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This consultation draft is intended to facilitate dialogue concerning its contents. Should the decision be made to proceed with the proposal, the comments received during consultation will be considered during the final preparation of the regulation. The content, structure, form and wording of the consultation draft are subject to change as a result of the consultation process and as a result of review, editing and correction by the Office of Legislative Counsel.

CONSULTATION DRAFT

ONTARIO REGULATION
to be made under the
CLIMATE CHANGE MITIGATION AND LOW-CARBON ECONOMY ACT
ONTARIO OFFSET CREDITS

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PART I
INTERPRETATION

Definitions

1. In this Regulation,

“accredited verification body” has the same meaning as in Ontario Regulation 143/16 (Quantification, Reporting and Verification of Greenhouse Gas Emissions), made under the Act;

“chief officer” means, with respect to an entity, the individual who holds the most senior executive position in the entity, regardless of the actual title of the position;

“compliance account” means an account established under subsection 39 (2) of Ontario Regulation 144/16 (The Cap and Trade Program), made under the Act;

“designated jurisdiction” has the same meaning as in Ontario Regulation 144/16 (The Cap and Trade Program), made under the Act;

“greenhouse gas reduction, avoidance or removal” means a reduction in the emission of greenhouse gas, avoidance of the emission of greenhouse gas or removal of greenhouse gas from the atmosphere;

“holding account” means an account established under subsection 39 (1) of Ontario Regulation 144/16 (The Cap and Trade Program), made under the Act;

“ISO 14064-3” means standard ISO 14064-3, published by the International Organization for Standardization (ISO) and entitled “Greenhouse gases — Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions”, as amended from time to time;

“ISO 14065” means standard ISO 14065, published by the International Organization for Standardization (ISO) and entitled “Greenhouse gases — Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition”, as amended from time to time;

“Ministry” means the Ministry of the Environment and Climate Change;

“non-sequestration initiative” means an offset initiative other than a sequestration initiative;

“offset initiative” means a project that is designed to achieve greenhouse gas reduction, avoidance or removal;

“protocol” means a protocol included in the document entitled “Offset Initiative Protocols for Ontario’s Cap and Trade Program” published by the Ministry and available from the Ministry, as amended from time to time, setting out requirements applicable to a class of offset initiatives for achieving greenhouse gas reductions, avoidances or removals that are real, quantifiable, verifiable and additional;

“reporting period” means a period described in section 12;

“sequestration initiative” means an offset initiative that removes, captures and stores greenhouse gas from the atmosphere;

“start date”, in respect of an offset initiative, means the date determined under section 2.

Start date

2. (1) The start date of a single offset initiative is the first day on which the initiative achieves or achieved a greenhouse gas reduction, avoidance or removal, and shall be determined in accordance with the applicable protocol.

(2) The start date of every offset initiative that is in a group is established by the initiative that was in the group as of the day it was formed that first achieves or achieved a greenhouse gas reduction, avoidance or removal, and is the first day of such reduction, avoidance or removal, and shall be determined in accordance with the applicable protocol.

(3) Once the start date for the offset initiatives that are in a group is determined under subsection (2), it is not affected by the subsequent addition of initiatives to the group.

Protocol

3. (1) The version of a protocol that applies to an offset initiative for the duration of the first crediting period is the version of the protocol as it read on the day the sponsor applied for initial registration of the initiative.

(2) The version of a protocol that applies to an offset initiative for the duration of a subsequent crediting period is the version of the protocol as it read on the day the sponsor applied for the initiative to be eligible for Ontario offset credits in respect of the subsequent crediting period.

PART II REGISTRATION OF OFFSET INITIATIVE

Eligibility criteria for sponsors

4. The eligibility criteria for a sponsor for the initial registration or re-registration of an offset initiative are the following:

1. The sponsor is a registered participant.
2. The sponsor is an individual, a corporation, a partnership or a sole proprietorship.
3. The sponsor is authorized to register or re-register the initiative.
4. The sponsor is an individual who resides in Canada or, if the sponsor is not an individual, the sponsor has an establishment in Canada.
5. No initiative of the sponsor has ever been cancelled under clause 9 (4) (e) or (f) or subsection 9 (5).
6. The sponsor's authority or the designated account representative's authority to deal with emission allowances and credits is not suspended or restricted under the Act.

Eligibility criteria; single offset initiative

5. (1) The eligibility criteria for the initial registration of a single offset initiative are the following:

1. Neither the initiative, nor any component of it, is already registered or listed in any other program that recognises greenhouse gas reductions, avoidances or removals.
2. The initiative is located in Canada, other than in Quebec.
3. The start date of the initiative is on or after January 1, 2007.
4. A protocol applies to the initiative and the initiative satisfies the eligibility criteria in the protocol.
5. The initiative is estimated to achieve greenhouse gas reductions, avoidances or removals equalling at least 1 tonne of CO₂e for any reporting period.

(2) If a single offset initiative was cancelled under clause 9 (4) (a) or (b), the eligibility criteria for re-registration of the initiative are the criteria listed in subsection (1).

(3) If a single offset initiative was cancelled under clause 9 (4) (c), (d), (e) or (f), the eligibility criteria for re-registration of the initiative are,

- (a) the criteria listed in subsection (1); and
- (b) the sponsor applying for re-registration is not the same sponsor as when the initiative was cancelled.

(4) If a single offset initiative was cancelled under subsection 9 (5), the eligibility criteria for re-registration of the initiative are,

- (a) the criteria listed in subsection (1);
- (b) the sponsor applying for re-registration, is not the same sponsor as when the initiative was cancelled; and
- (c) the Ontario offset credits referred to in subsection 9 (5) have been submitted to the Minister.

