



March 25th, 2016

Melissa Ollevier, Senior Policy Advisor
Ministry of the Environment and Climate Change
Climate Change and Environmental Policy Division
Air Policy Instruments and Programs Design Branch
77 Wellesley Street West, Floor 10, Ferguson Block
Toronto, Ontario M7A 2T5

Dear Ms. Ollevier,

*Re: EBR Registry Number 012-6844, Climate Change Mitigation and Low-Carbon Economy Act, 2016
EBR Registry Number 012-6837, Cap and Trade Regulatory Proposal and Revised Guideline for
Greenhouse Gas Emissions Reporting*

The Beef Farmers of Ontario (BFO) appreciates the opportunity to provide comments on the Ministry of the Environment and Climate Change's (MOECC) *Climate Change Mitigation and Low-Carbon Economy Act, 2016* and the Cap and Trade Regulatory Proposal. BFO represents the 19,000 beef producers in Ontario by advocating in the areas of policy planning, industry development and research, and domestic and export market development.

BFO supports the Ontario government's commitment to ensuring the province meets the 2020 greenhouse gas emissions reduction targets, with cap and trade as the primary tool for achieving this. However, we have significant concerns regarding increased costs of doing business in the province and subsequent carbon leakage, particularly when production can shift to a jurisdiction with a less stringent carbon pricing policy. The agriculture and agri-food industries were challenged by Premier Wynne in 2013 to double their annual growth rate and create an additional 120,000 new jobs by 2020. Beef farmers are ready to do their part to meet the challenge, but it is critical that we stay competitive in the global marketplace.

The beef industry is a price taker, not a price maker, and in the global marketplace we must compete with other jurisdictions that operate under different standards and legislation than we do here in Ontario. To remain competitive, it is important for programs such as cap and trade to be as cost-neutral for farmers as possible. Ontario's beef cow herd has shrunk by 33% in the last 10 years, but we are optimistic that we can begin to increase production in order to meet the growing local and global demand for our products. The cap and trade program and its economy-wide impacts must not become a barrier to increasing agricultural productivity.

Our industry is dependent on other sectors, and as such, we are closely monitoring how the cap and trade program will affect the cost of inputs, such as fuel, fertilizer, energy and machinery, and ultimately affect our competitiveness. When the cost of agricultural inputs increases through legislation and



regulation, it increases the domestic cost of production, for which there is no mechanism to recoup that cost from the marketplace. BFO implores the government to consider and weigh the impacts of cap and trade on Ontario's food security and agri-food systems as legislation and regulation are developed. The Ontario government must provide and cultivate a business environment that ensures food production remains in the province by supporting the viability of its food producers.

The following section contains our comments in response to specific components of the *Climate Change Mitigation and Low-Carbon Economy Act* and cap and trade regulatory proposal.

Funding Initiatives through the Greenhouse Gas Reduction Account

BFO is pleased to hear that proceeds and funds from the cap and trade program will be available for investment in initiatives province- and economy-wide that are reasonably likely to reduce greenhouse gases, including within unregulated sectors. This will allow for the funds to be used in the most efficient and effective way possible without excluding the opportunities and advantages of investing in various sectors, regardless of whether they are regulated in the cap and trade program.

Agriculture is well positioned to provide solutions to climate change, as farmers are the stewards of their land and the industry has great potential for implementing initiatives that reduce greenhouse gas emissions. We are especially pleased to see "carbon capture, sequestration and storage" listed as an example of initiatives from agriculture that are eligible for funding through the Greenhouse Gas Reduction Account. We know that grasslands managed by Ontario beef farmers do more than produce beef – they secure carbon in the soil, amongst other environmental and ecological benefits.

Offsets

BFO is also very pleased to see the use of offset credits in the cap and trade program. In designing its cap and trade program, Ontario has the benefit of being able to learn from experiences in other jurisdictions where cap and trade has already been implemented. In principle, we support efforts to link Ontario's cap and trade program with those in California and Quebec. However, we caution that the California and Quebec systems could be too restrictive in utilizing agricultural offsets. Ontario has unique opportunities and challenges compared to other jurisdictions, particularly in the case of agricultural offsets, and our offset system must reflect that.

As evidenced in California and Quebec, biological greenhouse gas mitigation projects are not developed when the rules for offset creation are too stringent or don't account for the realities of agricultural production. This would severely limit the significant opportunity that agricultural offsets represents in greenhouse gas reduction. Ontario's offset market will not flourish if offsets can't be generated in a cost-effective manner or if opportunity is too limited. Offset protocols will need to be economically viable and environmentally credible, and verification and registry costs must be reasonable. BFO looks forward to submitting further comments regarding offset protocols when offset regulations are developed later this year.

Biological offset credits from the agricultural sector can have multiple positive effects by incentivising best practices, reducing greenhouse gas emissions, and providing other ecological and environmental benefits. BFO notes that the draft regulation proposes that only 8% of an entity's total compliance obligations can be accounted for through offset credits. Demand for offset credits will increase as the caps on industry are lowered and the price of carbon increases. A higher offset cap could incentivize innovation in technologies and methodologies for carbon offsetting that could have broad, positive, cross-sector economic and environmental impacts. Capping regulated sectors' compliance obligations



through offset credits at 8% could stifle this innovation and subsequent opportunities for greenhouse gas reduction. It is essential that Ontario's cap and trade program be designed to allow the regulated sectors to use a greater percentage of offset credits for compliance, especially as their emission caps are lowered over time.

Market Participant Registration and Offset Initiatives Registration

The amount of information and administration required of market participants and/or offset applicants in the program could become burdensome and a barrier to entry for farmers looking to develop offsets. BFO understands that the cap and trade program includes the set-up of a large market, and thus, adequate collection of specific information from market participants is necessary. However, it will be important that the registration process and administrative duties of market participants and offset applicants are as streamlined as possible. This will allow for the greatest amount of opportunity for offset development and enable an environment of offset innovation.

Transparency and Oversight

The legislation states that the Minister of the Environment and Climate Change has authority to appoint "Director(s)" with powers, duties and functions set out in the Act, as well as analysts and enforcement officers. BFO has some concern that the authority and oversight in the cap and trade program may be overly centralized within the Ministry, and we would suggest that including other stakeholders in the functions of oversight and reporting would provide more transparency and credibility in the program, as well as shared expertise from regulated and unregulated sectors.

The legislation requires that the Minister report on the status of actions within the climate change action plan, which will include the cap and trade program, at least every 5 years. However, there doesn't appear to be requirements for reporting on the cap and trade program specifically and more frequently. This raises some concerns regarding the transparency of the program and how its activities and progress will be measured and reported. Examples of such transparency would include reporting more frequently than every 5 years on specific elements, such as the number of offset credits created in a year or compliance period and the progress in allocating allowances and meeting the annual caps, amongst other things.

The Beef Farmers of Ontario would like to thank the Ministry of the Environment and Climate Change for the opportunity to comment on the *Climate Change Mitigation and Low-Carbon Economy Act, 2016* and the Cap and Trade Regulatory Proposal. We encourage the government of Ontario to continue engaging stakeholders, including beef farmers and agriculture at-large, in the climate change mitigation discussion, and we look forward to participating in further consultations on this important issue.

Sincerely,



Matt Bowman
President

cc: BFO Board of Directors

