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Wednesday 18 November 2009

**Journal
des débats
(Hansard)**

Mercredi 18 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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ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

**STANDING COMMITTEE ON
GENERAL GOVERNMENT**

**COMITÉ PERMANENT DES
AFFAIRES GOUVERNEMENTALES**

Wednesday 18 November 2009

Mercredi 18 novembre 2009

The committee met at 1621 in room 228.

**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.

The Chair (Mr. David Oraziotti): Good afternoon, everyone, and welcome to the Standing Committee on General Government. Today we're considering clause-by-clause for Bill 185 and we're ready to begin. Ms. Jaczek?

Ms. Helena Jaczek: I would like to ask for unanimous consent of the committee to move government motion number 19 forward so that this motion can be moved by the Minister of the Environment, as it is what is considered a money motion.

The Chair (Mr. David Oraziotti): It's a request for unanimous consent to allow the minister to deal with the motion. Do we have unanimous consent?

Mr. Peter Tabuns: If we're going to have the motion at all, now is the time. I'm willing to have this debated, sure.

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

We need a substitution slip for the minister.

Interjection.

The Chair (Mr. David Oraziotti): It's fine, you can sit there—wherever you're comfortable.

Hon. John Gerretsen: Thank you very much, Mr. Chair.

First of all, let me applaud and congratulate the members of the committee on all sides of the House for dealing with this very important issue and very important bill.

I move that subsection 2(2) of the bill be amended by adding the following subsections to section 176.1 of the Environmental Protection Act:

“Greenhouse gas reduction account

“(6) Any amount paid to the Minister of Finance from the distribution of instruments under the regulations made under clause (4)(a) shall be deposited in a separate account in the consolidated revenue fund to be known in English as the greenhouse gas reduction account and in French as compte de réduction des gaz à effet de serre.”

“Same

“(7) For the purpose of the Financial Administration Act, money deposited in the greenhouse gas reduction account shall be deemed to be money paid to Ontario for the special purpose described in subsection (8).

“Payments out of account

“(8) Money may be paid out of the greenhouse gas reduction account for the purpose of reimbursing the crown in right of Ontario for costs incurred by the crown in administering the regulations under this section that relate to greenhouse gases and in carrying out or supporting greenhouse gas reduction initiatives, particularly initiatives that relate to the sectors of the Ontario economy to which the regulations apply.

“Same

“(9) Without limiting the generality of subsection (8), money may be paid out of the account under that subsection with respect to the following costs:

“1. The costs of research into or the development or deployment of lower greenhouse gas emitting technologies in a sector of the Ontario economy to which the regulations under clause (4)(a) apply.

“2. The costs of programs to reduce greenhouse gas emissions in a sector of the Ontario economy to which the regulations under clause (4)(a) apply.

“3. The costs of infrastructure or equipment to reduce greenhouse gas emissions in a sector of the Ontario economy to which the regulations under clause (4)(a) apply.

“4. If the regulations made under clause (4)(a) apply to the electricity sector of the Ontario economy, costs of any greenhouse gas reduction initiative that would otherwise be borne by electricity consumers.”

That's amendment 19 and, if appropriate, I would give an explanation of that at this stage.

The Chair (Mr. David Oraziotti): Go ahead.

Hon. John Gerretsen: This motion basically establishes a greenhouse gas reduction account for the

revenues from auctioned allowances and would provide the authority to pay the money out of that account to support greenhouse gas reduction initiatives, particularly those initiatives in the regulated sectors.

As many of you know, we have been seeking stakeholder comments on the design issues of cap and trade, including the use of the auction revenue as set out in our discussion paper that was posted on the EBR from May 27 to July 27 of this year. As a result of our consultations and upon further analysis, we are putting forward this motion that basically would create a greenhouse gas reduction account to support the use of cap-and-trade auction revenues for greenhouse gas reduction purposes, particularly in the sectors covered under cap and trade. The revenues would be used to help industries invest in transformative technologies, programs and infrastructure to reduce greenhouse gas emissions, lower costs, and in so doing, new jobs will likely be created. It will also help our industry stay competitive in the North American and global trading market and invest in a greener and cleaner economy for the province.

