

Notification of Environmental Measure for the purposes of the Internal Trade Secretariat

1. Jurisdiction

Quebec Government

2. Status of Notification

Public consultation on a draft regulation.

3. Date when comment period closes

March 3, 2008

4. Date of coming into force

Will be determined when regulation is passed.

5. Issue

The transportation sector is a primary greenhouse gas (GHG) emitter in Québec, accounting for 38% of total emissions. In the period from 1990 to 2003, emissions associated with this sector rose 20%, which is why several measures in the Quebec Climate Change Action Plan target this sector. The key measure is worded as follows: “Utilize the necessary mechanisms to require manufacturers of light-duty vehicles sold in Québec to meet a GHG emissions standard starting in 2010.” This measure alone will prevent the release of 1.7 million metric tonnes (Mt) of GHG emissions in 2012 and 3.3 million Mt by 2016.

The Ministry of Sustainable Development, Environment and Parks drafted this measure based on standards adopted by California in 2004. The Californian standards have been or are in the process of being passed by some 15 US States, including most of the Northeastern States neighbouring Québec. Several Canadian provinces have also said that they intend to adopt similar standards. As a whole, the provinces and states planning to adopt standards similar to the Californian standards represent close to 50% of the North American car market.

6. Official name

Draft regulation on greenhouse gas emissions from motor vehicles and fees for excess emissions.

7. Key words

Greenhouse gas emissions, passenger vehicles, light trucks, automobile manufacturers, greenhouse gas emission standards.

8. Legal reference

**REGULATION ON GREENHOUSE GAS EMISSION FROM MOTOR VEHICLES
AND FEES FOR EXCESS EMISSIONS**

Environment Quality Act

(R.S.Q., c. Q-2, s. 31, 1st par., ss. *a, c, d, e, e.1, h* and *l*, 109.1 and 124.1)

9. Category

Draft regulation

10. Contact

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11. Summary

The purpose of the draft Regulation on greenhouse gas emissions from motor vehicles and fees for excess emission is to introduce emission standards similar to those adopted by the State of California in 2004, for new vehicles sold, leased or marketed in Québec. The regulation covers model years 2010 to 2016. Each carmaker (or any person concerned by the regulation) must ensure, every year from 2010 to 2016, that the average GHG emissions from its fleet does not exceed the standards set in the draft regulation, or fees will be imposed for all vehicles that exceed the standard, for each vehicle category. The proposed standards will become more restrictive over time and will vary by vehicle model and manufacturer size. The draft Regulation, like the Californian regulations, establishes one standard for each model year and vehicle category. Category 1 includes vehicles for the transportation of a maximum of 12 people with a maximum gross vehicle weight of 3,855 kg, as well as vehicles for the transportation of goods with a maximum load of 1,705 kg. Category 2 includes vehicles for the transportation of a maximum of 12 people with a maximum gross vehicle weight of more than 3,855 kg but less than 4,535 kg, as well as vehicles for the transportation of goods with a load of more than 1 705 kg but less than 3,855 kg. Credits will be awarded to carmakers who meet the standards and may be exchanged for the purposes of the regulation.

12. Date of Notification

January 7, 2008

Draft Regulations

Draft Regulation

Environment Quality Act
(R.S.Q., c. Q-2)

Greenhouse gas emissions from motor vehicles and fees for excess emissions

Notice is hereby given, in accordance with sections 10 and 11 of the Regulations Act (R.S.Q., c. R-18.1) and section 124 of the Environment Quality Act, that the draft Regulation respecting greenhouse gas emissions from motor vehicles and fees for excess emissions, appearing below, may be made by the Government on the expiry of 60 days following this publication.

To improve protection for the environment with regard to the increase in the greenhouse effect, while helping to preserve fossil fuels and other non-renewable energy sources, this draft Regulation targets a reduction in greenhouse gas emissions from motor vehicles used for the transportation of persons and goods.

The draft Regulation sets maximum greenhouse gas emission standards for vehicle fleets of new motor vehicles for the 2010 to 2016 model years. However, motor vehicle manufacturers with sales of fewer than 12,000 new motor vehicles per year, and that are in no manner part-owned by a manufacturer with sales of over 12,000 new motor vehicles per year, will be required to comply with the maximum 2012 greenhouse gas emission standards only by the 2016 model year. The Regulation also provides for the payment of fees if emission standards are not met, to assist in the achievement of those standards and ensure that the conditions for the marketing of motor vehicles are more closely aligned with the “polluter pays” principle, and to internalize all the costs that greenhouse gas emissions may cause for society.

