



December 22, 2016

David Coates
Project Manager
Ministry of the Environment and Climate Change
Climate Change and Environmental Policy Division
Air Policy Instruments and Programs Design Branch
77 Wellesley St. West, Floor 10
Toronto, Ontario M7A 2T5

Dear Mr. Coates,

Re: EBR Registry Number 012-9078: Ontario Cap and Trade Program: Offset Credits Regulatory Proposal

The Beef Farmers of Ontario (BFO) appreciates the opportunity to provide comments as part of the Ministry of the Environment and Climate Change (MOECC) consultation on the regulatory proposal for offset credits for Ontario's cap and trade program. BFO represents the 19,000 beef producers across 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 (GHG) emissions reduction targets, with cap and trade as the primary tool for achieving this. Ontario's beef farmers are motivated to be more efficient, and we work to reduce GHG emissions and our use of expensive land, feed, energy and water resources. We are proud of the fact that the Canadian beef industry reduced its GHG footprint by 15% between 1981 and 2011¹, and we know that grasslands managed by beef farmers do more than produce beef – they also provide important carbon sinks.

However, as we stated in our comments on the *Climate Change Mitigation and Low-Carbon Economy Act, 2016* and *Cap and Trade Regulatory Proposal* earlier this year, 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 doing their part to help meet the challenge, however 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

¹ Legesse G, Beauchemin K.A., Ominski K. H., McGeough E. J., Kroebe R., MacDonald D., Little S. M. & McAllister T. A. (2015). Greenhouse gas emissions of Canadian beef production in 1981 as compared with 2011. *Animal Production Science* 56(3) 153-168 <http://dx.doi.org/10.1071/AN15386>

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, 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 of beef, and there is no mechanism to recoup that cost from the marketplace – the beef industry is not able to recover its increased costs in the same way as other commodities. BFO will be taking a detailed look at what the cap and trade program will cost the Ontario beef industry and the expected increases to cost of production. The impacts of the cap and trade program on Ontario's food security and agri-food systems must be considered and weighed as legislation and regulation are developed, and 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.

In designing its cap and trade program and the accompanying offset credit regulations, Ontario has the benefit of being able to learn from experiences in other jurisdictions where cap and trade has already been implemented. As evidenced in California and Quebec, biological GHG 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 severely limits the significant opportunity that agricultural offsets represent in GHG reduction, and Ontario's offset market will not flourish if offsets can't be generated in a cost-effective manner or if opportunity is too limited.

Unfortunately, the process outlined for the creation and issuance of offset credits in MOECC's regulatory proposal is restrictive and onerous, and the criteria outlined in the proposal, such as 100-year permanency in carbon-sequestration initiatives, is unworkable for the average beef farmer. In BFO's opinion, the amount of record-keeping, monitoring, reporting and red tape required is overly burdensome and will prevent farmers from undertaking GHG-mitigation initiatives in return for potential revenue. Based on the expected increases to input costs such as fuel because of the cap and trade program, as well as the evidence from other jurisdictions such as California, the proposed process for creating and selling offset credits is not a viable or practical option for an average beef farmer to recover the costs of cap and trade on their business.

As MOECC moves ahead with implementing the cap and trade program, we encourage increased consideration of the impact on Ontario's agriculture industry and food security. We would be pleased to participate in conversations on this important issue and to answer any questions on the comments contained in this document.

On behalf of the Beef Farmers of Ontario, thank you for the opportunity to provide comments on the offset credits regulatory proposal.

Sincerely,



Matt Bowman
President

cc: BFO Board of Directors

