

RE: ERO # 013-3738 Bill 4, Cap and Trade Cancellation Act, 2018

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To the Ministry of Environment, Conservation and Parks

Thank you for the opportunity to contribute to this important consultation on the future of Ontario's climate plan.

Please find below the Green Party of Ontario's submission regarding the proposed Cap and Trade Cancellation Act, 2018.

We know from the recent Intergovernmental Panel on Climate Change (IPCC) report that we are dangerously close to crossing the catastrophic 1.5C tipping point that would lead to runaway climate change. It is in the context of this dire warning that we call on the government to take urgent action to reduce our emissions and formulate a plan for adapting to a changing climate.

Summary

- Bill 4 fails to match the urgency of the climate crisis and represents a major step backward in the fight against climate change.
- It is unfair and unreasonable to eliminate the province's only climate plan without being transparent with the public about the plan to replace it.
- Bill 4 closes Ontario for business to the \$26 trillion global clean economy and will have a negative effect on clean jobs and investment.
- Pollution pricing must be a pillar for a climate plan to be efficient and effective.
- A credible climate plan would include binding targets to shift Ontario towards being 100% carbon neutral by 2050, supported by specific measures in the areas of energy efficiency, home and building heating, transportation, electricity, and climate adaptation.

The case for urgent action

Climate impacts are undeniable, severe and increasing

Earlier this week, the UN Intergovernmental Panel on Climate Change issued its most dire warning to date, saying that the world has just a few years to change course and prevent catastrophic and irreversible climate impacts. The global scientific community is urging all governments to act urgently and seriously to drastically reduce emissions. Inaction in Ontario is indefensible and we are not excluded from a responsibility to do everything we can.

Ontario is warming faster than the global average. Our average annual temperature has already increased by 1.5° C since 1948, and the ten warmest years on record have occurred since 1998. In recent years, this has resulted in more intense spring flooding, extreme wind and ice storms, extended heat waves and a growing threat from wildfires.

And the costs are rising. In the first half of 2018 alone, extreme weather events inflicted nearly \$1 billion in insured damage in Ontario, and across the country these numbers continue to climb. Federal government disaster relief spending has risen steadily from an average of \$40 million a year in the 1970s to a record amount of \$1.4 billion in 2013.

Climate change is nature's tax on everything. If we do not act now to reduce emissions and prepare for the impacts, then the costs will only rise. We encourage the government to adopt legislation that matches the urgency of the situation.

Climate action is an opportunity to create jobs and grow the economy

Economists estimate the clean economy will be valued at \$26 trillion by 2030. Around the world, the fastest growing job sectors are in cleantech innovation, advanced manufacturing, and renewable energy. In Canada in 2016 there were already 274,000 Canadians with green jobs, making on average \$92,000 annually. According to the Pan-Canadian Climate Framework, energy efficiency actions across Canada would create 118,000 jobs. Energy conservation and efficiency measures are also estimated to cost governments 2-3 cents per kWh, compared to 14-18 cents per kWh for developing new nuclear energy.

Distributed, community-owned renewable electricity is the future of power generation. For example, independent analyses published by the World Economic Forum last month shows that the average cost of wind in North America is \$45/MWh compared to \$60 for natural gas and \$148 for nuclear.

With all of these trends in mind, we encourage the government to take measures that will support rather than obstruct jobs and investment in the clean economy, and open Ontario for business to the engine of our future prosperity.

Where Bill 4 goes wrong

The consultation process for Bill 4 was insufficient

It should be noted that this public consultation only commenced September 12, a full 50 days after Bill 4 was first introduced in the Ontario legislature. In addition, the government is only meeting the bare minimum requirement of a 30-day consultation window.

Ontarians should be provided with the utmost opportunity to share their input on such sweeping changes to the province's environmental regime, and changes that will have drastic implications for our response to climate change. To limit the consultation to 30 days and not make any formal announcement to the public or media is a disservice to the people of Ontario. It also suggests that this government is not interested in hearing from people on the greatest threat facing humanity. In our view, the consultation should have begun when Bill 4 was introduced; there should have been additional consultation time; and Ontarians should have been actively encouraged to participate.

Bill 4 ignores the urgency of climate change

It is not sufficient to acknowledge that climate change is real and is a threat. A responsible government must follow this up with real action that accounts for the weight of evidence on effective and efficient policy tools and responses.

When compared to the action being taken in other jurisdictions, Bill 4 is a giant step backwards. The province's Environmental Commissioner called Bill 4 "a license to do little or nothing in the face of our largest threat."

Bill 4 denies the urgency of climate change by eliminating legislation that, while flawed, was leading to emission reductions and helping Ontario to achieve its modest climate targets.

