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Policy Coordination and Outreach Branch
Ministry of Energy and Electrification
77 Grenville Street
Toronto, ON M7A 2C1

Submitted Electronically

RE: Environmental Registry of Ontario #019-9501 – Role of Natural Gas in Ontario’s Energy System and Economy

The Industrial Gas Users Association (IGUA) extends its congratulations to you and your Ministry for continuing to engage key stakeholders to better understand the role of natural gas in Ontario’s energy system and economy. This consultation represents a vital and necessary step toward securing Ontario’s energy future and long-term prosperity. IGUA and its members are appreciative of the opportunity to provide a large industry perspective in the development of the Ministry’s “Natural Gas Policy Statement” in support of the Integrated Energy Resource Plan.

IGUA represents the largest industrial natural gas consumers across Ontario and Quebec from sectors including chemicals, refining, steel, forest products, mining, and manufacturing. IGUA’s membership comprises energy-intensive, trade-exposed (EITE) industries that rely on a highly skilled workforce. We, create thousands of well-paying jobs throughout the province. Many IGUA members are significant employers—and are often the primary, if not sole employers—in remote and rural communities, as well as in major larger population industrial hubs like Sarnia, Sudbury, and Hamilton. The industrial sector and the essential products it provides are fundamental to shared success and Ontario’s prosperity.

Industry represents nearly half of Ontario's total energy consumption, with its competitiveness closely tied to accessing affordably priced energy, including natural gas. Beyond its role as a critical feedstock, natural gas serves as a key pathway for decarbonization, enabling many large industrials to reduce emissions while maintaining operational efficiency. Supply chains today are intricate and strategically important. Reducing the availability and use of natural gas may seem initially interesting to some from a greenhouse gas (GHG) reduction perspective but could prove strategically harmful from other, sometimes unforeseen perspectives. If natural gas becomes less affordable or reliable to industrial interests who rely upon it as a feedstock, users may shut down or move their operations. This can cause harmful domino effects and unwittingly punch significant holes into Ontario’s industrial strength and independence. We are encouraged the Ontario government understands the important nuances at play and that it remains open to expertise and recommendations from those who are most affected, energy customers and consumers.

The dependable and resilient supply of natural gas, supported by robust utility infrastructure, has been instrumental in maintaining the competitiveness of Ontario’s large industries and manufacturers for decades. Natural gas delivers twice the actual energy output of electricity in Ontario at a quarter of the cost, while also providing valuable flexibility underwritten by significantly greater reliability and resilience. This cost-effectiveness and dependability enable industries to operate efficiently, reduce

operational risks and remain competitive in both domestic and global markets.

Specific to ERO #019-9501, IGUA has identified several areas where the continued use of natural gas is critical and where its supporting role in Ontario's robust energy mix drives economic development by enhancing the strength of Ontario's industrial base.

Natural Gas: A Key Component of a Balanced Energy Mix

Natural gas plays a vital role in a balanced energy mix, enabling a realistic and pragmatic transition to lower emissions while ensuring energy remains affordable and reliable. For heavy industry, the incremental use of natural gas will be necessary as heavier fuels, such as coke and bunker fuel, are phased out of industrial processes. Transitioning from those fuels to cleaner natural gas will deliver significant GHG reductions, making it a critical asset in achieving decarbonization goals.

For IGUA's industrial members, the immediate leap to electrification is neither practical nor cost-effective. Instead, natural gas provides a clean feasible solution, supporting decarbonization while maintaining operational efficiency and economic viability.

Supporting Industry with an All-of-the-Above Energy Strategy

To ensure energy affordability and reliability, Ontario must maintain an all-of-the-above approach to integrated energy resource planning. This strategy supports a diverse energy mix, allowing industries to leverage and benefit from the most suitable energy sources for their unique operational needs.

The government should prioritize providing industrial customers with the flexibility necessary to meet their energy requirements within their budget constraints and timelines. Empowering industries with adaptable solutions will enhance their competitiveness while supporting a gradual and realistic transition to lower-carbon energy systems all the while remembering that natural gas will be the persistent, optimal solution for some.

Natural Gas: Ensuring Reliable Energy Delivery

Ontario's existing natural gas system and infrastructure deliver energy with unmatched reliability. Over the years, the natural gas network has demonstrated near-perfect performance, ensuring consistent and dependable energy supply to large industrials and the communities they support.

In contrast, power quality issues, as well as transmission outages and interruptions, pose significant environmental and economic risks. For industries reliant on continuous operations, these disruptions can lead to costly downtime, equipment damage, community discord and increased emissions through excessive flaring. The resilience of the natural gas system minimizes such risks, providing a stable foundation for industrial competitiveness and sustainability.

Decarbonization with Affordability and Competitiveness

A balanced approach to decarbonization is essential to ensure industrial affordability and global competitiveness. Natural gas and its supporting infrastructure will remain critical components of Ontario's energy system well beyond 2050.

