

## Submitted online to Environmental Registry of Ontario

March 29, 2019

### **RE: Proposal – *Making polluters accountable: Industrial Emission Performance Standards.***

Thank you for the opportunity to provide comments on Regulatory Proposal ERO #013-4551 ***Making polluters accountable: Industrial Emission Performance Standards.*** OPG commends the government's continued commitment to addressing climate change, while considering Ontario's priorities, challenges and opportunities.

OPG produces almost half of the electricity in Ontario. On average, OPG receives 40% less than the average price paid to other Ontario generators. We are committed to ensuring our energy production is reliable, safe and environmentally sustainable for Ontarians today and into the future. In 2014, OPG burned its last piece of coal to make electricity. This continues to be the largest single action to combat climate change in North America to date. OPG's electricity is 99% emissions free. As Ontario's largest clean power generator, OPG can leverage its industry leadership and scale to support Ontario's climate change plans, and to support other sectors' transition to a cleaner and more cost-effective energy future through electrification.

In the development of its EPS, Ontario should look to streamline regulatory requirements, reduce red tape, and be cognizant of impacts to taxpayers and industry, while ensuring environmental integrity. To reduce administrative and regulatory burden, there should be no regulatory duplication between the federal and provincial approaches – industry should only have to comply with one set of carbon policies: either federal or provincial, not both. Additionally, the provincial and federal GHG reporting and carbon programs should be well-aligned to reduce reporting burdens (i.e. threshold, coverage and stringency). These are discussed in greater detail below.

The Made-In-Ontario Environment Plan indicated that an advisory panel on climate change would be established to oversee its implementation. All critical infrastructure is dependent on a reliable and resilient electricity sector. Given OPG's breadth and depth of expertise, and position to support the transition of other sectors to a low-carbon economy, OPG believes that it would make a strong contribution if it were chosen to participate on the Advisory Panel.

OPG appreciates the opportunity to comment and extend our expertise to support Ontario's development of its EPS. Provided in **Attachment A** are OPG's detailed responses to the "Questions for Discussion" listed in the Proposal. We look forward to further collaboration with MECP in the months ahead.

Yours Sincerely,

John Beauchamp  
Director (Corporate Programs) – Environment  
Ontario Power Generation Inc.

## **Attachment A**

In response to the MECP's **Questions for Discussion** posed in the proposed Industrial Environmental Performance Standards published on February 12th, 2019, OPG submits the following comments for consideration.

### **Q1. How can the EPS be designed to optimize GHG emission reductions while minimizing carbon leakage?**

**OPG COMMENTS:** A meaningful carbon price to provide a market signal should be applied broadly across sectors to achieve GHG reductions. Opt-in should be available to any facility that wants to participate without a minimum threshold limit. This will incentivize efficiency even with small facilities, and prevent unintended outcomes of facilities increasing GHG emissions in order to meet the minimum threshold for opting-in.

Electricity imports should be included in the EPS to ensure all emitting electricity, including imported electricity, faces a carbon price. Inclusion of electricity imports will help to avoid leakage, incent low emitting generation, and put all generation on level playing field.

### **Q2. What compliance options should industrial facilities have under the program (e.g. use of compliance units for payments for excess emissions that go into a fund that could be used to support greenhouse gas emissions projects in industry, voluntary emission reductions or removals or overachieving the EPS, other)?**

**OPG COMMENTS:** Industrial entities should have access to a broad suite of compliance options to ensure reductions where it is easiest to reduce and at lowest cost, to direct investments in clean energy, and to incent reductions from sectors that are not captured (i.e. agriculture, forestry, and non/low-emitting electricity). Compliance options should include: payments for excess emissions; surplus credits for overachieving the EPS; and offsets for voluntary emissions avoidance, reductions or removals.

The EPS should provide flexibility mechanisms within the program to support efficient and cost-effective emission reductions, and to incentivize investments in new and incremental non-emitting generation such as Small Modular Reactors (SMRs) and hydroelectricity, in addition to electrification activities. The Government could signal its support for non-emitting power by allowing nuclear, hydroelectricity, wind and solar facilities to generate carbon offsets.

