

# CLIMATE CHANGE: Ontario to Implement a GHG Reduction Program



In many ways, the federal government has been driving the regulation and reduction of greenhouse gas (GHG) emissions. For example, it recently finalized a regulation for coal-fired electricity generation and additional federal regulations on GHG emissions are expected in the future for other sectors, such as large industrial emitters. But some provinces, such as AB, BC, MB, QC and SK, have taken or are taking their own steps to regulate GHG emissions. In fact, Ontario's Ministry of the Environment (MOE) just released a discussion paper for public comment on a proposed provincial GHG emissions reduction program. Here's an overview of that paper and the proposed program as well as the next steps to be taken.

## Background

Ontario has been working since 2009 to develop a program to reduce GHG emissions from industry. In 2009, the *Environmental Protection Act* was amended to provide for a GHG emissions reduction program that could link with other systems. That year, the government also introduced a regulation requiring large emitters to report their GHG emissions. The MOE now has such data for 2010 and 2011 and will use this information in designing the key elements of the program. As a result, the ministry is now ready to discuss the possible scope, emissions reduction targets and objectives for the program.

The paper explains that a made-in-Ontario GHG emissions reduction program will be an important next step towards meeting the province's goal of being 15% below 1990 emissions levels by 2020. This program will focus on environmental outcomes

and provide flexibility for companies to develop their own compliance strategies while ensuring that overall emissions decrease.

## Principles Behind the Program

The proposed elements for the GHG emissions reduction program have been developed based on key principles aimed at protecting the environment while considering Ontario's economic outlook, including:

- Achieving absolute reductions in GHG emissions in a cost-effective way that considers competitiveness and supports achieving equivalency with the federal government;
- Providing simplicity, consistency, transparency and administrative efficiency;
- Striving to treat sectors and facilities equitably;
- Taking into account early action by industry leaders;
- Using accurate and verified emissions data to support policy development;
- Promoting development and deployment of clean technologies;
- Considering broad alignment with other emissions reduction programs of similar rigour that provides opportunity for linking in the future;
- Considering integration with other provincial environmental policies; and
- Providing an incentive for emitters to invest in technologies that improve their environmental performance, energy efficiency and competitiveness in a flexible and cost-effective way and removing barriers to such investment.

## Key Elements of Proposed Program

The key potential elements and scope of the proposed program include:

**Covered GHGs.** The regulated GHGs would likely include emissions of carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons, which are already covered by Ontario's *Greenhouse Gas Emissions Reporting* regulation and the UN's Kyoto Protocol.

**Covered industries.** The Ontario GHG emissions reduction program would, at a minimum, cover the same industrial sectors to be regulated by federal law. But the MOE could broaden the scope of large emitters to be consistent with the facilities already covered by Ontario's *Greenhouse Gas Emissions Reporting* regulation. The MOE is also considering including emissions from the electricity sector in the program and setting an emissions limit aimed at stabilizing emissions from the electricity sector over time.

**Emissions reduction target.** The program would set an initial emissions limit for industrial sectors based on the forecast of total emissions expected at the program's start, declining thereafter by 5% over five years.

**Potential approaches to emissions reductions.** The program would likely use a mix of production-based benchmarks, energy benchmarks and reductions from an historical baseline, using the most suitable method for each industrial sector.

**Compliance options.** The paper notes stakeholders' desire for flexible compliance options including investment in technology, trading emission credits and the use of offsets and says the Ontario program could include flexibility mechanisms.

**Timing.** The MOE would aim to have the program in place one year before any

federal industry-wide regulation of GHGs, which would give the province time to negotiate an equivalency agreement with the federal government to ensure there's a single regulator for GHG emissions in Ontario.

## **The Next Steps**

Over the next year, the paper says the MOE, Ministry of Economic Development and Innovation and Ministry of Energy will seek comments from the interested public, industry stakeholders, non-government organizations and First Nation and Métis communities on the elements of the GHG emissions reduction program and ways to remove barriers to investment. (The deadline for comments to the paper was April 21, 2013.) The government specifically wants answers to the following questions:

- What sectors should be covered under a GHG emissions reduction program'
- What emissions threshold should be used for covering facilities in the program'Ontario's reporting threshold of 25,000 tonnes of GHGs per year or a higher threshold such as the federal reporting threshold of 50,000 tonnes per year'
- What are the barriers to achieving significant reductions'
- How could a program be designed to encourage investment in cleaner production'
- How could a program be designed to address competitiveness concerns within and across sectors'
- How can a program be designed to integrate with Ontario's approach to reducing air contaminants'
- How can facilities achieve an emissions reduction of 5% over five years'
- What's your perspective on the importance of equivalency and ensuring industry isn't subject to duplicate regulation'

The government will use the comments on this discussion paper and other feedback to guide the development of Ontario's GHG emissions reduction program.

## **INSIDER SOURCE**

***Greenhouse Gas Emissions Reductions in Ontario: A Discussion Paper***, Ontario Ministry of the Environment, Jan. 2013