The maximum greenhouse gas emission standards established by the draft Regulation are directly based on the standards adopted by the State of California and concern all fleets of new motor vehicles initially sold, leased or otherwise placed in service in Québec.

A study of the economic impact of the draft Regulation has not shown that it will have any major negative impact on the economy or the motor vehicle industry in Québec. The technological changes made to new vehicles will, in fact, help consumers reduce the cost of operating a motor vehicle thanks to reduced fuel consumption.

The impact of the draft Regulation on enterprises will be minimal in Québec, given the physical and technological integration of the motor vehicle market in Canada and the United States, and the fact that sales of new motor vehicles in the provinces and states that plan to adopt the California standards represent almost 40% of all motor vehicle sales in North America.

Additional information may be obtained from Marcel Gaucher, Direction des politiques de l’air, Ministère du Développement durable, de l’Environnement et des Parcs; telephone: 418 521-3828, extension 4358; fax: 418 646-4920.

Any person wishing to comment on the draft Regulation is requested to submit comments in writing to Charles Larochelle, Director, Direction des politiques de l’air, Ministère du Développement durable, de l’Environnement et des Parcs, édifice Marie-Guyart, 675, boulevard René-Lévesque Est, 6^e étage, boîte 30, Québec (Québec) G1R 5V7, within the 60-day period.

LINE BEAUCHAMP,
*Minister of Sustainable Development,
Environment and Parks*

Regulation respecting greenhouse gas emissions from motor vehicles and fees for excess emissions

Environment Quality Act
(R.S.Q., c. Q-2, ss. 31, 1st par., subpars. a, c, d, e, e.1, h and l, 109.1 and 124.1)

CHAPTER I OBJECT, SCOPE AND DEFINITIONS

1. This Regulation seeks to achieve the objective of reducing emissions of manmade greenhouse gases likely to cause climate change and threaten environment quality, and promotes a more rational use of non-renewable natural resources.

To that end, the Regulation specifies the maximum greenhouse gas emission standards that must be met, starting in 2010, by various categories of motor vehicles and, to assist in the achievement of the desired result, establishes a system of fees for emissions in excess of the maximum standards. The Regulation also recognizes

the possibility, for certain persons, of earning credits and trading them to achieve the target reduction.

To ensure as much flexibility as possible in the achievement of the desired result, and to make the required reductions progressive, this Regulation sets maximum emission standards for broad categories of motor vehicles covering a range of models, and bases the calculation of fees on the effort made to reduce the emissions of a vehicle fleet as a whole.

2. This Regulation applies to motor vehicles within the meaning of section 4 of the Highway Safety Code (R.S.Q., c. C-24.2) that

(1) are fuelled wholly or partly by gasoline or diesel fuel or, in the case of hybrid vehicles, partly by gasoline or diesel fuel and partly by electricity;

(2) belong to the 2009 model year or a later model year;

(3) are initially sold, leased or otherwise placed in service in Québec; and

(4) are intended for the transportation of up to 12 persons and have a gross vehicle weight not exceeding 4,535 kg, or for the transportation of goods and have a gross vehicle weight not exceeding 3,855 kg.

Mopeds, motorcycles, emergency vehicles, tool vehicles and off-highway vehicles within the meaning of section 4 of the Highway Safety Code are excluded.

3. The following definitions apply for the purposes of this Regulation:

“CO₂ equivalent” means a metric measurement used to compare emissions of various greenhouse gases based on their global warming potential (GWP). The CO₂ equivalent of a gas is calculated by multiplying the number of grams of the gas by its GWP; (*équivalent CO₂*)

“curb weight” means, for a new vehicle, the combined weight of the chassis with cab in running order and the bodywork, including tools, spare wheel, and fully-filled coolant, oil and fuel tanks; (*poids à vide*)

“global warming potential” (GWP) means a unit used to measure the effect of a greenhouse gas on global warming compared to carbon dioxide (CO₂), over a given period of time. Defined by the Intergovernmental Panel on Climate Change (IPCC), the GWP of CO₂ over a period of 100 years is equal to 1, that of methane (CH₄) is equal to 21, and that of nitrous oxide (N₂O) is equal to 310; (*potentiel de réchauffement de la planète*)

