

January 15, 2021

Melissa Ollevier
Financial Instruments Branch – Policy Unit
40 St. Clair Avenue West
Toronto ON
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Melissa.Ollevier@ontario.ca

Dear Ms. Ollevier,

Re: ERO 019-2813 – Amendments to transition Ontario industrial facilities from the federal Output-Based Pricing System to Ontario's Emissions Performance Standards program

The Ontario Federation of Agriculture (OFA) is pleased to provide comments to the Ministry of Environment, Conservation and Parks (MECP) on the *Amendments to transition Ontario industrial facilities from the federal Output-Based Pricing System to Ontario's Emissions Performance Standards program*. OFA is the largest general farm organization in Ontario, proudly representing more than 38,000 farm family members across the province. OFA has a strong voice for our members and the agri-food industry on issues, legislation and regulations governed by all levels of government. We are passionate and dedicated to ensuring the agri-food sector and our rural communities are included, consulted and considered in any new and changing legislation that impacts the sustainability and growth of our farm businesses.

OFA submitted comments to MECP regarding ERO 013-4551 – *Making polluters accountable: Industrial Emission Performance Standards* on March 26, 2019; our comments from that consultation remain relevant to this one. Specifically, we would like to congratulate the Ontario government for receiving approval from the federal government to transition from the federal Output Based Pricing System (OBPS) to the Made-in-Ontario Emission Performance Standards (EPS) program. We agree that the EPS program will have a greater ability to consider 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. We would also like to reiterate that we strongly believe 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.

We do not have any specific comments regarding a start date for application of all provisions of the EPS program. However, we do support the intention of this consultation to align the scope of Ontario's EPS program to match the federal OBPS and ensure a rapid and smooth transition.

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In our role as Ontario's leading general farm organization, we support the positions of our agriculture commodity partners with regards to carbon pricing and the EPS. We support the position of the Ontario Greenhouse Vegetable Growers (OGVG) and their request for further discussion on the inclusion of greenhouse production under the Ontario EPS. We agree that this must be done in a manner that is flexible enough to allow participants to choose the methodology that works best for their greenhouse operation.

OFA would like to take this opportunity to restate the burden a price on carbon places on our farmers and food sector. We do not believe that a price on carbon is an effective policy tool to drive down emissions from the agricultural sector. Our fossil fuel use is strongly price inelastic and there are very limited opportunities to replace fossil fuels with less carbon intensive energy sources. Furthermore, farmers have limited opportunities to affect the price they receive for most commodities, and little to no opportunity to transfer the added costs of carbon pricing to consumers. While we appreciate the existing exemption on diesel and gasoline used in specific farm machinery, and the 80% rebate available to the greenhouse sector for natural gas and propane, direct costs from the carbon tax are having significant detrimental impacts on our livestock sector (including aquaculture) and for other non-exempt applications like grain drying.

The added direct costs of grain drying produce increased indirect costs on our farmers through higher feed costs. Additional indirect costs of carbon pricing appear in the rising cost of trucking for agricultural products, and for inputs like fertilizer, necessary for maintaining crop yields. Again, this financial burden exists in a context where farmers have no mechanism for offsetting increased carbon costs and these increases in the costs of production will be deducted from already razor thin margins. It is important for us to receive further discussion and clarity on how funds accrued from the Ontario EPS program will be returned to the agri-food sector to support further emissions reduction efforts.

OFA remains concerned about the future impacts of carbon pricing, especially following the December 18, 2020 announcement by the federal government pledging to increase the price on carbon from the current \$30/tonne of CO₂ equivalent to \$170/tonne by 2030. Even with the existing relief measures available to the agriculture sector, the remaining impact to farmers' competitiveness through direct and indirect costs of carbon will be unsustainable.

Sincerely,



Peggy Brekvel
President

cc: George Gilvesy, Chair, Ontario Greenhouse Vegetable Growers
Bill George, Chair, Ontario Fruit and Vegetable Growers' Association
OFA Board of Directors