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**Official Report
of Debates
(Hansard)**

Monday 2 November 2009

**Journal
des débats
(Hansard)**

Lundi 2 novembre 2009

**Standing Committee on
General Government**

Environmental Protection
Amendment Act (Greenhouse
Gas Emissions Trading), 2009

**Comité permanent des
affaires gouvernementales**

Loi de 2009 modifiant la Loi sur
la protection de l'environnement
(échange de droits d'émission
de gaz à effet de serre)

Chair: David Oraziotti
Clerk: Trevor Day

Président : David Oraziotti
Greffier : Trevor Day

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LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Monday 2 November 2009

Lundi 2 novembre 2009

The committee met at 1403 in room 151.

SUBCOMMITTEE REPORT

The Chair (Mr. David Oraziotti): Good afternoon, everyone, and welcome to the Standing Committee on General Government. We're here to discuss Bill 185 today. Before we do that, we have a subcommittee report. Can I get a member to read that report for us? Mr. Mauro, thank you.

Mr. Bill Mauro: Your subcommittee met on Friday, October 23, 2009, to consider the method of proceeding on Bill 185, An Act to amend the Environmental Protection Act with respect to greenhouse gas emissions trading and other economic and financial instruments and market-based approaches, and recommends the following:

(1) That the committee meet in Toronto on Monday, November 2, 2009, and Wednesday, November 4, 2009, for the purpose of holding public hearings.

(2) That the committee clerk, with the authorization of the Chair, post information regarding public hearings in the Ontario edition of the Globe and Mail and L'Express for one day during the week of October 26, 2009.

(3) That the committee clerk, with the authorization of the Chair, post information regarding public hearings on the Ontario parliamentary channel, the Legislative Assembly website and Canada NewsWire.

(4) That the committee invite Hugh MacLeod, the associate deputy minister to the Premier, Climate Change Secretariat, and Marcel Coutu, president and CEO of the Canadian Oil Sands Trust, to make a presentation of up to 10 minutes, followed by five minutes of questions from the committee.

(5) That interested parties who wish to be considered to make an oral presentation contact the committee clerk by 12 noon on Friday, October 30, 2009.

(6) That groups and individuals be offered 10 minutes for their presentation, this time to be scheduled in 15-minute increments to allow for questions from the committee.

(7) That witnesses be scheduled on a first-come, first-served basis for the Monday, November 2, 2009, hearing date.

(8) That in the event all remaining witnesses cannot be scheduled for the Wednesday, November 4, 2009, hearing date, the committee clerk provide the members of the subcommittee with a list of requests to appear.

(9) That the members of the subcommittee prioritize and return the list of requests to appear by 12 noon on Monday, November 2, 2009, and that the committee clerk schedule witnesses based on those prioritized lists.

(10) That the deadline for written submissions be 5 p.m. on Wednesday, November 4, 2009.

(11) That the research officer provide the committee with a summary of presentations by November 12, 2009.

(12) That, for administrative purposes, proposed amendments be filed with the committee clerk by 12 noon on Thursday, November 12, 2009.

(13) That the committee meet for the purpose of clause-by-clause consideration of the bill on Wednesday, November 18, 2009.

(14) That the committee clerk, in consultation with the Chair, be authorized prior to the adoption of the report of the subcommittee to commence making any preliminary arrangements necessary to facilitate the committee's proceedings.

The Chair (Mr. David Oraziotti): Thank you, Mr. Mauro. Any questions or comments on the subcommittee report? Seeing none, all those in favour? Opposed? That's carried.

**ENVIRONMENTAL PROTECTION
AMENDMENT ACT (GREENHOUSE GAS
EMISSIONS TRADING), 2009**

**LOI DE 2009 MODIFIANT LA LOI SUR
LA PROTECTION DE L'ENVIRONNEMENT
(ÉCHANGE DE DROITS D'ÉMISSION
DE GAZ À EFFET DE SERRE)**

Consideration of Bill 185, An Act to amend the Environmental Protection Act with respect to greenhouse gas emissions trading and other economic and financial instruments and market-based approaches / Projet de loi 185, Loi modifiant la Loi sur la protection de l'environnement en ce qui concerne l'échange de droits d'émission de gaz à effet de serre ainsi que d'autres instruments économiques et financiers et approches axées sur le marché.

ENERGY PROBE

The Chair (Mr. David Oraziotti): We'll move right to presentations. The first presentation is Energy Probe.

Lawrence Solomon, if you'd like to come forward. Good afternoon, sir. You have 10 minutes for your presentation and five minutes for questions from committee members. When you start, just state your name for our recording purposes, and you can begin.

Mr. Lawrence Solomon: Lawrence Solomon with Energy Probe.

Thank you, Mr. Chairman and members of this committee, for the opportunity to provide Energy Probe's view on Bill 185. I would first like to introduce my organization. We are one of Ontario's oldest and largest environmental organizations, established at the University of Toronto in 1970 and entirely non-partisan. Many of the important reforms that we have seen in Ontario's power sector over the decades have originated with us. The breakup of Ontario Hydro's monopoly, for example, directly followed our recommendations. Initially, these recommendations were endorsed by Bob Rae of the Ontario NDP and David Peterson of the Ontario Liberals. Our recommendations then became part of Mike Harris's Common Sense Revolution, and when the Tories came to power, Hydro was indeed broken up.

Ontarians spend more time with Energy Probe than with any other environmental organization in Canada. According to Amazon's Alexa metrics, Energy Probe's website is Canada's most popular environmental website. People spend more time with us than on the sites of the David Suzuki Foundation, for example, or the World Wildlife Fund combined. We also reach large numbers of Ontarians through our op-eds in major papers and my weekly columns in the National Post. Last year, my book on scientists who are skeptical of global warming—the book is called *The Deniers*—was the number one environmental bestseller in both Canada and the United States.

I am here this afternoon to tell you that the government's proposed greenhouse gas trading scheme would be a mistake, one that would harm the environment as well as the economy. The premise behind Bill 185 is that a North American cap-and-trade plan could be in place as early as 2012. This was an unlikely expectation in May, when the government proposed the legislation, and it is even more unlikely today. The US public has turned decisively against the global warming scare. A majority of Americans, even a majority of Democrats in the US, no longer believe Al Gore. Most Americans believe global warming is a natural phenomenon, not man-made. Likewise, the public in the UK no longer believes that global warming is a serious concern—and the public in Australia and the public in Canada. A new Climate Confidence Monitor survey released just this morning shows that support for action on climate change is plummeting in Canada. Just 26% of Canadians consider global warming among their chief concerns; that's down from 34% last year.

Because the public around the world is no longer buying the hype over global warming, the meetings in Copenhagen next month will accomplish nothing of substance. And because Copenhagen will amount to

nothing, the White House has already indicated that Barack Obama will not be attending, so as not to be tainted by Copenhagen's failure. The Washington Post yesterday said of the Senate climate change bill, "There is almost no hope for passage."

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On the global warming issue, the public once again has been well ahead of the politicians. Some of you around this table may be surprised by the polling data and how quickly the politics can change. Some of you may think the science is settled on climate change. Let me tell you why you think the science has settled. It all comes down to one number: 2,500. That's the number of scientists associated with the UN's Intergovernmental Panel on Climate Change, the number that the press reports over and over again. If you do a Google search on news articles that claim that the science has settled on climate change, you'll see that reporters almost always rely on this number; "2,500 scientists can't be wrong," they always say, explicitly or implicitly. If they didn't have that number, they would have no basis for the claim that they repeat over and over again, the claim that there's a consensus on climate change.

Twenty-five hundred is an impressive number. I wondered: Who exactly were these 2,500 scientists associated with the UN? To find out, I contacted the secretariat of the United Nations Intergovernmental Panel on Climate Change and asked for their names. I intended to survey them and find out exactly what those 2,500 thought. The answer that came back from the secretariat was negative. I learned that the names were not public, so I couldn't have them, and I also learned that the 2,500 scientists were reviewers, not endorsers. That group of scientists hadn't endorsed anything. They were merely people who had reviewed some of the inputs that went into the bureaucratic maw at the United Nations. They did not review the final report; they did not endorse it. Their reviews weren't even all favourable. I know that from many sources, including from among some of the scientists that I profiled. Several of the deniers in my book are among those 2,500. Those deniers and others generally consider the UN's work a travesty.

So there is no endorsement by 2,500 top scientists. The press has been taken, and so, until recently, a majority of the public has been taken as well. The extent to which the public has been taken may surprise you.

Not only is there no consensus; the scientists who are skeptics, the so-called deniers, have extraordinary credentials. They are the who's who of science. They include Antonino Zichichi, the president of the World Federation of Scientists and the discoverer of nuclear anti-matter. He is Italy's best-known scientist. They include Claude Allègre, who is France's best-known scientist. They include one of Germany's best-known scientists, and Britain's and America's, Freeman Dyson, the physicist, the inventor of the TRIGA, the nuclear reactor used in hospitals and university labs around the world to create isotopes. They include Syun Akasofu of the International Arctic Research Center, the discoverer

of the causes of the storms of the aurora borealis. They may, in fact, include the majority of the world's top scientists.

The majority of scientists not only believes that CO₂ does not cause harm; most—a great majority—believe it to be a gas that benefits the global environment. Thanks to CO₂, which is also known as nature's fertilizer, the planet now is greener than it has been in decades, since satellite measurements began recording the amount of biota on earth.

In closing, let me tell you something else about my organization. Energy Probe has a large Third World wing called Probe International, which works at the grassroots level in the Third World. The citizens' groups in the Third World that we work with are up in arms over attempts by western governments to comply with Kyoto.

Kyoto, in fact, has emerged as the single greatest destroyer of the global environment, precisely because of mechanisms such as cap and trade that attempt to commodify carbon. What we purchase with a carbon credit or a carbon offset is often the environment of a community in the Third World—its river valley, its old-growth forest, its farmland. Kyoto has made us the enemy among many in the Third World.

I'll stop my prepared comments at this point. I've distributed some information that elaborates on some of my remarks, and now I'll be happy to take any questions that you might have.

The Chair (Mr. David Oraziotti): Okay, thank you. Mr. Barrett, go ahead. You're the first up.

Mr. Toby Barrett: Thank you, Mr. Solomon, on behalf of Energy Probe. You use the term "denier." It's not your word, but it's a word that is used for those who come up with the other side of the story. I think it's regrettable that that word is being used. Many years ago, I visited Dachau, and we know that the term "denier" is also used in the context of the Holocaust. This is obviously not a scientific approach, but there is almost some kind of a public relations approach, if you will, to demonize one side of the fence and not the other. What's your thought on that?

Mr. Lawrence Solomon: That's exactly the case. There has been a very active, conscious attempt to marginalize any dissenter. If someone dissents, they find that they are ostracized and they lose their funding. In some cases, they've lost their jobs. Even if they're willing to suffer that opprobrium, they will find that their colleagues, for example, in their university departments will fear them carrying on with their statements because they fear that the entire university department might lose its funding. So the term "deniers" is used just as you said: It's consciously used. People who have raised it have directly identified climate change deniers with Holocaust deniers, saying that the actions in denying the possible consequences of climate change could lead to another holocaust.

Mr. Toby Barrett: You mention the difficulty in, say, through university funding, in getting research funding to look at the other side. Is there not, throughout the world,

some neutral, objective research organizations that are above this, that would look at both sides of the picture?

Mr. Lawrence Solomon: Yes. There are some marvellous research organizations. One of them is in Denmark, the Danish national space agency. It has come up with very powerful evidence of a relationship between solar activity and global warming on earth.

Another is CERN, which is perhaps the largest research organization in the world, based in Geneva. CERN is best-known for that \$2.4-billion collider that it's building. But CERN is—

Mr. Toby Barrett: What organization is that?

Mr. Lawrence Solomon: It's called CERN. It's the centre for research into—I forget what the acronym stands for; it's a French term. I think it's the centre for research into nuclear energy.

Another major organization is Pulkovo—astronomy. They're Russian. They run the Russian half of the international space station. The international space station is shared by the US and Russia. The scientist in charge of the Russian half, Habibullo Abdussamatov, has been producing research for quite a long time showing that climate change is entirely a natural phenomenon. He thinks he has some—

The Chair (Mr. David Oraziotti): I'm going to have to stop you there. That's the time for questions from the Conservative caucus. Mr. Tabuns, go ahead.

Mr. Peter Tabuns: I don't think this person has anything useful to say to this committee. I have no questions or comments. I'll leave it to the other party.

The Chair (Mr. David Oraziotti): Ms. Jaczek?

Ms. Helena Jaczek: I just want to clarify: You do not, therefore, agree with the Intergovernmental Panel on Climate Change's fourth assessment report, released in 2007, that states that the evidence of climate change is unequivocal?

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Mr. Lawrence Solomon: It is patently clear that it is not unequivocal when there are so many fine scientists around the world, so many major research organizations around the world, who dispute its findings.

Ms. Helena Jaczek: And you similarly, therefore, do not agree with the Climate Change Science Compendium released in 2009 by the United Nations Environmental Programme that stated that, in fact, they are even more confident today in their forecasts regarding climate change?

Mr. Lawrence Solomon: That's right. All of the research comes down to the validity of computer models; all we have are projections of computer models saying, "Here is the damage that is going to occur in the future." Those computer models have not yet been demonstrated to work. Not only can they not project into the future, they can't even be made to project into the past. The climate is so complicated, there are so many variables, that no one has been able to get a climate change model that can backcast, let alone forecast. For that reason, the projections are extremely suspect, and for that reason, the

majority, I believe, of the top scientists of the world dispute those models.

Ms. Helena Jaczek: If I could just follow up, you stated at the outset that Energy Probe was established at the University of Toronto. Do you have any current affiliation with a major academic institution?

Mr. Lawrence Solomon: No, we do not.

The Chair (Mr. David Oraziotti): I think that's all the time that we have for questions. Thank you very much for your presentation today.

CLIMATE CHANGE SECRETARIAT

The Chair (Mr. David Oraziotti): The next presenter is the Climate Change Secretariat: Mr. Hugh MacLeod. Would you come forward, please? Thank you, Mr. MacLeod. As you know, the committee invited you to be here today, so we appreciate you taking the time to be here. State your name for the purposes of Hansard, and you can begin your presentation.

Mr. Hugh MacLeod: My name is Hugh MacLeod, and I want to thank you for the opportunity to be here today. My presentation will set the backdrop for Bill 185 in that I will cover two aspects: a brief overview of Ontario's response to reducing greenhouse gas emissions and a high-level update of government progress on its climate change action plan.

