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December 15, 2015

Ms. Melissa Ollevier  
Senior Policy Advisor  
Ministry of the Environment and Climate Change  
Climate Change and Environmental Policy Division  
Air Policy Instruments and Programs Design Branch  
77 Wellesley Street West, Floor 10, Ferguson Block  
Toronto, ON  
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**Re: ONEIA's Comments on Cap-and-Trade Program Design Options**  
**(EBR Registry Number: 012-5666)**

Dear Ms. Ollevier:

On behalf of Ontario's more than 3,000 environment and cleantech firms, I am pleased to provide our comments on the Ministry of Environment and Climate Change's ("MOECC") proposal on Cap and Trade Program Design Options ("Proposed Program"), as posted a few weeks ago on the Environmental Bill of Rights Registry.

**About ONEIA**

Since 1991, the Ontario Environment Industry Association (ONEIA) has represented the concerns of the province's leading environment and cleantech companies. In that time, this sector has grown into a vital job creator and exporter. Our companies already employ more than 65,000 people and generate \$8-billion in annual revenues, including \$1-billion in exports. Recent surveys of our members show that 75% have hired new staff in the past year and plan to hire in the coming year. This demonstrates both the growth potential and optimism of the firms in this sector. Whether they are leading environmental consulting firms or companies developing the next generation of clean technologies, our members are at the forefront of the global movement towards a low-carbon economy that has clean technologies and approaches at its core.

ONEIA members are committed to providing advice to various levels of government that is based on sound science, sound policy, and a sound environment. Our members are an important part of the climate change equation and, given a progressive policy framework, can help our Province achieve its goals and generate significant economic benefits in the process. In this light, a task force of members drawn from across the sector has been

reviewing the province's recent proposal and is pleased to provide the following comments on the Proposed Program.

### **Overall comments**

As we stated in our initial submission to the province in March 2015, the Association and its members strongly support measures that harness the power of markets and the private sector to provide environmental and economic benefits. As we have stated in our longstanding policy in this area, we support measures that send a clear signal for emitters to both adopt clean technology and the services and approaches that lower their carbon footprints.

ONEIA's key concern with the Proposed Program is that it should recognize and foster the role of environment and clean-tech companies in Ontario's future carbon economy. ONEIA and its member firms would like to work with MOECC to develop a cap-and-trade system that fully considers and recognizes the potential of environment and cleantech companies to contribute to Ontario's low-carbon economy.

Accordingly, we believe the Province's overall approach to cap-and-trade should be consistent with the following principles that we first raised in March:

- **Transparent allocation of revenues from cap-and-trade will encourage the trust the system needs:** Ontario citizens and companies are open to the idea of a market-based mechanism that will reduce carbon emissions and this support will be crucial to making a program work, especially in the accelerated time frame envisioned by the Ministry. The province should clearly and unambiguously allocate 100% of such revenues to measures to reduce carbon emissions and mitigate the effects of climate change. This should include specific measures (as we will note later in this submission) to encourage the uptake of new technologies and assist Ontario companies in accessing other markets. Trust in the program will be at risk if stakeholders perceive that such funds, either directly or indirectly, are being used to pay for previous spending commitments on infrastructure, transit and other areas or disappearing into general revenues.
- **Accelerated capital cost allowances and tax exemptions encourage technology uptake:** Practical incentives are needed to encourage businesses to adopt new environmental technologies that will, in turn, help the Province meet its climate change goals. Accordingly, ONEIA supports measures that will accelerate the ability of firms to write off the capital costs of purchasing and installing such technology.
- **Future infrastructure spending can be an important proving ground for innovative approaches that address climate change:** We ask the Province to designate 5% of future infrastructure

allocations to fund demonstration projects, pilots and other innovative approaches to climate change mitigation and adaptation.

