Legislative Assembly of Ontario

Assemblée législative de l'Ontario

Official Report of Debates (Hansard)

Journal des débats (Hansard)

G-2

G-2

Standing Committee on General Government

Comité permanent des affaires gouvernementales

Cap and Trade Cancellation Act, 2018

Loi de 2018 annulant le programme de plafonnement et d'échange

1st Session
42nd Parliament

Monday 15 October 2018

1re session
42e législature

Lundi 15 octobre 2018

Chair: Dave Smith
Clerk: William Short

Président : Dave Smith
Greffier : William Short

Hansard on the Internet

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

Le Journal des débats sur Internet

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

https://www.ola.org/

Index inquiries

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7400.

Renseignements sur l'index

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7400.

Hansard Reporting and Interpretation Services
Room 500, West Wing, Legislative Building
111 Wellesley Street West, Queen's Park
Toronto ON M7A 1A2
Telephone 416-325-7400; fax 416-325-7430
Published by the Legislative Assembly of Ontario

Service du Journal des débats et d'interprétation
Salle 500, aile ouest, Édifice du Parlement
111, rue Wellesley ouest, Queen's Park
Toronto ON M7A 1A2
Téléphone, 416-325-7400; télécopieur, 416-325-7430
Publié par l'Assemblée législative de l'Ontario

ISSN 1180-5218

CONTENTS

Monday 15 October 2018

LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON GENERAL GOVERNMENT

COMITÉ PERMANENT DES AFFAIRES GOUVERNEMENTALES

Monday 15 October 2018

Lundi 15 octobre 2018

The committee met at 0900 in committee room 1.

CAP AND TRADE CANCELLATION ACT, 2018

LOI DE 2018 ANNULANT LE PROGRAMME DE PLAFONNEMENT ET D'ÉCHANGE

Consideration of the following bill:

Bill 4, An Act respecting the preparation of a climate change plan, providing for the wind down of the cap and trade program and repealing the Climate Change Mitigation and Low-carbon Economy Act, 2016 / Projet de loi 4, Loi concernant l'élaboration d'un plan sur le changement climatique, prévoyant la liquidation du programme de plafonnement et d'échange et abrogeant la Loi de 2016 sur l'atténuation du changement climatique et une économie sobre en carbone.

The Chair (Mr. Dave Smith): Good morning. Seeing that it's 9 o'clock, I think we`ll start. Today is the first session of the Standing Committee on General Government. We're listening to witnesses on Bill 4, An Act respecting the preparation of a climate change plan, providing for the wind down of the cap and trade program and repealing the Climate Change Mitigation and Low-carbon Economy Act, 2016.

Just a little bit of housekeeping to start off with: Most of what we're doing today has been directed by an order from the House. We have 10 minutes of presentation per group, followed by 10 minutes of questions. That is broken down to two minutes for the Green Party, four minutes for the NDP and four minutes for the Progressive Conservatives.

Seeing that we have three presentations this morning, we'll start with the NDP having the first round of questions, followed by the Green Party and then the Progressive Conservatives. For the second presentation it will be the Green Party asking the first question, then the PCs, then the NDP. Obviously, then, for the third one, the PCs would have the first question and Mr. Schreiner would have the last question.

I would ask that everyone please respect parliamentary language and make sure that there is nothing that is inflammatory that is said and that we are being as respectful as possible to everyone involved.

ONTARIO FRUIT AND VEGETABLE GROWERS' ASSOCIATION

The Chair (Mr. Dave Smith): Our first presentation is from the Ontario Fruit and Vegetable Growers' Association, if you could please come up. If you wouldn't mind stating your name for Hansard so that we have that on the official record. You have 10 minutes.

Mr. Jan VanderHout: My name is Jan VanderHout. I am chair of the Ontario Fruit and Vegetable Growers' Association.

Mr. Gordon Stock: I'm Gordon Stock. I'm the senior policy adviser on government relations for the Ontario Fruit and Vegetable Growers' Association.

Mr. Jan VanderHout: Good morning, honourable committee members. Thank you for inviting us here to discuss Bill 4.

The Ontario Fruit and Vegetable Growers' Association represents Ontario's fruit, vegetable and greenhouse vegetable farmers. Our members strive to grow fresh, high-quality food, contributing to healthy eating, food security and economic goals across the province.

Our sector includes more than 3,500 family-run farms that employ over 30,000 people directly on farm. For every on-farm job it is estimated there are 2.2 created downstream, or almost 100,000 jobs combined.

Ontario Fruit and Vegetable Growers' members span the province, growing dozens of different crops. Apples, grapes, strawberries, carrots, potatoes and ginseng are just a few examples. In greenhouses, our members grow fresh tomatoes, cucumbers and peppers year-round. Greenhouses also grow plant seedlings before being transplanted for field production.

While the majority of our sector's output is consumed fresh, we also support a significant processing industry that makes Ontario field-grown vegetables, wine and cider available all year long.

Fruit and vegetable production drives Ontario's rural and urban economies by generating more than $4.2 billion in economic activity annually, along with an estimated $600 million in combined tax revenues for all levels of government.

Ontario's fruit and vegetable farmers compete with global producers for domestic and export markets that demand low-cost, quality produce.

Fruit and vegetable exports from Ontario total over $1.5 billion annually, almost half of which is generated by the greenhouse vegetable sector.

As a greenhouse farmer who grows over 30 acres of cucumbers near Waterdown, Ontario, I feel I am particularly well positioned to discuss the impacts that cap-and-trade has had on the fruit and vegetable sector. In short, the additional costs on food production have been a burden to farmers in the entire value chain.

The proposed legislation represents an opportunity for an orderly wind-down of the cap-and-trade program to address the increased costs that Ontario businesses have faced over the past two years.

The existing cap-and-trade program represented increased costs to fuel, equipment and climate controls for wash, packing and storage facilities, and heat for greenhouses to support year-round food production in this northern climate.

During 2017, the Ontario Fruit and Vegetable Growers' Association commissioned a study that looked at three significant government policies that were increasing costs to our farmers: minimum wage, cap-and-trade, and electricity. The study estimated that the cap-and-trade program would add an additional $55-million cost to Ontario's fruit and vegetable farmers, representing a reduction in profitability of 2.5%. Perhaps this reduction in profitability does not seem significant; however, looking deeper, the study showed that, on average, the industry operates on margins of approximately 12%. When averaged, 9% of operating expenses went to pay for energy costs before the introduction of cap-and-trade; today, it is estimated that that number has increased to at least 12%.

As producing vegetables in greenhouses requires energy for year-round production, the picture is even more stark. During our review of 22 financial statements from nine different farms over a period from 2011 to 2017, natural gas alone accounted for 16.8% of operating expenses. Of course, this amount varies based on weather conditions and natural gas pricing.

The impact on this sector is not just limited to the farm; energy costs for all businesses involved in the value chain have increased. From packing and storage to trucking and processing into value-added products, all businesses are experiencing tighter margins.

Why are higher costs such a problem for fruit and vegetable production? The issue is that fruit and vegetable farmers are not in the driver's seat when it comes to how their products are valued. The price paid to farmers is driven by global production and consumer demand for low-priced, safe, quality food.

While we export over $1.5 billion in fruits and vegetables each year, Ontario also imports approximately $5 billion worth of produce. My competition is not the greenhouse located down the road or even in British Columbia. My farm competes with greenhouses in the United States and the vegetable producers—indoors and outdoors—in Mexico, growing crops year-round. Prices for Ontario product have not increased, because our global producers can continue to produce at the same lower cost. Those producers do not have equivalent carbon costs to Ontario and are further advantaged by longer growing seasons and cheaper labour.

Our sector's goal is to be competitive, to contribute to our nation's food security and to make the significant contributions to the economy and maintain the jobs I mentioned earlier. To reiterate, we support the repeal of the cap-and-trade program. The costs created by it are unsustainable for Ontario's fruit and vegetable farmers.

However, we do support the development of a carbon reduction strategy and we want to be a part of the solution. Agriculture, after all, is one of the most impacted industries when it comes to climate change. Significant weather events, temperature extremes and inconsistent rainfall all lead to changes in disease and pest prevalence and other issues for planting and harvesting quality fruits and vegetables. In fact, the reliance of this sector on energy to grow, store and deliver fruits and vegetables to market incents farmers to innovate and improve their energy efficiency. Significant investments have been made over time by farmers to keep their energy costs low. This trend began long before the increased costs from cap-and-trade. These investments have been a necessity to keep our farms financially viable.

The reality is that producing food using modern technologies in our northern climate requires energy use; however, the government could help with the adoption of energy-efficient technology, investments in emission reduction, and the development and adoption of best practices to support emission reductions and carbon sequestration.

My final comments are related to the federal carbon tax backstop. While the federal government has had the foresight to exempt many fuels used for agriculture, the exemption does not go far enough. Fuels for heating and cooling are not exempt, but represent a significant expense for many farmers, particularly greenhouse operations. While we have been working with the federal government to expand their exemption, progress has recently stalled and we are unsure of their current position. In this regard, we look to the Ontario government for support to ensure that the federal carbon tax does not further impact the competitiveness of Ontario food production.

Thank you again for your attention to this important matter. I welcome any comments or questions you have.

The Chair (Mr. Dave Smith): You still have two minutes left, if you would like to say anything more.

Mr. Jan VanderHout: I'll pass, thank you.

The Chair (Mr. Dave Smith): Okay. We'll start, then, with the NDP. Mr. Tabuns.

0910

Mr. Peter Tabuns: Thank you very much for the presentation—much appreciated.

The impact of the federal carbon tax program: Will it be more substantial? Will it provide you with heavier costs than the current cap-and-trade system here in Ontario?

Mr. Jan VanderHout: I think that the federal taxes—and I'm winging it here a bit; maybe Gordon can help me—I think it's set to engage at $20 per tonne, which would be $2 more than what cap-and-trade was, but it ramps up to $50 per tonne by 2022.

Mr. Peter Tabuns: So it would have been less expensive to stay with cap-and-trade for next year than to go to the federal backstop?

Mr. Jan VanderHout: At the rate that cap-and-trade was initially, but cap-and-trade was projected to ramp up as well.

Mr. Peter Tabuns: I understand that, but in the coming year, will you be paying more in federal carbon taxes than you would have paid in cap-and-trade?

Mr. Jan VanderHout: I think the answer is yes.

Mr. Peter Tabuns: Okay. Thank you. Fair enough.

In your analysis, I'm sure you think that we have to take action on climate change. You noted that in your commentary. How should government raise the money necessary to make the investments to reduce our emissions?

Mr. Jan VanderHout: That's a very good question. We`re kind of caught in the middle, because there is the aspect of where can the money come from, but the same can be asked: When you extract the money from the fruit and vegetable industry, where do they get the money from? So yes, we're kind of caught in the middle of that.

One of the issues with the cap-and-trade model—and any carbon tax—is when the money is then used to support growers who have not been innovative. On our farm, in particular, we're very conscience about our environmental footprint, and so we're constantly innovating and integrating the latest technologies to be as energy efficient and environmentally friendly as we can be. So when there's incentives from cap-and-trade, for example, they're inaccessible to us, often because the technologies that are available have already been adopted.

Also, the issue comes that, the way the green fund was structured, we could only get back a portion of the money that we had already invested into—or spent, not invested, even—that we had already spent in the cap-and-trade model. I know that's not a direct answer to your question, but I don't have an answer to it directly.

Mr. Peter Tabuns: Okay. But going back to the statement you just made, if a company had made no previous investment, unlike you, would they not be putting a lot more into Green Ontario because they would be paying more for energy?

Mr. Jan VanderHout: They would be putting more in. I don't know if I would go so far as to say "a lot more."

Mr. Peter Tabuns: Okay. You make a fair point that you've made heavy investments; some other operations haven't. They benefit more from the operation or benefit more from this program than you do. How would you suggest that be addressed in the structure of a bill?

Mr. Jan VanderHout: I think the solution for that is to support the work or the savings that's being achieved. If you have energy-saving measures in place that cut your fuel consumption by 20%, then that's how you're rewarded, as opposed to saying, "You only get support for projects that you implement after this date in the future and once you get approval."

Mr. Peter Tabuns: So retroactive support is what you're—

Mr. Jan VanderHout: Retroactive support—and not retroactive for just anything, but specifically for the things that are within a certain realm. Dehumidification, just to pick something out of the fair: If dehumidification is the key there, then give people incentives retroactively for that particular savings.

The Chair (Mr. Dave Smith): I'm afraid I have to cut you off at this point.

Mr. Peter Tabuns: Okay. Thank you very much. I really appreciate it.

The Chair (Mr. Dave Smith): Mr. Schreiner.

Mr. Mike Schreiner: Thank you, Mr. VanderHout, for the efficiency of your words and giving us a few extra minutes.

I want to ask you a bit about the efficiency of your operations. I think your point about efficiency makes a lot of sense: How do you cut your operating costs and, at the same time, you're then cutting your greenhouse gas emissions? Are there specific ways in which government can support you in helping you make energy efficiency investments that would save you money, reduce your costs and reduce the amount of your greenhouse gas emissions?

Mr. Jan VanderHout: Again, it's very difficult to put a real target on that because it's kind of like predicting the future. What will be the right answer next year? I don't really have that answer. I don't have a crystal ball.

In terms of encouraging the adoption of clean energy, I understand—and this goes back to Mr. Tabuns's question about how we can raise the funds to support farms, because if it just comes out of the general purse, there's a challenge there too. At the same time, if you're taking it out of one of our pockets and then giving us half or a third of it back in the other pocket, that's not working either. So financially, it's very difficult. I think encouraging us to understand what the opportunities are, through extension staff helping us to see what technologies are available, oftentimes—and this is partly why, on our farm in particular, we are always cutting-edge on efficiencies because we're aware and because it saves money. It makes good business sense.

Mr. Mike Schreiner: Absolutely. Do you think most vegetable growers are aware—

The Chair (Mr. Dave Smith): I'm afraid—

Mr. Mike Schreiner: Oh.

The Chair (Mr. Dave Smith): I'm sorry.

Mr. Mike Schreiner: Thanks, Mr. Chairman.

Mr. Lorne Coe: Thank you both for your deputation. I want to come back to part of your discussion about the impact of the cap-and-trade program on your profitability and overall competitiveness in the trading market. You cited a couple of figures, one of which was 2.5%, and then I heard a dollar amount as well. I'd like you to elaborate on the effect that the cap-and-trade program had on, again, your competitiveness across all sectors of the province. In my own riding, I have vegetable growers and I know, anecdotally, that the impact has been significant, but I'd like you to talk a little bit more specifically, please, to the impact.

Mr. Jan VanderHout: As a specific—it's always based on calculations because, as we all know, the cap-and-trade cost is buried in our natural gas bill, in our diesel fuel bill and in our gasoline bill. We don't really see it as a direct line item. It's a little bit more of a calculation of how much fuel is consumed, and then you can dial out from that what the cost impact is.

Because the cap-and-trade cost is linked to the actual carbon, it varies. It doesn't penalize someone for using diesel fuel. The amount of carbon you produce heating with diesel versus with natural gas would be similar. The cost to get natural gas, of course, is much lower, so the percentage of increased cost because of cap-and-trade is a much higher percentage because the fuel cost is much lower.

In terms of the impact, that is not the devastating blow; it's the combination of the cost of cap-and-trade, labour costs' sudden rise and the cost of electricity. It's when you compile all these things and then you add to that the component of regulation and our requirements to meet environmental standards, which our competitors often don't have to do. When you add all these things together, that's what really crushes us. So it isn't only cap-and-trade.

Mr. Lorne Coe: All right. Thank you for your answer.

Chair, through you to MPP Hogarth, please.

Ms. Christine Hogarth: Thank you very much for both being here today.

Just to follow up on MPP Coe's question, you mentioned that the cap-and-trade program has resulted in increased costs for producers and growers, such as labour costs and electricity. Oftentimes we find that these costs are downloaded to the consumer, making it more expensive to put food on the table, and often that affects the most vulnerable in our society. Do you find that producers are encountering increased costs in production, and could you elaborate further on how that has affected businesses in Ontario?

Mr. Jan VanderHout: It has had an impact on our cost of production. As it stands now, we have not been able to extract that from the consumer. Sometimes people say, "Well, you should be able to pay more." I'm actually happy to pay more if I can pass that along to my consumer. Ideally, we work on a margin, so the more I pay, the more I'm getting paid, the more my profit is as well. That's not a whole bad thing. In the last two years, we have not been able to get more from the marketplace. Right now, the cost to the consumer hasn't been an issue at all; it's the cost to the producer. We've been bearing that whole load. Quite frankly, I think we will lose production, because as time goes on and the profitability has declined if not altogether disappeared, people will just give up. They'll plant corn or soybeans, and the vegetable production and the fruit production will decline.

0920

The Chair (Mr. Dave Smith): Thank you, Mr. VanderHout. That concludes the 20 minutes that we have allocated for you.

DEMARCO ALLAN LLP

The Chair (Mr. Dave Smith): Our next scheduled presenter is Elisabeth DeMarco, but I don't believe that she is here at the moment, in which case we will switch to Greenpeace Canada and come back to—

Interjection: She just walked in.

The Chair (Mr. Dave Smith): Thank you, Ms. DeMarco. You have 10 minutes for your presentation, and then there will be 10 minutes of questions, starting with Mike Schreiner from the Green Party.

Ms. Elisabeth DeMarco: Thank you very much for your patience and for being here and providing me with your attention. I know you've come from a long legislative election and are very intent on pushing forward with good policy.

In that line, I have three points I'd like to make in relation to Bill 4. The first is in relation to the associated targets and the plan. The second is in relation to the compensation scheme itself that's outlined in the bill. And the third is in relation to the eligibility list.

With those three points in mind, let me first start with the purpose. It's my strong view, based on 20 years of history in and around climate policy both domestically and internationally, acting for governments of all policy bents, of all prescriptives, that climate is an absolute imperative we must act on now, and that good climate policy is actually extraordinarily good for the economy, for labour, for people in general.

With that in mind, there are a number of options to achieve low-cost emission reductions to facilitate adaptation to a changing climate that you may wish to consider in a plan. Certainly, a number of programs across the country have taken different approaches. We have been very involved in Saskatchewan's approach, facilitating something quite different than what we've seen federally or provincially to date, but nonetheless very meaningfully in facilitating real emission reductions that are the lowest-cost emission reductions, that allow for flexibility and ensure that we have action now in response to a changing climate.

So that purpose is something I'd encourage you to consider. It provides for real emission performance standards applicable to industry and associated compliance flexibility. That approach globally—and I can speak globally to you—has worked to facilitate low-cost emission reductions, to facilitate job growth and to facilitate meaningful change in a manner that is very appealing to the general populace. So I would encourage you to look at approaches that facilitate emission performance standards, that allow for compliance flexibility, and to do so urgently.

Second, in relation to the compensation scheme outlined in the bill, I'm sure it's simply an oversight at this point, but the scheme as drafted appears to reward those who have not complied with the legislative intent, those who have emitted more and purchased less emission reductions, and penalized the most prudent and diligent entities that have already purchased emission reductions to match their actual emissions. In doing so, it creates winners and losers.

As a result, the committee and the Legislature may wish to consider very carefully requiring entities that do not have sufficient emission reductions—or allowances or units—to purchase them from a pool that is available for those who have over-complied, in effect. In doing so, the overall cost to government, payable in the form of compensation, should be lower. You're saving the people of Ontario money, you're ensuring those who emit pay, and you're also ensuring that those who did not comply are not getting a windfall advantage. That's my second point.

My last point for you, subject to your questions, is in relation to the actual eligible entities that may apply for and obtain compensation. Currently, your eligibility list in and around sections 6, 7 and 8 of the bill exclude market participants from eligibility for compensation. Market participants are those entities that signed up to participate in this scheme. I'm sure, again, it's simply an oversight, but it may actually exclude mandatory participants, those who were required to comply with the scheme, from compensation, and this is why. The legislative scheme requires entities to comply with both a purchase limit and a holding limit on a corporate-wide basis. Many parent corporations that had four, five or six corporate subsidiaries complying had to ensure, on a corporate-wide basis, that they were complying with those limits, so they did so through a separate corporate entity that applied as a market participant purchase and held the allowances for all subsidiary compliance entities. So you've got corporate entities that are acting diligently, that are complying with the laws and the limits on purchasing and holding, that are now excluded because they did that through an efficient corporate vehicle. This is something you should think of very carefully as you're going forward with the bill and should no doubt correct to ensure that all entities are treated fairly.

With that, let me reiterate three points. The first is in relation to the purpose. Climate change requires meaningful action now, and I believe that you have the opportunity, with the potential plan in front of you, to pursue an approach that works for the government but also works to provide meaningful emissions reductions that are beneficial economy-wide and to the people. Second, the compensation scheme can be done efficiently by ensuring that that overhang in emission allowances is not forgone and is certainly brought to good use. Third, the eligibility list should in fact be amended to ensure that those who are diligent and complying are not in any way disadvantaged by their actions.

Those are my comments, and I'm very open to your questions.

The Chair (Mr. Dave Smith): You still have two minutes and 10 seconds, if you want to continue with your comments.

Ms. Elisabeth DeMarco: I'd actually prefer to take those two minutes and 10 seconds in questions, if that's feasible.