These measures have a broad range of support and are consistent with what we've heard from presenters to the standing committee during the debate, as well as the consultations that took place as a result of the EBR posting and well before that as well. Let me just give you some examples of this. It's my understanding that the member from Toronto–Danforth, upon second reading debate, stated, "There needs to be money coming out of this bill to help companies make the transition from being a big polluter to a green energy user. That will save jobs. That will stabilize our economy." That's the exact purpose of this amendment.

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In the standing committee as well, I understand that there have been a number of presentations, such as the one, for example, by the Clean and Reliable Energy Supply Consortium. Amongst other things, it stated to the standing committee that "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."

Another statement that was made by Suncor Energy was that "they could partly be diverted into developing truly transformative technologies.... There have to be some new solutions out there, and without technology investment we're not going to find them."

Finally, Union Gas as well made the statement that "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."

The Cement Association of Canada also stated in their presentation to this committee that the Ontario cement manufacturers believe strongly that any revenues arising from the auction or otherwise distribution of allowances

must be recycled into the development and deployment of new technologies capable of further reducing greenhouse gas emissions within the sectors covered by the cap-and-trade system.

Also, I understand that there was a statement made by Environmental Defence and the United Steelworkers—the Blue Green alliance group—which basically stated that "allowances should be auctioned and used for public benefit. Revenues and allowances should be invested in job creation, minimizing leakage due to international competition, upgrading technology in vital industries, revitalizing research and development, investing in clean energy, building public transit, and supporting equity programs that help transition workers and vulnerable communities." We agree with all of these comments, and that's why we're making this amendment.

It will also address goals that are put forward in some of the other motions that are contained in the motion package that you have here today to support investments in new technology and cleaner energy sources to reduce greenhouse gases. For example, motion number 17, which I believe is being put forward by the NDP, speaks to using the auction revenues generated to support transition away from fossil fuels and to support job transition and assistance to those who have been impacted by climate change. That's precisely the purpose of this amendment. Also, there's a PC motion, which is number 18, which looks to establish a fund to support technological innovation and development.

Those are the main reasons why we're putting this forward at this stage. We feel that, again, we're basically dealing here with a bill that is an implementation document. How much of the allowances will be auctioned off or what the auctioned revenue will be remain to be seen. The main purpose of the amendment is to make sure that whatever money is raised through auctioning of the allowances basically goes into a fund which could help, in many different ways, to offset the greenhouse gas emission effects that we're fighting in this bill.

The Chair (Mr. David Oraziotti): Thank you very much for that. Further debate or further comment on the amendment? Mr. Tabuns, go ahead.

Mr. Peter Tabuns: Minister, could you clarify point four at the end of the motion: "If the regulations ... apply to the electricity sector of the Ontario economy...." Is there any reason that they would not apply to the electricity sector?

Hon. John Gerretsen: I can't think of a reason right now as to why it would not apply to the electricity sector at this stage.

Mr. Peter Tabuns: So, just for clarity, then, is there a reason we would use the word "if" as opposed to saying that this resolution would lead to the allocation of funds to reduce impact on electricity consumers?

Hon. John Gerretsen: I wonder if I could just take a moment to confer with my officials here.

Mr. Peter Tabuns: I'd be happy to have you confer.

The Chair (Mr. David Oraziotti): Minister, if any of the staff want to come forward and make comments here, they can do that.

Hon. John Gerretsen: Have a seat, Heather. It's a very friendly committee.

The Chair (Mr. David Oraziotti): Just state your name for the recording purposes of Hansard and you can go ahead.

Ms. Heather Pearson: Heather Pearson. The "if" refers to whether they would come under the cap-and-trade program.

Mr. Peter Tabuns: Are you seriously contemplating not having them come under the cap-and-trade program?

Ms. Heather Pearson: Again, what's most important to us is to align with what's happening with other jurisdictions, so there may be a timing issue.

The Chair (Mr. David Oraziotti): Any further comment?

Mr. Peter Tabuns: So if I understand what you're saying, if the Americans or the Albertans don't bring their electricity system under their cap and trade, or any other member of, say, the Western Climate Initiative, we wouldn't bring our coal and natural gas plants under cap and trade.

