



November 17, 2017

Shelley Hyatt
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 St. West
Floor 10, Ferguson Block
Toronto, Ontario M7A 2T5

Dear Ms. Hyatt,

Re: EBR Registry Number 013-1460: Ontario Offset Credits regulation under the Climate Change Mitigation and Low-carbon Economy Act, 2016

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 regulation for carbon 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, animal health and welfare, and domestic and export market development.

In principle, the Ontario beef industry supports the Ontario government's commitment to ensuring the province meets its 2020 greenhouse gas (GHG) emissions reduction targets. How that can be best achieved is a question in need of further discussion using evidence-based research.

BFO strongly supports efforts that help increase beef production efficiencies while reducing GHG emissions. The beef industry is proud of the fact that industry and government-supported research has enabled the Canadian beef industry to reduce its GHG footprint by more than 15% from 1981 levels¹. In addition, grasslands managed by beef farmers continue to sequester and sink a significant amount of carbon, a valuable contribution to GHG emission reduction efforts.

As we stated in our comments on the offset credits regulatory proposal in December 2016, we have serious concerns regarding the increased costs of doing business in the province and the potential carbon leakage that can result when production shifts to jurisdictions with less stringent carbon pricing policies. Food security concerns must be incorporated when putting a price on carbon used in the production of food. Sustainable agriculture production must remain economically viable in Ontario.

Programs like cap and trade need to be designed with cost-neutrality in mind to allow sectors like beef to remain competitive and vibrant. Government interventions like cap and trade create additional costs to beef businesses that can't be recovered in the same way other sectors can recover cost of production

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>

increases. While programs that serve the greater good should be praised, attention must also be placed on how such programs alter the competitive landscape within the jurisdictions where they are enacted, and how these competitive disadvantages can be mitigated by the governments that create them. BFO expects the Ontario government to balance these competing policy needs to ensure affected sectors are not made uncompetitive relative to competing jurisdictions.

Unfortunately, the proposed framework for carbon offset credits under Ontario's cap and trade program is overly restrictive and burdensome, which will significantly limit the opportunity for farmers to recoup their increased costs under the cap and trade program through the creation and sale of carbon offset credits. Requirements and criteria outlined in the proposed regulation, such as 100-year permanency in carbon-sequestration initiatives, are unworkable for the vast majority of beef farmers. In BFO's opinion, the level and detail of record-keeping, monitoring and reporting requirements will prevent farmers from undertaking GHG-mitigation initiatives in return for potential revenue from offset credits.

It is evident from existing systems, such as the cap and trade program in California, that 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. The proposed Ontario regulation severely limits the opportunity that agricultural projects and innovations could provide in the effort to reduce GHG emissions. Ontario's offset market will not flourish if offsets can't be generated in a cost-effective manner or if opportunity is too limited.

Based on both the experienced and expected increases to input costs because of the cap and trade program, as well as the evidence from other jurisdictions such as California, BFO is disappointed that the proposed process for creating and selling offset credits in Ontario will not provide a real opportunity for beef farmers to recover cap and trade costs imposed on their businesses.

The impacts of the cap and trade program on Ontario's agriculture and food system and the province's food security must be considered and weighed carefully against the type of projects and innovations that receive investment with cap and trade proceeds. The Ontario government must provide and cultivate a business environment that encourages food production in the province by supporting the viability of its food producers. BFO encourages the province to increase its considerations of the role that agriculture plays, and could play in the future, with respect to carbon storage and reducing GHG emissions. There is enormous opportunity to capitalize on agriculturally focused GHG emission-reduction projects and innovations through increased investment in the agri-food sector. Ultimately, proceeds generated through the cap and trade program should be directed first and foremost to sectors like the beef industry that have no practical means of generating carbon credits to mitigate the impacts of increased costs.

On behalf of the Beef Farmers of Ontario, thank you for the opportunity to provide comments on the offset credits regulation under the *Climate Change Mitigation and Low-carbon Economy Act, 2016*.

Sincerely,



Matt Bowman
President

cc: BFO Board of Directors

