

March 29, 2019

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Re: Making polluters accountable: Industrial Emission Performance Standards
ERO: 013-4551

The Ontario Greenhouse Vegetable Growers (OGVG) are pleased to provide comments in response to *Making polluters accountable: Industrial Emission Performance Standards* (ERO: 013-4551). OGVG represents approximately 200 farmers responsible for over 3,000 acres of greenhouses tomatoes, peppers and cucumbers across the province. With farmgate sales of \$850 million in 2017, a contribution of \$1.5 billion to the economy and a consistent track record of growth, the sector is a valuable economic driver for the province. Our members strive to grow fresh, high quality food year-round and contribute to meeting healthy eating and food security goals across the province.

The OGVG membership consists of greenhouse facilities of various sizes and energy requirements. All members, both large and small, were impacted by the previous provincial government's Cap and Trade program, the design of which had several unintended consequences for our sector. Greenhouse operators are currently captured by the federal fuel charge, for which the 80% upfront exemption has not yet been confirmed. Accordingly, we are interested to learn about and comment on the details of the proposed Ontario-specific Emissions Performance Standard (EPS), which is expected to serve as an alternative to the federal Output-Based Pricing System (OBPS).

EMISSIONS PERFORMANCE STANDARD:

We were encouraged to see that the proposed EPS recognized that a product-based performance standard is not a feasible methodology to manage all sectors. For greenhouse production systems, a sector-based performance standard cannot be reasonably calculated. Crop varieties and harvest schedules influence the production variables, while geographic location and climate differences influence emissions intensity (most greenhouse fuel use is associated with heating), which would influence this critical calculation on an annual- and site-by-site basis. These variables cannot be accurately captured in a performance standard without adding a significant level of complexity. Similarly, the facility specific emission intensity alternative does not, in general, work for the greenhouse sector because growers can have mixed acreage, change crops throughout the growing season, and are heavily impacted by weather conditions. We do, however, support the proposal to establish a mechanism for participants to transition between certain methodologies, which will provide flexibility for businesses to choose a system that works best for them.

While our sector would benefit from lowering the minimum threshold for voluntary participation under the EPS, we do understand the increased burden this would create for the regulators, and as such support the 10,000 tonnes CO₂e/year threshold in the short-term. Going forward, since the Energy Use Intensity methodology scales

proportionally to emissions of any level, we recommend that sectors using the Energy Use Intensity Methodology are allowed opt-in at any emissions level to ensure a level playing field within their sector. As for the mandatory participant emissions threshold, OGVG recommends that Ontario follows the 50k tonnes CO₂e/year threshold to align with the Federal OBPS and reduce regulatory burden.

PROGRAM SCOPE:

One item that was not addressed under the proposal was how facilities were to be defined in order to qualify for voluntary opt-in under the EPS. The previous cap-and-trade system's Facility definition did not recognize the reality of greenhouse farming whereby a single owner/operator might manage separate geographic parcels all contributing to a single value chain output. The definition proposed under the federal OBPS is more reflective of this reality. For Ontario's EPS, we recommend aligning with the Federal definition of Facility as contained in the *Greenhouse Gas Pollution Pricing Act*, to improve regulatory clarity.

We are concerned about the fact that the Energy Use Intensity methodology does not inherently recognize onsite emission reductions. The goal of this program is to help Ontario meet its 2030 goal of 30% emissions reductions compared to 2005 levels. One aspect of greenhouse vegetable production systems that has not been effectively incorporated into carbon pricing policy, is that most greenhouses capture and concentrate CO₂ from the boilers to increase and maintain plant productivity. As a normal farm practice, this would otherwise be achieved using liquid CO₂. We are interested in exploring what opportunities exist for this process to be incorporated as a non-fixed process emission representing negative emissions in the program.

In addition, we would like to see further discussion and clarity on the return mechanism for the funds accrued in the EPS program, as well as funding programs developed to support participants whose onsite emissions reductions are not recognized by the methodology. Similarly, there should be a recognition of existing programming that already addresses the desired emissions reductions outcomes. For example, natural gas demand side management (DSM) programs aim to increase natural gas use efficiency and hence indirectly address the same outcome. Greenhouse growers are already required to support this program through the natural gas rate structure as a per unit charge, and many have taken advantage of the resulting programming. To date there has been no recognition of these contributions towards greenhouse gas reduction activities. Over the past 5 years greenhouse farmers spent over \$13 million on natural gas upgrades through the DSM program, increasing production efficiency and reducing greenhouse gas emissions by over 9% annually.

COMPETITIVENESS & CARBON LEAKAGE ASSESSMENT:

Competitiveness and carbon leakage risks are a major concern for OGVG and our membership. Greenhouse vegetable producers compete on a global market against jurisdictions without similar carbon pricing signals. In this market, they are price takers who cannot pass on carbon costs to their customers. Importantly, we face competitiveness challenges with our largest trading partner, the United States. The lack of a complimentary carbon pricing mechanism in most competing jurisdictions will encourage two kinds of leakage that are both detrimental to Ontario's interests:

- Carbon leakage occurs through the importation of products from jurisdictions where carbon pricing is not a factor in their cost structure. In addition, while natural gas commodity pricing is similar in Ontario and Ohio, transportation, delivery, storage and miscellaneous fees are higher in Ontario.

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- Investment leakage occurs when Ontario’s greenhouse farmers expand in the US to take advantage of economic and policy conditions that are more favourable to greenhouse farming. In the past three years, we estimate about \$250 million direct greenhouse construction investment has been made across the border by Ontario-based greenhouse operators.

Based on the formulas and thresholds for emissions intensity and trade exposure (EITE) assessments contained in the consultation document, the Ontario greenhouse vegetable sector should be considered emissions intense *and* trade exposed. We would like to confirm our calculation methodology and assumptions to ensure that the sector is correctly categorized.

Overall, the Ontario greenhouse vegetable sector is encouraged by many aspects of the proposed Emissions Performance Standards. However, there are several components that would benefit from further clarification, discussion and confirmation, including the EITE methodology, facility definition, and the EPS revenue return mechanisms and/or funding programs to achieve Ontario’s emissions reductions targets. OGVG supports the development of a made-in-Ontario carbon pricing system that recognizes the importance of food security to Ontario and establishes a unique framework that supports modern agricultural and promotes competitiveness.