

Feb 22, 2019

Ontario Announces “Made-in-Ontario” Emissions Standards

By Zoë Thoms

The Ontario government announced new emission reduction standards as part of its plan to address climate change without imposing a carbon tax. The province developed the Emissions Performance Standards (EPS) as an alternative to the federal Output-Based Pricing System.

Under the federal Greenhouse Gas Pollution Pricing Act (GGPPA), Ontario, New Brunswick, Manitoba and Saskatchewan have been designated as “federal backstop jurisdictions.” The federal backstop jurisdictions are those that did not design their own pollution pricing systems in accordance with the federal government’s climate action plan.

The federal Output-Based Pricing System applies to industrial facilities emitting 50,000 tonnes of carbon dioxide equivalent per year or more, with the ability for smaller emissions-intensive trade-exposed facilities that emit 10,000 tonnes of carbon dioxide equivalent per year or more to voluntarily opt in to the system over time.

Penalties are imposed on emitters based on their emissions over 80 per cent of an industrial sector’s average. Four sectors are designated as “high competitive risk” - cement, iron and steel manufacturing, lime and nitrogen fertilizers. These emitters are capped at 90 per cent of their industrial sector’s average.

Ontario’s EPS proposal will regulate the same sectors as covered by the federal Output-Based Pricing System:

The EPS is a regulatory approach that would establish greenhouse gas emissions performance standards that facilities would be required to meet. The objective of these standards would be to drive GHG emission reductions from large emitters while maintaining competitiveness of Ontario businesses and minimizing carbon leakage. Any industries that do not meet the standard will have to pay. This proposal sets out an approach that is tough but fair, cost effective and flexible to the needs and circumstances of our province. Several Canadian jurisdictions have put in place or are working towards performance standards for their large industrial emitters with compliance mechanisms (e.g., Saskatchewan, Alberta).

At the same time, we intend to support industry and the business climate by removing existing policy or regulatory barriers that hinder their ability to reduce their emissions with new technologies or processes. As part of this effort, we will use payments for compliance units from industries that do not meet the standards to contribute to an emissions reduction fund that industry can access to invest in new reduction technologies and drive compliance with the standards.

At the same time that the province is developing its “made in Ontario” climate change plan, the province is also moving forward with its challenge to the federal government’s carbon pricing legislation in the courts.

The province argues that carbon pricing is not within the federal government’s constitutional jurisdiction and that the charges are neither valid regulatory charges nor valid taxation. The province is also participating in a similar challenge being brought by Saskatchewan.

Consultation on the proposed EPS will be open until March 29, 2019.

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