



March 28, 2015

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Ministry of the Environment and Climate Change
Climate Change and Environmental Policy Division
Air Policy and Climate Change Branch
77 Wellesley Street West, Floor 10
Toronto Ontario M7A2T5

Re: Notice of Policy Proposal: 012-3452 - Climate Change Discussion Paper

Dear Ms. Hering,

On behalf of Ontario's more than 3,000 environment and cleantech companies, thank you for the opportunity to offer our comments and suggestions regarding the above-noted climate change discussion paper. The following are the key excerpts from our formal position paper, *Choosing to Succeed: Meeting the Challenge of Climate Change*. We look forward to continuing our dialogue with you and your Ministry in the coming months.

Framing our challenge

The government of Ontario is finally facing up to the serious challenge of climate change. In order to make the changes that science tells us are necessary, we will need to put politics aside. We will need to resist the urge to indulge in social engineering based on political ideology, not science-driven necessity. We will need to engage and rally a wide swath of businesses and individuals and avoid the easy politics of blame. We will need to resist the urge to grow bureaucracies and, instead, increase opportunities and grow companies that find and implement effective solutions.

If we succeed, Ontario will be a true world leader and exemplar in how an economy can drive a new generation of growth at a time of global transition. If we do not seize this opportunity, Ontario will join the list of other jurisdictions that faced the challenge of a generation and chose instead to fail.

Succeeding in the fight against climate change is a choice we must make. We must, as a province, choose to succeed.

About ONEIA and our response

Since 1991, the Ontario Environment Industry Association has represented the concerns of the province's leading environment and cleantech companies. In that

time, this sector has grown into a vital job creator and exporter. Our latest data shows that our companies already employ more than 65,000 people and generate \$8-billion in annual revenues, including \$1-billion in exports. Recent surveys of our members show that 75% have hired new staff in the past year and plan to hire in the coming year, demonstrating both the growth potential and optimism of the firms in this sector. Whether they are leading environmental consulting firms, or companies developing the next generation of water technology, pollution abatement systems or innovative approaches to waste management and recycling, our members are at the forefront of the transition into which economies across the globe are moving.

ONEIA members are committed to providing to various levels of government advice that is based on sound science, sound policy and a sound environment. With this in mind, our Advocacy Committee (representing dozens of companies from a range of fields) has coordinated a response to the Ontario's Climate Change Discussion Paper 2015 that took the following approach:

- ✓ Our Advocacy Committee discussed the paper at length at its meeting on February 19, 2015;
- ✓ We struck a Task Force at that meeting to work with ONEIA staff to coordinate the sector's response;
- ✓ Subcommittees in areas such as Water, Waste and Brownfields were then tasked with providing targeted feedback relevant to their respective areas; and,
- ✓ We then held a cross-Ontario teleconference on March 20, 2015 to solicit feedback and ideas

The Task Force then considered all of the data gathered and perspectives offered and created the following framework that identifies the following nine (9) key areas of focus.

1. Harnessing the power of pricing and markets

Studies from jurisdictions around the world have clearly demonstrated that the best way to change consumer behaviour and business practices is to put a clear and motivational price on the outcomes we do not want. This has proven, time and again, to drive broad based consumer change and the uptake of new technologies and approaches by businesses (For a detailed explanation of how increased industrial water pricing drives the adoption of new water-saving technologies and reduces overall system load and energy consumption for industry, please refer to ONEIA's 2013 water sector case study "*How smart policy can drive environmental markets and business innovation*").

We know that many Canadian companies are already "shadow pricing" one major environmental harm – carbon emissions – in anticipation of an eventual carbon tax or trading system. Our members report that individual

clients are willing to adopt new energy-saving and carbon abatement technologies should price and market signals make such investments viable.

We offer the following specific recommendations:

- 1) **Accelerated capital cost allowance and tax exemptions:** Practical incentives are needed to encourage businesses to adopt new environmental technology that will, in turn, help the government meet its climate change goals. Accordingly, ONEIA supports measures that will accelerate the ability of firms to write off the capital costs of purchasing and installing such technology.
- 2) **Emissions targets / pricing are important drivers of technology uptake:** We believe that specific and firmly enforced emission targets / pricing are strong drivers for firms to employ new environmental technology. Such incentives should not require significant additional government funding if they are linked to either carbon or tax credits.

