

March 26, 2019

Ms. Vicky La  
Financial Instruments Branch- Policy Unit  
Ministry of Environment, Conservation and Parks  
77 Wellesley Street West  
Toronto, ON M7A 2T5

Dear Ms. La,

**RE: ERO number 013-4551 – Making polluters accountable: Industrial Emission Performance Standards**

The Ontario Federation of Agriculture (OFA) is pleased to provide comments to the Ministry of Environment, Conservation and Parks (MECP) on the Emissions Performance Standard regulatory proposal. OFA is Canada's largest voluntary general farm organization, representing over 38,000 farm families across the province. These farm businesses form the backbone of a robust food system; helping to drive the Ontario economy forward.

In January of 2019, OFA submitted comments to MECP in support of the Made-in-Ontario Environment Plan. We support the overall intent of the Plan to balance taking action on climate change and reducing greenhouse emissions with the unique circumstances of our economy and environment. Furthermore, we support a central principle of the Plan that Ontarians have already made significant contributions and sacrifices to mitigate climate change, and we welcome a different approach to reducing provincial greenhouse gas emissions.

Ontario agriculture has made and will continue to make significant inroads to reducing greenhouse gas emissions. The nature of agricultural production and its position as price-taker in global markets requires farmers to continuously strive towards greater efficiencies to manage production input costs. These efficiencies predictably come with associated reductions in greenhouse gas emissions. Farmers continue to do their part to address climate change.

**Provincial Emissions Performance Standard (EPS)**

We recognize that the development of a provincial Emissions Performance Standard (EPS) is an attempt to provide a made-in-Ontario alternative to the federal Output-Based Pricing System (OBPS) under the Greenhouse Gas Pollution Pricing Act (GGPPA). Developing an internal system to drive Ontario industries towards emissions reductions is sensible rather than relying on an external system being imposed on the province. We agree that a provincial EPS system will have a greater ability to take into account the unique characteristics of Ontario's economy and environment; to consider trade exposure and threats to competitiveness; to assess carbon leakage potentials; and to provide flexibility in regulatory compliance.

While most primary agricultural production is not directly targeted in the current proposed list of sectors covered by the EPS, OFA remains concerned about the impact it will have on the agri-food value chain, particularly the chemical sectors, food sector, food and fuel ethanol sector, and oilseeds processing. OFA believes that no provincial or federal climate change policies should have the effect of negatively impacting the ability of farmers in Ontario to compete in domestic or international markets. We recommend that performance standard assessments for these sectors must recognize the potential negative implications to the agri-food value chain and not be assessed in isolation.

### **Inclusion of the Greenhouse Sector under the Regulation**

In our comments to the Made-in-Ontario Environment Plan, we stated that, “we expect the agricultural sector will have an across-the-board exemption from the system given the proven trade-exposure, threats to competitiveness, and threats to food security”. While we maintain this position for the agricultural sector, we recognize that the Ontario greenhouse industry may benefit from being included under the provincial EPS instead of the more rigid regulatory and financial burden imposed under the federal regulations.

Under the previous government’s emissions reduction program, Ontario’s agriculture sector was burdened with increasing business costs that could not be recovered from the marketplace. The Ontario greenhouse industry was hurt particularly hard, with some growers experiencing significant economic hardship as a result. The majority of Ontario farmers compete in a global market with little to no control over prices they receive for their products and have little to no ability to transfer increases in the costs of production on to consumers. With the high cost of energy inputs, greenhouse growers have already been driven towards adopting high efficiency technologies in their operations, leaving little room to provide additional emissions reductions.

The federal approach to carbon pricing attempts to recognize trade exposure and the accompanying threat to competitiveness for the greenhouse industry in Canada by providing an 80% rebate on the carbon tax applied to natural gas used in greenhouse production. A preferred provincial EPS should provide greater recognition of trade exposure, competitiveness, and carbon leakage, and provide a more gradual transition period for the greenhouse industry to adapt to an increased input cost in comparison to the federal carbon tax. The provincial EPS should also provide a greater opportunity to recognize and accommodate for the diversity within the greenhouse industry.

OFA supports the position of the Ontario greenhouse industry and recommends that government follow their advice should they be included under the provincial EPS. The province must negotiate an exemption from the federal carbon tax for the greenhouse sector before including the sector under the provincial EPS regime. We encourage the provincial government to work with the greenhouse industry towards developing programs using the fees collected for non-compliance that will provide tangible emissions reduction results and maintain the economic viability of greenhouse agricultural production in Ontario.

### **Compliance Flexibility**

OFA strongly believes that the creation of compliance units from voluntary carbon emissions reductions or removals to offset the emissions from regulated industrial facilities should be part of the provincial EPS. We have long supported the development of an Ontario-made carbon offset system and believe it is a win-win for farmers and for emissions reductions.

Ontario agricultural activities make the highest and best use of arable land, and agriculturally managed landscapes provide environmental and ecological co-benefits in the process of normal farm practices. Many of the environmental and ecological co-benefits that come from agriculturally managed lands produce the added effect of mitigating the causes of climate change and the potential impacts felt by all Ontarians. These co-benefits include improved air and water quality, temperature regulation, biodiversity and habitat creation, flood management and erosion control, and carbon sequestration.

A carbon offset credit system can provide an effective mechanism to recognize and incentivize an enhanced level of environmental and ecological co-benefits from agricultural lands. Voluntary and compliance-based offset systems were in development under the previous cap-and-trade program, and a great deal of research, consultation, and deliberation has already been completed. We urge the Ontario government to pursue a diverse, made-in-Ontario carbon offset credit system that is practical and flexible enough to facilitate farm-based credit generation, and are eligible to satisfy the compliance needs of large industrial emitters.

OFA is committed to working with the government and industry to ensure government policies recognize agriculture's role in reducing greenhouse gas emissions and includes a flexible, realistic and simple path to agricultural offset credits from farmers.

Sincerely,



Keith Currie  
President

cc: Honourable Ernie Hardeman, Minister of Agriculture, Food and Rural Affairs  
OFA Board of Directors