- **Any programs aimed at Ontario companies should recognize and accommodate the opportunity costs that small and innovative firms face:** If programs are put in place to encourage companies to develop new technologies and approaches, we strongly recommend that such programs recognize that the vast majority of firms in the environment and cleantech sector have fewer than 50 employees. Such firms cannot – and should not – be expected to complete bureaucratic and onerous processes in order to access such programs.
- **Encouraging climate change research and development at existing companies can pay important dividends:** Introduce targeted programs, tax write-offs and other measures that will motivate existing environment and cleantech companies to conduct research that leads to commercially viable climate change technologies and services.
- **There is an opportunity to coordinate innovation across Ministries.** There is currently a significant disconnect between different provincial ministries with respect to environmental protection, innovation, and climate change. The government’s innovation agenda encourages companies to develop new technologies and approaches, while its approval and regulatory mechanisms encourage clients to adopt those from the last generation. Ontario firms often lament that while our business climate is second to none, the regulatory and approvals climate drives them to sell their innovative technologies and approaches outside the province. Ontario should appoint an inter-ministerial coordinator of environmental innovation to harmonize its innovation agenda with its regulatory needs to ensure that they are working together to protect the environment and encourage the next generation of sustainable growth.

### **Specific comments**

In addition to these recommendations, ONEIA has specific comments directly related to questions asked in the EBR posting that are relevant to the province’s environment and cleantech firms.

### ***“How do you anticipate linking with Quebec and California affecting your sector and/or facility?”***

Closer links with other markets can open up important opportunities for Ontario firms, but will also allow competitors from those markets (which have had the benefit of working under a cap-and-trade system) to serve Ontario emitters. We would recommend that support be given to Ontario cleantech companies to access Quebec and California markets and to potentially partner with them.

Few practical mechanisms currently exist to foster this type of collaboration and market knowledge, so we would recommend that part of the cap-and-trade revenues should be allocated for research on the size, scope and challenges of each jurisdiction as inter-jurisdictional trade missions, forums that promote education and collaboration, targeted funding to develop new capacities within smaller firms, etc.

***“Noting that a later program start date would mean a steeper decline in annual caps to support achievement of Ontario’s GHG reduction targets, does a January 1, 2017 start date give sufficient time for industry, businesses, and households to prepare for a cap and trade program?”***

While we appreciate the urgency of dealing with carbon emissions, our firms feel that this date seems aggressive, particularly given the lack of formal guidance and specifics given to date. A January 1, 2017 start date for the Proposed Program does not give sufficient time for industry and businesses to prepare for a cap-and-trade program. To implement such impactful legislation in a little over twelve months leaves little time for adequate consideration of implications and options on Ontario’s economy.

We would also note that implementing this aggressive timeline falls largely upon a ministry (MOECC) that has seen its funding cut significantly in real terms over the past two decades. The risk is considerably higher of a significant breach of public and industry trust if the Province moves too quickly without properly engaging key stakeholders and ensuring that they are part of the solution.

As environment and cleantech firms are often asked to provide advice to their clients (such as larger emitters), we would recommend a separate (and early) stakeholder consultation process for these firms to better engage them as champions of the transition to a low-carbon economy.

***“Ontario plans to have extensive training and outreach to assist emitters with understanding their compliance obligations under the program. What else can Ontario do to support industry as it prepares for a cap and trade program?”***

Many of the solutions that the Province will require will come from technology that already exists in Ontario companies. These companies, however, are hindered by their small size and lack of resources they can dedicate to identifying new opportunities and accessing new markets. We would recommend that the Province play a proactive role in helping Ontario companies demonstrate their technologies (through pilot projects with flexible enforcement, for example) and then disseminating their solutions (through government “market-making” purchasing, third-party validation and funding to expand marketing efforts). Ontario industry would also benefit from an easy-to-access repository of information on both firms that offer technology and those that need technology-based solutions. Such a repository could help facilitate and expedite early adoption of new cleantech.

***“How should Ontario’s program treat energy-from-waste facilities considering that emissions from landfilling are proposed not to be covered by the program?”***

ONEIA has long been on the record supporting policies that encourage comprehensive solutions that recover the value of what we used to call “waste.” This includes measures that encourage the innovative reuse and repurposing of organics, given that the methane that is often produced by traditional means of disposal is many times more potent as a greenhouse gas than carbon dioxide. It also includes a role for recovering energy from waste (EFW), where feasible. ONEIA supports the declaration from the United Nations’ 2012 Conference on Sustainable Development which noted that such solutions “...manage waste in an environmentally sound manner and, where possible, as a resource.” We believe encouraging alternative uses for “waste” that reduce GHG impacts should be included in the cap-and-trade system (even if initially as a voluntary sector) in a manner that does not give an unfair advantage to more traditional methods of waste treatment.