A great deal of faith and optimism is being placed in current and future technologies for achieving greater electrification, toward reducing GHG emissions. Battery storage, small modular nuclear reactors, distributed generation and improved electric vehicles are but some examples of where hopes and investments are being placed. If any of these technologies turn out to be less than viable from economic, environmental or social acceptability perspectives, overall energy security, affordability and reliability could be placed at risk. Provided it remains available, affordable and reliable, natural gas fired electricity generation remains the quickest and simplest and risk-free way to bring on new, large-scale capacity, should other options fail or become frustrated. Natural gas should be viewed and advantaged as an important failsafe electricity generation source in case newer, less proven generation technologies do not materialize as hoped or anticipated.

When Canadian industrials argue in favour of natural gas, they are not ignoring or denying GHG concerns. Many large energy consumers are located in Canada because of its history in responsibly producing and transporting the resource. They are committed to reducing GHG's in the ways they can and have track records that demonstrate this.

Underground Energy Infrastructure: A Foundation for Reliability and Resilience

Maintaining a low-cost, resilient underground energy infrastructure is essential for delivering reliable energy to large industrial users and natural gas generators. The underground nature of natural gas infrastructure provides a significant advantage, as it remains unaffected by storms and other weather-related events that can severely disrupt industrial operations and energy supply.

To achieve the same reliability standard through electrification, it would be necessary to bury electricity transmission assets—an approach that is approximately 10 times more expensive than overhead wires and would leave billions of dollars in stranded assets unutilized. This cost disparity highlights the economic and operational advantages of natural gas infrastructure in ensuring energy resilience while maintaining affordability for industrial consumers.

IGUA members must continuously repair and maintain each electricity line that services their facilities. Conversely, they can go years or decades without having to worry about the reliability of the natural gas pipelines connected to their assets. Simply put, underground pipes are just more resilient and reliable than overhead wires.

Monitoring Energy Costs to Maintain Competitiveness

As part of the Natural Gas Policy Statement, the Ministry should include provisions to monitor energy costs in competing regions and countries understanding the impact on Ontario's EITE industries. Ongoing assessments of energy costs in key competing jurisdictions are essential for understanding how Ontario's industrial sector compares on a global scale.

These assessments should also account for the impact of carbon policies, which can significantly influence energy affordability and competitiveness. Should the Federal Government seek to implement carbon border adjustments (CBA) to protect Ontario's EITE industries, Ontario should ensure that industry is properly consulted and that lessons learned from the implementation of CBA's implemented elsewhere are positively applied.

By benchmarking against other regions, Ontario can ensure its energy strategy remains aligned with global market dynamics, protecting the competitiveness of its industries while advancing decarbonization goals.

Attracting New Investment

Attracting new investments in industrial sectors is becoming increasingly difficult, particularly with the added costs associated with Federal Clean Energy Regulation (FCER). The costs associated with the FCER threaten to erode industrial competitiveness, making it less appealing for businesses to invest in certain regions. Moreover, many industries are grappling with end-of-life assets, where aging infrastructure or outdated equipment no longer meet modern standards. As a result, plant closures and relocations to other jurisdictions are occurring, as companies seek more favorable conditions or lower operational costs. Addressing and reversing this trend presents a significant challenge.

To mitigate this, offering flexibility to investors is crucial. Technology does not exist to electrify many industries, and the use of clean natural gas significantly reduces the emissions footprint of those industries. Not all industries have the ability to fully electrify their operations, and many are wary of relying on any single energy source. Ensuring a balanced energy mix—combining different energy sources—can help provide the necessary flexibility to meet the diverse needs of industries. By offering this flexibility, investors may feel more confident in committing to long-term projects. It is important to remember that not every jurisdiction enjoys Ontario's established and reliable natural gas system. When industry knows it can access a reliable and cost-effective energy supply that can also contribute to meeting environmental goals without undermining industrial viability, a competitive advantage can be realized.

This approach not only helps mitigate the impact of rising FCER-related costs but also ensures that industries are better equipped to handle energy uncertainties. This can foster a more attractive investment environment.

Retention and Support for Existing Industry

The emergence of new growth sectors is indeed a positive development for Ontario, presenting fresh opportunities for economic expansion and diversification. As the province moves forward with developing the Natural Gas Policy Statement however, it is crucial to prioritize the retention of existing industries while also fostering new growth.

Many large industrial companies, particularly those in sectors where electrification is not immediately feasible or cost-effective, face considerable challenges in staying competitive. While electrification can be a useful long-term approach for reducing carbon emissions, it is not a one-size-fits-all solution for every industry. For certain industries, a combination of energy sources, including natural gas and electricity, remains critical for their operations. Pressuring these industries to wait for a complete transition to electrification in order to start to shift away from more heavily emitting inputs and start to decarbonize could threaten their ability to remain viable, potentially leading to plant closures, relocations, or reduced industrial output. This would have significant negative impacts on Ontario's economy, particularly in terms of jobs and manufacturing capacity.

