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February 10, 2023

The Honorable Hon. Peter Bethlenfalvy
Ministry of Finance
Frost Building South, 7th Floor,
7 Queen's Park Cres
Toronto, ON M7A 1Y7

Submitted via email to: Minister.fin@ontario.ca and to
submissions@ontario.ca

RE: Ontario's 2023 Budget

Dear Minister Bethlenfalvy;

Please accept this submission from the Ontario Environment Industry Association (ONEIA) for consideration in development of the Ontario 2023 budget.

For more than 30 years, ONEIA has represented the interests of Ontario's environment and cleantech sector, an important and growing part of the Ontario economy. We are a non-partisan industry association whose members actively engage with government to encourage policies and regulations that are consistent with our principles of sound science, sound environment and a sound economy.

Our submission was developed through extensive consultation with our member companies whose primary business is the production, provision or development of environmental products, services, or technologies.

Yours truly,



Michelle Noble,
Executive Director, ONEIA

c.c.

The Hon. David Piccini, Ministry of the Environment, Conservation and Parks
The Hon. Todd Smith, Ministry of Energy
The Hon. Victor Fedeli, Ministry of Economic Development, Job Creation and Trade
The Hon. Parm Gill, Ministry of Red Tape Reduction
The Hon. Monte McNaughton, Ministry of Labour, Immigration, Training and Skills Development

Ontario Environment Industry Association (ONEIA) 2023 Pre- Budget Submission

On behalf of Ontario's more than 3,000 environment and cleantech firms the Ontario Environment Industry Association (ONEIA) asks the Province of Ontario to consider the following recommendations as it develops the 2023 Budget.

Recommendation 1: Make Ontario an attractive place for cleantech and environment sector investment.

Recommendation 2: Adopt competitive measures to the American Inflation Reduction Act's provisions for clean alternative energy producers to make sure that Ontario and Canada can achieve their decarbonization objectives and are not "left behind". Ontario and Canada need a strong competitive cleantech sector to compete in a net-zero economy.

Recommendation 3: Work with the environment and cleantech sector to identify and address current and projected skills gaps and to help our sector get ahead of growing labour market challenges.

Recommendation 4: Decarbonizing electricity grids will require significant investments in capital, materials and labour including support for the development and commercialization of new technologies.

Recommendation 5: Invest in infrastructure to enable smart sustainable growth while building a resilient future.

Recommendation 6: Collaborate on a practical approach to mitigate environmental and human health impacts of PFAS.

Recommendation 7: Spearhead efforts across government and non-government organizations to modernize regulations, policy, by-laws, etc. to remove or minimize roadblocks and make them enablers.

Recommendation 8: Work to streamline the Record of Site Conditions and Risk Assessment review processes through better communication and reduction of red-tape.

Recommendation 9: Fund a brownfield grant program to assist in the assessment, clean up and redevelopment of brownfield sites

About ONEIA

Ontario is home to Canada's largest group of environment and cleantech companies and 40 percent of Canada's green workforce are employed in Ontario. 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, water treatment and artificial intelligence – to name just a few. These companies contribute more than \$25-billion to the provincial economy, with approximately \$5.8-billion of this amount coming from export earnings. The industry is growing and has potential opportunity for continued growth. ONEIA members are committed to engaging with governments as they develop policies and regulations that are consistent with our principles of sound science, a sound environment, and a sound economy.

