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RE: Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan (EBR Registry number 013-4208)

Dear Nathaniel,

For more than a century, the Ontario Chamber of Commerce (OCC) has supported economic growth in Ontario by advocating for business priorities at Queen's Park on behalf of our diverse 60,000 members, including local chambers of commerce and boards of trades in over 135 communities.

As Ontario's business advocate, the OCC champions evidence-based, made-in-Ontario climate policies that protect our environment while strengthening our economy. In a submission sent to your ministry in November 2018, we called on the Province to leverage the private sector to address environmental challenges, support community resilience, and modernize Ontario's waste management systems. We are pleased to see these priorities reflected in the Government of Ontario's new environment plan: *Preserving and Protecting our Environment for Future Generations*.

In particular, we applaud commitments to:

- Increase the monitoring, sharing, and transparency of climate-related data;
- Support community resilience to climate shocks; and,
- Encourage private sector sustainable innovation, primarily through regulatory and tax reform.

As your government works to develop and implement its new environment plan, we urge you to continue consulting with industry on how to protect their competitiveness. Providing clarity and carrying out impact assessments throughout the process will inspire business confidence and investment, key drivers of Ontario's economic prosperity.

This submission outlines our reactions and recommendations regarding five sections of the plan: the Ontario Carbon Trust and reverse auction; low-carbon procurement; industry performance

standards for large emitters; waste management; and appliance efficiency standards.

1. The Ontario Carbon Trust and Reverse Auction

In the section titled "Activate the Private Sector," the plan announces the Province will commit $350 million towards a new entity called the Ontario Carbon Trust, an emissions reduction fund that will use public money to attract private investment in clean technology. An additional $50 million will go towards a reverse auction process that will allow bidders to compete for funding based on cost-per-tonne of greenhouse gas emission reductions.

These initiatives can help stimulate private investment in sustainable innovation if administered properly. To ensure that they are effective, we encourage the Ontario government to consider lessons from similar structures in other jurisdictions, such as the New York Green Bank and Australia's Emissions Reduction Fund.

1a. Establish fair and transparent oversight.

Criteria for project selection for both the trust and the reverse auction should be communicated clearly and applied consistently to ensure fairness for applicants.

The plan mentions the Ontario Carbon Trust could consider investing in projects from a variety of sectors, including transportation, industry, residential, business, and municipal. This makes it considerably different from the New York Green Bank, which invests solely in clean energy projects. If Ontario's funding schemes are open to a broad range of sectors, it is important that the relative merits of projects are weighed using pre-determined, sector-agnostic criteria.

The independent board that oversees these funds should consist of private sector representatives who understand the long-term viability, costs, and risks of different projects in eligible sectors.

1b. Use outcome measurement to guide funding decisions.

Measuring impact is critical to making evidence-based funding decisions and demonstrating value for public money.

In order to be effective, these initiatives must lead to a lower level of greenhouse gas emissions than would otherwise have happened. Your government should collaborate with the scientific community to determine baseline estimates, i.e. projected emission levels in the absence of the trust and reverse auction, as well as targets for future progress. These estimates can then be used to assess and report on the effectiveness of funding, adjust funding criteria if needed, and ultimately, remain accountable to taxpayers.

Moreover, when evaluating each application, the board should consider whether the private sector is likely to carry out the project regardless of public funding. Prioritizing projects that depend on external support to move forward will ensure that tax dollars are being used to incent

additional private investment and not to supplant it.

1c. Keep administrative costs low.

Work with jurisdictions that use similar programs to understand what has worked well and the challenges they have faced in achieving administrative efficiency.

2. Low-Carbon Procurement

The OCC applauds the plan's "Government Leadership" section, which outlines steps that Ontario's public sector will take internally to lead the way to a low-carbon economy. This includes considering climate impacts when purchasing goods and services. The OCC has advocated for low-carbon procurement in the past, including in our most recent submission on the environment in November.

In the context of fiscal restraint, public procurement is one of the primary tools through which government can have a material impact on outcomes in the broader economy. It also sends a signal that government is willing to do its part to reduce greenhouse gas emissions, thereby encouraging civic and private sector action.

2a. Set targets.

The plan commits to considering, tracking, and reporting environmental impact data. While this is an important step to reduce public sector emissions, we urge you to go further by establishing clear targets and timelines that assign responsibility to individual departments. A more detailed plan will delineate accountability and help to formalize organizational support for low-carbon procurement.