“greenhouse gas” (GHG) means a gas, such as carbon dioxide (CO₂), methane (CH₄) and nitrous oxide (N₂O), the emission of which contributes to the greenhouse effect, measured in grams of CO₂ equivalent; (*gaz à effet de serre*)

“gross vehicle weight” means the gross vehicle weight rating specified by a motor vehicle manufacturer for a vehicle, including accessories, equipment and loads; (*poids maximal brut*)

“large volume manufacturer” means a vehicle manufacturer that, for the 2006 model year, placed at least 12,000 vehicles from its vehicle fleet in service in Québec or that, after the 2006 model year, places at least 12,000 vehicles from its vehicle fleet in service in Québec in each of three consecutive years, as well as any other manufacturer acquired in whole or in part by a manufacturer that has placed at least 12,000 vehicles from its vehicle fleet in service in Québec; (*grand constructeur*)

“loaded vehicle weight” means the curb weight plus 136 kg; (*poids avec charge*)

“other manufacturer” means a vehicle manufacturer that, for the 2006 model year, placed fewer than 12,000 vehicles from its vehicle fleet in service in Québec or that, after the 2006 model year, places fewer than 12,000 vehicles from its vehicle fleet in service in Québec in each of three consecutive years; (*autre constructeur*)

“vehicle fleet” means all the motor vehicles, of whatever make, placed in service in Québec by a vehicle manufacturer. (*parc automobile*)

For the purposes of this Regulation, “person” includes a municipality within the meaning of section 1 of the Environment Quality Act (R.S.Q., c. Q-2).

4. This Regulation applies in a reserved area and an agricultural zone established under the Act respecting the preservation of agricultural land and agricultural activities (R.S.Q., c. P-41.1).

CHAPTER II GREENHOUSE GAS EMISSION STANDARDS

DIVISION I MAXIMUM EMISSION STANDARDS

5. For the purposes of this Regulation, motor vehicles are divided into two categories, based on their characteristics and gross vehicle weight:

(1) category 1, which comprises vehicles designed for the transportation of up to 12 persons and having a

gross vehicle weight not exceeding 3,855 kg, as well as vehicles designed for the transportation of goods and having a loaded vehicle weight not exceeding 1,705 kg;

(2) category 2, which comprises vehicles designed for the transportation of up to 12 persons and having a gross vehicle weight exceeding 3,855 kg but not exceeding 4,535 kg, as well as vehicles designed for the transportation of goods and having a loaded vehicle weight exceeding 1,705 kg but a gross vehicle weight not exceeding 3,855 kg.

Motor vehicles are also distinguished by the fact that their make is, or is not, the make of a large volume manufacturer.

6. The fleet average emission requirement for a large volume manufacturer, for each category and for a given model year, is shown in the following table. The maximum is expressed in grams of CO₂ equivalent per kilometre:

Model year	Maximum greenhouse gas emission standards “large volume manufacturer”	
	Category 1	Category 2
	Grams of CO ₂ equivalent/km	Grams of CO ₂ equivalent/km
2009	201	273
2010	187	261
2011	166	242
2012	145	224
2013	141	221
2014	138	217
2015	132	212
2016	127	206

7. The fleet average emission requirement for an other manufacturer, for each category and for the 2016 model year, is the maximum average emission shown for the 2012 model year in the table in section 6.

DIVISION II CALCULATION OF EMISSIONS

8. The greenhouse gas emission of a motor vehicle of a given model year is calculated by establishing the average fuel consumption of the vehicle in litres per kilometre (A) and by converting the result into emission grams (B) using the following formula:

(1) (A): the average fuel consumption is calculated by adding 55% of the vehicle’s city fuel consumption to 45% of its highway consumption, and by dividing the result by 100 to express the result in litres per kilometre.

The fuel consumption figures used are the fuel consumption figures per 100 kilometres given in the “Fuel Consumption Guide” published by Natural Resources Canada for the model year and type of motor vehicle concerned.

The Fuel Consumption Guide is published annually by Natural Resources Canada; it is also available on the website <http://oee.nrcan.gc.ca/transportation/personal-vehicles-initiative.cfm?attr=8>, and at the address <http://oee.nrcan.gc.ca/transportation/tools/fuelratings/fuel-consumption.cfm?attr=8>. In the event of a discrepancy between the printed version of the Guide and the data available on-line, in particular following an update of the data on the website, the website data prevails;

(2) (B): the quantity of greenhouse gas (GHG) emission of a motor vehicle is calculated by multiplying the vehicle’s average fuel consumption obtained in (A) by the CO₂-equivalent emission factor for a fuel.

