



# ONTARIO CLEAN ECONOMY ALLIANCE

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## **Clean Economy Alliance Comments on Bill 4, Cap and Trade Cancellation Act, 2018**

The following submission provides the Clean Economy Alliance's response to the proposed [Cap and Trade Cancellation Act, 2018](#).

[The Clean Economy Alliance](#) is a group of over 100 organizations representing a broad cross-section of Ontarians that united in 2015 to urge Ontario to show leadership in addressing the crucial issue of climate change. The CEA includes prominent Ontario businesses, industry associations, labour unions, farmers' groups, health advocates, and environmental organizations. The Alliance recognizes that reducing pollution will bring many benefits, including cleaner air, improved public health, and more jobs and business opportunities in the clean economy.

### **Why take action on climate change?**

In its simplest form, fighting climate change means protecting the health of Ontarians. We depend on our government to make sure that the air we breathe, the crops we eat, and the natural resources we rely on are here for generations to come – and our economy depends on these things as well. What our government does, or chooses not to do, about climate change, matters in so many ways.

We're already seeing the devastating impacts of extreme weather here at home in Ontario, which is warming faster than the global average. In the first half of 2018 alone, extreme weather events inflicted nearly \$1 billion in insured damage in this province. The Insurance Bureau of Canada estimates that 1 in 10 Canadian properties will soon be considered too high risk to be insured.<sup>i</sup> This situation demands an appropriate response from Ontario's leaders.

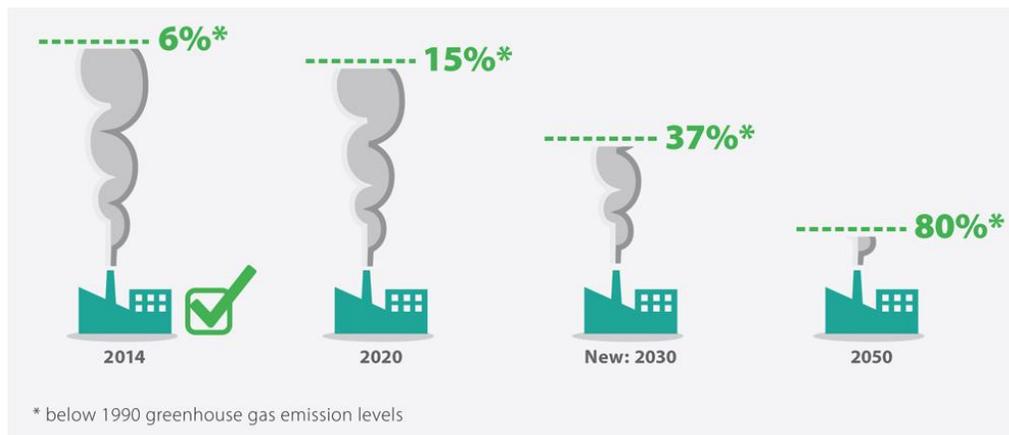
Governments around the world are working to take action on climate change for economic reasons too. Maintaining Ontario's strong economy means keeping pace with a global economy which is rapidly transitioning to clean, low carbon technologies. The International Renewable Energy Agency (IRENA) recently estimated that 24 million people would have jobs in the renewable energy sector around the world by 2030, representing significant growth from the current 10 million jobs.<sup>ii</sup>

Ontario hosts the largest cleantech sector in Canada and currently employs 130,000 people<sup>iii</sup>, thanks in part to its leadership role in addressing climate change. These jobs are at risk if the province backs away from its climate commitments.

## Section-by-Section Review of Bill 4

### 1. Establishing targets for greenhouse gas emissions reductions

The CEA supports Ontario's current targets to reduce greenhouse gas (GHG) emissions to 80% below 1990 levels by 2050.



We support these targets because we believe what scientists tell us very clearly: that in order to avoid the most catastrophic impacts of climate change, it is imperative to keep temperature change to 1.5 or well below 2 degrees<sup>iv</sup>, as agreed by 195 countries in Paris. And to stick within these temperature limits, we need strong greenhouse gas reduction targets backed up by strong actions to hit these targets.