***“Is opting in an option that would be supported by stakeholders? / Should an entity be able to opt out of the program after opting in (provided they are operating below the regulatory threshold)? If so, under what conditions? / What sort of limitations should be applied to the proposal to allow opting in?”***

ONEIA recommends that providing the ability to opt in to the Proposed Program would generate support from non-regulated entities that wish to contribute to a low-carbon economy and perhaps get advance experience that would benefit their later inclusion.

ONEIA notes that providing the ability to opt in to the Proposed Program would generate support from non-regulated entities that wish to contribute to a low-carbon economy and perhaps get advance experience that would benefit their later inclusion. However, questions around opting-in need to be better addressed by the Province. Presumably those emitters that opt in should be required to have their GHG emissions decline over time as would be the case with other regulated facilities. Would this mean that such facilities that opt-in would have their own facility-specific cap that will decrease over time? How else will the “opted-in facilities” be encouraged to decrease their emissions over time?

Facilities wishing to opt in should be allowed to opt-out as long as they maintain their annual GHG emissions below the required regulatory threshold.

***“What type of complementary measures would help ensure that the target is met by 2020? / What should Ontario take into account as detailed work is undertaken to forecast emissions for the starting cap in 2017?”***

ONEIA would like to note that Ontario is home to some of the world's best air modeling and environmental consulting firms. These firms, which have developed technology and approaches that are used the world over, are an important resource that the Province may wish to better engage both as 1) conduits of information to emitters; and 2) important resources to consult when it runs into unexpected difficulties (as is most likely to be the case given the aggressive timelines of the Planned Program). We would be pleased to partner with MOECC to engage a contact group of air experts to act as a sounding board for the Province as it moves forward in this area.

The MOECC should also consider using revenues from the cap-and-trade system to fund Ontario consulting firms in the air field to do complementary tracking and independent analysis to better triangulate with government inventories and emitter lists.

***“What kinds of investments are required to make it possible for your sector to affect significant greenhouse gas emissions reductions?”***

Ontario's environment and cleantech sector is an important asset in helping our traditional industries make the transition to a low-carbon future. We would recommend that the Province explore ways in which it can support companies in this sector to play an important role in achieving cap-and-trade emissions reductions while increasing made-in-Ontario innovation. While much of the narrative around the Proposed Program will involve the possible short-term pain of the transition, ONEIA members offer a vital way to produce business development and economic growth opportunities while also delivering emissions reductions.

***“Are the proposed enforcement provisions sufficient to ensure compliance in a cap and trade system? Should any of them be scaled differently? If so, which ones and how? / What additional enforcement tools should Ontario consider to ensure compliance with program rules? / What should Ontario consider in establishing an administrative penalty scheme?”***

ONEIA members have been on the record for more than 20 years in favour of fair and objective compliance and enforcement as a way to protect the public, to provide a level playing field for Ontario industry, to encourage good corporate behaviour and to provide a driver for the uptake of clean technologies.

As part of its enforcement provisions under the Proposed Program, we would recommend that MOECC consider developing a Cleantech Climate Change Fund to which regulated facilities could contribute as an option for compliance. The fund could be used to promote Ontario cleantech solutions in a manner similar to a contribution to the Climate Change and Emissions Management Fund in Alberta. MOECC could also direct enforcement and prosecution related fines arising from the Proposed Program to a Cleantech Climate Change Fund.

We also believe that recognition of success is also an important tool in encouraging positive environmental behaviours. Accordingly, we would recommend the creation of a specific environmental recognition/awards program, created in partnership with industry, that spotlights Ontario firms that have reduced their carbon footprint through the adoption of made-in-Ontario technologies.

**Next steps**

ONEIA thanks you for the opportunity to offer our comments on the Proposed Program. Our members realize that a cap-and-trade program is just one part of what will be a comprehensive series of measures to help Ontario adapt to and mitigate the impacts of climate change in the coming decades. We know that MOECC shares our belief that these measures will represent a significant challenge for our province and a substantial business opportunity for environment and cleantech firms. We will share our ideas with Ontario policy makers and other stakeholders across the political and economic spectrum in the coming months and look forward to engaging in further dialogue with the MOECC on this and other important issues.

Should you have any questions about the information contained herein, please do not hesitate to contact us at 416-531-7884 or [agill@oneia.ca](mailto:agill@oneia.ca).

Yours truly,

A handwritten signature in black ink that reads "Alex Gill". The signature is written in a cursive, flowing style.

Alex Gill  
Executive Director