



MEMORANDUM OF UNDERSTANDING

BETWEEN

THE GOVERNMENT OF QUÉBEC

AND

THE GOVERNMENT OF ONTARIO

CONCERNING

CONCERTED CLIMATE CHANGE ACTIONS AND
MARKET-BASED MECHANISMS

2015

Concerted Climate Change Actions and Market-Based Mechanisms

Memorandum of Understanding

WHEREAS climate change is a significant threat to the development and the security of individuals, communities and states and there is an urgent need to act in order to preserve and enhance, for future generations, the economic, social and environmental conditions that we enjoy;

WHEREAS the Intergovernmental Panel on Climate Change has concluded that warming of the climate system is unequivocal and that human influence on the climate system is clear;

WHEREAS a consensus exists on the need to limit global warming to a level that would prevent dangerous interference with the climate system and that the "window of opportunity" to achieve this is shrinking rapidly;

WHEREAS the impacts of climate change are affecting and will continue to affect the sustainable development of our societies in areas such as health, public safety, natural environments, infrastructure and economic development, and thus require significant, immediate and long-term action;

WHEREAS the fight against climate change has positive impacts on the health and safety of citizens, their lives and their environment, as well as on the economies of Québec and Ontario;

WHEREAS a collaborative response to the challenges of climate change will create new and competitive economic opportunities in areas such as renewable energy, energy efficiency and clean technologies that promote a transition to a more resilient low carbon economy;

WHEREAS it is necessary to develop a vision and long-term objectives in the fight against climate change to shift, as required, the means of production and consumption;

WHEREAS Québec and Ontario and share geographical contiguity within the Great Lakes-St. Lawrence Lowlands, Hudson Bay and the Canadian Shield, contiguous watersheds, air-sheds and vast forests;

WHEREAS Québec and Ontario's populations are concentrated in large urban centres, as well as in remote communities, both have far north plans, including Québec's The Plan Nord toward 2035 and Ontario's Growth Plan for Northern Ontario, and both have interest in ensuring development is planned in a sustainable way, while supporting transportation and market linkages;

WHEREAS Québec and Ontario represent approximately 62% of the Canadian population and combine to be the fourth largest economic zone in North America, with a Gross Domestic Product (GDP) over \$1 trillion per year;

WHEREAS cooperation and sharing knowledge and experience between the governments of Québec and Ontario helps to reduce uncertainties about climate change impacts and may develop innovative solutions for reducing greenhouse gas emissions and supporting adaptation to promote the transition to a low carbon economy;

WHEREAS Québec and Ontario have appointed external advisory bodies to provide advice on greenhouse gas emission reduction initiatives and will, as appropriate, collaborate on joint climate initiatives and share information;

WHEREAS Québec and Ontario recognize that initiatives, such as flexible market-based mechanisms that integrate a carbon cost into their economies, developing offset protocols applicable for both provinces, encouraging technological innovation facilitate the transition to a low carbon economy and promote economic development and job creation;

WHEREAS Québec and Ontario have worked together within the partnership of the Western Climate Initiative and the organization Western Climate Initiative Inc. to develop the principles and mechanisms that are the basis of the Québec cap-and-trade system for greenhouse gas emission allowances;

WHEREAS Ontario intends to develop a cap-and-trade system for greenhouse gas emission allowances;

WHEREAS Québec and Ontario concluded, in November 2014 the Memorandum of Understanding between the Government of Ontario and the Government of Québec Concerning Concerted Climate Change Actions which aimed notably at, the harmonization of data collection methods and inventory of greenhouse gas emissions, collaboration on market mechanisms, and sharing information and knowledge;

WHEREAS Québec and Ontario signed the Statement of Intent on Cooperation on Market based Mechanisms between the Government of Ontario and the Government of Quebec in April 2015, where they committed to modify the 2014 Memorandum of Understanding between the Government of Québec and the Government of Ontario Concerning Concerted Climate Change Actions to reflect the fact that Ontario will work with Quebec to develop a cap-and-trade system for greenhouse gas emission allowances that will be compatible and consistent with the systems put in place by Quebec and California and that both provinces agree to link their cap-and-trade systems in accordance with the methods established by the Western Climate Initiative Inc.;

WHEREAS Québec and Ontario signed the Declaration of the Premiers of Canada at the Québec Summit on Climate Changes, the Global Climate Leadership Memorandum of Understanding (Under 2 MOU) and the Climate Action Statement – Climate Summit of the Americas recognizing the importance of carbon pricing as a key measure that can be taken by federated states and regions;

WHEREAS Québec and Ontario acknowledge the necessity for the development, together with other Provincial and Territorial partners, of a coherent and integrated vision for the fight against climate change, including approaches to carbon pricing, in order to sustain a fair and competitive economy while achieving net reductions in greenhouse gases;

