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**Emissions Performance Standards Regulatory Proposal Comments**

Continuous Colour Coat Limited (CCCL)

Continuous Colour Coat Limited, hereinafter referred to as “CCCL”, is an entity in the steel coating sector in Canada with one facility located in Etobicoke, Ontario. CCCL appreciates the opportunity to provide comments on the Ministry of Environment, Conservation and Parks’ (MECP) Emissions Performance Standards (EPS) regulatory proposal. Under the EPS program, CCCL meets the proposed voluntary threshold of 10,000 tonnes of CO2e and, therefore, would be eligible to become a Voluntary Participant. The purpose of these comments is to provide CCCL’s feedback on the proposed EPS design features as well as to bring CCCL and its sector to the attention of the MECP for potential voluntary participation in the EPS program. The comment sections herein refer to the sections of the “Making Polluters Accountable: Industrial Emission Performance Standards” document published in February 2019 by MECP.

**2.0 - Program Scope**

*2.1 Regulated Sectors*

Ontario is proposing to regulate the same sectors covered by the Federal OBPS as well as considering including additional sectors not currently covered under the OBPS ( such as Institutions, Greenhouse operators and Thermal Energy supply). CCCL would like to bring to the MECP’s attention that facilities in sectors initially not covered under the OBPS have the opportunity to apply to become voluntary OBPS participants under Part 2 of the *Policy regarding voluntary participation in the Output-Based Pricing System (OBPS)*. As a result, CCCL is currently in the process of applying to opt-in to the OBPS to receive cost relief from the fuel charge under the Federal Backstop. CCCL is engaging Environment and Climate Change Canada (ECCC) to have its sector (NAICS Code 332810 - coating, engraving, cold and heat treating and allied activities) included under the OBPS and, in the interim, has begun the OBPS registration process and is now waiting to be approved in order to proceed with obtaining a CRA Exemption Certificate.

According to the information provided at the EPS stakeholder engagement sessions for the manufacturing sector, if the EPS program is approved and replaces the Federal OBPS, facilities with Exemption Certificates can transfer from the OBPS to be regulated under the EPS. If CCCL acquires an Exemption Certificate under the Federal OBPS and the Ontario EPS program is in place and applies retroactively as of January 1 2019, CCCL would like the option to opt-in to the Ontario EPS program and not automatically be transferred as a result of having an Exemption Certificate.

Additionally, if the EPS replaces the Federal OBPS and applies retroactively as of January 1, 2019, there is a potential overlap in compliance for entities such as CCCL; therefore, these entities may be double charged for a portion of their emissions. As mentioned above, CCCL is in the process of applying to become a Voluntary Participant in the OBPS stream of the Federal Backstop. Until the application is approved and the Exemption Certificate is granted, CCCL will be required to pay the fuel charge until the Exemption Certificate is issued and provided to CCCL’s fuel suppliers. Therefore, if the EPS does indeed replace the OBPS with a retroactive compliance as of January 1, 2019, CCCL would comply twice on their emissions for the period from the start of the Carbon Levy (April 1st) until the date the Exemption Certificate is effective and provide to fuel suppliers to stop charging the fuel charge. For this reason, it is suggested that MECP works with ECCC and CRA to develop a methodology for returning the fuel charge or excluding that period from CCCL’s compliance obligation under the EPS. It is important that smooth transition can be made from the OBPS to the EPS with one compliance obligation. Voluntary facilities should not be penalized with double compliance costs as a result of changing regulations mid-year.

*Section 2.3 – Emissions Threshold*

CCCL supports MECP’s proposal to include a 10,000 tonnes per year threshold to allow smaller facilities to voluntarily participate in the program. CCCL would like to see the inclusion of an option to opt-out of the EPS program for voluntary participants. The option to exit the program would provide smaller facilities with flexibility to assess the most cost effective route to reducing GHG emissions and remain competitive in Ontario.

**3.0 Emissions Performance Standards**

*Section 3.1.3 - Alternatives to Sector Based Performance Standards*

CCCL would like to seek confirmation if its sector NAICS 332810 coating, engraving, cold and heat treating and allied activities is represented in the list of covered EPS sectors as “Treating, processing, and manufacturing of various metals and metal products for aerospace, automotive, and other applications” with an energy intensity methodology. If this is the case, then CCCL supports MECP’s proposal of establishing a process to allow facilities with an energy use intensity methodology to switch to a facility-specific emission intensity method instead if a suitable product for intensity can be identified.

**4.0 Compliance Flexibility**

*Availability of Compliance Units*

CCCL supports the use of different compliance units as a lower cost compliance option for facilities regulated in the EPS. Facilities should have the ability to trade or bank these units indefinitely, which could be used for a compliance entity’s future compliance obligations. The EPS program should ensure availability and access to lower costs compliance units.

The MECP is proposing to use payments for compliance units from industries that do not meet the standards to contribute to an emissions reduction fund that industry can access to invest in new reduction technologies. Access to funding would incentivise emission reduction and energy efficiency projects at the facility level. Clarity on funding (i.e. how it will be distributed, eligible projects and programs etc) can help to reduce increased carbon costs concerns and facilitate budgeting.

**5.0 Compliance Obligation**

*Harmonizing the Reporting and Verification Requirements*

With respect to the reporting and verification requirements under the EPS, CCCL supports the harmonization with the federal reporting set out under the federal production Order and the Federal OBPS methods, threshold and verification. For example, in the current ECCC Policy regarding voluntary participation in the OBPS, the requirement to complete verification of GHG emissions has recently been changed from “verification” by an accredited verification body to a “third party review” by an independent third party for GHG emissions from the 2018 calendar year. The streamlining of the reporting and verification requirements will reduce additional costs and administrative burdens for regulated entities.

**6.0 Competitiveness and Carbon Leakage Assessment**

CCCL would like to comment that in addition to carbon leakage pressures due the current climate change/environmental policies, the current US Steel and Aluminum Tariffs have also had a business impact. Steel and aluminum related manufacturing in Ontario has experienced significant competitiveness issues as a result of increasing international trade pressure and tariffs. In 2018, approximately 50% of CCCL processed steel was exported to the United States. Incremental costs, such as carbon/emissions program compliance levies, directly impact the ability for CCCL to compete in international markets and jeopardize the sustainability of its processing plant in Ontario.