



January 15, 2024

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

**RE: Response to ERO Bulletin #019-7649 – Regulatory amendments to clarify program requirements and improve program efficiency for Emissions Performance Standards (EPS) and GHG Reporting programs**

Dear Ms. Ollevier,

Algoma Steel Inc. (Algoma) is pleased to provide feedback to the Ministry of the Environment, Conservation and Parks (MECP) regarding the proposed regulatory amendments to the Emissions Performance Standards and GHG Reporting programs in response to the Environmental Registry of Ontario (ERO) Bulletin [#019-7649](#).

Algoma is a fully integrated steel producer with a raw steel production capacity of approximately 2.8 million tons per year. Founded in 1901 in Sault Ste. Marie, we produce some of the cleanest, most consistent light gauge steel in North America. With a team of 2900 employees and over 6000 retirees, Algoma is Sault Ste. Marie's largest employer.

Algoma is currently on a transformation journey, working with the Government of Ontario to enable the successful transition from Blast Furnace/Basic Oxygen Furnace (BF/BOF) to Electric Arc Furnace (EAF) steelmaking in Sault Ste. Marie. We thank MECP for its ongoing collaboration on this initiative and look forward to further cooperation as our EAF transformation continues.

The transition to EAF reduces GHG emissions by 70% or approximately 3 million tonnes per year, equivalent to phasing out coal-fired generation in New Brunswick. This represents Ontario's industrial contribution to Canada's Paris Agreement targets and accounts for 11% of Canada's total industrial target. This project will eliminate coal use, stabilize and foster economic activity in the northeast for generations to come.

Algoma has reviewed the Proposed Amendments in ERO Bulletin #019-7649 and recommends that the stringency factor of one being proposed by MECP should be applied across the board (to Algoma Steel's entire operation) starting January 1, 2022 for Algoma Steel.

Algoma appreciates the MECP's commitment and support of its EAF project and would like to continue to work with the Ministry on a consistent process that provides certainty to Algoma Steel on transition details moving forward.

The below presents Algoma's feedback in greater detail.

## 1. Recognizing significant transformation in the steel sector

Algoma appreciates the MECP's proposal to recognize the steel industry's transition to clean energy and subsequent significant emissions reductions by setting stringency factors equal to one for the transition period alongside transitional BEIs, criteria for implementation and curtailment, and production parameters.

Algoma recommends the proposed stringency factor equal to one be applied to Algoma Steel's entire facility's emissions and applicable as of January 1, 2022 which represents the point of significant investment and commitments towards Algoma's Steel's transition. It's important that all facilities have a stringency factor 1 treatment as Algoma Steel pursues decarbonization away from iron and coke making due to the implications throughout the facility as byproduct fuels are curtailed.

Algoma Steel also proposes that the stringency factor remain fixed at one until 2040, to ensure continued recognition of this transformative and long asset life investment. This proposed transition timing and fixed stringency factor would allow for a more meaningful recognition of the fundamental and generational shift in GHG reductions in Ontario enabled by the project.

We understand the MECP is accepting recommendations on definitions for when a transition takes place. Algoma Steel recommends the following principles to help define the start of a transition period:

- Demonstration of a threshold of sustained investment (i.e. actual investment being made).
- An enduring commitment to significant GHG reductions (i.e. shovels in the ground).

It is our view that setting a demonstrated commitment threshold acknowledges and encourages corporate responsibility towards sustainability, fostering a level playing field for businesses to adopt environmentally friendly manufacturing practices, emphasizing genuine action and investment. The above principles will help ensure transparency and fairness in the regulatory process by basing recognition on tangible actions towards meeting the province's GHG reduction and decarbonization goals.

We also encourage the government to acknowledge the distinct characteristics of different projects versus adapting a standard transition period across the sector. In the case of Algoma, we recommend our transition period to start as of January 1<sup>st</sup>, 2022 to align with the rationale we provided above. This timing corresponds to when Algoma made a tangible investment as well as a long-standing commitment to reducing GHG emissions, having broken ground on construction. If Algoma exceeds the performance standard from an emissions perspective, they should also have the ability to repatriate.

Algoma has demonstrated its commitment to the EAF initiative by making the following significant investments:

- Over \$750 million committed to date including but not limited to:
  - Investment of approximately \$40 million towards site preparation, electricity generation, and foundations in 2021.
  - Over \$260 million in spending and committed contracts in 2022.
  - Over \$280M spent in 2023.

Construction has been underway at Algoma's EAF facility since fall 2021, with the EAF facility expected to become operational at the end of 2024.

## **2. Transitioning to sector-based standards**

Algoma notes that the MECP proposes wider application for sector-based standards and phasing in sector-based standards over a number of years to provide facilities more time to transition to cleaner operations. However, there is a lack of clarity on what the MECP is proposing regarding sector-specific standards, and Algoma seeks additional clarity in this regard.

The ERO posting states that sector-based standards are considered to be a more equitable approach for a program such as the EPS. Industry stakeholders hold unique perspectives on what should be included in sector-based standards.

The ERO posting notes that sector-based standards are more complex and require more time to develop than facility-specific standards. Additionally, we understand the MECP has expressed interest in gathering perspectives on this proposed transition now, despite this being a longer-term initiative that will require data-gathering and is unlikely to be included in the upcoming Spring amendments. Given this, Algoma would like to take this opportunity to collaborate with the MECP to discuss this proposed amendment in greater detail and what it might look like for Algoma. In particular, Algoma would like to explore the potential for a blended sector standard approach for EAF based on equitable treatment and that incentivizes companies to work towards making their operations more efficient and greener to outperform the standard.

### **Additional comments**

In addition to understanding how our project will be treated during the transition period, Algoma Steel would like to engage with the Ministry on the post transition period. Our cycle of capital investments extends well beyond the transition period. We would like to work with government on potential mechanisms during this period that serve to recognize Algoma's Steel's significant reductions of GHG emissions associated with completely transforming its operations by shifting to EAF versus remaining a blast furnace producer. It is important that we have certainty on carbon price and programming moving forward for business certainty and to ensure we have the clarity needed to provide the best value back to the province.

### **Conclusion**

We remain dedicated to continued collaboration with the MECP to ensure a smooth transition to cleaner operations in alignment with our EAF transformation. Algoma would like to thank the MECP for the opportunity to contribute our insights on the proposed regulatory amendments and we look forward to further discussions and opportunities to work closely with the Ministry to address the unique considerations surrounding the Proposed Amendments highlighted above.

Algoma also looks forward to continuing technical discussions with the MECP team on issues such as transitional BEIs.



Algoma would welcome an opportunity to meet with the Ministry to discuss the above comments in further detail.

Sincerely,

A handwritten signature in black ink, appearing to read "JN", with a long horizontal flourish extending to the right.

John Naccarato  
VP Strategy and Chief Legal Officer

CC: Alex Wood, Assistant Deputy Minister, Climate Change and Resiliency Division, Ministry of the Environment, Conservation and Parks (via email: [alex.wood@ontario.ca](mailto:alex.wood@ontario.ca))