In response to these challenges, the Policy Statement should incorporate strategies that prioritize the

support and sustainability of existing industries. These strategies could include ensuring access to a diverse and affordable energy mix, which provides flexibility and minimizes operational risks for industries that cannot transition immediately to electrification. By creating an adaptable electrification roadmap, tailored to the unique needs of various sectors, Ontario can ensure that industries are not harmed or left behind during the transition.

Balancing the needs of both emerging sectors and existing industries will help Ontario maintain its economic strength. A clear commitment to both innovation and industry retention will foster an environment where businesses, old and new, can thrive. This strategy will not only ensure the ongoing competitiveness of Ontario's industrial sector but also position the province as a forward-thinking, sustainable economy on the global stage.

Support Innovation and Alternative Energy Solutions

The Ministry must play a proactive role in supporting innovation and the adoption of alternative energy solutions such as hydrogen, carbon capture and storage (CCS), renewable natural gas (RNG), and carbon offsets. These technologies have the potential to significantly reduce emissions while ensuring industries can continue operating competitively and efficiently. It is equally important that this transition does not, however, impose an excessive financial burden on industries already facing challenges.

One key strategy for achieving this balance is the expansion of the Clean Energy Certificate (CEC) registry to include RNG and carbon offsets. This would allow RNG to be used as a green enhancement to conventional natural gas power generation, rather than pushing for the complete elimination of this established energy source in reactionary, myopic, and harmful ways. By recognizing RNG and offsets within the CEC registry, industries could meet emission reduction goals in a more flexible, cost-effective manner.

Additionally, the carbon intensity of renewable energy, particularly renewable gases like RNG and hydrogen, plays a pivotal role in shaping sustainable energy practices. RNG, with its significantly lower carbon intensity compared to conventional natural gas, provides an opportunity for industries to transition to cleaner energy sources without compromising operational efficiency. Incorporating low-carbon renewable gases into industrial processes and the broader energy mix ensures that decarbonization efforts are both environmentally impactful and economically feasible.

This approach allows industries to adopt more sustainable practices while maintaining the reliability and versatility of natural gas, ultimately supporting Ontario's environmental and economic objectives in a balanced and responsible manner.

Role of the Regulator

The government should provide clear policy direction, including as appropriate through amendment of the statutory objectives of the Ontario Energy Board (OEB), in order to enhance the stability and predictability of regulation in Ontario while allowing the regulator to maintain its independence and world class regulatory framework. The Ontario Energy Board Act, 1998 already includes objectives regarding facilitating rational expansion of gas transmission and distribution systems and facilitating the maintenance of a financially viable gas industry for the transmission, distribution and storage of

gas. The addition of objectives aimed at supporting the province's economic growth and competitiveness, alongside the existing objective of protecting consumers' interests with respect to price and the reliability and quality of gas service would helpfully round out the OEB's mandate.

The government already includes in its mandate letters to the OEB requests to continue work on streamlining energy regulatory processes and reducing compliance burdens where appropriate. These continuing initiatives are key to fostering a business-friendly environment by reducing the administrative burden for established industries and potential investors and improving the efficiency of energy infrastructure development, helping to ensure that Ontario remains an attractive location to do business.

Maintaining the independence of the OEB and its strong, inclusive framework for engaging stakeholders in its regulatory processes is key to ensuring a stable and sustainable regulatory and policy framework, which is in turn crucial to creating investor confidence. The predictability and consistency in energy regulatory policy and approach that regulatory independence provides will enhance the long-term stability that industries need to plan and invest in Ontario. Such regulatory certainty will encourage businesses to invest in Ontario's energy infrastructure and adopt new technologies, knowing they can operate within a clear, stable set of rules.

Conclusion

In conclusion, Ontario's natural gas system offers unparalleled reliability, affordability, and resilience. By leveraging these assets, Ontario can ensure a steady and cost-effective energy supply to support economic growth across multiple industries. The integrated use of natural gas infrastructure, including large distribution pipelines, storage assets, and distribution networks, plays a crucial role in supporting a wide range of sectors across Ontario. This infrastructure is essential not only for natural gas power generation but also for heavy industry. The flexibility and efficiency of this system make it an integral part of the province's energy mix, balancing the needs of traditional and emerging industries while providing a stable foundation for future growth.

We commend the Ministry for its diligent collaboration with stakeholders and its recognition of the critical role that natural gas plays—and will continue to play—in Ontario's energy mix. By engaging with various industry leaders and experts, the Ministry has demonstrated a commitment to ensuring a balanced, reliable, and sustainable energy strategy for the province.

We appreciate this opportunity to provide comments and look forward to continued collaboration.

Regards,

A handwritten signature in blue ink, appearing to read "Jacob Irving".

Jacob Irving
President, Industrial Gas Users Association