



## TIER Approved — Alberta Facilities Should Register with CRA Now

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Many businesses will have to act quickly to meet new fuel charge obligations, now that Alberta's *Technology Innovation and Emissions Reduction* (TIER) has been approved. Canada announced on December 6, 2019 that the TIER regulations meet the federal government's requirements for carbon pollution pricing, and will therefore replace the Output-Based Pricing System (OBPS) component of the federal carbon pollution pricing backstop.

In line with this announcement, Finance released draft regulatory proposals under the *Greenhouse Gas Pollution Pricing Act* (GGPPA) to integrate TIER facilities with the Federal Fuel Charge (FFC), effective January 1, 2020.

### **Background**

The FFC is part of the federal carbon pollution pricing backstop that includes an OBPS for industrial facilities that emit greenhouse gases above a certain threshold. These rules, which were introduced in 2018, are intended to apply to businesses that produce, distribute and use fossil fuels in provinces/territories that did not implement carbon pricing systems that meet the benchmark set by the federal government by March 30, 2018.

Alberta is scheduled to become a Listed Province as of January 1, 2020 as a result of its earlier repeal of the Alberta Carbon Levy, which governed a broad based levy on fossil fuel used, imported and delivered in Alberta, effective May 30, 2019. Therefore, certain

businesses that have activities in Alberta will be required to register for the FFC, prepare returns, and remit FFC as of January 1, 2020.

In addition, Alberta facilities that emit more than 100,000 tonnes of CO<sub>2</sub>e per year will become regulated facilities under TIER, and facilities that emit more than 10,000 tonnes of CO<sub>2</sub>e per year may be eligible to opt in to become regulated facilities. Alberta is also proposing to allow entities to consolidate smaller facilities that in aggregate emit at least 10,000 tonnes of CO<sub>2</sub>e per year to become a regulated aggregate facility. Facilities that are already registered under Alberta's existing *Carbon Competitiveness Incentive Regulation* (CCIR) will automatically become TIER facilities starting January 1, 2020.

For more details, see *TaxNewsFlash-Canada* 2019-55, "[Federal Carbon Pricing Coming to Alberta on January 1, 2020](#)".

### What does this mean?

Facilities that will be regulated under TIER, and have been designated as such by the federal government, are exempt of the FFC on fuel that is used at a covered facility. To qualify for this exemption, the facility must be registered with CRA as a "registered emitter", and must purchase the fuel with an exemption certificate.

The FFC will apply on fuel delivered in Alberta starting January 1, 2020 unless a valid exemption certificate is provided to the fuel supplier. As a result, regulated TIER facilities need to act now to have CRA registrations in place effective January 1, 2020 so they can issue valid exemption certificates to their fuel suppliers before their first fuel purchase in 2020.

Facilities that are not granted a "registered emitter" status will be subject to FFC for fuel used at their facility (e.g., fuel used in the production process to power equipment or flared fuel). These facilities will not be subject to TIER in respect of their emissions.

### We can help

Your KPMG adviser can help you assess the effect of the FFC and TIER regime on your business. For more details on your obligations under these rules, contact your KPMG adviser.

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