Ontario's Environment and Cleantech Sector

- **The Industry of the Environment:** Ontario's environment and cleantech industry is a diverse range of companies whose primary business is producing, providing, and developing environmental products, services and technology. These companies apply innovation and science to environmental challenges and create solutions that generate good jobs, world-beating exports and a better environment.
- **We are an Industry Focused on Solutions:** ONEIA members are in the business of providing environmental solutions. These entrepreneurs and businesses purify our water, repurpose what we used to call waste, reduce pollution and carbon emissions, improve climate resilience, remediate brownfields, provide environmental consulting and work in a range of other fields. Our members are in the solution business.
- **Good Environmental Stewardship is a Business:** Providing environmental solutions is a great and growing business. There are more than 3,000 companies in Ontario's environment and cleantech sector and they contribute more than \$25 billion to Ontario's economy including \$5.8 billion in exports. This growing sector is a vital part of Ontario's and Canada's environmental and economic fabric.
- **As our Diverse Industry Grows, it Generates Jobs:** Already more than 226,000 people are employed in our sector in a wide range of roles from environmental

engineers and scientists to material handlers, equipment handlers and skilled trades people, and our sector is growing. By 2029, our industry is expected to grow by at least nine percent.

- **Realising that Growth Requires Smart Regulation:** Our sector needs practical government policies and regulations to grow. We do not believe in regulation for the sake of regulation, we believe in smart and practical measures that protect the environment and the public AND provide the opportunity for businesses to develop solutions for the Ontario, Canadian and world market.

Recommendations

Recommendation 1: Make Ontario an attractive place for cleantech and environment sector investment.

- We need to work together to ensure that Ontario continues to be a jurisdiction where environment and cleantech companies want to invest and grow their businesses.
- Global competition for investment is especially intense due to the recent passing of the Inflation Reduction Act (IRA) in the US. The Act contains a suite of climate change investments that is anticipated to pull investment away from Canada.
- The Canadian government recently announced a tax credit program to level the playing field, but more needs to be done to maintain and attract private sector investment.
- There are a number of specific areas where we can work together to design and support initiatives for clean energy and conservation that attract clean tech investment and jobs (keeping domestic and attracting international firms), and that will lower energy costs for consumers – now (at a time of high inflation and energy prices) and in the future.
- More needs to be done to reduce the red tape processes, and the related time and cost, required to develop and construct the necessary critical infrastructure in the waste management and waste water treatment sectors.

Recommendation 2: Adopt competitive measures to the American Inflation Reduction Act's provisions for clean alternative energy producers to make sure that Ontario and Canada can achieve their decarbonization objectives and are not "left behind". Ontario and Canada need a strong competitive cleantech sector to compete in a net-zero economy.

- The IRA's provisions are generous for clean alternative energy (such as Renewable Natural Gas, Green Hydrogen, Green Propane) in several ways.

- i. First, producers of clean alternative energy made from renewable electricity qualify for both tax credits.
 - ii. In addition, the fuel tax credit is “direct pay” for the first five years of operation, meaning that clean fuel producers can claim a tax refund equal in value to their tax credits for five years.
 - iii. Furthermore, both renewable electricity and clean hydrogen producers can benefit from tax “transferability”—producers with no tax burden can sell their tax credits to a buyer who owes taxes.
- In the Fall Economic Statement, the Canadian Government proposed a significant tax credit for clean fuel production in Canada of at least 40% if all conditions are met including labour conditions (local wages, training & apprenticeship opportunities). While it is good to see Canada taking action to promote clean fuel production, the Investment Tax Credit (ITC) is not competitive with the U.S. Inflation Reduction Act in areas that are critical to decarbonizing Ontario’s economy.
- Ontario should work with Canada to better respond to the clean energy tax incentives that the US created as part of the IRA. While the proposed ITC is a good step, it still leaves Ontario and Canada behind the United States for incentives, which will result in a bias in investment and project activity towards the U.S. jeopardizing Ontario and Canada’s strategy for getting to net zero.
- We look forward to participating in the industry consultation that the government will launch on how best to implement measures for clean fuel producers, based on the lifecycle carbon intensity of the alternative.
- We also look forward to other government consultations on clean energies and transition to consider impacts and improve Canadian/Ontario competitiveness for solar and other clean energies considering the IRA and its Department of Energy/Loan Program provisions.

Recommendation 3: Work with the environment and cleantech sector to identify and address current and projected skills gaps and to help our sector get ahead of growing labour market challenges.