2b. Engage small and medium enterprises.

Government procurement can be a powerful tool for supporting small and medium enterprises (SMEs) that provide low-carbon goods and services. By improving their access to procurement opportunities, your government can help SMEs enhance their productivity through economies of scale, bridge the 'valley of death' between product development and commercialization, grow their revenues, and export their expertise to new markets. Cleantech SMEs in particular tend to generate valuable technology spillovers for other sectors.

2c. Take a comprehensive approach to value assessment.

When considering different low-carbon goods and services for procurement, we recommend taking a comprehensive approach to assessing value. Beyond assessing direct costs, engage in life

cycle costing and consider long-term emissions reductions, local job creation, and business competitiveness.

For too long, public procurement in Ontario has favoured short-term, low-cost purchases over long-term value creation. A more thoughtful approach will provide higher returns for tax dollars. In a number of European countries, low-carbon procurement has reduced costs by 1 percent and emissions by 25 percent.[1] Several case studies further reveal that it has enhanced innovation, created new jobs, and increased exports.[2] Ontario would do well to adopt best practices from these countries.

3. Industry Performance Standards for Large Emitters

In the "Make Polluters Accountable" section, the new plan promises to establish emissions performance standards for large emitters. Output-based performance standards can be a prudent way to manage Ontario's industrial greenhouse gas emissions, though their impact on both our economy and our environment will depend entirely on how they are implemented.

3.1 Consult thoroughly with stakeholders.

The OCC recommends working closely with industry and experts to design a regime that balances environmental protection with a strong and competitive economy.

Output-based standards are particularly effective when they spur investment in innovative, low-emission industrial processes, equipment, and facilities. Achieving this will require adequate consideration of how large emitters will respond to different standards and compliance mechanisms to select those that are most appropriate for Ontario.

We also recommend consulting with other jurisdictions that have experience with similar schemes, such as Alberta.

3.2 Adopt standards and compliance mechanisms that support business competitiveness.

Following Saskatchewan's example, we encourage Ontario to apply output-based standards to facilities with more than 25,000 tonnes of greenhouse gas emissions per year and allow facilities with lower emissions to voluntarily opt-in.

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[1] Environmental Commissioner of Ontario. 2018. *Climate Action in Ontario: What's Next? 2018 Greenhouse Gas Progress Report*. https://docs.assets.eco.on.ca/reports/climate-change/2018/Climate-Action-in-Ontario.pdf.
[2] Katriina Alhola, Hanna Salmenperä, Sven-Olof Ryding and Niels J. Busch. 2017. *Circular Public Procurement in the Nordic Countries*. Nordic Council of Ministers. https://norden.diva-portal.org/smash/get/diva2:1092366/FULLTEXT01.pdf.

We also recommend that you mandate a reduction in emissions *intensity* over time, rather than a specified reduction in tonnes. This will allow businesses to expand their operations within Ontario without penalty, thus avoiding carbon leakage in other jurisdictions, and to implement low-carbon technology more efficiently through economies of scale.

Output-based standards should also be sector-specific and determined based on what is technically feasible for different industries, levels of trade exposure, and what the standards look like in competing jurisdictions.

Finally, it is important that compliance mechanisms are flexible. In Saskatchewan and Alberta, emitters can choose to either meet the standards by reducing their emissions, to buy offsets from other producers, or to pay fees to government. This approach effectively creates market-based incentives for clean innovation, leads to private sector investments in productivity enhancements, and allows businesses to choose the path that works best for them. If designed well, this can be a win-win for both the environment and the economy.

3.3 Use revenue to strengthen private sector capacity for green innovation.

Any revenue that is collected from this program should be used to support the private sector's transition to a lower carbon economy, for instance through a designated emissions-reduction technology fund similar to Alberta's Climate Change and Emissions Management Fund. Management of such a fund should ensure relevant stakeholders and the public have a clear understanding of the revenue allocation process.

3.4 Consider including broader public sector emitters in the program.

Industry is not the only large emitter in Ontario. Broader public sector organizations emit approximately 6.5 million tonnes of greenhouse gases annually.[3] Work with hospitals, universities, and other institutional emitters to identify where appropriate existing or nascent technology is available and whether there may be opportunities to apply output-based standards to facilities beyond traditional industry.

