

January 15, 2021

Via Email: Melissa.Ollevier@ontario.ca

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

File: 00541

Dear Ms. Ollevier:

Re: Proposed amendments to transition Ontario industrial facilities from the federal Output-Based Pricing System to Ontario's Emissions Performance Standards program (ERO: 019-2813)

Ontario Power Generation (OPG) appreciates the opportunity to provide comments on the [Proposed amendments to transition Ontario industrial facilities from the federal Output-Based Pricing System \(OBPS\) to Ontario's Emissions Performance Standards \(EPS\) program \(ERO: 019-2813\)](#). OPG is Ontario's largest clean energy generator producing clean, reliable, low-cost power using our diverse mix of generating sources. Our Ontario portfolio includes 66 hydroelectric stations, 2 nuclear stations, 1 solar facility, 1 biomass station, and 1 dual-fuelled oil and gas electricity generating station. The latter station is subject to the OPBS and EPS programs.

The EPS program is critical to holding polluters accountable for their greenhouse gas (GHG) emissions while helping Ontario (and Canada) meet our 2030 emissions reduction target, and the transition to a net-zero economy by 2050. We support the proposal to allow for opting in, generation of credits for efficient operation, and to maintain exemption from federal fuel charge. These will incentivize efficient operation and reduce compliance costs.

As the MECP develops the regulations, a smooth regulatory transition that minimizes compliance and administrative burden and cost is a priority. The alignment of the programs to the extent possible will be critical to a smooth regulatory transition. The federal OBPS and the provincial EPS have key differences such as: electricity emissions standards (i.e. 370 T/GWh vs 420 T/GWh), the reporting and verification timelines (June 1 annually vs. June 1 and September 1 annually); and quantification methodologies and reported parameters. These differences may introduce regulatory uncertainty, and compliance and administrative burden and cost, and must be considered carefully. Our key concerns are outlined below:

Harmonization of Quantification, Reporting and Verification

The quantification, reporting and verification (QRV) timelines, and the reported production data and parameters are different between the provincial and federal programs. Implementation of these two systems to date has resulted in regulatory and administrative burden and cost.

For example, for the 2019 compliance year, OPG had to report GHG emissions for its Lennox GS under both the federal OBPS and the provincial EPS. The quantification methodologies were slightly different; each report required its own third-party verification and due dates were different. As such, OPG had to track the emissions separately, prepare and submit two different GHG reports, and prepare, submit and pay for two separate verification audits.

To streamline QRV and reduce administrative cost and burden, OPG recommends:

- **Provincial QRV methodologies should be further harmonized with the federal Greenhouse Gas Reporting Program (GHGRP) and OBPS programs;**
- **Reporting period should align with the federal GHGRP, which spans annually from January 1 through December 31; and**
- **Start dates of the EPS program, verification parameters, and compliance obligations should all align.**

Transition date should be prospective, beginning January 1

As proposed, the EPS will take effect 2021, alternatively 2022. The OBPS is currently in effect to December 31, 2022. As proposed, the transition start date may be retrospective (2021 has already begun), which would result in administrative burden.

Carbon pricing is incorporated into electricity market offer prices and would vary with the emissions standard. If the transition is effective retroactively, given the differences between the federal and provincial electricity standards programs, this could result in negative impacts to electricity market participants on cost-recovery. Additionally, if the transition occurs after the start of a year, a regulated emitter must track emissions and costs, and have compliance obligations under both programs.

For ease of administration, tracking of compliance obligations, streamlining of QRV, and more accurate cost-recovery, OPG recommends:

- **The transition start date should be January 1 of a future date. The earliest start date of the EPS should be January 1, 2022.**
- **The transition should ensure no overlap or duplication between the OBPS and EPS.**

Timely Communication, Training and Resources

Emitters need sufficient time to understand the regulatory requirements, register and implement business processes to comply. **OPG recommends timely consultation, communication, training and guidance documents to support a smoother transition.**

Regulatory Certainty

Carbon policy in Ontario has evolved greatly in the last 5 years, which has resulted in associated compliance and administrative burden and costs.

OPG recommends that carbon policy should provide longer-term regulatory certainty and stability to reduce compliance and administrative burden and cost; to incent long-term investments in energy projects to maintain system reliability; and to support transition to a decarbonized economy.

Revenue Recycling

The Made-in-Ontario Environment Plan (2018) stated that Ontario would direct proceeds from the EPS to an emissions reduction fund (ERF). OPG continues to support the creation of this fund and recommends that funds collected should be invested in projects that pursue and incentivise:

- Efficient economy-wide decarbonization; and
- Adaptation to climate impacts to increase resilience of Ontario's economy and infrastructure.

Offsets Program

Currently the EPS program does not include an offsets program. Final EPS regulations should allow for enhanced trading design elements including use of offsets for compliance (with preference for Ontario to leverage the Federal Offset System and future project protocols). This will encourage cost-effective domestic GHG emissions reductions from voluntary activities that are not covered by carbon pricing programs (e.g. waste/landfill, forestry, agriculture).

Thank you again for the opportunity to provide comments. OPG looks forward to continued engagement in the development of implementing regulations for a smooth transition from the OBPS to the EPS, and is excited to be a catalyst for economy-wide decarbonization.

We would be happy to meet in person to review our comments in more detail.

Sincerely,

John Beauchamp

John Beauchamp,
Director, Environment, Health & Safety