In 2007, the government introduced Ontario's climate change action plan as the framework for action to reduce greenhouse gas emissions. The action plan established the following GHG reduction targets: 6% below 1990 levels by 2014—the 1990 baseline is in keeping with the UN Framework Convention on Climate Change; 15% below 1990 levels by 2020; and 80% below 1990 levels by 2050. These GHG reduction targets signal Ontario's strong commitment to taking real, measurable action to reduce GHG emissions.

To coordinate efforts, the Climate Change Secretariat was created within Cabinet Office in February 2008. The secretariat's mandate is to provide corporate leadership and support for government-wide efforts on all aspects of climate change. One of the secretariat's primary roles and value-adds is risk management and results-based outcome reporting.

In reviewing the 2007-08 climate change action plan report, the Environmental Commissioner made this comment: "The issue of tracking is fundamental to making course corrections and re-evaluating the design and performance assumptions around initiatives that are expected to achieve the greenhouse gas reduction emissions."

To address this crucial step, Ontario tracks the performance of all climate change action initiatives using a common template. Like the dashboard of a car, these templates represent important information related to climate change initiatives, progress and status. Using a consistent mechanism for tracking and risk management allows the Climate Change Secretariat to do three things: (1) keep the plan and the targets on track; (2) recommend course corrections when needed; and (3) take the lead

role for the development of the annual climate change action plan report. By tracking, analyzing and reporting on results on the government's progress to reduce GHG emissions, the Climate Change Secretariat is positioned to facilitate cabinet decision-making in regard to implementation of climate change-related policies and programs.

Currently, to give you a scope, the government, through the Climate Change Secretariat, tracks results and completes modelling forecasts on six portfolios involving over 70 climate change initiatives that cut across 11 ministries and two agencies.

Ontario's approach to modelling GHG from year to year will need to constantly be adjusted to incorporate changing best practices and other refinements based on lessons learned and the latest data available. Translating the information gathered from 70 initiatives across 11 ministries and two agencies requires careful work.

As you can appreciate, many variables and assumptions go into creating a forecast. For example, on the surface, the emissions from passenger vehicles are quite simple to calculate: how far you drive—vehicle kilometres travelled—times how fuel-efficient your vehicle is times the greenhouse gas intensity of that fuel. However, when we drill down further, we find that the impacts of investment in public transit depend on who is getting out of their cars, how far they drive, the cars they drive and the kind of fleets we have, how often they replace their cars with newer ones, and the trends in fuel efficiency as we move forward.

The impact also depends on other policy and program decisions related to mobility: the planning of our cities and greenbelts, the availability of our HOV lanes, and the cost and convenience of alternatives.

Understanding the province's capacity to further reduce greenhouse gases requires us to understand where we are today and what the progress trends would be under a business-as-usual scenario. In other words, where would we be if the province had decided to do nothing?

In addition, achieving the project emission reductions requires successful, ongoing mitigation and contingency for risk. Potential contingencies and risks are tracked and regularly reported to the ministry so as to, in turn, label them to make the mitigation changes.

None of the rules of the Climate Change Secretariat that I have mentioned include the words "delivery for policy." As mentioned earlier, the role of the Climate Change Secretariat is to facilitate cabinet decision-making with regard to policy. The development of the greenhouse gas emission trading that would be enabled if Bill 185 is passed will be driven by the Ministry of the Environment in partnership with other ministries and supported by the Climate Change Secretariat. Work to date on GHG emission trading, including discussion papers released in December 2008 and May 2009, has been led by the Ministry of the Environment. A key focus of our work with the Ministry of the Environment on cap-and-trade is understanding through modelling and forecasting the potential impact of GHG trade—offsets,

auctioning etc.—on our greenhouse gas reduction strategy.

If passed, Bill 185 would enable Ontario to link to North American trading. The year ahead will be critical in the development of a cap-and-trade system for GHG reductions, including complementary initiatives that will no doubt be included, things like new GHG reporting requirements that will ensure the design and implementation of a fair and effective cap-and-trade system; development of regulations to ensure that Ontario reaches its GHG reduction target; and measures that can stimulate the development of carbon offsets and compliance. Cap and trade is the next big step towards our low-carbon future. Using a baseball analogy, given that this is the season, it can become the game changer.

On progress: Without going into specific details and numbers today, I can say that the soon-to-be-released 2008-09 climate change action report to the Legislature will show that Ontario is making progress towards 2014 and 2020 targets.

Here's a sample of portfolios and climate change initiatives that will be highlighted in this year's annual report.

OPS green strategy for GHG reductions: The report will talk about what the Ontario public service is doing to reduce GHG emissions in buildings, vehicles, air travel, paper, print services, electronic devices and e-waste.

On the theme of green energy, conservation and efficiency, the report will talk about actions including the phasing out of coal, the Green Energy Act, the smart electricity grid, smart electricity pricing, and harnessing the power of conservation, water, wind, solar and bio-energy.

Did you know that GHGs from transportation accounted for 31% of Ontario's 2007 total emissions? The report will talk about actions on GO Transit, the Smart Commute program, public transit, networking HOV lanes on major highways, and electric car and commercial fleet strategy.

On land use and stewardship: 12.5 million tonnes of carbon dioxide are absorbed from the atmosphere every year by the far north boreal region's trees, soil and peat resources. The report will talk about actions in the boreal forest region, tree planting activities and the community go green fund. On the numbers, this year's report will provide a status update on GHG emission numbers rolled up from the 70 initiatives across 11 ministries and two agencies. You will see where the investment is bringing us today, towards our 2014 and 2020 target.

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To provide the public, the Ontario Legislature and the Environmental Commissioner's office with confidence in the province's long-term forecasts, the government had its emissions reduction modelling methods and assumptions validated by an independent third party. The process of completing the validation is intended to help provide confidence that we are modelling and we are forecasting our assumptions in the right and proper way.

Ontario is the first jurisdiction to undertake a validation of its forward-looking emission reduction forecasts.

The Environmental Commissioner noted the notion of continuous improvement in last year's report, and this is what he said: "The reality... is that the progression in achieving the cumulative reductions out to 2014 (and beyond) will most likely represent a shape more akin to a 'hockey stick' ... incremental savings in the earlier years ... ramping-up as programs evolve, tracking improves, expertise accumulates and market transformation progresses."

The review of the annual report by the Environmental Commissioner is a very important step and demands that government must continue to bring rigour to our evolving tracking and reporting processes. Looking ahead, you will see continuous improvement in public reporting for the 2010 and subsequent annual reports. Each annual report will show how Ontario is doing, the lessons we are learning and the next steps we will take to stay on track.

If, as the old Haida saying has it, we do not inherit the earth from our parents, we borrow it from our children, then we collectively have an opportunity to demonstrate to our children and our grandchildren that we honour this through a sustainable, results-based climate change action plan.

In summary, (1) Ontario is committed to doing its part to cut greenhouse gas emissions causing climate change; (2) Ontario set tough GHG targets in 2007; (3) Ontario's climate change action plan, made up of six broad portfolios comprising 70 initiatives that span 11 ministries and two agencies, is our framework for action; and (4) as you will see in the 2008-09 annual report, we are making progress, but we still have a lot of ground to cover to meet aggressive greenhouse gas reduction targets. Cap-and-trade is the next best and the next big step.

In the time remaining, I am pleased to take questions about the work of the climate change secretariat. There are MOE representatives in the room who can answer questions with regard to cap-and-trade and related policy development.

The Chair (Mr. David Oraziotti): Thank you. We have a few minutes for questions. Mr. Tabuns, you're up first.

Mr. Peter Tabuns: Mr. MacLeod, thank you for coming and presenting today. This cap-and-trade bill: How many megatonnes of greenhouse gases is it targeted to reduce in the years 2014 to 2020?

Mr. Hugh MacLeod: I can't give you the precise number today. What I can tell you is that we've had an ongoing conversation with the Ministry of the Environment on looking at what is potential. The reason why I can't tell you today is because it continues to change based on what is happening on the North American scale. Once we get a clear understanding of what the American trade system will look like and its elements, we will be in a better position to give an absolute in terms of the greenhouse gas reductions that are possible. But we do have a range of what is possible.

Mr. Peter Tabuns: Can you give us the range of what is possible?

Mr. Hugh MacLeod: The range of the possible would be enough, depending on the size of the cap and what the price is, to actually help us close to our 2014 and 2020 target.

Mr. Peter Tabuns: And what are those numbers? What is the range?

Mr. Hugh MacLeod: I don't have the numbers here today, but I can get them.

Mr. Peter Tabuns: What percentage of the reduction in greenhouse gas emissions will come from offsets and what will come from reduction in the burning of fossil fuels?

Mr. Hugh MacLeod: That calculation is ongoing because the offset side, as you are well aware, is the side that is basically not part of the regulatory regime. For example, these would be farmers being encouraged to do something different with agriculture or the forest industry doing something important in terms of their land use. Part of it will depend on how far those environments move to provide a base for offsets. It's difficult to give a precise number, but in the modelling, we will be looking at ranges of possibility to find that portion from the offset and the portion from cap and trade.

Mr. Peter Tabuns: Can you tell us when we will actually have numbers?

Interjection.

The Chair (Mr. David Oraziotti): Have a seat. If you have something to add to the discussion, just quickly—

Mr. Jim Whitestone: Jim Whitestone, Ministry of the Environment.

The Chair (Mr. David Oraziotti): If you could answer this as briefly as possible; we need to move on. Go ahead.

Mr. Jim Whitestone: The ministry has continued to follow development of the US cap-and-trade system, working with the Western Climate Initiative to implement a cap-and-trade system by 2012. As the design of the US system gets filings over the course of the next year, hopefully we'll have a better answer for you at that time.

Mr. Peter Tabuns: So a year from now.

The Chair (Mr. David Oraziotti): That's it, Mr. Tabuns. Thank you. Ms. Jaczek, go ahead.

Ms. Helena Jaczek: Thank you very much, Dr. MacLeod, for really giving us a good overview of the complexity of the issue and the range of actions that are being taken. I just wanted to say that in a nutshell, in other words, you are convinced that Bill 185 is a necessary and important step that this government can take?

Mr. Hugh Macleod: Absolutely.

Ms. Helena Jaczek: Thank you.

The Chair (Mr. David Oraziotti): Thank you. Mr. Yakabuski, go ahead.

Mr. John Yakabuski: Thank you very much for joining us this afternoon. I'm going to ask you a couple of questions on—you were here for the previous presenter, Mr. Solomon. It's the first time I heard about it; I'm not a scientist. The fact that the publication of the scientists

who are part of the global warming theories—we're not able to get at those names. He named a number of scientists. I don't know them—that's not my business—but I suspect you would know. I know we're paying you a lot of money to go through this process here. Can you comment on the scientists who were named? He also gave the work that they're involved in. Do you question their credentials? Do you say they're not credible or they are credible? What would your comment be on the credibility of those particular scientists?

Mr. Hugh Macleod: First of all, I'm going to set a context to respond to your question. Every jurisdiction in the world is paying attention to climate change. Every jurisdiction in the world has some form of target, and, with targets, some form of measurement. Therefore, I have to assume on a world order that the debate is now over with regard to whether or not we have a challenge—

Mr. John Yakabuski: I'd like you to comment on what he said. Name those scientists. That's the question I asked.

Mr. Hugh MacLeod: I'm not familiar with the work of any of the scientists he has named. What I am familiar with are the leading practices around the world with respect to the importance of climate change and the initiatives that are currently taking place around the world—

Mr. John Yakabuski: So you're not familiar with the scientists he named?

Mr. Hugh MacLeod: I'm not familiar with their work; no, I'm not.

Mr. John Yakabuski: Okay. Thank you.

Mr. Toby Barrett: Chair?

The Chair (Mr. David Oraziotti): Mr. Barrett, go ahead.

Mr. Toby Barrett: A quick question about the TD Bank-funded report. This is just from the Globe and Mail; I don't have the report. Environmentalists make assumptions that a large part of meeting the goal is through carbon capture and storage. Are we working on that in the province of Ontario?

Mr. Hugh MacLeod: At this point in time, we are not.

Mr. Toby Barrett: Okay. Thank you.

The Chair (Mr. David Oraziotti): Thank you, Mr. MacLeod. There are no further questions from the committee.

CEMENT ASSOCIATION OF CANADA

The Chair (Mr. David Oraziotti): Our next presentation is the Cement Association of Canada. Good afternoon, gentlemen. Welcome to the Standing Committee on General Government. You have 10 minutes for your presentation and five for questions from committee members. Whoever may be speaking, please state your name for recording purposes, and you can begin when you're ready.

Mr. Gerald Kennedy: Gerald Kennedy, senior manager, environmental affairs, Cement Association of Canada.

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Mr. Luc Robitaille: And I'm Luc Robitaille, corporate director of environment for Holcim Canada, and I'm also the chair of the national environmental committee for the cement association.

I want to thank you for inviting us here to discuss Bill 185 with you. The Cement Association has been involved for a long time with the MOE, the federal government and the WCI. We're also involved through the Asia-Pacific Partnership and many other groups, trying to deal with this very important issue for our sector. We believe that global climate change can only be addressed through policies that avoid production and emission leakage and can sustain a strong and cohesive Ontario economy.

The first thing I'm going to talk about is the distinction between what is cement and what is concrete, which is not something that is understood by everybody. Cement is a dry, fine powder. It's produced in very large facilities that use a lot of energy. It's shipped worldwide. There is a little bit of an import market in the Great Lakes at this point but, in general, Ontario has been an exporter of cement. On the other hand, concrete is the product we are more familiar with. It's produced locally. It's a perishable good. Once you add water to concrete, you have to place it within two hours; otherwise, the batch is not usable. That's normally why concrete plants are located near to the major markets.

Concrete is a very durable and sustainable material. Through the use of concrete, you can save in energy for building; you can save approximately 2% to 5% of fuel for heavy trucks on highways that are built out of concrete. Although we are a source of GHG once we produce cement, the use of the product itself, through concrete, brings major savings in greenhouse gas in the economy.

If you want to go to the next slide, some of the beneficial properties, besides being GHG-friendly, if you will, are that it's durable and versatile. The problem with concrete is that it is so omnipresent in our society, we don't see it and we don't think about it. It's in our roads, it's in our buildings, it's in our subways, it's in our electricity-producing stations, whether it be nuclear, whether it be coal-fired, whether it be hydro power. It is everywhere, so we tend to take it for granted.

As far as production, right now approximately half of the worldwide production comes from China. Canada is a minor player in here. We produce about four million tonnes in Canada. Out of that, approximately half is produced in Ontario. Canada as a whole is a price-taker on the world market. There have been very few new plants built since the 1990s in Canada. Most of the growth has taken place in Asia and the rest of the developing world. We obviously would like the industry to continue growing in Canada, but we will need to work with all governments to have the right levers and the right programs in place so that we continue investing in Ontario and in Canada.

