Helping Industries and Communities Transition to a Low-Carbon Economy

Submitted by the Greater Sudbury Chamber of Commerce and Windsor-Essex Regional Chamber of Commerce; Co-Sponsored by the Sault Ste. Marie Chamber of Commerce, the Thunder Bay Chamber of Commerce, the North Bay & District Chamber of Commerce, the Newmarket Chamber of Commerce & the Timmins Chamber of Commerce.

Issue

With the introduction of cap and trade on January 1, 2017, businesses and communities in Ontario risk being unable to make the transition to a low-carbon economy while remaining prosperous. Because certain communities and industries are more exposed to the effects of cap and trade than others, they are at risk of subsidizing other communities and industries instead of making the targeted transition that is the goal of cap and trade. Communities are at risk of being 'drained' economically and industries are not being given enough opportunity to develop new technologies and processes to meet carbon emissions targets – targets which do not reflect the complexity and diversity of environmental regulations.

Background

On January 1, 2017, cap and trade came into effect in Ontario. The goal of this program is to enable government to set a limit on the total level of greenhouse gas emissions (GHGs) produced by emitters covered by the cap and trade system. Government aims to reduce GHG emissions below 1990 levels by 15% by 2020, 37% by 2030, and 80% by 2050.

The provincial government has said that it will invest "cap and trade proceeds to help [business and industry] remain competitive" and that it will do so in a "transparent and accountable way". Yet government has provided little detail on how these proceeds will be spent or what programs they will fund. This is a cause for concern and uncertainty to both businesses and communities that find themselves particularly exposed to the effects of carbon pricing.

Communities across Ontario are concerned that cap and trade could be an economic drain for them. Businesses and individuals will directly or indirectly pay the cost of carbon emissions, but it is not clear that these dollars will come back to their community. Because there is no connection between what a community pays into cap and trade and the reinvestment of these proceeds, there is a likelihood that some communities will see a net economic loss and others will see a net economic gain. In effect, there is a risk that those who are most exposed to the cost of cap and trade may end up subsidizing those who are least exposed. Government instead needs to commit to tying the reinvestment of cap and trade proceeds to the communities from which they are drawn to ensure that the program does not penalize certain communities and reward others, but rather helps all communities achieve Ontario's emissions targets.

Energy intensive industries are also at high risk of 'economic drain' and will require the dedicated support of government to help reach the province's emissions targets. These industries will pay significant fees for carbon emissions credits while facing major technological hurdles to reducing their carbon emissions – hurdles which will take millions of dollars and many years to overcome. While they are paying these costs, there is real risk that the proceeds from cap and trade will be directed away from their industry and offer little support in the costly development of low carbon technologies. Energy intensive industries may never be able to transition to a low-carbon economy and may simply leave Ontario or disappear, along with the jobs they provide. Problems are further compounded by the unrealistic timelines that cap and trade compliance periods impose. Government must take into account the time necessary to research, develop, and implement emissions reductions technology because in many cases, the necessary time extends well beyond one compliance period. Government must ensure that exposed industries are able to develop and implement carbon reduction technologies by recycling revenues into these same industries and adjusting compliance periods in recognition of R&D timelines.

It is also important for government to recognize the complex nature of emissions and environmental regulations. Cap and trade legislation has not addressed the issue of competing environmental priorities of emissions reductions that have been mandated in the province over the 2014-2020 timeframe (e.g. metals and sulphur dioxide reductions). While industry has been investing billions in sulphur dioxide emission reduction projects for example, these processes often involve gas capture and fixation, resulting in increased energy consumption, mainly electricity. The government needs to recognize the diversity of environmental priorities and regulations and how meeting one sometimes comes at the expense of another. In order for businesses to meet all their emissions targets, government will need to provide substantial support.

Recommendations:

The Ontario Chamber of Commerce urges the Government of Ontario to:

1. Suspend cap and trade at this time, with appropriate cost mitigation to affected businesses.

2. Should suspension not occur, we encourage the mitigation of risk of the cap and trade system on industry, namely:

   a. Use cap and trade proceeds to invest in local economies an amount equal to what they have drawn from that community through cap and trade.
   b. Ensure that cap and trade proceeds from exposed industries are used to develop processes and technologies for those same industries so that they can meet emissions targets.
   c. Allow adequate time for the development of research and development (R&D) beyond the first compliance period or give credit to companies that are developing low-carbon technology.
   d. Provide substantial recognition of competing environmental priorities and regulations so that businesses are able to meet all their emissions targets.
   e. Increase cost offsets and support for small business to ensure competitiveness.

Effective Date: May 2, 2017

Sunset Date: May 2, 2020