(5) Upon the re-registration of a single offset initiative, the crediting periods for the initiative are the same as before the cancellation and the new sponsor is deemed to have been the sponsor of the initiative as of the day the initiative was first registered.

Eligibility criteria; offset initiatives in a group

6. (1) The eligibility criteria for the initial registration of an offset initiative that, upon registration, will be in a group, whether or not the group already exists, are the following:

1. The initiative meets all the eligibility criteria listed in subsection 5 (1).
2. The sponsor of the initiative is also the sponsor of any other initiatives that are already in the group, or that the sponsor intends will also be in the group.
3. The version of the protocol that applies to the initiative is the same as the version that applies to the other initiatives in the group.
4. The protocol provides that initiatives may be in a group.
5. The initiative is capable of using the same baseline and the same calculations, as set out in the applicable protocol, to calculate greenhouse gas reductions, removals and avoidances as the other initiatives in the group.

(2) The Director may add an offset initiative that is already registered to an existing group, or may provide that the initiative and one or more other registered initiatives may form a group if,

- (a) the criteria listed in paragraphs 2 to 5 of subsection (1) are met for the initiative; and

(b) no application for Ontario offset credits has ever been made in respect of the initiative.

(3) When registered offset initiatives are in a group, the initiatives shall be treated as a group for all purposes relating to the creation or cancellation of Ontario offset credits.

(4) If an offset initiative that was in a group was cancelled under clause 9 (4) (a) or (b), the eligibility criteria for re-registration of the initiative are,

(a) the criteria listed in subsection (1); and

(b) the sponsor is applying, at the same time, for the re-registration of all the initiatives that were part of the group at the time the initiative was cancelled.

(5) If an offset initiative that was in a group was cancelled under clause 9 (4) (c), (d), (e) or (f), the eligibility criteria for re-registration of the initiative are,

(a) the criteria listed in subsection (1);

(b) the sponsor is applying, at the same time, for the re-registration of all the initiatives that were part of the group at the time the initiative was cancelled; and

(c) the sponsor applying for re-registration, is not the same sponsor as when the initiative was cancelled.

(6) If an offset initiative that was in a group was cancelled under subsection 9 (5), the eligibility criteria for re-registration of the initiative are,

(a) the criteria listed in subsection (1);

(b) the sponsor is applying, at the same time, for the re-registration of all the initiatives that were part of the group at the time the initiative was cancelled;

(c) the sponsor applying for re-registration, is not the same sponsor as when the initiative was cancelled; and

(d) the Ontario offset credits referred to in subsection 9 (5) have been submitted to the Minister.

(7) Upon the re-registration of an offset initiative that is in a group, the crediting periods for the initiative are the same as before the cancellation and the new sponsor is deemed to have been the sponsor of the initiative as of the day the initiative was first registered.

Application for registration or re-registration

7. (1) The sponsor shall provide the following information in an application for initial registration or re-registration of a single offset initiative:

1. The sponsor's name, contact information and signature.
2. The date of the application.
3. The title of the protocol that applies to the initiative.
4. A description of the initiative.
5. The start date or proposed start date of the initiative.
6. The expected duration of the initiative.
7. An estimate of the total amount of greenhouse gas reductions, avoidances or removals that has been achieved or would be achieved by the initiative over a reporting period, expressed in tonnes of CO₂e, calculated in accordance with the applicable protocol.
8. A document signed and dated by the sponsor, or if the sponsor is not an individual, by the chief officer of the sponsor, that includes the following:
 - i. A statement that the sponsor is authorized to register or re-register the initiative, and documentation that supports the statement, including copies of any agreement that is relevant to the authorization.
 - ii. A statement that neither the initiative, nor any component of it, is already registered or listed in any other program that recognises greenhouse gas reductions, avoidances or removals.
 - iii. A statement that the eligibility criteria for initial registration or re-registration of the initiative are met, and information demonstrating that the criteria are met.
 - iv. A statement that the information included in the application is true and accurate.
 - v. An undertaking that the sponsor will comply with the Act, regulations made under the Act and all other applicable legal requirements.
 - vi. A statement that the sponsor consents to the Ministry giving information relating to the sponsor to authorities in designated jurisdictions, when

necessary, for the purposes of the cap and trade program or a corresponding program in a designated jurisdiction.

9. Any other information required under the applicable protocol or by the Director.

(2) The sponsor shall provide the following information in an application for initial registration of an offset initiative where the sponsor is also requesting that the initiative be in a group upon registration, or in an application for re-registration of an initiative that is in a group:

1. The information required under subsection (1).
2. If the sponsor is applying at the same time for the registration of any other initiatives that are intended to be part of the group, a list of the other initiatives.
3. If the sponsor intends that the initiative be part of an existing group of other initiatives that have already been registered, a list of the other initiatives.
4. The total of the estimates given for the purpose of paragraph 7 of subsection (1) for all the initiatives that are to be registered at the same time or that have been registered and are part of the group.
5. A document signed and dated by the sponsor, or if the sponsor is not an individual, by the chief officer of the sponsor, that includes the following:
 - i. A statement that the sponsor is authorized to register or re-register each initiative in the group, and to register or re-register each initiative as part of the group, and documentation that supports the statement, including copies of any agreement that is relevant to the authorization.

(3) The time period within which an application for the initial registration of an offset initiative may be made under subsection (1) or (2) is as follows:

1. The application may be made before the start date of the initiative but not before the day a protocol is published that applies to the initiative.
2. The application shall be made within 18 months after the later of the start date of the initiative and the day the applicable protocol is published.

(4) The sponsor shall provide the following information in an application to add an offset initiative that is already registered to an existing group, or to form a group from two or more registered initiatives:

1. The total of the estimates given for the purpose of paragraph 7 of subsection (1) for all the initiatives that are part of the group or that will be part of the group.

