

# Report

Date February 19, 2025  
Subject Low Carbon Fuel Standard credit aggregation

File:

## PURPOSE

To seek Council direction on aggregating credits earned through B.C.'s Low Carbon Fuel Standards.

## BACKGROUND

The Province of B.C.'s Low Carbon Fuel Standard<sup>1</sup> reduces the carbon intensity of fuels used in transportation by setting annual reduction targets. Suppliers of transportation fuels with a high carbon intensity (such as gasoline or diesel) are required to reduce the carbon intensity of their fuels. A credit trading system allows fuel suppliers to trade credits earned through exceeding reduction targets or using low-carbon alternatives.

The credit market creates a financial incentive to reward low-carbon fuels in proportion to the amount of measurable emissions reductions they yield when substituted for conventional fuels. This generates revenue for low-carbon transportation fuel suppliers and supports investment in clean fuels and vehicles.

In 2023, electric vehicle charging stations were made eligible to generate credits in addition to fuel suppliers. North Cowichan is a fuel supplier because we operate electric vehicle charging stations at Waterwheel Park, Crofton Museum, and Visitor's Centre. As described in the [Fleet Vehicle Electrification Update](#) to the Committee of the Whole on January 7, 2025, fleet charging stations generate credits. Selling these credits aligns with the Strategic Plan (2019-2022) objective of finding new sources of revenue for North Cowichan.

## DISCUSSION

As a fuel supplier, North Cowichan is obligated to submit annual compliance reports to the Province of B.C. In two years, 43 credits have been generated, and another 38 credits are pending provincial submission and verification. These credits do not expire and can accumulate over several years. North Cowichan's credit volume of 81 is small, and transferring a small number of credits is challenging.

Year	Electricity dispensed (kWh)	Number of credits generated
2022	17,457	15
2023	32,706	28
2024*	39,940	38
Total	90,103	81

\*2024 compliance credits pending submission and Provincial verification

<sup>1</sup> <https://www2.gov.bc.ca/gov/content/industry/electricity-alternative-energy/transportation-energies/renewable-low-carbon-fuels>

Credit market data is available on the Low Carbon Fuel Standards website. In 2024, the lowest sale price was \$205 per credit, and the highest was \$512 per credit. North Cowichan's 81 credits represent a value of \$16,605-\$41,472. Future fleet charging stations will add to this value. However, we are hard-pressed to transfer these credits on the market, as average transfer volumes are around 90,000 credits. The companies that buy carbon credits are typically very large and are interested in big purchases of carbon credits – they do not want to deal with many individual credit generators. Organizations with a large volume of credits can take credits to market on their own for sale. For smaller organizations, the conversation is less about the price (driven by market forces and the possibility of better pricing with more credits) than about getting any price at all.

The 2025 Subdivision and Environmental Services Business Plan includes the development of an Electric Vehicle Community Charging Strategy. It includes exploration of a pay-per-use fee for the community stations, and staff will bring reports forward for Council's consideration later in 2025. The credits earned through Low Carbon Fuel Standards compliance are separate from this discussion. A future pay-per-use fee would not impact the amount of credits generated.

North Cowichan staff have been participating in exploratory efforts through a Local Government Electric Mobility Peer Network as other local governments have this collective challenge. For the 2024 compliance period, the province created an 'allocation agreement' mechanism which allows for an organization supplying electricity to transfer their credit responsibility to another party. This has enabled groups to work together to report and participate in the compliance market. In turn, this can facilitate a collective sale of units, which may make it easier to find a buyer. Several aggregator service companies presented their programs as part of this network over the last year.

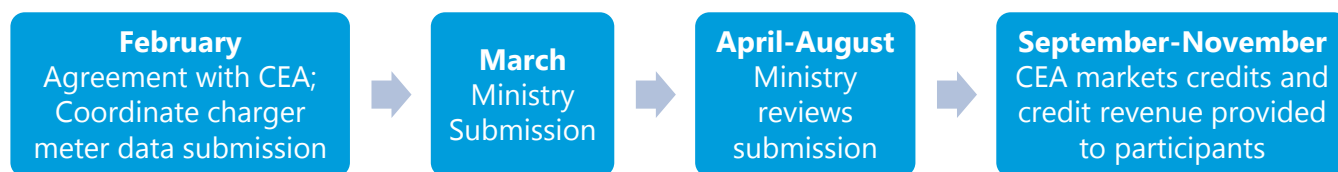
Community Energy Association (CEA) was asked in November 2024 to develop a non-profit aggregation program for the Electric Mobility Peer Network. Upfront funding has been provided by Metro Vancouver Regional District, Capital Regional District, and the City of Abbotsford to develop this service for B.C. municipalities. CEA was created through a UBCM agreement with the province to support local governments in managing energy and emissions, and it became a non-profit society in 2004. Funds earned by CEA offset operational costs and are reinvested into program support to local governments. CEA staff have expertise in transportation emission programs and government connections, positioning them well to support an aggregation program.

