Carmeuse Americas
11 Stanwix Street, 21st Floor • Pittsburgh, PA 15222
Phone: 412.995.5500 • Fax: 412.995.5570
info@carmeuse.com

October 10, 2022

Melissa Ollevier
Financial Instruments Branch
40 St. Clair Avenue West, Floor 8
Toronto, ON M4V 1M2

Dear Ms. Olievier:

Re: Emissions Performance Standards (EPS) Program Regulatory Amendments for the 2023-2030 Period, ERO No. 01905769

I am writing on behalf of Carmeuse Lime (Canada) Limited (Carmeuse), a leading lime manufacturing and performance minerals and services company. Carmeuse operates lime manufacturing facilities in Ingersoll, Dundas and Blind River, directly employing 180 people. Beyond its own employees, Carmeuse is a significant contributor in the communities in which we operate. Carmeuse's operations support the tax base in these communities as well as many other local and regional businesses in the areas in which we operate. Beyond the economic contribution, Carmeuse and our employees pride ourselves on the contributions we make as members of these local communities, including supporting and volunteering on behalf of local schools, parks and first responders.

Carmeuse is the only commercial supplier of lime in Ontario. We are a critical supplier for the steel industry in Ontario. In addition, our products are used in water treatment, building materials, mining and mine reclamation and many other applications.

Carmeuse has recognized its responsibility to reduce its carbon emissions and has established a goal of being carbon neutral by 2050. Today, Carmeuse emits nearly 1 million tonnes of CO_2 per year in Ontario. However, the economic and technical challenges to meeting this goal are significant. The lime industry has been consistently identified as a highly energy-intensive, trade exposed industry. The manufacture of lime generates both combustion and fixed process emissions. Lime manufacturing employs kilns that are operated at temperatures greater than 900 ^{o}C. Further, CO_2 is an unavoidable by-product in the conversion of calcium carbonate (limestone) to calcium oxide (lime) and represents at least 60% of the CO_2 emissions from the process. The magnitude of the challenge is illustrated by this graph from Canada's Ecofiscal Commission's Provincial Carbon Pricing and Competitiveness Pressures Report, November 2015, which showed that the lime industry was the most energy intensive, trade exposed industry in Ontario. See Attachment A.

Any carbon pricing system must adequately address the energy intensive, trade exposed status of the lime industry. Failure to do so can result in the transition of lime manufacturing from Ontario to jurisdictions with better designed carbon pricing systems or jurisdictions without carbon pricing such as the United States.

With that background, Carmeuse provides the following comments with respect to the proposed design of the EPS for the 2023-2030 period.

The stringency factor for extremely high energy intensive/trade exposed industries with fixed process emissions should remain at 1 until economically and technically feasible alternatives for reducing or controlling such emissions exist. As identified above, the reduction of combustion-related emissions for an energy intensive industry such as lime presents significant technical and economic challenges. Further, without readily available technology such as Carbon Capture Use and Sequestration (CCUS), the only way for the lime industry to reduce these emissions is through reduced production. In this regard, the EPS is simply a tax on this industry as opposed to creating incentives to reduce carbon emissions.

The EPS program should recognize and incentivize the substitution of lower-carbon intensity for higher carbon-intensity production, regardless of whether these reductions occur at an existing facility or new facility. As the impact of CO_2 is not limited to a facility's boundaries, where the reduction occurs should not define its value. As the program is currently designed, there is very little incentive to invest in new, lower carbon-intensity manufacturing facilities. While the program recognizes and rewards the reduction of carbon-intensity at an existing facility, if such investments are made at a new facility, the new facility does not receive similar credit. This disparity will likely result in certain circumstances where companies will not make carbon-reducing investments. The EPS should be designed to credit the reduction of carbon-intensity for substituted production regardless of whether such reductions occur at the same facility where the product was previously manufactured, or such investment occurs at a new location.

The MECP should prioritize use of the proceeds from the EPS program for those industries with the hardest to abate carbon emissions, as well as those industries that provide critical products to the Ontario economy. MECP should specifically identify the lime industry as a priority for receiving funding to reduce emissions. As is clear from many of the comments made in this letter, there are significant technical and economic challenges to reducing carbon emissions in the lime industry. As the MECP designs its program for distributing EPS funds and other available funds targeted to incentivize carbon reduction, Carmeuse welcomes the opportunity to discuss with the MECP how investments in the lime industry can contribute to the Province's carbon goals.

Carmeuse believes that CCUS will be a critical component in future efforts to reduce the CO_2 emissions. The MECP should continue to focus on removing regulatory, technical and economic barriers to encourage the implementation of CCUS projects.

