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Submitted Electronically to:
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IGUA Submission

Posted by: Ontario Minister of the Environment, Conservation and Parks

Regulatory Amendments to Clarify Program Requirements and Improve Program Efficiency for Emissions Performance Standards (EPS) and GHG Reporting Programs (ERO 019-7649)

The Industrial Gas Users Association (IGUA) appreciates the opportunity to comment on the proposed EPS regulatory amendments. Pathways for decarbonizing heavy industry are complex, take time and are often facility-specific. The proposed amendments recognize some of these complexities and MECP should be commended for continuing to work with industrials. Ontario industries have made significant gains over the past two decades having consistently reduced their carbon intensity (emissions per unit of production) and will continue to do so with sound government policy. As the energy transition journey continues, protecting the competitiveness of energy intensity trade exposed (EITE) industry is critical for the province. The proposed amendments are viewed as a positive step forward allowing industrials to continue to meet emission targets. IGUA looks forward to continuing to work with MECP to ensure Ontario industrials continue to be the benchmark for global standards.

Recognizing Significant Transformations

IGUA supports MECP's amendments for the steel sector as they significantly transform their processes. Recognizing the impact of downtime and retooling in the stringency factor through a temporary baseline emission intensities (TBEI) is necessary. TBEI are encouraged and should be expanded to all sectors who meet the same criteria. TBEI drive the appropriate behaviour and can act as an incentive for industries to continue investing in cleaner technologies and processes ensuring significant reductions are achieved by Ontario industries.

IGUA would encourage flexibility in allowing TBEI for facilities that have proactively initiated GHG reduction projects in the past. Facilities that have already invested significant dollars in reduction projects should be rewarded for their early adoption and proactive approach. Providing flexibility will incentivize more industries to follow suit.

Expanding 3-Year Hiatus

IGUA proposes MECP consider expanding the new project 3-year hiatus to facilities that undertake major capital upgrades to produce a new product and do so within the existing facilities boundaries. In IGUA's opinion both should receive similar treatment. A new product will require a new BEI and the facilities should not be disadvantaged by not qualifying as a new facility. Often building within the fence line requires connection to existing assets providing both energy integration and emission efficiency vs building a new facility with duplicate infrastructure. Recognizing this reality will further incentivize industrials to advance GHG reduction projects ensuring continued competitiveness.

Sector Based Standards

IGUA does not support sector-based standards without additional information and consultation. In IGUA's opinion the current system is working resulting in MECP's achieving its goal of reducing carbon-based emissions. The current system penalizes higher emitting companies who are likely less competitive due to high energy costs than lower emitting companies, rewarding the more efficient companies. This alone will drive appropriate behaviour. Moving to sector-based standards will only further increase competitive risk for higher emitting facility and increasing the provinces risk of carbon leakage.

More information is requested to better understand the objectives and benefits of sector-based standards specifically clarity on which sectors would be transitioning considering the differences in facility design and scale. In developing the standards appropriate, accurate data based on consistent methodologies should be utilized and verified by a 3rd party. Consideration should be given to the minimum number of participants in a sector such that individual participant data can be derived. In addition, carbon leakage risks are much greater under sector-based standards and EITE considerations should be applied as sub optimal performance within a sector may still be world class.

EPS Proceeds Revenue Recycling

Although not identified in this ERO, IGUA requests more clarity and consultation on the MECP return of proceeds initiative for the 2023 to 2030 periods. The initial consultation was promising, however most GHG reduction activities are major multiyear capital projects. It is still unclear how this will be addressed in the proposed 18-month application window.

Cogeneration Consideration

IGUA asks the MECP to reconsider the treatment of cogeneration facilities that export steam to EPS participants. At present these facilities are considered electrical generators and do not qualify for the proposed industrial revenue recycling program. It is important to note that these facilities may operate primarily as steam generators, and only a 'gas peaker' for producing electricity. Allowing the steam portion of these cogeneration facilities would help industrials to improve the efficiency and competitiveness of process steam used in operations.

Adding New Industrial Activity

IGUA supports expanding the program to include new industrial activities. Allowing Ontario industrials an opportunity to enhance competitiveness is encouraged.

Expanding Eligibility of RNG

IGUA supports expanding RNG eligibility. RNG can now be evaluated and possibly used as a compliance instrument to meet EPS obligations. The contracting, nomination and verification process proposed by Enbridge have been in place for 30 + years and is very efficient and transparent. IGUA would like MECP to consider allowing out of province RNG. IGUA has identified a couple concerns. Ontario RNG supply is limited given what could be significant demand. Limiting to only Ontario production may attract repercussions from other jurisdictions as it would appear Ontario is closed for business. In IGUA's opinion RNG imports would be subject to the same contract and nomination process that has been utilized by importers (producers and pipelines) for many years. Dawn as the supply hub is the point of receipt for most imports and could be incorporated into contract terms with out of province RNG producers.

IGUA would like MECP to share its view and confirm its position regarding EPS stack ability with Federal programs. IGUA supports the concept of applying the same RNG molecule under both the EPS and CFR programs. Doing so will unlock additional value for industrials resulting in greater demand for RNG.

For future consideration post (ERO 019 -7649) IGUA proposes the following.

- Offsets - IGUA encourages the Ministry to consider the use of offset credits as a compliance mechanism. Offsets have the potential to monetize the environmental benefits, encourage innovation, and drive investment in emissions reduction activities.
- Credit 'book and claim' Registry – To prevent double accounting and support the development of the environmental credit markets, the MECP should consider utilizing a credit registry. The MECP could look to previous work completed by the IESO for Clean Energy Credits, and expand to RNG, offsets and CCS.
- Biogas displacement - Where a prospective biogas producer is close to a facility that can combust the biogas, develop a process where the biogas producer can get RNG value to assist in funding the project. Biogas has lower CI than RNG and therefore higher value in the market, benefiting the buyers and sellers. Biogas displacement saves significant capital and operating costs in producing RNG and this capital savings can help justify more anaerobic digesters in the province, therefore more RNG on the market. We believe the process to displace biogas to RNG is simple and robust.

IGUA would like to thank MECP for advancing meaningful amendments and looks forward to continuing to work together in the future.

Regards,



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