

March 28, 2019

Financial Instruments Branch- Policy Unit
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Canada

Attention: Vicky La, Senior Policy Coordinator at Ontario Ministry of the Environment, Conservation and Parks

RE: Making polluters accountable: Industrial Emission Performance Standards

Climate change is currently affecting Ontarians and the Indigenous peoples of Ontario and if left unchecked, these impacts will only increase. The Ontario Government has responded to this threat by taking bold steps to reduce Greenhouse Gas (GHG) emissions via the proposed Making Polluters Accountable: Industrial Emission Performance Standards, with the aims of building a prosperous low carbon economy. The system which puts a price on carbon, coupled with the Discussion paper on reducing litter and waste in our communities, can provide the tools needed to drive the transformational change required to meet the challenges ahead. However, these tools need to be designed with rigour and incorporate the unique perspectives of all stakeholders.

Managing and reducing GHG emissions is not new to the waste management/resource recovery sector; it has taken a leadership role in reducing GHG emissions. Through initiatives such as landfill gas collection and utilization, organics processing, recycling, emission reductions trading, fleet management and ozone depleting substance management, this sector has pioneered early GHG reductions. The associations and organizations in Ontario's waste management/resource recovery sector are uniquely positioned to continue to play a vital role in Ontario's GHG reduction initiatives in the years to come.

OUR EXPERIENCE

Walker Environmental Group Inc. (Walker Environmental) is pleased to support the province of Ontario in designing Industrial Emissions Performance Standards, and is supportive of the inclusion of compliance units for voluntary carbon emission reductions or removals. Our comments and recommendations share our perspective and some of our experiences as a company who has provided leadership in reducing Canada's GHG emissions through the development of landfill gas capture and utilization projects, composting facilities and resource recovery facilities.

Walker Environmental draws on over 15 years of experience participating and investing in the voluntary carbon markets across North America. With our first landfill gas capture project and subsequent Verified Emissions Reductions (VER) agreement developed in 2002, Walker Environmental played a key role in Canada's carbon emission reduction initiatives in their formative years and continues to do so today. We have developed several emissions reduction projects, successfully completed over 30 VER transactions

including the first large offsets transaction in Canada, and helped design offset protocols, verification standards and registries. In addition, Walker Environmental has:

- Developed several landfill gas capture projects across Canada through its partnership company, Integrated Gas Recovery Services Inc. (IGRS).
- Pioneered Canadian VER transactions with our first carbon trading deals being completed in 2002 (one of the first large volume offset transactions in Canada).
- Transacted over 2.5 million tonnes of VERs to date and captured over 4.5 million tonnes of emission reductions.
- Used our carbon expertise to internally quantify and actively manage our corporate carbon footprint.
- Through IGRS, became Canada's largest landfill gas utilization project developer, which owns and operates landfill gas utilization and recovery projects across Canada.

It is through this experience that Walker Environmental makes the following recommendations:

Questions for Discussion: Q2

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)?

Walker Environmental is supportive of the inclusion of compliance units for voluntary carbon emission reductions and removals. The waste sector in Ontario provides a unique opportunity to maximize greenhouse reduction opportunities. As the program develops we ask the province to consider the following:

1. Protocols – Support Ontario Businesses, Resource Recovery Initiatives and GHG Reduction Goals
2. Reward Early Reductions in Ontario GHG Emissions
3. Develop a Protocol that Recognizes Landfill Gas Early Action Projects
4. Develop a Made-in-Ontario Solution to Climate Change that Increases the Competitiveness of Ontario's Waste and Resource Recovery Sector

1. Protocols – Support Ontario Businesses, Resource Recovery Initiatives and GHG Reduction Goals

As Ontario looks to create a Made-in-Ontario solution to climate change, the development of a robust domestic VER supply will provide Ontario businesses with an affordable compliance option. The waste management/resource recovery industry is uniquely positioned to support the goals of the EPS program. The supply of Ontario-based carbon VERs can be expanded through the development of waste management related protocols as they relate to biosolids and organics management, ozone depleting substances and landfill gas collection and utilization.

Protocols provide the necessary guidelines to support both project developers and the verification bodies to determine project accuracy. In the past, the voluntary carbon VER market has relied on

protocols from other jurisdictions. While these out-of-province protocols help provide the necessary guidelines to determine the GHG reductions of a project, they do not align with Ontario systems (ie. O. Reg. 101). Ontario-based protocols should not only create the required domestic VER supply, they should align with and augment other legislation and regulations such as the Discussion paper on reducing litter and waste in our communities.

The synergies of the Discussion paper on reducing litter and waste in our communities and the EPS program should not be ignored; in fact, they should be aligned in their objectives and policies. As an example, it is established that waste diversion creates more jobs than waste disposal; therefore, creating protocols such as organics management not only reduces Ontario's GHG emissions, it improves resource productivity while building a robust and resilient Ontario economy.

RECOMMENDATION #1

Develop an expanded suite of protocols that are aligned in meeting the objectives of the Discussion paper on reducing litter and waste in our communities and the EPS Program while meeting the objectives for the VER pool volumes.

2. Reward Early Reductions in Ontario GHG Emissions

As a pioneer in the voluntary emission reduction market in Ontario and Canada, Walker Environmental has invested in a number of early action voluntary emission reduction projects. Other landfill gas capture project developers, including municipalities, have also invested in early action.

Ontario's EPS program should recognize those facilities that were early adopters and invested in reducing Ontario's GHG emission prior to regulation. The system should not limit early action to the issuance of allowances to emitters but should also include voluntary emission reduction project developers that invested in emission reductions projects prior to regulation.

