

April 21, 2021

Jackie Mercer
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Carbon Markets Bureau
Environment and Climate Change Canada (ECCC)
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RE: Canada Gazette, Part I, Volume 155, Number 10: Greenhouse Gas Offset Credit System Regulations (Canada) released for comments on March 6, 2021

Dear Ms. Mercer,

The Ontario Federation of Agriculture (OFA) is pleased to provide comments to Environment and Climate Change Canada (ECCC) draft Greenhouse Gas Offset Credit System Regulations. 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 is pleased to see that the federal government is continuing to move forward with the development of a voluntary offsets system as a compliance option for industries covered by the Output-Based Pricing System (OBPS). We agree that an emissions pricing system which includes the use of carbon offset credits will provide regulated facilities with flexibility in meeting compliance with greenhouse gas (GHG) regulations while allowing non-regulated sectors to pursue opportunities to reduce their emissions. We support the goal, as noted in the press release, to create “a market-based approach that will spur innovation and private-sector investment in economic activities that lead to further emissions reductions”.

We are eager to see a regulation in place that will allow Ontario farmers to begin generating and marketing offset credits while following approved offset protocols. Given the substantial amount of time that has elapsed since Ontario has come under the Federal Backstop, there has been a significant missed opportunity to provide our farmers with options to earn revenues from greenhouse-gas reductions and removals and find much-needed relief from the added costs to farming associated with a regulated price on fossil fuels.

Eligibility Criteria

Section 4(1)(a) of the draft regulation states that a project proponent would be eligible to register a project in the federal offset system provided that it started on January 1, 2017, or later. As we have stated in earlier submissions to ECCC, restrictive project start dates will affect the ability of farmers to participate in the market and it is disappointing to see that the proposed system will only allow for crediting of offset initiatives that began on or after January 1, 2017. Ontario's farmers, as well as many companies along the agri-food market chain, have been leaders in seeking out and implementing new practices that create efficiencies on the farm. Many of these best management practices 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 practices by failing to recognize the emission reductions from their early actions can act, in certain situations, as a perverse incentive towards reversal.

We strongly recommend that ECCC consider revising this eligibility start date to allow for greater crediting for early action and reduce the risk of inciting a perverse incentive. Alternatively, we recommend ECCC could remove prescriptive eligibility start dates from the regulation and allow that process to be determined by the particulars of the offset activity and protocol.

Aggregation

OFA is pleased that ECCC is allowing for the aggregation of emission reduction projects in the draft regulation. There are substantial costs associated with bringing an offset project to market including: validation; registration; and verification – all in addition to project implementation. Aggregation will help overcome this challenge when multiple small and often geographically dispersed projects are grouped together to achieve economies of scale. We are pleased to see that projects using the same federal offset protocol and criteria may be aggregated as one registered project.

Site Visits

It is vital that the carbon offset system is designed to allow offsets to be generated in a cost-effective manner. Quite simply, an offset market will not flourish if development costs are too high or opportunity too limited. Protocols need to be economically viable, environmentally credible, while 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.

Section 21(1) states that a proponent shall ensure that an accredited third-party verification body conducts a “site visit” at some point during the offset project or dependent on other specified conditions. We note that an explicit definition of “site visit” is not present in the proposed regulation.

As the regulation has left a number of important offset requirements to be defined in the specifics of each federal offset protocol, including methods for setting baselines for project activities and quantifying GHG reductions, and project planning and implementation activities, we recommend that the precise definition of what constitutes a “site visit” should also be left to individual protocols. Allowing the protocols to define “site visit” and removing any implication from the regulation that it refers to an in-person visit, ensures the protocol reflects the context of the offsetting project and does not result in excessive or unnecessary financial impacts to the viability of offset projects.

Furthermore, it is expected that in many cases offset projects generating credits from the agricultural sector will need to be aggregated to constitute a marketable block. We believe that accepting representative sampling from a set of aggregated projects is a reasonable and prudent method of verification and should not be curtailed by restrictive language proposed by the draft regulation. The “site visit” should be flexible enough to allow an accredited verification body to ‘visit the site’ using remote sensing technologies, for example, aerial monitoring or satellite-based observations. Again, the specific details of a “site visit” – method, type, duration, and quality, should be dictated by the nature of the offsetting activity and protocol.

Application

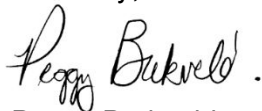
Currently, a patchwork of provinces across Canada remains operating under the Part II of the Greenhouse Gas Pollution Pricing Act (GGPPA). Those provinces that account for the majority of industrial emissions in Canada, and thus make up the largest potential market for offset credits, have developed or are in the process of transitioning to their own pricing systems and will not be covered by the Output-Based Pricing System (OBPS). The Regulatory Analysis section of the consultation document states that, “While federal offset credits would primarily be intended for use by facilities in the federal OBPS, they could be acquired and used by other interested parties to offset their emissions in certain cases. Regulated entities in a provincial or territorial carbon pollution pricing system may be able to use federal offset credits to offset GHG emissions, provided that the use of these credits is permitted within the provincial or territorial system, and there is an intergovernmental agreement in place at the operational level stipulating that credits may only be used once.”

In the interests of creating the largest possible market for Canadian offset credits, we urge government to work towards implementing FPT agreements to ensure that credits generated in provinces not regulated by the OBPS can be marketed nationally. Without this early action to grow the offsets market as much as possible, there simply may not be enough of a market signal to drive innovation and private-sector investment in offset project activities that will lead to further emissions reductions.

We appreciate that ECCC recognizes the important role Canadian farms have to play in reducing greenhouse gas emissions through implementation of conservation activities or adopting new management practices or technologies. OFA is confident that offset credits can provide a necessary bridge for industry to make a cost-effective transition to cleaner activities while incenting other unregulated industries to develop through carbon revenues.

The agricultural community has the potential to be an important contributor to addressing climate change, however in order to do so, the offsets system needs to accommodate a flexible design that enables broad participation from our members.

Sincerely,



Peggy Brekveld
President

cc: OFA Board of Directors