The Chair (Mr. Dave Smith): That's unfortunately not—we're not able to do that. It would be 10 minutes of questions.

Ms. Elisabeth DeMarco: I'm happy to go into detail on any of the one aspects, and will. In particular, in relation to the purpose of the plan, there are a number of elements that are quite beneficial. Plans that we've seen be very, very useful have linkages to international markets. Saskatchewan's plan does have an international market linkage and allows for funds to flow into the jurisdiction, not just out of the jurisdiction—a very important source of capital. It also has mandatory disclosure for reporting issuers. Public companies that are publicly traded on the stock exchange are notionally required to comply with the Canadian Securities Administrators' recommended disclosure obligation on all financial corporations related to climate financial disclosure. That has been very beneficial.

0930

In particular, recently we've seen that facilitate a green bond issuance in the province for your electricity generator that attracted four times the requisite level of capital that they sought. Why? Because the associated assets were green and were attractive and were supported by good corporate disclosures. These are no-cost/low-cost, very simple measures that allow for capital to flow into the province and jobs to be created and that encourage the associated growth that you're looking to see through the province.

The Chair (Mr. Dave Smith): Thank you. We'll start with Mr. Schreiner from the Green Party.

Mr. Mike Schreiner: Thank you, Ms. DeMarco, for being with us today. I have two minutes in my questioning, so I'd like to give you an opportunity to elaborate a bit more on your recommendations to be on the record of low-cost emission reduction solutions that create jobs.

Ms. Elisabeth DeMarco: Certainly there are a number of flexibility mechanisms that we often see associated with an emission performance standard that allow for green growth and, actually, regular growth because of the nature of how they stimulate innovation in the province.

The flexibility mechanisms we see in Saskatchewan have the ability to trade surplus emission credits, so if you actually do better than your emission performance standard you may, in fact, trade those amongst entities who do not have the same level of ability to comply on a smooth trajectory of capital flow.

You have the ability to purchase offsets. Particularly in Saskatchewan, they're looking at the agricultural sector, which is a very significant emitting sector—about 24% of their emissions. Here, you have your associated transportation sector.

One of the beauties of Ontario—you may not realize just how green your electricity system is. You are among the world's very, very best. Your emissions performance standard is about 32 kilograms per megawatt hour. You beat France. You beat the cleanest jurisdictions in Europe by far. If you can get that clean electricity into sectors that have growing emissions, such as transportation, you've got huge green job growth opportunities. We're seeing this in and around electric vehicles and associated infrastructure. Local distribution companies are looking at installing associated infrastructure—

The Chair (Mr. Dave Smith): Thank you.

The Progressive Conservatives? Ms. Khanjin.

Ms. Andrea Khanjin: Thank you for your comments. I was listening very attentively and taking copious notes as well. You mentioned Saskatchewan and how they built in a made-in-Saskatchewan model by making sure that they do not harm their agricultural sector, which makes up 24%, as you just noted.

You've alluded to a few other things in terms of the wind-down of the program. I know that when the wind-down was first announced it was made very clear that those people who would qualify for the wind-down and not, in terms of different sectors—speculators would not qualify—and that part of the compensation package is basically that the government would have to evaluate the number of emissions that have been reduced and compare that with the amount of carbon emission credits that were purchased. That's how the orderly wind-down would work and the compensation package would work. That was made very, very clear by the minister when he did make the announcement.

I wanted to say, because we've been very clear in terms of how the wind-down is going to work and those individuals who would qualify and not qualify, do you believe that the other side of the plan, which was the Liberals' plan, was lacking in financial disclosure, and can you elaborate as to why or why not?

Ms. Elisabeth DeMarco: Sorry, lacking in financial disclosure?

Ms. Andrea Khanjin: Yes.

Ms. Elisabeth DeMarco: In terms of the Task Force on Climate-related Financial Disclosures?

Ms. Andrea Khanjin: Right.

Ms. Elisabeth DeMarco: There is no provision in the current plan that mandates public disclosure in and around the form of climate-related financial disclosure. Since the plan was first implemented, the Canadian Securities Administrators have come up with recommended guidance in and around the Bloomberg and Mark Carney Task Force on Climate-related Financial Disclosures. That is being adopted in many corporations as best practice. Certainly, any jurisdiction that is looking at making that mandatory, I think, is doing their economy a service, not just environmentally but also economically. There is significant potential to have a low-cost/no-cost benefit by simply mandating that eyes are open, that reporting occurs on a regular and formulaic basis. It's very, very useful.

Ms. Andrea Khanjin: When you say it's very useful—can you elaborate as to why i's so important to make sure that there is proper financial disclosure?

Ms. Elisabeth DeMarco: The basic tenets of the TCFD are in relation to corporate leadership, ensuring that you're accurately assessing risk. In certain instances, we've seen corporate leaders who haven't been seeing climate-related elements as risk get caught back on their heels with those risks.

But it's not just a story about risk; it's a story about opportunity.

In relation to the opportunities that come from having good financial disclosures, it allows for, in certain instances, the issuance of green bonds, for example, and attraction of capital that in turn turns into jobs in Ontario. These are very, very important elements to stimulate economic growth in general. Often we think of green jobs as, "Oh, I'm going to install windmills." There is much more breadth and depth to what we're talking about in terms of employment opportunities that could result from good growth associated with appropriate disclosure.

The Chair (Mr. Dave Smith): Ms. Bell.

Ms. Jessica Bell: The UN recently came out with a report recommending that we have 12 years to do everything we can to keep our emissions—so that we can have a 1.5-degree maximum temperature increase. Do you have a recommendation for what Ontario's emission reduction plan should be?

Ms. Elisabeth DeMarco: I do, and let me speak to the fact that I've been involved with the UN and the IPCC for about 17 years now and I take part in the annual negotiations.

I think, in particular, optimize the assets that you have right now. As I said, you've got the most fantastic electricity system. You've got great low emissions. Get that electricity into other sectors, number one—emitting sectors: buildings, transportation.

Number two: Look at elements of renewable natural gas. Capture the methane that we're now emitting. There are a number of traditional utilities that would love a mandate in and around that. Methane has a 25-to-1 bang for the buck. Every molecule of methane you reduce is like reducing 25 molecules of CO_2. So a renewable natural gas standard is very useful.

Similarly, mandatory climate-related financial disclosures—it really costs nothing. It allows the industry to transition over time to get to that high level of disclosure obligation.

These are very important elements.

Looking at other elements associated with an emission performance standard for industrial emitters—I will say this: If you don't do it, it will get done to you. If you don't do it, it will get done to those emitters in a way that's less elegant, that's less particularized for your jurisdiction and does not have the requisite flexibility that works in an Ontario context.

Those four elements look at an overarching approach to emission reductions, but what shouldn't get lost, as well, in your plan is adaptation. One of the key elements of Saskatchewan's plan is that it includes a resilience target. And resilience doesn't just look at emission reductions; it looks at: How is the natural environment doing? How is our infrastructure doing? How is our economy doing? And how are our communities doing?

0940

They put the four together in a mechanism to come up with a resilience target that gets re-examined on a regular basis, so if any one element is out of whack, there is balance. And in that way, the plan is sustainable, and politically sustainable.

The Chair (Mr. Dave Smith): Mr. Tabuns?

Mr. Peter Tabuns: Ms. DeMarco, thanks for the presentation today. Do you know if Ontario received funds from the other WCI participants? Did we have a net inflow of carbon allowance money?

Ms. Elisabeth DeMarco: I can't speak to the accounting or inflows and outflows of money, but certainly to the best of my knowledge based on entities that are active, it was fairly reciprocal in terms of the buying and selling that went on among the two other WCI jurisdictions.

Mr. Peter Tabuns: And you talked about the—

The Chair (Mr. Dave Smith): I'm sorry; I have to interrupt. The time has come.

Mr. Peter Tabuns: No problem, Chair. Thank you.

The Chair (Mr. Dave Smith): Thank you very much.

Ms. Elisabeth DeMarco: Thank you, Mr. Chair.

GREENPEACE CANADA

The Chair (Mr. Dave Smith): Our next presentation is from Greenpeace Canada. If you could come to the table and announce who you are for the Hansard, please.

Mr. Keith Stewart: Good morning. My name is Keith Stewart. I'm a senior energy strategist with Greenpeace Canada. I'm also a part-time lecturer at the University of Toronto, where I teach a course on energy and environmental policy. Some of my students were actually doing submissions to the EBR as their class assignment for the course.

I want to thank you for inviting me here today to discuss what I consider to be the most important thing in the world: action on climate change. The urgency of that action was made clear in the recent report from the Intergovernmental Panel on Climate Change, which found that limiting warming to 1.5 degrees compared to 2 degrees would have "clear benefits to people and natural ecosystems."

Unfortunately, we're currently on track to have warming of at least 3 degrees this century, possibly more, and that would have devastating impacts.

As policymakers, you only have three things you can do in response to this. You can undertake measures to reduce greenhouse gas emissions, to limit the rise in temperature and thereby limit the total amount of damage. That's what scientists call "mitigation." That's like the second chapter of the IPCC reports.

Secondly, you can increase the resilience of communities and ecosystems to the climate impacts from the warming we don't manage to avoid. Because Ontario has already warmed by 1.6 degrees, some additional is locked in. That's what's called "adaptation," although it's also important to note that adaptation has its limits. At a certain point, at certain levels of warming, it's impossible to manage.

Basically, we want to manage the warming we can't avoid but avoid warming that is unmanageable.

And the third option, the one that's usually not listed, is to suffer. We will suffer from climate impacts that we do not avoid or aren't able to manage. And like every other place in the world pretty much, Ontario and Canada are going to do all three. We are doing all three; we will do all three. But the policy choices that we make, that you make as legislators, will determine the relative mix.

The more we do to reduce our greenhouse gas emissions and to build more resilient communities, the less we will suffer. Conversely, a choice to abandon or delay action on mitigation and adaptation—as I believe is the case in the current version of Bill 4, the Cap and Trade Cancellation Act—is a decision to maximize suffering.

Based on the documents filed in response to Greenpeace's legal challenge of the regulation that closed the cap-and-trade market, it's clear that there was no assessment of what this measure would mean for our environment or the broader economy.

Under the Judicial Review Procedure Act, the government is required to file in court a record of the proceedings that informs the decision that's being challenged and, if I may quote from those documents, "In this case, the decision at issue was not the result of any proceeding but simply a decision of the minister's delegate."

I think the previous presenter noted some of the areas where this has some problems with the way people are defined in terms of who gets compensation.

But given the scale of the threat posed by climate change to our future and even to our present, we need to do better. Therefore, Greenpeace Canada urges this committee to follow the advice of Ontario's Environmental Commissioner and amend Bill 4 to:

—establish long-term greenhouse gas reduction targets in the law;

—set those greenhouse gas reduction targets at a level consistent with Ontario doing its fair share towards achieving the Paris climate agreement target of keeping warming well below 2 degrees, with an aim of 1.5 degrees; and

—establish an independent, non-partisan and evidence-based expert committee to propose consecutive five-year carbon budgets, which lead to compliance with the long-term emission reduction targets.

While this is not in the commissioner's report, on behalf of Greenpeace I would like to urge you to withdraw the government of Ontario's legal challenge to the federal carbon pricing program, and to build into Bill 4 a commitment to spend all the revenues from the federal carbon pricing system on climate mitigation and adaptation programs.

Thank you very much. I'm happy to take questions.

The Chair (Mr. Dave Smith): Thank you. You still have five minutes if you do want to talk more.

Mr. Keith Stewart: I was originally told I had five minutes so I tried to time it for that.

So, when I say "suffer," that's going to happen all around the world, and there is some that cannot be avoided, although we can try to mitigate it. Ontario is one of the richest places in the world. We have much greater capacity to deal with climate change than many other places. We've historically had a much greater contribution to climate change.

This province has taken some really good actions. I spent eight years of my life campaigning for a coal phase-out. If you remember in 2003, every party in the Legislature—and one that wasn't—supported the phase-out of coal plants. They just disagreed on the timing.

I think something like establishing these carbon budgets—which is proposed by the Environmental Commissioner; it's a system used in the United Kingdom—is a good way to set those long-term goals to make it much more concrete. You have an independent science body that's advising on this—but ultimately, of course, legislators make the decision on what those budgets are—that leads towards the achievement of reduction targets. That's regularly monitored to see whether or not the government is achieving its goals. This is a type of thing we need to build into legislation so that it can survive.

Again, just to come back to the Environmental Commissioner's report, one of the remarkable things in the UK that my UK colleagues don't always fully appreciate is that governments have changed but the commitment to action on climate change has not. Whether it's Conservatives, whether it's Labour—the Conservative government has actually taken remarkable measures to reduce greenhouse gas emissions, and coal emissions are now lower in the UK than they were at any time since the Industrial Revolution.

Our challenge right now is that taking action too slowly is just another way of losing. Carbon stays in the air. We can try to pull it back out later, but that's expensive. We don't even know if that's going to work. We need to take action now to reduce greenhouse gas emissions drastically. That means we have a low-carbon electricity system. If we can start electrifying transportation, and electrifying heating and cooling—we have the technologies for those—we can actually become world leaders in that area. We can be exporting those technologies to other places, that know-how. There is a lot of capacity within Ontario to do this.

We import all of our fossil fuels. Reducing fossil fuel consumption is good for Ontario's economy. We're going to be importing less energy; we would be exporting more of our energy and know-how. There are huge advantages to this.

I used to say of climate change that I was doing this for my kids. Actually, when you look at the hurricanes that have been hitting recently, like the one that hit the Carolinas, the scientists are saying it dropped 50% more rain because of global warming. We've always had hurricanes, but they are becoming supercharged.

We've seen these flash floods here in Toronto, which are devastating to infrastructure. They cost a huge amount of money. That's a real cost.

The wildfires that are becoming more intense and more frequent as the boreal dries up—that has a real cost to our economy. It has a cost to our ecosystem. It has a cost to our communities.

I think you have an opportunity here to amend Bill 4 to build in some of these types of things and to make sure that Ontario doesn't take a step back. Right now, we are sort of eliminating the climate plan with nothing to replace it. We should be giving some guarantees that there will be continued action on climate change. I'll stop there.

0950

The Chair (Mr. Dave Smith): Okay. We'll start with the Progressive Conservatives. Mr. Kramp or Ms. Khanjin?

Mr. Daryl Kramp: Thank you very much. Mr. Stewart, we heard from the previous witness, actually—she spoke in a way that demonstrated as well that Ontario has paid some price. Ontario has had some success. Is there always more to do? Of course. But I would like to just put it into a little bit of perspective. Do we have a problem? Yes. But globally do we have a problem, nationally do we have a problem? If there is a perception out there that Ontario isn't doing anything or its part, I would like to pose a question to you on that: Do you dispute the fact that Ontario's greenhouse gases have dropped by 22% since 2005, while the rest of Canada went up 3%?

Mr. Keith Stewart: As I said, Ontario has done things. The coal phase-out was a big chunk of that. It was the largest single reduction by policy measure in North America. But if you're reading the IPCC report, they say that we need to reduce emissions globally by 50% by 2030 and get to net zero by 2050.

Mr. Daryl Kramp: Right. The point I would like to make, though, is that Ontario has taken some action and is continuing to take action. Do you dispute the fact that Canada's emissions declined by just 1.5% while Ontario's have dropped 20% in that same time period?

Mr. Keith Stewart: Ontario, as I said, has done a lot. Let's not go backwards on that. Let's continue to be a leader.

Mr. Daryl Kramp: I think you just demonstrated my point by agreeing to that, which I think we all agree on: Ontario has been a leader. Does that mean we don't have further obligations and responsibilities to tackle? I certainly would agree with you that there is no end to trying to deal with this problem. But in dealing with this problem, we can't just say: "Well, you're the only problem." When we take a look at our energy sources, when we take a look at the massive amount of vehicles we have on the road, we can't just take the vehicles off the road and suggest that everything is going to be electrified in the next six months.

What I would like to see from your organization, quite frankly—and I do agree with some of your points—but I do think you need to be part of the solution, not just a critical condemnation of what has gone on. In moving forward, we have a very, very challenging situation, and technically extremely difficult. But if you would like to present to this committee at some particular point suggestions on where we can incrementally make steps that would be a benefit to this province, but certainly to the nation and to this planet, this committee would welcome them.

Mr. Keith Stewart: I think those are fair points. I think if you're saying: "Is there more to do?"—the question is how much more. That's why it's important to embed targets in legislation and have those carbon budgets down to meet them so people know what it is and industry and citizens know the direction we're heading in and have that long-term certainty.

With regards to solutions, yes, I know we're not going to change all the vehicles in six months. But if you look at what other jurisdictions are doing, they're saying things like, "Okay, we are going to make it illegal to sell internal combustion engines—powered by gas or diesel—by 2025, 2030, 2040." It varies depending on the jurisdiction—

Mr. Daryl Kramp: Well, that's wonderful. Let's just take all the vehicles off the road and get rid of the combustion engine in the next five years, and we don't have a problem anymore.

Mr. Keith Stewart: Yes, but what they're—

Mr. Daryl Kramp: No, no. Let's deal with the realities of the situation. We need solutions, granted, but we have to have reasonable, doable solutions that are going to accommodate the realities of mankind, our economy and the needs of the people. Try to talk to people in our area, in particular. I have people that have to drive 150 to 200 kilometres just to work. You're going to suggest that they're not going to have a combustion engine to do that?

Mr. Keith Stewart: So what those things are saying is that they're sending that signal to the market that at a certain point, you're not going to be able to sell these anymore. That doesn't mean all the internal combustions come off the road at that moment—

The Chair (Mr. Dave Smith): Thank you.

Ms. Bell?

Ms. Jessica Bell: Has Greenpeace Canada done some kind of analysis on the impact of climate change—1.5-degree, 3-degree warming—on Ontario and Ontario's economy?

Mr. Keith Stewart: The work of the Ontario climate adaptation committee—I might not quite have that right—but there was an expert committee and then sort of a working group formed that has been doing that type of work. They have a website and lots of great resources.

Actually, Carbon Brief just put out today—they're sort of a think tank—looking globally at what 1.5, 2, 3, 4 degrees means. We can take a lot of that down to the Ontario level, but it's not always that fine-grained, although the adaptation group has been working on that.

But the overwhelming message is that the benefits of action outweigh the costs of action; that inaction results in harms to our economy and our communities that are, in some cases, an order of magnitude larger than the costs of making those changes.

The Chair (Mr. Dave Smith): Mr. Tabuns.

Mr. Peter Tabuns: Mr. Stewart, it was suggested that you wanted to take all the cars off the roads in Ontario tomorrow. Is that your position?

Mr. Keith Stewart: No. What we're saying is that we should make a commitment to—similar to California—a zero-emissions vehicle mandate. A certain percentage each year have to come from electric or other technologies that are zero emissions. That increases over time up to a point where you can no longer sell internal combustion engines. I think the technology is there now. It's improving rapidly. Battery technology is going the way that computers and solar panels did. Price is dropping rapidly and performance is improving.

Because Ontario already has such a low greenhouse gas grid, when you electrify transportation, starting, I would say, with public transportation—China is shifting all of their buses to electric. Because they run so much, it's a huge saving in fuel costs for them and a massive reduction in air pollution.

Mr. Peter Tabuns: So you're talking about a transition away from internal combustion engines or gasoline/diesel cars over decades. Is that correct?

Mr. Keith Stewart: Yes, but we need to start now and move aggressively.

Similarly, on things like home heating and cooling, we need to start so that new buildings being built after a certain point—I would say, 2025—should be net-zero buildings, where they're producing as much energy as they're using. We have the technology to do that now. Other jurisdictions are moving in this direction, so we wouldn't be alone in this.

Mr. Peter Tabuns: No, I appreciate that. There's a very interesting set of photos you can see, showing the number of cars on Wall Street in 1902 and the number of cars on Wall Street in 1913. What was predominantly horse-drawn in 1902 was predominantly automobiles a decade later. I'm assuming that you're suggesting the kind of transition here that we saw at the beginning of the 20th century, one that's hopefully more rapid—not a banning of cars, but a transition that's fairly quick in order to meet our climate goals.

Mr. Keith Stewart: I know some guys who work in car plants in southwestern Ontario who would love to build those electric vehicles.

Mr. Peter Tabuns: Yes, I think they would, without a doubt.

The abolition of the cap-and-trade program here in Ontario: Did you see cap-and-trade as an efficient way of reducing emissions?

Mr. Keith Stewart: Yes. The Ontario program, which had a relatively low price—compared to, for instance, what the federal backstop price is—but then, by law, had to spend all of that money on other measures to reduce emissions, was actually quite effective. I think the Environmental Commissioner's report said that it was working and it was on track to achieve the targets. It wasn't as ambitious, wasn't going as far as—

The Chair (Mr. Dave Smith): Thank you.

The last two minutes go to Mr. Schreiner.

Mr. Mike Schreiner: Thank you, Mr. Stewart, for being here today. Can you elaborate on why you believe it's important to have climate targets in legislation versus just in regulation or some other form?

Mr. Keith Stewart: In jurisdictions where they have them embedded in legislation, they tend to be more durable, and also, business views them as more durable and they make business decisions appropriately. Most business people will tell you, "Just tell me where we're going and I'll go there, and I will make money doing it."

