

Ministry of Environment

Technology Fund Annual Report 2019-20

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Letters of Transmittal



The Honourable
Dustin Duncan
Minister of
Environment

Office of the Lieutenant Governor of Saskatchewan

I respectfully submit the Annual Report for the Saskatchewan Technology Fund, pursuant to section 23.5 of *The Management and Reduction of Greenhouse Gases Act*, for the fiscal year ending March 31, 2020.

A handwritten signature in black ink, appearing to read 'Dustin Duncan'.

Dustin Duncan
Minister of Environment



Sarah Harrison
Deputy Minister of
Environment

The Honourable Dustin Duncan
Minister of Environment

Dear Minister:

I have the honour of submitting the Annual Report for the Saskatchewan Technology Fund, pursuant to section 23.5 of *The Management and Reduction of Greenhouse Gases Act*, for the fiscal year ending March 31, 2020.

A handwritten signature in black ink, appearing to read 'Sarah Harrison'.

Sarah Harrison
Deputy Minister of Environment

Introduction

The Saskatchewan Technology Fund was established in law through section 23.1 of *The Management and Reduction of Greenhouse Gases Act, 2018*. The Minister of Environment is required, through section 23.5 of the Act, to submit an annual report to the Legislative Assembly of Saskatchewan that highlights the business of the Fund.

Because the Fund was not yet operational in 2019-20, the purpose of this annual report is to provide an update on progress made towards the Fund's development and implementation over the fiscal year.

Fund Overview

With the 2017 launch of *Prairie Resilience: A Made-in-Saskatchewan Climate Change Strategy*, the province committed to developing a Saskatchewan Technology Fund. The Fund's purpose is to enable investment in transformative technologies and innovation to reduce greenhouse gas (GHG) emissions in the province.

The legislative and regulatory framework for the Fund is established through the Act and *The Management and Reduction of Greenhouse Gases (Standards and Compliance) Regulation*. Steps toward the design, development and implementation of the Fund have been taken in 2019-20, and will continue into the next fiscal year.

Innovation Saskatchewan will administer the Fund separately from the General Revenue Fund. It will primarily consist of two payment sources: compliance payments from regulated emitters under the Ministry of Environment's output-based performance standards (OBPS) program, and penalty payments from emitters under *The Oil and Gas Emissions Management Regulation* (OGEMR), administered by the Ministry of Energy and Resources. Initial payments from emitters under both streams are not expected until 2021.

The OBPS and OGEMR deposits will be administered separately. For the OBPS pool, the Fund will serve as both a compliance mechanism and a funding program for regulated emitters. Emitters who exceed their permitted emissions may make a payment into the Fund at the rate established for that year by the Lieutenant Governor in Council.

Moneys from the Fund will then be allocated to successful projects that drive innovation and reduce GHG emissions at regulated facilities, through a competitive and criteria-based application process. Decision-making on the funding of projects will rest with the Minister of Environment, who will receive

recommendations from an advisory committee made up of representatives from the OBPS regulated community.

The OGEMR portion will be held separately from the rest of the Fund and administered by the Ministry of Energy and Resources. A memorandum of understanding will be developed between the Ministry of Energy and Resources, the Ministry of Environment and Innovation Saskatchewan to establish terms of service, and roles and responsibilities pertaining to administration of the Fund. The OGEMR portion will prioritize methane capture and commercialization projects, as well as other emissions management projects in the oil and gas sector.

Planning for the design, development and implementation of the Fund and its related structure and programming was ongoing in 2019-20, and will continue in 2020-21. An advisory committee for the OBPS portion of the Fund has been established and members are expected to be appointed in 2020. That committee will then make recommendations on the governance and administration of the Fund to the Minister of Environment.

Progress in 2019-20

Key Actions

Working within the parameters established in the Act and the Regulation, various steps were taken in 2019-20 to advance the Fund's implementation.

