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March 29, 2021

Carbon Markets Program
Environment and Climate Change Canada
Gatineau, QC K1A 0H3
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RE: ONEIA comments on the federal Output-Based Pricing System Regulation

To whom it may concern,

On behalf of Ontario's more than 3,000 environment and cleantech firms, the Ontario Environment Industry Association (ONEIA) is pleased to provide our comments on Environment and Climate Change Canada's (ECCC) regulatory review of the federal Output-Based Pricing System (OBPS).

About ONEIA

Ontario is home to Canada's largest group of environment and cleantech companies. The most recent statistics from the federal government show that Ontario's environment sector employs more than 226,000 people across a range of sub-sectors. This includes firms working in such diverse areas as materials collection and transfer, resource recovery, composting and recycling solutions, alternative energy systems, environmental consulting, brownfield remediation, and water treatment – to name just a few. These companies contribute more than \$11-billion to the provincial economy, with approximately \$4.5-billion of this amount coming from export earnings.

Members of ONEIA are committed to engaging with governments as they develop policies and regulations that are consistent with our principles of sound science, sound environment and a sound economy. To that end, we convened a working group of members drawn from across various sectors to review the federal output-based pricing system.

ONEIA's General Comments on the OBSP Regulation

ONEIA appreciates this opportunity to support proposed changes to the federal OBPS. The climate crisis is the defining challenge of our generation and a pricing system based on the "emitter pay" principle will be a key part of Canada's policy response. While large emitters often argue that strong environmental outcomes are too expensive to implement, will cost jobs, or cannot be achieved with today's technology, our members have market-ready solutions that can be implemented now, creating new jobs and growing our economy in the process.

ONEIA member companies have pragmatic solutions for the significant challenge facing large final emitters that can be implemented in a cost effective, time efficient manner. Several years ago, to help Ontario meet its targets under its cap and trade program at the time, the Ontario Centres of Excellence (OCE) managed a program that created a number of innovative partnerships between greenhouse gas (GHG) emitters and solution providers. Several of the

successful solution providers are now part of the ONEIA membership and would be eager to expand their proven technologies throughout Canada and further develop them for export in the global economy.

Compelling Action Through Strong Measures

For many years, ONEIA has been on the record as favouring strong, output-based measures to drive actions needed to mitigate environmental harms. We know from several of our research projects that companies are far more likely to act when governments set stringent output targets and hold companies accountable for achieving those targets. This approach provides substantial incentives for companies to develop cost-effective solutions. The federal output-based pricing system can put this principle into practice by creating an environment that, by steadily increasing the cost to business of environmentally inefficient behaviour, consequently encourages partnership, innovation and reduction of GHG emissions.

Ensuring Firm Carbon Pricing and High-Quality Offsets

We strongly feel that the federal program has to set a firm carbon price and ensure that any offset credits are of sufficient quality to avoid companies merely paying for the measures as an additional “cost of doing business.” The purpose of this pricing system should be to ensure large emitters take GHG reduction seriously and are encouraged to partner with the proven solution providers already active in Canada.

Driving GHG Reduction and Employment through Innovation

The following are but three examples of companies drawn from the broader ONEIA membership that demonstrate the potential of the output-based system to incent the adoption of new technologies and solutions:

- [RWDI](#) works with clients to help them achieve their low-carbon economy successes, providing supports that can range from permitting and design to installation guidance of innovative cleantech technologies such as solar, wind, biogas, or alternate renewables. In 2017, RWDI partnered with Walker Industries in a project funded by the Ontario Ministry of Research, Innovation and Science to allow the General Motors of Canada St. Catharine Propulsion Plant to use landfill gas piped from Walker’s Niagara landfill, creating renewable electricity and reducing GM’s reliance on fossil fuels. From GM’s \$28M investment, the plant’s cogeneration program is expected to reduce net greenhouse gas emissions by approximately 70 percent while lowering electrical and operating costs.
- [Solistra](#) offers low cost, dependable, distributed green hydrogen production that helps industrial operations transition from fossil-based fuels. Their system enables emitters to eliminate their emissions from fossil fuels like diesel and natural gas and transition transportation fleets to hydrogen-powered vehicles.
- [CHAR](#) is a rapidly growing Canadian cleantech development and services company that specializes in high temperature pyrolysis, converting wastes into renewable natural gas, green hydrogen, and solid biofuel that provides industrial firms a significant advantage in reducing greenhouse gas emissions. CleanFyre, CHAR’s carbon-neutral, sustainable, solid biofuel, is now commercially available and further demonstrates the opportunities to replace fossil coal while meeting the strict requirements of the steelmaking industry. Addressing global growing market needs, the substitution of CleanFyre for fossil coal in many industrial processes allows clients to recognize significant GHG reductions.