2. A document signed and dated by the sponsor, or if the sponsor is not an individual, by the chief officer of the sponsor, that includes the following:
 - i. A statement that the sponsor is authorized to make the request to add the initiative to the group or to form a group, and documentation that supports the statement, including copies of any agreement that is relevant to the authorization.

Refusal of registration

8. (1) The Director may refuse to register or re-register an offset initiative if,

- (a) the sponsor has been convicted of an offence under the Act, the *Commodity Futures Act*, the *Securities Act* or any other equivalent legislation in the jurisdiction in which the initiative is located;
- (b) the initiative was previously registered and the registration was cancelled under section 9; or
- (c) in the Director's opinion,
 - (i) the sponsor failed to submit to the Director, upon the Director's request, any information relating to the initiative, or to an application or report relating to the initiative, or
 - (ii) the initiative was previously registered and the sponsor failed to comply with a condition of registration imposed by the Director under subsection 34 (6) of the Act.

(2) For the purposes of subsection 34 (10) of the Act, the Director shall give written notice to the sponsor if he or she proposes to refuse to register or re-register an offset initiative, setting out,

- (a) the proposed refusal and the reasons for the proposed refusal; and
- (b) a statement that the sponsor may submit comments in writing to the Director in respect of the proposed refusal no later than five days following the day the notice was given, or within such longer period as provided in the notice.

(3) After considering any comments received from the sponsor in respect of a proposed refusal, the Director shall give the sponsor written notice of the Director's decision.

Cancellation of registration

9. (1) The sponsor of an offset initiative may request that the Director cancel the initiative.

(2) If an offset initiative is in a group, the sponsor may only request the cancellation of an initiative if it also requests the cancellation of all the other initiatives in the group at the same time.

(3) A request for cancellation must be in writing and provide reasons for the request and any other information required by the Director.

(4) The Director may cancel the registration of an offset initiative if,

- (a) the sponsor requests the cancellation under subsection (1);
- (b) at least 24 months, or such longer period as may be established in the applicable protocol, have elapsed since the initiative was registered and the sponsor has not applied under section 14 for the creation of Ontario offsets credits;
- (c) where the sponsor is an individual, the individual dies;
- (d) where the sponsor is a corporation or partnership, the corporation or partnership winds up;
- (e) the sponsor's authority or the designated account representative's authority to deal with emission allowances and credits has been suspended or restricted under the Act;
- (f) in the Director's opinion,
 - (i) the initiative is not being carried out in accordance with the applicable protocol or any other applicable legal requirements;
 - (ii) the sponsor or the initiative ceases to meet any eligibility requirements listed in sections 4, 5 and 6;
 - (iii) the initiative is not eligible for the creation of Ontario offset credits under section 16;
 - (iv) the sponsor failed to submit to the Director, upon the Director's request, any information relating to the initiative, or to an application or report relating to the initiative;
 - (v) the sponsor has been convicted of an offence under the Act, the *Commodity Futures Act*, the *Securities Act* or any other equivalent legislation in the jurisdiction in which the initiative is located; or

- (vi) the sponsor failed to comply with a condition of registration imposed by the Director under subsection 34 (6) of the Act.

(5) The Director shall cancel the registration of an offset initiative if a sponsor fails to submit Ontario offset credits where required by subsection 17 (5) or 20 (4).

(6) If the Director cancels the registration of an offset initiative that is in a group, the Director shall also cancel the registration of the other initiatives in the group.

(7) For the purposes of subsection 34 (10) of the Act, the Director shall give written notice to the sponsor if he or she proposes to cancel the registration of an offset initiative under clauses (4) (b) to (f) or subsection (5), or to refuse to cancel an offset initiative, setting out,

- (a) the proposed cancellation or refusal to cancel and the reasons for the proposed cancellation or refusal; and
- (b) a statement that the sponsor may submit comments in writing to the Director in respect of the proposed cancellation or refusal to cancel no later than five days following the day the notice was given, or within such longer period as provided in the notice.

(8) After considering any comments received from the sponsor in respect of a proposed cancellation, the Director shall give the sponsor written notice of the Director's decision.

Change of sponsor

10. (1) The Director may remove a sponsor from an offset initiative and replace the sponsor with a new entity or individual if,

- (a) the sponsor requests the removal; and
- (b) the new entity or individual meets the eligibility requirements for sponsors and has submitted the document described in subsection (3) and any other information required by the Director.

(2) If a notice of cancellation has been issued in respect of a proposed cancellation under clause 9 (4) (c), (d), (e) or (f) or subsection 9 (5), the Director may decide not to cancel the offset initiative and instead remove the sponsor from the initiative and replace the sponsor with a new entity or individual if,

- (a) the new entity requests it within 30 days after the date of the notice of cancellation;
- (b) the new entity meets the eligibility requirements for sponsors and has submitted the document described in subsection (3) and any other information required by the Director; and

- (c) any Ontario offset credits required to be submitted to the Minister under subsection 17 (5) or 20 (4) have been submitted.

(3) The document referred to in subsections (1) and (2) is a document signed and dated by the individual who wishes to be the new sponsor or, in the case of an entity, by the chief officer of the entity who wishes to be the new sponsor, that includes the following:

1. A statement that the entity or individual would be authorized to register the offset initiative, if it were applying for initial registration, and documentation that supports the statement, including copies of any agreement that is relevant to the authorization.
2. An undertaking that the entity or individual will comply with the Act and regulations made under the Act.
3. A statement that the entity or individual consents to the Ministry giving information relating to the entity to authorities in designated jurisdictions when necessary for the purposes of the cap and trade program or a corresponding program in a designated jurisdiction.

