



January 15, 2021

Melissa Ollevier
Financial Instruments Branch
40 St. Clair Avenue West
Floor 8
Toronto, ON M4V 1M2
Email: Melissa.Ollevier@ontario.ca

Re: ERO # 019-2813 Amendments to transition Ontario industrial facilities from the federal Output-Based Pricing System to Ontario's Emissions Performance Standards program

Dear Ms. Ollevier:

The Industrial Gas Users Association represents large industrial gas users in Ontario and Quebec. Our membership spans multiple industry sectors such as mining, steel, chemical, pulp and paper and bio-based materials. IGUA members are committed to environmental stewardship and take pride in having lower emissions intensity than many of their exogenous competitors.

IGUA looks forward to a smooth transition from the federal Output-based Pricing System (OBPS) to Ontario's Emissions Performance Standard (EPS) and appreciates MECP's good work in consulting with stakeholders. We are pleased to comment on the proposed Amendments and to offer our recommendations for the additional clarifications needed to ensure a smooth transfer from the federal OBPS to EPS.

Comments on the Proposed Amendments:

- Start Date – IGUA supports the proposed start date of January 1, 2021 provided the implementation leaves no gap or overlap between the end of the federal OBPS compliance obligation and the start of the provincial EPS compliance obligation. We recommend avoiding a mid-year transition to prevent unnecessary administrative and management burdens.
- Federal Fuel-Charge Exemption – IGUA welcomes MECP's intent to ensure that facilities regulated under EPS are exempt from the federal fuel charge. Continued exemption from the federal fuel charge is critical to IGUA members. We urge MECP to work with stakeholders to address any gaps in information to ensure that registered facilities maintain their exemption and the new facilities are able to get exemptions. Special consideration is requested for a facility which may purchase fuels from which emissions are generated at a different facility.

- Scope - IGUA supports alignment aligning the scope of the EPS to match the federal OBPS, and the amendments that permit facilities in additional sectors to voluntarily opt-in to the program.
- Streamlining GHG reporting requirements – IGUA welcomes using the Federal Greenhouse Gas Quantification Requirements (GGQR) for emission factors in The Ontario Guideline for Quantification, Reporting and Verification of GHG Emissions.

Additional Recommendations

- Recycle the Revenue – IGUA urges Ontario to recycle the EPS proceeds towards reducing GHG emissions in covered facilities to accelerate innovation, incent continuous improvement and reduce GHGs while keeping Ontario industries competitive. We welcome the opportunity to participate in further consultation on the details of revenue recycling and suggest a serious consideration of CIAC’s two-pronged approach to revenue recycling:
 - Individual LFE accounts for the majority of the proceeds for re-investment in the facilities to reduce the GHG emission profile;
 - A Common or Sectoral Fund accessible through a competitive application process that encourages broader innovation and drives continuous improvement in emissions intensity for LFEs.
- Prevent Carbon Leakage – IGUA members are committed to reducing their GHG intensity and ask that Ontario take serious steps to prevent carbon leakage and keep industry competitive. Ensuring that the stringency factor applied to each facility’s Total Annual Emissions Limit (TAEL) considers competitiveness impacts would be a good start. We would appreciate greater clarity on the province’s plan to monitor and manage carbon leakage risks. IGUA encourages Ontario to continue to work with the federal authorities to establish appropriate carbon border pricing mechanisms to protect energy-intensive and trade-exposed industries.
- Introduce an Offset Program – A robust offset program is an integral part of any carbon pricing plan to ensure smooth compliance and economic efficiency. IGUA urges MECP to start consultation on the design of an offset program and to streamline and accelerate the process by reviewing existing protocols in place across Canada and adapting them for Ontario. IGUA encourages Ontario to work with the federal government and other provincial governments to encourage the fungibility of credits across different systems.
- Address Outstanding Issues –
 - *Treatment of imported steam* – Further consultation on the steam adjustments to the total annual emissions limit TAEL for imported steam is required to eliminate barriers to commercial steam agreements. It is recommended that the Ministry

allows consideration for companies that would not otherwise be able to enter the EPS without consideration for steam transfers.

- *Emissions Performance Standards* – Release the details of the final Method E emissions performance standard.

Do not hesitate to contact me if you require clarification or additional information. For any questions, or to discuss this input, please contact me.

Regards,

A handwritten signature in black ink, appearing to read "S. Rahbar". The signature is fluid and cursive, with a large loop at the beginning.

Shahrzad Rahbar, PhD
President, Industrial Gas Users Association