Landfill gas control projects that were early adopters typically out-perform other regulated landfill gas control systems in terms of collection efficiencies. This is because the investment has been incentivized by revenues generated from the sale of VERs rather than non-performance based compliance mechanisms. Not all landfill gas collection projects are equal; wellfields and collection efficiencies for utilization and early action voluntary emission reduction projects are typically more robust than those for pure regulatory purposes.

Owners, such as Walker Environmental, of the early action projects invested in the emission reductions infrastructure in response to the demand for VERs in the voluntary carbon markets. Although some projects were able to participate, inconsistent signals on the direction of national and provincial carbon markets created uncertainty. The early action projects have been negatively impacted by these circumstances over past several years, thereby burdening them. Early adopters that created real reductions in GHG emissions in Ontario should not be penalized, but instead supported in the initial years of the Ontario program. VERs from early action projects can provide low cost, affordable compliance options for regulated emitters in the early years to help companies transition. As the price

of carbon increases in subsequent years, the small unregulated landfills can begin providing VERs when the early action projects expire.

RECOMMENDATION #2

Recognize and reward early action from landfill gas capture projects by allowing these projects to participate in protocols for the first 3 years of the program. This will provide low cost VERs into the system as an affordable compliance options for businesses during the transition phase while new VER projects are developed and the price of carbon increases.

3. Develop a Protocol that Recognizes Landfill Gas Early Action Projects

All landfills that have a total capacity of 1.5 million tonnes or greater must capture and destroy landfill gas (LFG), as required by O. Reg. 232/98 and O. Reg. 347. Landfill sites smaller than 1.5 million tonnes face several barriers that may prevent them from providing VERs in the first several years of the EPS system:

- Increased Capital Cost/Tonne CO₂e – small landfills are typically shallow and require a higher proportionate share of capital/infrastructure to recover the available LFG over the wider area.
- Low LFG Recovery Rates – for small landfills, the LFG recovery rate is typically low and presents several operational challenges in maintaining efficient/effective gas collection. This low yield of LFG, which is further affected by higher proportionate operating costs increases the risk profile of small landfill gas capture projects.
- Quantification and Verification (Q & V) Cost Impact – Q & V costs are generally considered fixed costs and can significantly burden small projects. The Q & V costs can be on the order of 30% of the operating cost of these small landfill gas capture projects. Bundling or aggregating projects can provide some benefit, but the site specific costs may excessively burden the project.
- VER Pricing – in our experience, VER prices of \$10-20/tonne CO₂e are likely to be insufficient to incentivize VER project developers to manage the above noted risks associated with small landfill sites.

RECOMMENDATION #3

Landfill gas capture projects can play a key role in providing VERs into the system, however regulatory measures will be required to support their development. The measures may include:

- Tax exemptions
- Incentives or programs to upgrade the project for energy utilization (RNG or electricity), rather than flaring
- Accelerated capital cost allowance

These measures will ensure that smaller landfills can come online to provide Industrial Emitters with affordable compliance options.

4. Develop a Made-in-Ontario Solution to Climate Change that Increases the Competitiveness of Ontario's Waste and Resource Recovery Sector

As the province develops a Made-in-Ontario solution to Climate Change, it is important that a sufficient supply of voluntary emission reduction projects that occur *within Ontario* are available to support Ontario businesses as reduce their emissions and remain competitive globally.

The system can be a supporting and important role in assisting Ontario meet its GHG reduction objectives. The majority of the proceeds from the sale of government sponsored compliance units should be reinvested in clean technology across all sectors. This investment will not only help Ontario reduce greenhouse gases, it will create jobs and innovation within the province. These innovations can be exported to other jurisdictions as other countries invest in reducing their emissions.

To assist in achieving the objectives of the Emissions Performance Standards, the following complementary measures could help ensure GHG reductions occur within Ontario, while driving 'made-in-Ontario' innovation:

Support increased organics diversion from landfill. Less organic material in landfills will result in a lower potential for methane generation.

- Implement market factors that support facilities converting organic material into either compost or biogas. Compost returns nutrients to Ontario soil while sequestering carbon. Biogas can be used to displace non-renewable energy.
- Develop a renewable natural gas (RNG) procurement strategy (ie. renewable portfolio standards) that will drive the development of new landfill gas and biogas projects. There are many landfills, including some of Ontario's largest, that are currently flaring enough energy to power several small Ontario cities. Ontario's natural gas distribution utilities state that by 2030, RNG could supplant a significant portion (18%) of the natural gas used in Ontario, resulting in a potential emissions reduction of 8 MtCO₂e per year.

- Support investment in the transition to renewable transportation fuels. Waste collection fleets and processing equipment provide immediate opportunities for conversion to compressed natural gas or renewable natural gas. However, the required market factors are not currently in-place.

RECOMMENDATION #4

Invest proceeds from the sale of government sponsored compliance units into measures that will complement the development of:

- Organics processing facilities
- Voluntary emission reduction projects where there are additional layers of benefits such as electrical generation or renewable natural gas upgrading
- Programs to support the transition to renewable transportation fuels.

This investment should be balanced with the Discussion paper on reducing litter and waste in our communities and establish affordable compliance options for Ontario businesses.

As Ontario moves forward with the design of the key elements of Ontario's EPS program, we appreciate the opportunity to provide input and share our experience. Reducing GHG emissions has been a key business focus for Walker Environmental over the past 15 years and we are pleased to participate and support the Province as it places a value on carbon.

If you have any questions or would like to discuss these comments, please feel free to contact me.

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