How does greenhouse gas come into play in the cement sector? To produce cement, you take limestone, shale and other natural raw materials. You heat them at temperatures that are above 1,500 degrees Celsius; it's about a third of

the temperature of the sun. In producing this material, you're going to have two types of emissions. If you look at the graph on page 6, you will see that about 60% of the emissions come from the chemical reaction of producing cement. So it's an irreducible portion of the CO₂ generation, if you will. It comes from taking limestone and making it into CaO, which is part of the manufacturing of cement. The rest, the 40%, the fraction that we're working at reducing, comes from the use of the fuels.

For the most part, if you look at the other slide, you'll see that—I skipped one page here. On slide 8 you'll see that most of the fuels that are used in the cement sector right now are either coal or pet coke. So they are fossil fuels. It is not what's happening throughout the world. A significant fraction of the fuels used worldwide come from alternative raw materials and alternative raw fuels, which are in many cases biomass. For each tonne of biomass fuel you would use—for example, wood—you reduce the CO₂ emissions by about 2.5 tonnes. So one tonne of wood will reduce our CO₂ emissions by 2.5 tonnes, so it's a significant reduction that we can have.

The cement sector, if you go back to slide 7—I'm sorry, I skipped one—has been working on this issue for a long time. There are four main levers that have been identified through a worldwide consultation that was done through the WBCSD. The four levers for reducing our emissions include, obviously, energy efficiency, which is going from older-generation kilns to newer-generation kilns. This will still bring you a very limited amount of reductions. To give you an example, our company has closed one plant in Newfoundland, one plant in Quebec and two kilns in Ontario. On average, that gave us a savings of about 7% on the energy side. It is a significant lever, but not the main lever.

The most important lever at this point is to produce less clinker-intensive cement. It's to use waste material from other industries as replacement for clinker so that we can have a less CO₂-intensive product in the end.

The third lever is to use, as I mentioned earlier, alternative fuels that have a lower GHG component to them.

Finally, we do a lot of research on materials and applications of our product in the field so that we can also find savings in the marketplace.

The key principles that are guiding Ontario in developing Bill 185: We embrace these key principles, which are:

—We need to protect the competitiveness of local industry. As I mentioned to you, we are a small producer worldwide and we're a price-taker. It's important to take into consideration the limitations of the producers in this market. We need to avoid leakage of emissions that will force production outside of Ontario without bringing any benefit to the environment or to the economy here;

—We definitely need to take into consideration the 60% of the process emissions that come from the transformation of limestone into cement;

—We believe that Ontario needs to align with its trading partners, which are the other Canadian provinces,

but also the US. As I mentioned, approximately 40% to 50% of Canadian production goes to the US, so it's important that we align our policies with theirs; and

—We need to avoid multiple price signals on greenhouse gas emissions. Having a provincial program, having a WCI program and having a federal program brings different signals to the same emissions and it's hard for industry to determine how to invest in those circumstances.

We're also in agreement with the WCI competitiveness assessments that were done through the consultation process, which also looked at leakage and transitional measures so that we can achieve the reductions that we've promised.

Also, we are considering that the harmonization of regulations within all the WCI partners is very important for our sector and other sectors as well.

The most important slide is on page 11. The cement sector has done a worldwide benchmarking exercise. For each one of the levers that I talked to you about earlier, we were able to add the data from producers in Europe, Canada, the US and the rest of the world and determine exactly what is achievable for each one of these levers and what the cement sector can deliver in Ontario, based on the fleet of plants that is here, and arrive at achievable targets for the cement sector in Ontario. I think that it's very important that the MOE consider, in developing the targets for our sector, what has been done in benchmarking worldwide.

As I mentioned, the cement sector is CO₂-intensive. We produce about 3% of the GHG emissions in Ontario and 12% of the industrial sector's. As I said, using our product brings some benefits for society on the GHG side.

In our other partner jurisdictions, the cement sector has been considered as trade-exposed GHG-intensive. We hope that we will have the same type of treatment under the Ontario program so that we are able to survive during the transition period, before the rest of the world embraces the same types of regulations.

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Considering all the aspects that I've talked about where energy-intensive is a commodity, we're exposed to trade with 40% of our product going to US. It's important that these transition measures be put into place. Where we need Ontario's help is with facilitating the investments that we want to make in energy efficiency, supporting programs that bring fossil fuel replacement with less GHG-intensive fuels—for the most part, alternative fuels which are waste products from other sectors—and also fast-tracking the move to building codes that take into account the lower intensity cement that we produce using these substitution products. Taking a life-cycle approach in the decisions on investment in infrastructure in Ontario is also an important part.

The Chair (Mr. David Orazietti): Thank you very much, Mr. Robitaille. That's the time for your presentation. You'll have an opportunity to clarify some of those things in questions. We'll start with Ms. Jaczek.

Ms. Helena Jaczek: I'd like to thank the Cement Association of Canada, first of all, for being really involved. I understand that you have been engaged with the Ministry of the Environment in this dialogue. You seem to have a great deal of experience in terms almost of the global cement industry.

I was wondering if you could relate any experiences from the European emissions trading system. Have there been some useful lessons learned that you could perhaps share that you may know of?

Mr. Luc Robitaille: Yes, well, I've been involved in dialogue with our partners in Europe. We've invited people from Europe to the consultations we've had here in Ontario and to the consultations we had in Quebec also, and to the consultations we've had with WCI, to share their experience out there both on how they've designed their system and also how they've done their benchmarking.

In phase one and phase two, the reductions that were required from the sector were quite minimal. The more aggressive reductions will take place in phase three, and that's what's behind the effort they made on benchmarking, to see what is achievable and what is not achievable.

The key lesson from our sector is to look at the suite of data that they gathered to be able to determine, as I said, lever by lever, what will be achievable here considering where our plans sit versus this worldwide benchmarking effort.

Ms. Helena Jaczek: Thank you.

The Chair (Mr. David Orazietti): Mr. Mauro, go ahead.

Mr. Bill Mauro: Thank you, Mr. Robitaille. You used the term "emissions leakage." Are you referring to a situation where, through the trading, you could see production move to a different jurisdiction? Is that what you're talking about?

Mr. Luc Robitaille: That's right.

Mr. Bill Mauro: Okay. Can you elaborate on that a little bit for us, please?

Mr. Luc Robitaille: At this point, there's no program in place in Ontario. The only evidence that we would have on a Canadian-based system would be the imposition of the carbon tax that was brought in in BC shortly after the introduction of this carbon tax. Obviously, it coincides a little bit with the downturn in the economy, but there was an immediate shift towards imports in their local market out there and a major reduction also in exports, because they were exporting a significant part of their production to the west coast of the US. That is the only evidence we have in Canada now.

In Europe, as I said, there has been little reduction required in the first phase, but what we see is that there's been almost no new investment in our sector in Europe since they brought in their system. Most of the investments are taking place in Asia. Is it a question of demand only, or is it a question also of the imposition of these systems? It's hard to tell, but that's what we see. We see what happened in BC, where immediately there was a

shift, and in Europe there's almost no new investment that's taking place. That's the evidence that we have now of the leakage concerns.

The Chair (Mr. David Oraziotti): Mr. Barrett, go ahead.

Mr. Toby Barrett: A quick question. You mentioned that half the world's cement is produced in China, and this province has signed an agreement with Utah and Arizona and some of those jurisdictions, but not China. Would it be feasible, if China was to continue without any climate change type regulation, to ship cement to North America?

Mr. Luc Robitaille: It's starting already. We receive in the port of Quebec already cement that comes from Asia. It's very, very easy to ship cement from Asia through the Panama Canal to the market out here. The costs are comparable to shipping cement—the round numbers that we use normally are that it's about the same cost to bring cement in from China to Quebec as it is to put cement on a truck from Quebec to a little bit further than Montreal. So the costs are very—

Mr. Toby Barrett: Okay. Thank you.

The Chair (Mr. David Oraziotti): Mr. Yakabuski.

Mr. John Yakabuski: You talked about alternative fuels, and I know that you guys have been dealing with this issue for some time. If the government was really serious about reducing greenhouse gas emissions—I know you guys have had the alternative fuels issue on the table for some time. Cement is a very greenhouse-gas-intensive business because of the fuels that you require to produce your product, and the government has really not been able to make any progress on that, have they? Other jurisdictions allow it, and we're still toying around with this. We're paying a climate change guy hundreds of thousands of dollars a year and all this kind of stuff, and nothing's happening. What seems to be the problem?

Mr. Luc Robitaille: Well, Ontario is a little bit behind other places. In Quebec, we have a substitution rate where about 25% to 30% of the traditional fossil fuels are being replaced by waste material. If you're replacing it with biomass, as I said, it's about 2.5 tonnes of CO₂ per tonne of that product that is saved. If you go to other types of products, like plastics or whatever, it's probably more like 0.7 or 0.5 tonnes of CO₂ per tonne of that product. So there are major gains that can be made on the alternative fuel side.

Mr. John Yakabuski: So what's the problem with the government?

Mr. Luc Robitaille: We're working with the government, and I would say that we're starting to see some interesting movement, especially thanks to the greenhouse gas file, where the government really recognizes that there is benefit in using it.

The Chair (Mr. David Oraziotti): Thank you, Mr. Robitaille. That's time.

Mr. John Yakabuski: Do you imagine we'll hear something this year—

The Chair (Mr. David Oraziotti): Thanks, Mr. Yakabuski. Mr. Tabuns, you're up.

Mr. Peter Tabuns: Mr. Robitaille, Mr. Kennedy, thank you for coming and making your presentation. When you talk about other jurisdictions—the California Air Resources Board, Australia's Carbon Pollution Reduction Scheme bill—can you tell me what they're doing in those jurisdictions in relationship to cement?

Mr. Luc Robitaille: They have developed a formula, if you will, to determine which sectors are trade-exposed and carbon-intensive. In those jurisdictions, cement was placed in that category, if you will, and that will allow the sector to have transitional measures, either free credits or whatever. The treatment varies depending on the type of program, but the thing is that they recognize the risk of leakage and of the local producer in this market due to the pressure of the carbon system, so it's really giving the right treatment for cement due to this exposure.

Mr. Peter Tabuns: Okay. Thank you. I appreciate that.

The Chair (Mr. David Oraziotti): Thank you for your presentation today. That's all the time we have.

SUNCOR ENERGY

The Chair (Mr. David Oraziotti): The next presentation is Suncor Energy. Good afternoon, gentlemen. Welcome to the Standing Committee on General Government. You were watching the presentations, so you know that you have 10 minutes for your time and five for questions. If you could state your names, and you can get started.

Mr. Mike Cassaday: Thank you. My name is Mike Cassaday. I'm the manager of fuel quality and environmental planning for Suncor Energy.

Mr. Chairman, ladies and gentlemen, thank you for allowing us to come here today. In the next 10 minutes, or hopefully a little shorter, I'd like to talk to you about our company's key positions on the topic of Bill 185, the Environmental Protection Amendment Act, after which we'll answer your questions. I'd also like to introduce my colleague Mike Kandravy, who is our senior adviser, regulatory affairs, at Suncor Energy.

The new Suncor, recently merged with Petro-Canada, is the largest energy company in Canada. Our assets range from the B.C. interior to offshore Newfoundland, from the North Sea to Libya, and from the high Arctic to Colorado. However, the vast majority of our assets are here in Canada.

More specifically, Suncor is a major investor in Ontario. We have a petroleum refinery in Sarnia and a world-class lubricants plant in Mississauga. We operate five product terminals to support our extensive retail Petro-Canada and Sunoco gas stations. We're also a partner in the Ripley wind farm. In 2008, we spent nearly half a billion dollars in Ontario working with nearly 1,800 Ontario businesses. Our St. Clair ethanol plant is the largest in Canada, and we've recently announced a \$120-million expansion to double its size.

Suncor is a unique Canadian-based and Canadian-controlled company. That gives us also a unique oppor-

tunity and a responsibility to develop publicly owned energy resources in ways that are consistent with Canadian values and maximize the benefits for our country and all of its citizens.

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With regard to Bill 185, the Environmental Protection Amendment Act, our company has a long history of co-operation with the Ontario government, and you can be assured that we will continue to work with Ontario on the implementation of a greenhouse gas emissions trading plan.

This afternoon, Suncor would like to address three issues: first, the role of a cap-and-trade system in a sustainable energy strategy that respects provincial jurisdiction but allows for a broad integrative perspective on energy, the environment and the economy; secondly, we'd like to speak about elements of a well-designed cap-and-trade system; and thirdly, the need to maintain investor confidence.

A cap-and-trade system could be a key instrument to induce reductions in greenhouse gas emissions from large stationary emitters. However, in a sustainable energy strategy, thoughtful consideration must be given to the interactions of cap and trade with other elements of energy and environmental strategies, including transportation.

If we are not careful, stand-alone climate change policies can result in the pursuit of inefficient or ineffective solutions. Suncor would be concerned if a cap-and-trade system was asked to carry too much of the climate change burden. We would also be concerned if jurisdictional issues forced companies with significant national operations to make sub-optimum investments in multiple jurisdictions; a tonne of CO₂ reduced in Quebec or Alberta should be recognized the same as a tonne reduced in Ontario is.

A cap-and-trade system on its own is not sufficient to incent innovative technology. To achieve significant real long-term emission reductions without capping economic growth will require innovative and transformative technologies to be developed. Cap and trade enables economic efficiency of compliance costs but does not necessarily enable access to capital to develop technology. Therefore, support for technology outside of the cap-and-trade system is vital. A well-designed cap-and-trade or emission-pricing system is only one component of a comprehensive, sustainable energy strategy reflecting environmental, economic and social goals. A cap-and-trade system is most effective when emitters have access to the widest range of domestic and international offsets for lowest cost compliance.

The competitiveness issues of trade-exposed sectors must be addressed. Alignment with other jurisdictions is imperative, as boutique solutions will unnecessarily burden Ontarians and distort our markets. Suncor prefers a cohesive and aligned approach with the dominant North American system and equivalency with the Canadian federal regime. We need to ensure a level playing field, so that Ontario petroleum refineries are not competing

against refineries that are not constrained by the same environmental requirements.

Discussions on cap and trade inevitably lead to debates over the allocation of greenhouse gas allowances. Fully developing this subject is beyond the scope of today's hearing, but Suncor is prepared to work with Ontario as it develops its thoughts on allowances. Recent US proposals for cap and trade allocate allowances to refiners for their direct emissions but also hold refiners responsible for their customers' emissions. If Ontario is contemplating a similar design, we would ask you to think of the implications and consequences of attributing responsibility to refiners for an element over which we have no control.