(4) When a sponsor is replaced by a new entity or individual under subsection (1) or (2), the new entity or individual is deemed to have been the sponsor of the offset initiative as of the day the initiative was first registered.

PART III ONTARIO OFFSET CREDITS

Crediting periods

11. (1) A crediting period for a single offset initiative is a period in respect of which Ontario offset credits may be created for greenhouse gas reductions, avoidances or removals achieved by the initiative.

(2) A crediting period for an offset initiative that is in a group is a period in respect of which Ontario offset credits may be created for greenhouse gas reductions, avoidances or removals achieved by any initiative in the group.

(3) The first crediting period for an offset initiative begins on the start date for the initiative.

(4) For non-sequestration initiatives, each crediting period is 10 years or the period specified in the applicable protocol, and for sequestration initiatives, each crediting period is 30 years or the period specified in the applicable protocol.

Reporting periods

12. (1) The reporting periods for a single offset initiative are,

- (a) where the applicable protocol is published on or before the start date of the initiative, the 12-month period beginning on the start date, and each subsequent 12-month period; or
 - (b) where the applicable protocol is published after the start date of the initiative, the period beginning on the start date and ending on the day that is 12 months after the date the initiative is registered, and each subsequent 12-month period.
- (2) The reporting periods for offset initiatives that are in a group are,
- (a) where the applicable protocol is published on or before the start date of the initiatives, the 12-month period beginning on the start date, and each subsequent 12-month period; or
 - (b) where the applicable protocol is published after the start date of the initiatives, the period beginning on the start date and ending on the day that is 12 months after the date of registration of the initiative that established the start date for the group under subsection 2 (2).

Eligibility for offset credits

13. The eligibility criteria for applying for the creation of Ontario offset credits in respect of greenhouse gas reductions, avoidances or removals achieved during a reporting period by a single offset initiative or by offset initiatives that are in a group are the following:

1. The greenhouse gas reductions, avoidances or removals were achieved,
 - i. during the crediting period in which the initiative or initiatives were first registered,
 - ii. during any previous crediting period, if applicable, or
 - iii. during any subsequent crediting period, if the requirements in section 15 are met.
2. The reporting period is wholly or partially within a crediting period for the initiative or initiatives.
3. The initiative or initiatives are registered under subsection 34 (4) of the Act.
4. An initiative report for the reporting period has been prepared in accordance with section 21 and the applicable protocol.

5. A verification report that includes a positive verification statement for the reporting period has been prepared in accordance with sections 22 to 24 and the applicable protocol.

Application for offset credits

14. (1) A sponsor may apply to the Minister for the creation of Ontario offset credits in respect of greenhouse gas reductions, avoidances or removals achieved during a reporting period by a single offset initiative or by offset initiatives that are in a group.

(2) Where offset initiatives are in a group, an application under subsection (1) must be in respect of all greenhouse gas reductions, avoidances or removals achieved during the reporting period by all initiatives in the group.

(3) An application for the creation of Ontario offset credits shall include, at a minimum, the following:

1. An initiative report for the reporting period that was prepared in accordance with section 21 and the applicable protocol.
2. A verification report that includes a positive verification statement for the reporting period that was prepared in accordance with sections 22 to 24 and the applicable protocol.
3. A document signed and dated by the sponsor, or if the sponsor is not an individual, by the chief officer of the sponsor, that includes the following:
 - i. A statement that the sponsor continues to be authorized to be the sponsor for the initiative or initiatives.
 - ii. Any updated versions of documents supporting the statement under subparagraph i, including updated agreements that the sponsor provided with the application for registration of the initiative or initiatives.
 - iii. A statement that the sponsor has not applied for credits in respect of the greenhouse gas reductions, avoidances or removals that are the subject of the application under any program that recognises greenhouse gas reductions, avoidances or removals and will not make an application for such credits while the initiative or initiatives are registered.
 - iv. A statement that the sponsor meets the eligibility criteria in section 13.
 - v. A statement that the information included in the application is true and accurate.

- vi. A statement that the sponsor consents to the Ministry giving information relating to the person to authorities in designated jurisdictions when necessary for the purposes of the cap and trade program or a corresponding program in a designated jurisdiction.

(4) For sequestration initiatives,

- (a) a sponsor shall submit an application for Ontario offset credits for the first reporting period no later than six months after the end of the reporting period; and
- (b) subsequently, the sponsor may apply for Ontario offset credits for up to six reporting periods in one application, which shall be made no later than six months after the end of the last reporting period.

(5) For non-sequestration initiatives, a sponsor shall submit an application for Ontario offset credits for each reporting period no later than six months after the end of the reporting period.

(6) Despite subsection (5), if the amount of greenhouse gas reductions, avoidances or removals achieved during a reporting period by an initiative or by the initiatives in the group is 25,000 tonnes of CO₂e or less, the sponsor may apply for Ontario offset credits for that reporting period and the next reporting period in one application, which shall be made no later than six months after the end of the later reporting period.

(7) The Director may extend a deadline mentioned in subsection (4), (5) or (6) by up to four months.

(8) The Minister may at any time require a sponsor to provide additional information in relation to an application for Ontario offset credits.

Subsequent crediting periods

15. (1) A sponsor may apply for an offset initiative to be eligible for the creation of Ontario offset credits in respect of reporting periods that are wholly or partially within a subsequent crediting period,

- (a) no earlier than 18 months before the expiry of the current crediting period; and
- (b) no later than nine months before the expiry of the current crediting period or such later date as the Minister provides.

(2) Where offset initiatives are in a group, an application under subsection (1) must be in respect of all initiatives in the group.