3.5 Work with the federal government to establish an alternative to the carbon tax backstop.

The OCC and its members are concerned about the impact that a federal carbon tax backstop will have on Ontario's economic competitiveness. We encourage you to work in collaboration with the federal government to develop an acceptable alternative.

For example, assess the expected impact of the new performance standards for large emitters and communicate these projections to the federal government. Emphasize Ontario's unique

[3] Environmental Commissioner of Ontario. 2018.

situation in having transitioned away from coal to a clean electricity grid. The emissions that our province has avoided by eliminating coal are nearly triple the reductions expected from a $50 per tonne federal carbon tax.[4] Ontario's unique energy context means that a federal backstop would not have the same impact here as it would in other provinces, effectively placing a greater competitive burden on our industry for fewer positive and productive environmental outcomes.

Critically, the OCC urges your government to avoid waging a costly legal battle against the carbon tax, which would penalize taxpayers and prolong the period of uncertainty for businesses. Since legal experts suggest that Ontario would likely lose this case, we believe litigation to be an ineffective means of protecting the competitiveness of our province.

4. Waste Management

Appropriate regulation of the waste management sector is critical for Ontario. Well-designed waste diversion policies create new business opportunities and enhance environmental sustainability, while overregulation limits investment in innovative solutions. The *Waste Free Ontario Act, 2016* (WFOA) was written with good intentions but has proven far too expensive and ineffective at increasing diversion of recyclable materials from landfills.

4.1 Transition gradually and predictably to extended producer responsibility.

Extended producer responsibility (EPR) systems shift the financial and physical responsibility of waste diversion from local governments to producers. The objective is to prompt producers to pursue cost savings by designing more environmentally friendly products and finding efficiencies in the recycling process.

A successful transition to EPR in Ontario must be gradual and predictable, with targets phased in over a time period that makes sense for both producers and municipalities. We encourage the Province to work closely with stakeholders to establish a seamless transition plan that protects Ontarians from any disruptions to their daily recycling activities.

Moreover, when setting targets and timelines, it is essential to consider the availability of infrastructure. The global market for recycled materials is rapidly changing; in 2018, the Chinese government banned 24 types of imported solid waste and introduced strict standards to avoid importing contaminated waste. As Ontario's economy continues to grow, diverting waste will require new recycling infrastructure and/or increased access to foreign markets.

In recent years, many municipalities have been forced to pay for costly waste separation systems to clean up their waste streams. Many of these systems are already becoming outdated as recycling materials and regulations evolve over time. Consult with stakeholders to assess

[4] Ibid.

infrastructure needs and understand how existing resources can be used optimally in the transition to EPR.

Ideally, implementation should also protect business competitiveness. Given that EPR leads to higher prices for consumers, certain industries – such as those that are more exposed to cross-border shopping – could become less competitive as a result.

4.2 Allow for flexibility in EPR compliance.

The Province should establish targets for waste diversion but give producers and municipalities as much flexibility as possible when it comes to meeting those targets.

Incorporating this flexibility is critical for encouraging stakeholders to find the most cost-effective solutions for waste diversion, thereby realizing the full benefits of an EPR system. In Manitoba, for example, the Province's EPR targets led beverage producers to form the Canadian Beverage Container Recycling Association (CBCRA) program, an industry-led initiative to divert beverage containers from landfills. Producers pay certain fees per container and the CBCRA uses those funds to pay for recycling infrastructure and public education campaigns.

Under the CBCRA program, costs to producers – and by extension consumers – are far lower than they would be with other models, such as deposit systems, because the CBCRA achieves economies of scale and ensures that SMEs are not at a disadvantage by charging each producer the same fee per unit. In addition to cost benefits, the CBCRA program provides consumers with more convenient access to recycling bins than they would have with the Blue Box alone.

To date, this program has had excellent waste diversion rates in Manitoba; 70 percent of all beverage containers brought into the province in 2016 ended up in a recycling bin.[5] Industry stakeholders suggest a similar program could work well for Ontario.

Flexibility in EPR compliance will drive innovative solutions and encourage different sectors to develop arrangements that work best for them.

4.3 Take a more cost-effective approach to managing organic waste.

Banning organics from all landfills in Ontario is currently unrealistic for several reasons.