Basically, with legislation and independent monitoring, there's more faith that we're going to meet those reduction targets. Canada has a long history of setting targets and not meeting them—at the federal level, certainly. Ontario, however, has at least met its targets. By embedding those in legislation, they can't be changed on a whim, and they also have greater transparency for citizens to evaluate how their governments are acting on their behalf.

Mr. Mike Schreiner: I'm guessing that I have very limited time. Can you just quickly say why you think it's important to establish a carbon budget and balance that carbon budget?

The Chair (Mr. Dave Smith): About 40 seconds.

Mr. Keith Stewart: I would say, "Read that chapter of the Environmental Commissioner's report." I think she lays it out well. But what it does is that, just basically, you have this independent body that is giving government advice on how to do this, what is achievable, and what the ramp-up rates can be for these things. You can then take that advice or not, but it's a good way to make public policy.

Mr. Mike Schreiner: Do you think balancing that budget carbon-wise will be essential to balancing our budget financially as well?

Mr. Keith Stewart: The carbon deficit is going to have a bigger impact on the government deficit than anything else because of the damage. Cleaning up after disasters is expensive.

The Chair (Mr. Dave Smith): Thank you very much.

Mr. Keith Stewart: Thank you.

The Chair (Mr. Dave Smith): This is the end of the presentations for this morning. We'll be recessed until 3 o'clock this afternoon.

The committee recessed from 1000 to 1500.

The Chair (Mr. Dave Smith): Seeing as it is 3 o'clock and we don't have any extra time built into the schedule, we'll get started.

We are here for Bill 4, An Act respecting the preparation of a climate change plan, providing for the wind down of the cap and trade program and repealing the Climate Change Mitigation and Low-carbon Economy Act, 2016.

We have a number of presentations today. Each presenter has 10 minutes as an opening statement. Then there will be 10 minutes of questions divided up: two minutes for the Green Party, four minutes for the NDP and four minutes for the Progressive Conservatives.

For the first set of questions, because not all of the NDP members are here, we will start with Green Party, then go to the Conservatives, then to the NDP. We'll continue on that type of a rotation all the way through.

CANADIAN PROPANE ASSOCIATION

The Chair (Mr. Dave Smith): Could we have the representatives from the Canadian Propane Association please come forward, and state your name for the record, please.

Mr. Dan Kelly: My name is Dan Kelly.

Ms. Nathalie St-Pierre: My name is Nathalie St-Pierre.

The Chair (Mr. Dave Smith): You have 10 minutes.

Mr. Dan Kelly: Good afternoon, committee Chair and members of the Standing Committee on General Government. My name is Dan Kelly, and I am the chair of the Canadian Propane Association. I am also the chief financial officer for Dowler-Karn Ltd., located in St. Thomas, Ontario. I'm here today with our president and CEO of the Canadian Propane Association, Nathalie St-Pierre.

The CPA is the national association for Canada's propane industry. In Ontario, there are over 100 members of the 450 members of the CPA, including producers, wholesalers, transporters, equipment manufacturers, retailers, distributors and associated sectors and financial services. We have over 140 large storage facilities and 817 small storage sites across Ontario.

The propane industry provides direct employment for over 2,000 families, with labour income worth $115 million in Ontario and with many of those jobs located in rural communities. As well, our industry supports the jobs of many more in those communities through our economic activities. The propane industry also provides over $128 million to the province of Ontario in tax revenues every year.

Many of our Ontario CPA members operate family-run businesses in small towns and rural communities across Ontario. They form the very fabric of the communities in which they live. They volunteer their time, they donate to local sports teams and, most importantly, they create good, long-term, well-paying jobs in those communities across the province.

Approximately 100,000 Ontario households and businesses rely on propane as their primary and affordable source of heating fuel. Not only that, propane is also used in commercial, transportation, industrial and agricultural applications across the province.

Propane has the largest network of alternative fuelling stations in Ontario, with over 100 locations as part of a network of 1,800 across Canada. In fact, almost half—about 45%—of all propane used in Canada is used right here in Ontario.

Ontario's CPA members welcome the opportunity to participate in the consultation on Ontario's proposed Bill 4 to wind down the cap-and-trade program and prepare a new climate change plan. Ontario's CPA members appreciate the government's rationale in cancelling the cap-and-trade carbon market.

We also think it is critical that the government of Ontario demonstrates a real commitment towards creating a fair and level playing field in terms of policy development, where the propane industry can be a full contributor in providing affordable energy and reducing emissions while maintaining and creating jobs in Ontario.

In the past 10 years, CPA members have submitted proposals that would have provided important contributions to the government's environmental solutions. Instead, our industry was pushed aside and ignored by policy-makers in favour of other clean energy technologies that are presently still in the early stages of development and will continue to take considerable amounts of time, resources and financing to fully implement.

Previous environmental policy initiatives enacted by the former government excluded the propane industry and overlooked CPA's proposals, which fundamentally created an unfair and uneven playing field by picking favoured energy sources as the winners, with the consumers of the province of Ontario, who were denied a real choice, being the losers.

The propane industry recognizes that we all need to do our part to reduce greenhouse gas emissions and collectively face our environmental challenges. The CPA supports the proposal to cancel the cap-and-trade carbon market and the preparation of a new climate change plan. That said, the CPA represents propane industry members who have invested heavily in developing costly new systems, establishing new processes and hiring human capital to ensure compliance under the former carbon market. Several members have made long-term investments to purchase and secure emission allowance credits.

The repercussions of the cancellation of the cap-and-trade carbon market on some of the CPA members have been very significant. Because our industry is significant to the province of Ontario, we are seeking to better understand how and what will be proposed to move forward and to restore and compensate our Ontario members as a result of the cancellation.

I will now turn it over to Nathalie to present our analysis of Bill 4.

Ms. Nathalie St-Pierre: Thanks, Dan.

In presenting our submission, the CPA considers the following as an essential value in developing public policy, in particular the new climate change plan: It is to ensure a level playing field with no exceptions, no exclusions and that all participants be treated fairly. Certainly, we are also wanting to ensure that the open-for-business agenda is upheld.

We support the proposed legislation because Ontario's environmental policy development needs a fresh reboot. We think that consumers should be at the centre of the decisions and encourage consumer choice. We are looking for a positive economic benefit, including in rural and remote areas. We believe that that was left by the wayside. We believe that we should achieve green initiatives while growing the economy.

In terms of section 3(1), on the targets: We understand the need for the Ontario government to determine targets. We are of the view that the targets must be based on actual CO_2 emission footprints, that the current data that was used was not up to date and that we need to use Canadian data to do that. Furthermore, if a levy is imposed, it has to be predictable and with minimal administrative burden.

On section 4: We're talking about a climate change plan and the advisory panel. We support the minister's requirement to prepare a climate change plan. For the purpose of preparing the plan, we're hoping that the propane industry could be part of the advisory panel to make sure that we provide a market-based perspective in terms of policy development. We do have concrete proposals that would support considerably reducing GHG emissions in Ontario.

On sections 6, 7 and 8, on the cap-and-trade instruments: As Dan indicated, we have invested severely in those systems. We are a bit concerned in terms of adequate compensation for our members. We certainly would want to see that we have further discussions to make sure that the investments that were made are compensated to our members.

Over all, we believe that there should be full inclusion and participation of the propane industry in the development of the new climate change plan, there should be fair and adequate compensation, and targets should be based on actual CO_2 emission footprints and be predictable in terms of the system that will be deployed.

The Chair (Mr. Dave Smith): We'll start with Mr. Schreiner for questions.

Mr. Mike Schreiner: Thank you, Mr. Chair, and thank you to the Canadian Propane Association for being here today. I really appreciate it.

I was looking through your recommendations, and in one of them you suggest that any policy instrument should be market-based, which I agree with, actually. Most economists have suggested that the best market-based solutions are either a carbon tax, a carbon levy or cap-and-trade. Do you have a preference of which market-based solution you think would be the most cost effective and effective in terms of achieving our climate targets?

Mr. Dan Kelly: For myself, and I can speak on behalf of the company I work for as well as the association, any sort of levy needs to be an administratively reduced burden. Secondly, it also needs to be clearer as to what the consumer is paying. With the cap-and-trade program, every company had a different levy and nobody really knew how much they were paying in cap-and-trade fees. Those two things need to be considered. Thirdly, there needs to be a clearer trail of the revenue coming into the programs that it's supporting, and the programs you're supporting need to have as little administration as possible.

1510

Ms. Nathalie St-Pierre: Yes, and from our experience across Canada, obviously we have some members who are subject to the BC tax model, which is a lot more predictable.

Mr. Mike Schreiner: Right. Thank you for that.

If I have a bit more time, Mr. Chair, you talked about making sure your members are made whole, particularly the ones who have made investments. Another presenter earlier today suggested that as well. Can you just elaborate a little bit on that for the committee?

Mr. Dan Kelly: There are a number of companies that have made investments in credits and have made investments through the auction process in buying credits to take them through to the rest of this calendar year and that are now going to be short millions of dollars because those credits are now stranded and won't be funded. But in the process of the cap-and-trade program as was laid out before and they were operating within, that was what they needed to do—

The Chair (Mr. Dave Smith): Thank you.

Mr. Dan Kelly: Oh, my apologies.

The Chair (Mr. Dave Smith): Ms. Kusendova.

Ms. Natalia Kusendova: Thank you for your presentation. I just wanted to briefly go back to the transportation discussion we were having this morning. Many green initiatives funded through the cap-and-trade program provided little value for money. Most of these initiatives benefited a small number of wealthy insiders, and there were no checks and balances in place. The previous government wrote cheques that they simply couldn't cash.

Our government is committed to restoring accountability and trust. We are going through a line-by-line audit of government spending to curb government waste and only invest in initiatives and technology that provide the best value for money to the taxpayer. As the minister mentioned this morning, climate change is real and we are addressing it with a made-in-Ontario plan, a plan which has balances between a healthy economy and a healthy environment, of course.

We've heard many stories about struggling Ontario families which had to choose between heating and eating, especially during the winter months. So can you elaborate further on how cap-and-trade impacted your industry in particular?

Mr. Dan Kelly: How it impacted our industry? It created an increase in costs not only for the members in our industry that had to register as part of the program, and that was a cost in human capital, in computer systems, in development processes to be able to support it, but also in trying to speculate the future buying of credits that they were going to need for the coming period. There was a great deal of investment that was made.

The cost to consumers was dubious—I shouldn't say "dubious." It's a poor word. It was unclear because each company cut their own cost basis for cap-and-trade and it wasn't clear in the price what people were paying. It was an input cost on production, which meant that the prices were increased, but nobody knew exactly how much. So it was difficult in that regard for our members.

Ms. Natalia Kusendova: You mentioned that 45% of propane used in Canada occurs here in Ontario.

Mr. Dan Kelly: Correct.

Ms. Natalia Kusendova: Can you explain why in all of Canada, Ontario consumes almost half of Canada's propane usage and elaborate on how the elimination of cap-and-trade will affect these numbers?

Mr. Dan Kelly: Absolutely. There's a great number of Ontarians who are currently heating their homes with propane. The propane not only heats their homes; it heats their water. It provides the fuel for cooking their meals, drying their clothes and all sorts of purposes. Ontario has the biggest concentration of people, along with Quebec, that are using it for home heating.

Ms. Nathalie St-Pierre: If I may add, propane is used also because wherever natural gas is not accessible, propane is the fuel of choice.

Mr. Dan Kelly: Correct.

Ms. Nathalie St-Pierre: It's very affordable, transportable, reliable. So that's part of the reason why it's used a lot in Ontario.

Mr. Dan Kelly: Yes, and the large agricultural sector in Ontario as well uses a great deal of propane.

Ms. Natalia Kusendova: You also mentioned that you'd like to see the establishment of a joint government-industry committee. Can you tell us what the committee would look like and how the joint industry—yes.

Ms. Nathalie St-Pierre: On the matter of the compensation—

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Nathalie St-Pierre: —we need to think about how, the compensation. So we would like to be involved, because our members have been paying. On the climate change plan, we would like to also be involved to bring some ideas on the policy level and on the programs.

Mr. Dan Kelly: We believe we have solutions.

Ms. Nathalie St-Pierre: Yes.

Ms. Natalia Kusendova: Thank you.

The Chair (Mr. Dave Smith): You still have 15 seconds.

Mr. Amarjot Sandhu: Thank you for your presentation and comments. How can Ontario better position itself in the winding down of the Ontario cap-and-trade program to ensure predictability for propane producers, wholesalers, transporters and retail businesses operating in the province?

The Chair (Mr. Dave Smith): I'm afraid we don't have time for you to answer that question.

Mr. Arthur.

Mr. Ian Arthur: Thank you very much for your presentation. You talked a little bit about—you used the word "fairly" a couple of times—the creation of a level playing field. Can you elaborate on that a bit? What was un-level about the previous playing field and what needs to be done differently in the new regime?

Ms. Nathalie St-Pierre: I'll give you an example on the fuel side for transportation. There have been some programs financing the electrification or natural gas, whereas propane was totally ignored in spite of the representations that we made and in spite of the fact that McMaster came out with a study proving that propane was very efficient in reducing GHG emissions in the transportation sector after a pilot project that had been done in Ontario. That's where we think the policies and the choices that were made were unfair and were picking the fuels. Whereas there's already a network for propane to supply on the transportation side, there's nothing on the natural gas side, and yet the money was going to develop that. We felt, especially for rural areas where there's no natural gas, it was totally unfair and it was not a practical solution.

Mr. Dan Kelly: The green commercial vehicle program was a prime example.

Ms. Nathalie St-Pierre: Yes.

Mr. Ian Arthur: Just to follow up on that: Do you know what other jurisdictions are doing in this area to promote propane use? Is there any potential harm to business in Ontario if you are not caught up with the other jurisdictions, if you don't have the support to be on the same playing field?

Ms. Nathalie St-Pierre: You mean in terms of propane usage?

Mr. Ian Arthur: Propane use on a global scale in other jurisdictions and where they're going with it.

Ms. Nathalie St-Pierre: It varies from province to province.

Quebec is looking at implementing a program on the fleet side. Obviously, on the home side, the residential side, given the hydro there, it's a different approach.

If you look out west, in Alberta, for instance, natural gas is everywhere. We think here in Ontario there's more of an issue because there is going to be more expansion of natural gas—at what cost and who's going to be paying for that?—whereas propane could be playing a significant role.

So it varies from province to province. But the level playing field is to make sure that, economically, consumers are getting a good choice with a reliable fuel that is low-emission.

Ms. Jessica Bell: Can you elaborate a little bit on the administrative costs of participating in the cap-and-trade program? Do you have an estimate of the amount of money that was spent or the amount of time that was spent?

Ms. Nathalie St-Pierre: It depends on each of the different players in our industry. If you had marketers, whether you're a retailer or a marketer—some of our members had to hire people full-time just to manage that. Then you have to develop the software. You have to make sure you have contracts signed with upstream suppliers. So depending on the size and depending on the market in Ontario and whether you're importing the product—

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Nathalie St-Pierre: I think that those are the types of costs, obviously varying from different companies and the size of the companies. Some have lost a significant amount of money.

Mr. Dan Kelly: You also had a number of companies who had to put out capital in the form of letters of credit to be able to purchase credits going forward. To be able to purchase those at the auction, you had to tie up capital that could be used for investment elsewhere.

The Chair (Mr. Dave Smith): Thank you very much for that.

INTERNATIONAL EMISSIONS TRADING ASSOCIATION

The Chair (Mr. Dave Smith): Our next presenter is the International Emissions Trading Association. I would ask each of the members to please flag me before you start to speak so that I can introduce you, so that Hansard gets who is speaking.

Please introduce yourself to us.

Ms. Katie Sullivan: My name is Katie Sullivan. I'm the International Emissions Trading Association managing director. Thank you very much for inviting me here today to discuss Bill 4 and the climate change transition in Ontario. I also come to you as a proud Ontarian, born and raised. I've lived here all my life. So our home's evolving direction on climate change and climate change action strikes a special chord both personally and professionally.

1520

About IETA: For nearly two decades, IETA has been the global business voice on climate markets and finance. Our non-profit represents members who face, or know the inevitability of facing, greenhouse gas regulations. They are also companies who see and leverage the opportunities that are associated with decarbonization.

We represent many businesses with investments and operations across Ontario. These are companies providing jobs and value creation across the province. They're from the energy, industrial, manufacturing and financial sectors. They're also providers of greenhouse gas data assurance and certification: engineering firms, law firms, asset managers, analytical groups—the list goes on.

Our mission is about harnessing the power of markets through smart, balanced policy design and how these tools can drive measurable greenhouse gas outcomes at least cost to business and households. We believe such measures should form the backbone of Ontario's climate action to 2030 and beyond.

Before sharing a few quick global highlights—and I see that you all have the slides in front of you—and then specific remarks related to Bill 4 and the transition, I'd like to make something very clear in order to avoid any confusion: Flexible, environmental market instruments like Ontario's cap-and-trade system are not taxes or levies; they are markets. These are commodity markets with tradable assets, assets holding compliance and financial value. Think of them like any other commodity market: power, coal, gas, wheat, soybeans. For years, the low-cost nature and efficiencies of markets have spurred business engagement to tackle a variety of environmental issues, from acid rain and ozone-depleting substances to leaded gasoline and now, increasingly, carbon.

Please think of these discussions today and future discussions around Bill 4—the transition, the climate plan—through the lens of pursuing a sound market transition rather than through dismantling a tax. We believe there are definitely ways for Ontario to proceed in a fair, orderly and adaptable manner.

So, why markets and flexibility? With markets come profit incentive power. This motivates companies and other stakeholders to uncover smarter, more efficient ways to reduce emissions. Offering carrots, not just sticks, sparks technology innovation, clean investment, new jobs and skills.

Markets also attract multiple sectors of the economy to join in the solution. This means rural communities. Farmers, foresters, cities, waste managers—they can all now realize, or could realize, new revenue streams and voluntarily engage in the market.

Regulated companies also embrace markets because of their inherent compliance flexibilities. These are measures that keep compliance and overall program costs low. They can be designed to manage competitiveness and investment leakage concerns. They also give industries the ability to gradually transition while remaining in compliance, adopting strategies and technologies that work best for their operations, consumers, supply chains and planning horizons.

A few quick words on the international context, because I think it's really important, and I hope all of you do too: When you discuss climate change and competitiveness and markets, you simply cannot ignore what is happening beyond our borders. Many macroeconomic and policy trends will impact Ontario either positively or negatively, depending on the pathways we choose to take, or not take, on decarbonization.

When you look at the 50,000-foot level, times have dramatically changed for climate policy. The international Paris Agreement that unites every jurisdiction in the world—while, yes, the Trump administration is aiming to walk away from Paris, every other nation on earth plans to implement it. With Paris's 2020 start date around the corner, momentum is building. We're less than two months away from the next UN climate negotiations. In Katowice, Poland, in December, all parties are going to congregate and land on—are supposed to land on—the Paris rulebook. This is the implementation of the Paris Agreement. These are very important times. Many of Ontario's trade partners and competitors are moving. They're moving fast. Their policy settings are tightening, and most of them areusing or are planning to use pricing and co-operation—markets—to reach their climate targets or ratchet up ambition. Some opt for markets for lower-cost abatement options. Some opt for markets for that driving-in of clean finance to decarbonize their economies inside their borders.

If you look at your slides quickly, and this will be very quick, I cannot—maybe during discussion. These are IETA's and the World Bank's slides. You'll see that 195 countries have submitted targets. There are different types of targets: absolute target, business-as-usual targets or below-business-as-usual, and intensity-based climate change targets post-2020. That's on slide 2.

On slide 3, what you see are all of the countries that have chosen to use market instruments—these are pricing tools and co-operation—in order to meet their target or, again, ratchet up the level of climate ambition.

Slide 4—now we drill down—is the World Bank's latest carbon-pricing map. What you see on this map are all the national and subnational jurisdictions that are pricing carbon and that are using markets. This includes China, South Korea, Japan, Europe—the list goes on—New York, Colombia. Note the different shades. There are different degrees of the rainbow of carbon pricing here. It's not a purist landscape. It's not just tax or cap-and-trade. You have emission performance standards; you have hybrids—there are all sorts.

Now, getting to Bill 4 and some of the key messaging: "Our government continues to stress that Ontario is open for business." IETA applauds and supports this sentiment, but, in recent months, how the province has moved in dismantling the cap-and-trade and related programs and communicating this has been perceived as rushed and challenging. Some of these actions have already undermined confidence in Ontario as being "open for business" across industry, investors and trade partners.

All of these players are carefully watching today's process and the consultations. So the exact scale and the types of the damage and the cost—including potential litigation, because I know it comes up—we're still living through this. We don't know what it looks like yet, because we're still moving through it. These are important decisions to make on Bill 4: how things are cancelled, the type of compensation approaches, the transition plans. We hope that the process seizes the options in the future and happens in a fair, transitional way.

On transition and compensation: Under cap-and-trade, you had hundreds of Ontario businesses and non-Ontario businesses that acted responsibly to comply with enforceable program requirements. They were investing in measurable carbon-reduction activities, investing in a market they considered reliable and acting on the basis of existing law. These businesses should not be penalized for prudent compliance behaviour. Companies and their market behaviour should be fairly considered and properly quantified and assessed by the government.

