

Ministry of the Environment
and Climate Change

Ministère de l'Environnement
et de l'Action en matière de
changement climatique



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Mr. Graham Henderson
Chair of the Board
Ontario Chamber of Commerce
180 Dundas Street West, Suite 1500
Toronto ON M5G 1Z8

Dear Mr. Henderson:

I want to thank you for the opportunity to address the Ontario Business Advisory Council, many of them Ontario Chamber of Commerce (OCC) members, and to have the opportunity to respond to their questions about the impact of the cap and trade program on businesses in Ontario.

Ontario has implemented a cap and trade program since January 1st this year and is investing proceeds through the Climate Change Action Plan (CCAP). As you know, cap and trade will help Ontario businesses reduce emissions at the lowest cost while investing in productivity-enhancing processes and technologies. The federal government is also mandating a carbon price for every province and territory by 2018.

After extensive consultations, Ontario has taken significant steps to address the competitiveness of your diverse membership who have brought forward both common and differing interests. To support the province's transition to a low-carbon economy, we chose to pursue a linked cap and trade program with a forecasted carbon price of \$18 per tonne, rather than a revenue-neutral carbon tax, which was forecasted to have a carbon price of \$72 per tonne to achieve the same emissions reductions. Linking with other cap and trade programs helps Ontario's companies comply at the lowest possible cost. Further, Ontario allocated transitional free allowances for large emitters during the first compliance period to minimize impacts and help with competitiveness.

North American jurisdictions who have adopted these market based instruments are generally seeing stronger growth than those that do not. We worked closely with all stakeholders including the large emitting industry associations in both selecting the type of carbon pricing system and its design. I believe we share a goal that GHG reductions come as a result of market driven productivity gains so costs are not passed onto consumers and businesses. Your partnership in building a carbon market that drives innovation and productivity not cost is essential to our success.

Ontario understood the need to provide support for business to mitigate carbon costs as early as possible. That is why, prior to the launch of the cap and trade program, we invested \$74M to support large emitters to invest in innovative technologies (through the Ontario Centres of Excellence) and \$25M to support small and medium-sized businesses to deploy readily available technologies to reduce greenhouse-gas consumption (through Canadian Manufacturers and Exporters).

Ontario intends to take further action on electricity costs, building on the eight per cent rebate which came into effect in January 2017. The government intends to introduce legislation in Spring 2017 that would provide an average 25 per cent reduction in electricity costs for about five million residential consumers, farms and small businesses. The legislation would also enable over one thousand additional small and mid-sized industrial electricity consumers to reduce their electricity costs by up to one-third through participation in the Industrial Conservation Initiative.

The Ministry of the Environment and Climate Change (MOECC), along with partner ministries, is currently working on implementing the CCAP. All actions will be implemented after thorough collaboration with businesses, municipalities, First Nations and Métis communities and organizations and other partners, with additional consultation, where appropriate.

These initiatives will make businesses more competitive by laying the foundations of a strong low-carbon economy. Businesses will have access to programs to help improve energy efficiency and lower energy costs, including dedicated funding to support the low-carbon transition for large and small emitters.

Some of the CCAP initiatives to support businesses' transition over the next four years include:

- **Establish a Low-Carbon Technology Deployment Agency (Green Ontario Fund)** which will: Help industries adopt low-carbon technologies; help small and large industries to identify available government programs; identify available financial supports; achieve economies of scale through project aggregation; calculate returns on investment; and secure financing. **(CCAP allocation \$875,000,000 to \$1,100,000,000)**
- **Help agricultural, food and beverage processing:** Ontario will help its food and beverage-processing sector expand the use of innovative technologies and practices to reduce emissions. Ontario will support the transition to low-carbon, indoor agricultural facilities, such as greenhouses and grain dryers, through retrofits to existing structures. **(CCAP allocation \$50,000,000 to \$115,000,000)**
- **Strengthen the low-carbon clean-tech sector:** Ontario will encourage the development and growth of its clean-tech sector by supporting research in low-carbon technologies; developing low-carbon clean technology accelerators and clusters in sectors where Ontario has a competitive edge; supporting proof-of-concept projects for low-carbon technologies; and helping emerging low-carbon companies increase scale. **(CCAP allocation: \$140,000,000 to \$235,000,000)**
- **Provide Incentives for Business:** A new Green Commercial Vehicle Program will be set up to provide incentives to eligible businesses that want to buy low-carbon commercial vehicles and technologies to reduce emissions, including electric and natural gas-powered trucks, aerodynamic devices, anti-idling devices, and electric trailer refrigeration. **(CCAP allocation \$125,000,000 to \$170,000,000)**
- **Explore Research and Development tax credits:** Ontario will explore opportunities to create tax credits for research and development in order to encourage investment in Ontario companies focused on low-carbon technologies.

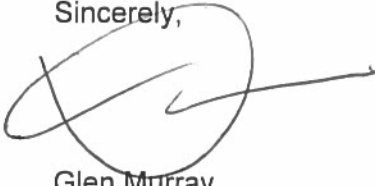
Mr. Graham Henderson
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To deliver on the CCAP commitment, the 2017 Ontario Budget committed an investment of \$377 million in 2017–18 through the Green Ontario Fund to make it easier for households and businesses to adopt proven low-carbon technologies. Specifically, the fund will work with SMEs as well as with large industries to adopt new technologies to reduce their GHG emissions.

MOECC staff began conversations with businesses and other stakeholders in August 2016 about post-2020 program design. Ministry staff will continue working with stakeholders, including the OCC, over the next year to work towards the development of a draft regulatory proposal for consultation on the design of the program in future compliance periods. Topics will include proposed caps for the 2021-2030 period, and thresholds for participation in the program.

I trust this information is helpful in addressing the OCC's concerns.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

Glen Murray
Minister