December 21, 2022

Ms. Melissa Ollevier

Ministry of Environment, Conservation and Parks (MECP)

Financial Instruments Branch

Melissa.Ollevier@ontario.ca

**Re: ERO Emissions Performance Standards (EPS) regulatory amendments**

Dear Ms. Ollevier,

On behalf of Ontario members of Canadian Manufacturers & Exporters (CME), I am writing to express our overall support for the proposed amendments to Ontario’s Emissions Performance Standards (EPS) regulations and guidelines.

Last year, our response to the 2023-2030 regulations included recommendations on the use of EPS proceeds directly to companies paying them, in order to more effectively deter carbon leakage and grow manufacturing investment in the province. This proposals built on CME’s [*Industrial Net Zero Strategy*](https://cme-mec.ca/initiatives/canadas-net-zero-industrial-strategy/#:~:text=Canadian%20manufacturers%20are%20committed%20to,supportive%20policies%20are%20essential%20enablers.), released earlier in that year.

Considering the announcements made this fall, which delivered a policy design consistent with our recommendations, CME strongly supports the continued implementation of the Emissions Performance Standards (EPS) and welcomes the additional improvements made by the current regulatory package.

Attached are our comments on them, which include suggestions to continue improving the program.

Sincerely,



Vincent Caron

Director, Policy & Ontario Government Relations

Canadian Manufacturers & Exporters

Cc: Alex Wood, Assistant Deputy Minister

 Serge Imbrogno, Deputy Minister

 Patrick Fancott, Director, Climate Change Policy Branch

**Canadian Manufacturers & Exporters Submission**

**Proposed Regulatory Amendments for Emissions Performance Standards Program 2023-2030**

CME provided extensive comments to support the implementation of the EPS in the last two years. We appreciate the willingness of MECP to engage and to provide much-needed flexibility for industry within the constraints of federal guidelines.

While we believe this Ontario-Made solution is much preferable to the federal program it replaces, it does introduce additional regulatory complexity. This is a challenge for manufacturers, especially from medium size businesses who could potentially benefit from participation but lack the capacity to do so. In a company survey published by CME in June 2022, 69% of participants noted they had not set a target to reach net zero by 2050, and 56% stated they did not currently track carbon emissions. The most recently cited reason for this situation was a lack of resources.

As the province begins the cycle on collecting proceeds for the second full year of program delivery, we encourage MECP to remain engaged with manufacturers to achieve informed compliance and participation. CME remains available to assist with the necessary education activities that will need to occur to fully engage the sector.

1. **Program Scope**

While the design of the EPS has great potential to help companies as they seek to secure capital for GHG reduction projects, administrative complexity and carve outs for specific occupational codes remains a challenge. While the Schedule 2 list is extensive and covers much of the industrial activity in Ontario, the goal should be to allow voluntary participation for any company emitting above the specified threshold of 10,000 tCO2. This would avoid companies having to maintain complex accounting of emissions to track under the programs and others falling outside the scope.

While the proposed amendments do not fully meet this objective, CME supports the two proposed additions to Schedule 2 allowing facilities in additional sectors to participate.

We formally request that analysis be undertaken to determine if NAICS Code 339110 (medical equipment and supplies) can be added to Schedule 2. Like most of manufacturing activity, the production of such products is deeply trade exposed and its exclusion currently causes complexity for at least one EPS participants represented by CME.

1. **Clarifying applicability rules under certain methods of calculating an annual emissions limit in the EPS methodology**

We are pleased to see the MECP proposal to adjust the electricity and cogeneration thermal energy methods (methods B and C) for calculating a facility’s annual emissions limit. This will allow additional facilities to use both methods B and C, creating a more competitive landscape. CME fully supports this amendment as it allows the cogeneration methodology to be applied consistently across sectors.

1. **Treatment of Renewable Natural Gas**

Renewable Natural Gas is an important tool in the fight against climate change. By capturing “biogas” emissions from organic waste, landfills, and wastewater treatment plants, we can increase the circularity of our economy, while generating a gas that is easily blended and distributed to end users through our existing infrastructure.

CME supports the legislative amendment to enable the deduction of GHG emissions from the combustion of RNG purchased by an EPS facility, as a key first step to recognize the contribution of RNG to program objectives. The use of this gas should be contained within Ontario, to avoid adverse impacts on the carbon credit markets.

In the future, we would like to see further changes to make sure reporting is more generic and agnostic of which pipeline/nomination system in the required jurisdiction should be required to demonstrate that:

1. the gas was injected into the required jurisdictions pipeline infrastructure (agnostic to whether this would be through a transmission, distribution, or other natural gas infrastructure within the jurisdiction),
2. that title to the gas required under the program has been transferred from the supplier to the end user (with the possibility of a marketer or natural gas agent as the intermediary party not being a limitation), or
3. the notional transportation of the gas from the producer to the end user’s facility has taken place.

Such changes would remove administrative obstacles and provide greater certainty in scaling the use of renewable natural gas in the future.