Absolute caps should be set on a company basis, and baselines should be reflective of normal operating conditions. Further, a provision for growth to ensure economic success of the province and the country is essential. If hard caps are placed on existing facilities, then a mechanism to enable growth must be developed. For refineries, the definition of growth must include increased complexity to allow for changes in product specifications and feedstocks.

Mandatory reporting must balance the accuracy desired from the system with the cost of producing results. Setting an appropriate, clear and not unduly volatile price on carbon dioxide facilitates the positive outcomes of a well-designed cap-and-trade system.

The last point we'd like to raise today deals with investor confidence. Maintaining investor confidence is critical to funding capital investments in technology. Measures to provide price stability and ensure competitiveness of industry should include the establishment of a technology fund to moderate costs and provide help to fund transformative technology from discovery to development to demonstration and early deployment. An emissions pricing policy also needs to take into account planning and investment horizons as well as the capital stock turnover rate for existing facilities to ensure investor confidence.

In summary, a cap-and-trade system can be a useful instrument in a sustainable energy strategy. However, interactions with other climate change policies, such as renewable fuel standards and a low carbon fuel standard must not impede access to the lowest cost compliance alternatives. A well-designed cap-and-trade system is equitable, flexible and addresses the concerns of energy-intensive, trade-exposed sectors while achieving greenhouse gas reduction objectives at the lowest cost to society.

Further reductions to greenhouse gas emissions in industry are contingent on the pace at which relevant technology advances. So maintaining investor confidence is critical to funding capital investment in technology.

Thank you for your time. We'd now be ready to answer any questions.

The Chair (Mr. David Oraziotti): Thank you very much for your presentation. Mr. Barrett is first up.

Mr. Toby Barrett: Thank you, Chair, and thank you to Suncor for the presentation.

You indicate that it is hard to pin down some of the numbers on this. I was just reading a recent report that was funded by TD Bank, and they've come in with a ballpark figure of \$8 billion to meet the federal government goal of reducing emissions by 25% below 1990 levels. In your business book, is there any ballpark figure on the federal government goals? What would that add to the price of, say, a litre or a gallon of gasoline?

Mr. Mike Cassaday: We don't have any numbers on that. One of the problems is the uncertainty in all the systems. Until there are actually rules devised for a cap-and-trade system of any sort, it's really impossible to put a cost against it. The technology to comply with any of these regulations is unknown, in many cases, at this point.

Mr. Toby Barrett: I guess these products can be refined anywhere, on either side of the Canada-US border, for that matter.

Mr. Michael Kandravy: We compete in the Atlantic basin, so it's product imports from the Middle East, Europe and also the Atlantic seaboard. It's a very competitive environment.

Mr. Mike Cassaday: Montreal used to have six refineries. There are only two there now. The rest did not survive competition in the 1970s and early 1980s.

Mr. John Yakabuski: I just noticed that—

The Chair (Mr. David Oraziotti): A brief question.

Mr. John Yakabuski:—in more than one section here, you alluded to the importance of jurisdictional qualities when instituting a cap-and-trade system. I was listening on the radio while I was driving here this morning to someone talking about the importance of a basically continental cap-and-trade system, because other than that, if it's in little parcels, it's going to be very difficult to work properly. Would you agree with that?

Mr. Michael Kandravy: That's why we talk about boutique solutions. Then you would not have a level playing field. If Ontario has unduly high caps versus even other jurisdiction, in the WCI, it puts us on an unequal footing.

Mr. John Yakabuski: That was something in the discussion this morning, and it seems to make sense.

Mr. Mike Cassaday: If I may add briefly to that, the lowest cost reduction solutions may all be in one jurisdiction, and I frankly think that society wants us to pursue the lowest cost. It shouldn't be about the highest cost CO₂ reductions. If you can get all your low-cost benefits in jurisdiction A and the highest ones are B and C, we should be encouraged to go after the ones in A and accomplish the goal at the lowest possible cost.

The Chair (Mr. David Oraziotti): Thank you. Mr. Tabuns, go ahead.

Mr. Peter Tabuns: Thank you for coming here today and making a presentation. Have you done an analysis of how much this bill may reduce demand for your product in the Ontario market?

Mr. Mike Cassaday: That's a very interesting topic of conversation these days. At the end of the day, it has to have an impact on product demand. The range of predictions on that is very, very wide.

Mr. Peter Tabuns: Is there a range that your company is using for its corporate planning?

Mr. Mike Cassaday: Not at this time, no.

Mr. Peter Tabuns: Okay. In the development of this bill, to what extent should this bill meet greenhouse gas reduction targets through offsets, and to what extent should it meet its targets through reducing consumption of fossil fuels? Do you have a position on that?

Mr. Michael Kandravy: Well, we want to pursue the lowest cost option. So if offsets provide us the lowest cost solution to start with, let's pursue offsets while emerging technology gets commercialized and then fits in to our investment time horizons so we can implement it. For example, we have a long investment time horizon in our refineries—three to five years.

Mr. Peter Tabuns: Sorry, how many years?

Mr. Michael Kandravy: It could be three to five years by the time the technology is identified, designed, implemented and goes through all the environmental approvals. Then we have to wait for the right turnover on asset, and on timing of that.

Mr. Peter Tabuns: Is your company doing an analysis of its potential liability from climate damage that is being done to agriculture, fisheries and forests?

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Mr. Mike Cassaday: I don't think any company is doing that. There are a number of studies out there on the cost of climate change. Suncor has not done specific research of our own.

We have been very strongly reducing our environmental footprint. If you check our record with our operations, we have a long-term trend of reduced greenhouse gases per unit of production. You may have also read recently that we've announced some dry tailing programs in the mining operation in Fort McMurray. Sustainability is very important to Suncor.

Mr. Peter Tabuns: So do you make—

The Chair (Mr. David Oraziotti): Mr. Tabuns, that's time, thank you. Ms. Jaczek.

Ms. Helena Jaczek: Thank you very much for coming here.

In the design of the cap-and-trade system, clearly our government wants to maximize Ontario's trading opportunities, but there's also the issue of potential trading sanctions. Do you have any suggestions how to walk that line or how the design could allow for, obviously, investment but not lead to any detriment?

Mr. Mike Cassaday: We'd really like it if everyone could just hold hands and come up with one answer all at once, and the reality is that that's not happening. Therefore, those who go out front are exposed to more risk.

Ms. Helena Jaczek: So in other words, you're supportive of the Western Climate Initiative, the joining together as much as possible with like-minded jurisdictions?

Mr. Mike Cassaday: If necessary, yes. We would like a US federal system, a Canadian federal system and, truly, an aligned North American system.

Ms. Helena Jaczek: I just wanted to follow up a little bit: You talk about transformative technology. If Bill 185

should pass, there is a provision for auctioning, as you know. Where would you see those revenues going?

Mr. Mike Cassaday: They could partly be diverted into developing truly transformative technologies. We've done a lot of work with the Ministry of the Environment on what is possible within our refinery operation. We've shared a lot of detail with them. There are no magic bullets. I can't conceive of a refinery that's using 80% less energy than it currently is, and so something has to change. There have to be some new solutions out there, and without technology investment we're not going to find them.

The Chair (Mr. David Oraziotti): Thank you. That's the time we have for your presentation. Thanks for being here today.

IMPERIAL OIL LTD.

The Chair (Mr. David Oraziotti): Our next presentation: Imperial Oil. Good afternoon, gentlemen. Welcome to the Standing Committee on General Government. You have, as you know, 10 minutes for your presentation and five for questions, so just state your name for the purposes of Hansard and we can begin when you're ready.

Mr. Jim Hughes: Yes, certainly. Thank you very much, Mr. Chairman and members of the committee. My name is Jim Hughes. I'm manager of energy analysis in the corporate planning department of Imperial Oil Ltd. With me today are my colleagues Cindy Christopher, our corporate manager for safety, health and environment, and Jean-Sébastien Rioux, our provincial government affairs adviser. On behalf of Imperial, we'd like to thank the committee for the opportunity to appear before you today to present some of our views on Ontario's plans to control emissions of greenhouse gases through implementing a possible emissions trading system.

I'm sure that Imperial and the Esso brand are familiar to most of you, but let me give you a very brief introduction. We're an important participant in the Ontario economy and have been since our founding in the Petrolia area back in 1880. We operate two major petroleum refineries in Ontario—in Sarnia and in Nanticoke—with a combined capacity to process about 230,000 barrels a day of oil. That's equivalent to about 40% of the total petroleum products consumed in Ontario. We also operate a petrochemical plant integrated with the Sarnia refinery, one of our two research laboratories in Canada, and plants producing asphalt and lubricants. We have a network of distribution terminals and agencies supplying fuels and other products across the province. In all, we employ about 2,000 people in Ontario directly and paid over \$40 million directly in taxes recently, as well as collecting taxes for the province of over \$850 million in the form of sales and fuels taxes. Over 600 familiar Esso-branded stations supply the transportation fuels that keep Ontario moving.

Turning to slide number 3, we want to note from the outset, of course, that Imperial concurs with the need to

take actions to control GHG emissions. The risks to society and to ecosystems of growing concentrations of CO₂ in the atmosphere could be severe. I'm sure as well that you appreciate that controlling GHG emissions, including the design of cap-and-trade systems, can be an extremely complicated subject.

Our time is limited. We want to focus on just a couple of key points to consider as Ontario advances its plans. These are the same points that we have provided more extensive comments on to the appropriate officials developing those regulations, and we very much appreciate Ontario's willingness to consult and engage stakeholders. We look forward to an ongoing, constructive working relationship.

The most important point we'd make under our key points is that a cap-and-trade system such as is contemplated is basically a means of carbon pricing—putting a price on GHG emissions so that emitters are economically motivated to reduce emissions in response to that price signal. We believe that carbon pricing, through a cap-and-trade or other means such as a carbon tax, is a means to achieve the greatest emission reductions at the least overall cost to society as a whole. However, to be effective, any carbon-pricing system should strive to provide a stable, predictable cost of carbon and one that applies as uniformly and as broadly across the economy as possible.

Our second point is that we favour a nationally coordinated approach in Canada, one that is aligned with our major trading partners as our policy and theirs develop, as well as different regimes developed internationally. International trade issues and protecting the competitiveness of Canadian and Ontario industry will be a challenge that needs to be addressed, and we'll say more about these points.

First, turning to the next slide, I'd like to step back and provide some larger global context to our views on climate policy in general, beginning with our views on the overall energy situation, recognizing that CO₂ emissions are ultimately driven by the way that economies use energy. The most important fact in this context is that energy and a growing use of energy remain essential for economic growth. The twin drivers of population growth and global economic growth, especially in developing countries, will mean the world will require and use substantially more energy in the future than today.

Even with significantly greater improvements in energy efficiency than anything we've seen historically, we expect that world energy use will increase by about 35% from 2005 levels by 2030. To meet that growing demand, the energy industry will need to develop all its forms of energy, and we anticipate that that will include very strong growth in all the major renewables—wind, solar, biofuels—perhaps approaching 10% annual growth, which, compounded over a period of a couple of decades, amounts to very substantial growth. However, even with that growth in renewables, the major hydrocarbons—oil, natural gas and coal—will continue to provide a major share—about 80%—of that growing world requirement.

Developing new energy supplies to meet that will be a major challenge for the energy industry. Canada, of course, has a great opportunity to participate in that challenge and one that Ontario can benefit from as well. For example, the Canadian Energy Research Institute estimates that oil sands development in Canada could contribute over \$100 billion to Ontario's GDP alone and generate over one million person-years of employment in this province.

However, the story for climate change policy is that checking and ultimately reversing the world's growing CO₂ emissions is very much a long-term proposition, calling for reasonable actions today to improve energy efficiency and better energy use while ultimately looking to the development and large-scale deployment of major new innovative energy technologies.

From that perspective, turning to the next page, our views on climate policy are founded on a very few key principles. As the outlook I just described illustrates, changing the world's rising trajectory of carbon use is a huge task. It will be costly. Given the enormity of the task, that makes it more important that the actions we take and policies we adopt be aimed at realizing emissions reduction at the least cost to society. The best way to contain costs is to use market prices, including market prices of carbon, to drive the selection of solutions. Ontario has recognized that by its decision to adopt a cap-and-trade system in which emitters will make decisions about where and how to reduce in response to carbon emission price signals arising from the trading system. To be effective in meeting that objective, we feel it is important that those carbon prices be both uniform across the economy and predictable. Other important principles follow along as well. This is ultimately a global challenge, so we must work on a global scale.

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Proposals for a cap-and-trade system can be extremely complex, and it will be important to minimize this complexity, to reduce the administration costs. Since the whole logic of a cap-and-trade system is based on people responding to a price signal, obviously we must aim for maximum transparency.

I'd like to turn to the next slide. Let me elaborate on the first of these principles: that carbon prices be uniform across the economy; and predictability. "Uniformity" means that all emitters, including all users of carbon-intensive goods and services, see the same carbon price, the same value to reduce emissions. Only in that way can we be sure that emission reductions will be achieved via the least cost and only the least cost. Having predictable emission prices makes it easier for emitters to make decisions about making investments to reduce emissions.

Turning to the next slide: The risk of price volatility and unpredictability, however, is inherent in some trading systems, and a very real risk. The price of emission allowances in any emissions trading is subject to unpredictable variables which contribute to that volatility. That potential for volatility is increased if, at first, trading is confined to a relatively small market.

One further consequence of this volatility is that some will look for opportunities to profit from purely speculative trading and volatile price swings. We are dealing, after all, with the creation of a whole new financial market with a new financial instrument. Inevitably, things like derivatives, options, futures—the whole basket—will arise on those. Activity of emissions allowance brokers and traders aimed at trading on price volatility can too easily take the emphasis away from the real task of reducing emissions.

That's why we feel it is so important to include in any trading system measures to limit carbon price volatility and so help contain compliance costs. There are a number of ways in which we can do that, and they're enumerated in the slide.

I want to turn, in the time I have available, to the other major topic, which other speakers have touched on, and that is the need for a nationally coordinated approach.

In Canada, two provinces have already implemented two very different approaches to controlling industrial GHG emissions through carbon pricing, and the federal government is working on their own, while Ontario is clearly contemplating and working hard on developing its own design. We are a company that has business operations in all 10 provinces and the territories as well, and we would be very concerned, as I think others in the same boat would be, about the prospect of a patchwork of very different regulatory regimes to address carbon dioxide emissions across the whole country. Hence the importance of a consistent approach.

A second area where policy alignment is important is with our major trade partners, especially the US. An important thing there is at least to make sure that we have comparable burdens on industry in either country, to protect competitiveness, and comparable carbon pricing.

