Ontario Federation of Agriculture

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November 3, 2017

PJ Partington, 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
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Dear Mr. Partington,

RE: EBR - 013-1457, Amendments to the Cap and Trade Program and Reporting Regulations & Service Regulation & Administrative Penalties Regulation

The Ontario Federation of Agriculture (OFA) is pleased to provide comments to the Ministry of Environment and Climate Change (MOECC) on the proposed Amendments to the Cap and Trade Program.

We recognize the proposed amendments are largely administrative and are meant to facilitate the linking of Cap and Trade Programs in Quebec and California with Ontario and to set some direction for future compliance periods.

With regards to linking programs, we understand that this would include making Offset Credits from both California and Quebec fully fungible in Ontario. OFA strongly believes that the linking of Offset Credit Systems must be delayed until such time as the Offset Credit System is fully operational in Ontario, and includes a broad range of biological-based Offset Credit Protocols. Furthermore, Offset Credits from California and Quebec must not be considered fungible in Ontario until detailed analysis has been completed of not only the universality of the Protocols used, but the incentives producers may receive in those jurisdictions that could have provided an unfair advantage to producing an Offset Credit.

OFA commends the MOECC in making amendments to the existing program "*aimed at providing fair and equitable treatment*" under the program. However, if the purpose of placing a price on greenhouse gases is to encourage the reduced demand and consumption of those goods that emit greenhouse gases, then it is an ineffective policy in the context of agricultural production. This is because the demand for the inputs our farmers need to grow food are inelastic, meaning an increase in price of fuel and fertilizer as a result of Cap and Trade has little impact in the demand. A farmer cannot simply reduce those inputs in response to the price without significantly increasing risk to the crops they grow, the animals they raise, and their livelihood.

Furthermore, the majority of Ontario commodities compete in a global marketplace meaning individual producers have little influence over the price they receive and do not have an opportunity to pass on the additional costs of a carbon price to their customers. Farmers grow products they can sell – to make money to support themselves and their household. Farmers will grow the products that have the greatest economic return for the least economic input that can be supported by their land. The new economic landscape created by carbon pricing has, in the long-term, the potential to affect the food products that are economically feasible to grow in this province.

The '*fair and equitable*' approach would be to follow the lead of British Columbia and Alberta, and proposed in the Federal Carbon Pricing Backstop, by providing relief from the carbon levy on fuels used in agricultural production. This would recognize the importance of a strong, local agricultural system that provides healthy food for Ontarians now, and the into the future.

Lastly, the OFA urges the MOECC to listen closely to the specific needs of Ontario commodity associations and respect that their recommendations and requests reflect the significant difficulties they face from the imposition of carbon pricing.

OFA appreciates the opportunity to respond to the proposed amendments to the Ontario Cap and Trade Program. We look forward to participating in the Cap and Trade Program once an Ontario Offset Credit Programs is available.

Sincerely,

Neil Currie
General Manager