



ONTARIO CHAMBER OF COMMERCE SUBMISSION ON CAP AND TRADE

April 28TH, 2015

Hon. Glen Murray
Minister of Environment and Climate Change
Ferguson Block, 11th Floor
77 Wellesley St W
Toronto ON M7A 2T5

Dear Minister,

Thank you for the opportunity to respond to the Climate Change Discussion Paper released in February 2015.

The Ontario Chamber of Commerce and its network of 160 local chambers of commerce and boards of trade represent 60,000 businesses throughout the province. Together, our members employ two million people and produce nearly 17 percent of Ontario's GDP.

Like your government, our members recognize that a changing climate due to rising greenhouse gas emissions (GHGs) and the economic impact of climate change are two critical challenges that require urgent action and collaboration from business, government, and the broader public. Ontario's business community supports efforts to reduce GHGs and to mitigate the impact of climate change on the environment and the economy.

Since your Discussion Paper was released, Premier Wynne has announced that the provincial government is moving forward with a cap and trade system and will join Quebec and California in the system under the Western Climate Initiative. Under the cap and trade system, Ontario will impose a hard ceiling on the GHG pollution allowed in each sector of the economy.

The introduction of a cap and trade system must be viewed within the broader context of the escalating cost of doing business in Ontario. Over the past year, the Government of Ontario has implemented or announced a number of initiatives that will have a direct impact on business, including increases to the minimum wage, a new Waste Diversion Act, a review of the Labour Relations Act, the Ontario Retirement Pension Plan (ORPP), in addition to this new carbon pricing system.

The cumulative impact of these changes, compounded by Ontario's high and rising electricity rates, poses a serious threat to the future competitiveness of Ontario's business climate. It is incumbent on your government to ensure that Ontario remains among the most attractive places in the world to do business.



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We are concerned about the potential impact that a cap and trade system will have on Ontario businesses and the economy. We believe government must put economic interests, along with environmental ones, at the forefront of the discussion. As such, we believe the following four principles should shape the cap and trade system.

First, government must **consider the impact that the cap and trade system and regulatory changes have on the economy and job creation in the province.** To date, government has not released a comprehensive and evidence-based analysis of how cap and trade will impact Ontario's business climate. Our members fear that consequential decisions will be made without a clear understanding of the manner in which Ontario's global competitiveness will be affected. If government has conducted this analysis, it must be publicly released for the consideration of all Ontarians.

Second, the cap and trade system must be **revenue neutral and the revenue collected should be used to mitigate the impact of the plan on those businesses most affected by the costs of the system. The allocation of revenue must be transparent.** A revenue neutral approach will go some distance in ensuring that Ontario businesses do not bear a disproportionate burden relative to their competitors.

Third, the cap and trade system must **not lead to a substantive net transfer of wealth outside of Ontario.** Our province is already burdened by a number of wealth transfers through the Employment Insurance and an array of federal-provincial fiscal arrangements. Any net wealth transfer away from Ontario would negatively impact investment in and other determinants of our productivity, posing yet another barrier to the province's economic recovery.

Fourth, government should **harmonize its efforts with immediate competitors for investment and trade.** While joining Quebec and California is a good first step, those jurisdictions are not our most important trading partners, nor are they our most immediate competitors for manufacturing investment. We caution against an approach that puts Ontario manufacturers at a further disadvantage relative to their Great Lakes, U.S. Midwest and South peers.

As your government moves ahead with this new cap and trade system, we strongly encourage you to engage with the business community. We look forward to being a part of that discussion. To get in touch, please contact Liam McGuinty, Interim Vice President, Policy & Government Relations, at 416.482.5222 ext. 2380.

Sincerely,



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