

March 29, 2019

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Financial Instruments Branch – Policy Unit
Ministry of the Environment, Conservation & Parks
77 Wellesley Street West
Toronto, ON
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Re: ERO 013-4551: Making polluters accountable: Industrial Emission Performance Standards

The Cement Association of Canada (CAC) is pleased to submit the following comments in response to the government's Making polluters accountable: Industrial Emission Performance Standards.

In our Fall submission to the Made-in-Ontario Environment Plan, we emphasized our industry's commitment to being a climate change leader, voluntarily reducing GHGs by 20% since 1990. We are dedicated to working collaboratively with governments to identify, implement and invest in low-carbon solutions and we are pleased to respond to this proposal that ensures "polluters pay" while securing a competitive and prosperous economy.

As an industry we believe in the need for ambitious and effective programs to significantly reduce our greenhouse gas emissions in Ontario while protecting against carbon leakage and securing the competitiveness of Ontario's Energy Intensive Trade Exposed (EITE) sectors.

Our submission focuses on two primary areas: Industrial Emission Performance Standards and the Ontario Carbon Trust.

Industrial Emission Performance Standards

The CAC supports the government's goals of encouraging the industrial sector to reduce greenhouse gas emissions while maintaining the competitiveness of Ontario businesses and minimizing carbon leakage.

We support establishing emission performance standards for large emitters, which is a foundational element of all climate policies across Canada. We are pleased that Ontario has taken a comprehensive approach and has taken advantage of existing data and analysis to determine sectoral benchmarks. We are pleased that cement has been identified as 'high' for emissions intensive and trade exposed. We believe the proposed benchmark, treatment of process emissions and stringency rate proposed by the government lay the foundation for an effective system that minimizes carbon leakage and competitiveness impacts on our sector.

One further refinement important to our sector, which was absent from the previous cap-and-trade design but addressed in the current federal Output Based Pricing System (OBPS), is the treatment of clinker for export. Ontario cement facilities export significant volumes of clinker to the United States, as well as Quebec. As clinker is, by definition, more carbon intensive per tonne than cement (which is clinker “diluted” with gypsum and limestone), its treatment under the Plan is important. As currently proposed, Ontario’s Climate Plan would apply the same carbon intensity performance standard to clinker as for cement, thereby arbitrarily punishing producers that manufacture clinker for export. The net effect of this approach will be to collapse our capacity to compete in export markets and upset the competitiveness dynamics of the domestic industry by making it harder for those companies that rely on exports to survive. Importantly, there is no policy rationale for discriminating against exported clinker as it will not encourage emissions reductions (exported clinker simply has gypsum and limestone added in the export market rather than in Ontario).

The appropriate way to account for clinker would be to a) establish a separate performance standard for clinker (as is done in the federal system) or b) use the cement performance standard but apply a “gypsum and limestone” factor equivalent to the facility’s average clinker : gypsum : limestone (CGL) ratio, thereby allowing an apples to apples carbon intensity comparison between clinker and cement produced by the regulated facility or c) exempt exports of clinker and cement to countries that don’t have a carbon pricing system in place yet in order to avoid punishing exporters and impact competitiveness.

Compliance Flexibility

As mentioned in our earlier submission, another key element to protecting the competitiveness of EITE sectors is designing a program with a high level of compliance flexibility through the recognition of a diverse range of compliance instruments, including but not limited to:

- Robust, transparent and verified offsets, including from other provincial offset systems
- Fungible performance credits
- Investments in facility level performance improvements
- Internationally Transferred Mitigation Outcomes (ITMOs)
- Payment into a technology fund

We believe that facilities who receive compliance units for GHG emissions reductions should be able to trade those units or “bank” them for future compliance.

Reporting

The CAC strongly supports Ontario’s proposal to harmonize reporting under the Made in Ontario Climate Plan with the federal GHGRP system. Duplicative reporting is a major administrative burden with real costs that add no value to the desired policy outcomes.

Ontario Carbon Trust

The CAC believes it is important that any payments collected under the Climate Plan are recycled back to industry through a funding program focused on supporting industry to reduce their GHG emissions and invest in innovative low carbon technologies.

The cement sector has attracted considerable private sector investment in low carbon fuels in provinces where such funds exist, including under the TargetGHG Program and the now cancelled GreenOn program. You will note that our capacity to replace fossil fuels with low carbon alternatives from the waste stream can help Ontario meet both its climate related objectives as well as support the government's economic efficiency, waste reduction and recycling objectives. In fact, the cement sector is increasingly recognized as an important stakeholder in the transition to a "circular economy" due to our capacity to transform "wastes" into resources by keeping energy and material flows moving in the economy.

There are also significant opportunities to advance cross sectoral technologies, such as carbon capture and utilization and storage (CCUS). Innovations such as a carbonated concrete (concrete that is cured with CO₂ instead of, or in addition to water), and the use of novel biogenic fuel sources (e.g. algae grown with flu gas as noted in your plan) are evolving and showing tremendous promise for a future of low carbon concrete. Properly designed, technology funding programs can increase investment in these technologies and accelerate their commercialization – yielding both significant GHG reductions as well as job and economic growth. CCUS is an important part of our sector's long-term investment strategy toward deep decarbonization.

Simply put, our international companies will invest in these technologies in the jurisdictions which are best suited to investment risk reduction through co-funding of innovative projects. Without your proposed program, investment will flow to other Canadian provinces or other countries.

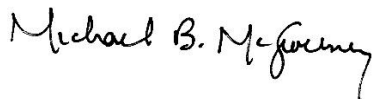
To be effective, technology funds must apply certain principles:

- Be independently administered at arm's length from government
- Prioritize emissions from EITE sectors
- Assess proposals on multiple factors, including but not solely on the cost per tonne of GHGs reductions, as well as spin off environmental, economic and other benefits
- Capable of finding cost effective synergies across independent proposals
- Low administrative burden and high degree of surety in order to secure confidence of private sector capital

As an industry, our desire is to ensure that the money that is paid into the system for compliance is available to us through this emissions reduction fund.

In conclusion, the cement industry support's the government's approach to making polluters accountable through industrial emission performance standards and we look forward to working with you on this and the Made-in-Ontario Environment Plan.

Sincerely,



Michael McSweeney
President & CEO