Perhaps I could conclude with our final points. We note again that cap-and-trade as a way of carbon pricing is a means to achieve emission reductions at least overall cost—and the necessity within that for measures to ensure that costs of carbon and the price signals are stable and reasonably predictable to facilitate investment decisions on emission reduction, and uniformly across all players in the economy; and maintaining that nationally coordinated approach, ultimately aligned with our major trade partners.

Thank you very much for your attention. We look forward to your questions.

The Chair (Mr. David Oraziotti): Thank you very much. That's the time that we have. Mr. Tabuns, go ahead. You're up first.

Mr. Peter Tabuns: Thanks for coming and making a presentation today. You've done an analysis of this act, and I'm sure you've looked at the Western Climate Initiative, the Waxman-Markey bill etc. To what extent do you see a reduction in the market for hydrocarbons from the implementation of these acts?

Mr. Jim Hughes: We don't have a projection specifically of those particular acts, in that there are still many policy imponderables in those and a lot will depend

on the details. For example, we don't know the prices that will emerge, and obviously demand will be a response to that.

What we do every year, in conjunction with our colleagues at ExxonMobil, is an annual outlook at the overall outlook for energy in the world: Canada, the United States and elsewhere. We anticipate, without making specific policy forecasts, that there will be policy to facilitate greater energy efficiency as well as ongoing technical efficiency improvements. That forecast, incorporating those, is the one I was outlining earlier, which still sees the world demand for energy in total growing by 35% between 2005 and 2030.

Mr. Peter Tabuns: So you don't actually see a reduction in demand for your products from these pieces of legislation.

Mr. Jim Hughes: It will vary market by market, but the world's requirements for energy are so great, particularly arising in the developing world, that all forms of energy will be needed to meet that growing demand.

Mr. Peter Tabuns: You cited a value—

The Chair (Mr. David Oraziotti): Mr. Tabuns, it's time. Thank you.

Ms. Jaczek, go ahead.

Ms. Helena Jaczek: Yes. It's interesting to hear you come down more on the side of a carbon tax. Earlier today we did hear some very negative comments in relation to the carbon tax, as BC is proceeding. As a global company, could you give us some of your experience related to where cap-and-trade has been instituted, perhaps in Europe?

Mr. Jim Hughes: I can't speak personally about Europe. I have had conversations, of course, with European colleagues on that, but I think Europe is a perfect illustration of the concern we have around price volatility. Of course, everyone is familiar with what happened in the European first phase, where the price of CO₂ allowances was at one point fairly high—I forget the exact number—but it quite suddenly crashed to only a few euros a tonne, ultimately to wither out at less than one euro a tonne. That was off some initial bad information, I understand, and it illustrates the problem with getting the design right and the exposure that one has to price volatility. No one could make intelligent decisions about investment in those circumstances.

I think it also illustrates one other point, and that is the necessity in implementing such a system around having good governance and controls around the market. The way the information about the long position in Europe came out led to a sudden move in the price within the course of a trading day, I understand. That could be a potential concern.

The Chair (Mr. David Oraziotti): Thank you.

Mr. Yakabuski, go ahead.

Mr. John Yakabuski: Thank you for joining us this afternoon. Clearly, notwithstanding Ms. Jaczek voicing some doubt as to whether this was going to be passed—we know it's going to be passed; they have an absolute majority. It will be passed and it will be passed before

Christmas because they want to make sure that they can sell it as they've just gone out and saved the world now before Christmastime and they want everybody to know it. But the reality is that there will be a lot of work to do on this after the bill is passed. It would seem to me that there needs to be an awful lot of discussion, not only between those that want to see whether it will be a cap-and-trade system or a carbon tax, but some way of evaluating carbon, its costs and the payments for its effects—that there is an awful lot of work that needs to be done before they write regulations on this piece of legislation. Would you not agree?

Mr. Jim Hughes: I would agree absolutely, sir, with that comment. There's a lot of work to be done. Fortunately, Ontario does seem to be very willing to consult and work with stakeholders such as industry in the development of those regulations, and we look forward to an ongoing constructive relationship in the course of that work. But there is a lot of work to be done; I would agree.

Mr. John Yakabuski: Thank you.

The Chair (Mr. David Oraziotti): Mr. Barrett.

Mr. Toby Barrett: You advocate a carbon tax as being revenue neutral, and I would assume that it's an easier and more direct way to invest in the technology fund, for example. How would you envision a technology fund? Is this grants, loans, interest-free loans?

Mr. Jim Hughes: First, let me clarify: We are on the record as supporting a carbon tax as a way to provide a much clearer, more stable carbon price signal. We recognize that as not only where Ontario is going, but we're prepared to work with Ontario on its preference. As to revenue neutrality, that isn't necessarily a given with a carbon tax; that's certainly our strong recommendation.

With respect to a technology fund, a model there is something like that which Alberta currently has or which the federal government had contemplated in one of its design proposals, whereby, as a compliance option, should the price of allowances be too high, firms would have the option of paying into a technology fund, earning compliance credit toward its obligations in the course of that, with the money ultimately being used toward the development and eventual deployment of those major transformative technologies that I think everyone agrees will ultimately be needed.

The Chair (Mr. David Oraziotti): That's time. Thank you for coming in today. Thank you for your presentation.

1530

REGISTERED NURSES' ASSOCIATION OF ONTARIO

The Chair (Mr. David Oraziotti): The next presentation is the Registered Nurses' Association of Ontario. Good afternoon. Welcome to the Standing Committee on General Government. You have 10 minutes for your presentation. You can state your name, and you can begin when you're ready.

Mr. Kim Jarvi: Good afternoon. My name is Kim Jarvi and I am the senior economist with the Registered Nurses' Association of Ontario. RNAO is the professional association of registered nurses, who practise in all roles across Ontario. Our mandate is to advocate for healthy public policy and for the role of registered nurses in enhancing the health of Ontarians. With me today is Rob Milling, the director of health and nursing policy at RNAO. We welcome this opportunity to present our submission on Bill 185 to the Standing Committee on General Government.

I come to you with a simple message: Registered nurses want to inject a sense of urgency into the whole climate change discussion. Climate change is a serious threat to the planet and requires bold leadership as opposed to half measures. RNs are very concerned about climate change because of the severe environmental and health implications. In Ontario itself, climate change affects health through extreme weather events, killer heat waves, poor air quality and the spread of diseases. Particularly at risk are communities in the far north. By fighting global warming, we know that we're not merely protecting the environment; we're protecting the health of Ontarians and we're also protecting the health of vulnerable populations across the globe.

Canada's performance on greenhouse gases has been, unfortunately, dismal. Under the Kyoto Protocol, Canada was to have lowered its emissions by 6% below 1990 levels. Instead, by 2007, these emissions had risen by 26%, or 33.8% above their target. Ontario has not done much better: Its 2007 emissions were 13% higher than in 1990 and 20% above Canada's Kyoto target, which was 6% below 1990 levels.

The science is clear: The costs in human terms of failure to act are incalculable, particularly among the most vulnerable populations in the developing world and here in Canada.

Failure to act is also really bad economics. You'll be familiar with the Stern review of the economics of climate change. It concluded that business as usual could incur costs at least an order of magnitude larger than the costs of stopping excessive greenhouse gases. Particularly, they estimated a loss of GDP in mitigation of 1% as opposed to a possible drop in per capita consumption of 20%. That's quite a good payback on investment on mitigation, so I think Ontario is moving in the right direction.

I'd like to acknowledge the steps Ontario has taken. It will close its coal-fired generating plants, but not until 2014. We're urging acceleration of those closures. Secondly, its 2007 climate change action plan promised to cut greenhouse gas emissions by 15% below 1990 levels by 2020.

However, based on the work of the respected Intergovernmental Panel on Climate Change, we join health and environment groups across the country in calling on Canada to cut those emissions by 25% to 40% by the year 2020. That's a much bigger cut. The evidence right now is, in order to get where we need to go, developed countries have to cut even more deeply than we've

already committed to. This is the KYOTOplus campaign, which seeks to take the Kyoto Protocol to the next stage.

The third element we acknowledge here is Bill 150, the Green Energy and Green Economy Act. If it's properly supported, it has the potential to transform Ontario into a greener province relying increasingly on clean, renewable energy such as solar and wind power. We would urge very aggressive targets for reliance on clean energy, higher than those promised so far.

Finally, Bill 185 itself, the current bill, would put a price on carbon. We do support a price on carbon, but urge that the carbon tax option receive first consideration over the cap-and-trade that's on offer at the moment. I don't have time to go into the full argument right now. Our submission explains it in more detail. The previous speaker did a lot of our work for us, so we thank him for that kindness.

Essentially we're concerned that the more cumbersome and bureaucratic cap-and-trade system will be long in coming, much more costly to administer and subject to regulatory capture, as was hinted at by the previous speaker. All this would make hitting targets more difficult.

Cap and trade need not preclude a carbon tax, but we want to keep the carbon tax on the table. We urge the government to keep the carbon tax option open. If it does proceed with a cap-and-trade system, then it must take all necessary measures to minimize the considerable risks and potential disadvantages of cap and trade.

Here are the steps:

(1) We'd like appropriate and aggressive targets, and we've already asked for 25% below 1990 emission levels by the year 2020.

(2) We'd like a hard enough cap that the targets are reached. We know the previous speaker spoke about the European experience: Basically, they gave away too many permits and the low price reflected the fact that it wasn't a hard enough cap. It's hard to hit your targets that way.

(3) The coverage has to be as comprehensive as is feasible. If you exclude emitters and emissions, it becomes that much more difficult to hit your targets.

(4) We urge the auction of permits. If you give away the permits, that's just a recipe for the gaming that the previous speaker warned about. It's also more difficult to oversee and enforce. Giving away permits also disadvantages newcomers to the industry. In any case, however you distribute these permits, we urge that permits not be permanent.

(5) We urge exclusion of offsets or strict limits on them. Some trading systems allow offsets for activities that reduce greenhouse gases. If you're going to allow them, they must be real, verifiable and permanent. But they're really subject to gaming, so you really have to be very, very cautious with them.

(6) Respect for the principle of environmental justice: We want a fair and equitable sharing of environmental risks and benefits. We also want fair access to information and decision-making, and a transparent process.

In particular, we want to make sure that low- and moderate-income people are not hurt by carbon pricing. A universal refundable carbon tax credit would be one approach to address that problem.

That brings me to our recommendations:

(1) Endorse the KYOTOplus target of reducing Ontario's greenhouse gas emissions to 25% below 1990 levels by 2020.

(2) Preserve the option of implementing carbon taxes, such as taxes on energy use.

(3) Include in the preamble of the bill an endorsement of environmental justice or the equity principle and the precautionary principle.

(4) Mandate transparent public consultations on any resulting regulations and make sure they are broadly accessible, particularly to vulnerable populations.

(5) Amend the bill to ensure that all greenhouse gas emission permits are auctioned and that they do not confer permanent rights to emit.

(6) Avoid offsets, and if you're going to do them, strictly limit them to a small percentage of an individual emitter's emissions, and ensure that they are for real, verifiable and permanent reductions in greenhouse gas emissions.

(7) Finally, something I didn't speak to in the speaking notes: Remove or clarify the section of the bill that generically enables regulations governing economic and financial instruments for environmental purposes. Failing that, augment it by allowing the named instruments to be distributed by auction, sale or other means that are not free of charge. At the moment, the only option for distribution is free, and that's problematic.

The Registered Nurses' Association of Ontario thanks the Standing Committee on General Government for the opportunity to provide these recommendations, which we hope will realize the vision of a clean, green and sustainable energy future for Ontario.

We await your questions.

The Chair (Mr. David Orazietti): Thank you very much for your presentation today. Ms. Jaczek, if you've got questions, you're up.

Ms. Helena Jaczek: Thank you very much. I'd certainly like to commend RNAO for bringing a health perspective. Obviously, climate change is already having, and will have, a major impact on human health.

Specifically in relation to your recommendations, when you say "strictly limit" offsets "to a small percentage," could you give us an idea of what you mean by "small"?

Mr. Kim Jarvi: Well, our preference would be zero, but I've seen other figures, like 10%. We're talking very limited; otherwise, it's a way to get around—

Ms. Helena Jaczek: You're thinking on the order of 10% or less?

Mr. Kim Jarvi: That's what I've seen in other suggestions.

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Ms. Helena Jaczek: Again, as you know, this bill does propose auctioning. What would you see the proceeds—the auction revenue—going toward?

Mr. Kim Jarvi: In part, I would see it addressing any redistributive effects as a result of changes in prices, and I suggest that, like a carbon tax, it be refundable.

Ms. Helena Jaczek: So it's like a tax credit?

Mr. Kim Jarvi: Yes. The two approaches are really two sides of the same coin. You're trying to raise the price on carbon, but you can also use those revenues to replace other less efficient taxes and you could also use it to promote energy conversion and greener energy.

The Chair (Mr. David Orazietti): Mr. Yakabuski?

Mr. John Yakabuski: Thank you very much for joining us today, Kim. A couple of things: I'm sure you're aware that Ontario produces less than 1% of the world's greenhouse gas emissions. When we talk about global climate change, China and India were exempt from Kyoto and they've been exempt from any subsequent climate change talks or initiatives. How do we square that with reducing greenhouse gases? One of the reasons that have been cited to exempt them is that they need to have those exemptions to be able to continue to build a better standard of living, because they can't have the same economic drags that are expected to be put on the Americans or the Canadians or anybody else. How do you square your position that it's good economics? Why the justification on the Chinese and Indian economies?

Secondly, you say your mandate is to advocate for healthy public policy in the role of registered nurses and to enhance the health of Ontarians, and you use the precautionary principle. I'd like to know if you believe that the precautionary principle should have been enacted in dealing with the growing concern about the health effects of large-scale wind turbine developments and the effect they may have on people in the province of Ontario. Do you believe in the precautionary principle in that regard or just in some regards?

Mr. Kim Jarvi: No, we're not being selective here—I'll take your questions one at a time.

The issue of China is something that I believe has to be pushed, and the developed countries have to take a leadership role here; we're the ones who cause the bulk of the problem right now. I spent a month in Beijing. I just came back from there, and I can tell you that the pollution problem is horrific.

Mr. John Yakabuski: So we'd be the bulk here?

Mr. Kim Jarvi: No, I'm saying this is a cumulative process. Once carbon dioxide is put up in the air, it stays in the air for centuries; it's very long-lived in the air. So the cumulative impact is largely ours. We have to take the first steps, but at the same time, by hook or by crook, we have to drag the other countries along as well. We have a leadership role, and I think there's a very strong consensus among environment and health groups on the 25% below 1990 levels.

With respect to the precautionary principle, we're talking about acting where there's a clear and present risk to health; don't wait until all the evidence is in. In the case of wind turbines, we're talking about balancing one health risk against another health risk. In that case, you're still invoking the precautionary principle, but you're

looking for something that does the least damage to health and the environment. That's an empirical matter.