The proposed compensation formula and framework language in sections 7, 8 and 9 fails to reflect the true circumstances and costs incurred by a range of program participants who purchased instruments in good faith. Program participants who acquired sufficient surplus instruments to cover their attributed emissions would be treated the same as participants holding insufficient or deficient instruments than what are required to cover their attributed emissions. Despite both scenarios being deemed acceptable and legal under cap-and-trade, this proposed approach clearly tilts the competitive playing field in favour of those who were waiting to purchase instruments.

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Katie Sullivan: Buying instruments in advance of the CP1, the compliance first deadline of November 2021, were prudent decisions by certain companies. Reality does not mean that companies were "playing" the market; in fact, the opposite was true. These companies were behaving as market participants should and do, via planning and hedging, which, again, is what we see daily across commodity markets. We strongly oppose the exclusion of market participants from receiving compensation.

The Chair (Mr. Dave Smith): Thank you.

Ms. Katie Sullivan: Thank you very much. I look forward to your questions.

The Chair (Mr. Dave Smith): Mr. Sandhu.

Mr. Amarjot Sandhu: Thank you, Mr. Chair, and thank you for the presentation.

Do you know how much money Ontario taxpayers were losing to California through the cap-and-trade program, and can you please explain why Ontario saw this loss?

Ms. Katie Sullivan: Under the linked system, you had imports and exports of all of these units, right? They were fully fungible units that were crossing the borders, so you can't actually quantify—based until June 2018, when things got shut down or frozen—the amount that was exported, let's say, from Ontario taxpayers to California. We also hadn't reached the initial linked period—compliance period—for that program.

1530

Mr. Amarjot Sandhu: Your association speaks of improving the credibility and functionality of today's carbon market. What do you believe is lacking, and do you believe that this was part of the reason that Ontario saw such a substantial loss? Do you then agree that the previous plan was not sufficient and needs to be improved?

Ms. Katie Sullivan: If there was more time, I definitely would have gotten into some additional information around modifying. So not "baby out with bathwater" here; there absolutely were areas that the existing program, the cap-and-trade system, could be improved on, and I do think that there are elements of this that could be modified in order to be a part of the new climate program: continuing the use of flexible compliance and trading, and opening the tent to these other players for revenue streams like offsets. How the revenue was used, not used and communicated: I think that there was definitely some room for improvement there, and I think that that was also a challenge for buy-in into the broader program.

That's only a few brief—there's more in our submission.

Mr. Amarjot Sandhu: Sorry, do we still have time?

The Chair (Mr. Dave Smith): Yes.

Mr. Amarjot Sandhu: Okay. In our platform, we have committed to investing in technology for environmental gains. Do you support our platform commitment to invest in technologies to help combat climate change?

Ms. Katie Sullivan: I would not be a champ on this if I didn't believe that technology investment was absolutely critical to this. You cannot have no support for technology, innovation and development, including R&D, in a robust climate plan, so that is absolutely supportive, and there are many ways in which to drive that through different policy elements: some that already exist and some that could be baked into a future plan.

Mr. Amarjot Sandhu: Thank you.

The Chair (Mr. Dave Smith): Anyone else from the Progressive Conservative Party? Okay, then we'll go to Ms. Bell.

Ms. Jessica Bell: Thank you for your presentation. Do you have a recommendation for a set target for GHG emission reductions for Ontario, if there happens to be a new climate plan?

Ms. Katie Sullivan: We do not, as a group, suggest either exact cap setting or target setting, but we do believe that economics should run through the decision of what is reasonable, along a reasonable time frame and definitely open to existing 2030 targets and beyond for climate change. I think that what's critical is that these targets be communicated very clearly and transparently, as soon as possible, to the broader community stakeholders and business.

The Chair (Mr. Dave Smith): Mr. Arthur?

Mr. Ian Arthur: Thank you very much for your presentation. Do you have any projections of potential lost economic activity if Ontario does not participate in market-based solutions to climate change?

Ms. Katie Sullivan: Market off the table entirely?

Mr. Ian Arthur: Yes.

Ms. Katie Sullivan: All markets off?

Mr. Ian Arthur: Well, carbon markets off.

Ms. Katie Sullivan: Well, once you unravel, unpeel the onion, you start to see how much potential damage there is. Certainly from the actual carbon as a commodity with value to those participants, primary and secondary markets, there is that loss. There are also the lost investments, planned investments, co-benefit-type investments around the projects that were really banking on the revenue stream coming in from the cap-and-trade auction, right?

Mr. Ian Arthur: Yes.

Ms. Katie Sullivan: Lisa DeMarco, earlier today, might have mentioned the task force on climate financial risk disclosure and investors around the world who are looking for right-environment settings to put clean investment into that. I do fear that without any market or underpinning quantified approach to planning, scenarios and targets, Ontario would really be at a loss.

Mr. Ian Arthur: And then, just separately: Do you know, if we look at somewhere like California, a jurisdiction like California, what percentage of their successful reductions are due to the cap-and-trade model and which are regulatory? Is there a breakdown of that at all?

Ms. Katie Sullivan: There are various analyses that have come out, including California's recent 2030 scoping plan. It is challenging to truly gauge what the break-up is. I say that because, with the cap-and-trade system in California, it almost acts as a backstop because you have a lot more of these prescriptive and, quite frankly, more expensive, in some ways, overlapping policies: a low-carbon fuel standard, a renewable portfolio standard. So it is challenging to see what the market is really driving versus what these other supplementary measures are driving.

Mr. Ian Arthur: Okay. Thank you. Do you have anything else?

The Chair (Mr. Dave Smith): Mr. Arthur again?

Mr. Ian Arthur: No, I'm okay.

The Chair (Mr. Dave Smith): Are you done? Okay. Mr. Schreiner.

Mr. Mike Schreiner: Thank you for your presentation. I have two minutes, and I'm hoping to get in two questions. The first is: You're the second one to present today that the compensation model in the bill is unfair to certain market participants, which I'm assuming exposes Ontario to significant legal risk. Can you expand on how we could mitigate our legal risk through changes to the legislation?

Ms. Katie Sullivan: By allowing market participants to be eligible for compensation, market participants who currently, based on the formula in the draft legislation, are not eligible for compensation, although they did, in good faith, participate in this market and play really important roles. As these intermediaries, these providers of liquidity in a market, they really worked to drive capital in the market. So a failure to adequately and fairly compensate this group of entities would definitely open the door for legal battles.

Mr. Mike Schreiner: You opened with that there are a number of low-cost, market-based solutions. Given your international experience, can you share with us what you think best practices are around the world for low-cost, market-based solutions?

Ms. Katie Sullivan: Again, my world is those worlds, and so—

The Chair (Mr. Dave Smith): Thirty seconds.

Ms. Katie Sullivan: —it's tough. There really is no one-size-fits-all, and that's the thing. There are best practices, depending on the region and the economy, with the industrial and emissions profile that you're dealing with.

One thing is for sure: We are big believers—again, obviously, on the trading bit—in allowing for trading and allowing for offsets. I think those are almost part and parcel of at least all of these co-operative trading regimes that we see. There's some kind of flexible compliance mechanism. There are some types of offsets—

The Chair (Mr. Dave Smith): Thank you.

Our next presentation, then, is the Ontario Public Health Association, if they are here. Is there anyone from the Ontario Public Health Association? I'll ask a third time: the Ontario Public Health Association?

ONTARIO TRUCKING ASSOCIATION

The Chair (Mr. Dave Smith): We'll move on, then, to the Ontario Trucking Association. Could you please—

Mr. Stephen Laskowski: We're on time.

Mr. Mike Schreiner: Always on time?

Mr. Stephen Laskowski: Always.

The Chair (Mr. Dave Smith): —please state your name. And before you start, I'd like to remind members again: Please, before you ask your question, give me a nod or a hand wave or something so that I can announce you so that Hansard knows who is speaking.

Thank you very much. If you could start by introducing yourself.

Mr. Stephen Laskowski: Stephen Laskowski, president, Ontario Trucking Association.

Thank you for having me here, Mr. Chair and members of the committee. I'm hoping I get the rest of their time as well, but I'll proceed as normal.

Just a little bit about the Ontario Trucking Association and who we are: We are almost entering our 100th year of operation, and we're very proud of that. We were founded in 1926, and people, long before me, the presidents of this association, have come down to Queen's Park to represent our industry and work towards a progressive industry for close to 100 years. We're proud of that and want to continue to work towards solutions that make sense for Ontario and Ontarians and our industry.

OTA is made up of small and medium-sized carriers—that is the bulk of our membership. We represent about two thirds of the freight on the road, but make no bones about it, we do represent a substantial number of small and medium-sized businesses, along with the major trucking firms across Ontario.

Just some fundamentals about trucking so you understand the perspective we bring to the table from a business standpoint. Trucking operates on two fundamental principles: It is hypercompetitive and extremely slim margins. For example, operating ratios in class I railways would run about 0.63 to 0.65. A good operating ratio in our industry is 0.95, which the railways would never look at. That doesn't reflect our mismanagement; it in fact represents our strong management techniques with regard to competing in a very, very hypercompetitive industry.

1540

With regard to consumer products and our ability to make the supply chain efficient, the Conference Board of Canada recently noted that 87% of the productivity gains that our industry is able to manage, we pass along down the supply chain, meaning our goal, obviously, is to be profitable, but also to make Ontario open for business and successful for business. We're proud of that. But also keep in mind that Ontario is a hub. It is a trading hub for not only Ontario and the rest of Canada, but for North America. That means we compete on an international basis. That means that we compete with US trucking companies coming up here for north-south trade. Policies that impact us that do not impact those carriers are important for consideration.

From an environmental perspective, I think we need to keep some fundamentals in mind as we proceed with these discussions. One, the trucking industry is not married to the diesel engine. It is our choice because it is our only choice. Long-haul trucking moves by diesel engines and will for the foreseeable future, not because we lack the ingenuity or the time, or the manufacturers to invest in that technology, alternatively; it is just currently not available for long-haul trucking. The bulk of emissions are from long-haul trucking, and the bulk of your constituents who rely on trucking rely on long-haul trucking and diesel engines.

With regard to regulations and with regard to the freight industry, compared to the air, rail and marine modes, we are the only freight mode industry that uses mandatory engines regulated both from an air quality perspective and a carbon perspective. That is reality. Since the 2000s, every truck that rolls off the line, beginning in 2010, the series, is what the Environmental Protection Agency in the United States and Environment Canada referred to as a near-zero-emission engine. What that means is that the air quality coming out of those stacks, when they're maintained properly and come off the factory, is cleaner than most urban centres. That's not my talk; that's reality.

With regard to carbon emissions, our engines, our trucks, our trailers, all highway-spec vehicles have been regulated since 2014. From a carbon perspective, in another round of emission regulations from the EPA and Environment Canada that came out in 2018, finalized—it will be rolled out over a period of seven years. What does that mean? It means 100 million metric tonnes when that rule is finalized and all the technology comes online, which is the equivalent of our industry removing 22 million passenger vehicles from the road.

I want to emphasize that our industry is proud of our environmental record. It has cost us billions of dollars in capital acquisitions and maintenance. We are doing our part, as we should, operating vehicles on the road with regard to air quality and greenhouse gas emissions.

With regard to carbon pricing and its impact on trucking behaviour—and I think any time you introduce a policy, it is behaviour you're trying to change. As I emphasized earlier, we do not have an alternative to diesel engines.

The trucking industry's economic goals to reduce operating costs, with fuel being our second-leading cost next to labour, are completely aligned with the mission to reduce carbon emissions. With trucking being so hyper-competitive, a fleet's need to control fuel consumption is not only prudent from an environmental standpoint, but from an economic survival standpoint as well.

Making diesel more expensive through carbon pricing does not educate a fleet on the need to conserve fuel, nor does it incentivize it to switch from a diesel engine, since there are no viable technological alternatives. With GDP being so choppy between Canada and the United States, US truck makers and truck operators facing no similar carbon tax situations with regard to fuel and the escalating nature of a carbon tax or a carbon pricing system moving forward in the future, this uncertainty caused us much concern.

Since fuel price increases will not yield an additional environmental benefit generated by our sector, Bill 4, which reduces this price escalation through the elimination of the carbon pricing tax system, is a welcome relief to the Ontario Trucking Association and its members.

As stated, OTA believes the trucking industry must continue to do its part in reducing carbon emissions and improving air quality. Repealing the Ontario cap-and-trade system will allow OTA and the government of Ontario to develop, discuss and implement a cost-effective and environmentally effective, made-in-Ontario plan. OTA suggests the government consider the following environmental measures that will strike a balance between the economy and the environment, ensuring businesses do not get caught in the unintended consequences of government carbon reduction plans while still leaving future Ontarians with both a prosperous and clean province for decades to come.

We've broken down our measures into three subject areas: federal-provincial co-operation measures; Ontario Ministry of Transportation measures, meaning Minister Yakabuski would most likely have the authority; and Ontario Ministry of the Environment measures, which would fall under Minister Phillips.

Quickly, federal-provincial co-operation measures to explore:

Support the continued development and support of phase 2 Environment Canada regulations to reduce carbon emissions from heavy trucks.

Work with Ottawa to accelerate the capital cost allowance rates for trucking equipment, similar to how environmental equipment for manufacturing is treated, in order to accelerate the benefits of the 100 million metric tonnes of carbon reduced through the phase 2 regulation.

OTA would like to work with the federal and Ontario governments and truck and engine manufacturers to develop a road map to look at and examine suitable technologies and fuels as well as a real investment—not just a tax—to shift the industry away from diesel engines to more operational engines when they are in line.

Support the Canadian Trucking Alliance's request for anti-tampering provisions in CEPA, the Canadian Environmental Protection Act, for heavy truck emissions control technology—a key point if you want to impact the environment for trucking.

Request Ottawa to make speed limiters mandatory on all trucks from coast to coast. You have, in Ontario and Quebec, speed limiter regulation. I'll talk about that in a second.

Lastly, continue to champion weight parity between GHG-reducing, wide-based single tires and dual tires. In laymen's terms, that's just one big tire that's more fuel-efficient versus two that are—

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Stephen Laskowski: Thirty seconds?

Ontario ministry measures:

—Expand the LCV network.

—Support electrified truck stops so there are more rest areas for trucks to park and not idle.

—Support the MTO speed limiter enforcement that will slow down trucks and provide them with more enforcement.

—Introduce strong roadside scale enforcement of truck-tampering.

—Explore additional mechanical/visual inspections, annual inspections—

The Chair (Mr. Dave Smith): Thank you.

Mr. Schreiner.

Mr. Mike Schreiner: I'm first, eh? Okay. Thank you, Mr. Chair, and thank you for your presentation and for the long list of recommendations. I appreciate that.

I'm curious if you have any preferences in the types of tools we use to reduce carbon pollution, as long as they apply equally to domestic and non-domestic trucks, so no one gets a competitive advantage or disadvantage based on the tools we're using.

Mr. Stephen Laskowski: I think we have one in the sense of federal regulation of our equipment. From a federal standpoint and from a sectoral standpoint, we clearly have a plan and cost and investment strategies ready to move forward that are effective.

With regard to Ontario specifically, the government of Ontario already, quite frankly, released a statement two weeks ago that we applauded, which was, "Let's look at other areas in the trucking industry that we as a province control with regard to enforcement," such as looking at tampering of environmental equipment.

So I would say, from a regulatory standpoint, pricing diesel fuel higher isn't the way to go because it offers us no choice. From a regulatory standpoint, the federal government has issued that, and it's competitive on both sides of the field because it's on both sides.

1550

So moving forward, it's a matter of what this government has just outlined, which is working with our industry to make sure that the small minority of carriers who are out there tampering with environmental equipment are dealt with, and the vast majority of trucking companies, that are making the investment in the maintenance, aren't caught in a situation where they're paying for something they shouldn't.

Mr. Mike Schreiner: Do you have any concerns that if we take a regulatory approach, that might increase your costs in ways that don't affect people outside our jurisdiction?

Mr. Stephen Laskowski: That was our concern with—

The Chair (Mr. Dave Smith): I'm afraid we're out of time for that question.

Mr. Stephen Laskowski: Okay.

The Chair (Mr. Dave Smith): Ms. Hogarth.

Ms. Christine Hogarth: Thank you very much for being here today. I really appreciate it. I was very interested in your deposition. As a representative of the Ontario Trucking Association, you help the people, the families. You bring goods to them every day. I'm just wondering if you can talk about some of the things that make up the goods that you transport to everyday people.

Mr. Stephen Laskowski: If you look around this room, everything in this room was on a truck at one point in time. As I always remind, whether it's government representatives or the media, it's six degrees of separation. I guarantee you that everyone in this room has a family member or a friend who is in our industry and who helps move products—whether our spouses or our families are involved in the business. The trucking industry is everywhere. It underlines the economy. Anything that jeopardizes economic competitiveness jeopardizes us all.

Ms. Christine Hogarth: Thanks for that. Further on that, to get these goods from A to B, it's fuel. You talked about fuel and the price of fuel. One of the things we find is that the price of fuel is high. That's why we have put together this bill to lower some of those fuel costs.

When the cap-and-trade program was first initiated, the trucking association received notice from fuel suppliers regarding the increased cost of diesel fuel. When the price of diesel fuel increased more than five cents per litre, what was the greatest impact on your business?

Mr. Stephen Laskowski: That comes down to the whole supply chain issue of how much, as a business, you can absorb and how much you can convince your customer to absorb. That is why we brought up, in our submission, the fact that our customers are competing on a global basis too. Any time you add costs to the supply chain, supply chain members have to sit down and discuss how much is absorbed by each party.

The cost—and it's not necessarily with environmental issues—is always looked at as a cost. But in this case, you ask yourself—as I brought up earlier, we're asked to absorb this cost without a fundamental policy beside it. What would you like us to do? We conserve our fuel; we need to, as a business, to survive. We already have that incentive. We can't switch away from diesel. So the question becomes, to both the customer and the consumer and the product producers, "What are we to do?" That was an issue and a challenge in the supply chain.

Ms. Christine Hogarth: And sometimes that means the cost is borne by the consumer. Prices go up.

Mr. Stephen Laskowski: Absolutely.

Ms. Christine Hogarth: Right. One more question here: We've already started to see some of these diesel prices coming down upon news of the cancellation of the cap-and-trade program. Presuming that this act is passed, what can Ontarians expect the result to be, and what would it mean for your business and then for the consumer?

Mr. Stephen Laskowski: Lower fuel costs mean more efficiency into our industry, and a healthy trucking industry means a healthy Ontario. We are the leading employer of males in Ontario, so anything that makes our industry more competitive, more healthy, is just good for Ontario. That means our people have more money to invest in their companies and grow and make sure jobs are here to stay.

Ms. Christine Hogarth: Moving forward on that, does it change your employment level? Would you be able to hire more people? Did you have to cut some jobs because of the cap-and-trade program?

Mr. Stephen Laskowski: Anything that makes us less competitive is a challenge. As I brought up, we're dealing with operating ratios, in a good market, of 0.95. We compete on pennies. So when someone says, "Well, it's only a nickel"—well, when you compete on pennies—

The Chair (Mr. Dave Smith): Thank you.

Ms. Christine Hogarth: Yes.

The Chair (Mr. Dave Smith): Ms. Bell?

Ms. Jessica Bell: Thank you. One of my relatives is a long-haul trucker. It's a very hard job, and it's an important job as well.

I have a question. Have you given an assessment of the GHG emission reductions that would be achieved if the measures outlined in your report were introduced, specifically the ones that would focus on Ontario?

Mr. Stephen Laskowski: We could. It depends on, for example, of all the issues, whether it's expansion of the long combination vehicles network, of speed limit or enforcement, of tampering. But this all can be achieved. It's relatively straightforward.

The Chair (Mr. Dave Smith): Mr. Arthur?

Mr. Ian Arthur: Thank you very much for your presentation. You've talked a bit about different technological solutions such as wider tires and electrified truck stops. Do you have any numbers for what the GHG savings would be if all of those technological solutions were implemented?

Mr. Stephen Laskowski: Again, we could provide that to the committee.

Mr. Ian Arthur: Okay. In the same vein, in terms of technology disruption and the role of automation, your industry is facing a massive change regardless of environmental concerns. How does that tie into your projections looking forward and how you're going to tackle environmental issues when you're facing these other incredibly dramatic changes?

Mr. Stephen Laskowski: I don't know what changes you're referring to, but we're all facing—

Mr. Ian Arthur: Automation of the trucking industry.

Mr. Stephen Laskowski: In terms of truck driving, truck driving is here to stay. I often say that the automation aspect is completely overblown. It is going to be wonderful technology that is going to help our industry become safer, but safer with individuals behind the wheel. It is—

The Chair (Mr. Dave Smith): Thank you. Oh, actually, no. I'm sorry. I had started with Mr. Schreiner.

Mr. Mike Schreiner: That's right.

The Chair (Mr. Dave Smith): Please continue. That was my mistake. I'm sorry. I interrupted you too soon.

Mr. Stephen Laskowski: Keep going?

The Chair (Mr. Dave Smith): Yes.

Mr. Stephen Laskowski: With regard to that aspect of it, it's overblown. It is wonderful development on the research side of it. It will make trucks safer, but it will make trucks safer with drivers behind the wheel.

