

Ontario Society of Professional Engineers (OSPE)

Comments on:

Making polluters accountable: Industrial Emission Performance Standards ERO number 013-4551

About OSPE

The Ontario Society of Professional Engineers (OSPE) is the voice of the engineering profession in Ontario. OSPE represents the entire engineering community, including professional engineers, engineering graduates and students who work or will work in strategic sectors of Ontario's economy.

Summary

OSPE recommends that Ontario implement a greenhouse gas emissions trading system for large industries, similar in function to the successful emissions trading system that the Ontario Government implemented for smog gases from electricity generation in 2003. This emissions trading system would be preferable to the system proposed in 013-4551. An emissions trading system would be efficient and effective, would not increase the tax burden, and would not transfer money from the private sector to the government.

Historical Background

Ontario Smog Emissions Trading, 2003

In 2001, The Conservative Government of Ontario implemented a successful emissions trading system, also known as cap and trade, in order to reduce smog emissions from fossil fuel electricity generators (OReg397/01). The Ontario system demonstrated successfully the mechanics of an emissions trading system and led to the reduction of smog emissions from electricity generators.

Alberta Specified Emitters Regulation

In 2007, Alberta implemented a system to reduce greenhouse gases from large specified gas emitters (Alberta Regulation 139/2007). The Alberta system had many similarities to Ontario's Proposed 013-4551. The published 2010 results show that Alberta's 2010 GHG emissions were reduced by 6.5 megatons of CO₂ (about 3% of Alberta's total). Many specified gas emitters paid to buy emission compliance units from the Alberta Government, instead of reducing their emissions below the specified limits. The system ended in 2014.

Analysis of Proposal 013-4551

Proposal 013-4551 describes a system very similar to cap and trade. The system described in ERO 013-4551 would be administratively difficult, would still require a public registry of compliance units, and would transfer money from the private sector to the government.

OSPE Specific Concerns with 013-4551

Minimum Threshold for Compliance with the Regulation

013-4551 suggests a minimum threshold of an emission of either 25,000 or 50,000 tons/year of CO₂ equivalent, for an Ontario facility to be captured by the proposed regulation.

A minimum threshold of 100,000 tons/year of CO₂ emissions would be far more manageable and would capture most of the emissions from the industrial sector. Approximately 80 Ontario facilities each emit more than 100,000 tons/year.

If the threshold were decreased to 50,000 or 25,000 tons/year, the number of Regulated Facilities would increase by many multiples.

List of Industries Captured by the Regulation

The Ontario Government should be aware of the difficulties in regulating the GHG emissions of certain industries, e.g. electricity generators, ethanol plants, northern Ontario pulp and paper mills. In the food and beverage industry, large, regulated facilities would be in direct competition with smaller, less efficient, non-regulated facilities.

Industries Unwilling to Share Information about Production Totals

Many industries carefully hide their data on total annual production. These industries may not cooperate with the government in determining whether they exceeded the GHG emissions benchmark.

The Impossibility of Establishing Fair Benchmarks for All Industries

Within each industry, each facility has unique circumstances, and each facility emits a unique number of tons of GHG per ton of product. Any attempt to require each facility to meet the same benchmark of tons of GHG per ton of product would be unfair and unpopular.

For example, Domtar Red Rock and Atlantic Packaging Scarborough are both Ontario pulp and paper mills. Domtar Red Rock, far away from the natural gas transmission line, produces craft paper from trees, using plenty of fuel and chemicals. In contrast, Atlantic Packing Scarborough, burning natural gas, produces hygienic paper products from recycled paper. Domtar's GHG emissions per ton of product are much higher than Atlantic's. Will Domtar and Atlantic be required to meet the same benchmark of GHG emissions per ton of product?

Opportunities for Non-Regulated Facilities to Participate

OSPE recommends that non-regulated facilities be encouraged to reduce their GHG emissions, and then apply for offsets in the emissions trading system. These facilities could be industrial or commercial, or, perhaps, institutional. The Ontario Government could award offsets to non-regulated facilities that present successful emission reduction projects that meet all the criteria for quality offsets. These facilities could then offer to sell their offsets to regulated facilities, in Ontario's emissions trading market.

OSPE's Suggested Alternative

Ontario's current deficit requires transparent, accountable and efficient policies.

OSPE recommends a properly designed and implemented Emissions Trading Program, which would reduce GHG emissions significantly from large industrial facilities. The new emissions trading system would share many features with Ontario's successful 2003 emissions trading system for smog gases from electricity.

An Emissions Trading Program for large, direct emitters, featuring free allocation of allowances to capped facilities, according to a fair scheme, under a rigorous cap, with a lively offsets system, and an open, transparent registry, could reduce Ontario's GHG emissions by tens of megatons per year.

Benefits to the New Government, and to Ontario

- Definite GHG reductions by Ontario heavy industries
- An efficient market for emission reductions, with a low cost to consumers
- Positive benefits for small and medium size industries that offer services in conservation and efficiency or to apply for offsets
- No increased taxes, no fees, no subsidies and no payments to governments
- A positive approach to climate change
- No money leaves Ontario
- The Registry of Allowances and Offsets, located in Ontario, would provide a visible governance structure to the public.

OSPE Can Provide Information and Advice

OSPE would be very happy to provide further information and advice to the Ontario Government, in support of this commentary.

Sincerely,



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