



Ontario Federation of Agriculture

Ontario AgriCentre

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January 15, 2018

Vidya Anderson, Project Manager
Ministry of the Environment and Climate Change
Environmental Programs Division
Program Planning and Implementation Branch
135 St. Clair Avenue West, Floor 11
Toronto, Ontario
M4V 1P5

Dear Ms. Anderson,

Re: EBR Registry # 013-1634 – Developing a Voluntary Carbon Offsets Program for Ontario

The Ontario Federation of Agriculture (OFA) is pleased to provide comments to the Ministry of Environment and Climate Change (MOECC) Discussion Paper, “Developing a Voluntary Carbon Offsets Program for Ontario”. The OFA is Canada’s largest voluntary general farm organization, representing over 37,000 farm families across the province. These farm businesses form the backbone of a robust food system; helping to drive the Ontario economy forward.

In the spring of 2015, Ontario announced its intention to create a provincial Cap and Trade Program as a mechanism to place a price on greenhouse gases. OFA accepted this direction under the condition that the Cap and Trade System included opportunities for unregulated sectors (i.e. agriculture) to create and market offset credits and our continued acceptance of Cap and Trade is largely predicated on the ability of Ontario’s agricultural sector to engage in the creation, development, and marketing of carbon offset credits.

We are pleased to see that the MOECC is starting the conversation on a voluntary carbon offsets program. The agricultural sector has been disappointed that after more than a year under the Cap and Trade Program, neither a compliance or voluntary carbon offsets market has been established, and no carbon offset protocols applicable to the agricultural sector have been approved. We believe this represents a significant missed opportunity to develop robust, made-in-Ontario solutions to mitigating greenhouse gas emissions and a missed opportunity to provide our farmers with much-needed relief from the added costs that have been applied to their inputs.

Tackling Climate Change in Ontario

We support the opportunity and potential of a voluntary carbon offsets program, for the benefit of our members and our shared environment. We appreciate this early opportunity to participate in the development of the proposed Ontario voluntary carbon offsets program. However, as it is still early in the process, the Discussion Paper has left us with considerably more questions than it answers. As representatives of the largest group of private landowners in the province, with a

great potential to provide offsets through the voluntary program, we expect continued involvement by the OFA and the agricultural sector in the development of this program to ensure that it aligns with the needs and priorities of our members while achieving greenhouse gas reductions.

As mentioned in the Climate Change Action Plan, Ontario intends to make government operations carbon-neutral beginning in 2018. This is a noble goal that should be commended. While it is not expected that this will be entirely accomplished through a voluntary offsets program, it should be noted that offsets from the agricultural sector will take some time to plan, develop, execute, and verify, and while we support the government's actions towards carbon neutrality, we would also support realistic timelines for this to happen, that do not require excessive government expenditures. We also suggest that the MOECC engage in considerable outreach and extension to help prepare potential offset creators to deliver credits to the market if they wish to achieve the goal of carbon neutrality. Without this assistance, farmers and others may not be in a position to fully participate in the voluntary offset credit program until well into the future.

Ontario's Carbon Offset Pathways

The Discussion Paper indicates that Ontario will develop, “a separate, quality, branded, voluntary carbon offset class”, in order for government to accomplish its carbon neutrality goal and that it will be “distinct from the compliance offsets program under cap and trade”. This separation of the two programs is an important consideration given the time and upfront investment that some carbon offset projects may require from participants. However, it is unclear from the Discussion Paper the degree of the separation and whether this also means that the voluntary offset program will remain in place should the provincial Cap and Trade Program be terminated. MOECC has indicated to us in the past that the offsets purchased by government will be funded by the Greenhouse Gas Reduction Account (GGRA). Given the GGRA is funded by the purchase of allowances through the Cap and Trade Program, we are concerned about how these programs can be truly separate and distinct.