Mr. Ian Arthur: You've talked about not knowing what to do with the incentive that cap-and-trade was. Are you actually asking them for more regulation? Are you asking for the government to tell you what to do to reduce greenhouse gas emissions and then you will align yourselves with that? What's the alternative? If you don't want a market-based solution—that is, cap-and-trade—where do you go?

Mr. Stephen Laskowski: We do have a market-based solution, and that is in the form of regulation of our equipment.

Mr. Ian Arthur: So you're asking for—

Mr. Stephen Laskowski: It's already done. We're not asking; it's done. We're supportive of it. That's in place. What we've said is that the cap-and-trade system, by artificially increasing the price of our diesel fuel when we already have regulations related to our equipment and engines, plus we have no alternative away from diesel fuel—it seems to us, from a policy standpoint, a needless policy to artificially increase the price of diesel fuel when we have no ability to switch—

Mr. Ian Arthur: Then, just quickly, do you think that the current regulations go far enough, or is there a need for further regulatory frameworks to help lower GHG emissions in Ontario?

Mr. Stephen Laskowski: In terms of what we have right now? Right now, in terms of a regulatory framework, once you remove the cap-and-trade system, it becomes a system of sitting down with governments in terms of having to fine-tune what we already have in place and proceed forward.

The Chair (Mr. Dave Smith): Thank you. We've come to the end of your time on this, but I'd like to remind you that you had mentioned you were going to provide further submissions. We would need to receive those by 6 p.m. on Wednesday in order to consider them.

Mr. Stephen Laskowski: Okay.

ONTARIO PUBLIC HEALTH ASSOCIATION

The Chair (Mr. Dave Smith): I will go back to the Ontario Public Health Association. If you could introduce yourself, and then you have 10 minutes.

Ms. Pegeen Walsh: Good afternoon, Mr. Chairman and committee members. Thank you for accommodating my schedule. My apologies for my delay, and thank you for the opportunity to appear today.

My name is Pegeen Walsh. I am the executive director of the Ontario Public Health Association. Our association, or OPHA, is a non-profit, non-partisan group that brings together those from the public and community health, academic, voluntary and private sectors, all of whom are committed to improving people's health. That's why I'm here today.

Climate change is more than an environmental problem; it poses serious public health challenges. Indeed, Ontarians are already experiencing the direct and indirect health impacts.

Many of our members are working on the front line to promote and improve health and well-being in their communities, from promoting the development of environments that mitigate risk to climate change health impact assessments.

1600

I'm pleased to be sharing with the committee the perspectives of our environmental health work group. I'd like to focus my remarks on the health implications of Bill 4 as well as the areas that we support, those of concern and new areas to consider.

OPHA supports the provisions of Bill 4 that require the minister to prepare a climate change plan; that this plan include targets and be made publicly available; and that there be a ministerial advisory panel and the protection of existing Aboriginal and treaty rights.

We are concerned that this bill is being put forward before a new plan is in place. We urge the government to move quickly to do so, given the implications for Ontarians' health and well-being. Over a decade ago, the head of the World Health Organization identified climate change as "the defining issue for public health during this century."

Public health professionals are already tracking troubling climate-related changes to Ontarians' health. I would like to highlight six areas that have been documented by the Ministry of Health, as I fear they're not widely known or understood. Allow me to briefly explain.

Ontarians are at risk of infectious diseases such as Lyme disease and West Nile virus through their transmission by mosquitoes and ticks. Hot summers and shorter winters have created a longer transmission season, allowing these viruses to move further north. This is resulting in more people being exposed. For example, at the national level we're seeing a six-fold increase in the number of Lyme disease cases, and in Ontario over the last six years, a 10-fold increase. We're now seeing black-legged ticks carrying Lyme disease, and they're showing up in parts of Canada where they hadn't been seen before. Children between five and nine are particularly at risk and vulnerable to such diseases, and it can lead to serious conditions such as arthritis, paralysis and even death.

Ontarians' health is also being affected by changes in air quality from climate change. This can result in exacerbation of respiratory conditions and increased risk of cardiovascular diseases.

We're seeing changes in air quality from increased air pollution from higher levels of ground-level ozone and airborne particulate matter, including smoke and particulates from wildfires. The government of Canada estimates that 14,400 premature deaths per year have been linked to air pollution.

We're seeing allergy symptoms and respiratory conditions being aggravated due to increased pollen and spore production as summer temperatures increase and winters become shorter.

In Peel Public Health, for example, there's an estimate provided in terms of deaths and hospitalizations due to traffic-related emissions.

Another area of concern is water- and food-borne diseases. Heavy rainfall can lead to increased contamination of drinking and recreational water. It can also induce changes in marine environments and higher levels of toxins from fish. Behavioural changes with warmer temperatures can result in increases of water- and food-borne infections.

There's also a mental health impact of climate disasters. Research currently being done by the Intact Centre on Climate Adaptation suggests there's a direct relationship between household flooding and elevated use of antidepressants.

Environment Canada forecasts that many cities in Canada can expect a substantial increase in the number of days with temperatures exceeding 30 degrees, and these are dangerous levels for human health. For example, in the GTA there have been some 1,400 emergency department visits due to exposure to natural heat, and 203 deaths due to extreme weather. Every year in Toronto, an average of 120 people die from extreme heat, and recently in Quebec, we heard about 90 people whose lives were lost due to a heat wave.

Just last week, we heard about the United Nations Intergovernmental Panel on Climate Change Special Report on Global Warming of 1.5°C. That report stressed the risk to human health from vector-borne diseases and extreme heat.

Ontario is experiencing more warming than the world average. In fact, our temperatures are up. Our winter temperatures have increased twice as fast, and they're warmer. On average, those temperatures are rising. As a result, we will experience milder winters, wetter springs, faster melts, hotter and drier summers, storms, floods, droughts, forest fires, and invasive species.

A 2017 report prepared by EcoHealth Ontario for the Ontario Biodiversity Council describes the impact of biological diversity, climate change and social change. Climate change threatens our biodiversity while, at the same time, biodiversity can improve Ontario's resilience and adaptability to climate change.

Costs to the health care system from these and other climate-related health impacts will continue to increase unless urgent action is taken to mitigate and adapt to climate change. We're especially concerned that climate change may worsen existing health inequities by increasing the burden on those who are already vulnerable, such as children, seniors, the chronically ill, and low-income, homeless and disabled people.

We need to take steps to build a low-carbon economy and get ready to adapt to climate change. That's why we're calling on the Ontario government to take action in the form of a strong policy, effective programs and a financial commitment.

We urge you legislators to reconsider Bill 4 and support a carbon-pricing program, along with other programs that can further climate change goals. There is a broad global consensus that some form of carbon pricing is the most effective way to reduce greenhouse gas emissions and, at the same time, drive a clean, productive economy.

This conclusion was reinforced last week by the awarding of the Nobel prize for economics to William Nordhaus for his decades-long work on climate change and the value of using pricing to reduce carbon emissions.

We've been troubled by the loss of money that had been directed toward programs that reduce greenhouse gas emissions: those supporting public transit; energy efficiency; renewable energy projects; retrofits of hospitals, social housing and schools; and active transportation and cycling infrastructure.

As Bill 4 proceeds through the Legislature, we strongly urge the provincial government to:

—invest in and fund solutions to climate change in Ontario;

—adopt a strong policy with clear actions to mitigate and adapt to climate change;

—set greenhouse gas reduction targets;

—regulate, incentivize and encourage greenhouse gas reductions through carbon pricing while ensuring that polluters pay, that innovative sustainable technologies are supported across Ontario, and that our most vulnerable can benefit through tax breaks, rebates or other mechanisms; and

—report annually on progress.

OPHA believes that climate change is one of the greatest public health challenges of our century, and it is imperative to act now. We appreciate that many Ontarians are concerned about the future of our environment, yet they can't readily identify the health impacts. We would be pleased to work with the government on a public education campaign so that Ontarians can better understand the health implications, how they can protect themselves and their loved ones, and steps that they can take to reduce their own carbon emissions.

As an organization committed to truth and reconciliation, OPHA encourages legislators to engage with Indigenous leaders and their communities in a way that is meaningful for them in regard to climate change legislation and policy.

In conclusion, we urge your committee to consider the additional measures we have highlighted today. Thank you for giving me that opportunity to convey our recommendations.

The Chair (Mr. Dave Smith): Thank you very much. Ms. Khanjin?

Ms. Andrea Khanjin: Thank you for coming today. I think we all agree about the challenges that climate change presents to the environment. We're not here to debate that, since we do agree on it. But the cap-and-trade system was unaffordable to families and it was a burdensome tax, which is why so many people opposed it. We've heard that loud and clear throughout many of our ridings.

However, regardless of the previous cap-and-trade model, it was a revenue generator to the government. My question is directed strictly to that, speaking to the revenue that was generated.

The previous cap-and-trade legislation included provisions that specified that monies collected needed to be used on programs that reduced emissions. If you're citing concerns—in your opening remarks, you talked about Lyme disease, West Nile, tick-borne diseases and whatnot. Our concern here is transparency and whether or not those programs that Ontarians were reliant on, such as the health care programs and preventions that were fighting certain diseases—were the cap-and-trade funds being spent on other things? Was there transparency here? As I was saying, in the original legislation, it did say that it had to be spent on emission reductions and environmental reductions.

Is it your belief that the previous Liberal government misled Ontarians regarding the state of the province's finances, and that these funds were redirected to other causes?

Ms. Pegeen Walsh: I'd like to talk about the future. I'm not able to comment about the past.

In our submission, we're not saying, "Go back to what was." We recognize that a new government has been elected and you would have a new plan. We're simply urging you to move as quickly as possible with that new plan; to bring together an advisory panel of people who can give you advice; and to look at incentives that can encourage that reduction and—

Ms. Andrea Khanjin: Not to cut you off there, but I did quote you saying that the loss of monies that supported the reduction of—you were concerned about the loss of monies that it was felt were lost.

Ms. Pegeen Walsh: Yes.

Ms. Andrea Khanjin: So my question is, is it because the money for cap-and-trade was redirected to other programs it was not intended for?

Ms. Pegeen Walsh: Again, we recognize that you're not going to go back to previous programs. We would ask you to look at making some investments in programs now that can help mitigate the impact of climate change.

Ms. Andrea Khanjin: Is it helpful, instead of having a cap-and-trade framework, to invest it into other initiatives that are helpful for all parts of the environment, including health care?

Ms. Pegeen Walsh: I would encourage you to look at a program that could incentivize people to reduce their carbon emissions, be it industry or individuals, and as well to look at investments that can support infrastructure that can help us adapt, be those cycling infrastructure or active transportation.

For example, I'm pleased to see that the government will be investing in public transit. That's a terrific way not only to reduce emissions, but it also has health benefits in terms of getting people walking towards buses or subways or what have you.

1610

Ms. Andrea Khanjin: Thank you. I'm going to be passing it along to my colleague Lorne Coe.

The Chair (Mr. Dave Smith): Mr. Coe.

Mr. Lorne Coe: Thank you, Chair. Earlier in my career, as a regional councillor, I had the occasion to be the president of the Association of Local Public Health Agencies of Ontario.

Ms. Pegeen Walsh: Nice.

Mr. Lorne Coe: So I was very interested in reading your submission to the Environmental Registry of Ontario, as well as your two pages and listening carefully to your presentation. It leads me to this question: What policies and regulatory amendments can Ontario undertake to preserve the integrity of the cap-and-trade investments made in the province, in your opinion? Your submission is here, but there have been discussions in the public health sector broadly on my question, so I'm very interested in your response to that question, please.

Ms. Pegeen Walsh: So—

The Chair (Mr. Dave Smith): I'm afraid you don't have time to answer that question.

Ms. Bell.

Ms. Jessica Bell: Thank you. I have some questions about the number of deaths of people who have died from extreme heat. Can you clarify that a little bit for me? What type of people? Where is it happening? How are you gathering those statistics?

Ms. Pegeen Walsh: I'd have to come back to the committee with that. What's happened is, I've taken data that has been developed by our environmental work group from a number of different sources and reports. I think it's fair to say that we don't have a detailed system to the level that we would like to have to be able to track climate-related impacts, but the limited work that has been done has led to these statistics. I could come back with the references for the statistics that we are quoting.

Ms. Jessica Bell: Thank you. I appreciate it.

The second question I had was: Have you given some kind of economic assessment of the health impacts of inaction on climate change for Toronto or Ontario?

Ms. Pegeen Walsh: That's a really good question, and I'm just thinking of the different areas that have been highlighted. I think it would be a matter of putting a price tag against—as we talked about, there are health care implications. There have been studies coming out about people's long-term post-traumatic stress from flooding situations. So, again, putting a price tag on that. Treatment of Lyme disease—we'd have to come up with a model to start costing out all those different health impacts that I have identified. I'd be pleased to look at what has been done to date and share that with the committee.

Ms. Jessica Bell: Thank you.

Ms. Pegeen Walsh: I apologize. With limited notice, I wasn't able to bring along one of our committee experts to join me today, so my apologies.

Ms. Jessica Bell: We're good.

The Chair (Mr. Dave Smith): You're good?

Okay, Mr. Schreiner.

Mr. Mike Schreiner: Thank you, Mr. Chair, and thank you for your excellent presentation.

I think the insurance industry and others have done a pretty good job of quantifying how much climate change is really costing us—literally in the billions of dollars. I really appreciate the fact that you've brought a public health perspective, because I don't think we oftentimes talk enough about the health care implications. I know at one time there were some estimations that poor air quality was costing $6 billion in additional health care costs. I'm wondering, just to follow up on my colleague's question, if, at any time between now and Wednesday, when it's the submission deadline, if you think you could provide us with some cost estimates around the public health costs associated with inaction on climate.

Ms. Pegeen Walsh: I'm glad you raised that, because we have been talking formally with insurance companies. I also see that there are pension funds and other investors that have been looking at those companies that are adapting to climate change and recognizing the significant economic impact of not mitigating the impacts of climate change. Thanks for flagging that about the insurance industry, because we have reached out to them. So I'll see what I can get before Wednesday.

Mr. Mike Schreiner: I appreciate that. Thank you.

Do I have any time left?

The Chair (Mr. Dave Smith): You do. You have about 43 seconds.

Mr. Mike Schreiner: Okay. Could you just talk a little bit about—because I know I'm starting to see a lot more of my constituents with Lyme disease in particular, and other forms of infectious disease. Can you just talk about maybe the human side of that a little bit and how it's affecting people in their day-to-day lives?

Ms. Pegeen Walsh: Well, as I mentioned, there can be many negative consequences of Lyme disease. I talked about arthritis, paralysis and even death. So I think the challenge is that it's not a disease that many people have grown up with. They're not aware of it and so may not even be recognizing signs and symptoms. They may not be getting treated quickly enough in order to mitigate the impact of that disease. It is startling when you look at the significant increase. Again, I think all these changes are happening, and people are not necessarily seeing the whole picture and what that can mean for our health. That's why we value working with government on public education.

The Chair (Mr. Dave Smith): Thank you. That's the end of our time for this presentation.

TORONTO ENVIRONMENTAL ALLIANCE

The Chair (Mr. Dave Smith): Next on the schedule we have the Toronto Environmental Alliance. Introduce yourselves, please, and then your 10 minutes will start right at that point.

Ms. Dusha Sritharan: Thank you for the opportunity to speak. My name is Dusha Sritharan. I'm a climate change campaigner with the Toronto Environmental Alliance. We're a non-profit organization here in the city that's fiercely non-partisan.

Ms. Heather Marshall: My name is Heather Marshall. I'm the campaigns director at TEA. With over 60,000 supporters in the city of Toronto, we work to engage Torontonians on a number of environmental issues, including waste, toxics and climate change, which is why we're here today.

Ms. Dusha Sritharan: We're here because we'd like to express some of our concerns in regard to Bill 4, which will repeal the Climate Change Mitigation and Low-carbon Economy Act.

Governments around the world are increasingly faced with the growing challenges and costs of climate change. Here in Ontario, we are no exception. Through more severe storms and flooding and damage to our roads, sewers and other infrastructure, we are already feeling the immense impacts of climate change. As governments around the world step forward to tackle these challenges, we cannot afford to lag behind.

The Ontario Climate Change Action Plan provided us with a clear way forward for reducing our emissions. In addition, the cap-and-trade program provided funding supports for residents and businesses to reduce their emissions. In Toronto alone, more than $300 million was allocated from cap-and-trade revenues to be spent on social housing repairs. This was money our city desperately needed, especially to prevent the closure of buildings that were in a terrible state of disrepair. Without a climate action plan, we will derail climate progress across Ontario and our ability to create many co-benefits for the communities that need it most. The plan isn't just about reducing emissions; it's about creating local jobs, it's about supporting local businesses and improving public health and making people's homes more comfortable.

Ms. Heather Marshall: Last week, the Intergovernmental Panel on Climate Change released a report highlighting the risks and impacts of 1.5 degrees of global warming. I'm sure you all read the headlines. The report made it clear that we are already experiencing many harmful impacts from just one degree of global warming.

Right here at home, we can see those impacts through flooding and extreme heat hurting people and damaging the infrastructure and businesses in our cities. We've also seen it through unpredictable and extreme weather impacting our Ontario farmers and crops. And in northern Ontario, rising sea levels are impacting access to resources and the livelihoods of those communities.

While the IPCC report raises red flags about the threats posed by climate change, it reaffirms that we have many solutions available to address our changing climate. The report recognizes that many governments are already investing in solutions to reduce our emissions, and we need to urgently accelerate those actions.

Ms. Dusha Sritharan: As the government considers how to move forward in addressing these challenges, there are two key components that we believe are necessary for the success of a new plan.

First, a new climate change plan for the province must have clear, binding targets that have been informed by climate science. These targets must adhere to the commitments Canada has made under the Paris climate agreement. As highlighted by the IPCC report, these targets aren't arbitrary or optional. The science tells us we must meet these targets to stay below 1.5 degrees warming. We need to make the investments to prevent the harmful impacts posed by climate change that would otherwise cost us a great deal more in the future.

Second, we need to ensure that the plan prioritizes improving equity and creating prosperity. This is a huge opportunity to create local jobs, boost local businesses and improve the quality of life for the people of Ontario. TEA has conducted research on the types of co-benefits that we could create through investments in climate actions, and we've shared a little bit of a summary of our research. There's a report online that you can take a look at.

From renewable energy projects to deep building retrofits to building new transit, we have a huge opportunity to create local jobs and support our local economies. By investing in building retrofits, we can help protect affordable housing, improve the comfort of homes for residents and make it a lot more affordable for families to heat and cool their homes. We need a plan that prioritizes achieving these types of co-benefits.

Ms. Heather Marshall: In closing, we need your support to make this happen—all of you here at this table. Climate change affects all of us, and we need strong political leadership to help us innovate and drive solutions forward. Our organization, Toronto Environmental Alliance, will be watching this closely. We'll be looking for targets and a clear strategy to reach them in ways that improve the living conditions and working opportunities for people most in need in our province. Communities have a lot of good ideas about how to tackle climate change locally, so please give them a chance. We only have from now until December to get this right.

Thank you so much for providing us with the opportunity to speak today. We'd be happy to answer any questions you may have.

1620

The Chair (Mr. Dave Smith): Okay, we'll start with the NDP. Mr. Tabuns?

Mr. Peter Tabuns: Thank you both for coming in. I appreciate the presentation. When you talk about clear, binding targets, could you talk about why it's important to have those clear, binding targets?

Ms. Heather Marshall: As we mentioned, the IPCC report that recently came out made it very clear: This is a global challenge. Every government across the world is going to have to make an effort to reach the emission targets that have been set out through the Paris Agreement, and maybe even more than that, unfortunately.

The reason that we all have to contribute to it is that wealthy countries like ours especially have contributed a significant amount to the greenhouse gas impacts that we're feeling globally. So we do have a duty to do our fair share, or maybe even a little more than our fair share, as a country and as a province that really can rise to the challenge and innovate on climate change issues.

Those emission targets are crucial. We have seen the devastation that is already happening with hurricanes, flooding, forest fires, extreme heat. This will only get worse. When we talk about reducing emission targets, that really is about making sure we don't continue to warm our oceans an extra 0.5 degrees or 1 degree.

We also say that we have to take action on reducing emissions, and we also have to take action to adapt to our changing climate. We only can reverse so much. We have a long way to go, so we have to prepare for the impacts of climate change and do everything we can to reduce emissions.

Mr. Peter Tabuns: Thank you.

The Chair (Mr. Dave Smith): Ms. Bell.

Ms. Jessica Bell: Thank you for coming in. I have a question: Can you talk a little bit about the job creation opportunities you see in this report, and what we could do if we had additional funds to spend on climate change adaption, mitigation and so on?

Ms. Dusha Sritharan: Sure. A lot of the research has been done, actually, even looking at the climate change plan we had in place that shows that there are tremendous job creation opportunities.

If you look at one of the great projects, it's the Eglinton Crosstown. They have a community benefits agreement there, so not only is it creating jobs but it's reaching people who are facing barriers to employment.

Similarly, there are opportunities to do that through deep building retrofits. In Toronto, we have the TransformTO plan, which wants to retrofit 100% of buildings by 2050. That's a huge employer, and that means local jobs for people who are here in our communities. It's a really great way to build strong, local economies.

The Chair (Mr. Dave Smith): Mr. Tabuns.