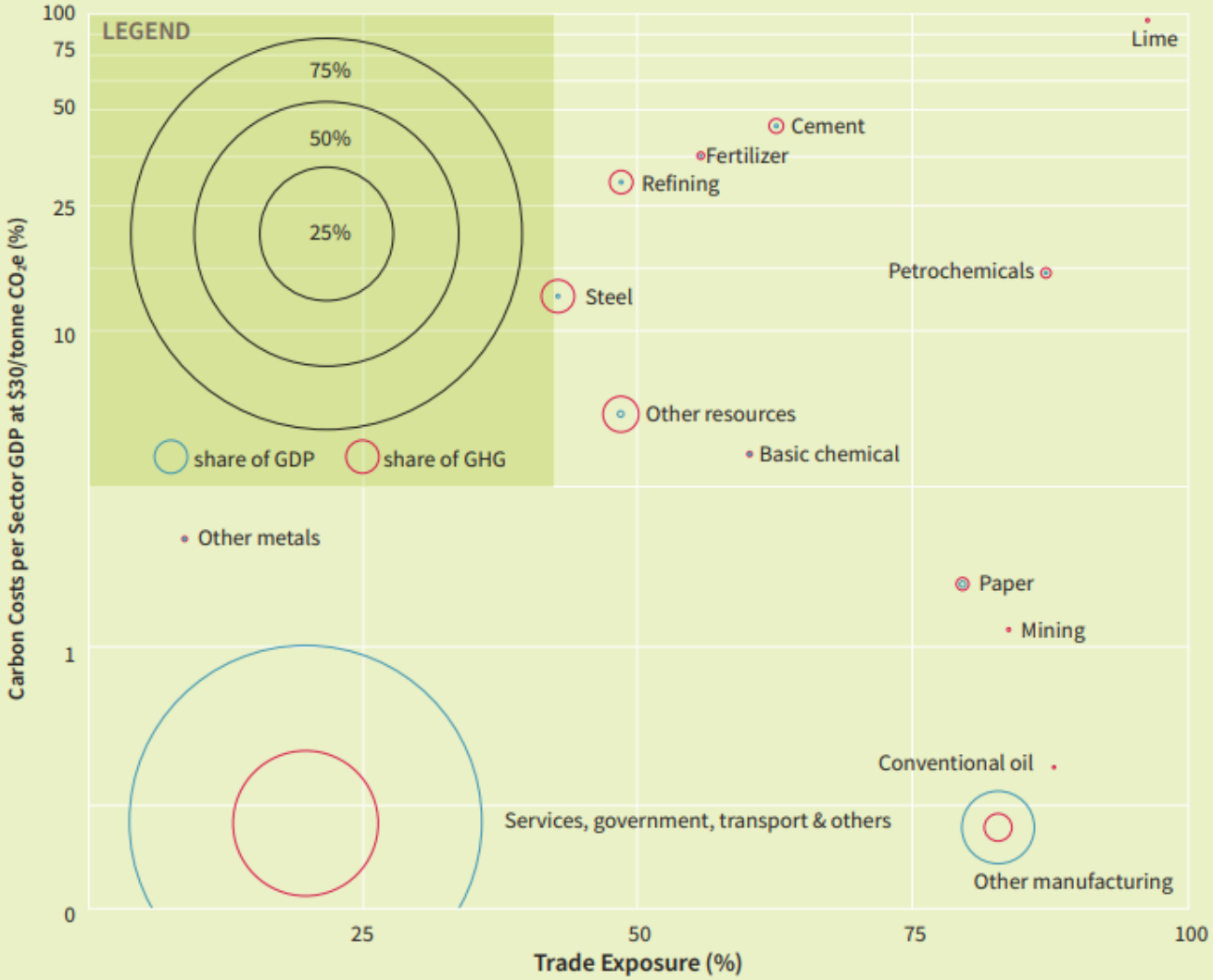
We are available to discuss any of these issues with you further and look forward to continuing to work with the MECP as the Province and Carmeuse both work toward meeting our climate goals.

Sincerely,

Cem Gercek
Area Operations Manager - Canada

Attachment A

Figure 1c: Competitiveness Pressures by Sector in Ontario



The centre of each sector's bubble reflects that sector's trade exposure (horizontal axis) and its carbon costs (vertical axis; log scale). The size of each bubble reflects the sector's share of provincial GDP (blue) and share of provincial GHG emissions (red).

Source: Modelling analysis from Canada's Ecofiscal Commission and Navius Research.