THEREFORE the signatories to this Memorandum of Understanding agree to collaborate on concerted climate change actions and market-based mechanisms. For Québec and Ontario, these actions will include, but are not limited to, the following:

1. Harmonize methods of data collection and inventory of greenhouse gas emissions

- Harmonize appropriate reporting requirements and measurement system to facilitate the implementation of joint initiatives to reduce greenhouse gas emissions, including the design of the cap-and-trade system for greenhouse gas emission allowances of Western Climate Initiative Inc.;
- Explore approaches to measure and report on greenhouse gas emissions reduction and removals;
- Ensure reporting of greenhouse gas emissions is rigorous, transparent and public;
- Québec and Ontario will work together to exchange information on boreal forest carbon, considering any available international best practices and accounting standards.

2. Collaborate on the development and linkage of greenhouse gas cap-and-trade system for greenhouse gas emission allowances to the Western Climate Initiative, Inc.

- Exchange information and learnings and collaborate on market-based approaches to ensure a better understanding to reduce greenhouse gas emissions, including building on Québec's experience implementing an emissions trading system and linking with other systems;
- Harmonize regulations of Québec and Ontario as needed to facilitate the implementation of a joint cap-and-trade system for greenhouse gas emission allowances;

- Work together regarding the development of Ontario's cap and trade system and the development of offsets protocols, including forming specific working groups to share information and experience related to designing, implementing and to linking to programs implemented by Québec and California. Collaborate on an approach that recognizes the benefits of Western Climate Initiative, Inc., improves market stability, minimizes implementation costs, and provides fair treatment for emitters in the region;
- Collaborate on the implementation of effective and integrated monitoring and oversight mechanisms of carbon markets to ensure confidence and effective linking of markets.

3. Accelerate the transition to a low carbon economy

- Exchange processes and approaches with the aim to establish new greenhouse gas emission reduction targets for post-2020, particularly in the context of discussions to be held leading up to the 2015 Conference of Parties of the United Nations Framework Convention on Climate Change in Paris, and to promote harmonization of long-term targets;
- Collaborate to ensure aligned post-2020 regulation development to foster a stable planning environment for business and industry;
- Collaborate with other jurisdictions on mid-term greenhouse gas emission reductions to maintain momentum toward 2050 targets consistent with achieving our shared goal to prevent dangerous human interference with the climate system;
- Work together to reduce the use of hydrofluorocarbons in Québec and Ontario in aerosols, fire suppression systems, refrigeration and air conditioning equipment, among other uses, and discuss and explore the viability of alternative substances necessary to replace hydrofluorocarbons in such common uses;
- Facilitate exchange of information and meetings between Quebec's Climate Change Advisory Committee and Ontario's Climate Advisory Group to support their respective work and advice on climate change actions;
- Promote the transition to a low carbon economy through initiatives such as setting a price on carbon, the adoption of cleaner fuel standards, energy efficiency and conservation measures including co-generation and demand management, product standards, support for low-carbon innovation, and fuel-switching to lower carbon energy sources such as electricity generated from renewable sources, bioenergy/biofuels, heat pumps, solar and thermal;
- Join forces to advocate and promote the role and recognition of federated states, regional government and local authorities in global efforts aimed at accelerating the transition to a low carbon economy and to share best practices and expertise through

their joint participation in international fora such as The Climate Group and the International Carbon Action Partnership;

- Collaborate to advocate for strong national action and promote the role of Federated States and regional governments on climate action at the 21st and future United Nations Climate Change Conference of the Parties;
- Work together to ensure that climate change considerations are an integral part of discussions related to energy issues;
- Promote research, development and deployment of clean technologies in Ontario and Québec, share best practices and explore opportunities to develop regional clean-tech cluster partnerships;
- Collaborate and share knowledge and experience regarding the implementation of approaches to reduce greenhouse gas emissions in different sectors, such as transportation and buildings;
- Promote expansion and market support of zero emission and plug-in hybrid electric vehicles through joint initiatives and support for market incentives to expand access to charging infrastructure, ensure sufficient customer choice and public education and awareness;
- Collaborate and work closely to support international and national events on environmental issues, including the World Electric Vehicles Symposium and Exhibition in Montreal in June 2016;
- Consider opportunities to leverage shared purchasing power through joint green procurements.