Mr. Peter Tabuns: There are a number of building retrofit programs out there now. Can you talk about one or two as examples of the job creation potential that's there?

Ms. Dusha Sritharan: Sure. One thing I can say is, already some of the money that came through cap-and-trade has been invested in social housing retrofits. That's very important, because there are opportunities to employ folks on that. There's a great local social enterprise called Building Up that does some job training and places people on sites. They've worked on some of the Toronto Community Housing retrofits.

Also, we see the opportunity to really ramp that up and create a whole vast array of job opportunities, especially in construction. It's stable; it's good jobs that are well-paying. So there's a real career opportunity for folks in that.

Are there any other examples?

Ms. Heather Marshall: I think that even here at Queen's Park, there's a need to do some retrofitting of government institutional buildings—

Mr. Peter Tabuns: Oh, yes, we agree.

Ms. Heather Marshall: —even for the benefit of all of you working hard here every day. We know that there's major retrofit and restoration work that needs to happen, just to improve the quality of the buildings we're working and living in, as well as to improve their energy efficiency.

Ms. Dusha Sritharan: Just one final point: If you think about schools, one of the things we had to deal with with extreme heat was having environments where kids could not be safe in those settings. So there are hospitals, schools—

The Chair (Mr. Dave Smith): Thank you very much.

Mr. Schreiner.

Mr. Mike Schreiner: I thank both of you for coming in. I really appreciate it.

One of the concerns that people have expressed, when it comes to taking climate action, is the rising costs of conventional fuel sources and how that affects families. But I noticed that in your research, the first item that you highlight is how building retrofits can help families reduce their energy costs. Can you elaborate on that a bit and what you found in your research?

Ms. Dusha Sritharan: Absolutely. I think there's a lot of research showing that buildings that are quite old are inefficient. By even simple measures like caulking windows, you can make a huge difference in how much energy you need to use.

On top of that, we need to make these investments for people who cannot do it. I think there are a lot of programs sometimes that help homeowners do that on their own, which is important. But for people who are tenants, especially in social housing, you want to take the measures to make sure that we make it comfortable for them, and safe living environments as well.

Mr. Mike Schreiner: Do you think that social housing now is getting adequate resources to provide those kinds of energy-efficient retrofits?

Ms. Dusha Sritharan: Across the board, I think across cities, you're seeing there's a crisis, but especially in Toronto. No, there is a huge backlog in repairs. I think it requires provincial support, as well, to actually address that.

Mr. Mike Schreiner: Finally, my last question: I've heard a lot of comments in Toronto particularly from people concerned about flooded basements and flooded transit corridors due to the extreme weather events caused by climate change. Can you talk about whether your research experienced that in terms of your conversations and surveys with people?

Ms. Dusha Sritharan: Sure. It's something that Heather highlighted in her points, but adaptation is so important, because there were so many stories even this year about the costs of some of those flooded things, but also two people in Toronto being trapped in an elevator with six feet of water. These are things we can't ignore. I think there's a real health and well-being cost to all of this. We want to make sure that we have the investments needed to adapt.

The Chair (Mr. Dave Smith): Mr. Kramp?

Mr. Daryl Kramp: Thank you for coming today, and thank you for your advocacy on behalf of your communities, particularly on a volunteer basis. As a former municipal politician myself, I appreciate people putting their own time and effort in rather than, if I can maybe refer to the Green Energy Act, where we just put millions and millions of dollars into a few people's pockets rather than it being spent on actually dealing with the problems that we all face, some of which, of course, you are mentioning.

We don't disagree with the fact that work has to be done. The question, of course: How do we get our best bang for the buck? When we had a program that—I'm highly supportive of dealing with people who have homeless situations and/or repairs that aren't up to snuff and either not enough heat or not enough air conditioning, whichever. But this program, particularly, took on average $260 to $300 out of every hard-working poor family, just the taxation alone on that. Was that fair?

Ms. Dusha Sritharan: From what we've seen, the costs to individual homes, the homeowners, as well as just anyone paying taxes in our province—where the costs rose that you could say are connected to this former climate program was really around responding to fossil-fuel-based products, services and energy sources. I think the bigger question we have to ask is: Can retrofits, can renewable energy and other alternatives, consistently reduce people's costs rather than the fluctuating costs of oil and gas, which governments only have minimal control over?

Mr. Daryl Kramp: I actually agree with you. However, I do think: Where do you get the money? Where does it come from? Which envelope is it going to come from? That is a challenge we, as government, will have to face. Do you take it from an area that, quite frankly, is just hurting the same people you're helping, or do you try to penalize and/or find a resource that can serve your purposes that is not going to be hurtful to any of the population? It's a challenge.

I can recall coming into Toronto 20 years ago. That orange haze was over the horizon and we could even smell the fumes ourselves coming into the city. From a rural area, it was "Oh, my goodness," whereas now there has been a dramatic increase—there has been progress, but is it enough? No.

But I'm a little bit concerned. We really need measurables. If governments are going to spend money, they have to know that they're getting a proper action and a reaction from it. Wherever we do spend that money on reduction of greenhouse gases, whether it's in the capital markets, we have to be able to define what that value is. In other words, there has to be a measurable.

One of the problems, of course, with a broad, broad base of social programs—and I'm not suggesting they're not needed: How do we come up with the measurables of this to be able to say, "We're really getting a good bang for the buck here, but maybe we could be getting more over here"? We have to try to maximize the potential for the broad base of the public. I'm not suggesting one more than the other, but we do need the measurables. In a lot of your social measures that you're putting forward like this, how can you define a measurable that we can then quantify into our evaluations?

Ms. Dusha Sritharan: I think part of it is that our own research has been looking at some of the best practices from other jurisdictions. There are a lot of other governments that are looking at this, not only from an emissions-reduction perspective but looking at the measurables of how it affects other outcomes for folks.

1630

The Chair (Mr. Dave Smith): Thank you. We've come to the end of our time. Thank you very much.

Because opening remarks from the last couple of groups have been a little shorter, we have an opportunity now, if the committee wishes, to take about a nine-minute health break. Could I have a show of hands of those who would like to have a nine-minute break?

Mr. Peter Tabuns: We could keep rolling.

Interjections.

The Chair (Mr. Dave Smith): Okay. We will continue, then.

MR. ANDREW HEINTZMAN

The Chair (Mr. Dave Smith): Our next presenter is Mr. Andrew Heintzman. I hope that I pronounced that correctly.

Mr. Andrew Heintzman: That's great. Thank you.

Hello. I am the CEO of a venture capital fund that invests in sustainable companies. I'm here on my own behalf, as a private citizen, but I'll describe a little bit about what I do in my day-to-day job, because it relates to this conversation.

Thank you for allowing me the opportunity to provide some remarks about the proposed cancellation of the cap-and-trade legislation in Ontario. I feel that cancelling cap-and-trade is a significant mistake from the perspective of the fight against climate change but also from the perspective of advancing Ontario's economy. I would like to explain why I feel this way.

It strikes me that we have to see climate change as a threat but also as an opportunity. The threat of climate change is something we are frequently reminded of: rising sea levels, increased desertification, more powerful and destructive storms etc. These are things that we hear of in the news daily. But with threats, there are also often opportunities, and this is also true with climate change.

I first realized this in the mid-1990s when I read an article in the Harvard Business Review which made the argument that by virtue of the huge transformation that would be required to deal with global climate change, there was also an equally significant business opportunity for those firms that could provide the solutions. It was the first time that I had heard of the climate change problem framed as an opportunity.

This insight drove me to establish Canada's first investment firm focused exclusively on financing companies that solve ecological problems. Since its founding in 2002, my firm, InvestEco Capital, has invested in over 25 companies and sectors that include clean energy, water purification, clean technology and agriculture, moving hundreds of millions of dollars to funding solutions to ecological problems like climate change.

My experience has taught me that leveraging the power of the market is the best way to truly tackle the issue of climate change. But the right policies have to be in place to leverage this engine for change, and putting a price on carbon is the trigger to leveraging the transformative power of the market economy. It works in part by mobilizing an army of one of our society's most creative classes of citizens, our entrepreneurs, to focus their ingenuity, tenacity and intelligence to solve the problem of reducing carbon emissions. The market price is the spark for this ingenuity.

Canadians have long been considered internationally as hewers of wood and drawers of water. We have consistently valued our resource wealth over our intellectual and technological wealth. The people who are proposing to cancel the current cap-and-trade legislation, in my opinion, are helping to ensure that, yet again, Canada lives up to this reputation, for the effect of eliminating cap-and-trade will be to promote older, incumbent industries at the expense of newer, more innovative industries. This is not a good formula for economic growth.

The notion that carbon pricing mechanisms are unduly costly to the economy is false. The reality is that carbon pricing is the most efficient and least expensive way to deal with the problem of climate change. But even more than that, carbon pricing mechanisms, when properly designed, can in fact be used to grow the economy.

This insight was first recognized by Harvard business professor Michael Porter in what has become known as the

Porter hypothesis. In 1991, Porter wrote, "Strict environmental regulations do not inevitably hinder competitive advantage against rivals; indeed, they often enhance it." What Porter discovered was that environmental regulation, when properly designed, in fact had a positive impact on the firms that were being regulated.

Porter attributed this to what he called "the innovation effect." Basically, when firms are required to reduce emissions, they respond by innovating, and that innovation often makes them more profitable, not less. This creates a competitive advantage in the very firms who have regulations imposed on them.

We often hear the refrain that Ontario companies cannot compete against companies from other jurisdictions if they are forced to pay a carbon tax. Porter showed how this should be turned on its head. Properly designed environmental regulation including, for example, a price on carbon would leverage the innovation effect and help to make our Ontario-based companies more efficient and better able to compete over time.

If the government was proposing to change the cap-and-trade legislation and replace it with a different way of pricing carbon, I would be very supportive. For example, perhaps the government would like to ensure that revenues generated by the program are used to eliminate other taxes. That would be a sensible position and one that is likely to lead to economic benefits by replacing truly distortionary taxes that are known to depress economic growth with a tax that targets only activities that are inherently harmful, i.e., carbon emissions. That kind of position would be in keeping with the "low tax and free market" approach of the conservative movement historically.

The great irony, though, is that by eliminating carbon pricing as a means of addressing climate change, the government will be left with only two unappealing alternatives. The first is to do nothing, to have no effective policies to reduce carbon emissions in Ontario, despite the fact that we are one of the highest per capita emitters globally. It would appear that this is likely to be the choice of the current government, from what I've heard. The second is to try to do something but to use a regulatory framework instead. This was the proposed position of the federal Conservative government under Stephen Harper. The great irony, of course, is that this option is almost certain to be significantly more expensive in putting a price on carbon emissions, largely because it does nothing to leverage the power of the market.

One frequently hears the criticism that carbon pricing is a form of socialism. This couldn't be further from the truth. Carbon pricing is the only remedy to climate change that actively uses the efficiencies of the market system to solve the problem. The other options are truly socialistic: either socializing the cost of climate change across the whole economy on one hand, or using a command-and-control response that would try to reduce emissions expensively and distribute that expense across the whole economy.

A real conservative government, in my view, one that truly believed in the power of the free market to address environmental problems, would be replacing this cap-and-trade legislation with one that leveraged the market even more efficiently to reduce carbon emissions. Such a policy would inevitably include a price on carbon emissions.

We must start to think of climate change as more than a problem but as an opportunity—an opportunity for Ontario companies to be more innovative and productive, an opportunity for Ontario-based technologies to be developed and sold around the world, and an opportunity for Ontario to be a global leader in the fast-growing fields of clean technology and low-carbon energy.

The government should not be walking away from carbon pricing or from the responsibility of responding to the challenges of climate change and carbon emissions. If it is to repeal the current cap-and-trade legislation, it should take up the challenge of replacing it with something better.

The Chair (Mr. Dave Smith): We'll start with the Green Party. Mr. Schreiner.

Mr. Mike Schreiner: Thank you for being here, Andrew. I've had the pleasure of reading one of your books, so I have a little bit of insight.

I want to be clear. You're an entrepreneur and an investor in the private sector. Is that correct?

Mr. Andrew Heintzman: Yes.

Mr. Mike Schreiner: I hear this term sometimes: "job-killing carbon tax." In your experience in creating companies and jobs, do you think carbon pricing is a job killer?

Mr. Andrew Heintzman: I don't believe it. I believe, properly done, as I've said in my note, carbon taxes will actually, over time, increase our jobs. That's my personal belief and I think there's academic evidence to support it.

Mr. Mike Schreiner: Have you seen that in your own investments in terms of companies?

Mr. Andrew Heintzman: Yes. There's no question, if you just look at the area of clean technology and clean energy agriculture. These are high-growth fields with incredible new opportunities for job production—in my view, much more significant than the older industries that are probably going to be losing jobs over time.

Mr. Mike Schreiner: My final question would be: How essential do you think carbon pricing is, in terms of global capital markets attracting business investment to Ontario, particularly in the clean tech sector?

Mr. Andrew Heintzman: I think it's absolutely fundamental. I haven't done all the studies, I'm not an academic, but my understanding is, if you look at the British Columbia carbon tax, which, in my view, was done very prudently, it has not had an impact on economic growth—and as I understand, it has been one of the fastest-growing jurisdictions in Canada. I think that's evidence that these things can go hand in hand.

Mr. Mike Schreiner: Thank you.

1640

The Chair (Mr. Dave Smith): Ms. Kusendova.

Ms. Natalia Kusendova: Thank you for your presentation, Mr. Heintzman. On TVO's The Agenda with Steven Paikin, you stated, and have restated frankly today, that, "The carbon tax has reduced emissions significantly without harming the economy."

However, we know that the carbon tax does impact the economy and the hard-working people of Ontario. We see this at the pumps with high gas prices, and we also see it with the skyrocketing hydro bills, which are among the highest in North America. This carbon tax also impacts our businesses, and we saw thousands of jobs leave Ontario in recent years.

With the elimination of the carbon tax, it will save about $260 per hard-working Ontario family and it is also a necessary step in reducing gas prices by 10 cents per litre. Finally, removing the carbon tax from natural gas bills will also save families about $80 a year and small businesses about $285 a year.

Looking back at it now, would you agree that the carbon tax does impact the economy—yes or no?

Mr. Andrew Heintzman: I never said it didn't impact; it's just that I believe over the long term it benefits the economy in the fullness of time. Economies have to evolve. Part of the market system is, these market signals create reactions. So entrepreneurs and others come into the market to respond to it. If you take it in a very minute, small little slice, you can see places where it potentially cost someone some money, but in the aggregate, if you look it over and you look at the effect that the market economy—how it responds to it, then I believe that it's going to drive innovation, it's going to drive investment, it's going to drive technology growth and it's going to produce a more efficient economy with more jobs. That's how I see it.

Ms. Natalia Kusendova: As president of InvestEco Capital, you invested, as you mention, into 25 companies. Was it mandatory for you to opt into cap-and-trade like those that will be compensated or did you volunteer? Furthermore, are you here to advocate for your stakeholders and their investments? Because we are here to protect the interests of the hard-working families of Ontario.

Mr. Andrew Heintzman: Sorry. What was your first question? I'm not sure—

Ms. Natalia Kusendova: The question is: Did you volunteer to opt in to be compensated?

Mr. Andrew Heintzman: I didn't. I don't even know what that means, to be honest, so I guess I didn't. And I'm totally here on my own. To be honest, I didn't want to come because it's a ton of work and I've got other things to do, but I felt a civic duty to be here. I'm basically busy. I'm not doing this to try to enhance the profits of my company; I'm here to give you a message about the way I think you should look at organizing the economy.

Ms. Natalia Kusendova: What policies and initiatives do you recommend to complement a made-in-Ontario climate change plan?

Mr. Andrew Heintzman: I think you should have a carbon price. I think you should start it relatively low. I think you should bring it up over 10 or 15 years. I think you should return quite a lot of it to taxpayers through—these are my personal opinions—reductions of other taxes. There has to be some consideration for low-income people, and I think you can do it in a way that really enhances the power of the market to drive solutions. It's similar to BC. I think BC did a very good view of this and came up with a very good policy. That would be something that I would—

Ms. Natalia Kusendova: But it is the low-income people who are suffering because of this carbon tax.

The Chair (Mr. Dave Smith): I'm afraid we've run out of time on that one.

Mr. Arthur.

Mr. Ian Arthur: As far as I understand, there are three approaches to tackling climate change. You can have a cap-and-trade system—and I will distinguish here from the government—you can have a carbon tax system, which is separate, not the same thing at all, or you can use regulation, and this government has stated several times—well, many, many times—how much they dislike regulation and that we have too much regulation here in Ontario. Is there a feasible fourth way?

Mr. Andrew Heintzman: I don't know of a fourth way. In my opinion, the first two are sort of similar. They both ultimately put a price on carbon. I think a cap-and-trade system done perfectly or whatever actually looks a bit like a carbon tax. To be perfectly honest, they have a similar impact on the market.

I think it's just a huge shame that we've politicized this question. What should be happening here is that the Conservative side should be coming with their own versions of carbon pricing because it's a really good—the whole thing has been flipped over. The Conservatives should be arguing for carbon taxation, first and foremost. We should assume that carbon pricing is the base and we should be arguing about different ways of approaching it, in my view. Unfortunately by politicizing it, we're leading to—to your point—only regulation as an option, and that's the worst of all the options.

Mr. Ian Arthur: That leads directly into my next: Do you have any projections for the cost of a regulatory framework to achieve the same thing as a cap-and-trade system would have?

Mr. Andrew Heintzman: I don't. I'm not an academic; I'm an investor in early-stage companies. I'm sure there are people out there, but I don't personally have that.

Mr. Ian Arthur: Okay. Thank you.

The Chair (Mr. Dave Smith): Mr. Tabuns.

Mr. Peter Tabuns: Mr. Heintzman, first of all, thank you very much for coming. I appreciate it; I'm sure you have many other areas where you could be investing your time right now and getting a return.

I have to say that I find it very odd that an idea that was developed by Ronald Reagan, cap-and-trade, which was used by Republicans to deal with leaded gasoline and then promoted by George H.W. Bush to deal with acid rain, is something being rejected by the conservative movement. Do you know why that is?

Mr. Andrew Heintzman: I don't. It's a historical political anomaly that crept in because of—I think it was because Stéphane Dion—in Canada, it happened sometime around that election. If we were in an alternate reality, it could have absolutely flipped, and it might be that conservative side that was vehemently—as you say, if you go back to sulphur dioxide and acid rain, it was the Republicans and the Progressive Conservatives that put in the cap-and-trade program to reduce acid rain, and it was very effective, by the way. It was considered to be part of the reason why we don't talk a lot about the problem of acid rain anymore.

These things happen where, if one side promotes it, the other side thinks they have to rail against it, but there's no reason why this should not be embraced, in my view, by Conservatives and economic conservatives.

Mr. Peter Tabuns: Were you aware that Ontario does have a cap-and-trade system for acid gases, the Ontario Emissions Trading Registry, which is in operation today and was set up under the Harris government?

Mr. Andrew Heintzman: I was not—maybe vaguely, but not specifically.

Mr. Peter Tabuns: Can you talk about some examples of businesses that can grow and thrive that you may have worked on in a cap-and-trade environment?

Mr. Andrew Heintzman: Yes. Here's the thing—

The Chair (Mr. Dave Smith): I'm afraid we've run out of time. Thank you very much.

Mr. Andrew Heintzman: Thank you very much.

ONTARIO GREENHOUSE VEGETABLE GROWERS

The Chair (Mr. Dave Smith): We have the Ontario Greenhouse Vegetable Growers association next. If you could introduce yourselves, and your 10 minutes will start when you introduce yourselves.

Mr. George Gilvesy: Thank you. My name is George Gilvesy, and I am the chair of the Ontario Greenhouse Vegetable Growers. I have with me Dr. Justine Taylor, who is the science and government relations manager for the Ontario Greenhouse Vegetable Growers.

Thank you, Mr. Chair, and good afternoon, honourable members. Thank you for the opportunity to contribute to the standing committee's review of Bill 4. The Ontario Greenhouse Vegetable Growers represent approximately 200 entrepreneur, innovative farmers responsible for nearly 3,000 acres of greenhouse tomatoes, peppers and cucumbers across the province. With farm-gate sales of $850 million in 2017, a contribution of $1.5 billion to the economy and a consistent track record of growth, the sector is a valuable economic driver for the province.

Our sector has earned a well-earned reputation for excellence and has established a significant market share in the United States, with over 70% of what our members currently produce going for export. Our members strive to grow fresh, high-quality food year-round and contribute to meeting healthy eating and food security goals across the province.

Our sector is poised for growth. Over the next five years, we estimate that the sector could expand by 900 acres, resulting in over $1 billion in direct construction and investment, an additional annual contribution of over $500 million to the economy and the creation of over 3,700 new jobs. For those who don't know, an acre of greenhouse costs about $1 million to $1.5 million of direct investment per acre, depending on the technology. The average greenhouse size being built right now is about 15 acres, so the average investment is about $15 million to $22 million, depending on the technology.

However, it is critical that the business climate is supportive of a growth agenda, and we look forward to working with government to keep greenhouses growing in Ontario.

