April 18, 2013
Sheri Beaton
Project Manager
Ministry of the Environment
Integrated Environmental Policy Division
Air Policy Instruments and Programs Design Branch
77 Wellesley Street West Floor 10
Ferguson Block, Toronto ON M7A2T5

Dear Ms. Beaton;

Re: Conservation Ontario's Comments on "Greenhouse Gas Emissions Reductions in Ontario: A Discussion Paper" EBR# 011-7940

Thank you for the opportunity to provide comments on the discussion paper "Greenhouse Gas Emissions Reductions in Ontario: A Discussion Paper" (EBR# 011-7940). Conservation Ontario (CO) is the network of Ontario's 36 Conservation Authorities (CAs). Conservation Ontario's 2011-15 Strategic Plan Vision is for Conservation Authorities to be the "partner of choice for managing and adapting to climate change and growing the Green Economy". There are a number of individual and collective climate change initiatives underway at CAs and CO is in the process of finalizing a roadmap and guide for CAs to facilitate their development of green economy initiatives and partnerships.

Conservation Ontario is highly supportive of the Ministry of Environment's (MOE) commitment to developing a Greenhouse Gas (GHG) emissions reductions program tailored to suit Ontario's needs. However, it is felt that the discussion paper lacks some of the detail needed to fully respond to the discussion questions and an initial response to these questions is provided below. Conservation Authorities (CAs) have a variety of areas of expertise that can be leveraged in support of the MOE's initiative to develop and implement a GHG reduction program. Conservation Ontario encourages the MOE to consider CA's as potential partners in the implementation of the flexibility mechanisms (particularly offsets) being considered as part of this program.

General Comments

Offsets

The discussion paper discusses offsets as a potential flexibility mechanism being considered for the Ontario GHG reduction program. Conservation Ontario is supportive of this approach; however it is felt that providing a clearer outline of the scope of the potential offsets program would be beneficial. In particular, it is recommended that the MOE clearly define whether a potential voluntary offsets program

is being considered (which could include reducing emissions from unregulated activities) or whether offsets would only be used to offset regulated activities. In addition, there is no mention of the need for third party verification or monitoring during the implementation of such an offset program. This should be discussed as it is essential to ensuring accountable, effective and successful GHG emissions reduction.

The discussion paper outlines the MOE's proposal to develop protocols that support the creation of high quality offsets in Ontario for use in its GHG emissions reduction program. The discussion paper mentions that agriculture management, ozone destruction, and landfill methane capture are the project types for early consideration given the availability of existing protocols that could be adapted. As resource management agencies with experience in working with agricultural producers to implement beneficial management practices, CAs should be engaged as a key stakeholder and expert for any potential agriculture related offset program.

The discussion paper mentions afforestation as a type of offset project that might be approved in the future, however, it is not listed as one of the offset project types being considered for initial provincial approval. It should be noted that there are several existing precedents for using forest approaches as compliance-grade offsets that Ontario could follow. For example, the Alberta government's Offset System is currently revising their existing Afforestation protocol, the government of B.C has developed a Forest Carbon Offset Protocol (FCOP), and a Quantification protocol for afforestation projects has recently been developed for the Quebec Carbone Boréal Offset Project (complying with the Western Climate initiative (WCI) standards). In addition, the California Cap and Trade program offset system has existing protocols for forest management, which is an approved offset type there. The Ministry of Environment is strongly encouraged to include forest management as an initial project type in Ontario.

Conservation Authorities can act as key partners with the Ministry of Environment and Ministry of Natural Resources in the implementation of afforestation offset projects. CA's have existing expertise and infrastructure to conduct the initial project development, on-going monitoring and project accountability and management. Conservation Authorities own significant amounts of land within the Province that may present opportunities for afforestation and agriculture related offsets. Many CAs also have an excellent track record as key providers of outreach, training and compliance support for business emitters.

Approaches to Emission Reductions

While the discussion paper does provide a brief overview of several types of carbon trading models/design schemes; it is felt that a somewhat more detailed discussion of the different target-setting schemes and their advantages and limitations is needed. Likewise, a more detailed evaluation of the effectiveness of various emission reduction schemes in achieving identified emission reduction targets would allow for more informed answers to many of the questions posed in the discussion paper.

RESPONSES TO QUESTIONS

1. What sectors should be covered under a greenhouse gas emissions reduction program?

The approach of covering at minimum all sectors regulated by the federal government seems reasonable, but the ministry should consider all opportunities for including other relatively large emitters in various sectors, if not through the regulated program than through participating in voluntary offset trading or other mechanisms (see comments on offsets above).

