

ONTARIO ENERGY ASSOCIATION

# **ONTARIO CAP AND TRADE PROGRAM: OFFSETS CREDITS REGULATORY PROPOSAL**

**EBR: 012-9078 Submission**

December 15, 2016

To shape our energy future for a stronger Ontario.



Ontario Energy Association

# ABOUT



The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

The Ontario Energy Association (OEA) is pleased to provide this response to the Ministry of Environment and Climate Change's (MOECC) Offsets Credits Regulatory Proposal for Ontario's Cap and Trade Program (EBR Registry Number: 012-9078). MOECC is seeking input on the process that will make it possible for offset initiative proponents to create compliance instruments for use in Ontario's cap and trade program.

## **COMMENTS AND KEY RECOMMENDATIONS**

The OEA has evaluated the Offsets Regulatory Proposal and does not have significant concerns with the proposed approach as described in the MOECC's Regulation Proposal Notice.

However, the OEA does have recommendations regarding the protocol development process. The OEA is making the following key recommendations:

### **Recommendation 1: Engage with Utilities**

The OEA believes it is critical that the MOECC engage with utilities represented by the OEA in the protocol development process, including setting the criteria of defining the protocols, and ensure that they are part of any upcoming working groups regarding the development and implementation of the offset initiative. This includes the development of the final amendments to the Cap and Trade Program Regulation (O.Reg. 144/16) relating to offsets, as well as the development of an offsets registry, including the creation of Offset Application Forms, Offsets Program Guidance, Verification System and other implementation details. By having experts at the table the MOECC will be able to develop practical protocols more quickly.

### **Recommendation 2: Transparency**

The OEA stresses the need for government to be transparent and thoughtful about how and what offset protocols it prioritizes to quantify GHG reductions, avoidances or removals achieved by a particular offset initiative as compared to the offset initiative baseline. For example, the offsets credits regulatory proposal states that:

"Protocols will be considered by the Ministry for inclusion under the regulation once the Minister is satisfied that the protocols establish the parameters to demonstrate the reductions, avoidances or removals are real, permanent, additional, quantified enforceable and verifiable, and that the protocols have been peer/expert reviewed." (p. 8)

The OEA recommends that the MOECC commit to making public the information relied upon by the Minister to include a protocol under the regulation that meets the criteria set out in the regulatory proposal.

### **Recommendation 3: Opportunity to Comment on Draft Regulatory Language**

As stated above, the OEA does not have significant concerns with the proposed approach as described in the regulatory concepts and summary proposals of the MOEEC's Regulation Proposal Notice. However, the Regulation Proposal Notice does not include any draft language for the amendments to be made to the Cap and Trade Program Regulation (O.Reg. 144/16). The opportunity to comment on draft regulatory language is common to most regulation amendments and offset protocols.

The OEA believes that it is in the interests of all participants that the MOECC allow stakeholders an opportunity to comment on the draft offsets regulatory language before the MOECC incorporates them as final regulations. This would allow participants to assess the proposed changes in detail and ensure important issues are not overlooked and misinterpreted, such as ensuring that the offset creation and issuance process is as streamlined as possible.

### **Conclusion**

The OEA recognizes the importance of offsets in developing the low-carbon economy in Ontario. The above recommendations reflect that it is essential that the offset regime is a streamlined and transparent process, designed so that it allows offset projects to be initiated in a timely and cost-effective manner.

## CONTACT

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Ontario Energy Association

Let's unravel complex energy challenges, together.