



**Bluesource Canada ULC**

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**Minister Rod Phillips**

Ministry of Environment, Parks, and Conservation  
Delivered to: David.Donovan@ontario.ca

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**Comments on the regulatory proposal for Making Polluters Accountable: Industrial Emissions Performance Standards.**

Minister Phillips,

Bluesource Canada is one of the leading developers of carbon offsets for compliance markets in Canada and the US, we have extensive practical knowledge of the implications of offset system design and the operation of emission trading markets. We hope to leverage this experience in providing practical insights on the Industrial Emissions Performance Standards ('EPS') proposed compliance flexibility provisions.

Bluesource is also working with entities across Ontario who have significant low-cost mitigation opportunities with considerable co-benefits that depend on the development of an offset system in Ontario in the short-term. These offset opportunities include forest carbon sequestration on woodlots and indigenous lands, nitrogen management on farms, GHG-intensive chemical recycling, and organic waste landfill diversion. Our comments to the EPS proposal are intended to enable this low-cost and high co-benefit mitigation opportunity to support cost-effective climate action that maximizes job growth and economic opportunity in the province.

We are encouraged by MECP's recognition of voluntary reductions or removals ('carbon offsets') as an important compliance option within the EPS. We also believe more can be done to capitalize on the job creation and economic opportunities associated with offsets.

- 1. Section 3.0 Performance Standards.** The proposal specifies that EPS limits will use stringency factors between 95% and 100% of historical or average emissions in 2019 with moderate downward adjustments in future years. We believe these stringency factors represent an insufficient ambition for GHG reductions from the industrial sector and will lead to Ontario losing competitiveness over time in an increasingly carbon constrained global economy. We encourage MECP to consider more stringent reductions that incentivize Ontario industry to invest in their own

energy efficiency as well as GHG reductions from enhancing forest management, waste management and agricultural practices.

2. **Section 4.0, subsection 2. Limits on compliance units.** The proposal suggests there may be limits applied to the quantity of compliance units that can be obtained. The experience with other systems such as Alberta's CCIR program tells us that limitations on compliance flexibility leads to higher compliance costs and less efficient outcomes. The EPS should maximize the incentive for regulated entities to invest in their own energy efficiency and offset projects with significant co-benefits. This will lead to more efficient outcomes than making payments for compliance.

3. **Section 3.0 subsection 3. Compliance Units for Voluntary Emissions Reductions or Removals**

We are encouraged by the provisions for the creation of Offset Credits as a compliance unit in the EPS system. Offsets are critical to a made-in-Ontario policy that is tailored to the province's mitigation opportunities and economy. The most significant low-cost mitigation opportunities in Ontario are in removals from our forests and agricultural lands, avoidance of emissions associated with organic waste, and reduced emissions from high GWP refrigerants. An offset market is the most effective way of achieving these GHG reductions and removals as it leverages private capital using market-based price signals.

We urge MECP to prioritize development of an offset framework that can function on day 1 of the EPS coming into effect. This would maximize the job creation and economic opportunity benefits of the EPS policy. The offset framework (protocols, approval processes) could borrow from and align with Alberta, Saskatchewan, Manitoba and the federal OBPS. In so doing, it would create opportunities for Ontario forestry, agriculture, refrigeration and waste management sectors under a made-in-Ontario system pending the entry into force of the EPS and deliver the co-benefits and low-cost mitigation on day 1 of the EPS.

The existing Alberta offsets framework of processes and protocols serves as an excellent model that can be easily replicated in Ontario with some modifications to tailor to specific provincial dynamics. The model has proven to work for Alberta's industry, farmers, and low-carbon innovation sectors. It also provides the only workable model for successful aggregation of small-scale projects.

Please see the attached Proposal to Successfully Support Saskatchewan and Ontario Climate Plans for more detailed information on the potential of offset markets for low-cost mitigation and co-benefits in Ontario. The proposal includes real opportunities for Ontario landowners, farmers, and industry that are awaiting an offset framework to undertake the GHG reductions.

We thank you for your consideration and encourage you to contact us should you need any clarification on these points.

Sincerely,

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