(3) An application under subsection (1) shall be made to the Minister and shall include,

- (a) a document signed and dated by the sponsor, or if the sponsor is not an individual, by the chief officer of the sponsor, that includes information demonstrating that the eligibility criteria for registration of the offset initiative or initiatives continue to be met; and
- (b) such other information that may be required by the Minister.

(4) If the Minister approves an application under subsection (1), he or she shall provide notice in writing to the sponsor before the end of the current crediting period of the approval in respect of the subsequent crediting period.

(5) The Minister may refuse an application under subsection (1) if,

- (a) the sponsor has been convicted of an offence under the Act, the *Commodity Futures Act*, the *Securities Act* or any other equivalent legislation in the jurisdiction in which the initiative or initiatives are located;
- (b) the sponsor's holding account is suspended under section 25 of the Act;
- (c) the registration for the initiative or initiatives was cancelled under section 9; or
- (d) in the Minister's opinion,
 - (i) the sponsor failed to submit to the Director, upon the Director's request, any information relating to the initiative or initiatives, or to an application or report relating to the initiative or initiatives, or
 - (ii) the sponsor failed to comply with a condition of registration imposed by the Director under subsection 34 (6) of the Act.

(6) The Director shall give written notice to the sponsor if he or she proposes to refuse an application under subsection (1), setting out,

- (a) the proposed refusal and the reasons for the proposed refusal; and
- (b) a statement that the sponsor may submit comments in writing to the Director in respect of the proposed refusal no later than five days following the day the notice was given, or within such longer period as provided in the notice.

(7) After considering any comments received from the sponsor in respect of a proposed refusal, the Director shall give the sponsor written notice of the Director's decision.

(8) A non-sequestration offset initiative shall not be eligible for Ontario offset credits for more than three consecutive crediting periods.

Creation and transfer of credits

16. (1) Upon receiving an application for the creation of Ontario offset credits, the Minister shall, if the Minister is of the opinion that the eligibility requirements are met, create offset credits equal to the lower of,

- (a) the amount of greenhouse gas reductions, avoidances or removals achieved by the offset initiative or the initiatives in the group, as set out in the initiative report under subparagraph 10 i of subsection 21 (1); and
- (b) the amount of greenhouse gas reductions, avoidances or removals achieved by the offset initiative or the initiatives in the group, as set out in the verification report under paragraph 2 of subsection 24 (3).

(2) Despite subsection (1), the Minister shall not create Ontario offset credits under that subsection if, in the Minister's opinion,

- (a) the application for the creation of offset credits is incomplete or an initiative report or verification report submitted with it does not comply with the requirements of this Regulation, the Act or the applicable protocol;
- (b) the amount of greenhouse gas reductions, avoidances or removals set out in the verification report is inaccurate;
- (c) credits have already been created under the Act in respect of the greenhouse gas reductions, avoidances or removals achieved during the reporting period or under another program that recognises greenhouse gas reductions, avoidances or removals;
- (d) the sponsor failed to submit to the Minister or Director, upon the Minister's or Director's request, any information relating to the offset initiative or initiatives or to an application or report relating to the initiative or initiatives;
- (e) a reversal of the initiative or initiatives has occurred or potentially occurred; or
- (f) there has been a violation of a legal requirement that applies to the initiative or initiatives that may have an impact on the amount of greenhouse gas reductions, avoidances or removals achieved during the reporting period.

(3) If the Minister creates Ontario offset credits under subsection (1) the Minister shall,

- (a) for non-sequestration initiatives, retain 3 per cent of the offset credits created;
- (b) for sequestration initiatives, retain the percentage of offset credits created that is specified in the applicable protocol; and

- (c) issue the offset credits to the sponsor by transferring the remaining offset credits into the sponsor's holding account.

(4) If the number of Ontario offset credits retained under clause (3) (a) or (b) is not a whole number when expressed in tonnes of CO₂e, the number shall be rounded up to the nearest tonne.

Credits issued under another program

17. (1) If the Minister is of the opinion that credits were issued under another program in respect of the same greenhouse gas reductions, avoidances or removals for which Ontario offset credits were issued under clause 16 (3) (c), the Minister shall notify the sponsor of his or her opinion and may require the sponsor to provide any information that the Minister requires within 15 days after the date of the notice, or within such longer period as provided in the notice.

(2) If a notice described in subsection (1) has been provided,

- (a) the sponsor is prohibited from transferring emission allowances and credits from the sponsor's holding account to any other account other than transferring emissions allowances and credits into the sponsor's compliance account; and
- (b) the authority of the sponsor's designated account representative to transfer emission allowances and credits held in the sponsor's holding account to any account, other than the sponsor's compliance account, is suspended.

(3) The restrictions described in subsection (2) cease to apply if,

- (a) the number of credits that are removed under paragraph 2 of subsection (4) is sufficient for the purposes of that paragraph;
- (b) the number of credits that are required to be submitted under paragraph 3 of subsection (4) are submitted; or
- (c) the Minister notifies the sponsor that the restrictions cease to apply.

(4) If a notice described in subsection (1) has been provided, the Minister shall take the following steps:

1. The Minister shall cancel offset credits retained under subsection 16 (3) equal to the number of credits that, in the Minister's opinion, were issued under another program.
2. The Minister shall remove from the sponsor's holding account or compliance account the same number of offset credits as were cancelled under paragraph 1.

3. If the sponsor's holding account or compliance account does not have sufficient offset credits for the purposes of paragraph 2, the Minister may issue a notice to the sponsor requiring the sponsor to submit credits equal to the difference.

(5) A sponsor who receives a notice to submit offset credits described in paragraph 3 of subsection (4) shall submit the credits to the Minister within 30 days after receiving the notice, or such longer time as the Minister may provide.

