Cement Association of Canada

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July 11, 2021

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

RE: Amendments to support transition and implementation of Ontario's Emissions Performance Standards program

On behalf of the Cement Association of Canada and our member companies in Ontario, I want to express our general support for the most recently proposed amendments to help transition and implementation of Ontario's Emissions Performance Standards (EPS) program. We understand that the new amendments are intended to further support industry's transition from the federal OBPS to Ontario's EPS program by clarifying certain compliance and reporting requirements and support the administration and enforcement of the program.

We would also like to take the opportunity to raise a few issues of concern to our members as Ontario considers the transition issues for industry in Ontario. Clarity and certainty for industry continues to be critical to ensure a successful transition to the new program in Ontario.

1. **Stranded allowances during the transition**

We have recently identified a transition issue for our members which we have raised with both officials at the federal Ministry of the Environment and Climate Change and the Ministry of Environment, Conservation and Parks.

Under the current OBPS program our members pay the carbon price on emissions from clinker produced in the calendar year, but only receive allowances for those emissions when the clinker or cement is shipped. However, under the new EPS program members will not be eligible for allowances on inventoried clinker or cement to be shipped in a subsequent year. This means that members will pay the carbon price on all their clinker emissions in 2021 but not receive any allocations for 2021 clinker or cement that ships in 2022.

It is normal for cement manufacturers to increase their inventories of clinker and/or cement at the end of the year to prepare for regular maintenance and to secure supply for the coming construction season. The lack of allowances for the 2021 inventory could therefore have a significant financial impact on our members in the transition year.

We are currently reviewing this issue with the federal government and forecasting estimated amounts of inventoried cement and clinker anticipated by each of our member facilities for the end of 2021 to determine the probable cost. This is an immediate concern to our members and one that could have a significant financial impact if not addressed for this transition year. We request the MECP's support in ensuring it is addressed and the competitiveness of Ontario's cement facilities secured.

2. **Allowances for gypsum and limestone additions to inventoried clinker**

With respect to the treatment of inventoried clinker under the EPS, the lack of allowances for gypsum and limestone added to inventoried clinker is a potentially significant competitiveness issue that will grow in significance as the benchmarks for clinker and cement decline and carbon costs increase over time. Increasing the percentage of gypsum and limestone additions to cement is a critical strategy for reducing the carbon intensity of cement and mitigating carbon costs under the EPS and similar carbon pricing systems. Also, as currently designed, the EPS could unintendedly discourage facilities from building inventory, with potential negative effects on supply.

Ideally this is something that should be addressed before the transition is formalized, rather than dealing with it in the 2022 review. We respectfully request your consideration of this issue and an opportunity to meet with you again to discuss.

3. **Offset System**

We would once again like to raise the importance of an offset system as an additional EPS compliance pathway. As we highlighted in our January submission, offsets can be a highly effective tool in keeping compliance costs low while maintaining the integrity of emissions reductions goals. Offsets, including offsets from other provincial/federal systems, will become increasingly important to facilities once they have exhausted economically viable technology improvements. We view offsets as a critical measure for securing the long-term competitiveness of EITE sectors such as cement and encourage the province to work closely with provincial counterparts and the federal government to align and allow fungibility of offsets credits across regions.

4. **Revenue Recycling**

We would like to reiterate our position that any payments collected under the EPS should be recycled back to industry to support investment in innovative low carbon technologies. We would like to lend our support to other industry partners, including CME who have also stressed the importance that funding from the program be returned to industry to invest in new emissions reduction technologies.

As we have previously highlighted, the cement sector has attracted considerable private sector investment in low carbon fuels and other low-carbon technologies in those provinces where these types of funds exist. These types of funding programs can increase investment in innovative technologies and accelerate their commercialization, resulting in decreased GHG emissions, jobs, and economic growth while also helping to mitigate the potential negative impact of carbon pricing on competitiveness. Our international companies will invest in these technologies in the jurisdictions which are best suited to investment risk reduction.

Summary

The cement industry has a goal of delivering carbon neutral concrete by 2050 and is currently working on a technology roadmap to achieve that goal with emissions reduction milestones at intervals leading up to 2050. As an industry we are actively working with all levels of government to optimize those policy levers, including carbon pricing, that will help us to meet the 2050 goal. We recently announced a new partnership with the Government of Canada to support development of a roadmap to net-zero carbon concrete which aims to position Canada's cement and concrete industry as a global leader in low-carbon cement and concrete production and related clean technologies. We look forward to working with all levels of government as we collectively work towards this global leadership position.

Thank you for your consideration of our comments. If you have any questions or require additional information, do not hesitate to contact me or Martha Murray (mmurray@cement.ca / 416.906.4925). We look forward to our continued work with you to achieve Ontario's emission reduction goals.

Sincerely,

Michael B. McSweeney

Michael McSweeney
President & CEO

The Cement Association of Canada (CAC) is the voice of Canada's cement industry. Five of our companies have operated in Ontario for many decades: Ash Grove (a CRH Company); Lafarge Canada Inc.; Lehigh Hanson Canada; St Marys Cement; and Federal White Cement Inc.

Cement, concrete and aggregates facilities are in every community across Ontario, large and small. Our industry generates over 54,000 direct and indirect jobs in Ontario, and our direct, indirect and induced economic contribution is over $25 Billion.

We are the world's most important building material. Virtually all construction projects – above and below ground – need concrete. Twice as much concrete is used than all other materials combined and concrete is the second highest consumed commodity in the world, second only to water.

Ontario's cement producers are important participants in the national and global marketplace and provide a strategic and reliable supply of the cement required to build Ontario's provincial and municipal transportation infrastructure, buildings and homes, waterworks and dams, and of course our hospitals and schools.