Ontario Revises Emissions Performance Standards Program to Align with Federal OBPS Changes



Carbon pricing system changes will take effect in Ontario in 2023.

Ontario officially launched its Emissions Performance Standards (EPS) Program on January 1, 2022. On August 26, the Ministry of the Environment, Conservation and Parks (MECP) proposed regulatory changes that would take effect on 2023 and last until 2030. Here's a quick briefing on what you need to know about the EPS Program and proposed changes.

What the EPS Program Is All About

To get a grasp on the EPS Program, you need to go back to 2016 when Ottawa published what's called the Federal Benchmark establishing a carbon pollution pricing system for 2018 to 2022 composed of 2 elements:

- A fuel charge; and
- An output-based pricing system (OBPS) for large industry.

The rule: The Federal Benchmark would apply in all provinces and territories except for in jurisdictions that enacted their

own carbon pricing system meeting Federal Benchmark standards. Ontario was among the jurisdictions to adopt its own system, the EPS Program, which was created in July 2019, and applies to Ontario facilities:

- That reported Greenhouse Gas (GHG) emissions of 50,000 tonnes carbon dioxide equivalent or more to the MECP for any year since 2014; and
- Whose primary industrial activity one listed in listed in Schedule 2 of the *GHG Emissions Performance Standards*

In August 2021, the federal government published the updated Federal Benchmark for 2023 to 2030. Key changes included increasing the minimum national price on carbon pollution for price-based systems to $65 per tonne of CO2 equivalent in 2023, followed by annual $15 per year increases that will bring the minimum price to $170 in 2030 (the minimum carbon pollution price in cap-and-trade systems is translated into an equivalent emissions cap).

The updated Federal Benchmark also directs the provinces and territories to implement a recognized carbon pollution pricing system (either an explicit price-based system or cap-and-trade system) for the 2023’2030 period, while mandating new minimum criteria and tests for assessments, depending upon the system implemented.

The Proposed EPS Program Changes

The proposed EPS Program changes are designed to bring Ontario into line with the updated Federal Benchmark so that the province can continue to run its own system rather than follow the federal OBPS from 2023 to 2030. Pricing under the EPS Program will align with the Federal Benchmark minimum carbon pollution pricing rules. The changes would also add the following sectors to the Schedule 2 of the EPS Regulations that the Federal Benchmark assesses as posing carbon risks:

NAICS Code NAICS Industry Group Description

High Risk	
3114	Fruit and vegetable preserving and specialty food manufacturing
3116	Meat product manufacturing
3121	Beverage manufacturing
3222	Converted paper product manufacturing
3261	Plastic product manufacturing
3262	Rubber product manufacturing
3321	Forging and stamping
3326	Spring and wire product manufacturing
3327	Machine shops, turned product, and screw, nut, and bolt manufacturing
3336	Engine, turbine and power transmission equipment manufacturing
3339	Other general-purpose machinery manufacturing
3363	Motor vehicle parts manufacturing
3364	Aerospace product and parts manufacturing
3372	Office furniture (including fixtures) manufacturing
3399	Other miscellaneous manufacturing
Medium Risk	
3114	Dairy product manufacturing

Other key EPS Program changes include:

- Allowing facilities that expect to emit 10,000 tonnes or more of CO2 equivalent within the 3 years following a retrofit or expansion to apply to register under the EPS Program;
- A new process enabling Ontario businesses to stop being

covered under the Program under certain circumstances;

- Replacement of energy-based standards with alternate performance-based standards;
- Increases to the annual emissions reduction requirements, in combination with the strengthened performance standard for generating electricity using fossil fuels, to ensure compliance with the updated Federal Benchmark; and
- Application of a decline rate of 2.4% in 2023 from the stringency factors in 2022 and 1.5% per year from 2024’2030 and implementation of the stringency factors for both fixed process and non-fixed process emissions.