

July 11, 2021

Melissa Ollevier  
Financial Instruments Branch  
Ministry of the Environment, Conservation and Parks  
40 St. Clair Avenue West  
Floor 8  
Toronto, ON  
M4V 1M2  
Email: [Melissa.Ollevier@ontario.ca](mailto:Melissa.Ollevier@ontario.ca)

Submitted via email.

**RE: Proposed amendments to support transition and implementation of Ontario's Emissions Performance Standards program (ERO 019-3719)**

Dear Melissa Ollevier,

On behalf of the Ontario Forest Industries Association (OFIA) and the Pulp and Paper Coalition, I would like to thank you for the opportunity to comment on ERO proposal 019-3719, or the proposed amendments to support the transition and implementation of Ontario's Emissions Performance Standards (EPS) program. We recognize that the transition from the federal Output-Based Pricing System (OBPS) to the EPS will be complex and delicate, and we appreciate the opportunity to offer our feedback on this regulatory proposal so that some of these issues can be foreseen and pre-emptively addressed.

Ontario's forest industry currently employs 145,000 across all regions of the province and generates \$17.5 billion in revenue. The forest industry is energy-intensive and highly trade-exposed. As we compete internationally for markets and capital investments, Ontario must ensure its regulatory framework is cost-competitive with other jurisdictions.

We appreciate your government's focus on adding flexibility, streamlining and reducing administrative burden for facilities. We consequently support the partial year emissions coverage for facilities that enter the EPS program throughout the year, as well as the removal of the obligation to re-verify emissions for minor changes.

However, some of the changes will have a more significant financial impact on facilities. For example the reduction of the performance standard for electricity generation from 420 to 370 t CO<sub>2</sub>/GWh will increase the cost of compliance of facilities compared to what had been modeled based on the previous version of the regulation. We suggest that MECP retains the previous version of the standard and gradually reduces the standard over the years to ease the burden and facilitate the transition. The proposal to align the EPS facility definition with the OBPS facility definition could potentially create inconsistency between the GHG emissions in the baseline and the GHG emissions from activities that need to be included for compliance obligations. If this

change is adopted, MECP will need a methodology to correct facility baseline information so the activities in the baseline match the activities being reported for compliance purposes. MECP should hold additional consultation sessions with stakeholders to address the changes and the implications arising from them.

We are concerned about the lack of details regarding some of the proposed changes in the materials shared with stakeholders which prevents us to fully understand the changes, and hinders our ability to provide meaningful comments. Without a redline version of the regulation that would allow us to see all modifications being proposed, we have to rely on the powerpoint presentation and general statements such as “Adjusting the Facility Specific Performance Standard method in certain cases to clarify requirements, address technical errors, and reflect significant changes in operations or ownership”.

We would strongly encourage MECP to undertake further consultation once a more detailed document outlining the changes is available.

Regarding the December 16, 2020 proposed regulatory modification (EPS 019-2813), we applaud the MECP for introducing changes that recognize the benefits of biomass over fossil fuels for energy generation by introducing a 2% biomass factor for CO2 emissions for the pulp and paper sector. We had estimated that a factor of 5% would be appropriate to prevent companies that were already using biomass or early movers that had converted their boilers from fossil fuel to biomass ahead of the regulation to be disadvantaged. We therefore ask MECP to reconsider the possibility of a higher number for the biomass factor.

Finally, as we have done in our comments to the proposed changes to the Federal OBPS, we want to voice our concern about the decision to suspend excess credits when facilities transition out of OBPS to provincial systems. The decision to not transition credits to provincially run systems penalizes those who have planned for the future and have made significant efforts towards reducing their facility’s carbon footprint early. This decision rewards those who have only put in the effort necessary to meet the bar, not those who have put in the effort to surpass it. It sends the wrong message and discourages companies from going the extra mile towards fighting climate change. When companies invest in a GHG reduction project, the saving in carbon price from the implementation of the project are factored into the decision-making process when calculating the return on investment. If there is a lack of trust that the investment can be recovered, this will impact the willingness of companies invest in these projects. We would strongly encourage the MECP to work with the federal government to find a way to transition excess credits to the provincial system.

Thank you,

Olivia Auriat

Policy Manager, OFIA