1650

We would like to thank the current government for recognizing the impacts of Ontario's cap-and-trade program on businesses and consumers across the province. While we all strive to protect the environment for generations to come, the tools to achieve this must be equitable and transparent, and must not sacrifice economic growth with unintended consequences. Nor should they sacrifice our ability as a province to provide safe, healthy food at a cost that is accessible to all our citizens.

We would like to share with you today some of our experiences with the program that was delivered, with a view to avoiding these pitfalls in the future. It is our hope we can work together as agriculture, as a private sector and as government to build a more robust climate change strategy that delivers on all three of the core pillars of sustainability: environment, economics and society.

The OGVG membership consists of greenhouses that are large and small, old and new and that house multiple crops and varieties, all of which were impacted by cap-and-trade compliance costs to some degree. The rapid introduction of the cap-and-trade program in 2017 resulted in a number of unintended consequences, some of which have yet to be resolved under threat of the federal carbon tax regime.

There was disparity within the Ontario greenhouse sector whereby large facilities could access a transition pathway to the low-carbon economy through the free allowance process. This access put small to medium-sized operations at a disadvantage to larger facilities and diverted funds that could have been used for improvements to lower their carbon-related emissions.

For example, in the first year of the program, an operation emitting 10,000 tonnes of carbon dioxide qualified to be a voluntary participant and could receive free allowances to cover some or all of their compliance requirements, whereas an operator emitting just one tonne less could not access the program and was billed by their natural gas distributor for their associated emissions. At $18 per tonne of CO_2e, this equated to approximately $180,000 in 2017. This is a significant difference between operations that are essentially identical, and puts one grower at a significant competitive disadvantage to another. Oddly enough, they're competing for the same markets.

Under the proposed federal carbon tax, there would continue to be disparity across the Canadian greenhouse sector. British Columbia and Alberta have both put in place a rebate program for their greenhouse farmers, which provides relief at the level of 80% of the imposed carbon costs. The BC rebate program was put in place after the province experienced a stagnation of greenhouse growth after implementing the carbon tax.

Lastly, we continue to face competitiveness challenges with our largest trading partner, the United States. Our members are highly export-dependent and compete directly with Mexico, both domestically in the shoulder seasons and for access to the US market. The lack of a carbon pricing mechanism in competing jurisdictions in both Mexico and the United States will encourage two kinds of leakage that are both detrimental to Ontario's interests: carbon leakage through the importation of cheaper products from jurisdictions that don't yet have a carbon pricing system in place, and investment leakage through the expansion of Ontario-owned greenhouse businesses to the United States.

In the past three years, we estimate that over $250 million of direct greenhouse construction investment has been made across the border by Ontario-based greenhouse operations. It is our hope that through this act and several like it, the playing field will be levelled, the loss will be slowed and Ontario will once again be open for business.

OGVG is aware that the government of Ontario is in the process of developing a new climate change strategy which aims to reduce pollution right here in Ontario. OGVG supports this goal and would recommend that, moving forward, any strategy must recognize the importance of food security to the province and the evolving nature of modern agriculture.

We have grave concerns about how the federal backstop may impact our sector if the government of Ontario is not successful with its challenge. While the proposed federal legislation made some attempts to recognize the importance of agriculture, it failed to capture the realities of modern farming by not including natural gas or propane as qualifying farm fuels, and by excluding heating and cooling from qualifying farming activities.

This is a gross oversight, in our opinion. Natural gas is a key crop input for greenhouse farms. Not only does it provide heat to keep the crop growing through winter months in our northern climes, but the majority of greenhouse farmers capture carbon dioxide from their boiler stacks and feed it to the crop during periods of high growth. Without this additional carbon dioxide, greenhouse crops would cease to achieve the high level of productivity required to remain competitiveness.

The previous Ontario cap-and-trade program did not recognize this innovation, nor has the proposed federal carbon tax system. Jurisdictions such as British Columbia and Alberta, however, have recognized the importance of greenhouse farming to the future of agriculture and have established a rebate program accordingly.

Secondly, due to the global nature of our markets, it must be recognized that farmers in general are unable to pass on carbon pricing costs to their customers. These costs must simply be absorbed by the farmer and, in the long term, will threaten food security and sovereignty in Ontario. This inability, coupled with our export dependence, results in the sector being significantly trade-exposed.

Lastly, in moving towards the future, one of the challenges faced by the sector under the previous policies was the inability to access equitable support for innovative climate change adaptations and energy-efficient upgrades. Greenhouse growers are early adopters of technology, and many are at the forefront of the innovation curve. Too often, prescriptive programming has been put in place that supports the transition of the median to more innovative technologies but does not reward the early adopters.

While there is much societal good to be gained in supporting the reduction of fossil fuel use through the adoption of commercial off-the-shelf technologies, we must also recognize that someone needs to lead the way in getting it on the shelf in the first place. Those leaders take great risks, and it is critical that their efforts are supported and nurtured. There needs to be a recognition that the transition away from fossil fuels is one that will take time and will require long-term and strategic investments to be put in place.

We look forward to working with the government and the private sector to identify a pathway to the future. Thank you again for the opportunity to make this presentation.

The Chair (Mr. Dave Smith): Mr. Sandhu?

Mr. Amarjot Sandhu: Thank you for the presentation. Can you please explain the impact of the cap-and-trade program on your members across the province?

Mr. George Gilvesy: In general terms, the impact was a cost of about $10 million on our members, in aggregate.

Mr. Amarjot Sandhu: As a sector relying on trade, how were your members impacted by this program when trading with our North American partners, as the United States and Mexico don't have any carbon tax?

Mr. George Gilvesy: Recognizing that Mexico, the United States and most of the areas we compete in don't have the carbon tax, we are put at a competitive disadvantage just on that line item. That is a problem. As I identified, we're exporting 70% of our product into that market. It's very significant, and the pennies matter.

Mr. Amarjot Sandhu: Thank you, Mr. Chair. I will pass it to my colleague Christine Hogarth for further questions.

The Chair (Mr. Dave Smith): Ms. Hogarth?

Ms. Christine Hogarth: Hi. Just to repeat something—I just want to be clear: Did the Liberals' cap-and-trade program cost 200 farmers $10 million?

Mr. George Gilvesy: Correct.

Ms. Christine Hogarth: Who bears that cost? What happens with that $10 million? Where does it come from?

Mr. George Gilvesy: It's a good question. It's not able to be passed on to the grocery stores; I can assure you of that. We've been in a transition. Growers were either sucking it up or we were losing them. Some were going out of business. Some have now decided to get into cannabis. People are doing different things. When they're faced with cost pressures and can't sustain their farms, they have to make decisions.

Ms. Christine Hogarth: If the farmers aren't growing vegetables, what does the consumer do?

Mr. George Gilvesy: The consumer will, inevitably, depending on the competitive factors—if we aren't able to service that market, the market will be serviced by Mexico or growers in the United States. We're a big importer for Mexico in the off-season. They know how to do trade in Canada. They would just fill the shelves.

Ms. Christine Hogarth: So the Liberals' cap-and-trade program inevitably hurts jobs in Ontario?

Mr. George Gilvesy: We believe that it had a lot of unintended consequences. We don't think that greenhouse vegetable production was in the sights of that policy development.

1700

Ms. Christine Hogarth: Okay.

The Chair (Mr. Dave Smith): You still have time. Ms. Khanjin?

Ms. Andrea Khanjin: I just wanted to come back to the fact that you don't have the option of taking that price and giving it to the consumers. Do you know how many agricultural workers or farmers we have lost as a result of the Liberal cap-and-trade program?

Mr. George Gilvesy: At this point, we haven't lost, because people are in transition and it takes time for those things to be going through. Although I will say that there are some of the smaller producers who have made decisions on closing their greenhouses. We don't have those stats right now, but we'll see that some of them have transitioned those facilities to cannabis as a short-term thing. But that means that they've been lost as vegetable production. We need more vegetable production. It's something that we should be striving for, as Ontarians and Canadians are putting more vegetables on their plates.

Ms. Andrea Khanjin: That means that we'll have healthier Ontarians, right?

Mr. George Gilvesy: We would think so, yes.

Ms. Andrea Khanjin: If this legislation, Bill 4, passes, what does that mean for your sector?

Mr. George Gilvesy: For our sector, that's a sigh of relief at the moment. But again, we have concerns about the federal backstop and the implementation of it. As we've suggested, while we are thankful for the repeal of the cap-and-trade program because of some of the misguided principles in it, we do have some serious reservations about the impact of the federal backstop.

As we saw, we're at a competitive disadvantage with not only our competitors from Mexico and the United States; we're at a competitive disadvantage to our fellow competitors out of BC and Alberta.

The Chair (Mr. Dave Smith): Mr. Arthur?

Mr. Ian Arthur: Has anyone in your industry done any cost projections over 10 and 20 years of the effects that climate change will have at a 1- or 1.5-degree increase in temperatures as a cost to your industry?

Dr. Justine Taylor: I don't have those numbers off the top of my head. I will say that Greenhouse, by its very virtue, has already put in place a number of the tools that would be needed to mitigate a changing climate, so we're already equipped to meet those challenges.

The Chair (Mr. Dave Smith): Mr. Tabuns?

Mr. Peter Tabuns: I was very interested in one of your comments that you take carbon dioxide that's generated by burning fuel and you put it back into the greenhouse to accelerate crop growth. What percentage of the carbon dioxide that's emitted do you capture and recycle?

Dr. Justine Taylor: That's a hard number to pin down because there are so many geographic locations in which greenhouses are located, and also the energy efficiency varies from crop to crop, as does the need of each individual variety to take up carbon dioxide.

We also use heat differently through the season; obviously in the winter it's used most heavily and in the summer not as much, so that number really changes over the season. But typically in the summer, for instance, where we would be using heat to drive the dew off the crop in the morning to reduce disease, we would be using all of the CO_2 that's produced.

Mr. Peter Tabuns: In a year, would you use 10% of the CO_2, or 30% or 1%?

Dr. Justine Taylor: It's going to be variable. I probably would get 10 different answers from 10 different growers. I would put it somewhere in the something like the 30% to 50% range. Obviously, as technology moves forward and the houses become more energy efficient, that number just grows and grows and grows.

Mr. Peter Tabuns: In other jurisdictions, they recognize that carbon capture, but they didn't with the Ontario cap-and-trade system?

Dr. Justine Taylor: Yes. In our discussions with the previous government, they certainly recognized that it was an interesting artifact of greenhouse production, but unfortunately they were moving too quickly down the path of regulation in order to be able to put in place any sort of structure that would recognize it formally.

Mr. Peter Tabuns: As I understand it, the federal backstop will be more expensive per tonne than cap-and-trade has been.

Dr. Justine Taylor: Yes.

Mr. Peter Tabuns: So will you be facing higher costs next year than you were this year?

Dr. Justine Taylor: Next year, I believe it's—is it $20 next year or is it $10? It's $20. So it will be about the same costs as what we saw in 2017. In 2017, it was $18 a tonne, approximately, in Ontario. In the first year of the program, we would expect to see the same, so another $10 million.

Mr. George Gilvesy: Recognizing that BC and Alberta are getting rebates.

Mr. Peter Tabuns: I actually thought that the idea of recognizing your operations and rebating for carbon capture made a lot of sense. It would be an incentive for you to capture as much carbon as possible.

Mr. George Gilvesy: Yes, the cap-and-trade program—if I can—the previous government, when we were advocating all this, they said that the rigidity of the cap-and-trade program had to be maintained to maintain our adherence to the California and the Quebec regime. They said we could not do a built-in-Ontario model. We were quite befuddled by that whole piece because we thought, "We're in Ontario; why can't we build it the way we need it? Why do we have to adhere to the needs of California?" Here we were, a very unique sector in our province, and, I might say, like a golden child in agriculture with what we're offering up, and yet they could not change the rules to deal with what we think was a critical piece of Ontario agriculture.

Mr. Peter Tabuns: And as I—

The Chair (Mr. Dave Smith): Thank you.

Mr. Schreiner.

Mr. Mike Schreiner: Thank you for being here today. I really appreciate your presentation. I know that many economists, particularly those on the Ecofiscal Commission, have talked about trade-exposed industries and the fact that Ontario has a small percentage of trade-exposed industries. The fruit and vegetable growers, whether it's greenhouse or field crops, are very trade-exposed and very sensitive to any type of carbon pricing or carbon regulation, for that matter.

Do you feel like the rebate program is sufficient to address those competitive disadvantages, or do you think there are any other tools that need to be applied to make sure that we keep our fruit and vegetable sector competitive as we move to a low-carbon economy?

Mr. George Gilvesy: We would look to at least a rebate being in place to recognize at least then we'd have harmony across some of our competing jurisdictions nationally, but recognizing that we still have the trade exposure to the United States, which is our biggest market.

We would look forward to engaging in discussions about what other tools there could be available.

Mr. Mike Schreiner: Absolutely.

You talked about equitable support for innovation to reduce fuel use, which I would assume, then, would reduce your input costs as well. Can you elaborate a bit more on what some of those equitable, innovative supports government could provide?

Dr. Justine Taylor: Sure. Some of the problems we've dealt with in the past is that the program that has been put in place has been very prescriptive—specific targets. I very much take the point of it having to be measurable, and we would agree with that, but it kind of depends on what you're measuring.

What we were seeing is that our early adopters, greenhouse operators who had already adopted innovation that made them extremely energy efficient, were not able to access the program because they'd already done it in the past. Then, the programming that was put in place was very tied to these specific reductions, and it didn't allow for any flexibility in terms of what innovation might look like in the future.

The Chair (Mr. Dave Smith): Thank you. We've come to the end.

INDUSTRIAL GAS USERS ASSOCIATION

The Chair (Mr. Dave Smith): Corporate Knights Inc. Are they here? Since I don't see them, we'll move on to the Industrial Gas Users Association. If you could introduce yourselves before you start to speak. Once you start to introduce yourselves, your 10 minutes will begin.

Mr. John Creighton: Thank you, Chair, for inviting us. My name is John Creighton. I work for Greenfield Global and I'm the Vice-Chair of the Industrial Gas Users Association.

Mr. Todd Kostal: I'm Todd Kostal of Atlantic Packaging Products here in Toronto.

Mr. Francois Abdelnour: Francois Abdelnour with the Ivaco Rolling Mills steel plant.

Mr. John Creighton: We're here to talk about two things, really: the cancellation of the cap and trade program and then where we go from here.

First of all, I want to introduce the Industrial Gas Users Association. We were founded in 1973 and we represent 60% of all the major industrials in Ontario and Quebec. Industrials burn about half the amount of natural gas in those two provinces and about a third of the energy, so cap-and-trade was really built around industrials and protecting industrials as we go through decarbonization.

IGUA, as we call it, was there to make sure natural gas was low-cost. We look at the gas market to keep us competitive versus all the other regimes in Ontario, and we're starting to get more and more into the policy side of the business. The backbone of cap-of-trade was, again, mostly about our organization.

We're very supportive of decarbonizing. One of the things in Ontario—some of our industries are the lowest-carbon producers of goods in the world, and I think we can provide a big advantage for Ontario by growing those industries.

1710

Protecting our industry was the key idea behind cap-and-trade, and in the process of dismantling cap-and-trade, we also want to use the same process of where the cap-and-trade program was built. When the cap-and-trade program was built, we had to get right down to the plant level so that none of the plants were disadvantaged in putting in a decarbonization plan. Now in dismantling the cap-and-trade program, we want to make sure that we get down into the plant level to make sure all of our industries are handled fairly. We can't just do it on an industry basis; you have to get into the plant level because there are a lot of specifics around it.

Our recommendation to this committee is that we want to reimburse our industries who purchased carbon allowances to keep up with their emissions and were able to meet the legislative requirements. We certainly are not looking to be reimbursed for free allowances. That's the right way to do it. We need to find that money to reimburse. Hopefully, that's from the money they paid in—they get reimbursed for the money to get back out.

There was one major complexity in cap-and-trade, and that's to do with co-gens. In a co-gen, you're producing power and electricity, and some of our industrials were buying steam from those co-gens but would have to pay the full carbon cost of that steam. In the cap-and-trade program, special deals were made for those companies where they got free allowances to cover off those carbon costs, and it made it look like your co-gen was inside your plant where that was allowed. So there are a lot of complexities on co-gens. You really have to take apart the cap-and-trade down at the plant level to make sure that everybody is treated fairly.

We have a couple of examples just to explain that.

Example 1 is with Francois here, the Ivaco Rolling Mills, one of the largest steel and wire producers in North America. They're a cap-and-trade mandatory participant. They were granted free allowances, but they went ahead and purchased each year—so in 2017 and 2018—additional allowances. Looking at the formulas and the concept in dismantling, they are not going to get back the money they bought for free allowances.

This is an issue with fairness. With my company, I didn't buy any free allowances because I decided to wait a little longer and see how the market evolved. I'm not out any money in the dismantling of cap-and-trade, but Ivaco is because they moved ahead quicker. We're just looking for fairness for all industries as you dismantle it.

The second example is in some ways more complex, as I talked about with co-gen, but also simple as well. Atlantic Packaging has a co-gen next door. It's on a different property. They bought steam from that co-gen and they paid the carbon tax for that steam. The cap-and-trade provided them with free allowances so they could balance that off. At the end of the day, they would reduce their carbon costs—all of this when cap-and-trade allowances were being reduced. So we had to fight and get better at it, but we were protected at the front end. With the new dismantling of the cap-and-trade, the free allowances are gone and there's no value. So a company like Atlantic Packaging has a big cap-and-trade bill where other paper companies or others in Ontario, so just even in Ontario competition, may be leaving cap-and-trade without any liabilities. Again, it's just an issue of fairness that we're looking at and a reminder that cap-and-trade was built at the plant level. You really have to dismantle it at the plant level to make sure there's fairness among Ontario industries.

In concluding, Bill 4 needs to be amended so these two examples—and I don't have the number of how many of our members are going to be out money in the current plan, but we brought two examples here. We need to amend it so that, again, it's a fair dismantling.

My last few comments are these. We've done a lot of work, our organization, but even in a low-carbon world, we need to make a lot of stuff—a lot of steel and a lot of cement. We think Ontario can have a competitive advantage as a supplier of these low-carbon commodities.

Whatever program we're putting together, we need to make sure our industry remains competitive. Our strong belief is, we could take advantage of that because our industry is very low-carbon to begin with. We could have more steel mills and more cement plants and not buy dirty Chinese steel coming into our province. You could put a carbon spec on goods, and they could either pass the test, or, if they don't pass the test, they pay a fee—but protect our industries. In fact, I think it's an advantage for Ontario to even grow our industries. That's part of that.

Our organization is spending a lot of time on that. We would like to present, at another time, some of our ideas on how to rebuild a carbon reduction plan for this province and yet grow industry in this province.

Those are my remarks.

The Chair (Mr. Dave Smith): From the NDP: Mr. Tabuns.

Mr. Peter Tabuns: Gentlemen, thank you very much for coming here. You work all day. You're working both sides of the fence: the electricity and the gas side.

It's very interesting that you should mention that carbon tariff idea, because I did try to get that into the bill when it was being debated initially, and I couldn't get support from the Conservatives or the Liberals on it.

As you're probably aware, when we import electricity, we recognize the carbon content and there's a charge on it. We should have done the same with cement and with steel. I think it would have been to our advantage—to you as operators, but to the society as a whole.

The Ivaco Rolling Mills example: This makes sense to me, that if people bought allowances in advance, to make sure they'd be able to meet their commitments, their law-abiding approach should be recognized. Do you have any legal language that you can provide us with so that we can just plug it into amendments for the bill?

Mr. Francois Abdelnour: I'm not a lawyer; I'm an engineer.

Mr. Peter Tabuns: I believe you. You seem like a nice guy.

Mr. Francois Abdelnour: I know how to add, multiply and stuff like this.

The objective is, companies who followed the law and went ahead and bought allowances to cover what they calculated or estimated they needed, and didn't wait until the last minute, are out of money now, and they should get that money back. We definitely are not asking for free allowances.

Mr. Peter Tabuns: No, I understand that.

Mr. Francois Abdelnour: But every year, we looked at how many free allowances we were getting, how much emissions we had, and we bought the difference. So that money that we spent: We should get that money back.

My friend here didn't buy anything, and he got off scot-free. That is not fair, especially if my friend had made the same product I make. We're in the steel business.

Mr. Peter Tabuns: Right.

Mr. Francois Abdelnour: Other steel companies did not buy any. How could that be fair, for us to be paying that much—and we're not talking about $10,000 or $20,000; we're talking half a million dollars and up.

It's very important, especially in an area—we are in L'Orignal, east of Ottawa—where we are the only big employer left in that area.

Mr. Peter Tabuns: I'll turn it over to my colleague.

The Chair (Mr. Dave Smith): Mr. Arthur.

Mr. Ian Arthur: Just to follow up on that, there's a local cement company in Kingston and the Islands, where

I'm from, and they invested heavily in greening the company in order to avoid buying those carbon tax credits.

Do you know the impact this is going to have on those companies? They went a different avenue, but there's also no recourse for them to get any compensation for all that investment they made, is there?

Mr. John Creighton: I've read about that. They are, unfortunately, not a member of our organization. I understand that they did get some money, either through the cap-and-trade fund or other fund, from government to help them get there.

We know we're going to be in the low-carbon market, so they're well on their way and they'll get the fruits of their labour, I think, moving forward. We all are investing in low carbon, through the cap-and-trade world and whatever world we're going to go into next.

