MEMORANDUM OF UNDERSTANDING

BETWEEN

THE GOVERNMENT OF ONTARIO

AND

THE GOVERNMENT OF QUÉBEC

CONCERNING

A PROVINCIAL - TERRITORIAL
CAP AND TRADE INITIATIVE

Provincial - Territorial
Cap and Trade Initiative
Memorandum of Understanding

WHEREAS the Intergovernmental Panel on Climate Change (IPCC) recently concluded that warming of the climate system is unequivocal and that most of the observed increase in global average temperatures is due to human activities; and

WHEREAS strong, immediate and sustained action is an absolute requirement to minimize the risks posed by climate change; and

WHEREAS early action to reduce greenhouse gas emissions is now understood to be less costly than the severe economic impacts associated with inaction; and

WHEREAS reliance on intensity-based targets does not provide for sufficient certainty of real reductions in greenhouse gas emissions; and

WHEREAS collaboration among provinces, territories and states of the United States and Mexico engaged in developing and implementing climate change policies provides a consistent approach to achieving absolute greenhouse gas emissions reductions; and

WHEREAS Ontario, Québec and other provinces and territories have joined *The Climate Registry*; and

WHEREAS cap and trade systems are a flexible, market-based mechanism that can facilitate the reduction in greenhouse gas emissions and provide opportunities for lowering the global costs of greenhouse gas emissions reductions; and

WHEREAS greenhouse gas cap and trade systems can facilitate the transition to a low carbon economy and encourage technological innovation, economic growth and job creation; and

WHEREAS the ability to link to other jurisdictional greenhouse gas cap and trade systems can provide greenhouse gas emission reductions at lower cost, allow for larger trading volumes and improved liquidity and improve the pace of innovation; and

WHEREAS harmonizing reporting requirements with other jurisdictions will facilitate the joining of new partners and linkages with other cap and trade systems; and

WHEREAS Ontario and Québec agree that like-minded provinces and territories are invited to sign this Memorandum of Understanding and work together collaboratively on this cap and trade initiative.

NOW THEREFORE, the signatories to this Memorandum of Understanding agree to collaborate on a Provincial and Territorial Greenhouse Gas Cap and Trade Initiative including the design and implementation of a cap and trade system in conjunction with broader regional trading systems already under development to reduce greenhouse gas emissions in their jurisdiction respectively. This collaboration shall include, but is not limited to:

- Working co-operatively and with other provinces, territories and states on the design and implementation of a joint regional market-based multi-sector greenhouse gas cap and trade system, based on real reductions that could be implemented as early as January 1, 2010;

- Facilitating participation and linkages with broader North American and international trading systems, to the extent permitted by applicable provincial, territorial, state and federal laws;

- Providing an intergovernmental forum for collaboration between provinces and territories dedicated to developing and implementing a greenhouse gas cap and trade system in addition to other greenhouse gas emissions reductions policies;

- Recognizing early action in reducing greenhouse gas emissions based on the internationally accepted base year of 1990 for entities owning or controlling covered facilities or sources that have an established and credible record of emissions reductions for those facilities or sources;

- Harmonizing greenhouse gas reporting requirements with other jurisdictions to facilitate the joining of new partners and linkages with other cap and trade systems so that regulated sectors do not face duplicative reporting requirements.

The signatories to this Memorandum of Understanding agree to direct their respective staff and appropriate agencies to meet as soon as is practicable to develop a work plan to deliver this initiative.

The signatories to this Memorandum of Understanding agree that other provinces and territories may join this initiative by signing a copy of this Memorandum of Understanding and provide a copy of it to all other signatories.

Signed in _____, on _____ 2008, one in French and the other in English, both versions being regarded as equally authentic and valid.

FOR THE GOVERNMENT OF ONTARIO

_____
Dalton McGuinty
Premier of Ontario

FOR THE GOVERNMENT OF QUÉBEC

_____
Jean Charest
Premier of Québec

Additional Signatories

Signed in _____, on _____ 2008, one in French and the other in English, both versions being regarded as equally authentic and valid.

_____
Premier of [ ]