

January 15, 2024

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

**Re: Inclusion of Battery Manufacturing as an Industrial Sector in EPS Program**

Dear Ms. Ollivier,

We appreciate the opportunity to provide feedback on the proposed developments in the Emissions Performance Standards (EPS) program in Ontario. We are particularly interested in advocating for the inclusion of battery manufacturing as an industrial sector in the EPS program.

The EPS program plays a vital role in regulating carbon emissions, and we are keen on ensuring that battery manufacturing plants have an opportunity to participate. Recognizing the significance of the battery manufacturing sector in advancing the energy transition and fostering a sustainable Canadian economy, we stress the importance of addressing carbon leakage risks. Our analysis suggests a high-risk assessment for the industry based on the EPS Emissions Intensity and Trade Exposure (EITE) evaluation. Consequently, we strongly endorse the incorporation of battery manufacturing as an industrial activity in the EPS program, categorized under the NAICS code 335910.

### Background

The battery manufacturing sector has emerged as a strategic component in the transition to sustainable energy solutions, key to the adoption of both electric vehicles and renewable energy storage. NextStar Energy (NextStar) is a new joint venture company between LG Energy Solution (LG) and Stellantis, aiming to transform the electric vehicle (EV) industry in North America.

NextStar's facility is situated in Windsor, Ontario and establishes Canada's first giga factory producing at least one million watts of power. Representing a key investment to the Canadian auto industry and Ontario economy, this \$5 billion automobile electric vehicle battery plant plans to employ more than 2,500 people. This investment and facility size holds significant value for job opportunities and the livelihood of Ontario residents.

### Comment #1: Inclusion of Battery Manufacturing as an Industrial Activity

The battery manufacturing process is energy-intensive, involving high temperatures and energy consumption, collectively contributing to a significant carbon footprint. NextStar has forecasted greenhouse gas (GHG) emissions for the period 2024-2026, based on its minimum annual volume contract with Enbridge. Based on these projections, NextStar will exceed the mandatory emissions limit

of 50,000 tCO2e once operations are at full capacity. Therefore, we strongly support the inclusion of battery manufacturing under a sector-specific performance standard.

The Battery sector's intricate global supply chain, incorporating raw materials sourced from diverse countries and exporting products to various markets, renders it susceptible to shifts in trade policies. A substantial portion of NextStar's production will be exported, our analysis indicates a trade exposure of 97%, as reflected in the attached EITE form. NextStar is highly vulnerable to trade-related risks, given its heavy reliance on global markets.

Considering NextStar's emissions will surpass the mandatory threshold of 50,000 tCO2e and face significant trade exposure risks, we strongly recommend the inclusion of battery manufacturing as a high-risk industrial activity in the EPS program, designated under the NAICS code 335910.

We look forward to further discussions with the Ministry on this issue.

Sincerely,

Danies (Hunseong) Lee

CEO



Cc: Josh Orentlicher, FCA Canada Inc.

Blackstone Energy Services