PART IV REVERSALS

When reversal occurs

18. (1) A reversal of a single offset initiative occurs when,

- (a) an error, omission or misstatement is made in one or more initiative reports or verification reports submitted for the initiative such that the number of Ontario offset credits created in respect of the initiative is greater than the number that should have been created by one or more tonnes of CO₂e; or
- (b) one or more tonnes of CO₂e are emitted into the atmosphere from an initiative in respect of which offset credits have previously been created.

(2) For offset initiatives that are in a group, a reversal occurs when,

- (a) an error, omission or misstatement is made in one or more initiative reports or verification reports submitted for initiatives in the group such that the total number of Ontario offset credits created in respect of the initiatives is greater than the number that should have been created by one or more tonnes of CO₂e; or
- (b) one or more tonnes of CO₂e are emitted into the atmosphere from one or more initiatives in the group in respect of which offset credits have previously been created.

(3) The amount of a reversal is,

- (a) for a reversal described in clause (1) (a) or (2) (a), the difference between the number of offset credits that were created and the number that should have been created; and
- (b) for a reversal described in clause (1) (b) or (2) (b), the number of tonnes of CO₂e that were emitted into the atmosphere.

Notice of reversal

19. (1) A sponsor shall, within 30 days after becoming aware that a reversal may have occurred, provide to the Minister a notice that at a minimum includes,

- (a) the name and contact information of the sponsor;
- (b) the title of the protocol that applies to the offset initiative or initiatives;
- (c) a description of the offset initiative or initiatives;
- (d) the start date of the offset initiative or initiatives; and
- (e) the circumstances of and causes for the reversal.

(2) If the Minister is of the opinion that a reversal may have occurred, the Minister may notify the sponsor of his or her opinion and may require the sponsor to provide any information about the reversal that the Minister requires within 30 days after the date of the notice or such longer time as the Minister may provide.

(3) If a notice described in subsection (1) or (2) has been provided, the Minister may issue a notice to a sponsor requiring the sponsor to submit, within 90 days after the date of the notice or such longer time as the Minister may provide,

- (a) a reversal report in respect of a specified period, prepared in accordance with section 21 and the applicable protocol;
- (b) a verification report prepared in accordance with sections 22 to 24 and the applicable protocol; and
- (c) such other information as the Minister considers appropriate in the circumstances.

(4) If a notice described subsection (1) or (2) has been provided,

- (a) the sponsor is prohibited from transferring emission allowances and credits from the sponsor's holding account to any other account other than transferring emissions allowances and credits into the sponsor's compliance account; and
- (b) the authority of the sponsor's designated account representative to transfer emission allowances and credits held in the sponsor's holding account to any account, other than the sponsor's compliance account, is suspended.

(5) The restrictions described in subsection (4) cease to apply if,

- (a) the Minister cancels Ontario offset credits under paragraph 1 of subsection 20 (1);

- (b) the number of credits that are removed under subparagraph 2 ii of subsection 20 (1) or subparagraph 2 ii of subsection 20 (3) is sufficient for the purposes of those paragraphs;
- (c) the number of Ontario offset credits that are required to be submitted under subparagraph 2 iii of subsection 20 (1), subparagraph 2 iii of subsection 20 (3) or subparagraph 2 iii of 20 (5) are submitted; or
- (d) the Minister notifies the sponsor that the restrictions cease to apply.

Cancellation of credits

20. (1) Subject to subsection (2), if the Minister issues a notice under subsection 19 (3) and the sponsor submits a reversal report and a verification report that includes a positive verification statement, the Minister shall take the following steps:

1. If the reversal is a type of reversal listed in the applicable protocol, the Minister shall cancel offset credits retained under subsection 16 (3) equal to the greater of,
 - i. the amount of the reversal as set out in the reversal report under subparagraph 10 i of subsection 21 (1), and
 - ii. the amount of the reversal as set out in the verification report under paragraph 2 of subsection 24 (3).
 2. For all other types of reversals, the Minister shall take the following steps:
 - i. The Minister shall cancel offset credits as described in paragraph 1.
 - ii. The Minister shall remove from the sponsor's holding account or compliance account the same number of offset credits as were cancelled under subparagraph i and retain them.
 - iii. If the sponsor's holding account or compliance account does not have sufficient offset credits for the purposes of subparagraph ii, the Minister may issue a notice to the sponsor requiring the sponsor to submit Ontario credits equal to the difference.
- (2) If the Minister issues a notice under subsection 19 (3) and,
- (a) the sponsor does not submit a reversal report, verification report or positive verification statement; or
 - (b) the sponsor submits a reversal report and a verification report that includes a positive verification statement but the Minister is of the opinion that a report or statement

includes an error, omission or misstatement, or that the requirements of this Regulation or the applicable protocol were not complied with in the preparation of the report or statement,

the Minister shall take the steps described in subsection (3).

(3) For the purposes of subsection (2), the steps are as follows:

1. If the reversal is a type of reversal listed in the applicable protocol, the Minister shall cancel the number of offset credits retained under subsection 16 (3) that were created for the offset initiative or initiatives in the group.
2. For all other types of reversals, the Minister shall take the following steps:
 - i. The Minister shall cancel the number of offset credits retained under subsection 16 (3) that were created for the initiative or initiatives in the group.
 - ii. The Minister shall remove from the sponsor's holding account or compliance account the same number of offset credits as were cancelled under subparagraph i and retain them.
 - iii. If the sponsor's holding account or compliance account does not have sufficient offset credits for the purposes of subparagraph ii, the Minister may issue a notice to the sponsor requiring the sponsor to submit Ontario credits equal to the difference.