A word on cap and trade versus a carbon tax

ONEIA is on record as supporting a cap and trade system provided that it is linked through existing systems to allow eventual worldwide integration and arbitrage between systems in different jurisdictions. We view this as an important first step in the North American market.

Our policy dates from 2006 and other jurisdictions now have experience with either a trading system or a basic carbon tax. We would draw the province's attention to the experience of British Columbia, where their carbon tax is being hailed as an exemplar to other jurisdictions around the world.

ONEIA is not calling for the province to take any one approach in this area, but we are advocating – in the strongest possible terms – for a pricing system that is easily understood and transparent to the payer. We believe the quickest way to lose consensus among the general population and the business community would be to introduce a pricing system that a) may shift costs entirely to the business community and give the appearance that carbon emissions are merely “their problem” (while shifting hidden costs to the end user); and, b) may result in any revenues disappearing into general provincial coffers, sending a message that the price is about meeting the government's fiscal – and not environmental – challenges.

We are on the record as supporting increased funding for the Ministry of Environment and Climate Change (MOECC) where such funding allows it to implement progressive, outcome-based reforms and will reiterate that this Ministry requires significant additional investments to meet its current mandate. Accordingly, we would caution the province against setting up new

and expensive bureaucracies to administer any new pricing mechanisms and opt instead for the simplest, most direct way in which to price carbon.

2. Moving towards truly innovative infrastructure and programs

The Province of Ontario has invested more than \$70-billion in infrastructure since 2003-04 and will have to invest tens of billions more in the coming years. Such infrastructure is vulnerable to the impacts of climate change. We only have to look at the number of “100 year” weather events that have happened in the past decade to know that this infrastructure will have to be built in new, more resilient (and hopefully cost-effective) ways.

We also have a legacy of provincial programs that have, with good intentions, tried to provide incentives to environment and cleantech firms to develop the next generation of approaches and technology. Our research with these companies, however, has shown that these programs usually impose high opportunity costs on a sector that is largely made up of small, albeit innovative, firms. The result is that smaller firms often do not apply for these programs, but larger ones – that can afford to absorb the opportunity cost of applying – do. This results in the unintended and often counterproductive result of having the province provide funding for larger firms that a) are often less innovative and b) have considerably more resources at their disposal.

We would thus make the following recommendations:

3) Set aside a portion of future infrastructure allocations for innovative approaches that address climate change impacts.

We ask the Province to designate 5% of future infrastructure allocations to fund demonstration projects, pilots and other innovative approaches to climate change mitigation and adaptation.

4) Ensure programs recognize and accommodate the opportunity costs that small and innovative firms face.

If programs are put in place to encourage companies to develop new technologies and approaches, we strongly recommend that such programs recognize that the vast majority of firms in the environment and cleantech sector have fewer than 50 employees. Such firms cannot – and should not – be expected to complete bureaucratic and onerous processes in order to access such programs.

3. Incenting research inside existing companies

Since 2003, the province has invested approximately \$10-billion in university-level research, business incubators and other supports for start-ups. While such investments are an important support to the environment and cleantech business ecosystem, they should be complemented by support for research that is currently underway inside

existing companies. These companies have will do so inside corporate structures that are already sustainable, have existing supplier and investor relations, and have excellent potential to drive growth and hiring by introducing new products and services.

- 5) **Incent climate change research and development at existing companies.** Introduce targeted programs, tax write-offs and other measures that will motivate existing environment and cleantech companies to conduct research that leads to commercially viable climate change technologies and services.

4. **The impact on water in all its forms**

Water is an easily understood but often oversimplified part of the climate change equation. We often focus exclusively on droughts and shortages of potable water at the expense of other, more nuanced portions of the water equation. Consider the following:

- As Ontario is expected to experience more “heavy precipitation events” related to climate change, this can overwhelm existing stormwater systems and lead to catastrophic property damage and loss of life;
- Northern development and our continued engagement of First Nations Communities will require strategies that mitigate the impacts of climate change on their traditional lands and their water supplies;
- The Great Lakes watershed is North America’s largest integrated economic entity;
- Pumping water and wastewater represents the single biggest use of energy in most municipalities; and,
- Water shortages are driving political and market instability in many of Ontario’s key trading partners, and solutions to these challenges are expected to be in significant demand in coming decades.

Ontario is home to the most significant cluster of water, wastewater and stormwater companies in Canada. As such, we are well positioned to capitalize on local and international challenges posed by climate change. The complexity of this one area, however, leads us to recommend a substantive dialogue rather than a few targeted recommendations.

