



# COMMENTS TO ONTARIO MECP ON THE PROPOSED REGULATORY AMENDMENTS TO THE EMISSIONS PERFORMANCE STANDARDS

TC Energy Submission | January 15, 2024

## NATURAL GAS PIPELINES

**75 %**

of Canada's demand

...

Our 93,700-kilometre network serves the largest, most competitive resource basins and the highest-value demand markets spanning Canada, the U.S. and Mexico. In Canada, LNG exports facilitated by our Coastal GasLink pipeline could reduce global CO<sub>2</sub> emissions by 60-90 million tonnes by displacing higher carbon-emitting energy sources, such as coal.

## LIQUIDS PIPELINES

**20 %**

of demand for Canadian crude oil

...

Our 4,900-kilometre liquids pipeline system directly connects one of the largest global oil reserves, the Western Canadian Sedimentary Basin, to the largest refining markets in the U.S. Midwest and Gulf Coast. This irreplaceable system serves a highly strategic corridor.

## POWER AND ENERGY SOLUTIONS

**30 +**

years of experience

...

We own or have interest in facilities in Canada and the U.S. providing approximately 4,600 megawatts of capacity, over 75 per cent of which is emission-less. We continue to progress power and energy solutions initiatives, including at our Bruce Power nuclear facility.

## About TC Energy

TC Energy is a team of 7,000+ energy problem solvers working to move, generate and store the energy North America relies on. Today, we are taking action to make that energy more sustainable and more secure. We have [announced](#) targets to reduce greenhouse gas (GHG) emissions intensity from our operations 30 per cent by 2030 and to position the company to achieve net-zero emissions from our operations by 2050.<sup>1</sup> We are innovating and modernizing to reduce emissions from our business.<sup>2</sup> And, we are delivering new energy solutions to help other businesses and industries decarbonize too.

Along the way, we invest in communities and partner with our neighbours, customers, and governments to build the energy system of the future. This includes entering into project agreements with Indigenous groups to deliver benefits, improve communications and better align interests, together. It is through meaningful partnership that Indigenous communities sit at the table, alongside other partners, sharing their voice so that all interests can be aligned.

## General comments to Ministry of the Environment, Conservation and Parks

TC Energy appreciates the opportunity to provide comments to Ontario Ministry of the Environment, Conservation and Parks (MECP) on the proposed regulatory amendments to the Emissions Performance Standards (EPS) program. We bring a wealth of expertise in carbon policies as we operate under a diverse policy landscape across many Canadian jurisdictions, and we have actively participated in the public consultation processes that have informed the development of these policies. We recognize the EPS program is a tailored program for Ontario's environment and economy and we value the ongoing efforts by MECP to maintain the EPS program and its equivalency with the federal benchmark.

To ensure the recognition and stability of the EPS program, **we want to emphasize the importance of program differentiation while still maintaining equivalency on broader elements with the federal Output-based Pricing System (OBPS) such as covered emissions and industrial activities.** Retaining covered emissions only to direct emissions is important for operators like TC Energy as it allows us to seek opportunities to reduce emissions through energy efficiency while ensuring that we are incentivized to pursue alternate energy sources within our operation through the inclusion of indirect emissions (e.g., scope 2 and 3).

We also acknowledge the reality of future updates to the EPS program as the province aims to maintain equivalency with the federal benchmark. As such, we believe that MECP needs to continue providing transparent, consistent guidance on key EPS mechanisms and allow adequate time for industry to adapt and respond to these changes. With some of these changes expected coming into effect as early as Spring 2024, we understand MECP will require a swift completion of this process, however, **we recommend MECP to consider allotting more time for the implementation of proposed changes that are complex in nature and require further consultation with stakeholders in the province.**

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<sup>1</sup> Our emissions intensity reduction target uses 2019 emissions as a baseline

<sup>2</sup> TC Energy's corporate roadmap to achieve supporting net-zero by 2050 can be found [here](#)

## Transitioning to Sector-based Standards

TC Energy understands the intent for transition to sector-based emissions performance standards – by providing a level playing field for EPS facilities that produce the same product it could ensure emissions reduction from those facilities are achieved in a fair and equitable manner. While we appreciate the proposed phase-in approach, we are concerned that the suggested timeline overlaps with other policy developments at the federal level, and for TC Energy specifically, in other provincial jurisdictions, which leaves us (and the sectors) little time to adapt and respond to these policy changes. Therefore, **we ask MECP to consider a longer transition period (i.e., at least 6 years, throughout 2025-2030) for sectors that are emissions-intensive, and trade exposed**, allowing more time for these sectors to absorb any potential impact that may arise from this proposed change while providing a longer runway to search for solutions to reduce emissions.