The Chair (Mr. David Oraziotti): Thank you. I have to stop you there. Mr. Tabuns, go ahead.

Mr. Peter Tabuns: Thanks very much for the presentation today. The offset issue: How should the cost of verifying and auditing offsets be charged? Who should be carrying the cost for that?

Mr. Kim Jarvi: That, to me, is just a bureaucratic nightmare. You're just asking for trouble. How are you going to verify that these are legit, particularly if they're cross-border, and we already have examples.

Who's going to bear the cost of that? Obviously, it's going to be the taxpayer, and I'm not sure that that's where we want to go. Even 10% is going to give you so much bureaucratic headache that it's something I'd ask you to think about very carefully before wandering into it.

The Chair (Mr. David Oraziotti): Thank you for coming in today, and thanks for your presentation.

UNION GAS

CANADIAN GAS ASSOCIATION

The Chair (Mr. David Oraziotti): Our next presentation is from Union Gas/Canadian Gas Association. Good afternoon, and welcome to the Standing Committee on General Government. You have 10 minutes for your presentation. Please state your name, and you can start when you're ready.

Mr. Mel Ydreos: My name is Mel Ydreos and I'm joined here by my colleague David Sword. I'm the vice-president of marketing and customer care for Union Gas, and even though Union Gas's head office is in Chatham, I'm personally based here in Toronto. David is the director of governmental and aboriginal affairs for Union Gas, and he's also the director of Canadian federal governmental affairs for our parent company, Spectra Energy.

On behalf of Union Gas, we would like to thank you for the opportunity to appear before your committee to discuss our comments and perspectives with respect to Bill 185, essentially an act to establish a cap-and-trade mechanism with the province of Quebec.

Union Gas is a Spectra Energy company. For those of you who may not be familiar with Spectra Energy, let me very quickly provide an overview for you. We're one of North America's leading natural gas infrastructure companies. We are a Fortune 500 business, and in fact we were recently ranked in Fortune's annual listing as the most admired pipeline company in the world. This recognition is bestowed upon a company by peers and industry observers.

Spectra's role is to gather, process, store, transmit and distribute natural gas to the markets. Our opinions expressed here today are informed by Spectra's experience in operating in over 25 states and seven provinces, and drawn from our experiences in actively participating

in such initiatives as the Waxman-Markey bill, the Kerry-Boxer bill, the Western Climate Initiative, the government of Canada climate change consultations, the Ontario-Quebec cap-and-trade initiative and the British Columbia carbon tax experience.

We have a very significant presence here in Ontario through Union Gas, bringing natural gas services to over 1.3 million homes and businesses in the province and serving Ontario's industrial heartland; and also by operating one of North America's largest natural gas storage facilities, an asset that attracts much gas supply to Ontario and helps ensure that the province remains firmly attached to the North American pipeline grid.

In fact, Union Gas has over half a billion dollars in new investments in Ontario in the last three years, bringing jobs, energy security and clean, affordable natural gas to Ontario. This investment has allowed our throughput, and therefore the contribution of natural gas, to increase by over 22% since 2006. This increase in natural gas helps fuel Ontario's economic growth and provides for the new generation of gas-fired power plants that are helping to meet our energy needs while removing coal from the energy mix, thus significantly improving our air quality and reducing our province's greenhouse gas emissions.

More of such investment in clean energy and conservation will be required, and nowhere is this issue more pressing than in the debate on how to best address the issue of global climate change. All discussion of climate change acknowledges a fundamental truth about addressing the climate change challenge: It comes with a very visible cost, albeit while delivering benefits that are not so immediately visible.

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We believe that a carbon tax, not a cap-and-trade system, better stimulates the substantial behaviour shift we need and, very importantly, recognizes the power of energy consumers to instigate change.

A carbon tax is an equitable, straightforward approach that can deliver near-term results across all sectors of our economy and promote market-based innovation as a means of lowering our carbon footprint.

A carbon tax directly and transparently applied assesses the true cost associated with emissions. Transparency is the key here. Cap and trade is too speculative, too passive and difficult to create, and has the opportunity for abuse and gamesmanship.

A straightforward carbon tax raises the cost and price of products that result in greenhouse gas emissions by adding fees to fuels that produce such emissions.

Any carbon tax should be revenue-neutral, allowing both businesses and individuals to innovate, invest and deliver lower carbon emissions from their activities and be neutrally affected or potentially even better off economically.

Taxing carbon makes existing low-carbon-emitting options more attractive, and can be a very powerful driver of investment in low-carbon technologies and future infrastructure. The methodology of cap-and-trade

is less clear, with market signals masked by the complexity and likelihood of bureaucratic and politically driven allowances.

No one likes taxes, but we know that they work predictably and expediently, and they do stimulate behavioural change.

Price signals under a carbon tax scenario are immediately felt and give us a strong incentive to reduce emissions. This is similar to the smart metering initiative, where consumers will have clear price signals with respect to the way they choose to use electricity and at what time of the day.

In British Columbia, a carbon tax was proposed, approved and implemented in just four short months. It took the co-operation of business and government, but avoided the bureaucratic mess inherent in developing cap-and-trade schemes, which typically take years to launch due to the complicated government and regulatory structuring.

There are good examples of taxes doing the good work they're meant to do. In 1989, the Canadian government introduced the goods and services tax, a national sales tax that replaced the hidden and unfair manufacturer's sales tax. While the highly visible nature of the tax made it unpopular, that did not necessarily equate to unproductive. The goods and services tax worked. It resulted in policy fairness and tax visibility, and in needed revenues, and one could argue that it helped eliminate a federal deficit and contributed to economic stability. Twenty years later, the wisdom of the goods and services tax continues to help shape Canada's policy landscape.

In the current debate around a workable climate change policy mechanism, could there be a positive parallel? We think so. A carbon tax is simple, predictable, visible and easily applied.

While we are concerned that the government has driven to a single cap-and-trade focus to addressing climate change, we continue to be open to debating and participating in other climate change mechanisms.

As Ontario develops a climate change program, if cap and trade is the mechanism chosen, we strongly urge the government to move to a system of 100% auction, whereby anyone wishing to emit would participate in an auction to obtain an allocation of whatever cap on greenhouse gas emissions has been established. This would create a clear and transparent price and, like the carbon tax, could be crafted in a revenue-neutral manner.

In the absence of a full allowance auction, companies that process and move natural gas to market need to be granted allowances adequate for volume growth on the pipeline system. That is because companies like Union Gas use natural gas to fuel the compressors that move natural gas through the system of pipelines to market. The result is, as we meet growing demand for natural gas in the economy and reduce greenhouse gases, our own company-specific emission profile will increase. For example, a large industrial customer may choose to fuel-switch to natural gas as part of their effort to reduce

emissions. This would obviously result in greater throughput on the pipeline system. While there is benefit to the industrial customer to do this, this activity should not penalize the pipeline system operator who is enabling this positive change.

Natural gas is presently making a contribution to meeting our future energy needs and reducing our greenhouse gas emissions; the closure of the coal plants is another example. In future, natural gas will continue to be relied upon to contribute, for, simply put, Ontario cannot achieve its climate change objectives without natural gas being an integral part of the environmental solution. In order for Ontario to be successful in meeting its climate change objectives, natural gas will need room to grow.

In conclusion, natural gas can continue to make a significant contribution to Ontario's energy and climate change objectives, for natural gas is an abundant domestic resource, the cleanest-burning conventional fuel, efficient, delivering value directly to customers through existing infrastructure, and becoming more efficient.

Consider the following: The average natural gas residential customer has seen their average annual consumption decrease by about 30% over the last decade or so.

It's versatile: It generates electricity, runs our manufacturing plants, heats our homes and water, and is the perfect low-emission backup for renewable sources like solar and wind. It continues to hold tremendous promise to deliver real emission reductions and it is making a significant contribution. In order to continue to do so, it needs to be formally recognized in Ontario's climate change approach.

We hope this input is of assistance to you, and we look forward to your questions.

The Chair (Mr. David Orazietti): Thank you very much for your presentation. Mr. Yakabuski, go ahead.

Mr. John Yakabuski: Thank you very much, Mel and David. It's good to see you again. Good presentation; clearly you've done some homework on this one and you've done a lot of thinking about how it might affect not only the natural gas industry but the economy as well.

But transparency, as you know, is not something that this government likes very much. I just read recently that—I mean, even with their climate change secretariat, his salary was kind of shifted through a hospital or something, just crazy stuff. So they didn't really want to pay the guy upfront; they wanted to slide it through the back door. So they don't really like transparency. But it is interesting that you have followed Imperial Oil, and if you had to make a choice, you'd opt for a carbon tax over cap and trade.

Now, were you part of a discussion group or anything before this bill was brought to the Legislature, before they came ahead with cap and trade? Did they meet with industry people to talk about the possibilities of an alternative mechanism?

Mr. Mel Ydreos: Specific to this bill?

Mr. John Yakabuski: Yes, specific to this bill. Did they talk to you about a carbon tax as opposed to cap and trade? Was Union Gas part of those discussions?

Mr. David Sword: We've been part of discussions with the department of the environment through the staff officials. A number of options were considered, and they just elected to pursue a cap-and-trade proposal.

Mr. John Yakabuski: So you did put forth at that time the position that you would prefer a carbon tax?

Mr. David Sword: Yes. Spectra Energy and Union Gas have indicated that a carbon tax would be our preferred option.

Mr. John Yakabuski: Okay, very good. Thank you very much. I appreciate that.

The Chair (Mr. David Oraziotti): Thank you. Mr. Tabuns, go ahead.

Mr. Peter Tabuns: Thank you for coming and making the presentation today. Good to see you again.

Does your company project that this bill will lead to an increase in the consumption of natural gas or a reduction in the consumption of natural gas, and, if so, by what amount in either direction?

Mr. Mel Ydreos: It's too early right now to make that determination, but there are two sides to that question. First of all, are there fuel-switching opportunities that would go our way, go to natural gas, because of the emissions of natural gas? Certainly. But on the other hand, when we talk to the large industrial customers, what they tell us is that their first course of action will be through efficiency, and therefore that in itself will actually lead to a reduction of the fuel. So it just depends on how much fuel-switching goes on versus how much energy efficiency goes on and how all that comes together.

Mr. Peter Tabuns: Your company recently invested a half-billion dollars in increased natural gas supply in Ontario, which means you expect to be selling more gas. In your corporate planning, what do you expect to come out of this legislation?

Mr. Mel Ydreos: A large portion of that investment was largely driven by the electric infrastructure here in Ontario. We wanted to revamp and redesign our services to that market, because the power market has very specific needs in terms of deliverability of the product, when they can nominate, when we can dispatch sufficient volumes of gas, so a lot of that infrastructure was actually built in order to support a much more flexible gas power market, basically.

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The Chair (Mr. David Oraziotti): Thank you, Mr. Tabuns. Ms. Jaczek, go ahead.

Ms. Helena Jaczek: In your discussion of cap and trade, and should that option—what we have in front of us—proceed, you're advocating 100% auctioning. Where do you see the proceeds of these revenues going? And also, do you see any role for offsets?

Mr. David Sword: Two parts to the question: first, 100% auction, and what would happen to the proceeds. Try to be as revenue neutral as possible, and if there were proceeds put into a fund, there are certain initiatives you can take with aggressive conservation and demand-side management to help industries reduce their greenhouse

gas emission profiles and better technology in that regard. But a strong preference to 100% auction.

I'm sorry, there was a second—

Ms. Helena Jaczek: Do you see any role for offsets?

Mr. David Sword: A limited one, for the same reasons as mentioned: It's just yet another mechanism where the verification part can be extremely difficult, especially if any is offshore as well.

The Chair (Mr. David Oraziotti): Mr. Mauro.

Mr. Bill Mauro: Thank you very much for your presentation. You referred near the end of your presentation to Canada's supply—domestic, sustainable. One of the issues that gets discussed all the time when we talk about energy production is this switch in some sectors, including Ontario, to using natural gas to produce electricity. What is the number that your company uses in terms of the identified supply of natural gas existing in Canada, if you don't mind?

Mr. Mel Ydreos: Thank you very much for the question. We've had what we've called in industry a real game-changer, and that game-changer is what's called unconventional gas. The current estimates are well over 100 years of proven reserves—

Mr. Bill Mauro: Nationally?

Mr. Mel Ydreos: Within North America.

Mr. Bill Mauro: Does that include the oil sands natural gas? Could you separate the two for me? Non-oil sands and oil sands.

Mr. Mel Ydreos: This is the new finds, based on current consumption, which would include the consumption for oil sands. We have sufficient reserves of over 100 years.

Mr. Bill Mauro: A hundred years identified now, and you don't know how much of that would be the oil sands?

Mr. Mel Ydreos: I do not.

Mr. Bill Mauro: Okay.

The Chair (Mr. David Oraziotti): Thank you. That's time. Thank you very much for coming in today and for your presentation.

GRANT CHURCH

The Chair (Mr. David Oraziotti): Our next presenter is Grant Church. Good afternoon. Welcome to the Standing Committee on General Government. You have 10 minutes for your presentation and five for questions. If you can just state your name for the purposes of Hansard, and you can begin when you're ready.

Mr. Grant Church: My name is Grant Church. Mr. Chairman, members of the committee, ladies and gentlemen, I'm the father of four wonderful children. I live in Cayuga and work in a factory in Dundas. I'm a member of the Clean, Affordable Energy Alliance, Wind Concerns Ontario and the Canadian Auto Workers.

"It seems like the public officials are the most misinformed, disinformed, uninformed, don't want to be informed people that I have seen that are in charge of all this. They don't do the research. It's remarkable, and

they're making policy." That comment, from Dana Stewart, aptly describes the McGuinty government.

It started with the coal issue and has extended to the windmill issue and now cap and trade. The government is basing this bill on the findings of the IPCC. How credible are they? What is the validity of their hypothesis? "The science is settled" mantra is a political statement, not a scientific one. Science is not about consensus, but testing hypotheses.

The IPCC claims that as CO₂ rises, the temperature will rise. According to the ice core records, temperature has always led CO₂ by around 800 years. The global temperature peaked in 1998 and has been falling since 2002, despite an ever-increasing level of CO₂ in the atmosphere. This is in stark contrast to what the IPCC predicted.

I had long believed that CO₂ was essential to keeping the planet from freezing, and that as the level rose, it would get warmer. I believed it without question. After this past winter, I had questions.

The following graph shows the growing divergence between the prediction of rising temperatures and the reality of falling temperatures. This shows that their computer modelling and possibly even the anthropogenic global warming theory is in error.