The CO₂-equivalent emission factor is the sum obtained after multiplying the direct GHG emission factors for each of the three gases (CO₂, CH₄, N₂O) by their respective global warming potential (GWP).

The CO₂-equivalent emission factors to be used by the persons referred to in section 9 are as follows:

(1) for motor vehicles powered wholly or partly by gasoline:

(a) 2,412 g/l for vehicles in Category 1;

(b) 2,440 g/l for vehicles in Category 2;

(2) for motor vehicles powered wholly or partly by diesel:

(a) 2,799 g/l for motor vehicles in Category 1;

(b) 2,800 g/l for motor vehicles in Category 2.

CHAPTER III VEHICLES INITIALLY SOLD, LEASED OR OTHERWISE PLACED IN SERVICE IN QUÉBEC

DIVISION I EMISSIONS ASSESSMENT AND CALCULATION OF CREDITS AND FEES

§1. *Person responsible*

9. The responsibility for assessing compliance with the maximum emission standard prescribed by section 6 or section 7 falls to the vehicle manufacturer or to the person who is entitled to use, in Québec, the trademark, name or distinctive sign that identifies or is used to market the type of motor vehicle concerned.

If that person has no domicile or establishment in Québec, the person responsible is,

(1) where a point of retail sale or leasing of motor vehicles is supplied or operated under a franchise, chain, banner or other similar type of affiliation or grouping of businesses or business establishments, the person who offers the franchise or owns the chain, banner or group; if that latter person has no domicile or establishment in Québec, the person responsible is that person's representative in Québec; or

(2) if there is no such person, or if the vehicle is placed in service otherwise than in a manner covered by subparagraph 1, the retailer.

The person responsible is required to pay fees, is entitled to earn credits, and is required to file the annual report under Division II.

10. Compliance with the maximum emission standards in sections 6 and 7 must be assessed by the person responsible under section 9, separately for each category of motor vehicle.

Compliance is assessed by the person for the entire fleet of motor vehicles initially sold, leased or otherwise placed in service in the year in a given category, by adding all the emissions attributable to the motor vehicles per given model year, expressed in grams and calculated pursuant to section 8, and by dividing the result by the total number of vehicles of that model year in that category.

The resulting average emission value is expressed in grams per vehicle and compared to the applicable maximum standard. If the value is lower than the prescribed maximum standard, the person may be allocated a credit; if not, a fee is charged for the excess, according to the

timeframe and conditions set out in the following provisions.

§2. *Allocation of credits*

11. Credits allocated pursuant to section 10 are expressed in grams.

For each person responsible under section 9, the total of the credits for each category of motor vehicles is calculated by determining the difference between the average emission value calculated pursuant to section 10 and the applicable maximum standard under section 6 or 7, and by multiplying the result by the total number of vehicles taken into account in establishing the average emission value of the vehicles in the category.

12. Credits may be allocated to a person responsible under section 9 who, for the 2006, 2007 or 2008 model year, complies with the standards set for the 2012 model year for the motor vehicle category. The person must prove compliance to the Minister of Sustainable Development, Environment and Parks. The credits are considered as if they had been allocated in 2011 and retain their full value until 2012. They then lose 50% of their value in 2013 and 75% in 2014. In 2015, the credits expire.

Credits may be allocated to a person responsible under section 9 if the fleet average greenhouse gas emission for the 2009 model year is lower than the standard set for that year for the vehicle category.

Beginning with the 2009 model year, credits retain their full value for five years after the year in which they are allocated. They lose 50% of their value in the sixth year, and 75% in the seventh year. In the eighth year, the credits expire.

13. A person to whom credits have been allocated by the Minister may trade all or any of them, with or without charge, to another person responsible under section 9, if a written notice is sent to the Minister and to the beneficiary of the trade. The notice must specify the credits traded and their period of validity.

No positive balance or credit obtained by a person pursuant to this Regulation may be sold or traded otherwise than for the purposes of this Regulation.

§3. *Fees payable for excess emissions*

14. Beginning with the 2010 model year for large volume manufacturers and the 2016 model year for other manufacturers, a fee of \$5,000 per vehicle

equivalent is payable for any excess over the maximum emission standards.

