

**Remarks at Standing Committee on Finance and Economic Affairs  
Study of Bill 46 (Removing the Prohibition on CCUS)  
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Good morning, Mr. Chair and members of the Committee.

Thank you for inviting me to speak today. My name is Vincent Caron, I am Director of Policy and Ontario Government Relations at CME. I have spoken to many of you in the last few months because manufacturing is a critical sector for all regions of Ontario. We all know a family that depends on the sector for their livelihood.

Accounting for indirect benefits, manufacturing supports a quarter of our GDP and 80% of exports.

Few subjects have as much urgency for industry as the one we will discuss today – which is Ontario’s regulatory approach to the group of technologies referenced collectively as Carbon Capture, Utilization and Storage, or CCUS.

It is an existential issue for many manufacturers.

The cement, chemicals, iron, steel, pulp, and paper subsectors, which together account for over half of manufacturing sector emissions, are among the most difficult industries to decarbonise. Even the steel industry, which has been a leader lately, with the adoption of electric arc furnace equipment, will be left with GHG emissions that only carbon capture can tackle.

This is due in part to the requirement for high temperature heat and inherent process emissions that cannot be avoided with a switch to renewable energy sources.

Once steel manufacturers install new furnaces by the middle of this decade, they will be willing and able to capture the remaining carbon. But they will have nowhere to put it unless we speed up the building of CCUS infrastructure.

Carbon capture is operational in Alberta and Saskatchewan today. In the U.S. the recently passed Inflation Reduction Act increased the existing 45Q tax credit for permanent sequestration of CO<sub>2</sub> to \$85 per tonne and to \$60 per tonne for utilization of CO<sub>2</sub>.

If Ontario becomes the only major North American jurisdiction where CCUS is not yet operational, or if financial incentives are not competitive, those industries will start investing elsewhere, and large OEM manufacturers like automakers may seek inputs from those locations.

At the same time, companies across Ontario have begun considering market applications for captured carbon. This includes sequestering CO<sub>2</sub>, combining it with other substances, for example calcium, to create compounds that can be used for a wide range of commercial application. Anything from concrete blocks to plastics, or roof shingles. This represent enormous economic opportunity for manufacturers, but this opportunity is time limited.

Again, if the Ontario regulatory regime does not catch up soon to other jurisdictions where CCUS is operational today, the R&D will also go to other jurisdictions.

After years of advocacy to enable the use of carbon sequestration as a tool to reduce GHG emissions, CME was pleased to see the amendments in Bill 46.

This change however is not enough on its own to get us where we need to be.

For carbon capture to be a viable option in Ontario, in the timeframe where it is needed, there needs to be a shift in how we approach the policy process.

First, we need to speed up the establishment of regulations. We are not the first to do it, so we don't need to reinvent the wheel. The International Energy Agency recently estimated that there are currently 35 commercial carbon capture projects in operation around the world, including two projects in Alberta and Saskatchewan.

Ontario should learn from those projects, and the regulations that govern them to propose a framework that applies both on private AND crown lands before 2024.

I note that MRNF is in the process of establishing an industry working group, and I would like to thank them for their willingness to work with industry.

Second, we need a broader scope of action. Bill 46 only amends one paragraph of one Bill. There is other legislation that needs to be looked at.

Third, we need competitive financial incentives. To prevent a flight of financial and human capital to projects south of the border due to the IRA, Ontario should consider its own financial incentives, including operational expenditures.

Finally, there needs to be alignment between action at the federal and provincial levels. Canadian provinces and the federal government have begun to articulate the elements of a successful CCUS policy framework:

- 1) Funding incentives,
- 2) Developing regulations, and
- 3) Approving projects for operation.

As those efforts ramp up, now is the time to share information and lay the foundation for harmonization. To do so later, when the framework is fully established risks creating impediments that will be harder to overcome.

The recently announced Canada-Ontario Regional Energy and Resource Table could be a venue in which governments and industry engage and harmonize CCUS policy.

There is no time to waste. With only seven years to go to achieve 2030 emission reduction targets, and with the price of carbon rising from \$50 to \$170 per tonne, the race is on to preserve the competitiveness of our industries.

I would conclude by quoting the head of the International Energy Agency who said during a visit in Ottawa last week that Canada must step up climate efforts on two issues internationally:

- 1) Critical mineral supply, and
- 2) Carbon capture technology

As legislators in Canada's biggest province, the heart of its industrial base and the engine of this country, I ask the same to you.

Thank you.