



2024 Report V1: Saskatchewan's Carbon Levy Program for Industrial Emitters Lacks Public Transparency

Public reporting required to inform whether the Regulatory Program meets intended outcomes and reduces emissions intensity

REGINA—June 5, 2024: In her *2024 Report – Volume 1*, Chapter 3, Provincial Auditor Tara Clemett examined the Ministry of Environment's processes to regulate industrial emitters through its Output-Based Performance Standards Program to reduce greenhouse gas emissions intensity. She made three recommendations.

Industry-driven greenhouse gas emissions contribute to climate change. The Ministry began operating an Output-Based Performance Standards Program in 2019 designed to regulate industrial emitters to reduce greenhouse gas emissions per unit of production (called emissions intensity) while trying to help maintain industrial sector economic competitiveness.

Jurisdictions with effective climate change strategies will help prepare their economies for increasing global competition as consumers seek out lower carbon options, and also help manage the impacts of climate change like wildfires, intense storms, and droughts.

Under the Program, industrial emitters exceeding annual facility-specific emissions intensity limits are required to pay a levy to the Ministry intended to fund technologies to reduce, sequester, or capture emissions (although, some may use performance credits to offset levies paid). The Ministry had yet to fund any industry-driven technologies as of December 31, 2023 (through its Saskatchewan Technology Fund). Nearly half of regulated emitters exceeded their permitted limit for 2019 and 2020. The Ministry does not report these results to the public.

The Ministry has not determined sufficient measures to assess and publicly report on the performance of the Program, so it does not know whether the Program is achieving the desired environmental and economic results (e.g., reducing emissions intensity, saving industrial emitters money).

"Public reporting on performance measures helps the public hold the Government accountable for achieving the expected Program benefits," said Tara Clemett, "It also supports ongoing assessment to help improve the effectiveness of carbon levy programs in order to reduce industrial emissions."

Further, the Ministry of Environment needs to:

- Implement a robust data management system to improve analysis and decrease the risk of information errors or inaccuracies, or fraud. Poor data management systems reduce the Ministry's ability to assess the Program's results.
- Document staff guidance for consistently evaluating concerns identified in third-party verifier reports about industrial emitter returns to help ensure the Ministry receives reliable emitter information and collects all levies owed.

The Ministry also gives emitters extensive time to file their compliance returns and pay any levies after filing their emissions return. For example, emitters exceeding the permitted emissions intensity do not have to pay the Ministry until 1.5 years after this was determined. While longer timeframes may be reasonable during the Program's implementation, the Ministry should reassess these timeframes as the Program matures. Earlier payment of levies supports timely consequences for exceeding emissions intensity, as well as contributes to funding industry-driven projects that may reduce greenhouse gas emissions through the Ministry's Saskatchewan Technology Fund.

The full Provincial Auditor's *2024 Report – Volume 1* available online at auditor.sk.ca.

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- Regulated industrial emitters (e.g., oil and gas, potash, steel industries), accounted for about 16% of Saskatchewan's total greenhouse gas emissions in 2021
- Program grew from 80 industrial emitters in 2019 to 154 in 2023
- Emitters in the Program, which allows more gradual reductions of emissions intensity, are exempt from the federal fuel charge
- Ministry collected \$29 million from industrial emitters in 2022–23 and forecasts \$121 million in 2023–24
- The Ministry spent \$4.4 million in 2022–23 on climate change related initiatives (e.g., administration of regulatory programs)

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For more information, please contact:

Tara Clemett, CPA, CA, CISA, *Provincial Auditor*
306.787.6313 or info@auditor.sk.ca

April Serink, MA, *Communications Specialist*
306.531.6163 serink@auditor.sk.ca or media@auditor.sk.ca