### **Q3. If facilities receive compliance units for GHG emission reductions beyond the standard for the facility, should they be eligible to trade or bank them indefinitely?**

**OPG COMMENTS:** Surplus credits should be recognized indefinitely since they incentivize early and sustained GHG reductions, and provide economic certainty to investments made in good faith. Surplus credits offers increased compliance flexibility, provides GHG reductions at lowest cost, and contribute to a more liquid market.

**Q4. Which industrial facilities should be covered by the program (e.g. industrial facilities with GHG emissions greater than 10,000 or 25,000 or 50,000 tonnes CO2e per year)?**

OPG COMMENTS: For the Federal OBPS, the trigger is 50,000 T CO2e emissions, and verification is required. Reporting and verification are required by June 1 of the following year

The federal Greenhouse Gas Reporting Program (GHGRP) requires reporting by June 1, and verification is not required.

Under Ontario's O.Reg. 390/18, the reporting threshold is 10,000 T, and the verification threshold is 25,000 T. The reporting and verification timelines are June 1 and September 1, respectively of the following year.

The discussion paper states that "A lower threshold on a megawatt hour basis is also being considered for the electricity sector". Clarification is required regarding whether this applies to electricity generation in Ontario, and/or electricity imports into Ontario. For generation in Ontario, the threshold should be aligned with the federal program as noted above, however, with the ability to opt-in at any level of GHG emissions to prevent the unintended consequence (i.e. emitters increasing emissions to meet the minimum threshold). The federal program excludes electricity imports, but as noted above, OPG recommends that electricity imports sunk in Ontario be included to minimize leakage.

Positives noted:

- MECP is proposing to revoke the requirements for reporting and verifying emissions associated with petroleum product supply. OPG concurs with this because under the new EPS, this would be redundant.
- Ontario's alignment of Global Warming Potentials with the federal government is also positive.

To summarize, OPG's recommendation is as follows: to the extent possible, aligning with the federal program with respect to 1) quantification methodologies, and 2) reporting and verification thresholds and timelines, will help to reduce administrative burden, particularly in light of regulatory uncertainty.

**Q5. Should Ontario harmonize with the federal reporting under the federal Production Order (which sets out reporting and verification requirements) and the federal OBPS (output based pricing system) (e.g., methods, threshold, verification)?**

OPG COMMENTS: To the extent possible, Ontario's quantification, reporting and verification (QRV) requirements should be harmonized with the federal government's Information Production Order (IPO). Harmonization will minimize administrative and cost burdens. Discussed below are some differences noted between the programs and OPG's view re: the differences:

- The federal IPO requires facility data at the unit level, while the provincial program does not. OPG supports the reporting of either data set, provided the methodologies are consistent.
- Reporting and verification timelines between the federal and provincial programs also vary. Alignment is best. See response above to Question 4 for OPG's thoughts on this topic.
- Another notable difference is the treatment of emissions from biomass. Both the federal and provincial quantification methodologies allow for the netting out of CO<sub>2</sub> from biomass, and OPG supports this. However, the federal program also excludes N<sub>2</sub>O and CH<sub>4</sub> emissions. OPG recommends that Ontario's approach should also net out N<sub>2</sub>O and CH<sub>4</sub> from biomass to ensure alignment.
- Ontario's regulations provide for three types of verification statements (positive, qualified positive, and adverse) which OPG supports. However, the federal IPO only has two statements available: positive and negative. Ontario's approach provides a greater level of granularity re: the level of assurance that the report is prepared in accordance with the regulations, however, this misalignment may create further administrative burden. For example, if Ontario remains a backstop jurisdiction, covered facilities in Ontario must report and verify data to the province and to the federal government, subject to slightly varying requirements. OPG can meet either approach for verification statements, however, we support alignment to reduce administrative burden (i.e. a single verification statement and report should satisfy the requirements of both the federal and provincial requirements for GHG reporting and for carbon pricing programs).

**Q6. Should different stringency factors apply to fixed process and non-fixed process emissions?**

No comment.