

Enbridge Feedback on the Emissions Performance Standards (EPS) program regulatory amendments for the 2023-2030 period

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About Enbridge Gas Inc.

Enbridge Gas is Canada's largest natural gas storage, transmission and distribution company based in Ontario, with more than 170 years of service to customers. The distribution business provides safe, affordable, reliable energy to about 3.8 million homes, businesses and industries and is leading the transition to a clean energy future through net-zero emissions targets and investments in innovative low-carbon energy solutions. The storage and transmission business offers a variety of storage and transportation services to customers at the Dawn Hub, the largest integrated underground storage facility in Canada and one of the largest in North America. Enbridge Gas is owned by Enbridge Inc., a Canadian-based leader in energy transportation and distribution.

Life takes energy, and Enbridge exists to fuel people's quality of life. For more information, visit www.enbridgegas.com.

Executive Summary

Enbridge Gas (Enbridge) welcomes the opportunity to comment and provide feedback on the Emissions Performance Standards (EPS) program regulatory amendments for the 2023-2030 period. Climate change requires serious solutions, and Enbridge wants to be a part of those solutions. Across our business, we have committed to achieving net-zero greenhouse gas (GHG) emissions by 2050, with an interim target to reduce the emissions intensity of our operations by 35% by 2030.

Below is a list of recommendations for EPS program regulatory amendments for the 2023-2030 period

- *A declining stringency factor and an escalating carbon price are duplicative and too onerous*
- *The proposed changes to the electricity generation and cogeneration performance standard may be challenging while maintaining energy reliability*
- *Ensure that the regulations and quantification guidelines recognize the GHG reductions of combusting low carbon fuels, such as renewable natural gas (RNG) and hydrogen, whether used on their own or blended into the natural gas pipeline*
- *Recognize book and claim reporting of RNG and hydrogen, and that there are zero GHG emissions from combusting hydrogen*
- *Review the EPS policy every two to three years throughout the 2023-2030 period*
- *Engage the industry throughout each EPS policy review process as it can provide practical expertise and knowledge to help inform policy updates*
- *Recognize carbon capture and utilization (CCU) under the EPS as a viable means of reducing GHG emissions at a covered facility*
- *Link the EPS with other provincial and territorial programs and recognize credits generated under eligible systems for compliance under the EPS*
- *Leverage the lessons learned from existing Canadian registries, including the Federal Credit and Tracking System (CATS) when developing the EPS compliance unit registry*
- *Include offsets as a compliance option under the EPS either by adopting offsets into the EPS from existing systems and market programs or developing an Ontario offset program by leveraging the lessons learned from other Canadian carbon pricing programs and the federal OBPS*
- *Consider creating a carbon capture protocol with the development or adoption of an offset program*
- *Recycle proceeds back to industrial facilities regulated under the EPS and provide transparency around how the EPS proceeds are spent*

Carbon Price

Enbridge supports the Ministry of the Environment, Conservation, and Parks' (MECP) proposal to align the carbon price throughout the 2023-2030 period with the federal carbon pollution pricing benchmark of \$65/tonne CO_{2e} in 2023, increasing by \$15/tonne each year until reaching \$170/tonne CO_{2e} in 2030. Committing to a long-term price signal will set clear price and program expectations out to 2030, which allows covered facilities to plan and prepare for the increasing operating costs.

Stringency Factors

Enbridge is concerned with the proposed decline of the stringency factor applied to performance standards by 2.4% in 2023 and 1.5% annually from 2024 to 2030. A steadily escalating carbon price tied directly to the cost of compliance pathways already creates a financial incentive to enhance emissions performance. It will also encourage the EPS entities to decarbonize their processes and further reduce GHG emissions. The addition of a declining stringency rate will burden the EPS entities with significant costs driven by capital investments and operational enhancements, making it difficult to comply with the EPS regulations year-over-year. Driving up compliance costs will increase the risks of carbon leakage, by further straining market competitiveness, and costs to end-use consumers. Therefore, Enbridge suggests that **a declining stringency factor and an escalating carbon price are duplicative and too onerous.**