- Finding talented skilled workers for the new jobs in the green economy, is a big and worsening challenge in our sector. Given that this is a high growth industry and that we are anticipating a significant portion of our workforce to retire in the next few years, our challenge has the potential to become a crisis.
- Let’s work together to ensure that doesn’t happen by undertaking research to identify the current and projected skills gap so that we can develop a plan to ensure we have the workers we need.
- ONEIA is seeking \$185,000 in funding through the Skills Development Fund Round 3 to undertake research to identify the current and projected skills gap and to develop a plan to ensure we have the workers we need to help our sector grow. The objective of our proposed project is to produce, disseminate and encourage the use of workforce data, insights and resources regarding Ontario's growing environmental sector. Our project would include the development of:

- i. A qualitative study (HR insights and trends) on environmental workforce needs, opportunities and challenges, including skills or training gaps based on interviews with 30-40 environmental and cleantech employers, select key and emerging sectors, and academia.
- ii. An Ontario environmental labour demand outlook to 2030 that highlights occupational employment estimates and hiring forecast across all industries and particularly in mining, manufacturing, forestry, agriculture, professional, scientific and technical services, and other sectors of interest.
- iii. A stakeholder-validated environmental talent strategy for Ontario, highlighting workforce attraction, retention and development solutions based on our quantitative and qualitative research findings.

Recommendation 4: Decarbonizing electricity grids will require significant investments in capital, materials and labour including support for the development and commercialization of new technologies.

- The recent Ontario “Pathways to Decarbonization report” found that attaining a decarbonized electricity sector by 2050, alongside aggressive electrification, would require the Ontario electricity system to more than double the size it is today at an estimated cost of around \$400 billion while another recent study estimated that the current labour force working on electricity infrastructure projects of about 14,000 could need to increase by a factor of six.
- The Ontario report also commented that while many of the technologies needed to decarbonize are already known and commercialized, many others, including low-carbon fuels and small modular reactors (SMRs), are still in development and that it will be important for Ontario to continue to invest in these, and other, innovations.
- We look forward to receiving updates and participating where appropriate on the regional energy resource tables that the federal government has convened with the provinces to strategize ways to achieve shared net-zero goals.

Recommendation 5: Invest in infrastructure and buildings to enable smart sustainable growth while building a resilient future.

- As we build more needed housing, we need to work together to ensure that what gets built is sustainable and minimizes the demand on existing and new infrastructure. New homes should be built to be as water and energy efficient as possible in addition to retrofitting existing homes. This will save homeowners money and could help de-escalate the urgent need for massive amounts of new infrastructure.
- Building more housing and addressing both housing supply and affordability can not be resolved without expanding water and wastewater infrastructure. Many of these systems are already nearing capacity, aging and struggling to keep up with the impacts of climate change. Ontario’s Development Charges framework

has been very effective, and has always been based on the principle that growth pays for growth. This approach has created a fair balance between current property tax- and rate-payers and future homeowners and consumers. Bill 23 would result in a significant change in that balance, shifting the burden to existing property owners and municipal infrastructure owners.

- The federal and provincial governments need to work with municipalities to establish a new balance that benefits both existing and future homeowners, while allowing for expansion and renewal of these vital infrastructure services.
- As Ontario plans and builds infrastructure, we need to ensure that everything built is climate resilient and can withstand the demand of extreme weather such as heat and floods. Investors and insurers are already employing climate-focused decision-making and climate-related disclosure is a quickly evolving space. Let's work together on climate friendly approaches to planning and development that create resilient infrastructure and communities, and encourage investment.
- One of the challenges in building resilient infrastructure is incenting innovative technologies. Part of the problem is governments promoting fixed price Design Build Operate & Maintain procurements that encourage the lowest bid and distinct new and innovative technologies that include digitization and AI. ONEIA recommends the federal government promote collaborative contracting as well as investigate ways to de-risk these technologies for municipalities to source for their environmental infrastructure.

Recommendation 6: Collaborate on a practical approach to mitigate climate and health impacts of PFAS.

