



Melissa Ollevier, Senior Policy Advisor
Ministry of the Environment and Climate Change
Climate Change and Environmental Policy Division
77 Wellesley Street West, Floor 10
Toronto, Ontario, M7A2T5

December 16, 2015

Dear Ms. Ollevier:

Re: Cap and Trade Program Design Options (EBR# 012-5666)

Thank you for the opportunity to comment on Ontario's proposed greenhouse gas (GHG) cap and trade system outlined in the Program Design Options Paper. Conservation Ontario (CO) represent Ontario's 36 Conservation Authorities (CAs), which are local watershed management agencies that deliver services and programs to protect and manage water and other natural resources in partnership with government, landowners, and other organizations. CAs promote an integrated watershed management approach balancing human, environmental and economic needs and acknowledge the importance of reducing GHG emissions to combat climate change, for sustainable growth and to protect, maintain and restore the health of our watersheds.

As leaders in environmental protection in Ontario, CO commends the Ontario government for recognizing that climate change is the critical issue of our time and in demonstrating climate change leadership. CO supports the development of a cap and trade system as part of a comprehensive Provincial Climate Change Strategy which includes mitigation and adaptation. CO supports the government's commitment to advancing work on the design of a GHG emissions cap and trade system for Ontario. If effectively implemented, CO is confident the cap and trade program will help Ontario meet its global commitments to reduce the GHG emissions that are creating extreme weather risk and uncertainty in communities here in Ontario, and abroad. The collective vision for Ontario's CAs in our 2011-2015 Strategic Plan Vision is to be **"The partner of choice for managing and adapting to climate change and growing the green economy"**, and CAs are uniquely positioned to assist the province in aspects of the proposed cap and trade program.

The following comments are submitted for your consideration based upon a review by CAs. These comments are not intended to limit consideration of comments shared individually by CAs. Many of the comments in this letter will reiterate comments provided to the province in September 2009 on the “Discussion Paper: Moving Forward- a Greenhouse Gas Cap and Trade System for Ontario” (EBR #010-6740), as well as CO comments provided in March 2015 on the “Climate Change Discussion Paper” (EBR #012-3452).

General Comments

Unified Cap and Trade Program

CO believes a unified continental cap and trade system will be essential to successfully achieving GHG reductions. In this regard, CO is pleased the Paper speaks to learning from the European Union Emissions Trading System and the Western Climate Initiative, and that the province intends to link our program with the existing programs in Quebec and California. Linking trading regimes will take more time and will be more complicated, but CO believes it will provide more opportunities for efficient and effective long term GHG reductions. For example, a unified cap and trade system will create a shared marketplace rather than an isolated Ontario market. Nevertheless, CO is supportive of the province applying some flexibility to refine Ontario’s cap and trade program to our local conditions. For example, the Great Lakes play a key role in supporting Ontario’s economic viability, and tying *Great Lakes Protection Act* and the *Clean Water Act* into the overarching design principles (pg.3 Environmental and Economic Growth) is critical to a viable, vibrant, resilient Ontario.

Reinvest Cap and Trade Program Monies

In addition to financing emission reductions in the buildings and transportation sectors, the Ontario government should set aside a portion of funds in the newly created *Green Investment Fund* to support flood management and investment in ecosystem-based carbon sinks such as forests and wetlands. Investment should emphasize greening projects located in urban areas where adaptation, resilience, and health co-benefits are significant. CAs are the provincial experts in flood management and protection of municipal drinking water resources, and are leaders in natural heritage protection and the implementation of low impact technologies. **Strategic investment to support the significant role of CAs cannot be stressed enough.**

The Paper notes the government will reinvest money raised through the cap and trade program (for example: monies collected through a penalty schedule) into projects that will reduce GHG pollution and help businesses remain competitive. CO suggests the province should look for other “win-win” investment scenarios that provide multiple benefits for both climate change adaptation and mitigation needs. CO recommends the monies should be allocated towards climate change adaptation initiatives such as reinvestment in flood management programs, services, structures and technologies (i.e. CAs flood hazard modeling/mapping, green infrastructure, low impact development and other best management practices for runoff reduction and aquifer recharge enhancement). For example, the Province could strategically invest in our existing water control infrastructure to create waterpower opportunities and prevent downstream flooding. Investments of this nature will help build resilience and help communities adapt to more frequent flood events, while reducing the cost

of those flood events.

In addition, CO strongly believes these funds should also be invested in the protection and enhancement of natural systems to ensure protection of existing carbon sinks in the form of forests, wetlands, prairies and other natural features, and expansion through acquisition of land, wetland restoration projects, and afforestation. These ecosystem-based carbon sink projects not only assist in lowering GHG emissions, but also provide many other environmental benefits. These include supporting biodiversity by providing habitat for wildlife species, cleaning and retaining water on the landscape and moderating temperature extremes. It is noteworthy that California has set aside the following amounts from its 2014-2015 revenues for such projects:

- US\$25M for wetland and watershed restoration
- US\$24M for forest projects
- US\$18M specifically for urban and community forestry

[Quebec uses cap-and-trade revenues](#) to fund its climate change action plan, which includes a number of climate adaptation related priorities such as \$15 million to update water resource management tools.