2. What emissions threshold should be used for covering facilities in the program?
a) Ontario's reporting threshold of 25,000 tonnes of greenhouse gases per year
b) A higher threshold such as the federal reporting threshold of 50,000 tonnes per year
If the intention of the Ontario GHG reduction program is to achieve significant reduction targets while complying with the federal program, then the answer to this question would depend on the federal targets. If the intention is to have a more stringent Ontario program, the Ontario threshold may be appropriate. In either case, when setting up threshold, it is important to define an overall cap for GHG emissions to ensure absolute reduction in emissions over time. The discussion paper highlights the intent of the ministry to set limits "aimed at stabilizing emissions from the electricity sector over time." This may be problematic for achieving such targets. If the intensity-based/product-based target setting mechanism is chosen for the industries (e.g. overall emissions can increase with the increased levels of production), then it is important to ensure that an overall reduction in the amount of the GHG emissions will still occur either through emission trading or other mechanisms.

3.What are the barriers to achieving significant reductions?
Numerous studies conducted over the past few decades have found that the most often cited barriers to achieving significant GHG reduction are: policy uncertainty and the implementation of a rigid regulatory program with a lack of flexibility mechanisms. The MOE has started to address both of these issues with this discussion paper and Conservation Ontario encourages MOE to continue to refine its plan by including a variety of flexibility mechanisms such as offsets in order to address these barriers.

4. How could a program be designed to encourage investment in cleaner production?
A long-term consistent GHG reduction policy with specific targets and a strong price signal for carbon emissions should provide enough motivation for regulated sectors to reduce their emissions per output provided. Other barriers (such as technology availability, lack of financing for technologies with high capital costs, lack of innovation etc) should be removed. This can be done by providing stronger innovation incentives to build/strengthen new industries (e.g. Energy Demand Response; stable, transparent Feed-in tariff; District energy projects, GHG emission aggregators). Barriers will likely be specific to the industry sector/type, so it is recommended that the MOE identify those barriers (with the input from the key industrial sectors) and outline their plan for addressing them prior to developing a program.

5. How could a program be designed to address competitiveness concerns within and across sectors?
Flexibility mechanisms mentioned in the discussion paper can help to address this issue. In order to achieve the government's GHG emission reduction targets while simultaneously stimulating the economy, particular efforts should be made towards changing corporate behaviour. This should be done considering the imperatives that drive business and distinguishing between organizational sizes and sectors. Creating major industry peer groups to facilitate knowledge sharing and collaboration is another important way to address competitiveness concerns within and across sectors. The discussion paper highlights the cap and trade systems being developed in Quebec and California, and it would be beneficial to introduce an Ontario trading system that is compatible with these models.

6. How can a program be designed to integrate with Ontario's approach to reducing air contaminants?

A GHG emission program that includes afforestation offset projects as a potential flexibility mechanism would assist a variety of industries in meeting air quality standards. In addition, it would assist the province in meeting other provincial objectives such as increasing biodiversity and ameliorating water quality.

7. How can facilities achieve an emissions reduction of five per cent over five years?
There are a variety of policies and mechanisms that can be used to reach this target and many of these are highlighted in the discussion paper. Other incentive programs that could be used to achieve this include:

- stimulating the development of a service-based economy, (which is by definition less GHG intensive);
- changing corporate and/or personal income tax filing process to allow for the allocation of a portion of their total income tax bill or voluntarily directing all or a portion of tax refunds towards green investments made by the government
- and/or providing financial returns (if projects are successful) in the form of tax credits and/or cash.

8. What is your perspective on the importance of equivalency and ensuring industry is not subject to duplicate regulation?
Conservation Ontario is supportive of the MOE's proposed approach to coordinate Ontario's GHG reduction program with the federal government's program.

Once again, thank you for the opportunity to provide comment on "Greenhouse Gas Emissions Reductions in Ontario: A Discussion Paper." Overall, Conservation Ontario is strongly supportive of the province's initiative to develop a GHG emission reduction program and encourages the MOE to consider CAs as potential partner agencies in the implementation the flexibility mechanisms being considered as part of Ontario's GHG emissions reduction program. Conservation Ontario looks forward to being provided with further details in order to provide more specific comments in future consultations on this subject. If you have any questions regarding these comments, please contact Samantha Dupré at extension 228, email: sdupre@conservationontario.ca or myself at extension 224, email: jrzadki@conservationontario.ca.

Sincerely,

Jo-Anne Rzadki
Watershed Stewardship Coordinator