

October 10, 2022

Melissa Ollevier
Financial Instruments Branch
Climate Change and Resiliency Division
Ministry of Environment, Conservation and Parks
Foster Building, 8th Floor
40 St. Clair Ave W.
Toronto, ON
M4V 1M2

Re: ERO Posting 019- 5769 – More Information Required to Fully Understand Impacts

Submitted via email

Dear Melissa Ollevier,

On behalf of the Ontario Forest Industries Association (OFIA) and the Pulp and Paper Coalition, thank you for the opportunity to comment on ERO posting 019- 5769, *Emissions Performance Standards (EPS) program regulatory amendments for the 2023-2030 period*.

Unfortunately, we cannot provide full feedback without the complete formulas that would allow our members to properly calculate the cost of the changed EPS for their facilities. As such, we must acknowledge a gap in our comments, and we strongly encourage the Ministry to release the final formulas for consultation before their implementation. This is a highly technical matter, and it deserves a comprehensive and accurate response which, at this stage, we are unable to provide.

We support an Ontario-based program and the stability this long-term planning will provide for businesses hoping to invest in Ontario. We believe that Ontario is better positioned to understand the needs and context of Ontario's emitters. Therefore, we support the Ministry of Environment, Conservation and Parks' (MECP) efforts to continually update and refine the EPS program in order to meet the requirements of Environment and Climate Change Canada (ECCC) and keep the program under the management of the provincial government.

The removal of the biomass adjustment factor after 2022 is of great concern to our industry. This will have significant financial repercussions for the sector, with conservative estimates suggesting the costs will exceed \$50 million dollars by the end of 2030. This change also contradicts government policies, like the *Forest Biomass Action Plan* and *Forest Sector Strategy*, that hope to encourage Ontario businesses to develop and expand their use of renewable biomass to achieve carbon neutrality. The world's leading carbon reduction jurisdictions, like Sweden, Norway, and Finland, have only achieved such significant reductions due to massive increases in the use of forest biomass within industrial processes, combined heat and power, district heating, and electrical generation. Forest biomass is also a much more price-stable source of energy, something that has been highly beneficial to the European countries that have invested in it as energy costs have soared across the rest of Europe in the past year. We view this program as an incredible opportunity to position Ontario as one of these leaders and incentivize increased use of this valuable material.

We must emphasize the importance of having predictability of the EPS program. Our sector is capital intensive and operates in a world commodity market. Investment decisions must be made years in advance, and any last-minute changes, such as the removal of the biomass factor, inserts uncertainty into the investment decision-making process. We encourage the government to ensure that this 2023-30 plan is strong enough to stand for the full seven-year period and to make companies feel secure in their Ontario assets to make major investments. It is very difficult for multinational companies to justify multimillion-dollar capital projects to decarbonize and implement low-carbon technologies in an uncertain investment climate. A major advantage of this seven-year plan is the stability it can provide, and we encourage the government to do what they can to support a stable investment climate in Ontario, beyond just the EPS.

Finally, we would like to express our strong support for using proceeds to create an industry-specific fund to support research and development into decarbonization in our sector, and to support the implementation of capital-intensive low-carbon technologies. As an industry, we have already made significant progress and investments in decarbonizing operations. Addressing the remaining high-emitting processes will require a great deal of research, technological advancement, and investment. Re-injecting the proceeds into the industry through an industry-specific proceeds fund would enable companies to apply for assistance in implementing capital-intensive low-carbon technologies in their Ontario facilities and would encourage companies to invest significant amounts of their capital in Ontario.

We would be happy to discuss these ideas further with MECP. We look forward to working with the Financial Instruments Branch and MECP to support the development of the best program possible for Ontarians.

Thank you,

A handwritten signature in cursive script that reads "Olivia Auriat".

Olivia Auriat
Policy Manager
Ontario Forest Industries Association