The OFA believes that agricultural activities makes the best use of arable land, and that agriculturally managed landscapes provide environmental and ecological services (EG&S) in the process of normal farm practices to produce food, fibre and fuel. Furthermore, agricultural activities have the capacity to protect and enhance some EG&S through the adoption of beneficial management practices. As such, we support the inclusion of environmental co-benefits in an Ontario voluntary carbon offsets program.

OFA believes that the EG&S that farmers provide in the process of growing food should be recognised and incentivised as a *public good* that benefits the province and planet. The OFA has long advocated that farmers in this province should be recognised for the EG&S they provide when growing food for Ontario, and they should be incentivised to further develop and enhance these efforts. As managers of biological systems, and carbon, nitrogen and water cycles, it is unlikely that a farm-based offset project approved for use in the voluntary program would not inherently produce environmental co-benefits.

While we support the inclusion of environmental co-benefits in the proposed voluntary offsets program, the Discussion Paper is unclear on how these co-benefits will be valued, if at all in the price of the offset credit. In our review of other voluntary markets, we find there is generally no standard price for a voluntary emissions reduction (VER) carbon offset, and that the price is often determined by the nature of the project, the overall cost of running the project, and the market demand for that type of credit. In the Ontario voluntary offset program, will a small project that

produces a limited number of offset credits but provides significant co-benefits command a higher value?

We are concerned with how the voluntary carbon offsets program will interact with other provincial initiatives such as the Ontario Soil Health and Conservation Strategy, the Ontario Cover Crop Strategy, the Great Lakes Agriculture Stewardship Initiative, Species at Risk Farm Incentive Program, and programs that may emerge from Strategic Initiatives under the Canadian Agricultural Partnership (CAP). Many of these programs provide incentives to reduce farm greenhouse gas emissions, lower impacts of farming on the environment, or deliver other co-benefits and may disqualify farmers from participating in the voluntary offsets market unless there design considerations that recognise the value of stacking environmental co-benefits. Given the significant environmental goods and services that can be incentivised through carbon offset projects, it is vital that the voluntary offsets program be designed to compliment and enhance existing incentive programs.

Finally, the Discussion Paper states that “The proposed Ontario voluntary carbon offsets program would provide a flexible market-based mechanism” to offset greenhouse gas emissions, yet provides very little information on how that market will function, and how price for carbon offsets will be determined. How the offsets provided by our members are marketed, and the potential returns they receive from the market (offset price) will ultimately determine the scope of the voluntary carbon offsets program and which projects are actually feasible. Furthermore, we are concerned about how this program will interact with the compliance-based offset market; while they may be considered separate, it is unlikely to expect that these two will not influence each other.

Getting There

The agricultural sector has a long history of seeking innovations and efficiencies in food production, many of which have a greenhouse gas emissions reduction co-benefit, and we have insisted that the Ministry consider this early action when developing the compliance-based offset system. The compliance-based offset program regulation provides an initiative start date on or after January 1, 2007, and we would expect that the voluntary offset program would provide for the same eligibility.

It is vital to develop the voluntary program to allow offsets to be generated in a cost-effective manner. Quite simply, a voluntary offset market will not flourish if development costs are too high or opportunity too limited. Protocols need to be economically viable, environmentally credible, verification and registry costs must be reasonable in order to increase the number of participants in the market. A complex or onerous verification process can curtail the development process, effectively preventing widespread participation by farmers in offset generating projects and ultimately frustrates progress towards continued environmental quality. As with the compliance-based offsets program, the voluntary program must allow for the aggregation of emissions reduction projects. An aggregated offset project is a collection of small projects using the same protocol that have been grouped together to reduce transaction costs and achieve economies of scale for marketing, verification and registration purposes.

The agricultural community has the potential to be an important contributor to addressing climate change, however in order to do so, the voluntary offsets program needs to be designed in such a way as to enable broad participation. We look forward to engaging in further stages of program design and development for an Ontario voluntary offset program.



We thank you for this opportunity to provide our comments on the Discussion Paper.

Sincerely,

A handwritten signature in black ink, appearing to read 'Keith Currie', written in a cursive style.

Keith Currie
President

cc: OFA Board of Directors