Softening or missing Ontario's targets will hurt our economy. For example, stabilizing at 3 degrees of warming instead of 2 degrees will mean an extra \$7.5 billion in damage to Ontario's GDP, based on global estimates from US Council of Economic Advisors<sup>v</sup>. The costs escalate considerably as temperatures rise further.

Considering these very real economic impacts, we urge the government to reconsider cancelling Ontario's existing climate change targets. These targets are achievable, supported by an overwhelming body of scientific evidence, and more importantly, necessary to protect the health and well-being of Ontarians.

If new targets are under consideration, we urge the government to carefully review these targets to ensure they are science based, meet Canada's international commitments, and are relevant to limiting the extent of climate change.

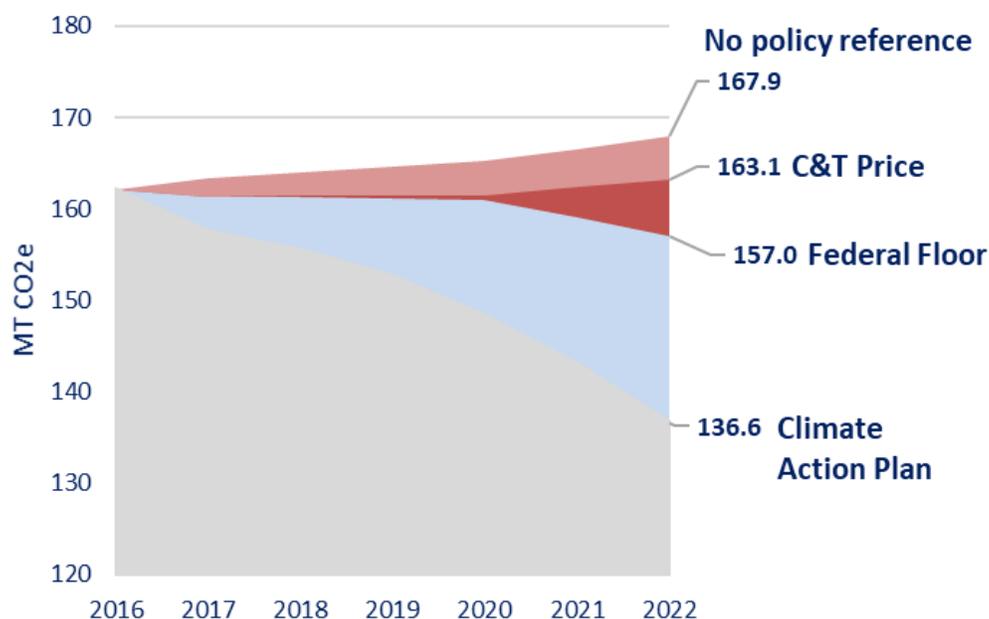
### 2. Requirement for Minister to prepare climate change plan

Ontario will need to introduce effective programs to significantly reduce GHG emissions in the absence of carbon pricing. This is difficult, but by no means impossible to achieve.

The graph below shows the GHG reduction potential of a strong climate plan in relation to proposed or previous carbon pricing plans. Note that the reference to the

Climate Action Plan in the figure below is based on the assumption that Ontario would meet the previous 2020 target and be on track to meet the 2030 target thanks to policies and programs contained in the plan, but with certainty provided by the cap on emissions and its annual decline rate. The impact of the cap-and-trade price was minimal, and the impact of the federal carbon price backstop will be greater. But the removal of the cap and complimentary policies has opened up a gap (light blue). To bridge that gap, additional policies will be required.

## ONTARIO GHG REDUCTIONS



Source: *EnviroEconomics modeling – Sept 2018 [presentation](#)*

To achieve this level of GHG reductions, a climate change plan needs to be built around strong GHG reduction goals. Ontarians want transparency, and this means the government needs to produce a plan with clear targets and clear, costed modeling showing how each step in this plan will achieve the stated results.

