



March 29, 2019

Vicky La
Financial Instruments Branch – Policy Unit
77 Wellesley Street West
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Re: ERO number 013-4551 – Making polluters accountable: Industrial Emission Performance Standards

Dear Ms. La,

We are writing on behalf of the Ontario Fruit and Vegetable Growers' Association (OFVGA) to comment on the proposed Emission Performance Standards (EPS). The OFVGA represents the interests of over 3,500 fruit, vegetable and greenhouse vegetable farmers in Ontario and the organization's primary objective is to facilitate a business environment that is supportive of fruit and vegetable farmers and their competitiveness.

First, we would like to thank the government for continuing the dialogue regarding carbon pricing policy and listening to the concerns of the agricultural sector around potential impacts. The OFVGA specifically appreciated the opportunity to express concerns directly to Premier Ford and Ministers Hardeman and Phillips during a roundtable earlier in March. Although the OFVGA has communicated support for the exemption for agricultural fuels and relief for greenhouse heating fuels that the federal government has built into its carbon tax policy, we welcome a different approach to reducing provincial greenhouse gas emissions that recognizes the unique needs of the Ontario economy.

Ontario's fruit and vegetable farmers have made and will continue to make significant inroads to reducing greenhouse gas emissions. The nature of agricultural production and its position as price-taker in global markets requires farmers to continuously strive towards greater efficiencies to manage production input costs and increase output efficiency. These efficiencies predictably come with associated reductions in greenhouse gas emissions. The fruit and vegetable sector will continue to do its part to address climate change.

Emission Performance Standards

The OFVGA recognizes that the development of a provincial EPS is an effort to provide a made-in-Ontario alternative to the federal Output-Based Pricing System (OBPS) under the Greenhouse Gas Pollution Pricing Act (GGPPA). Developing a provincial system to encourage Ontario industries toward reduced emissions is practical given a provincial system will have a greater ability to take into account the unique characteristics of Ontario's economy and environment; to consider trade exposure and threats to competitiveness; to assess carbon leakage potentials; and to provide flexibility in regulatory compliance.

Ontario's fruit and vegetable farmers compete in a global market with no control over prices they receive for their products and have little to no ability to transfer increases in the costs of production on to consumers. The perishable nature of fruits and vegetables limits marketing



options for farmers to manage price received. The reality is that Ontario farmers compete against regions that do not face similar carbon pricing policies. Due to these competitive pressures, the OFVGA concerns about the negative impacts of carbon pricing could have on food production in Ontario remain. While most primary agricultural production is not directly targeted in the current proposed list of sectors covered by the EPS, we are concerned about the impact it will have on the fruit and vegetable value chain, particularly the cost of crop inputs, cooling, storing, packaging, and transporting product to market.

The OFVGA believes that any provincial or federal climate change policies should have the effect of negatively impacting the ability of farmers in Ontario to compete in domestic or international markets. We recommend that performance standard assessments for these sectors must recognize the potential negative implications to the agri-food value chain and not be assessed in isolation.

Greenhouse Vegetable Sector

While we maintain that negative implications for food production should be avoided, the OFVGA understands that the Ontario greenhouse industry may benefit from being included under the provincial EPS instead of the more rigid regulatory and financial burden imposed under the federal regulations. As the greenhouse vegetable sector generates approximately 40% of the farmgate value of Ontario's total fruit and vegetable production, it is vital that the implications of carbon pricing be considered carefully.

Resulting from the energy required for heating, the Ontario greenhouse vegetable sector was hurt particularly hard by the previous government's emissions reduction program. With the high cost of energy inputs, greenhouse vegetable growers have already been driven towards adopting high efficiency technologies in their operations. In fact, the greenhouse sector has invested over \$13 million in natural gas upgrades in recent years, increasing efficiency and reducing emissions by over 9% annually.

The federal approach to carbon pricing attempts to recognize trade exposure and the accompanying threat to competitiveness for the greenhouse vegetable sector in Canada by providing an 80% relief on the carbon tax applied to heating fuels used in greenhouse production. A preferred provincial EPS should provide greater recognition of trade exposure, competitiveness, and carbon leakage, and provide a more gradual transition period for the greenhouse sector to adapt to an increased input cost in comparison to the federal carbon tax. The provincial EPS should also provide a greater opportunity to recognize and accommodate for the diversity within the greenhouse vegetable sector.

The OFVGA supports the position of the Ontario greenhouse vegetable sector and recommends that government follow their advice should they ultimately be included under the provincial EPS:

- The inclusion of greenhouses under the EPS with a voluntary opt in at 10,000 tonnes CO₂e for the short-term, with potential to opt-in at any emissions level to ensure a level playing field within the sector.
- Use 50,000 tonnes CO₂e/year as the mandatory trigger to align with the federal OBPS to reduce regulatory burden.



- Using the federal definition of facility as described in the GGPPA to improve clarity.
- Further discussion on the return mechanism for the funds accrued and a recognition of existing programming that already meets the desired outcome.
- Recognition of CO2 captured for use as a crop input, by crediting it against overall emissions.

Before including the greenhouse sector under the provincial EPS regime, the province must negotiate a complete exemption from the federal carbon tax for the greenhouse sector. The OFVGA encourages the provincial government to work with the greenhouse industry towards developing programs using the fees collected for non-compliance that will provide tangible emissions reduction results and maintain the economic viability of greenhouse agricultural production in Ontario.

Compliance Units

The OFVGA supports the creation of compliance units from voluntary carbon emissions reductions or removals to offset the emissions from regulated industries. We believe there are many environmental and ecological benefits that come from lands used for fruit and vegetable production, including climate change mitigation. These co-benefits include improved air and water quality, temperature regulation, biodiversity and habitat creation, flood management and erosion control, and carbon sequestration.

A carbon offset credit system would provide a mechanism to recognize and incentivize an enhanced level of environmental and ecological co-benefits from agricultural lands. We encourage the Ontario government to pursue a diverse, made-in-Ontario carbon offset credit system that is practical and flexible enough to facilitate farm-based credit generation, and are eligible to satisfy the compliance needs of large industrial emitters.

Thank you for the opportunity to comment on the government's proposed EPS. The OFVGA is committed to working with government to ensure policies recognize the fruit and vegetable sector's role in reducing carbon emissions while including a practical program to recognize carbon offsets from farmers. Please feel free to contact the OFVGA should you wish to discuss our comments.

Sincerely,

A handwritten signature in black ink that reads "Bill George Jr.".

Bill George Jr.
Chair, OFVGA Board

A handwritten signature in black ink that reads "Mike Chromczak".

Mike Chromczak
Chair, OFVGA Environment and
Conservation Section

C: Hon. Doug Ford, Premier
Hon. Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs
Hon. Rod Phillips, Minister of Environment, Conservation and Parks



About the OFVGA:

The OFVGA is the leading voice for Ontario's fruit, vegetable and greenhouse vegetable farmers. Our sector includes more than 3,500 family run farms that employ over 30,000 people directly on-farm. For every on-farm job, it is estimated there are 2.2 jobs created downstream, or approximately 96,000 jobs combined. Fruit and vegetable production drives Ontario's rural and urban economies by generating more than \$4.2 billion in economic activity annually, along with \$600 million in combined tax revenues for all levels of government. Ontario fruit and vegetable farmers compete with global producers for domestic and export markets that demand low cost quality produce. Fruit and vegetable exports from Ontario total over \$1.5 billion, almost half of which originates from the greenhouse vegetable sector.