First, Ontario does not have enough anaerobic digestion facilities, the infrastructure used to process pure organic waste. Several facilities were shut down in recent years due to odour complaints from residents. Building additional infrastructure is uneconomical in the short run, given that they are capital intensive projects and most municipalities lack the necessary funds to invest in them. When the City of Vancouver implemented a similar ban in 2015, food waste

[5] Canadian Beverage Container Recycling Association (CBCRA). 2017. *2016 Annual Report*. http://cbcra-acrcb.org/annualreports/2016/page-1.php.

began to stockpile and led to air quality concerns that eventually forced the closure of one of the largest facilities.[6]

Second, anaerobic digestion facilities are not the most cost-effective way to deal with organic waste. A more economical solution involves technology that captures methane and produces renewable natural gas (RNG), a clean energy source that is used as fuel and is sold into the natural gas pool. This technology – already implemented in many modern landfills in Ontario – has been shown to reduce methane emissions by over 80 percent.[7] The Province should refrain from banning food waste from these sites.

Third, enforcing an organics ban would be expensive and impractical. Anaerobic digestion facilities can only accept pure organic waste, meaning that most municipalities and businesses within the industrial, commercial, and institutional sectors would need to set up costly separation systems to clean up their waste streams. Costs would be passed onto taxpayers and consumers, with significant consequences for business competitiveness and affordability in Ontario.

If your government does decide to implement a landfill organics band, we recommend opting for a partial ban to avoid penalizing landfills that already have the capacity to cost-effectively capture methane to produce RNG. Consider phasing in a limited ban based on landfill gas capture efficiency, demonstrated diversion rates, and local infrastructure availability.

4.4 Refrain from adding further red tape to the landfill siting approval process.

With only 12 to 15 years of landfill capacity left, Ontario needs to take immediate action to site additional landfills. Unfortunately, excessive red tape is creating delays, uncertainties, and high costs that limit the private sector's ability to site landfills in a timely manner.

In this context, the new environment plan's promise to provide municipalities with a say in landfill siting approvals is concerning. Adequate mechanisms currently exist through which municipalities can influence the process, including zoning and taxation. Additional control would only serve to discourage investment in landfills and aggravate Ontario's waste management challenges.

5. Appliance Efficiency Standards

In its "Clean Water" section, the plan promises to help Ontarians conserve water and save money by improving energy-efficiency standards for household fixtures and appliances. The OCC is concerned that this will negatively impact business competitiveness while failing to achieve its environmental

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[6] Shelia Scott. 2018. "Composting facility blamed for bad smell in Richmond closing its doors." CTV News Vancouver. https://bc.ctvnews.ca/composting-facility-blamed-for-bad-smell-in-richmond-closing-its-doors-1.4068242.
[7] Karlis Vasarais and Jack Carr. 2017. "Beyond Bans – Challenges and Opportunities for Economically Viable Reductions in Food Waste Volumes and Waste Sector Emissions."

objectives.

5.1 Protect the competitiveness of our appliance manufacturers.

Ontario's appliance efficiency standards are currently mandated by Natural Resources Canada and harmonized with the United States Department of Energy. Any unilateral increase in these standards would only serve to make Ontario manufacturers of fixtures and appliances less competitive and limit their ability to invest in new energy-efficient technology.

Moreover, the environmental impact would be minimal. Compared to countries with similar energy consumption levels, Canada has some of the strictest appliance and building efficiency standards.[8] It would be more effective to target sectors with greater room for improvement.

Overall, we are pleased to see that the new made-in-Ontario environment plan aims to transition responsibly to a low-carbon economy. However, there is considerable work to be done to support successful implementation of the plan and we look forward to continuing to work with the Ontario government to this end.

Sincerely,

Rocco Rossi
President and CEO
Ontario Chamber of Commerce

cc:
Hon. Rod Philips, Minister of the Environment, Conservation and Parks
Serge Imbrogno, Deputy Minister, Ministry of the Environment, Conservation and Parks
Rick Roth, Chief of Staff, Ministry of the Environment, Conservation and Parks
Andrea Khanjin, Parliamentary Assistant to the Minister of the Environment, Conservation and Parks

[8] Fernando Castro-Alvarez, Shruti Vaidyanathan, Hannah Bastian, and Jen King. 2018. "The 2018 International Energy Efficiency Scorecard." https://aceee.org/sites/default/files/publications/researchreports/i1801.pdf.