- 6) **A substantive engagement with Ontario’s water companies.** We recommend a separate and substantive engagement with Ontario companies the water-related impacts of climate change, referencing the following elements:

- Look at integrated and multi-jurisdictional engagements to bring together the necessary stakeholders across municipal, provincial and industrial jurisdictions;

- Recognize the multidimensional and interrelated issues of stormwater, wastewater, and groundwater management;
- Focus on the intersection of water and energy, both in terms of hydro generation and the energy demands of pumping water within municipal systems;
- Look at the approaches we can prove out in Ontario that we know will be in demand in water-strapped jurisdictions (e.g. California, northern India, China);
- Provide seed funding to convening organizations to ensure a wide-ranging engagement of water firms and related stakeholders;
- Develop asset management and financial policy tools to support innovation and investment by government and private investors, particularly in rural and northern communities and First Nations; and
- Explore policy and financial supports for investment in rural infrastructure for decentralized and more efficient systems for water and wastewater.

5. Getting Brownfields development on track supports well-designed and well-built communities.

Climate-friendly communities, with dense populations, will be a key factor in mitigating climate change and transitioning to a less-carbon intense Ontario. Redeveloping urban Brownfields presents a unique and important opportunity in this area. However, as the Ministry recognizes with its ongoing policy review, transporting the substantial amount of soils and materials from infrastructure and development projects and the associated CO₂ emissions is a major concern. In addition, the document recognizes (in the discussion on Agriculture and Forestry) the need to ensure Ontario has clean and healthy soils.

There is an opportunity to find better solutions to managing soils including where possible, cleaning and re-use of soils and this also should be addressed as a government objective in fighting climate change.

Increasing urban density through redeveloping urban Brownfields presents a unique and important opportunity. Yet there is a general consensus among stakeholders in this area that the provincial regulatory regime that governs Brownfields redevelopment is broken. The current process overwhelms property owners, developers and their consultants, who try to meet onerous regulatory requirements rather than concentrating on effective protection of health and the environment. Developers in Quebec and British Columbia do not face the same hurdles. These jurisdictions may provide examples of alternate approaches. If we want to continue to increase urban density, build

new transit projects, house a growing urban population and transition people from commuter suburbs, we will have to get the Brownfield equation right.

- 7) **Move towards an outcome based approvals process for Brownfields.** Develop a cooperative process for Brownfield approvals that is founded on effective management of risks and professional judgement, removing rigid and proscriptive regulatory requirements that are not always practical to meet.
- 8) **Committing to a progressive soil agenda.** MOECC, in consultation with the Ministry of Municipal Affairs and Housing, should continue its engagement with stakeholders to implement the Best Management Practices (BMP) and to find more effective ways to reduce the amount of soil movement (and its associated negative impacts, including substantial CO2 emissions) and to encourage cleaning and beneficial re-use of soils through soil banks and other suitable measures.

6. **Conserving energy is low-hanging fruit – why are we not picking it?**
For much of its history, Ontario has been a leader in the field of green energy. The province was one of the pioneers in harnessing hydropower. The Green Energy Act, for all of its challenges, has positioned the province well in this area.

As we respond to a new generation of climate-driven energy challenges, there are significant untapped savings in energy that, if managed properly, can be of real importance to the economy as well as to the environment. Energy was an instrumental in building Ontario's 20th century economy and can have the same impact as we transform to the new, low-carbon economy.

Performance Based Conservation (PBC) is an evidence-based approach to energy conservation that is able to identify and achieve much lower levels of energy intensity in buildings than has been seen previously. In the application of PBC, actual data is used as a diagnostic tool to benchmark energy performance. The approach identifies a building's conservation potential as well as the building systems where those savings can be found and the measures to achieve those savings. For example, in Ontario's hospital sector, it is estimated that annual savings in the range of \$100-million are realistically possible and that 30% to 50% of these potential savings can be achieved with low to no capital investment.

By better operating buildings and their equipment, energy intensity can be lowered in parallel with operating costs and GHG emissions. This can allow us to defer large capital investments until the equipment approaches its end of life. Raising awareness and providing training in the PBC approach are necessary and the real benefits to the environment and the economy are substantial.

- 9) **Moving to a Performance-Based Conservation (PBC) approach.**
The Province and its various stakeholders in the energy field should make a firm and actionable commitment towards the adoption of PBC. In doing so, it should introduce measures to quantify savings and rapidly scale up the approaches that deliver proven savings.