Bill 4 closes Ontario for business to the clean economy

In Ontario, the clean tech sector already employs 130,000 people, with the Waterloo-Toronto corridor home to 14 of the country's top 20 tech companies. The province had been on a path to grow the clean economy. But Bill 4 has the opposite effect, signalling that the province is closed for business to job creators and investors.

We are concerned that the abrupt end to cap-and-trade will have a chilling effect on future investment. Business groups such as the Ontario Chamber of Commerce and the Business Council of Canada have previously indicated their dissatisfaction with the sudden cancellation of 758 clean energy contracts. We are concerned that the hurried withdrawal from cap-and-trade in Bill 4 will have the same effect.

On top of this, the government has eliminated all energy efficiency and rebate programs and began the repeal of the Green Energy Act. Collectively, these actions take Ontario in the wrong direction at a time when clean energy costs are plummeting.

We also find it troubling that the government is seeking to shield itself from compensation and liability resulting from the cancellation of emissions trading. Companies were required to enter into cap-and-trade and did so in good faith, not expecting a swift eradication of the program.

In our view it is unfair for the government to penalize them with Bill 4, and we are skeptical of the government's estimates that only \$5 million in compensation is owed. An orderly withdrawal process would have shown more respect to Ontario companies and would have been a more responsible way to protect the province from legal uncertainty.

Bill 4 gives little detail about a replacement plan

It is discouraging that the government is looking to cancel Ontario's only climate plan before showing the public any plan to replace it.

We should not be asked to assess wind-down legislation without knowing what's coming in its place. This opens the door to weaker legislation that will make it easier to pollute and make Ontario a climate offender rather than a climate leader.

If we are serious about reducing emissions and tackling climate change, then our existing strategies should only be replaced with something of equal or greater effectiveness.

Bill 4 contains only loose details about a replacement plan. There are references to vague powers of the government and the Minister to set targets and create a plan, but with the discretion to change these at any time. This ambiguity prevents Ontarians from comparing the existing plan to the replacement plan.

Bill 4 does not contain binding emissions targets

A credible climate plan must include scientifically based and legally binding emissions targets. As a bare minimum, Ontario must maintain existing targets to reduce emissions by 37% below 1990 levels by 2030 and to reduce emissions by 80% below 1990 levels by 2050. These targets should not be weakened.

But if the government is serious about staying true to science and meaningfully tackling climate change, then it should adopt a stronger target of making Ontario 100% carbon neutral by 2050. This is in keeping with the Paris Climate Agreement and the latest scientific reports showing that the world should be approaching carbon neutrality by 2050.

There is no indication in Bill 4 that the targets will be mandatory. Making targets voluntary and non-binding decreases the likelihood the government will meet them. It also leaves the targets open to manipulation and to being overridden by a political agenda or other interests. If we want our climate plan to be effective and to be respected by other jurisdictions, then it must have robust and mandatory targets that are in keeping with science and our international commitments.

Bill 4 eliminates the most important policy tool: pollution pricing

Putting a price on pollution is an essential piece of the puzzle to address climate change.

The polluter pays principle is fundamental to environmental law. Without it, our land, water and air are left vulnerable to be treated as open sewers for pollution. A credible climate plan includes a price on carbon pollution.

A price on carbon is good for business. In the first year of carbon pricing in Ontario, unemployment shrunk from 6.4% to 5.5% and 2017 marked a 7-year high in Ontario's GDP growth. In Canada, the four provinces with the strongest economies (Ontario, Quebec, BC and Alberta) are the same provinces with a price on carbon.

In a recent study, 81% of economists agree that pollution pricing is the most cost-efficient and effective way to reduce emissions. It is also the most conservative-leaning and market-friendly of the policy tools because it gives businesses flexibility without the heavy hand of government regulation. Recently, the Nobel Prize for Economics was awarded to a Yale professor for his groundbreaking work on carbon pricing, and Canadians for Clean Prosperity, led by former Stephen Harper policy director Mark Cameron, released a report showing how Canadians can actually make money from pollution pricing under a carbon fee and dividend program.

We urge the government to listen to economists, academics and policy think tanks - many of which are conservative oriented - that advocate for pollution pricing because it can reduce emissions and put money back in people's pockets. These economists point out that without pollution pricing, any other interventions will be much more expensive and economically damaging in order to achieve the same emissions reductions.

The way forward: Recommendations for a credible climate plan

1. Adopt carbon fee and dividend

While we stand behind all of our recommendations, we would like to emphasize that pollution pricing is the most important step a government can take in the fight against climate change. Polluting must not be free and it must be discouraged. While we did not agree with cap-and-trade as the best approach, it is a form of pollution pricing and it is better than abandoning pollution pricing altogether.

For more than a decade, the Green Party of Ontario has been proposing carbon fee and dividend as the most financially responsible, environmentally sustainable and politically practical approach to carbon pricing. It treats all polluters the same - rather than granting exemptions - is fully transparent so that we know where revenues are going, and is friendly to taxpayers.