- PFAS are “forever chemicals,” a family of thousands of synthetic chemicals that are extremely persistent in the environment and that are being found to have significant health impacts.
- Regulated standards are now in place in British Columbia, Alberta, and the Atlantic provinces, while Ontario lacks formal policy on PFAS
- Guidance on the handling and disposal of PFAS stock and PFAS-impacted materials is lacking, despite the international recognition that the use of PFAS-containing materials needs to be reduced and restricted. Additionally, funding to support the phase-out and destruction of PFAS stock is not being provided.
- Government research efforts have been targeted to understanding the extent of PFAS impacts in the environment in multiple media, as well as the potential for adverse effects; however, it is unclear if the data collection is sufficiently robust to support sound policy decisions.
- Let's work together to facilitate the development of sound and science-based policy for the management of PFAS at contaminated sites, as a waste, and within the organics/food stream. We can bring government innovative solutions that will support the development and implementation of policy that is economically sound, sustainable, and protective of human health and the environment.

Recommendation 7: Spearhead efforts across government and non-government organizations to modernize regulations, policy, by-laws, etc. to remove or minimize roadblocks and make them enablers.

- There are new promising technologies and solutions underway in Ontario and across Canada that can make significant headway to meeting our climate and environmental goals. There are also numerous existing technologies that can assist in meeting our goals. However, none of these are useful if we cannot get them implemented – and in the short time necessary.
- Many organizations, requirements, and levels of approvals are involved to get new and existing technologies adopted. It takes resources (financial and human) to assess, approve and implement changes in these areas, as well as an overarching vision. The Government of Canada could assist with that vision, an assessment framework and examples (in a ‘guidebook’), advisory support, and provide resources to achieve these necessary changes.
- It may be possible to make use of the regional energy resource tables that have been created to make practical improvements to the adoption and implementation processes for various energy types. By prioritizing the energy pathways (for the specific regions and with the federal vision) the tables could start to assess, develop solutions, and take the necessary steps to get the improvements implemented.

Recommendation 8: Work to streamline the Record of Site Conditions and Risk Assessment review processes through better communication and reduction of red-tape.

- The Province has introduced legislation entitled the “More Homes Built Faster Act, 2022” (Bill 23). While the legislation addresses various obstacles to fast and necessary housing developments, it does not consider existing limitations specific to Brownfield redevelopment. Brownfields are vacant or underutilized sites where past industrial or commercial activities may have left contamination in place. These properties require a Record of Site Condition (RSC) as part of the redevelopment process.
- Timelines to obtain approval of an RSC can vary and depend on the rounds of review by the Ministry of Environment Conservation and Parks (MECP) for both RSC and Risk Assessment (RA) submissions. At times, repetitive resubmissions could be avoided through a more efficient means of communication between the reviewer and the environmental professional. Current guidance and ongoing communication from the MECP to environmental professionals is important to avoid repetitive and inconsistent commenting and additional field investigations.
- Clear, updated technical guidance is needed now to allow complete and accurate RA and RSC submissions to save repetitive rounds of review. It has been over a year since comment periods closed on the drafts of several guidance documents. Publication of the finalized documents will answer questions before initial submissions, helping to address common problems that cause delays, such as

inconsistent review comments and changes in requirements that have not been communicated in a timely manner.

Recommendation 9: Fund a brownfield grant program to assist in the assessment, clean up and redevelopment of brownfield sites.

- Financial incentives and programs encourage investment in sites where contamination has rendered the property vacant, under-utilized, unsafe, unproductive or abandoned. Redevelopment of these properties will provide jobs, housing and infrastructure as well as on-going tax revenues.
- Several Ontario municipalities and cities currently provide grant programs to assist incentivize the remediation of eligible brownfield sites, however there is no province-wide brownfield incentive or grant program.
- Recommendations include tax incentives, tax exemptions, grants, loans and removal of arrears or liens and changes to CMHC funding structures.