

Proposed Amendments to Transition Ontario Industrial Facilities from the Federal Output-Based Pricing System to Ontario's Emissions Performance Standards Program

Introduction

Enbridge Inc. is a leading North American energy infrastructure company. Life takes energy and Enbridge exists to fuel people's quality of life. We safely and reliably deliver the energy people need and want. Our core businesses include Liquids Pipelines, which transports approximately 25 percent of the crude oil produced in North America; Gas Transmission and Midstream, which transports about 19% percent of the natural gas consumed in the U.S.; Gas Distribution and Storage, which serves approximately 3.8 million retail customers in Ontario and Quebec; and Power Operations. Together, our renewable energy projects (either operating or under construction) have the capacity to generate 2000 MW of net renewable power in North America and Europe.

Our regulated utility, Enbridge Gas Inc. ("Enbridge Gas"), is Canada's largest natural gas storage, transmission and distribution company based in Ontario with a more than 170-year history of providing safe and reliable service to customers and heats over 75 percent of Ontario homes. Enbridge Gas Inc. was formed on January 1, 2019 with the amalgamation of Enbridge Gas Distribution and Union Gas.

Enbridge appreciates the opportunity to provide comments on the transition of industrial facilities from the federal Output-Based Pricing System (OBPS) to Ontario's Emissions Performance Standards (EPS). As a large natural gas distributor in the province with over 200 EPS participants who are our customers, it is important the transition from OBPS to EPS is smooth. Enbridge suggests that regular meetings be scheduled between natural gas distributors and the Ministry of the Environment, Conservation and Parks (MECP), as was done in the preparation for the implementation for Cap and Trade, to ensure a straightforward transition for all customers.

Proposed start date of January 1, 2021 application of all provisions of the EPS program

Enbridge is supportive of the proposal for a transition from OBPS to EPS for the 2021 compliance year. The earlier transition would provide savings for natural gas customers sooner.

Amending provisions related to the start date of compliance obligations

For facilities that register in 2021 or later, it is recommended that MECP establish an annual deadline for registration into the EPS, with coverage for emissions under the EPS beginning the following year in

which the participant registers into the program, similar to Cap and Trade. For example, if a facility registers in 2021, their exemption under EPS will become effective January 1, 2022 for the 2022 compliance year. This would eliminate new registrations from beginning throughout the year, which would simplify the process of exempting EPS participants from the fuel charge for fuel distributors and reduce administrative burden for both the fuel distributor and MECP.

Aligning the scope of the EPS to match the OBPS

Enbridge is supportive of the proposal to align the scope of the EPS to that of the OBPS by including the additional sectors identified in the proposed amendments that are considered covered activities under the federal OBPS. Ensuring that all activities currently covered under the OBPS are also covered in the EPS program will allow for a smooth transition for all participants, while not disadvantaging any sector in this transition.

Amendments to support the ability for registered facilities to maintain their exemption from the federal fuel charge

Enbridge is supportive of MECP collecting additional information from existing registered facilities to support the continuation of a facility's exemption from the federal fuel charge. However, clarity is required on whether existing registered facilities transitioning to the EPS will require additional documentation from MECP showing registration as a covered facility under the EPS, to maintain their federal fuel charge exemption. Further, it is not clear if fuel distributors can rely on the documentation that has previously been provided by existing registered facilities, or if they will need to collect additional information to continue to exempt customers from the fuel charge.

Enbridge recommends that any existing registered facilities that are registered under the OBPS as of 2020 would not be required to provide any additional exemption documentation to their fuel distributors to maintain exemption of the fuel charge on their purchased fuel. Any participants registering a facility in 2021 and onwards will be required to submit proof of registration under the EPS as well as the federal fuel charge exemption.

Other administrative and clarifying amendments

The proposal indicates that MECP may propose additional amendments, which may include the treatment of new facilities that are projected to emit 10,000 tCO₂e per year. Enbridge recommends that amendments to address new facilities be proposed as soon as possible. Certainty on coverage in the EPS program is key for new facilities that are being contemplated for Ontario. Lack of clarity could mean that investment is made outside of the province.

Regulatory certainty is also important for existing registered facilities. Enbridge recommends that MECP make available the Baseline Emissions Intensity (BEI) for those facilities with a facility specific performance standard as soon as possible in order for regulated facilities to be able to develop a complete and accurate financial forecast for 2021 and beyond. Additionally, amendments related to achieving equivalency with the federal benchmark post 2022 should be proposed as soon as possible to provide longer term certainty.

Compliance Options

Enbridge recommends that offset credits be included as a compliance option under the EPS. Offsets provide flexibility to registered facilities to meet their compliance obligation, usually at a value less than the excess emissions charge. This provides lower cost compliance costs for registered facilities, while encouraging reductions in sectors outside of the EPS. Offsets may stimulate those sectors to produce emission reductions that would not be seen without the investment in offset projects. This in turn will provide a meaningful contribution to the province meeting its emission reduction objectives.

Enbridge recommends that MECP allow offset credits from the federal offset system, which is currently under development, or other provincial systems as compliance instruments. Additionally, MECP may also consider implementing its own offset program, providing Ontario offsets are developed so that they are fungible with federal offsets to ensure investment in offset projects and emission reductions stay in Ontario.

Conclusion

Enbridge appreciates the chance to comment on the amendments to transition Ontario's industrial facilities from the federal OBPS to Ontario's EPS program. Enbridge is supportive of the proposal of the transition from OBPS to EPS for the 2021 compliance year as well as the proposal to align the scope of the EPS to that of the OBPS by including the additional sectors that are considered covered activities under OBPS.

If you have any questions on the recommendations above or require additional information please contact Nicole Gruythuyzen, Government Affairs Senior Advisor (nicole.gruythuyzen@enbridge.com).