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| Policy Title: Internal Cost of Carbon | Policy Number: P94 |
| Policy Category: Finance | |
| Approval Date: January 24, 2023 | Policy Owner: Financial Services |
| Approved by: CVRD Board | File Reference: 0340-50 |

1. PREAMBLE

The Comox Valley Regional District (CVRD) is a signatory to the BC Climate Action Charter, which included a commitment to be carbon neutral in our corporate operations. In 2021, the CVRD embarked on an update to the 2011 Corporate Energy Plan. This Corporate Energy and Emissions Plan (CEEP) was presented to the board on May 31, 2022, and endorsed.

The plan includes the target of reducing corporate greenhouse gas (GHG) emissions by 50 per cent below 2019 corporate emissions levels by 2030 and achieving net zero corporate emissions status by 2050. These GHG emission reduction targets are in line with provincial, federal and global targets and represent a shift away from carbon neutral (balancing emissions with offsets) and toward overall reductions in carbon emissions. Utilizing an internal cost of carbon will help account for the impacts of GHG emissions and support decision-making.

2. PRINCIPLES

- a) To define methods of incorporating energy and emissions factors into the financial planning process.
- b) To build a reserve fund to be used for future carbon reduction projects.
- c) To act as a tool to incentivize the implementation of carbon reduction initiatives.
- d) To educate, inform and direct the development of future capital project planning within all CVRD services.

3. PURPOSE

- a) The purpose of the Internal Cost of Carbon Policy is to enhance CVRD decision-making by implementing a corporate carbon pricing policy. Setting a corporate carbon price is an established approach to better account for the social, environmental and economic benefits of reducing carbon pollution. The carbon price is used to inform decision-making with respect to assets or operations to help the CVRD reach its climate change targets.
- b) Secondly, the policy establishes a cost of carbon reserve fund. The internal cost of carbon reserve fund will provide an added method to set aside an amount per tonne of emissions which will then be used to implement future emission reduction projects. The CVRD is committed to implementing emission reduction opportunities and meeting goals set within climate action plans. Funds will be transferred into the reserve on the basis of the carbon price.

- c) The objectives of the Internal Cost of Carbon Policy are:
- i. To formalize the CVRD's desire to reach energy and emission targets through real reductions over the purchase of carbon offsets.
 - ii. To ensure dedicated funds exist to study and implement energy and emissions projects.
 - iii. To ensure life cycle cost analysis is considered as part of the decision-making process, this analysis is to include calculations for GHG emissions and social, environmental and economic benefits. The life cycle cost analysis will be conducted for both operational and capital-type initiatives. Examples include the purchase of fleet vehicles and equipment, acquiring existing buildings or building new ones, upgrading existing buildings, acquisition of parklands, and procuring energy sources as well as general goods and services.
 - iv. To have the Asset Management Policy and Plans updated to include the goals of this policy.
 - v. To provide a mechanism to reduce the financial risk of increased operating costs associated with rising external energy costs over the lifetime of a CVRD project or initiative.

4. SCOPE

This policy applies to all CVRD Board Directors and staff.

5. DEFINITIONS

Greenhouse gas (GHG): Any gas that has the property of absorbing infrared radiation (net heat energy) emitted from the Earth's surface and reradiating it back to the Earth's surface. Carbon dioxide and methane are the main greenhouse gases.

Life cycle cost analysis: Process to establish the net present value of all costs and revenues associated with a project or initiative over its expected life. The analysis considers all the costs associated with obtaining, owning, and disposing of an investment. This analysis is especially useful where a project comes with multiple alternatives, and all of them meet requirements, but they differ with regard to the initial investment as well as the ongoing operating costs. Applicable GHG emissions will be used to calculate a value based on the carbon price identified in this policy which will be included in this analysis.

Reserve fund: Savings set aside to cover unexpected costs or future financial obligations. Board approval is required to create, change, contribute, or withdraw from reserve funds.

Carbon price: The total dollar value (including any provincial and federal carbon taxes) assigned by the CVRD to one tonne of CO₂e.

6. POLICY STATEMENTS

- a) Emission reductions must be real and measurable in accordance with international standards. Emission reductions must be permanent so that the stored or avoided carbon is never released back into the atmosphere.
- b) The carbon price is set at \$160, net of the provincial carbon tax paid by each service, for 2023, with costs escalations of six per cent annually thereafter, as noted in the CVRD's Corporate Energy and Emissions Plan. These factors remain until the CEEP is updated in future years.

- c) Contributions into the internal cost of carbon reserve fund will be calculated and set annually as part of the annual financial planning process. The cost of carbon and contribution to reserve will be calculated based on the most recently completed corporate emissions inventory as prepared by Planning and Development Services.
- d) Annual operational departmental Corporate Energy and Emissions Work Plans will be developed and will align with the relevant capital and operating service budgets.
- e) Where possible, life cycle cost analysis assessments will be incorporated into the appropriate stages of operational and capital projects, and options for energy efficiency and GHG reductions will be considered, evaluated and quantified.
- f) The internal cost of carbon reserve funds will be used for GHG emission reduction projects, and approval of projects shall be at the discretion of the board; recommendations will be made through the annual budget process.
- g) An overall CVRD reserve fund will be established, and it will not be maintained on a service basis.

Transparency and Monitoring

Updates on corporate GHG emissions will be provided to the board regularly. Progress towards goals will be tracked and communicated to the public.

7. ROLES AND RESPONSIBILITIES

- a) CVRD Board
 - Authorize the creation of the Internal Cost of Carbon Reserve Fund.
 - Through the annual financial planning process, approve the transfers to the reserve.
 - Endorse the use of funds from the reserve.
- b) Planning and Development Services
 - Support the implementation of the CEEP.
 - Assist departments in the creation of Energy and Emissions Operational Work Plans.
 - Make recommendations to the board for the use of reserve funds.
 - Maintain the corporate and departmental GHG inventory; update inventory annually.
- c) Financial Services
 - Annual calculation of the internal cost of carbon per department, incorporating these figures into the annual budget.
 - Maintain reserve funds, including annual allocation or interest.
 - Assist departments with life cycle costing analysis and ensure this decision-making information is included with relevant capital and or operating projects put forth during the budget process.
 - Assist planning with the development of Energy and Emissions Operational Work Plans; ensure alignment between initiatives included within departmental plans and budgets.
 - Incorporate principles of the CEEP into the corporate Asset Management Program.

d) All Staff

- Utilize the cost of carbon to guide decisions on operational and capital initiatives.
- Incorporate the cost of carbon into life cycle cost analysis and asset management plans.
- Utilize Energy and Emissions Operational Work Plans to support the implementation of GHG reduction initiatives.

REVISION HISTORY

| Approval Date | Approved By | Description of Change |
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