15. For the purposes of section 14, the number of vehicle equivalents is calculated

(1) by multiplying the total number of motor vehicles in the category by the number of grams difference between the average emission calculated pursuant to section 10 and the applicable maximum emission standard; and

(2) by dividing the result of the calculation in subparagraph 1 by the maximum emission standard prescribed for the model year under section 6 or 7.

Any fraction gives rise to the payment of a proportional fee.

16. Fees for the vehicles of a given model year are paid annually, on 31 May of the year following the year in which the motor vehicles were sold, leased or otherwise placed in service. The payment must accompany the annual report to be filed pursuant to Division II.

Where applicable, an adjustment is made and an additional payment sent to the Minister at the time a supplementary report for a later year is filed in accordance with Division II.

Fees are paid to the Minister.

Fees not paid within the prescribed time bear interest, from the due date, at the rate determined as provided in section 28 of the Act respecting the Ministère du Revenu (R.S.Q., c. M-31).

In addition to interest, a penalty of the 15% of the amount of unpaid fees is charged if the fees remain unpaid for over 60 days.

17. Every person required under this Chapter to pay fees may offset all or part of the debt for a given year by using the credits allocated to the person or to another person responsible under section 9 for either category.

DIVISION II

ANNUAL EMISSION REPORTS

18. The persons referred to in section 9 are required to file with the Minister, on or before 31 May each year, a report containing the following information and documents:

(1) the name and address of the person;

(2) the establishments where the motor vehicles covered by the report were sold, leased or otherwise placed in service in the context of the person's responsibility under section 9 or, in other cases, details or a statement of the person's capacity as a retailer;

(3) for each category of motor vehicle and for each model year of vehicles initially sold, leased or otherwise placed in service during the year covered by the report:

(a) the total number of vehicles concerned;

(b) for the vehicles concerned,

i. their curb weight,

ii. their gross vehicle weight, and

iii. their city and highway fuel consumption figures based on the latest calculation criteria used by Transport Canada;

(c) the makes, characteristics (vehicle class, engine size, transmission, number of speeds, fuel type, hybrid capacity) and the model years of the vehicles covered by the report, specifying the respective numbers for each type;

(d) the average emission value for the vehicles concerned, calculated using the Fuel Consumption Guide in accordance with sections 8 and 10;

(e) the total emission grams in excess of the maximum emission standard in section 6;

(f) the total, in grams, of emissions lower than the prescribed maximum emission standards for which the person requests a positive account and the allocation of a credit by the Minister;

(g) beginning in 2010 for the vehicles of large volume manufacturers and in 2017 for other manufacturers, the total amount of fees payable; and

(4) where applicable, if vehicles from a model year covered by a previous report have been sold, leased or otherwise placed in service since the previous 31 May:

(a) the same information as that required by subparagraph 3, for the previous model year, for the purposes of filing a revised report and supplementing the information previously provided; and

(b) the amount of additional fees paid, or a revision of the positive account and credits claimed.

If no fees are payable for a given year, the person is required to so advise the Minister within the same period and state the reason.

The person preparing the report must date and sign it and certify the accuracy of the information it contains.

The information required under subparagraphs 3 and 4 must be certified by an independent third party who is a member of a professional order. The certification must be submitted with the document to the Minister.

19. All supporting documents concerning the payment of fees and the annual records of the sales, leases or placing in service of vehicles of each category must be stored on paper or using an electronic medium by the person responsible under section 9, or by the establishments concerned, and must be kept in Québec and made available to the Minister for a period of at least five years after the date of the last entry.

CHAPTER IV OFFENCE, TRANSITIONAL AND FINAL PROVISIONS

20. Every person who contravenes the provisions of section 13, 16, 18 or 21 is liable,

(1) in the case of a natural person, to a fine of \$2,000 to \$25,000;

(2) in the case of a legal person, to a fine of \$5,000 to \$250,000.

The fines are doubled for a second or subsequent offence.

21. The persons referred to in section 9 are required to file with the Minister, on or before 31 May 2009, information concerning the number of motor vehicles for the 2006, 2007 and 2008 model years in their vehicle fleet that were initially sold, leased or otherwise placed in service in Québec in order to determine the class of manufacturer to which they belong.

22. This Regulation comes into force on the fifteenth day following the date of its publication in the *Gazette officielle du Québec*.