



Ontario Federation of Agriculture

Ontario AgriCentre

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Melissa Ollevier, Senior Policy Advisor
Ministry of the Environment and Climate Change
Climate Change and Environmental Policy Division
Air Policy Instruments and Programs Design Branch
77 Wellesley Street West
Floor 10, Ferguson Block
Toronto ON M7A2T5

Dear Ms. Ollevier,

RE: EBR # 012-6837 – Cap and Trade Regulatory Proposal

The Ontario Federation of Agriculture (OFA) is pleased to provide comments to the Ontario Ministry of Environment and Climate Change (MOECC) on the Cap and Trade Regulatory Proposal as part of the Climate Change Mitigation and Low-Carbon Economy Act, 2016. As a key sector of Ontario's economy that has the greatest potential to provide solutions to Climate Change and Greenhouse Gas mitigation, we remain keenly interested in this issue as the Ontario Government proceeds with putting a price on carbon.

OFA is the largest general farm organization in Ontario, representing over 36,000 farm families across the province. As a dynamic farmer-led organization based in Guelph, the OFA works to represent and champion the interests of Ontario farmers through government relations, farm policy recommendations, lobby efforts, community representation, media relations and more. The OFA is the leading advocate for Ontario's farmers and is Ontario's voice of the farmer.

General Comments Regarding the Regulatory Proposal

As we have expressed in previous submissions to the MOECC, one of the OFA's primary interests in Ontario's Cap and Trade System is in the design and implementation of a robust, diverse, and practical offset credit program with the greatest opportunity for credits being generated by Ontario farmers. We understand that there will be an offset credit regulation proposal available in the near future and we will provide more detailed comments at that time. Our comments on this regulatory proposal reflect those we presented to the MOECC regarding the Climate Change Mitigation and Low-Carbon Economy Act, 2016.

Comments Regarding Specific Sections of the Regulatory Proposal

Section 7: Restriction, credits

OFA recommends that Section 7 (2) be amended to also include ‘early reduction offset credits’ as allowable instruments for compliance. We would expect that details and requirements for early reduction offset credits to be outlined in the forthcoming offset credit regulation. However, as it is also expected that this regulation will provide guidance to the offset credit regulation, reference to early reduction offset credits must be included in this section.

We take this opportunity to reiterate our position that, if actions and investments taken by regulated sectors may qualify for early reduction offset credits, so should actions taken by the unregulated sectors qualify for early reduction offset credits. Ontario's farmers, as well as many companies along the agri-food market chain, have always been leaders in seeking out and implementing new technologies and techniques that create efficiencies on the farm. Many of these serve to reduce input costs in agricultural production, but also come with the added benefit of reducing greenhouse gas emissions and reducing our overall impact on the environment. Penalizing adopters of emissions reducing technologies and techniques by failing to recognize the emission reductions from their early actions can act, in certain situations, as a perverse incentive towards reversal.

Page 12 of Ontario's Climate Change Strategy states, “Forestry and agriculture are sectors from which emitters will be able to purchase offsets to comply with program rules.” It is important that early reduction offset credits be included in the offsets available for purchase within Ontario's cap and trade system. Where practicable, they will offer essential liquidity in the Cap and Trade marketplace and facilitate a smooth transition to a low-carbon economy; they will encourage broader participation by offset providers; and they will ensure that the emission reduction activities being carried out by early adopters are maintained.

A.4.5 Eligibility for Creating Early Reduction Credits

In section A.4.5 of the proposed Cap and Trade Regulation appendix, bullet seven requires that reductions must be permanent and irreversible. It then continues by stating, “projects which sequester carbon that could be later released to the atmosphere will not be considered for early reduction credits”. OFA strongly disagrees with the wording of point seven and recommends that it be amended to recognize there are effective mechanisms available for ensuring permanence and reducing the liability related to credits generated through sequestration projects. The wholesale prohibition of this type of credit overlooks the often multifunctional aspects associated with sequestration projects and ignores the fact that there are ways to mitigate the chance of a reversal.

We are pleased to see that section A.4.5 includes an attestation of legal ownership of the emission reductions being claimed from the early reduction project. This is an element of the

offset system that we believe requires significant detail and clarification moving forward. We expect that the MOECC will further elaborate on the concept of legal ownership of credits in the forthcoming offset credit regulation.

We remain concerned regarding the implications of the Cap and Trade System to members of the agricultural input supply chain. In the interests of maintaining Ontario's food security and sovereignty, those industries providing critical inputs towards agricultural production should not be placed in a competitive disadvantage to inputs from other, non-capped jurisdictions. We recommend that the MOECC take the necessary time to ensure that the proposed regulation strategically balances environmental goals with global economic realities and the demands of food production. Otherwise, it may serve as a serious barrier to further investment in Ontario's agricultural input industries.

OFA appreciates this opportunity to comment on the proposed Cap and Trade regulation. We reiterate that a Cap and Trade System that allows for a broad base of offset credits to come from the agricultural sector is the best way to achieve the Provincial goals to reduce greenhouse gases while championing greater environmental stewardship.

We look forward to continuing to work with the Ministry of Environment and Climate Change and to providing comments on the forthcoming offset credit regulation when it is released.

Sincerely,



Don McCabe
President

cc: Hon. Glen Murray; Minister of Environment and Climate Change
Hon. Jeff Leal; Minister of Agriculture, Food and Rural Affairs