Committee Hears Qualms About Targets Timing and Transparency of Cap-and-Trade

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QP Briefing
By: Geoff Zochodne

The Liberal government's cap-and-trade bill still leaves something to be desired, at least among those testifying before a legislative committee.

Those worries range from taking it too easy on emitters, to moving too quickly with the carbon pricing system, to a lack of transparency in how the money raised from cap-and-trade will be spent.

Committee hearings on Bill 172, the Climate Change Mitigation and Low-carbon Economy Act, began Monday at Queen's Park. The legislation, which was introduced in February, would enshrine greenhouse gas emission-reduction targets in law, establish a framework for the government's cap-and-trade system and set up the GHG Reduction Account. The GGRA is supposed to take the proceeds of carbon-credit auctions under cap-and-trade and spend them on initiatives that will drive down emissions.

There is also a draft regulation for the cap-and-trade system that fills in the blanks left by the bill, such as setting Jan. 1, 2017 as the start date for the carbon pricing system and stating 142.3 million emissions allowances would be created that same year - with those credits expected to be priced at around $18 a pop.

The supply of emission allowances will shrink by a little over 4 per cent a year. Some manufacturers, hospitals and universities will receive free carbon credits.

While the various representatives from environmental or industrial groups told committee members Monday they supported cutting carbon emissions, they suggested a number of tweaks to the government's proposed cap-and-trade program.

Keith Brooks, the director of the clean economy program for Environmental Defence, said the group understood the need to hand out free carbon credits to businesses to keep them from fleeing the province when cap-and-trade starts, but cautioned that Ontario may be intending to issue too many of the emission allowances.

"They need to be targeted and transitional and temporary; these don't appear to be of that variety," said Brooks.

The Canadian Environmental Law Association (CELA) proposed cranking up the price of carbon credits to $50 each by 2020, and argued the province should avoid giving out free emission allowances altogether.

Jacqueline Wilson, counsel at CELA, also said the GHG reduction account should be "made more transparent." Among other clarifications, Wilson said the proceeds from cap-and-trade should not be utilized for nuclear power projects, which produce electricity with little in the way of emissions, but have high upfront costs and environmental standards to meet.

The Ontario Energy Association, an advocacy group for the electricity and natural gas industries, predicted the province's businesses will be forced to buy scarce emission allowances from California, sending money west instead of keeping it at home for investment. The OEA recommended Ontario strike a deal so that some or all of that money paid to California or Quebec, the province's partners in cap-and-trade, would be returned.

The OEA also warned there may not be enough emission allowances for fuel distribution companies to stay under the cap. If that's the case, distributors will "be placed under significant pressure from their customers," said OEA President Bob Huggard. Ontario's cap-and-trade system will not have a transition period for fossil fuel companies.

A delegation from the Canadian Manufacturers & Exporters told committee members on Monday that starting cap-and-trade in 2017 would be too soon for companies, which are making investment decisions on much longer timelines.

"The cap decline proposed is in many instances not achievable with our current technology," said CME vice-president Ian Howcroft. "If companies are unable to make the necessary reductions, they will simply be transferring funds to governments or other jurisdictions participating in cap-and-trade. This does not achieve the desired result of emissions reduction, and may inhibit capital investment to achieve further reductions."

Ontario's cap-and-trade system would apply to electricity imports from outside the province, natural gas distributors, petroleum product suppliers and large commercial or industrial facilities that crank out more than 25,000 tonnes of GHGs a year.

The government is estimating it will receive $1.9 billion in revenue annually from cap-and-trade, starting in 2017-18. That money would flow through the province's general revenues into the GHG reduction account.

The general government committee will take Tuesday off and resume Bill 172 hearings on Wednesday.

To contact the reporter on this story:
gzochodne@qpbriefing.com
416-212-5913
Twitter: @geoffzochodne