Fee and dividend puts a price on pollution, providing incentives to big polluters to shift to clean technologies. And it returns all the revenues to citizens, allowing individuals to take steps to reduce their carbon footprint and save more money. According to the report from Canadians for Clean Prosperity, the lowest income Ontario households would make close to \$300 annually under carbon fee and dividend.

Fee and dividend will reduce emissions and it will allow the government to meet its election promise of putting more money in taxpayers' pockets. We urge the government to seriously consider carbon fee and dividend instead of scrapping pollution pricing altogether.

2. Focus on energy efficiency in homes and buildings

By helping homes and businesses to save energy, the government can lower their energy bills and reduce our total carbon footprint. Emissions from building heating are on the rise and we need action to change this. Examples of policy measures:

- **Re-introduce the Eco-energy Audit Program that puts money in people's pockets to improve their home's energy performance verified by audits.** This program would provide grants and other incentives for individuals and communities to improve the energy efficiency of buildings to help businesses, homeowners and renters make money by saving energy.
- **Increase the HST rebate allowance on new homes that are net zero**, and establish a Green Mortgage program where mortgage default risk is protected by the province to

ensure that mortgage providers can offer ultra-low interest mortgages for energy efficient homes.

- **Work with utilities to create effective building upgrade programs** and make them widely available, including financing and incentives for “green heat” sources like geothermal, solar thermal, waste heat recovery, air source heat pumps and lake water heating and cooling.
- **Accelerate the targets for net zero buildings and revise the Ontario Building Code** to mandate that all new buildings meet net zero standards.

3. **Electrify our transportation system**

Ontarians deserve a modern, clean and affordable transportation system. Investments in sustainable public transit and support for electric vehicles are investments in health, economic productivity and long-term cost savings. Examples of policy measures:

- **Set a target date for phasing out internal combustion engines** in Ontario so that Ontario can meet a carbon neutral target by 2050.
- **Support rapid electrification plans for all transit systems.**
- **Electrify GO train services as quickly as possible**, and replace bus service with electric and hybrid buses where feasible.
- **Support fleet electrification** with funding for the public and private sector to purchase electric vehicles, install charging facilities and share their implementation know-how with each other to make Ontario the leading electric vehicle jurisdiction in the world.
- **Support the purchase of electric vehicles** through a rebate program for purchasing EVs, with a cap on the vehicle purchase price, eliminating HST on zero emission vehicles, and providing free overnight vehicle charging for residential customers.

4. **Support jobs and investment in the clean economy**

Instead of turning our back at the \$26 trillion clean economy, the government can adopt a range of policy measures to support our future prosperity:

- **Reorient business development grants** to provide funding incentives for businesses to innovate and invest in low carbon equipment, products, and processes.
- **Redirect existing business support programs to target the scale up of cleantech companies and innovation.** Change the criteria of business development programs to eliminate supports for proposals that contribute to an increase in Ontario’s greenhouse gas pollution.

5. **Make our electricity system clean, affordable and community-owned**

Ontario should develop a Long-term Energy Plan for the province to be powered with 100% renewable energy by 2050, which includes a plan for an energy supply mix that enables Ontario to achieve its greenhouse gas targets and create local jobs. Examples of policy measures:

- **Working with local communities, provide incentives for small renewable energy projects** (wind, solar, heating, storage, electric mobility, and micro-hydro), to reduce overall demand and increase local energy security and community benefits.
- **Import green hydro power from neighbouring provinces.** Hydro Quebec has offered to sell power to Ontario at 5 cents per kWh – a much better deal than the 16.5 cents per kWh that Ontario Power Generation wants for nuclear power.
- **Prioritize investments in reducing demand through energy efficiency and conservation efforts before turning to new sources of generation** as the lowest cost and most effective way to achieve a 100% renewable energy goal.

6. Prepare Ontario to adapt to climate impacts

With impacts here and rising, the province must step up to help communities on the forefront of extreme weather and prepare us for the changes to come. Examples of policy measures:

- **Fund municipal efforts to proactively manage green infrastructure as assets** through research and sharing of best practices in order to adapt to climate change.
- **Conduct province-wide risk assessment on extreme weather event impacts** including flooding, tornados, heat waves and ice storms.
- **Create a dedicated fund for Ontario municipalities** to be used exclusively toward investments in municipal infrastructure.
- **Apply a climate lens to all planning decisions, environmental assessments and planning laws** to help transition our communities to a fossil fuel free future.

Conclusion

We cannot accept that increasingly severe wildfires, flooding and storms are our new normal. We still have time to act.

We need profitable plans to do our part in the climate crisis, making GHG reduction a priority across all ministries in government. Time and money is wasted when problematic legislation such as Bill 4, as well government programs and spending plans, undermine our climate obligations.

Let's get going.

Thank you for your time and consideration,



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Green Party of Ontario