**We also recommend further consultation on how the sector-based emissions performance standards will be determined.** It is critical that individual sectors that are affected by this proposed change have the opportunity to weigh in on this process, to ensure that the sector-based approach is implemented in an equitable and suitable manner. Furthermore, it is equally important that the data used for a sector-based benchmark is sourced from facilities and operations within the provincial jurisdiction, recognizing the uniqueness of the EPS program as well as the experiences of EPS facilities in the province in which they operate in. By defaulting the sector-based standards using national sector average would be counterintuitive and make EPS program indifferent to the federal OBPS.

## Expanding Eligibility for Renewable Natural Gas

TC Energy understands the current treatment of biogas, including renewable natural gas (RNG), as renewable fuel under the EPS program requires physical delivery and use at the consuming facility for the emissions reduction to be recognized, thereby restricting the potential of the renewables market. Hence, we are pleased to see the proposal to expand eligibility for RNG under the Greenhouse Gas (GHG) Emissions Reporting program via a notional accounting method and enabling its environmental attributes under the EPS program. We believe this proposed change will provide flexibility for many EPS facilities that are looking to leverage renewable fuels like RNG to reduce emissions and associated compliance costs but lack the regulatory instruments under the current approach of physical delivery and use.

While we are encouraged to see this proposed expansion, we do have concerns related to the proposed criteria and of potential unintended negative consequences they could lead to:

- RNG injection within Ontario – this will limit the province’s ability to achieve emissions reductions by way of utilizing renewable fuels such as RNG sourced from out-of-province. We recognize the challenges that come with notional accounting for RNG, but we see significant upside by not restricting the source of RNG. For example, our integrated Canadian Mainline System currently receives RNG in Quebec that can be tracked, transported, and delivered in Ontario, thereby offering the province additional source of RNG to reduce emissions from EPS facilities. RNG supply from out-of-province could also present flexibility for certain industries and businesses within Ontario to source the necessary RNG from outside of Ontario to meet their requirements which may be driven by either regulatory or voluntary targets and objectives. The proposed criteria disincentivizes out-of-province sources. **Therefore, we strongly encourage MECP to work closely with other provincial governmental counterparts in creating a**

**consistent accounting method for RNG** under existing and emerging GHG emissions policy and enabling the environmental benefits for all RNG consumers including EPS facilities in Ontario regardless of the injection point of the renewable fuel.

- RNG injection to natural gas distribution systems – this will restrict RNG producers that do not have access or connections to local gas distribution companies. While we acknowledge the intention of this eligibility is not to limit to natural gas distribution system, we are concerned that any differentiation in how RNG is injected into the natural gas system will create unfair treatment amongst RNG producers within the market and more importantly, disincentivize RNG production that lacks access to certain type of transportation service. Hence, **we recommend MECP to expand the eligibility criteria to also include natural gas transmission companies and develop a workable approach to enable notional accounting of RNG under the EPS and GHG Reporting programs across all natural gas systems.** We also want to highlight that our Canadian Mainline System is an EPS facility and a major consumer of natural gas at the compressor stations in Ontario but is not a customer of any local gas distribution companies. We source our fuels directly from our pipeline system, and thus, excluding natural gas transmission companies from the eligibility criteria would also inadvertently prohibit us from reducing emissions using RNG as any fuels (including RNG) consumed at these locations would be supplied from outside of the natural gas distribution system.

Nevertheless, we are supportive of this proposed concept, provided that the eligibility is extended to natural gas transmission system, as we see RNG integration into the natural gas system as enabling emissions reduction for fuel consumers in the province while enhancing energy security and diversification.

## Conclusion

TC Energy is committed to supporting the ongoing efforts of Ontario to enhance the EPS program. Our goal is to ensure that regulations are efficient and predictable, facilitating an orderly and secure transition towards a low-carbon economy. Our recommendations align with these objectives, and we appreciate the opportunity to provide feedback to MECP on the proposed regulatory amendments to the EPS program. We look forward to future discussions on this topic and welcome further engagement via the contact below as appropriate.

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