4. Offsets

- Work in collaboration to develop, adapt, harmonize and implement offset protocols applicable on Québec's and Ontario's territories, as well as in the rest of Canada, that will allow a lower compliance cost for emitters while ensuring a net decrease in global greenhouse gas emissions by covered entities and sources and creating business and investment opportunities in the region for the economic actors of Québec and Ontario;
- Encourage the development of a supply of offsets by prioritizing the adaptation of Québec's protocols for Mine Methane Capture and Destruction, Landfill Gas Capture and Destruction, Ozone Depleting Substances Capture and Destruction;
- Work to adapt other protocols including, Nitrous Oxide Reductions from Fertilizer Management in Agriculture Protocol, Emission Reduction from Livestock Protocol, Organic Waste Digestion Protocol, Organic Waste Management Protocol, Forest

Project Protocol, Afforestation Protocol, Urban Forest Project Protocol, Grassland Protocol, and Conservation Cropping Protocol.

5. Enhance public awareness

- Facilitate cooperation between communications contacts and networks to strengthen communication to the public, business, industry and environmental organizations;
- Exchange information and approaches to engage citizens to take action on climate change;
- Share evaluation results of communication initiatives to improve and strengthen ongoing public engagement;
- Work together to provide consistent branding and information to the public, business, industry and environmental organizations on the functioning and benefits of cap and trade systems, and consumer opportunities to reduce energy costs through conservation and efficiency.

6. Promote knowledge sharing and cooperation for adaptation to climate change

- Share knowledge and experience regarding the implementation of government policies that address climate change adaptation, such as the Québec's 2013-2020 Government Strategy for Adapting to Climate Change and Climate Ready: Ontario's Adaptation Strategy and Action Plan 2011-2014;
- Facilitate cooperation between climate and adaptation researchers, with the aim to enhance research capacity and explore opportunities for joint projects on adaptation;
- Focus this cooperation on coordinated efforts to evaluate the socio-economic impacts of climate change and the benefits of adaptation.

7. Promote Intergovernmental Collaboration on Climate Change

- Québec and Ontario, recognizing that intergovernmental collaboration is vital to realize these actions, will continue to promote strengthened cooperation with all governments, as well as with municipalities, stakeholders and the public;
- Québec and Ontario will cooperate to advance a concerted climate change agenda nationally by working with Federal Provincial and Territorial governments;
- Québec and Ontario will strengthen joint efforts to increase collaboration with the Federal government and other Provincial and Territorial governments, based on the principles of this Memorandum of understanding and through linkages to other forums, including the Canadian Council of Ministers of the Environment and the

Council of the Federation, to take concerted actions on climate change and to promote the transition to low carbon economies;

- These efforts will be deployed through such initiatives as the Canadian Energy Strategy of Council of the Federation adopted in July 2015;
- Québec and Ontario will cooperate to advance a concerted climate change agenda internationally through working with other Federated States and regional governments to support and expand low-carbon opportunities, to advance their participation in the development of ambitious Intended Nationally Determined Contributions and to ensure that their actions will be recognized in future Conferences of the Parties;
- Québec and Ontario will strengthen joint efforts to increase collaboration with international and regional jurisdictions, including U.S. States.

8. Implementation

The Signatories charge the Ministers responsible for climate change issues with ensuring the effective implementation of this Memorandum of Understanding. The Ministers will establish an Québec-Ontario working group specifically focused on the fight against climate change, co-chaired by the Deputy Ministers responsible for climate change issues.

The working group facilitates the implementation of the objectives of this Memorandum of Understanding and will report progress regularly to the respective Ministers in charge of climate change. A work plan will be established for this purpose.

The Québec and Ontario representatives on the Western Climate Initiative, Inc. Board of Directors are responsible for implementing the actions under section 2 and providing regular progress reports to their respective Deputy Ministers.

9. General provisions

This Memorandum of Understanding does not create legally binding obligations on the signatories.

The signatories confirm their intention to preserve the confidentiality of commercially sensitive business information of third parties, and not to disclose such information other than as required or permitted by law.

Nothing in this Memorandum of Understanding derogates from the powers, rights or privileges of the legislatures or governments of Québec and Ontario, including any powers, rights or privileges relating to language, nor can it affect the interpretation of legislation or any regulation, by-law or order made under an Act.

The signatories may amend this Memorandum of Understanding by a written document signed by each signatory.

Either Québec and Ontario may terminate this Memorandum of Understanding by providing at least two months written notice to the other signatory.

This Memorandum of Understanding replaces the 2014 Memorandum of Understanding which is hereby terminated.

Signed in Québec City, on the 11th day of September 2015, one in French and the other in English, both versions being regarded as equally authentic.

**FOR THE GOVERNMENT OF
QUÉBEC**

**FOR THE GOVERNMENT OF
ONTARIO**

Philippe Couillard
Premier ministre

Kathleen Wynne
Premier

David Heurtel
Ministre du Développement durable,
de l'Environnement et de la Lutte
contre les changements climatiques

Glen Murray
Minister of the Environment and
Climate Change

Jean-Marc Fournier
Ministre responsable des Affaires
intergouvernementales canadiennes et
de la Francophonie canadienne