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Submitted via the ERO portal and delivered via e-mail to: melissa.Ollevier@ontario.ca

RE: Regulatory amendments to clarify program requirements and improve program efficiency for Emissions Performance Standards (EPS) and GHG Reporting programs (ERO # 019- 7649)

On behalf of Ontario's more than 3,000 environment and cleantech firms, the Ontario Environment Industry Association (ONEIA) is writing to provide our response to the Ontario Ministry of the Environment, Conservation and Parks' (MECP) consultation seeking input on Emissions Performance Standards and GHG Reporting programs (posted as ERO # 019-7649).

Ontario is home to Canada's largest group of environmental 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 \$25-billion to the provincial economy, with approximately \$5.8-billion of this amount coming from export earnings.

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.

ONEIA would like to thank MECP for the consultation related to "Regulatory amendments to clarify program requirements and improve program efficiency for Emissions Performance Standards (EPS) and Greenhouse Gas (GHG) Reporting programs". As outlined in the Environmental Registry of Ontario (ERO) Posting, the MECP is proposing changes to the EPS and GHG reporting programs to clarify requirements, improve efficiency, address fundamental changes in some Ontario industries and gradually move industries from facility-specific standards to sector-based standards.

The EPS is Ontario's alternative to the federal Output Based Pricing System on industrial emissions and the EPS is more tailored to Ontario's environment and economy. It was also stated in the ERO posting that Ontario's EPS is a key government action making large polluters in manufacturing, resource extraction, and electricity generation industries accountable for their GHG emissions. The proposed amendments to the EPS that are outlined in the ERO posting include:

- Recognizing significant transformation in the steel sector,
- Adjustments to facility compliance obligations,
- Assigning baseline emissions intensities (BEIs) and production parameters,
- Transitioning to sector-based standards,
- Expanding program scope,
- Clarifying applicability rules under certain methods of calculating an annual emissions limit in the EPS methodology,
- Clarifying emissions and products,
- Revoking selected facility BEIs; and
- Changing the "Cumulative Outstanding Amount" calculation.

The proposed amendments to the GHG Reporting Regulation and the Guideline include:

- Expanding eligibility for Renewable Natural Gas (RNG); and
- Clarifying GHG emissions to be reported.

In the ERO posting, the questions that the MECP is seeking feedback include:

1. *How should compliance obligations be adjusted in the transition period for facilities that are retooling (i.e. moving from manufacturing internal combustion engines to electric vehicles)?*

ONEIA recommends that compliance obligations not be adjusted while facilities are being retooled. We believe that energy consumption/usage will continue, and the transition/retooling could take several years. Therefore, it would be both more logical and practical to have a true up once the facilities have been retooled rather than adjusting their interim compliance obligations.

2. *How much lead time is appropriate for the transition to sector-based standards where there are several facilities that produce the same product/ Are there any sectors that should be prioritized?*

ONEIA believes that a two-to-three-year period for the transition to sector-based standards makes sense. However, a deeper dive into this may be required as the MECP might be able to transition certain sectors more quickly while giving other sectors more time. GHG policies are changing quite significantly including the European Union's carbon border adjustment mechanism and we need Ontario EPS parties to remain competitive with respect to the export of their goods.

3. *Should RNG procured by an EPS facility and injected into the Ontario natural gas system be eligible to be considered as if it is being used directly at an EPS facility? Are there any circumstances where this approach should affect the integrity of the EPS program?*

ONEIA believes that RNG should be eligible to be considered as being used directly at an EPS facility as RNG can be transported/conveyed through the existing natural gas transmission and distribution system

for use by the EPS facility. The existing natural gas system has a contractual framework that allows for tracking of the RNG and thus we do not see any issues with the integrity of the EPS program.

In the ERO posting, the MECP proposed that only RNG that is confirmed to be derived from biomass and is delivered directly to the facility be treated as bioenergy. ONEIA believes that they should include RNG that is produced via the processing of biogenic materials (organic waste, agricultural waste, wood, agricultural residuals, mixed solid waste) as well as the conversion of biogenic carbon dioxide in conjunction with low carbon hydrogen to produce synthetic methane (SNG). The last type of RNG in the form of SNG is permitted in Quebec and helps increase the utilization of our waste carbon dioxide (CO₂) resources in Ontario including those from ethanol plants, pulp/paper facilities, etc.

ONEIA understands that MECP has reviewed Enbridge's process for RNG tracking and determined that there is a potential to use it to support the policy of expanding eligibility for RNG. Our various members have collaborated with Enbridge and the other natural gas transmission/distribution companies in Ontario and believe that the tools for properly tracking the physical molecules and the environmental attributes exist today. We agree that the chain of custody for ownership, transfer from supplier to user, volumes of RNG transferred and delivery to the EPS facility exist. Furthermore, similar tracking systems have been used successfully for many years in the United States, Europe and other key markets.

Regarding environmental attributes, ONEIA would also like to comment on the Clean Fuel Regulation (CFR) that Environment and Climate Change Canada (ECCC) has undertaken. Through our consultations with ECCC, a CFR compliance credit does represent a real GHG reduction and may be used only to comply with the CFR that is focused on liquid fuels. Therefore, the sale of a credit does not transfer ownership of the underlying GHG reduction and neither the sellers nor the buyers GHG inventory is affected. The CFR program allows American RNG to be eligible to create CFR compliance credits and we believe that MECP should allow RNG from non-Ontario sources to be eligible within the program as long as the pipelines that they are interconnected to are connected to the Dawn storage hub.

Therefore, ONEIA recommends that the MECP leverage existing industry practices including the existing processes for procurement and title transfer of natural gas which include transaction paperwork for the purchase and sale of the molecules and nominations that show the nominal movement and delivery of RNG to EPS facilities. We believe that these changes will reduce red tape and enable RNG to be used as a useful fuel/energy source for EPS facilities. We would also request that MECP align with the recognition of contractual delivered RNG as being exempt from the Federal Carbon Charge in the Greenhouse Gas Pollution Pricing Act for non-EPS participants.

Finally, ONEIA would like to highlight a key change that is needed in order to recognize the significant variability in the carbon intensity among different RNG sources (from 40 g CO₂ to -150 g of CO₂). The current policy would attribute a 0 CI to all RNG sources regardless of their actual CI, which means that certain sources of RNG are getting a benefit (e.g. landfill gas to RNG) while others (e.g. agricultural sources including manure) are being adversely impacted based on this approach as the negative carbon intensity isn't being accounted for by the EPS facility.

ONEIA appreciates the opportunity to provide our comments and suggestions and is ready to work with the Ministry as it works to clarify and improve EPS and GHG reporting programs. We welcome the opportunity to discuss our position and recommendations further. Please contact our office at info@oneia.ca or at (416) 531-7884 should you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Michelle Noble". The signature is written in a cursive, slightly slanted style.

Michelle Noble
Executive Director
ONEIA