The 2,000-year graph shows that there is nothing unusual about the climate we are now experiencing. The Vikings colonized Greenland starting about 975 AD but were gone about 375 years later because of the cooling climate.

The hockey stick graph was featured prominently in the 2001 IPCC report. It is a denial of history, and it was debunked by two Canadians, Stephen McIntyre and Ross McKittrick. The graph was not in the 2007 IPCC report, but has left an impression that we are in the warmest period of the last 1,000 years, when in fact, it was warmer in medieval times. This point merely grazes the surface of this issue, but it's sufficient to prove that you shouldn't accept the IPCC or AGW theory *carte blanche*.

The windmill issue: The Premier has declared that the new windmill setbacks are safe and that it was a balanced decision—the best in the world. In June, the Ministry of the Environment issued proposals for setbacks for windmills. They would be set back "a distance equal to or more than the turbine hub height plus blade length from all roads, railways, and property side and rear lot lines."

Public meetings were held and written submissions were accepted through the Environmental Registry; about 1,000 in total, verbal and written. Many complained that these setbacks and those from homes were too short. At the Port Elgin meeting, it was announced that the goal of the meeting was to get public input. An engineer asked them how they arrived at hub height plus blade length as a setback, letting them know that it wasn't safe. They said that they used a balanced approach in terms of risk results from here in southern Ontario. On September 24, the government announced its new regulations, saying that it was a balanced approach. Windmills will be set back hub height from lot lines and blade length plus 10

metres from roads and railways. How could these two different sets of setback distances be balanced? Obviously they're not, and it's another example of the haste of the government to deploy windmills in the climate battle.

In a lengthy letter to Minister John Gerretsen dated July 7, 2009, the Canadian Wind Energy Association, CanWEA, stated the following about the proposed setbacks, including the 550 setback from homes: "CanWEA believes that these two requirements, if enacted, would jeopardize over three-quarters of all construction-ready wind projects."

Further in the letter, it goes on to recommend a minimum setback equal to one turbine plus 10 metres from all non-participating property lines and public roads. A ministry official told me that they had based the final regulations on a risk assessment report provided to them by CanWEA. The government largely ignored public input for a study paid for by CanWEA, an industry lobbyist. This is corruption and it should be investigated. The government caved to the pressure from CanWEA and compromised our safety with such short setbacks.

In a meeting at work, a Ministry of Labour official held up the regulation book and he said, "These regulations were written in blood." Is that what you want to do with windmills? Look at this picture. This is a picture from up in Shelburne. Those windmills are placed blade length plus five metres. The new regulation: a bare five metres back. In this regulation book—this is a Vestas windmill safety manual—it tells workers, "Stay back 400 metres from any operating windmill. If you have to approach, approach from the face, not the plane." In the plane of these windmills, the wings are pointed directly at the road. That is a safety violation.

Economic ramifications: Minister Smitherman said that the Green Energy Act would only increase power costs 1%. Within a few weeks, Hydro One was asking for a 24.6% increase. On Focus Ontario, he said that coal was cheap and everything they used to replace it will cost more.

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Last spring, he said he wanted to emulate Spain. Oh, really? What do any of you know about Spain? They built up a massive amount of gas-fired, wind, and solar capacity, like what is happening here in Ontario. Spanish industry warned the government not to do it, just like industry has warned you not to proceed with your coal closure plan. Their industrial power rate went up 100%, and many industries left the country, inducing a depression. The country now has the highest unemployment rate in the Organization for Economic Cooperation and Development, at 18.9%.

They plan to introduce cap and trade, which will sink them a little further. Since Germany introduced cap-and-trade, the price of power has risen 25%. This past spring when I spoke to this committee, Laurel Broten asked me about the benefits of the green energy plan for the steel industry in my area. The steel industry, I regret to say, is closed. I told her, "I believe your energy plan will cause

the collapse of this province.” I mentioned that AbitibiBowater and Weyerhaeuser both said that Ontario has the highest-priced power of any jurisdiction they operate in.

Where are we today? A have-not province; a record \$24.7-billion deficit; a 9.2% unemployment rate; corporate tax revenue down an unprecedented 48.1%; hundreds of thousands of jobs lost. The AbitibiBowater plant I was pleading for has shut down two of their paper machines. My union shop chairman’s wife lost her job because of a plant closure. The high price of power was one of the listed reasons. Your energy plan, along with cap and trade, are just drilling holes in a sinking ship.

The way forward: Barack Obama said, “We figured out how to put a man on the moon in 10 years. You can’t tell me we can’t figure how to burn coal that we mine right here in the United States of America and make it work. We can do that.”

Which one of you is going to tell President Obama that it won’t work? Are you calling him a Neanderthal, or saying he belongs to the 19th century?

Cease the plan to close the coal plants and get on with cleaning them up like the Germans have. They have the confidence—

The Chair (Mr. David Oraziotti): Mr. Church, you’re going to have to wrap up. That’s your time, so if you want to take 20 seconds to wrap it up, go ahead.

Mr. Grant Church: My friends from Germany asked me, “Why is Nanticoke allowed to run like this? It’s not that way in Germany.”

Didn’t Minister Smitherman notice how they used coal responsibly when he toured Germany? Or was he asleep there like he was with eHealth?

The choice is yours: Do you want a Spanish disaster or do you want Ontario to prosper again? I’d be happy to answer your questions.

The Chair (Mr. David Oraziotti): Mr. Tabuns, you’re first up.

Mr. Peter Tabuns: I have no questions.

The Chair (Mr. David Oraziotti): Ms. Jaczek, do you have any questions?

Ms. Helena Jaczek: I don’t have a question, but I’d just like to assure the deputant that as a member of the McGuinty government, I listen intently to all deputants and respect your right to express yourself.

Mr. Grant Church: Could I just make a point? I want to know how many published, peer-reviewed studies it took to act on SARS. There weren’t any; they acted immediately.

The Chair (Mr. David Oraziotti): Thanks for your comment. Mr. Barrett, do you have any questions for the presenter?

Mr. Toby Barrett: Yes, I do. Thank you, Mr. Church. In these deliberations with respect to cap and trade and climate change—and it obviously spills into energy use—we’re all elected representatives; we’re not scientists. We’re not experts in this field at all, and we rely solely on people like yourself, and citizens and taxpayers, and the people of the province of Ontario, to

basically tell it like it is, tell us what’s going on out there, what people are talking about on the shop floor where you work.

I know you do a lot of reading, and there are a lot of references here. I just wondered: Can you summarize, in your view, where is the public at on this? Where are people at, either in your area in Ontario, your union colleagues, people you’re chatting with, or do they know about the Western Climate Initiative? Do they know that we signed a deal with Utah? Probably not.

Mr. Grant Church: A lot of people at work, a lot of this they don’t care about. They think, “Oh, here comes Grant talking about wind,” or coal, or energy, or something like that. But they do respect me and I do have the respect of my community. I often write letters; I’ve spoken at a community hall. The views that I have certainly resonate on the shop floor and in my community.

Mr. Toby Barrett: Just further to that, I know a year ago last summer I received the information that Ontario was signing the Western Climate Initiative. Just out of interest—in the summertime, I have a lot more time to travel around and spend time in restaurants and chat with people; I chat with people when I’m fuelling up my vehicle and things like that. Just for fun, in a sense, I would ask people, “Did you realize that Ontario has signed a Western Climate Initiative with Arizona?” There was very little in the media about this. I found that the reaction I got was almost like, “Well, that makes about as much sense as signing one with Utah.” And I explained to them, well, Ontario signed one with Utah as well. It didn’t sign one with Pennsylvania, Ohio, Indiana or Michigan, the large industrial states right next door, or New York state, for that matter.

I find with this initiative, the cap-and-trade initiative, when this was announced—I’ve only seen one or two articles in the newspaper. We have a person in charge of this, an assistant deputy minister; he makes half a million dollars a year. This government doesn’t seem to be getting the media on this. It’s touted as one of the most serious concerns on the planet, and if it is valid, it’s second only to the tremendous increase in population.

This government is putting no information out on this. Do you have any—I mean, that may explain why you’re not getting people talking to you about it.

Mr. Grant Church: They’re caring about their jobs. That’s what they’re caring about. We’re very much caring about our jobs, and government policy that is working against us.

Here’s a point you don’t see in the news. Does anybody know what happened in Prince Edward Island on July 8? They had frost. They set a record low temperature at Charlottetown airport: 3.8 degrees. Do you think you could find that in the news? The CBC and one PEI newspaper: That was it. There’s a lot going on that people don’t know about. But the primary concern among people I know is jobs.

Interjection.

Mr. Toby Barrett: I know—we were cut off. I know the other two parties decided not to ask questions; I don’t know why. Could I take up some of that time?

The Chair (Mr. David Oraziotti): Well, that's their choice, and no, we're behind schedule as well because I've allowed members to go on a little longer.

Mr. Toby Barrett: Oh, if we're behind schedule, fine. Go ahead.

The Chair (Mr. David Oraziotti): Thank you very much. That's time. We appreciate you coming in today.

CLEAN AND RELIABLE ENERGY SUPPLY CONSORTIUM

The Chair (Mr. David Oraziotti): Okay. We're just trying to catch up here to our 4 o'clock presentation. Good afternoon, Ms. DeMarco, Clean and Reliable Energy Supply Consortium. I understand you're here as well for an additional presentation from Blue-Zone Technologies. Just perhaps if you want questions from members around—normally, presenters will have one opportunity to present in one time slot, so if you just want to address that first and then we'll get you going.

Ms. Elisabeth DeMarco: Thank you, Mr. Chair. Let me clarify. My name is Elisabeth DeMarco and I'm a partner with the law firm of Macleod Dixon. I'm appearing here on behalf of two separate and distinct clients. So it's not in effect that any one entity has more than one time slot, but rather I'm talking on behalf of two very distinct clients on different points and aspects of the bill. So I hope that there is no objection—

The Chair (Mr. David Oraziotti): There are two different presentations to make, basically is what you have—

Ms. Elisabeth DeMarco: Completely different presentations to make.

The Chair (Mr. David Oraziotti): Okay. If you want to get started on the first, you can do that.

Ms. Elisabeth DeMarco: Thank you. I'm first speaking on behalf of the clean and reliable electricity supply group. It's known as CARES in short form. CARES is a group of clean natural-gas-fired generators that is made up of TransAlta, TransCanada Energy, Sithe Global, Cardinal Power, Capital Power and Northland Power Inc. The members collectively control approximately 5,000 megawatts of generation in the province, so a very significant proportion of independent power in the province. CARES members are also members of the Association of Power Producers of Ontario.

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The members hope to provide the committee today with an overview of their three main considerations in relation to the bill. We've provided two pages of very detailed submissions on the specific aspects of the implementation of the bill that were outlined in the Ministry of the Environment's very detailed discussion paper that was released in June as well.

If I can start first with the three main points, it's no secret, committee members, that any number of jurisdictions are coming out with climate change initiatives at this point in time. The view that global warming is pressing is certainly being adopted by a number of Leg-

islatures, and our first request and submission is for this committee in particular and for the Legislature to help regulated generators, contract generators who are critical to achieving this province's green energy goals, in navigating this maze of competing and often conflicting climate change policy initiatives. So the first submission is that the Legislature should harmonize its efforts with those of other jurisdictions, including the federal government, and the developing US federal schemes and regional initiatives.

The second point is that we're in a realm of electricity generation that is being characterized by a new growth of green electricity. In particular, the Green Energy Act has facilitated a very significant change in the policy relating to electricity, and gas-fired generators are critical to achieving those goals. They are quickly and readily dispatchable. They are the support generators that allow for the increase in new intermittent generators to be developed across the province, so they in effect enable the government in achieving its Green Energy Act goals. We would ask that the government and the Legislature keep these generators whole. Specifically, their output is governed through a series of varied and different power purchase agreements that were set with any number of government entities, and it's our request that you ensure that the costs of complying with climate change requirements are able to be passed through, in a very transparent manner, through the hourly Ontario electricity price, in a manner that actually achieves the results that you hope for: changing consumption as a result of price impacts—a clear price signal. In summary on that point, we would ask that you keep those generators whole.

Thirdly, we would be remiss if we didn't advise the committee of concerns regarding the emissions associated with electricity imports. It is critical, if you hope to achieve your cap-and-trade goals set out in the bill and if you hope to achieve your Green Energy Act goals, that you specifically address the emissions associated with imports of electricity. We would not want to see a decrease in Ontario clean gas-fired generators displaced by imported, higher-emitting coal-fired generation, which is very possible if we do not address the emissions associated with imports. In that regard, we are submitting that you support a default emission rate being applied to import electricity based on the marginal supply of imports, which is equal to about 0.9 tonnes per megawatt hour of emissions associated with imported generation. In that way—that data is supported by the electricity data—we feel that the emissions associated with imports will be addressed in a fair and equitable manner and through a level playing field.

I can go on at this point to address the very specific detailed design parameter submissions, or I'm happy to take questions, whichever approach is best for the committee at this point.

The Chair (Mr. David Oraziotti): Ms. DeMarco, that's really your choice at this point. You've got 10 minutes for your presentation and five for questions. You have about five minutes left for comments, but if you'd like to go to questions now, we can do that.

Ms. Elizabeth DeMarco: Why don't we just touch upon a few of the high-level design features that have come up as I've been sitting at the back of the room?

One of the first is in relation to equitable caps and baselines. Certainly, we want to ensure that no one sector bears a disproportionate burden of the overall emission reduction requirements of the province, and we'd point out that industrial sectors are bearing far less of an emission reduction obligation than the electricity sector.

Another point that has come up very specifically is in relation to allocation and auctioning. The CARES consortium submits a balanced approach to auctioning consistent with both the WCI and our American counterparts. There are real, competitive dangers in getting very much out of step with our major electricity trading partner. So, in that regard, we would recommend a limited amount of auctioning in the first instance—say, approximately 10%, consistent with the approach in the US—and moving to a higher percentage of auctioning with time.

Another question that came out was in relation to the use of auction revenue. Certainly, CARES submits that the proceeds of auction revenue should be used for purposes as close as possible to the activities that the revenues come from. So we want to see reinvestment in those key sectors and true change in the province associated with reinvesting in cleaner and better technology in each of those submissions.

At this point, I think we're prepared to open up the submission to questions, and I want to thank you for your attention.

The Chair (Mr. David Oraziotti): Thank you very much for your presentation. Ms. Jaczek, you're up first, so go ahead.

Ms. Helena Jaczek: Thank you to CARES for being so involved. I understand that you've submitted a number of comments on the registry and to the Moving Forward document. I know that they've been taken a close look at.

