



July 9, 2021

Melissa Ollevier
Financial Instruments Branch
40 St. Clair Avenue West
Toronto, ON
M4V 1M2

Dear Ms. Ollevier:

RE: proposed amendments to Ontario's Emissions Performance Standards program and greenhouse gas reporting requirements

The Canadian Energy Pipeline Association (CEPA) has reviewed the proposed amendments to Ontario's Emissions Performance Standards (EPS) program and the greenhouse gas reporting requirements. We support the Ministry of Environment, Conservation and Parks' (MECP) intention to further assist industry's transition from the federal output-based pricing system (OBPS) to the provincial program. In order to ensure a smooth transition, industry requires adequate time to make the necessary changes to their internal processes and procedures. Accordingly, we recommend that regulatory amendments be finalized as soon as possible to ensure industry has a clear understanding of the compliance obligations under the EPS program beginning with 2021 emissions.

Notwithstanding the above, CEPA would like to provide the following comments regarding the proposed amendments.

Compliance Flexibility

CEPA encourages MECP to develop flexible compliance mechanisms and promote the development of market-based instruments, such as carbon offsets and excess emissions units. Doing so will allow market forces to discover and utilize the lowest abatement opportunities and drive low-cost compliance, expand low-carbon investments in technologies and projects outside of the regulated space. We also recommend that MECP mirrors the federal OBPS in accepting the use of eligible or recognized units from other Canadian provincial and federal emissions trading systems to further enhance affordability and compliance options in the EPS program. This approach would reinforce investor confidence in environmental commodities and support existing or prospective investments undertaken by EPS regulated facilities.

Similarly, we support the development of an offset platform/registry that facilitates the transferability and fungibility of carbon offsets issued by programs across Canadian jurisdictions and promotes administrative efficiencies.



Low carbon fuels

Careful examination of interactions between the federal Clean Fuels standard and harmonization rules regarding provincial carbon pricing systems (i.e. quantification methodologies) is needed. It is essential that these policies be developed in concert in order to send a stable signal to the investment community to orient their capital towards the most efficient, proven, reliable and economically attainable forms of low carbon energy & associated infrastructure.

Carbon Revenue

The EPS has the potential to be an efficient tool to minimize competitiveness and carbon leakage risks, while providing incentives to reduce emissions and channel capital towards innovation, emissions abatement and low carbon fuels. This objective can be achieved if the proceeds from compliance payments support the development of industrial emissions reductions projects. For example, challenges facing the deployment of innovative technologies, such as developer upfront risk, can be mitigated through government support. In turn, this approach can unlock impactful emissions reductions for regulated facilities, thereby enabling the EPS program to promote industry competitiveness through innovation and increased emissions reduction.

Closing

We support the development of a pan-Canadian GHG carbon pricing framework and encourage the Ontario Government to continue to work with their federal counterparts to develop clear and equitable rules and expectations around equivalency. Along with our members, CEPA looks forward to continuing our participation in future consultation opportunities with the Ontario Government and other stakeholders. Please do not hesitate to contact the undersigned if you have any questions or require clarification regarding any of the comments made above.

Sincerely,

Kai Horsfield
Policy and Regulatory, Manager