



CORPORATE FACILITIES MEMORANDUM

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TO: MAYOR A. NUTTALL AND MEMBERS OF COUNCIL

FROM: A. MCMULLIN, MANAGER OF ENERGY MANAGEMENT, EXT. 5097

NOTED: R. PEWS, DIRECTOR OF CORPORATE FACILITIES

D. MCALPINE, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES

M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

RE: CARBON CREDIT MONETIZATION

DATE: JUNE 21, 2023

The purpose of this Memorandum is to provide members of Council with an update concerning motion 23-G-023, item 17 outlined below.

"That staff issue a Request for Proposal for a company for the purpose of carbon credit generation and monetization;

- a) That the Request for Proposal include the following parameters:
 - i. The successful bidder work with the City to generate, develop and sell carbon credits with a focus on maximizing revenue;
 - ii. All bids must require zero-dollar initial investment from the City;
 - iii. There be no cost for the taxpayers to operate the program; and
 - iv. All data must be managed on the greenest possible blockchain platform to ensure transparency and accountability.
- b) That staff report back to the Finance and Responsible Governance Committee via memorandum in June 2023 advising of the outcome of the Request for Proposal process."

Background

Public Sector Investigation

As a result of the Council motion, staff investigated several municipalities' efforts with respect to carbon credit and offset generation, procurement and monetization. These municipalities included the City of Toronto, City of Brampton, City of Guelph, City of Kitchener in addition to consulting with the Clean Air Council, a not-for-profit network representing 39 municipalities specializing in enabling municipal climate action. Based on this investigation, it was found that many municipalities have chosen not to sell their greenhouse gas (GHG) carbon offsets, because once they are sold they cannot be applied against municipal GHG targets.

For those municipalities that have sold carbon offsets in the past (which was typically greater than 10 years ago and at irregular intervals), they sold regulatory compliance credits. The compliance market is used by companies and governments that, by law, have to account for or reduce their GHG emissions. It is regulated by either mandatory national, regional or international carbon reduction regimes. Voluntary markets function outside of compliance markets and enable companies and individuals to purchase carbon offsets on a voluntary basis with no intended use for compliance purposes.

Private Sector Investigation

Staff reached out to businesses that specialize in carbon credit monetization and completed a request for information engagement through the City's purchasing branch to solicit information and feedback from the market regarding this opportunity. The major findings are as follows:

- Municipalities typically participate in the regulatory compliance market as opposed to the voluntary markets.
- The cost associated with verifying carbon credits or offsets, including feasibility analysis, verification and auditing services, and reporting can range from \$25,000 to \$100,000+.
- Service providers prefer to operate in a revenue sharing scheme with clients, with varying terms of service.
- Generally, when partnering to participate in the voluntary carbon offset market, service providers target large emitting entities to generate sufficient revenue. The City's corporate GHG emission volumes would be considered modest, and may not represent the economies of scale needed to enter the voluntary carbon offset market.
- There are a variety of reporting standards and regulatory frameworks that are utilized in carbon credit and offset marketplace.
- There are other environmental credit programs that municipalities can participate in.

Next Steps

The federal government has established a new Clean Fuel Regulation (CFR) that allows municipalities to participate in a regulated compliance market, which generates revenue from the operation of fleet owned electric vehicle charging infrastructure. This represents an opportunity for the City to recover costs associated with establishing and growing its electric fleet in a phased manner over time.

Staff plan to proceed with procuring of services to participate in the CFR marketplace. Furthermore, it is not recommended that the City participate in the voluntary carbon offset market to monetize the benefits of GHG emission reduction activities. These reductions should be applied to the City's targets moving forward to ensure that the Corporation achieves its sustainability goals.

As part of the 2024 business plan, Staff will be requesting funding to support a software solution to facilitate the participation within the CFR program.

Should you have any questions about the activities of the branch or the contents of this memo please do not hesitate to contact me at extension 5097.