(4) A sponsor who receives a notice to submit credits described in subparagraph 2 iii of subsection (1) or subparagraph 2 iii of subsection (3) shall submit the credits to the Minister within 30 days after the date of the notice or such longer time as the Minister may provide.

(5) If the Minister is of the opinion that a reversal may have occurred and there is no sponsor for an offset initiative, the Minister shall take the following steps:

1. If the reversal is a type of reversal listed in the applicable protocol, the Minister shall cancel the number of offset credits retained under subsection 16 (3) that were created for the initiative or initiatives in the group.
2. For all other types of reversals, the Minister shall take the following steps:
 - i. The Minister shall cancel the number of offset credits retained under subsection 16 (3) that were created for the initiative or initiatives in the group.
 - ii. The Minister shall remove from the holding account or compliance account of any registered participant that was a sponsor of the initiative or initiatives the

same number of offset credits as were cancelled under subparagraph i and retain them.

- iii. If the registered participant's holding account or compliance account does not have sufficient offset credits for the purposes of subparagraph ii, the Minister may issue a notice to the registered participant requiring the participant to submit Ontario credits equal to the difference.

PART V REPORTING AND VERIFICATION

Initiative report

21. (1) The following information must be included in an initiative report or reversal report for an offset initiative or for offset initiatives that are in a group:

1. The sponsor's name and contact information.
2. The date of the report.
3. The title and a detailed description of the initiative or initiatives.
4. The title of the protocol that applies to the initiative or initiatives.
5. The start and end dates of the period that the report covers.
6. Sufficient information to accurately identify the location of the initiative or initiatives, and a description of each location.
7. A description, prepared in accordance with the applicable protocol, of the measurement and sampling methods and the equipment and processes used in the quantifications set out in the report.
8. Documentation, prepared in accordance with the applicable protocol, of any analysis of equipment or processes used to quantify greenhouse gas reductions, avoidances or removals achieved, or to quantify the reversal, and of the results of any testing or calibration of such equipment and processes.
9. For an initiative report,
 - i. the total amount of greenhouse gas reductions, avoidances or removals achieved for the reporting period, expressed in tonnes of CO₂e, calculated in accordance with the applicable protocol, and any information and documents used in the calculation,

- ii. calculations related to greenhouse gas sources, sinks and reservoirs, calculated in accordance with the applicable protocol,
 - iii. a description of the leakage assessed in accordance with the applicable protocol, if required by the protocol,
 - iv. information about any violations of legal requirements that apply to the initiative or initiatives and that may have an impact on the amount of greenhouse gas reductions, avoidances or removals achieved during the reporting period and a description of the potential impacts.
10. For a reversal report,
 - i. the total amount of the reversal, expressed in tonnes of CO₂e, calculated in accordance with the applicable protocol, and any information and documents used in the calculation, and
 - ii. calculations related to the total amount of the reversal.
11. Any documents or other information required by the applicable protocol.
12. A document signed and dated by the sponsor, or if the sponsor is not an individual, by the chief officer of the sponsor, that includes the following:
 - i. For an initiative report, a statement that the initiative or initiatives were carried out in accordance with the applicable protocol for the reporting period.
 - ii. A statement that the report was prepared in accordance with this Regulation and the applicable protocol.
 - iii. A statement that the information and documentation provided in the report is true and accurate.
 - iv. A statement that the sponsor consents to the Ministry giving information relating to the initiative or initiatives to authorities in designated jurisdictions when necessary for the purposes of the cap and trade program or a corresponding program in a designated jurisdiction.
13. Any other information required by the applicable protocol, the Director or the Minister.

(2) If the amount described in subparagraph 9 i or 10 i of subsection (1) is not a whole number when expressed in tonnes of CO₂e, the number shall be rounded down to the nearest tonne for an initiative report or up to the nearest tonne for a reversal report.

Verification

22. (1) In verifying an initiative report, the accredited verification body shall do the following:

1. For a single offset initiative, the accredited verification body shall visit the site of the initiative at least once in respect of each initiative report.
2. For offset initiatives that are in a group, the accredited verification body shall visit the site of each initiative in the group at least once in respect of each initiative report, unless otherwise provided in the applicable protocol.
3. If the verification is in respect of the first initiative report after the initial registration or re-registration of an offset initiative or initiatives, or the first initiative report after the start of a subsequent crediting period, the accredited verification body shall assess whether the sponsor and the initiative or initiatives meet the eligibility criteria described in paragraph 4 of subsection 5 (1) and paragraphs 3, 4 and 5 of subsection 6 (1) for the registration of the initiative or initiatives.

(2) In verifying an initiative report or reversal report, the accredited verification body shall comply with,

- (a) clause 6.3 of ISO 14065, as it relates to verification teams;
- (b) clauses 4.2 to 4.10 of ISO 14064-3, as they relate to verification, except for clauses 4.3.1 and 4.3.5; and
- (c) any verification requirements in the applicable protocol.

(3) In verifying an initiative report or reversal report, the accredited verification body shall assess whether the sponsor and the initiative or initiatives meet all applicable eligibility criteria for the creation of Ontario offset credits.

(4) In verifying an initiative report or reversal report, the accredited verification body shall ensure that,

- (a) any person selected to form part of a verification team meets the requirements for a verifier set out in clause 4.1 of ISO 14064-3;
- (b) no person selected to form part of a verification team subcontracts the conduct of verifications to another person;
- (c) each verification is reviewed by a peer reviewer in accordance with clause 8.5 of ISO 14065, as it relates to verification activities; and

(d) before a positive verification statement is prepared, the determination that forms the basis of the statement is reviewed by the peer reviewer.

(5) An accredited verification body shall comply with clause 5.4 of ISO 14065.