1720

It's hard to do a fair competitiveness because the program is so different, but I think they're—

Mr. Ian Arthur: Just to quickly follow up on that, what do you see as the best course forward to remain competitive in a low-carbon market, which you think that we're moving towards? How should this government proceed?

The Chair (Mr. Dave Smith): I'm afraid we don't have time for that question.

Mr. Schreiner?

Mr. Mike Schreiner: Thank you for being here today.

We've had a number of presenters raise concerns around the compensation model in the bill. Previously, the minister has said that companies that bought credits ahead of time are speculators and don't deserve compensation. With all due respect, sir, do you consider yourself a speculator?

Mr. Francois Abdelnour: I can show you the numbers. The amount that we bought is exactly what we need. It is exactly what we estimated that we needed for the year. We are in the steel business. We are not in any other business. I keep hearing this from my boss, every time we talk about it: "Hey, we're in the steel business." At some point, we said, "Oh, if you buy it now, it's going to be cheaper than buying"—we buy as much as we need for this year.

Mr. Mike Schreiner: Just to be clear, you did not buy those credits to speculate in the marketplace?

Mr. Francois Abdelnour: No.

Mr. Mike Schreiner: You bought those credits to be in compliance with the legislation.

Mr. Francois Abdelnour: We can prove that. We have the numbers. We have the numbers of the emissions, we have how many free allowances we got, and you see what we purchased is the balance.

Mr. Mike Schreiner: I'd love to take you up on your discussion about how we can leverage the low-carbon advantage we have and also how we can leverage opportunities in the cogen market with your industry. Thank you for bringing that up today.

The Chair (Mr. Dave Smith): Ms. Khanjin?

Ms. Andrea Khanjin: Thank you for coming here today.

First of all, when cap-and-trade was introduced, what did that mean for your business and what did it mean in terms of your bottom-line costs? Would it be easier to operate without cap-and-trade?

Mr. John Creighton: I can speak for my business. In the early year 2017, it wasn't much of a big cost, other than the work we did to get ready. In the second year, as I say, we didn't buy, but we were starting to fall behind. Really, it was in year four and five, when the carbon prices were going up and the reductions were going down, that it would start to impact our business. In a low-margin business, it would have a significant impact.

I would say what most industries say. Many of our industries in Ontario have an owner, maybe, outside of Canada, and they look for where they're going to invest. Companies aren't going to close up and leave, but what they're going to do is quit investing in our province. In 10 years, they'll look back and say, "This plant has not had any investment because the parent company invested in other locations." At that time, or in 15 years, they're going to say, "This is the oldest tool box I have. Maybe I'll get rid of it, because the newer ones are going to be better producers." I think that was the risk in cap-and-trade—it's the long-term viability of industry, not necessarily short-term.

Ms. Andrea Khanjin: But you only chose to invest in the fourth and fifth year. So could those monies have been invested in other places to increase your productivity, to increase employment? Could those monies have been invested elsewhere if it wasn't for the cap-and-trade framework?

Mr. John Creighton: Our company is a Canadian-owned company. We have bottling plants in the US. In Quebec, we're still in cap-and-trade, and we do invest heavily to reduce our emissions in cap-and-trade. It gives us less money to invest, but in the early years—we were going to buy and catch up, as Francois did, but towards the end of 2018. We would have kept pace. Again, it didn't impact us hugely in the early years. We were investing.

Mr. Francois Abdelnour: In our case, in 2012 and 2013 we invested about $65 million in new equipment to reduce electricity usage and natural gas usage. We are in the business of making steel. Our second-most expensive item that we use, besides label and scrap, is electricity. The third one is gas. So we don't need a program to tell us, "You should reduce your consumption." We know we have to reduce our consumption because it's a big part of our business.

Ms. Andrea Khanjin: So just to confirm, you don't need a program to tell you to reduce your gas?

Mr. Francois Abdelnour: Pardon me?

Ms. Andrea Khanjin: You don't need a program to tell you how to operate your business or how to reduce a gas, right?

Mr. Francois Abdelnour: We don't need these programs. It's to our advantage to reduce. We spend millions every year—every month—on electricity and on gas. We made this investment to reduce our consumption, and then the cap-and-trade came in. We've already invested in this technology, and that was state-of-the-art technology. When we got a baseline, it was already the best technology there is, and we couldn't go any further. We couldn't go down any more because we were learning how to use that technology. Now we can do a little bit better. But it is a learning curve.

Ms. Andrea Khanjin: Did you feel penalized when you were investing in all this great technology to improve—

Mr. Francois Abdelnour: I'm sorry?

Ms. Andrea Khanjin: Did you feel like you were being penalized when you did all these investments, and suddenly this extra cost—

Mr. Francois Abdelnour: No, no. We wanted to do this, because we were reducing the consumption, we were increasing the production and we were hiring more people.

Ms. Andrea Khanjin: That was before the cap-and-trade program came in?

The Chair (Mr. Dave Smith): Thank you.

Mr. Francois Abdelnour: That was before, yes—

The Chair (Mr. Dave Smith): Thank you. We've come to the end of this presentation. Thank you very much for your time.

CORPORATE KNIGHTS INC.

The Chair (Mr. Dave Smith): Up again, then, we have Corporate Knights. If you could introduce yourself before you start telling us about your company. Your time will start as soon as you start to introduce yourself.

Mr. A.A. Toby Heaps: My name is Toby Heaps. I'm the CEO of Corporate Knights. We publish Canada's second-largest business magazine, Corporate Knights, which is an insert in the Globe and Mail and the Washington Post. The Prime Minister, the Premier and the President of the United States all receive copies of Corporate Knights. I hope they're reading it.

We also act as the secretariat for a group called the Council for Clean Capitalism, which is a group of large-company CEOs who see the opportunity in the clean economy. We've worked with various levels of government over the years to advance priorities to make the clean economy happen sooner and work better.

Over the past 17 years now, a good chunk of my adult life, I've probably spent the greatest chunk of my working life focused on advocating for carbon taxes, putting a price on carbon. I spearheaded a campaign from 2008 to 2010 about getting a global carbon tax, with a Wall Street Journal op ed. I have long believed that if you don't have a price on carbon—it's not a silver bullet, but your gun isn't even loaded.

I think what I'm about to say will come as a surprise: I don't think it's actually that big of a deal if Ontario elects to do away with carbon pricing, provided that it is replaced with something more meaningful.

The reason my thinking has evolved on this is, there is a force much more powerful than any President or Premier, and it's called economics. No politician, no matter how powerful, can trump it. There was a time when we needed carbon pricing to make clean technologies viable, but now that clean power and electric vehicle technologies have caught up and are gaining steam, the name of the game is acceleration.

To wit, since Donald Trump was inaugurated as the 45th President of the United States, a US coal plant has been shut down every 15 days and the pace is picking up, with 2018 shaping up to be the biggest coal-killing year in the history of the United States.

This is not happening because coal doesn't have a friend in the White House. It is happening because the unsentimental forces of economics are pulling coal-powered plants into their graves. More than a quarter of US coal-powered plants don't even make enough money to cover their operating costs, according to Bloomberg New Energy Finance.

So while it is a simplification of the accelerating energy transition towards cleaner power, in the words of the head of infrastructure for BlackRock, one of the largest investors in the world, coal is dead because wind and solar are cheaper.

Economics in the form of cheaper and better batteries is also the driving force behind electric vehicles, explaining why every major carmaker has recently placed electrification at the heart of their long-term-growth strategies, with Bloomberg projecting electric vehicle sticker prices to be on par with internal combustion vehicles by 2024.

So the world is moving on, regardless of what we do here in Ontario. If it is an object of this august body to lead and not follow this change to a cleaner economy, an economy where the jobs will be and where our descendants will live, then I would like to put forward the below modest proposals for consideration as this body moves forward.

1730

These four proposals, in our considered opinion at the Council for Clean Capitalism and Corporate Knights, are some of the most effective and also the most politically palatable that exist from around the world, are good for jobs and have a positive impact on GDP.

The first one is zero-carbon building codes. It's something that can be phased in. It's something that's supported by many large actors in the industry, not all who take leadership from government. There will be huge greenhouse gas reductions, huge jobs, huge economic activity, and huge exportable excellence for our country if we can nail it. It can be preceded by implementing a well-designed property-assessed clean energy program, something that is already enabled by Ontario legislation but has just been put forward on the foundational level, not on the details. It's key, for these policies to work—what we've learned around the world and where they're successful, in places like California where we've seen billions of dollars of activity in jobs and energy retrofits saving people money on their power bills, is that they have to be targeted at contractors and developers so that they can be paid up front with little bureaucracy, not filling out 50-page forms or things like that. There are ways that Ontario can play a pivotal role: by creating a pool of capital that banks could access, and then lending that money to developers and contractors. Then, everyone could be made whole through slight increases on property tax bills, which would be cash-flow-positive for ratepayers on day one. This is a huge opportunity for Ontario to lead. We're talking about tens of thousands of jobs.

Number two: The carbon price was never going to make a dent or a difference in electric cars. My wife and I recently, at her behest, with child number two on the way, went out to buy a car. I really wanted to get an electric car, but it was hard to convince her on the economics. When you look at the carbon price, if you have a $30 or $50 carbon price, it's going to make gas 10 or 15 cents more expensive per litre. If you're buying an electric vehicle today you're going to spend about 500 bucks a year on electricity versus $2,000 on gas if you buy a gas car, if you're driving 20,000 kilometres. If I'm spending $500 versus $2,000, it's already a good deal. The reason we're not buying the electric car is because there's an incentive system with the dealers, the price is not quite yet there—it's almost there—the leasing arrangements are not quite yet there. But the carbon tax, unless it's $1,000, is not going to be pivotal in our decisions to buy electric cars.

What will be pivotal to growing our car market, which is something we should be really concerned about if we care about our car industry, is having zero-emission-vehicle mandates. This is something Quebec has put in place. By this year, I believe, 3.5% of cars sold in the province of Quebec must be electric vehicles. It ratchets up each year. It doesn't cost money. You don't have bad stories about working-class Ontarians subsidizing Teslas. The car companies can deal with it. It overcomes incentive barriers that exist within the dealerships, who don't like electric cars because they don't need to be maintained as much and it's a little disruptive to their business model. It would help get a lot more electric cars on the road and put us in the leading class around the world. It's something that enjoys support in Quebec across all party lines, and I think it's something for this body to duly consider.

The third policy that we'd like to put forward is on the power side. Ontario has had an adventure in the power markets, which we've chronicled in Corporate Knights. I don't think anyone would argue that it has led to more renewables being put onto the grid. Certainly, in some ways we're less than perfect, to be charitable. If we really want to be smart about this—Alberta has a power auction that they do. They have a competitive bid process. If you're a power producer and you want to bid on providing power, the lowest bid wins. What they're finding is that the renewable power producers—wind in particular—are providing prices that are just too low for anyone else to compete with. So it doesn't even have to preference renewables; you can just put it out there for people to bid on providing power. What we'll find is we'll get lower prices for our power, ratepayers will be paying lower—but just giving people an automatic guaranteed price. The government doesn't know what the price should be. Let the private sector figure out how cheap they can do it and bid and compete on it. What we'll find is we're going to get super-cheap prices, and ratepayers are going to be happy. Of course, we have to manage the intermittency and make the proper storage investments. We can also use auctions to ramp up the storage. This is a big opportunity for us.

The fourth policy is something that previous speakers were speaking about, and this is around the opportunity for us to be a world-class source of zero or near-zero carbon for commodities that are usually high-carbon: cement and steel. Technologies exist today to make close-to-zero-carbon steel and cement that is much reduced in carbon intensity, and those technologies could be showcased, deployed, piloted and supported. We could make a huge difference globally in reducing greenhouse gas emissions, because these are electricity-intensive commodities which also have other GHG emissions springing out of their chemical processes. If we combine our low-emissions grid with these technologies and with some of the leading businesses here, I think it's a real opportunity for job creation, for economic growth and for patents.

I think we should be careful when we think about the patents because, as our previous speaker said, most of these companies are owned by international conglomerates, and we don't want all this IP to flow out of the province and out of the country. So if we're supporting this, we should be careful to make sure we're reaping some of the benefits.

The Chair (Mr. Dave Smith): Thirty seconds.

Mr. Toby A.A. Heaps: Thank you, Chair.

The Chair (Mr. Dave Smith): We'll start with Mr. Schreiner.

Mr. Mike Schreiner: Thanks for being here. I really appreciate it. You've outlined a pretty aggressive and impressive list of four approaches. I'm curious if you've had conversations with industry about these mandates—for instance, the building sector, as well as the automobile sector—in terms of government mandating zero emissions.

Mr. Toby A.A. Heaps: The building sector that we interface with, when I think about large owners like Sun Life and Brookfield, they get this. They support this.

Where there will be some sort of tug and push-and-pull will be with some of the smaller builders. I think the way to do it is to introduce the carrot first, with the PACE financing and the pot of money, and then have the spectre and the plan of the zero emissions standards coming into the buildings. Then people can see those that are coming in, the early adopters, and that will bring new contractors into the space and reduce the cost of implementing these changes and then make for a smoother transition overall.

The car industry is another thing altogether. It's interesting. Please excuse my French, but the former vice-chair of General Motors once called the whole idea of electric cars and global warming a whole crock of shit. Recently GM has made a full-out commitment to going 100% electric in terms of all their models having electric components, with hybrid or fully electric, in the foreseeable future.

So, the car companies are going this way, but they don't want to be put into a box or given quotas. There has been some back-and-forth with Quebec. But they're living with it and they're selling their cars and they're meeting the quotas in Quebec.

I don't think the test of a policy should necessarily be, "Is it going to be completely comfortable for industry?" Sometimes industry needs a little nudge to innovate, and in the end they appreciate it.

Mr. Mike Schreiner: Do you think there's a role—

The Chair (Mr. Dave Smith): I'm sorry, Mike. I have to interrupt you.

Mr. Mike Schreiner: Thank you.

The Chair (Mr. Dave Smith): Mr. Kramp?

Mr. Daryl Kramp: Don't take this comment as a slight; it's not intended whatsoever. But, of course, you have a business and a society magazine. I can assure you that the guy on the street, the one who's paying a lot of the bills, the one who's struggling to make ends meet, the ones who are having an extreme amount of difficulty with the taxation on energy—with all respect, they don't read your magazine.

One of the problems we have—one of the reasons we were elected, quite frankly, is to try to represent the interests of the guy on the street.

Being a corporate individual myself as well, though, I certainly can appreciate the responsibility that we have to job creators in addition. It's trying to find that effective balance. That's why I suggest that while we can certainly focus on the corporate world, because they are the engine, the fact remains that we have to absolutely put a priority on the user, on the everyday individual, on the 80% to 90% of the people who basically provide the manpower, the labour and the availability to be able to ensure that we have the corporate entities strong in our country. I would just like to make that statement.

1740

However, I was interested as well, though, that you put forward a couple of ideas as far as where we go in the future, what we have for possible suggestions as to mitigate this and try to find a way forward. I know that this committee would welcome any suggestions that you might put pen to, to offer your thinking based on, obviously, the reception you had from both sides of the equation. You're not a single issue here—a pro, a con, on either way; you have a fair bit of neutrality in some areas. We would commend you and certainly appreciate that.

I'll just make a little point. You had mentioned, of course, about the coal and the industry. Has there been a decline in some usage in the coal and have there been efficiencies in the US system? Yes, but we should also understand as well that the US is exporting the largest amount of coal they ever have in the history of the country, and of course they're building a brand new coal plant every week in China. That really poses some serious, serious challenges for us going forward because, sure, we have to look after our own backyard, but we also have to be mindful about the international relationships and that there's not a great big barrier up there when the emissions go from one region to the other. It is a global problem; it certainly isn't a problem related just to Canada.

A point that I would like to suggest as well: I mentioned the people who are paying the bill here, the heavy hitters. We just had some in here, and we understand the challenges with them. Of course, they've expended some capital. They're saying, "What about us now?" They are part of those heavy hitters. Well, what about those heavy hitters? Has there been any benefit to their stock appreciation along the way? Have they made some profitability on that money? Has there been any return on investment for them during all of this process, and are they just strictly a victim now?

Your thoughts?

Mr. Toby A. A. Heaps: Sure. First, I couldn't agree with you more about paying heed to the everyday person who pays the bills. I remember bringing to the desk of the former Premier, through an adviser, my mom's power bill. She lives in rural Ontario. It was on the kitchen table for everybody to see when they would come in. All of our neighbours had it on the kitchen table, and it was a topic of discussion. I think that was one of the mistakes the environmental movement made—which I was part of as well—over the past number of years: not really thinking about some of the people who were paying the price who couldn't afford to pay the price. I—

The Chair (Mr. Dave Smith): Thank you. I'm sorry. We've come to the end of that.

Mr. Arthur?

Mr. Ian Arthur: Thank you very much for your presentation. You started it by talking about how you wouldn't mind replacing something with something better. I was wondering if you could speak to the cost of either the uncertainty or inaction. We have the cancellation of one program; we have a potential of a federal program to replace it—and it has its own shortcomings—or this government's proposed plan, which will arrive at some point in the future, with no clarity as to what it could possibly be.

Mr. Toby A. A. Heaps: Yes. I think the name of the game here is "acceleration." There's a lot of money ready to flow. We've been working with a number of Bay Street actors. People are looking at this. If there's clarity, the money can flow really quickly. When there's uncertainty, money can sit on the sidelines and might get allocated somewhere else.

I think on a few of these efforts, specifically on getting the PACE financing right, which is a big job winner and a big money saver for people, that's somewhere this government could move quickly and could make a big difference for the environment and for the economy. I think as quickly as you can move—these ideas about having a committee for two years: That's not going to work if we want to be part of leading this change. Time is not on our side, not because of the environment—yes, because of the environment—but because of the economy. If we're last, we're going to be end of the line for getting capital.

The Chair (Mr. Dave Smith): Ms. Bell?

Ms. Jessica Bell: Thank you for coming in. I have a question about what kind of support or incentives would be needed to build a zero-carbon steel and cement industry, which is one of the four planks you talked about.

Mr. Toby A. A. Heaps: There's a number of pilot projects going on around the world, different actors: BHP Billiton, POSCO, a South Korean—ArcelorMittal has one going as well. Usually, the R&D is almost at the point where it's ready for a large-scale pilot. In a few technologies, it is. So there's a certain targeted support for where the R&D is not quite yet there. Where it is there, we're talking about large sums of money to put these pilots into place. How that works in terms of tax reductions, in terms of loan guarantees, in terms of procurement budgets—my personal favourite is on the procurement budget part. I know you have to be careful with trade laws on how you structure that. There's a huge amount of consumption of steel and cement done through Ontario's infrastructure budget. I think if you could put as part of the RFPs for that carbon intensity—giving a high weight to that—that would give a really strong signal to producers anywhere in the world, but particularly here where you're closer to the market. Being close to the market is a big advantage when you have heavy commodities, like cement, to invest. So I think the procurement budget is probably the most effective way to do it.

The Chair (Mr. Dave Smith): Mr. Tabuns?

Mr. Peter Tabuns: Just your comment on the four pillars of what would make a climate change program that would really have impact: on the reduced-emission cement, are you talking about using electrical power to provide heat for the process of production of cement?

Mr. Toby A. A. Heaps: There's a whole host of technologies, some of which are part of this Carbon XPRIZE, finalists that are presenting in Alberta in a couple of months. There's Carboncrete, which is a really interesting Canadian technology that is way lower in emissions than CarbonCure. There's CarbonCure. There's a whole host of different types of Canadian—

The Chair (Mr. Dave Smith): Thank you. We've reached the end.

Seeing that we have no other speakers scheduled, we will adjourn, then, until Wednesday at 9 a.m.

The committee adjourned at 1746.

STANDING COMMITTEE ON GENERAL GOVERNMENT

Chair / Président
Mr. Dave Smith (Peterborough–Kawartha PC)

Vice-Chair / Vice-Présidente
Ms. Natalia Kusendova (Mississauga Centre / Mississauga-Centre PC)

Ms. Jessica Bell (University–Rosedale ND)
Mr. Lorne Coe (Whitby PC)
Mr. Chris Glover (Spadina–Fort York ND)
Ms. Christine Hogarth (Etobicoke–Lakeshore PC)
Mr. Logan Kanapathi (Markham–Thornhill PC)
Mr. Daryl Kramp (Hastings–Lennox and Addington PC)
Ms. Natalia Kusendova (Mississauga Centre / Mississauga-Centre PC)
Mr. Amarjot Sandhu (Brampton West / Brampton-Ouest PC)
Mr. Mike Schreiner (Guelph G)
Mr. Dave Smith (Peterborough–Kawartha PC)
Mrs. Jennifer (Jennie) Stevens (St. Catharines ND)

Substitutions / Membres remplaçants
Ms. Andrea Khanjin (Barrie–Innisfil PC)
Mr. Peter Tabuns (Toronto–Danforth ND)

Also taking part / Autres participants et participantes
Mr. Ian Arthur (Kingston and the Islands / Kingston et les Îles ND)

Clerk pro tem / Greffière par intérim
Ms. Sylwia Przezdziecki

Staff / Personnel
Mr. Michael Vidoni, research officer,
Research Services