An effective, transparent plan also needs clear timelines. These timelines should clarify:

- When new policies and programs will be released
- When significant benchmarks in the plan will be hit
- When and how often the plan's progress will be reviewed by the Minister of Environment, Conservation, and Parks

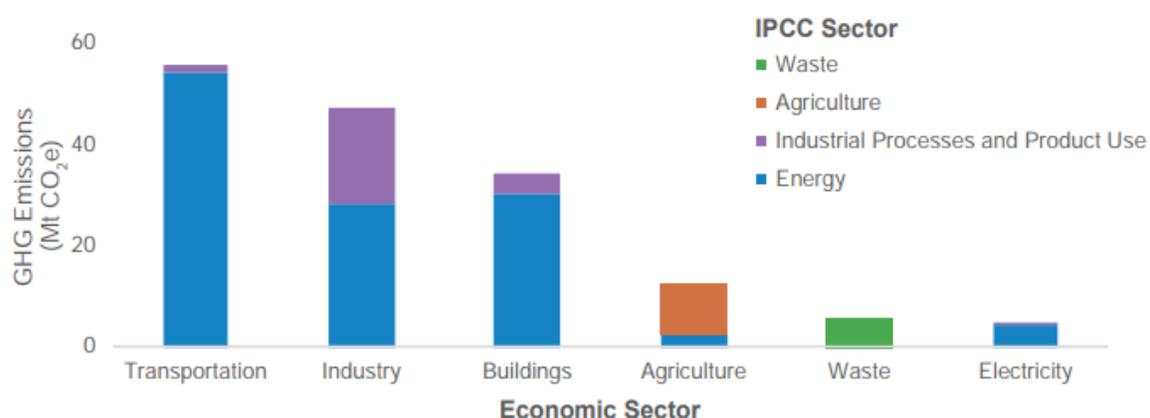
We are concerned about the impact of canceling Ontario's current Climate Change Action Plan before a new climate change plan has been developed or implemented. This course of action is a setback to Ontario's climate progress and has created a great deal of uncertainty for all parties. The longer Ontario's government waits before resuming efforts to cut carbon pollution, the harder it will be reduce

emissions in step with what's needed. Ontario needs to act quickly to fill this widening gap.

In creating a new climate change plan, the Minister needs to consult meaningfully with businesses, economists, scientists, climate change experts, and everyday Ontarians to forge a cost-effective and ambitious way forward. This is not only the most responsible path forward, but Ontario's *Environmental Bill of Rights* (EBR) requires public consultation on significant environmental decisions. Moreover, Ontarians have expertise in this area and are interested and keen to offer assistance. Ontario's plan will need to work for the many stakeholders that will be impacted by it. It makes sense to consult and include those stakeholders in the preparation of the plan.

### 3. Contents of climate change plan

Ontario's new climate change plan needs to outline firm action to address the primary sources of carbon pollution in Ontario. As pictured below, the biggest sources are currently transportation, industry, and buildings.



Source: [Environmental Commissioner of Ontario](#), based on *Environment and Climate Change Canada, National Inventory Report 1990-2016*.

In addition to addressing these primary sources of carbon pollution, an effective plan also needs to support a growing economy, create new jobs, and keep costs affordable for households and businesses. While adaptation and resilience to climate change are incredibly important, the plan in question must focus on reducing GHGs. Ontario needs a separate comprehensive plan to help communities adapt to the impacts of climate change.

Our list of policy recommendations below combines these main criteria. We focus on highlighting effective solutions to key sources of carbon pollution which also support new jobs and a growing economy, and cut energy costs for homes and businesses. Our Clean Economy Alliance members are at the forefront of climate solutions, and well-positioned to discuss any of these solutions in more depth.

## **Top 10 recommendations for policies/programs to include in climate plan**

### **Buildings and Energy**

#### 1. Lower natural gas bills and cut GHGs with natural gas conservation.

There is vast untapped potential for low cost GHG reductions which also reduce natural gas bills. Expanding Natural Gas Demand Side Management (DSM) programs through the OEB has the potential to reduce Ontario's gas costs by [\\$85 billion by 2030](#), and cut GHG emissions from natural gas [by 17.8%](#). This is a truly win win solution, with big savings potential for consumers and government, as well as big and necessary GHG reduction potential, since natural gas creates about 25% of Ontario's carbon emissions. The utilities already run these programs and they are very cost effective. There's room to do more. More info [here](#) and [here](#).