(6) An accredited verification body shall not conduct a verification of an initiative report or reversal report if,

(a) the accredited verification body has provided consultancy services as described in subsection (7) to the sponsor within the previous three years; or

(b) the accredited verification body has previously verified six consecutive initiative reports or reversal reports prepared with respect to the offset initiative or initiatives, unless at least three years have passed since the last verification.

(7) An accredited verification body provides consultancy services if it provides any of the following services in respect of an offset initiative or, where initiatives are in a group, in respect of any initiative in the group:

1. Services related to the development of the initiative or an initiative in the group.
2. Calculation and quantification of the greenhouse gas reductions, avoidances or removals achieved by the initiative or an initiative in the group, or of the amount of a reversal.
3. Data measurement, monitoring or recording in respect of the initiative or an initiative in the group.
4. Development or implementation of an information system or performance of internal audits in respect of the initiative or an initiative in the group.

(8) If an accredited verification body ceases to verify initiative reports or reversal reports with respect to an offset initiative after having verified two or more consecutive initiative reports, reversal reports, or any combination of them, in respect of the initiative or initiatives, the accredited verification body shall not verify any such reports for the initiative or initiatives until at least three years have passed since the last verification.

(9) Before completing a verification of an initiative report or a reversal report, an accredited verification body shall assess the potential for any compromised impartiality in conducting the verification and provide a written assessment report to the Director identifying any compromised impartiality.

(10) After verification of an initiative report or a reversal report, the accredited verification body shall, if any potential compromise of its impartiality arises, immediately undertake the assessment mentioned in subsection (9) and submit a written assessment report in accordance with that subsection to the Director.

Verification statement

23. (1) When verifying an initiative report or reversal report, an accredited verification body shall determine, in accordance with this section, whether there is a reasonable level of assurance that the report contains no material discrepancy and whether the report was prepared in accordance with this Regulation and the applicable protocol.

(2) The accredited verification body shall at the end of a verification prepare a positive verification statement that includes the verified amount of greenhouse gas reductions, avoidances or removals achieved during the reporting period, or the verified amount of the reversal, if it has made an affirmative determination of the matters described in subsection (1).

(3) A material discrepancy exists if the percent discrepancy determined by the following formula is 5 per cent or more:

$$PD = \text{SOU} / \text{RR} \times 100$$

where,

PD = per cent discrepancy,

SOU = the net result of summing overstatements and understatements resulting from errors, omissions and misstatements, expressed in tonnes of CO₂e,

RR = for an initiative report, the amount described in subparagraph 9 i of subsection 21 (1) and for a reversal report the amount described in subparagraph 10 i of subsection 21 (1).

(4) A material discrepancy exists if the individual or aggregate effect of one or more errors, omissions or misstatements identified in the course of verification makes it probable that there is a discrepancy of 5 per cent or more in the amount reported under subparagraph 9 i of subsection 21 (1) for an initiative report, or in the amount reported under subparagraph 10 i of subsection 21 (1) for a reversal report.

(5) If the accredited verification body prepared a positive verification statement under subsection (2), it shall submit the statement to the sponsor and shall ensure that the verification statement also meets the requirements of clause 4.9 of ISO-14064-3.

Verification report

24. (1) An accredited verification body shall prepare a verification report in respect of an initiative report if it prepared a positive verification statement for the report under subsection 23 (2).

(2) An accredited verification body shall prepare a verification report in respect of every reversal report.

(3) A verification report shall set out, at a minimum, the following:

1. The positive verification statement prepared in accordance with section 23, if any.
2. The amount of greenhouse gas reductions, avoidances or removals achieved over the reporting period, or the amount of the reversal, as verified by the accredited verification body, determined as follows:

$$VA = RR - SOU$$

where,

VA = amount of the greenhouse gas reductions, avoidances or removals achieved over the reporting period, or the amount of the reversal, as verified by the accredited verification body,

RR = for an initiative report, the amount described in subparagraph 9 i of subsection 21 (1) and for a reversal report the amount described in subparagraph 10 i of subsection 21 (1),

SOU = the net result of summing overstatements and understatements resulting from errors, omissions and misstatements, expressed in tonnes of CO₂e.

3. A description of the objectives and scope of the verification and the criteria applied in conducting the verification.
4. A description of the data and information supporting the verification report.
5. Details of the independent quantifications and checking of the data and other information supporting the verification report.
6. A record of any error, omission, misstatement or non-compliance identified during the verification.
7. A record of any corrections made to the initiative report or reversal report as a result of the identification of anything mentioned in paragraph 6.

8. An assessment of the data management systems.
9. A summary of conclusions.
10. The dates on which the accredited verification body visited the site or sites of the offset initiative or initiatives.
11. Any other information required by the protocol or by the Minister.
12. The verification and sampling plan prepared by the accredited verification body.

(4) If the amount described in paragraph 2 of subsection (3) is not a whole number when expressed in tonnes of CO₂e, the number shall be rounded down to the nearest tonne for an initiative report or up to the nearest tonne for a reversal report.

(5) An accredited verification body shall provide a copy of a verification report to the sponsor on or before the date the verification statement is submitted to the sponsor.

PART VI MISCELLANEOUS

Records

25. (1) A sponsor shall keep all records related to an offset initiative in a paper or electronic format for at least seven years after the end of the last crediting period for the initiative.

(2) An accredited verification body shall keep each of the following records in a paper or electronic format for at least seven years after the end of the last crediting period for the offset initiative:

1. Documents and records generated during a verification.
2. Verification statements.
3. Verification reports.
4. All documents upon which the conclusions in a verification statement or a verification report were based.

PART VII COMMENCEMENT

Commencement [commencement]