7. **Streamlining and strengthening the innovation impact of approvals**
The Ministry of Environment and Climate Change administers an approvals process that touches almost every aspect of environmental protection and mitigation. Whether it is permitting pollution control technology, water systems or waste management, the approvals process represents a huge opportunity to incent good environmental behaviour and encourage more sustainable economic growth.

While the province has taken major steps in the past several years (at the urging of ONEIA and other stakeholders) to streamline and automate this process, much more can be done to deliver environmental benefit and encourage companies to develop and adopt the next generation of clean technology and approaches.

- 10) **Coordinating innovation benefits across Ministries.** There is currently a significant disconnect between different provincial ministries with respect to environmental protection, innovation, and climate change. The government's innovation agenda encourages companies to develop new technologies and approaches, while its approval and regulatory mechanisms encourage clients to adopt those from the last generation. Ontario firms often lament that while our business climate is second to none, the regulatory and approvals climate drives them to sell their innovative technologies and approaches outside the province.

Ontario should appoint an inter-ministerial coordinator of environmental innovation to harmonize its innovation agenda with its regulatory needs to ensure that they are working together to protect the environment and encourage the next generation of sustainable growth.

8. **Moving the Province to a position of true leadership**
While the Province of Ontario will have to encourage others to adopt new climate-friendly behaviours and practices, it should start with its own back yard. The Province is the single biggest purchaser of goods and services in Ontario, it is a significant landlord, operates vehicle fleets, and employs more than 80,000 people. This presents opportunities for the Province to

demonstrate public leadership and act as a “market maker” in many instances.

- 11) **Develop a “real” green purchasing program.** Initial government forays into this field have been encouraging, but limited. The Province should move beyond symbolic acts (such as the purchase of FSC certified paper) and ingrain climate-friendly purchasing within its entire supply chain. This can include:
- ✓ Purchasing energy from renewable sources;
 - ✓ Using recycled and alternative fuels in its fleets;
 - ✓ Ensuring its buildings are test beds of the latest environmental technologies;
 - ✓ Encouraging suppliers to adopt climate friendly policies;
 - ✓ Making sustainability, not merely lowest price, a factor in its contracting;
 - ✓ Introducing comprehensive recycling and organics capture at its facilities; and,
 - ✓ Adopting programs for its employees (e.g. car pooling, telework, environmentally-focused volunteering) that can be adopted by other Ontario workplaces.

8. **Moving forward to an age of true dialogue**

As government has slowly lost the capacity to create innovative policy in the past few decades, its role has increasingly become one of arbitrating between the proposals of different groups. While this is part of the democratic process, it often leads to governments of all political persuasions “opinion shopping” for those positions that benefit its goals. This also biases against smaller advocacy groups that may have excellent ideas, but lack access to decision makers and the resources to properly present their case.

If we are to move forward to address the challenge of climate change, we will need to hear from groups and interests at all levels in society and create a strategy that they can truly own and support. Establishing this consensus and maintaining it will be the key role for the Province as it creates and implements its climate change strategy. The status quo, of governments that consult, retreat behind closed doors, and then emerge to reveal a new set of policies, simply will not work with a challenge that is as important – and as potentially divisive – as climate change.

- 12) **Creating mechanisms for true dialogue.** The province should work with stakeholders of all sizes and backgrounds to create its climate change strategy. It should put a simple mechanism in place to fund those convening organizations that are too small to bear the costs of engagement. We would recommend that these “opportunity dialogues” be put in place across the province and be convened by reputable third parties with diverse networks so all organizations

can be equal partners in a two-way dialogue to create a solid climate policy.

A final word

Member companies of the Ontario Environment Industry Association (ONEIA) have been instrumental partners in helping the Province reach its past environmental milestones. Our firms helped put in place the measures that allowed us to combat acid rain and make the Blue Box program work in the 1980s. Our firms took the goals of the Montreal Protocol to combat CFCs to heart in the 1990s and found ways to control, recycle and phase out these substances. In the years since then, our members have been on the forefront of initiatives such as the response to Walkerton, the adoption of organics recycling, transit investment and expansion and a host of other environmental challenges. Ontario's international reputation for cutting-edge environmental technology and a growing number of firms that are engaging partners around the world are only the latest example of our leadership in this area.

As Ontario prepares to move forward to meet its most important challenge – the fight against climate change – our environment and cleantech companies are again ready to partner with the Province and other stakeholders.