The program would begin providing aggregation services for credits generated in the 2024 calendar year. Unsold credits from previous years can also be included in CEA's aggregation service using a similar 'credit transfer' process. A program participant would sign a contract with CEA for aggregation services in quarter one of 2025. CEA will work with local governments to ensure that the reporting deadline is complete by March 31, 2025. Once the province verifies credit reports, CEA would then market credits for sale and accept bids from interested parties. Funds collected from the sale would then be returned to participating organizations minus a small administration fee to cover program costs (fee based on kWh transferred credits, which could be \$900). While it's not entirely known what the likelihood for sales may be for this aggregate service, in 2024, the credit market had 116 transfers, representing (1.4M credits, \$603M)<sup>2</sup>. If credits are not sold in a particular year, they remain eligible for sale in future years.

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<sup>2</sup> [https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/electricity-alternative-energy/transportation/renewable-low-carbon-fuels/bc-lcfs\\_credit\\_market\\_data\\_2015\\_to\\_present\\_20250204.xlsx](https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/electricity-alternative-energy/transportation/renewable-low-carbon-fuels/bc-lcfs_credit_market_data_2015_to_present_20250204.xlsx)

The process and timeline would be as follows:



There are three options for credit aggregation for North Cowichan:

1. CEA program as described above. Local governments throughout the province are eligible to participate.
2. Private operators that would offer this service on a for-profit-based service. The terms may not be favourable for a small credit generator. It is not known what the service fee would be for using a private service. Still, anecdotal conversations with other municipalities indicate that this could be up to 40% of potential revenues of credit sales.
3. The Synergy x 4EVER Strategies Low Carbon Fuel Standard MicroCredit Partnership is an aggregator for tourism businesses on Vancouver Island (north of Malahat), and an invitation was extended to local governments. The program is operated by Synergy Foundation, a non-profit society (North Cowichan works with Synergy as a partner in the Vancouver Island Circular Economy program) and 4EVER Strategies, which is part of the 4VI Social Enterprise Group. 4VI operates as a not-for-profit, and 4EVER is a socially responsible business corporation. It is not known what the service fee would be for using this service. The program's intake was in the fall of 2024, so North Cowichan would need to make alternative arrangements for the 2024 compliance period and could consider this as an option for the 2025 compliance period. Additionally, it is not known what the market size of credits is under this partnership, and it is geographically limited.

## OPTIONS

1. **(Recommended Option)** That Council:
  - a. directs North Cowichan to work towards an agreement with the Community Energy Association to act as a credit aggregator; and,
  - b. directs credit sale revenues to the Climate Action and Energy Plan Reserve Fund.
  - This option is consistent with implementing the Climate Action and Energy Plan, creating a new source of revenue for emission reduction projects such as charging infrastructure and contributing to the repayment of short-term borrowing loans for fleet charging infrastructure. The use of CEA as an aggregator supports work with other local governments with similar objectives and would maximize revenues for North Cowichan, given the operating model for cost recovery.
2. That Council:
  - a. directs North Cowichan to pursue other aggregator options by providing a public tendering opportunity in 2025; and,
  - b. directs sales revenues into an appropriated surplus to be utilized at Council's discretion.
  - This option still provides a new source of revenue for North Cowichan but adds to the work complexity trying to find a market for low credit numbers.

3. That Council directs staff to continue submitting compliance reports to the Province of B.C. and amass credits for future value.
- There is no certainty on future market conditions to know if this would result in better pricing.

## IMPLICATIONS

Implications of the Recommended Option	Concerns or Impacts to North Cowichan
Social	<ul style="list-style-type: none"> <li>• No significant impacts or concerns.</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Selling credits allow for funds to be available to North Cowichan to dedicate to emission reductions or reduce related debt.</li> </ul>
Financial	<ul style="list-style-type: none"> <li>• North Cowichan's credits are currently not generating revenue. Participating in an aggregation program provides greater assurance of credit sale.</li> <li>• Use of a non-profit model would allow for more revenue to be retained by North Cowichan than other for-profit third-party representation.</li> <li>• There is no guarantee that credits will be sold annually and is completely dependent on the market. The value of individual credit trades are unknown as only monthly summaries are available.</li> </ul>
Policy/Legislation	<ul style="list-style-type: none"> <li>• North Cowichan is required to comply with the Low Carbon Fuel Standards and is already submitting compliance reports.</li> </ul>
Strategic Priority	<ul style="list-style-type: none"> <li>• Follows Council's Strategic Plan (2019-2022) direction to 1) identify potential new sources of revenue and 2) implement the Climate Action and Energy Plan.</li> </ul>
Communication	<ul style="list-style-type: none"> <li>• Can be demonstrated that Council is striving to reduce the financial impact using available tools while reducing corporate carbon footprint.</li> </ul>
Staffing Implications	<ul style="list-style-type: none"> <li>• No significant impacts or concerns. Using an aggregator service would reduce additional staff time that would have been needed to market and administer credits for transfer. Staff time required for compliance reporting would still be required.</li> </ul>

## RECOMMENDATION

That Council:

- a. directs the municipality to work towards an agreement with the Community Energy Association to act as a credit aggregator; and,
- b. directs credit sale revenues to the Climate Action and Energy Plan Reserve Fund.

Report prepared by:



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**Approved to be forwarded to Council:**



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