

Ottawa, March 29, 2019

Ms. Vicky La
Financial Instruments Branch- Policy Unit
Ministry of the Environment, Conservation and Parks
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Dear Vicky La:

The Industrial Gas Users Association (IGUA) is pleased to provide a brief comment on the Ontario Ministry of Environment Conservation & Parks proposed *Industrial Emission Performance Standards* regulation [ERO# 013-5441].

About IGUA

IGUA represents the interests of large mining, steel, pulp and paper, chemicals, refinery and manufacturing companies in Ontario and Québec in energy matters. IGUA member companies collectively employ 24,000 people in Canada (750,000 people worldwide), and are significant sources of revenue for the federal and provincial governments and key engines of development in their local communities and for the provincial and Canadian economies in general.

IGUA's position on decarbonization is informed by a study in which it partnered with Dr. Christopher Bataille, one of the leading economists working on deep decarbonization under the UN framework.¹ Dr. Bataille's work with IGUA set out to explore the implications of decarbonization for Canadian non-fossil fuel extraction heavy industry, and identify options for adaptation. Dr. Bataille researched the question of whether heavy industry can continue to operate and grow in Ontario and Québec, and more generally in Canada, in a world committed to decarbonizing.

It is with the benefit of this work that IGUA has developed over a number of years considered views on effective carbon regulation of energy-intensive trade-exposed (EITE) heavy industry. At its most general level, IGUA's view is that the world will continue to need and consume the kinds of materials produced by Ontario's EITE industries, and it is better for the global carbon balance for our industries to make these materials than for local production to be displaced by higher carbon production elsewhere. In

¹ Dr. Bataille is the co-leader of the Canadian Deep Decarbonization Pathways Project (DDPP), member of the global DDPP secretariat, Associate researcher with the Institute for Sustainable Development and International Relations (IDDRI) in Paris and Adjunct Professor at Simon Fraser University. He has a PhD in energy and climate change policy modeling from Simon Fraser University. In August, 2016 Dr. Bataille and his co-authors released a working paper; *The potential to decarbonize Canadian heavy industry: Technological and policy pathways for Canadian energy intense industry to thrive in a low carbon world*. In April, 2018 Dr. Bataille and his co-author released a final report; *The transition towards very low carbon heavy industry in the Canadian context: Detailed technical and policy analysis and recommendations for the iron & steel, chemicals, forestry products & packaging, and base metal mining & processing sectors. Phase II of the Canadian Heavy Industry Deep Decarbonization Project*.

other words, continued production of industrial outputs in Ontario, within a robust framework for decarbonizing heavy industry, displaces higher carbon production elsewhere and reduces GHG emissions at the same time as supporting and growing Ontario's economy. A "win/win".

General Comments on Proposed Ontario Industrial Emission Performance Standards Regulation

IGUA supports the development of emission performance standards to encourage Ontario's industrial sector to reduce greenhouse gas emissions. IGUA acknowledges the Ontario government's move to provide the decarbonization framework for Ontario's EITE heavy industries that is; i) based on emissions intensity; and ii) considers trade exposure. An advantage of local development of a local framework can be to tailor the framework to Ontario's particular industries, and to evolve that framework over time in a manner which maintains the competitiveness of those industries while continuing to drive decarbonization of Ontario's economy.

As it develops and evolves its decarbonization framework, IGUA encourages the province to:

- Avoid regulatory duplication by developing its Industrial Emission Performance Standard regulation in consideration of the federal government decarbonization and clean fuel standards, in order to ensure alignment and avoid duplication.
- Provide mechanisms (as has been proposed in the framework) which would allow large industrials to find the most economic means of effectively reducing their carbon footprint; whether by reducing emissions, obtaining allowances or procuring offsets.
- Ensure that the funds raised through the proposed mechanism are "recycled" into support for carbon reducing initiatives undertaken by EITE industrials from whom funds are collected. This feedback loop is essential to ensuring effective and sustainable decarbonization while maintaining long-term competitiveness of Ontario's industrial base.
- Formally adopt a "green public procurement" standard; i.e. provincial procurement which includes carbon content as an express evaluative parameter. Such an approach monetizes the value of avoiding carbon leakage and adds the economic power of "market pull" to the regulatory constraints to be engaged to reduce carbon intensity. In this respect IGUA commends consideration of the studies by Dr. Bataille referred to above, copies of which we would be pleased to provide.
- Consider recognition, either expressly or by implication in defining forward looking emission standards, of early actions by Ontario's ever innovating EITE industrials which demonstrably resulted in significant reductions in greenhouse gas emissions in recent years under predecessor anticipated and implemented decarbonization frameworks.

Specific Comments

IGUA supports:

- Setting a mandatory threshold for participation with a voluntary opt-in provision for facilities with greenhouse gas emissions in excess of 10,000 tonnes per year;
- Sensitivity to competitiveness risks for trade-exposed sectors when setting stringency factors;
- The flexibility to select facility level Emission Performance Standards and compliance flexibility including the banking and trading of compliance units and the use of offsets.

IGUA recommends:

- Recognition for early action prior to the base period (2015-2017) that resulted in significant greenhouse gas reductions;
- Recycling the revenues collected under the provincial program to industry for further greenhouse gas reduction;
- Recognizing the value of cogeneration and including the imported thermal energy supply into a facility's EPS benchmark regardless of the configuration of the cogeneration (inside the fence, outside the fence or a shared facility in an industrial cluster like Sarnia).

Conclusion

The decarbonization regulation proposal from the Ministry of Environment Conservation & Parks already reflects many of the principles and parameters outlined above, and would support the more tailored and flexible decarbonization program proposed as an alternative to the federal output-based pricing system (OBPS). IGUA appreciates the opportunity to provide its input and support for the province's proposed approach. Ontario industries are committed to continuing to work with the provincial government to balance industrial and economic imperatives, including carbon reduction, in and for our province.

For any questions, or to discuss this input, please contact me.

Regards,



Shahrzad Rahbar, PhD