In spring 2019, the Ministry of Environment led a stakeholder engagement process to solicit input from members of the regulated community on a range of Fund design elements. A discussion paper was circulated to stakeholders in April 2019, and an in-person engagement session was held in May 2019. That process culminated in a [What We Heard](#) document summarizing stakeholder perspectives, which continues to be drawn upon to help inform decision-making related to the Fund.

In November 2019, administration of the Fund was delegated to Innovation Saskatchewan. This decision was informed by feedback collected through the engagement process, during which stakeholders expressed a preference for the Fund to operate at arm's length from government. Delivery of the Fund through Innovation Saskatchewan will meet that stakeholder expectation.

In December 2019, the Saskatchewan Technology Fund Advisory Committee was established. The committee will comprise six voting members representing the diversity of the regulated community, and two non-voting members from the Ministry of Environment and Innovation Saskatchewan. Members were not appointed in 2019-20.

The rate of payment for compliance with provincial GHG regulations is set annually by the Government of Saskatchewan. Effective January 1, 2020 the price for 2020 emissions was set at \$30 per tonne of

carbon dioxide equivalent (CO₂e). This was a \$10 increase from the rate of payment for 2019 emissions, which was \$20/tonne of CO₂e.

Prairie Resilience committed to three flexible compliance options for OBPS regulated emitters. If a facility exceeds its permitted emissions in a year, the regulated emitter may fulfill its compliance obligation by making a payment to the Fund at the established rate, or by using performance credits or offset credits.

2020 and Beyond

Next Steps for 2020

The appointment of members to the advisory committee is anticipated to occur in 2020. The committee will then convene and recommend a standard on governance and administration for the Fund to the Minister of Environment. The ministry will provide support in drafting that standard. Once the Fund is operational, the advisory committee will have an ongoing role of recommending successful projects for funding.

Oversight of the OGEMR portion was delegated to the Ministry of Energy and Resources in 2020. Although the OGEMR and OPBS pools will be administered separately, the Fund will be a single holding under Innovation Saskatchewan. A memorandum of understanding between Innovation Saskatchewan, the Ministry of Environment and the Ministry of Energy and Resources will be developed to establish terms of service, roles and responsibilities for the administration of the Fund.

The Minister of Environment has a statutory requirement under the Act to submit an annual report on the business of the Fund to the Legislative Assembly. Future annual reports are expected to be tabled in the Legislature in coordination with Ministry of Environment reporting processes.

Other Anticipated Milestones

The Fund will be considered operational after money is first deposited. Initial compliance payments under OBPS, and penalty payments under OGEMR, are due in 2021. However, particularly for OBPS, it is possible the Fund could go unutilized as a compliance option in 2021, should regulated emitters choose to only use performance or offset credits to satisfy any compliance obligations they may owe.

Timing of the first intake of applications for projects will be determined based on the moneys available in the Fund, following compliance payments.

Financial Summary

Under section 23.5 of the Act, the Minister is required to provide an annual audited financial statement on the business of the Fund, subject to the approval of the Provincial Auditor. In 2019-20, there were no financial transactions through the Fund, and therefore no financial statements to audit.

Audited financial statements will commence after payments are deposited in the Fund. First compliance and penalty payments are anticipated, at the earliest, in 2021.

To date, all costs associated with development of the Fund have been expensed out of the Ministry of Environment's budget. This has primarily included staff time for ministry officials, and minor incidental costs related to stakeholder engagement. Those expenses are included in the 2019-20 annual report and audited financial statements for the Ministry of Environment.

Additional initial administrative costs for the Fund will be expensed out of Ministry of Environment and Innovation Saskatchewan budgets. Operational costs to support the advisory committee, once appointed (such as *per diems* and reimbursement entitlements) will be expensed out of the Ministry of Environment budget. Costs associated with establishing and delivering application intakes and adjudication processes will be expensed through Innovation Saskatchewan.

For More Information

The Ministry of Environment welcomes your comments and questions.

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This annual report is also available electronically at saskatchewan.ca/environment.