CO looks forward to providing further input to the development and implementation of initiatives associated with the *Green Investment Fund*.

Offset Credits

CO was pleased to find the Paper proposes the use of offset credits to counter excess GHG emissions by a maximum of 8%. CO believes setting an offset maximum (8%) is crucial to curb industries habitats and emissions, while at the same time allowing for flexibility. Further CO supports the concept of an offset credit registry whereby offset credits created by industries not covered in the cap and trade system would be sold to regulated sectors. CO is pleased the offset credits can be “paid for” by Offset Project Types that assist in reducing GHG emissions and also provide other benefits to society and the environment. To that point, CO strongly supports the development of the following projects as applicable Offset Project Types: forest project, afforestation, urban forest project, and grassland. **CO strongly recommends the province add an additional category of “wetland conservation and restoration projects” due to wetland’s ability to store a disproportionately high amount of carbon and provide multiple other environmental benefits.**

Many of the activities involved in the Offset Project Types are initiatives CAs already undertake, for example: tree planting (afforestation), promoting best management practices in the agricultural, commercial, industrial and residential sectors, protecting and monitoring of natural heritage systems. Additionally, CAs own significant amounts of land that may provide opportunities for afforestation and agriculture related offsets, and CA staff have the expertise to identify opportunities to improve resiliency in a rapidly changing climate.

The use of CAs existing programs for Offset Project Type delivery is recommended where possible as this will reduce the launch time associated with the programs as CAs are already well positioned with staff on the ground. Additionally CAs have experience working with various stakeholders, including private business, and program implementation can benefit from the CAs existing relationships and partnerships, for example:

- Toronto and Region Conservation Authority's Partners in Project Green program
- Rideau Valley Conservation Authority's Carbon Neutral program
- Ausable-Bayfield Conservation Authority's Carbon Footprints to Forests initiative
- Maitland Valley Conservation Authority's Carbon Footprint initiative

As a result of the aforementioned benefits, CAs are uniquely positioned to assist the province (or private businesses) with their carbon sequestration efforts, and are the ideal local implementation "partners of choice" for the Province to assist with development and implementation of protocols for GHG emission Offset Project initiatives. Program priorities should be set at the provincial level and allow for local delivery, flexibility and adaptation of the program to local environments and communities.

CO welcomes further engagement with the province on the development of Offset initiatives associated with the cap and trade program and strongly encourages CA involvement in project design, and the identification and facilitation of local opportunities for implementation of Offset Projects.

Integration of Water

CO encourages the province to communicate to Ontarian's how the integration of water and energy conservation supports the reduction of GHG emissions. The province is encouraged to work collaboratively with municipalities, CAs and others to develop a "holistic, evidence-based approach" that integrates and communicates about relevant initiatives under the *Great Lakes Protection Act*, the *Clean Water Act* and *Water Opportunities Act* that align with the cap and trade program.

Collaboration as a design principle

CO recommends that "collaboration" be added to the list of overarching design principles on page 3 of the Paper. Including "collaboration as a principle would acknowledge that reduction of GHG emissions will take government, community and multi-stakeholder collaboration, recognizing the important collective behavioral changes needed within those groups to make a difference. "Collaboration" gives credit to the support partners such as municipalities, Non-Government Organizations and CAs can provide, assisting in public outreach and engagement that will be needed to make Ontario's cap and trade program successful. It will be important to inform the citizens of Ontario how the cap and trade program impacts their lives and how they can make a difference on an individual basis. CO also recommends engaging existing public and industry networks as delivery channels for training and awareness raising efforts. For example the public and partners will need an explanation of concepts including "point of consumption" (p. 9), "opting in vs. volunteer participation" (p. 12) and "process related emissions" (p. 10-11).

Thank you once again for the opportunity to comment on the Cap and Trade Program Design Options Paper. Being experts in watershed management CAs are uniquely positioned to assist the province with their carbon sequestration efforts and the development and implementation of offset protocols for forestry, forest projects and agriculture. We look forward to a fulsome discussion with the province in this regard. In addition, CO looks forward to working with the province to ensure that the Cap and Trade Design Options and subsequent proposed legislation and protocols, are practical and align with existing systems and initiatives. Should you have any questions regarding the above comments please contact myself (ext. 224) or Taylor Knapp (Policy and Planning Officer) at 905-895-0716 ext. 266.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jo-Anne Rzadki', written in a cursive style.

Jo-Anne Rzadki, MSc.
Business Development and Partnerships