

January 14, 2021

Melissa Ollevier
Ontario Ministry of the Environment Conservation and Parks
Financial Instruments Branch
40 St. Clair Avenue West, Floor 8
Toronto, ON M4V 1M2

Re: Comments on Amendments to Transition from the Federal OBPS to Ontario's EPS.

Dear Ms. Ollevier:

Carmeuse Americas is a limestone mining and lime manufacturing company with operations in Ingersoll, Dundas and Blind River, Ontario. Carmeuse's operations are essential to many of Ontario's largest industries including steel and mining. Carmeuse's products are also used in construction, water treatment and pollution control. Carmeuse Americas has made a commitment to reducing its carbon footprint and looks forward to the opportunity to working with you as you develop the Ontario Emissions Performance Standards program and transition from the federal OBPS. The manufacture of lime is an energy-intensive, trade exposed (EI/TE) industry. As such, any carbon reduction program must be carefully designed to both reduce carbon emissions while not harming these critical Ontario industries.

Proposed start date of January 1, 2021

Carmeuse Americas strongly supports the proposed start date of January 1, 2021 for the application of all provisions of the EPS program and for the compliance start date for facilities registered in the EPS.

Stringency Factors

The stringency factors in Tables 4.2 and 4.2.3 in the *Methodology for the Determination of the Total Annual Emissions Limit* should be updated to 0.98 for all industrial activities and decrease by 2% onwards to reflect the 2021 actual start date of the program. In addition, when MECP develops stringency factors for compliance periods for 2023 onward, it must consider factors including the competitiveness of EI/TE entities regulated under the EPS and the technical limitations of such entities to further reduce emissions. Also, when developing these factors, the MECP should recognize the expected annual carbon price increase of \$15/tCO_{2e} post-2022, reaching \$170/tCO_{2e} in 2030 and the combined impact of the carbon price and stringency factor on EI/TE industries. Program stringency must protect businesses from trade exposure, especially for businesses with competitors located in jurisdictions without carbon pricing or different carbon pricing systems.

Treatment of LKD and Cal 85 in the Determination of Performance Standards for Lime Facilities.

The MECP should treat Lime Kiln Dust and Cal 85 in a manner consistent with the federal OBPS system which differentiated sold LKD and Cal 85. This approach creates incentives and environmental benefits by encouraging the commercial use of these products rather than simply treating them as wastes. In response to the federal

program, Carmeuse Americas has invested capital and taken other actions to maximize these benefits. The EPS should be structured to encourage the continuation of these environmentally-beneficial activities.

Maintaining exemption from the federal fuel charge

Carmeuse Americas supports the collection of additional information to support the continuation of a facility's exemption from the federal fuel charge. A smooth transition from the federal OBPS to the Ontario EPS without a gap in carbon pricing and the potential for double charging is critical for Carmeuse Americas. It is important that the transition between the two programs does not introduce added administrative burdens and requirements, disrupting business operations.

Allow for the use of offsets for compliance flexibility

Offsets represent an important low-cost compliance option for regulated entities. Compliance flexibility and the ability to access lower cost compliance units is crucial for supporting entities in meeting their compliance obligations in a cost-effective manner, minimizing competitiveness and carbon leakage risks.

Carmeuse Americas urges the MECP to consider the inclusion of offset credits as an eligible compliance instrument under the EPS. Additionally, in consideration of the federal government's proposal to increase the annual carbon price by \$15/tCO_{2e} post 2022, it will be increasingly important for entities to have compliance flexibility and access to affordable compliance options including a 100% compliance unit (Emission Performance Units and Offset Credits) usage limit.

For the development of an offset system, Carmeuse Americas encourages the MECP to streamline and accelerate the creation of eligible offsets for the EPS by adapting existing programs and protocols from existing voluntary and compliance markets. There are several offset systems across Canada that the MECP can adapt for the Ontario context. Using these as guides will increase efficiency for offset program development. This approach would therefore support a timelier development of offset credits which will allow for the generation of credits to supply the EPS market. Additionally, encourages the MECP to work with the federal government and other provincial systems to encourage the fungibility of credits across different systems. This would support an immediate supply of offset credits for the start of the EPS program.

EPS revenue allocation

Access to funding is crucial to support facilities in making clean technology investments. Carmeuse encourages the MECP to make it a priority to use compliance payments under the EPS to fund carbon reduction projects at EI/TE industries and facilities.

If you have any questions regarding these comments, please do not hesitate to contact me. I look forward to the continued engagement.

Sincerely,



Christopher Martin
Senior Environmental Manager
Carmeuse Americas