion.
6. Risk: Key project risks are identified and mitigation measures proposed.
7. Community Size and Regional Distribution: To address different fiscal capacity and needs in smaller communities and to provide for equitable distribution across regions.
8. Recommended projects identified communities' need, such as communities that have recently experienced natural disasters.
9. Funding History: Degree to which the Province has previously supported grant projects in a community, how successful the project was, and how well the proponent complied with program regulations.

Honourable George Heyman, Minister

Date:

November 7, 2022

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s.16 ; s.17



cleanBC

our nature. our power. **our future.**

**ICIP CleanBC Communities Fund (CCF)**  
**Intake 3 DM briefing**  
**Nov 3, 2022**

## PURPOSE

1. Review CleanBC Communities Fund (CCF) process

s.13; s.17



2

s.13; s.17

Before we dive into the CCF2 project lists I want to give a big thanks our colleagues at MUNI who have been strong partners throughout the delivery of this program and we look forward to continued collaboration in the future.

Picture: Canada Games Aquatic Centre (Kamloops) completed a \$13.5 million infrastructure (\$2.5M from CCF) improvement project in December 2020. As of Jan. 2, 2021 the facility has been open for swimming lessons and competitive swim clubs.

## CCF BACKGROUND

cleanBC

### Project must meet at least one program outcome:

1. Increased capacity to manage renewable energy
2. Increased access to clean energy transportation
3. Increased energy efficiency of buildings
4. Increased generation of clean energy

### Projects must also:

- Build tangible capital assets primarily for public use and benefit
- Reduce operating GHG emissions relative to baseline



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Federal/Provincial ICIP Agreement  
announced Apr 2, 2018

Green Infrastructure - Climate Change  
Mitigation sub-stream

### **Outcome 1: The project will increase the capacity to manage renewable energy**

Projects that meet this outcome will increase the types and capacity of infrastructure that manages, distributes and controls renewable energy, including infrastructure that transmits and makes better use of renewable energy, as defined in the [Clean Energy Act](#). Project examples for this outcome may include **systems that manage the use or transmission** of biomass, biogas, geothermal heat, hydro, solar, ocean, wind, battery

storage, devices or other systems and technologies that improve capacity to better manage renewable energy.

**Outcome 2: The project will increase access to clean energy transportation**

Projects that meet this outcome will increase access to clean energy transportation by improving the ability to utilize cleaner energy to power vehicles.

Project examples for this outcome may include Level 2 charging infrastructure or hydrogen fueling infrastructure that is owned by a public body and is for public use. Charging infrastructure at public facilities like recreation centres, transit operations, public parks and other facilities owned by local governments for the use of the public are other examples.

**Outcome 3: The project will increase energy efficiency of buildings**

Projects that meet this outcome will increase the energy efficiency of public buildings such as community buildings, recreation centres, libraries, museums, art galleries, and First Nations buildings for public use. It is desired that under this outcome the project will incorporate innovative energy efficiency technologies in the project, such as: net-zero energy ready building performance design, installation of heat pump space heating and/or water heating technologies, or other energy efficiency projects that you can demonstrate are innovative for the community.

Only the incremental cost of energy efficiency measures is eligible under the program when a new building is constructed. The full cost of building a new community building is not eligible under this program.

Project examples for this outcome may include building energy efficiency retrofit projects including envelope upgrades (air sealing, insulation or windows), upgrades to heating, cooling or ventilation (HVAC) systems, fuel switching, and the addition of renewables (such as solar thermal) for the specific building. Eligible projects may also include incremental energy efficiency measures in the construction of new public buildings.

**Outcome 4: The project will increase generation of clean energy**

The desired outcome of the clean energy category is to increase the production and generation of clean energy at the community level in order to replace the use of fossil fuels or less clean forms of energy.

Please note that the primary intent of the funding is to support projects that provide a high level of greenhouse gas reductions, and not to fund projects that primarily provide cost savings or a revenue source for the applicant through an Energy Purchase Agreement (EPA) with BC Hydro, unless an EPA has already been negotiated.

Project examples include investments in infrastructure that generates energy from anaerobic digestion, heat recovery or integrated resource recovery technologies. Emerging circular economy initiatives that require infrastructure investments would also be considered. Examples include community energy infrastructure to utilize waste thermal energy captured from sewage to provide heating and hot water.

**Note:** There are similarities between Outcome 1 - Managing Renewable Energy and Outcome 4 – Generating Clean Energy. They are related, however, Outcome 1 relates to the better use, storage, delivery and integration of available renewable energy; whereas Outcome 4 is related to the creation of new clean energy. Both outcomes will ultimately displace fossil fuels; however the latter will increase the supply of clean energy, while the former will increase the share of clean energy used but may not necessarily add new supply. Where a project meets both of these outcomes, the applicant should pick the outcome that is the best fit for the project.

## CCF COST SHARING



Applicant type	Federal Share	Provincial Share	Applicant Share
Local Government	40%	33.33%	26.67%
Indigenous (off-reserve project)	75%	15%	10%
Indigenous (on-reserve project)	75%	0%	25%
Not-for-Profit	40%	25%	35%
For-Profit	25%	15%	60%

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“Off-reserve” means the infrastructure will physically be built OFF (federal) First Nations reserve land and will directly benefit surrounding Indigenous residents, whether they live on-reserve or off-reserve.

“On-reserve” means the infrastructure will physically be built ON (federal) First Nations reserve land and will directly benefit on-reserve Indigenous residents.

Provincial cost share based on TB approved contributions by applicant type

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s.13 ; s.16 ; s.17



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s.16 ; s.17

s.16; s.17

The lifetime GHG reductions are based on the preliminary GHG Assessments provided by applicants to inform an initial estimate of the projected net reduction in GHG emissions anticipated by projects.

A federal “Climate Lens” is required prior to federal approval and may provide a more accurate picture of projected reductions in GHG emissions.

Applicants will also need to complete the federal aboriginal consultation and environmental assessment questionnaire which will be included in the project submission to Infrastructure Canada led by MUNI.

s.16; s.17

## SUMMARY



- Briefed MC (EMLI/ENV/MIRR/MOTI/MUNI ADMs and UBCM)
- Brief ENV/MUNI DMs
- Brief and get ENV MIN signed approval:
  - Decision Note
- Submit CCF3 AIP projects to INFC in Dec 2022

s.13; s.17

s.16

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s.13; s.17

CAS staff will participate on the Informational Briefing with MJO scheduled for July 22<sup>nd</sup>.

The project list, as approved by the Minister, will be submitted to the Chair of TB.

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s.13 ; s.17

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