Electricity Generation and Cogeneration

The proposal changes the electricity generation and cogeneration performance standard from 370 tCO₂/MWh to 310 tCO₂/MWh. The proposed value seems too stringent. Gas-fired generating plants often run at part load to maintain grid reliability. Gas plants would need to operate at about 59% annual efficiency to achieve a 310 tCO₂/MWh performance, which **may be challenging while maintaining energy reliability.**

Low Carbon Fuels

To drive investment and uptake of low carbon fuels as an effective decarbonization pathway for industrial facilities, Enbridge recommends that the MECP ensures that the regulations and quantification guidelines **recognize the GHG reduction benefits of combusting low carbon fuels, such as RNG and hydrogen, whether used on their own or blended into the natural gas pipeline.**

RNG may be delivered in one of two ways: by direct pipeline from the RNG producer to the end-user (where the producer and end-user are in close proximity) or, more commonly, by injection into the natural gas delivery system. Pipeline quality RNG is indistinguishable in property from traditional natural gas. Once injected into a natural gas delivery system, nearby gas customers typically consume the physical RNG molecules locally. This co-mingling is consistent with the purchase, transportation, and sale of conventional natural gas moving throughout the North American pipeline grid from the supply point to the consumption point. Other GHG reporting programs, such as those in British Columbia and California, permit “book and claim” reporting, allowing environmental attributes to be separated from the physical fuel and transferred from seller to buyer. This reporting recognizes that although the end-users may not physically combust the actual molecule of RNG, they have the sole right to claim the emission reductions in their GHG reporting by contract.

Currently, the EPS allows CO₂ from biomass combustion, which includes RNG, to be subtracted from the annual GHG emissions of all specified activities. Enbridge recommends that, as in the British Columbia and California regulatory programs, the MECP **recognizes RNG book and claim reporting.** Recognizing RNG book and claim reporting allows RNG delivered through the natural gas delivery system to be subtracted from the annual GHG emissions of EPS participants, where the purchase contract clearly demonstrates ownership of the environmental attributes. Incorporating the recommended changes into the regulation and/or the reporting and verification methodology will provide certainty, support for the broader adoption of RNG projects, and a meaningful pathway for obligated parties to reduce emissions covered under the EPS.

Hydrogen, too, will play a significant role in decarbonization as a low-carbon gaseous fuel, particularly for industry, as recognized by [Ontario's Low-Carbon Hydrogen Strategy: A Path Forward](#). Therefore,

Enbridge recommends that the MECP **considers a similar book and claim language for hydrogen in the EPS program and recognizes that there are zero GHG emissions from combusting hydrogen.** An update to the quantification methodology could specify that hydrogen volumes blended into the natural gas stream for industrial processes and on-site vehicles can be subtracted from the total volume, or how to determine a blended gas heating value.

Policy Review

The Proposed Regulatory Amendments do not require the MECP to review the EPS program during the 2023-2030 timeframe. However, Enbridge recommends that the MECP **review the EPS policy every two to three years throughout the 2023-2030 period** to ensure that the policies still support Ontario in meeting its 2030 emissions reduction targets while ensuring Ontario's industrial sector remains competitive. In addition, the MECP should **engage the industry throughout each review process** as it can provide practical expertise and knowledge to help inform policy updates.

Carbon Capture and Sequestration (CCS)

Enbridge supports the recognition of carbon sequestration in reducing the reportable emissions from covered facilities. Such recognition will provide the much-needed business case for CCS projects for these customers once the regulation is finalized and implemented. Unfortunately, this only covers the top ~360 emitters in Ontario. The other 3.8 million Enbridge customers should also benefit from CCS activities. Therefore, Enbridge recommends **the development or adoption of an offset program and the creation of a carbon capture protocol**, similar to one that exists in the Alberta carbon offset system, that would allow an eligible project developer to undertake CCS activities and create offset credits to sell to EPS participants to meet their obligations.