You've clarified what I was going to ask you in relation to the proceeds of auctioning. You've certainly taken a very different approach to some of the other deputants this afternoon in terms of saying that there should be only 10% of the total allowances allowed for initial auctioning. Could you maybe just elaborate? I think this is in relation to keeping in harmony with the Western Climate Initiative, which, of course, is a very important point, but perhaps you could just elaborate a little bit more.

Ms. Elisabeth DeMarco: The best way to elaborate might be by way of example. If, for example, Ontario required 100% of its allowances to be auctioned and Ontario electricity generators were required to purchase 100% of their allowances to be used effectively as a necessary fuel to generate, and Quebec generators were given all of their allowances gratis, and both generators, an Ontario generator and a Quebec generator, were competing to serve a New York load, whose import costs would be different? Who would be at a competitive

advantage? And what would be the associated effect on electricity pricing across the border?

That's why we're taking a very moderate and principled approach. We understand that there are some efficiencies that can be garnered from auctioning, but we advocated that you do so in a measured and staged manner that's equitable across sectors.

Ms. Helena Jaczek: Point well taken. You've also heard some comments related to offsets—the difficulty of auditing, that it's costly and bureaucratic. What do you see as the role of offsets?

Ms. Elisabeth DeMarco: We see full and fair and open access to offsets, for the sole reason that most of the regulated facilities that you are actually seeking to regulate through the bill have their technology fixed at the time of construction. So the only way you can actually achieve real emission reductions is through new construction and displacement or through project-based offsets. So, particularly in the near term, in the initial stages of the bill, it is integral that this committee advocate strongly for full and fair access to offsets—credible offsets—with criteria that the province believes are certainly supportive of its integrity measures, but certainly as many of those offsets as possible.

The Chair (Mr. David Oraziotti): Thank you. Mr. Yakabuski, go ahead.

Mr. John Yakabuski: Thank you very much, Ms. DeMarco. You've actually lent some clarity to this, unlike the deputy minister, who did a whole bunch of statistical stuff. I presume he was trying to justify his salary in a public forum, and I'm sure the hospital will thank him for that. But I do appreciate you coming in and, as I said, allowing us to see this a little more clearly.

Prior to the tabling of this legislation—obviously the groups you represent have a significant interest—were you part of any discussions with the Ministry of the Environment, and do you share the views of Union Gas and Imperial Oil with respect to a carbon tax being more equitable than cap and trade? Or do you believe that cap and trade is the way to go if it is worked properly?

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Ms. Elisabeth DeMarco: In relation to the first part of the question, there were numerous opportunities to comment. In fact, I have to congratulate the Ministry of the Environment for its most recent discussion paper, which was very thorough—more thorough than we've seen in other jurisdictions.

First, there was a December 2008 discussion paper. There were consultations prior to that leading into the spring of 2009. There was a June 2009 detailed discussion paper. There were consultations leading up to that, and then there was an industry-sector-wide, sectoral approach benchmarking consultation, an electricity sector consultation, as well as a subsequent initiative that is forthcoming on verification and monitoring. Personally, I don't think that we can credibly criticize the ministry in terms of consultation.

In terms of tax or cap and trade, I think the group has regularly seen cap and trade as the predominant measure

that the province and other jurisdictions are going forward with, most notably our major trade partner. So in that regard, I think they have taken a pragmatic approach and put their horses and courses where the bulk of the regulatory agenda has been in North America.

Mr. John Yakabuski: We also need to mesh our legislation, then, with those other jurisdictions.

Ms. Elisabeth DeMarco: I think absolutely that's a key point. Harmonization would be our first main point and we want to look very carefully at assuring that we have harmonized approaches that don't submit the regulated emitter to three or four conflicting approaches.

Mr. John Yakabuski: You illustrated that very clearly with the Ontario-Quebec scenario with respect to power sales, which clearly could materialize under two separate and distinct systems.

Ms. Elisabeth DeMarco: If they're not harmonized, absolutely.

Mr. John Yakabuski: Thank you very much.

The Chair (Mr. David Oraziotti): Mr. Tabuns, go ahead.

Mr. Peter Tabuns: Thank you for making the presentation today. You've got a lot of detail in here and I think I may have missed something. My understanding of carbon pricing is to drive up the base of carbon-priced carbon burning. So I understand part of the function of this cap and trade is to make it more expensive for everyone who burns hydrocarbons or gas to produce electricity. Maybe I misunderstand you, but you seem to be arguing that you shouldn't have to bear that burden, that you want it passed through. Can you clarify this?

Ms. Elisabeth DeMarco: I think the key to cap and trade is that we want to achieve the most emission reductions at the least possible cost. We don't want necessarily to have a high carbon price for the sake of a high carbon price. We want to keep our eye on the ball. This is, in fact, consistent with the Sierra defence approach in the States: eye on the ball on emission reductions and achieving the most emission reductions for the least possible cost.

If we do it backwards and focus on the highest carbon price, I don't think we're likely to achieve the ends in light of the overall economic picture. The cap and trade submissions—in effect, the CARES submissions are very focused on achieving the most emission reductions at the least price.

Mr. Peter Tabuns: So you don't think we should drive up the cost of burning carbon in order to make renewables more competitive?

Ms. Elisabeth DeMarco: I think renewables in and of themselves will continue to become more competitive as a result that they don't have carbon as an input cost. So certainly this is focused on putting a price on carbon but through a mechanism that achieves emission reductions through the lowest overall system-wide cost. So it's an efficiency. It's effectively energy productivity.

Mr. Peter Tabuns: Okay.

The Chair (Mr. David Oraziotti): Thank you very much. That's the time for the first presentation. Thank you for that.

BLUE-ZONE TECHNOLOGIES LTD.

The Chair (Mr. David Oraziotti): If you want to move to your next presentation, you can go ahead and start with that.

Ms. Elisabeth DeMarco: Thank you. I won't introduce myself again. I'll apologize for the monotony of the same person at the seat two times in a row at 4:30 in the afternoon.

Mr. John Yakabuski: We're just going to be looking for the differences in the submission.

Ms. Elisabeth DeMarco: Good, because you'll see they're quite different.

Mr. John Yakabuski: This one is thicker.

Ms. Elisabeth DeMarco: This is actually supported by significant data. These submissions are on behalf of Blue-Zone Technologies Ltd. I'm proud to be here on behalf of Blue-Zone, which is an Ontario company that has developed the technology to capture, isolate and purify to medical standards very potent greenhouse gases in the form of hydrofluorinated ethers, or HFEs. These anaesthetic gases would otherwise be vented out of every single one of Ontario's hospital operating rooms absent the technology, which currently has received two worldwide patents and is achieving further patent protection technology.

There are three main submissions that Blue-Zone would like to make to you today. They're really centred around one central challenge associated with the bill in its current form, and that problem is that the bill limits the scope of the greenhouses gases covered to the six main greenhouses gases. It doesn't allow for expansion to other greenhouse gases as we see in other jurisdictions such as the US and/or BC, and/or it doesn't specifically include hydrofluorinated ethers as we see in other international approaches, such as the EPA reporting rule and in the IPCC. Both of those cover hydrofluorinated ethers.

The three basic submissions of Blue-Zone would be to look carefully at capturing all of our greenhouse gases that we can in a cost-efficient manner and to do so by expanding the definition of "greenhouse gas" in the bill to include specifically anaesthetic gases in a manner that's entirely consistent with US and international approaches.

The submission is thicker because it has included at the back all of the other standards that do in fact include hydrofluorinated ethers in their greenhouse gas regulatory spectrums. They would include, specifically: the Intergovernmental Panel on Climate Change; the US EPA, through its proposed mandatory reporting of greenhouse gases rule; the American Clean Energy and Security Act, a bill that's through the House in the US, which has certainly gotten permission to expand the scope of greenhouse gases; and most recently, the BC approach, again, allows for additional greenhouse gases to be designated by the government should they so require or warrant designation.

In that regard, we would ask that the government include hydrofluorinated ethers and specifically anaes-

thetic gases in the definition of “greenhouse gas” in the bill or, in the alternative and at a minimum, allow for additional greenhouse gases to be designated by regulation. That way, you don’t have to go through a legislative amendment to achieve the same goals as we evolve and are more aware of specifically what greenhouse gases are contributing to the problem. It’s a very small fix and quite doable.

Secondly, in relation to the greenhouse gases associated with anaesthetic gas, there are a series of global warming potentials that show just how much of a potent greenhouse gas they are. We’ve put the leading global warming potentials, the actual potency factors, into the submission for your consideration should you choose to include them in the bill as a covered greenhouse gas. Just to put the numbers in perspective, while one tonne of CO₂ has a global warming potential of one, and a tonne of methane has a global warming potential of 21, the anaesthetic gas isoflurane has a global warming potential of 350; the anaesthetic gas desflurane has a global warming potential of 1,341; and the anaesthetic gas sevoflurane has a global warming potential of 575, so those are very, very potent greenhouse gases. Those are all independently submitted and supported global warming potentials.

Finally, Blue-Zone would submit that there is a strong health and economic reason to support the inclusion of the Blue-Zone technology, and specifically hydrofluorinated ethers in the scope of greenhouse gases. This is an Ontario success story. This is a home-grown company, located in Brampton, that has developed worldwide proprietary technology, has worldwide patents and now has the ability to launch that technology to the world. This is Ontario clean tech at its best. It’s not only Ontario clean tech at its best, it’s Ontario health care efficiency. In these times of the critical nature of health care spending, we need all the efficiencies in that sector that we can get. Specifically, this allows hospital operating rooms to capture and recycle their anaesthetics at effectively no cost. While they would be purchasing anaesthetics every day, every week at a very significant expense, now, through the technology, they can reuse a single anaesthetic purchase 21 times before it has expired—a significant health care savings.

In that regard, Blue-Zone would like to strongly encourage you to use the cap-and-trade system to facilitate the development of this form of Ontario clean technology and at least, at a minimum, provide for expansion of the bill to include hydrofluorinated ethers in the longer term.

Those are our submissions, and we’re open for questions.

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The Chair (Mr. David Oraziotti): Okay, thank you very much. We will start with the Conservative caucus. Go ahead, Mr. Barrett. Do you have questions?

Mr. Toby Barrett: Yes. Thank you, Chair, and thank you for this presentation. The House of Representatives, their Clean Energy Act does not list these products. I know there were amendments made. There was one

amendment. I haven’t read the act, but I read the 300-page amendment that came forward, in contrast to this piece of legislation, which is, if you subtract the English or the French, about a page and a half. I know the one south of the border is, gosh, 1,500 or 1,700 pages—I just forget.

They don’t list these gases. There are some gases that they list that Ontario doesn’t list. I’m just wondering what is going on here. I understand nitrogen trifluoride is not listed in the House of Representatives’ legislation.

Water vapour contributes to warming. That’s not listed as a gas. Ozone is not listed in this legislation. Chlorofluorocarbon is not listed. Have you done work on those products as well?

Ms. Elisabeth DeMarco: I have, and I know the bill, all 1,598 pages of it, quite well, unfortunately. There is a designation section, and they’re actually broken down. A number of the classes, for example, of PFCs and HFCs are broken down into their subcomponent parts. They’re supported by a subsection that allows for specific designation of further gases in the US. They’re also supported by the EPA reporting rule, which does specifically include these gases. And you’ve actually got the section of the EPA reporting rule in the back of the submission.

Mr. Toby Barrett: So does that model work for this legislation, or should we list these other products, if they do contribute to this direction?

Ms. Elisabeth DeMarco: Blue-Zone’s preference would be to include them outright, but in the alternative, to provide for a designation provision so that, at least, going forward you don’t have to go through a legislative amendment to actually get them included; you can merely pass a regulation.

Mr. Toby Barrett: That’s what we do, right around the table. It doesn’t take very long to vote on an amendment. I’m just wondering why a certain gas would be included in the legislation or included in regulation. Why would there be that distinction? Is one felt to be more significant than the other? Why would there be that distinction?

Ms. Elisabeth DeMarco: It’s just in terms of ease of process that we make the alternative submission. So in the first instance, Blue-Zone’s strong preference would be to have them specifically included in the definition of greenhouse gases. In the alternative, a designation provision seems to be the most expedient and efficient way to proceed—in the alternative.

The Chair (Mr. David Oraziotti): Okay, thank you. Mr. Tabuns, go ahead.

Mr. Peter Tabuns: Thank you for the second presentation. What sort of volumes are we talking about, in terms of tonnes, kilotonnes or megatonnes of CO₂ equivalent?

Ms. Elisabeth DeMarco: It’s about 650,000 tonnes per year in Canada alone. We actually have the worldwide figures. I can take that under advisement and get back to you. It’s very, very significant, worldwide.

Mr. Peter Tabuns: The 650,000 is enough to catch my attention.

Ms. Elisabeth DeMarco: That's right.

Mr. Peter Tabuns: Okay. If in fact this mechanism allows hospitals to recapture and reuse anaesthetic gases, they're going to save a lot of money. Why do you need this as well? I have no opposition to what you're saying; it makes sense to me. But why do you need it on top of the substantial cost savings that hospitals should already have?

Ms. Elisabeth DeMarco: It's certainly an additional efficiency measure, so the key is to ensure that you're not just regulating from one point but that you're actually seeing the holistic benefits—this has great greenhouse gas reduction potential as well. So it's really harnessing the additional economic efficiencies for the province for home-grown technology in creating a precedent, either through regulation or through some other form of actually getting at these initial reductions.

Mr. Peter Tabuns: In previous discussions with the government, what has it said to you about your recommendations?

Ms. Elisabeth DeMarco: I think the government has been notionally very receptive. I think there are some concerns about getting out ahead of other jurisdictions, to be fair, and that's my understanding of where the difficulties lie, in terms of inclusion at this point.

Mr. Peter Tabuns: Okay. Thank you.

The Chair (Mr. David Oraziotti): Thank you, Mr. Tabuns. Ms. Jaczek?

Ms. Helena Jaczek: Really, more of a comment: I think it does get back to the issue of harmonization and consistency across jurisdictions, but it's a very interesting point, and like what Mr. Tabuns had to say, you would think that hospitals would be leaping on this bandwagon anyway. Thank you very much for bringing it forward.

The Chair (Mr. David Oraziotti): Thank you very much. I appreciate your coming in today, and I appreciate your presentations.

Ms. Elisabeth DeMarco: Thank you very much for having me.

The Chair (Mr. David Oraziotti): For the purposes of committee, we will not be meeting on Wednesday; all the presentations have been accommodated for. As well, for administrative purposes, so you are aware, amendments need to be filed with the clerk by noon on Thursday, November 12—constituency week—by noon next week. The committee will meet for the purpose of clause-by-clause on Wednesday, November 18, at 4 o'clock.

The committee is adjourned. Thank you.

The committee adjourned at 1647.

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