#### 2. Tighten up energy efficiency standards by updating the Ontario Building Code.

Updating the Ontario Building Code is a prime opportunity to ramp up energy efficiency standards, and require new builds to accommodate clean technologies like rooftop solar panels, geothermal energy, and electric vehicle charging. Simple policies like the inclusion of airtightness testing, improving energy modeling, and adding sub-metering would make a huge dent in GHG emissions from buildings, while costing very little to implement. You can find a summary of previous CEA recommendations [here](#).

#### 3. Help Ontarians cut costs and build resilience by generating their own energy.

Building opportunities for Ontario households to generate their own power has huge potential for both cutting costs and cutting GHGs. Clean technologies like rooftop solar panels and geothermal energy are often much cheaper sources of energy in the long-term, particularly in remote areas. Supporting local energy sources also builds resilience to extreme weather events and helps communities adapt to climate change. Ontario should support and expand existing policies like net metering which help households wanting to generate clean energy. In addition, people who don't own homes should be given the opportunity to buy in as well through zero-cost programs like virtual net-metering.

#### 4. Improve transparency for home buyers with an energy efficiency rating system.

Energy costs vary widely from home to home depending on building envelope, heating systems, windows, and other factors. A rating system requiring sellers to disclose a home's energy efficiency would give home buyers the information they need to assess long-term costs, and would incentivize energy efficiency upgrades in Ontario. It's about consumer protection and cost transparency. Energy ratings are required on fridges,

dryers, and cars. They should be required on buildings too. More [here](#) and [here](#).

5. Use strategic government procurement to save money long-term and drive demand for innovative energy efficiency solutions.

Government spending represents about 20 percent of Ontario's economic output. Ontario can cut long-term costs and reduce carbon pollution by including long-term energy efficiency in its criteria for tendering decisions. The Ontario Chamber of Commerce suggests a strategic approach to procurement, prioritizing long-term value over transactional, short-term cost. In their report [Spend Smarter, Not More](#), OCC also points out that "government spending can be leveraged to create markets and drive demand for innovative products and solutions." By buying smarter, Ontario can also support more efficient, cleaner technologies.

## **Transportation**

6. Implement stronger policies to reduce GHG emissions from freight vehicles.

As Ontario's economy grows, carbon pollution from freight vehicles is growing rapidly. Solutions like scrappage programs to replace old inefficient trucks, emissions testing for heavy-duty vehicles, supporting better regional freight planning (for example, [strategic planning in Peel Region](#)), and encouraging a switch to low carbon biodiesel blends can go a long way in cutting pollution, and also in improving goods movement.

7. Invest in transit expansion to reduce GHG emissions from passenger vehicles

Building more effective, and more frequent transit is key to getting more Ontarians out of their cars and into alternatives that work for them, and decreasing traffic congestion at the same time. Solutions like electrifying GO rail corridors, and integrating GO fares with TTC will encourage more transit use, cut GHG emissions from passenger vehicles, and reduce air pollution which causes health issues like asthma, lung cancer, and heart disease.

8. Support a shift to cleaner fuels to cut vehicle pollution.

Cleaner fuels like ethanol and biodiesel create less carbon pollution than traditional gasoline or diesel, and are gaining traction in the market as governments move to encourage their adoption. For example, many jurisdictions have adopted clean fuel standards – a market-based solution which incentivizes gradual introduction of low carbon fuels, allowing the market to pursue lowest cost solutions rather than governments prescribing one fuel over another.

## 9. Invest in electric mobility

Electric vehicles are the way of the future, and Ontario is no exception. Encouraging a switch from gasoline cars to electric cars which produce no tailpipe emissions, will go a long way in reducing the massive GHG emissions from Ontario's transportation sector, as well as preparing Ontario's economy for future electrification. Electric cars will also make our air cleaner and our cities quieter. There are many ways government can encourage a move to electric cars including allowing free overnight charging for electric vehicles, rolling out a larger network of charging stations on highways and roads, and providing tax breaks or incentives to encourage electric vehicle uptake.