Additionally, many CO₂ emitters are exploring utilization projects to reduce their emissions of CO₂. The presented proposals specifically exclude utilization as a pathway to reducing reportable emissions or creating offsets. The province needs all the tools possible to help achieve its GHG reduction targets. Therefore, Enbridge recommends that the MECP also **recognizes CCU under the EPS as a viable means of reducing GHG emissions at a covered facility.**

Linking Programs

Enbridge encourages the MECP to **link the EPS with other provincial and territorial programs and recognize credits generated under eligible systems for compliance under the EPS.** Linking with existing regional carbon markets will broaden the market and increase abatement opportunities while providing compliance flexibility to covered facilities; thus, reducing compliance costs.

To further accommodate interjurisdictional compliance trading, the MECP should **leverage the lessons learned from existing Canadian registries, including the Federal Credit and Tracking System (CATS) when developing the EPS compliance unit registry.** This will help Ontario to more easily develop a functioning registry that aligns with current best practices across the country.

Inclusion of Offsets

Although offsets have not been considered within the EPS Regulatory Amendments for 2023-2030, Enbridge strongly encourages the MECP to **consider including offsets as a compliance option for the EPS.** Offsets allow covered facilities to meet their compliance obligations using lower-cost compliance units, minimize competitiveness and carbon leakage risks for emitters, and lower end-user costs. The

benefits of offsets extend beyond low-cost compliance options for regulated entities, positively impacting the broader Ontario economy. Offsets also drive job creation and growth, investment and revenue, and innovation in new technologies that would not occur under business-as-usual conditions. Excluding offsets from the EPS will continue to place Ontario businesses at a disadvantage compared to other Canadian competitors operating and complying in other Canadian jurisdictions that have access to lower-cost compliance mechanisms. Finally, offsets effectively deliver climate action while accelerating progress toward meeting Ontario's 2030 climate targets.

Enbridge recommends that the MECP **adopt offsets into the EPS quickly and efficiently by leveraging existing systems and market programs**. The adoption of offsets includes recognizing all offset credits generated under eligible federal and provincial systems for compliance under the EPS and leveraging the federal offset system developed by Environment and Climate Change Canada (ECCC). Offsets generated under eligible provincial systems and the federal OBPS represent real and verifiable GHG reductions that provide regulated entities with immediate supply under the EPS.

If Ontario decides to implement its own offset program, Enbridge recommends the MECP **leverages the lessons learned from other Canadian carbon pricing programs and the work already done by the federal OBPS to adapt current systems, standards, and infrastructure to meet Ontario's specific needs**. Leveraging these lessons will ensure complementarity with other jurisdictions and the federal OBPS, enhance efficiencies, reduce costs, and enable inter-jurisdictional credit fungibility.

Return of Proceeds

The MECP has indicated that planning how the EPS program's proceeds will support industrial GHG emissions reductions is underway, but no finalized plans have been released. Enbridge recommends that the MECP **recycles proceeds back to those industrial facilities regulated under the EPS** for use towards GHG emission reduction initiatives from EPS-covered activities. Ensuring the proceeds are spent on GHG emissions reduction initiatives in the Emissions Intensive and Trade Exposed (EITE) sector will help covered facilities achieve deeper GHG emissions reductions than the EPS program alone would and reduce EPS compliance obligations. This will help to alleviate concerns about competitiveness and carbon leakage risks.

Enbridge also recommends the MECP provides transparency around how the EPS proceeds are spent and ensure this information is publicly available.

Conclusion

Enbridge appreciates the opportunity to provide feedback and recommendations to help guide the design of the 2023-2030 EPS program. If you have any questions or require additional information, please do not hesitate to contact Islam Elsayed, Government Affairs Specialist (islam.elsayed@enbridge.com).