



A&WMA Cap & Trade Panel

Mississauga – June 2016

Suncor operates three facilities in Ontario that will be covered under the cap & trade regulation.



Mississauga Lubricants facility



Sarnia Refinery



St. Clair Ethanol Plant

Implementation of Cap & Trade

- Energy efficiency is a proven pathway to GHG emissions reductions.
- Several concurrent environmental initiatives will draw upon internal resources and could limit short term opportunities to pilot emerging technologies.
- Administration associated with cap & trade is significant.

GHG emissions reductions are an outcome of energy efficiency projects.

- Energy efficiency projects: (medium term)
 - equipment upgrades
 - process improvements (debottlenecking)
- Project completion usually takes 3-5 years from conception to start-up.
- Every one percent reduction in energy use will achieve one percent reduction in GHG emissions.
- Projects can yield 5%-10% reduction in GHG emissions.



Climate change regulations differs from more conventional environmental issues.

There are no short-term solutions that deliver large-scale GHG reductions.



There are no single solutions that apply to all facilities.

There are a wide range of operational improvements, technologies and innovations that show promise.

Implementation of several environmental files could limit opportunities to pilot emerging technologies.

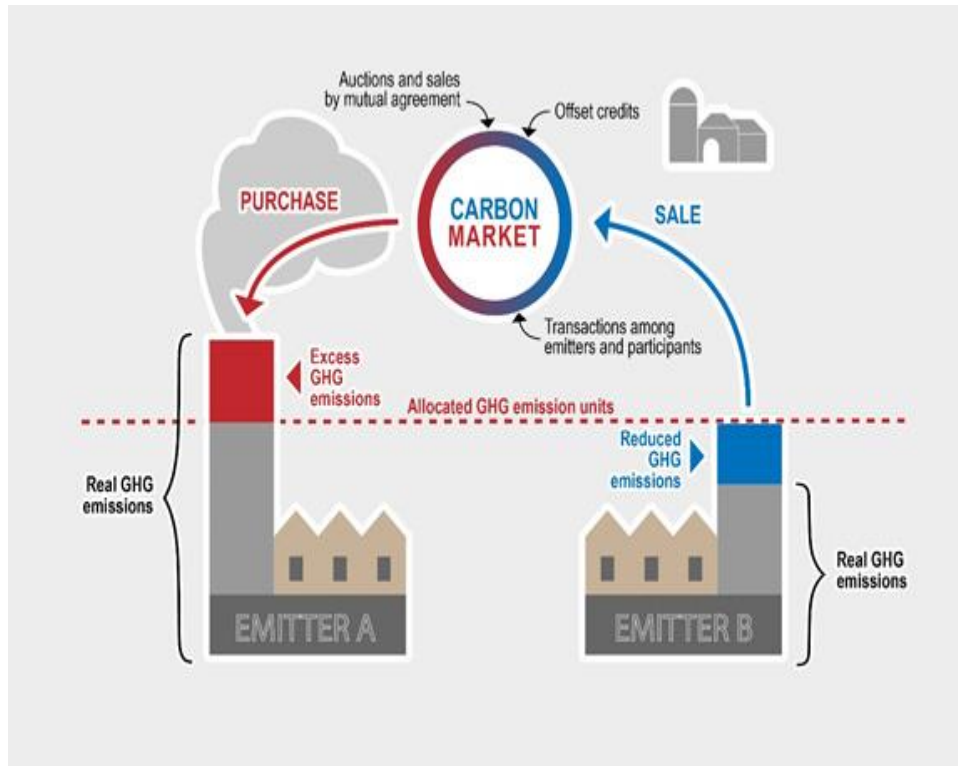
- Upcoming environmental initiatives include:
 - ultra low sulphur gasoline,
 - lower benzene emissions,
 - lower short term (1 hour) SO₂ emissions,
 - cap & trade.
- We need to prioritize and sequence these environmental initiatives so that we can carry out the work in a safe and responsible manner.
- As a result the window of opportunity to pilot emerging GHG reduction technologies may only open post 2020.



Administration associated with cap & trade is significant.

- Implementation and ongoing management of a cap & trade program necessitates assembling a multi-disciplinary administrative infrastructure:
 - Appoint/nominate account representatives.
 - Legal: registration and contract modifications.
 - Treasury: letters of credit for auctions.
 - Accounting: booking of allowances, tracking holding and compliance accounts.
 - Information technology: changes to invoices and web-site.
 - Regulatory: advocacy.
 - Supply: tracking of obligated fuel volume (point of regulation).
 - Trading: auction participation, secondary market for allowances.
 - Facilities: calculation of free allowances and determination of allowances to purchase.
 - Sales & marketing: forecast of allowances to purchase, attestation forms, marketplace impacts.

Training on the basics of cap & trade along with feedback loops are required for ongoing management of the program.



Suggestions for facility implementation of the Cap & Trade regulation.

- Prepare a methodology guideline for your emission calculation.
 - This will assure recurrence of methodology used and can be shared with verifier.
- Reporting management:
 - Allow time for calculation and verification process.
- Calculate GHG emissions and free allocations on a quarterly basis.
 - This will enable better preparation for emission allowance auctions.

We have made two recommendations for administrative efficiency.

- We have asked for the Ministry of Finance and the Ministry of Environment and Climate Change to share registration information currently on file for the cap & trade program.
- The Ministry should allow a company the latitude to appoint a primary account representative with a place of residence within Canada not necessarily Ontario.