## **Industry**

### 10. Support new low carbon technologies with emissions-reduction fund.

The CEA supports the government's promise to set up an emissions-reduction fund to invest in new technologies to reduce emissions right here in Ontario. This fund will need clear criteria to ensure that its investments support technologies with significant GHG impacts in Ontario, and businesses creating jobs and economic growth in Ontario. We suggest a focus on helping Ontario businesses transition to more energy-efficient, clean technologies proven to cut long-term costs, therefore adding potential to leverage private investment and increasing long-term competitiveness of Ontario businesses.

## **4. Requirement for Minister to prepare regular progress reports**

The CEA supports and encourages government transparency through regular progress reports on Ontario's climate change plan. These progress should be released annually at a bare minimum, and the timeline for release should be shared in advance with Ontarians. It is also crucial that as part of annual progress reports, the government release spending details outlining how the money budgeted for climate action was spent.

## **5. Retirement and cancellation of cap and trade instruments**

Carbon pricing is acknowledged around the world as the most cost-effective tool to reduce GHG emissions with negligible net impacts on the economy and job creation. This is why it's discouraging to see an effective market-based tool, which is working well in many other jurisdictions, cancelled with no explanation of how to reduce Ontario's GHG emissions with as little impact on the economy. While we understand that cap-and-trade cancellation was promised in the spring election, we would like to hear more details and economic arguments for new programs introduced to cut GHG emissions.

It has been widely acknowledged that cancelling cap-and-trade will lead to

the implementation of the federal carbon pricing plan, meaning the cost savings for Ontarians are short-lived and affected industry must expend significant effort to align their systems with federal plan.

Although it is too late to call for a longer wind-down time for the cap-and-trade program with more consultation, we suggest immediate and thorough consultation on how Ontario can provide appropriate compensation for sunk costs for participants.

### **The payment by the Crown of compensation in respect of cap and trade instruments**

Bill 4 restricts compensation to a very small number of entities. The proposed compensation of a total of \$5 million is far too low to properly take into account the time and money many parties invested in Ontario's cap-and-trade system in good faith, including investments in carbon reduction projects, offsets, future allowances, and other unanticipated financial losses which will harm Ontario's economy.

Bill 4 also theoretically allows polluters who were not paying for their GHG emissions to walk away scott free, while those who dutifully invested in allowances are punished for following the law.

We recommend consulting more widely with cap-and-trade participants on appropriate compensation, and creating a more balanced framework which acknowledges the investment of participants who followed the law.

We urge the government to release financial data on any remaining funds in the Greenhouse Gas reduction Account (GGRA) – money legally bound for climate programs. Ontarians and the businesses who paid into this fund deserve to know how this money is being spent, particularly since they were told that it would be bound for action to fight climate change. To avoid this becoming a "slush fund," we also urge the government to continue to earmark the estimated \$1 billion in remaining funds in this account for climate action.

### **Contact Information**

Thank you for your consideration in reviewing the CEA's comments. The CEA looks forward to continuing to work with the Province on changes to this legislation and related climate change strategy.

If you have any questions, please contact:

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<sup>i</sup> Environmental Commissioner of Ontario. Climate Action in Ontario: What's Next? (2018). <https://docs.assets.eco.on.ca/reports/climate-change/2018/Climate-Action-in-Ontario.pdf>

<sup>ii</sup> International Renewable Energy Agency. Renewable Energy and Jobs Annual Review 2018. [http://irena.org//media/Files/IRENA/Agency/Publication/2018/May/IRENA\\_RE\\_Jobs\\_Annual\\_Review\\_2018.pdf](http://irena.org//media/Files/IRENA/Agency/Publication/2018/May/IRENA_RE_Jobs_Annual_Review_2018.pdf)

<sup>iii</sup> Environmental Commissioner of Ontario. Climate Action in Ontario: What's Next? (2018). <https://docs.assets.eco.on.ca/reports/climate-change/2018/Climate-Action-in-Ontario.pdf>

<sup>iv</sup> IPCC Special Report. Global Warming of 1.5C (2018). <http://www.ipcc.ch/report/sr15/>

<sup>v</sup> The Coast of Delaying Action to Stem Climate Change. (2014). [https://scholar.harvard.edu/files/stock/files/cost\\_of\\_delaying\\_action.pdf](https://scholar.harvard.edu/files/stock/files/cost_of_delaying_action.pdf)