A widened scope of proposed offset programs, as well as predictable and durable carbon pricing mechanisms, would be an important factor in the uptake of CHAR's technologies and drive investment, create high quality engineering and manufacturing jobs, and significantly reduce industrial GHG emissions.

Enabling SME Participation in Solutions

Program design details also matter. Federal funding programs can be cumbersome, with administrative and transactional costs that actively discourage the participation of more innovative start-ups and Small- to- Medium-Sized Enterprises (SMEs) that make up most of the environment and cleantech sector. Any programs put in place by the federal government should be fully accessible to SMEs, appreciate the opportunity costs that they often unintentionally impose on these companies, and actively fund the formation of multi-sectoral consortia to which SMEs can have access. Providing direct assistance to assist SMEs throughout an application process could be instrumental in allowing them to participate in these programs and to collaborate to provide more comprehensive solutions.

Aligning OBPS with Other Programs

SMEs are under tremendous pressure to justify any expenditure of staff time or money on activities that are not directly related to their primary business and often report that many programs impose significant opportunity costs in the application process. As a result, many eligible and highly qualified SME's decline opportunities to apply for the very programs that are put in place to help them grow and succeed, leaving such programs accessible only to the larger firms. OBPS programs should align with other government incentive programs in which environment and cleantech SMEs already engage (e.g. IRAP, SR&ED) to ensure maximum participation by and benefit to those solution providers that are most likely to grow to meet the GHG reduction challenge posed by properly constructed output pricing systems.

Achieving Truly Additive Offsets

Our members recognize that offsets are necessary to allow for short-term, cost-effective solutions while industrial emitters work to implement GHG reduction technologies. However, less rigorous offsets that do not in fact contribute to emission reductions, or are not permanent, would undercut the environmental outcomes of the entire program. We note, for example, many California forest-based offsets have already been lost to wildfires, the frequency of which is expected to increase significantly as global temperatures rise. We therefore urge the federal government to set consistent and pragmatic standards for offsets. The regulation's top priority should be to ensure positive environmental outcomes based on regional regulatory requirements that allow for cleantech to flourish in areas where it is currently lagging.

In summary, we support strengthening of the federal output-based pricing system so that it steadily increases requirements for large emitters to take meaningful action to reduce GHG emissions for Canadian industries. We urge the federal government to ensure that the system results in (a) achieving a continuous decline in GHG emissions; (b) providing a robust and pragmatic offset system; and (c) enabling SMEs to develop and scale innovative solutions to address climate challenges in Canada and across the globe. The federal government must complement its pricing system with a strong federal procurement policy for clean technology and carefully designed federal programs to allow for ready access to these programs for SMEs.

Canada has much to gain from a well-designed, output-based system. Clean technology and solutions providers can help reduce both toxic and GHG emissions while creating employment and growing the businesses of tomorrow in Canada. ONEIA appreciates the opportunity to offer its comments and suggestions and stands ready to work with ECCC and other ministries as they review the OBPS regulations.

If you have any questions about our submission, please do not hesitate to contact the co-chairs of our working group Janet Bobechko (jbobechko@weirfoulds.com) and Janya Kelly (janya_kelly@golder.com) or feel free to contact the ONEIA office directly at 416-531-7884.

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, ONEIA

cc. Jonathan Wilkinson, Minister of Environment and Climate Change Canada