Ms. Heather Pearson: I don't think a decision in that regard has been taken. The "if" refers to it being a covered sector, and the decision would have to be made as to which covered sectors fall under the cap-and-trade regulation—

Hon. John Gerretsen: Let me just address that, though. What we've heard loudly and clearly from the sectors that are mainly involved in this cap-and-trade system—the nine major sectors, including the electricity sector—is that they feel that for competitive reasons it's absolutely imperative that a continent-wide or a Canadian-wide system be implemented—preferably a continent-wide one, but certainly a Canadian-wide system. To be quite honest with you, we don't want to tie the electricity sector down if, for whatever reason, other sectors are excluded from that. It is certainly not our intent at this point in time to exclude the electricity sector, but we want to be in sync with the rest of North America.

Mr. Peter Tabuns: Okay. I think you've made it clear.

The Chair (Mr. David Oraziotti): Further comments? Mr. Barrett?

Mr. Toby Barrett: Maybe just to follow up on that question with respect to this fund: We use the term "technology fund," and to what extent it does apply to the electricity sector—I certainly hear what you say about how important it is to align with other jurisdictions, at minimum on this continent but certainly around the world. But we do have other legislation on this continent—both the House of Representatives and also the Senate bill, and I think there's now a revamped Senate bill that's probably going to sit for a few months and come forward. I have not read all of that legislation but I understand that one area that it does focus on is the electrical generation sector. It makes specific reference to the coal industry. President Obama, as we know, talks about clean coal and makes specific reference to carbon

capture and storage. We know that some of our coal clients are trying to accommodate this government not only by shutting down units but also by exploring biomass, for example. So whether it be a technology fund or a greenhouse gas reduction account, would money be made available for those kinds of purposes?

Hon. John Gerretsen: Well, that's exactly what the purpose of the amendment is. The purpose of the amendment is to make sure that whatever funding is being raised from allowances—whether you start allowances right from the very first unit that's being emitted, which has been suggested by some, or whether you start the allowances with, let's say, the last 15% of the emission levels—whatever funding is being collected should not go into the general revenues of government but should go into a special purpose account to deal with environmental issues in a broad way, whether it's through improving the technology and all of the other reasons that are set out in the section, to make sure that that money flows back into it.

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We heard that loudly and clearly from the sectors that we've had these discussions with for almost a year now, that they wanted to make sure that there weren't that many arguments against the technology fund, because they realized that it was a coming thing, but they wanted to make sure that whatever funds were being raised were going to go back into new technology, new programming. In the case of electricity, it could go back to the consumers in one way or another as well.

Now, it's not just going to be an in-and-out fund, because then, of course, the fund wouldn't serve any purpose at all. If it was simply X number of dollars going in and X number of dollars going back again to that same firm, you wouldn't accomplish anything. But it's to give greater assurances to the general public, to the industries involved and to Ontarians as a whole that whatever money is being raised through the sale of allowances, the auctioning off of allowances, that that money is going to be used in order to reduce greenhouse gas emissions.

Of course, with respect to the coal-fired energy, it is still fully our intent to comply with the existing law of the province of Ontario, to fully phase out coal by 2014. It's my understanding, having been briefed on this a number of times, that that's certainly not only a possibility but a great likelihood. We're certainly aiming towards that ultimate goal, and it's our purpose to do that. So I'll just leave it at that.

Mr. Toby Barrett: So under the section here, "Payments out of account," payments going back out again, that could well be in the form of interest-free loans, perhaps grants, subsidies, beyond what stays in the account, which I guess stays with the crown. So companies that have found the flexibility to, in the end goal, reduce greenhouse gas emissions can pay for that technology through a variety of those kinds of measures?

Hon. John Gerretsen: There are a number of ways in which those companies can be assisted. The main goal is to reduce their greenhouse gas emission levels. It's

certainly not intended to be an in-and-out situation—in other words, they pay X number of dollars in and they get X number of dollars out.

Mr. Toby Barrett: One other question, perhaps, for the clerk—we know there are two amendments somewhat similar to this. What is the process here? I see we've jumped to page 19. Do we go back to page—

The Chair (Mr. David Oraziotti): We'd go back to the first amendment after we vote on this, in section 1. We can vote on this amendment now and then we'd go back and we could begin—

Mr. Toby Barrett: So this amendment, by the nature of the way it's written, eliminates those other two amendments? I'm still not clear on why we jumped to page 19.

The Chair (Mr. David Oraziotti): No, it doesn't. That was because unanimous consent was asked for, and it was granted, for the minister to come forward so we could deal with this. Then we'd go back and go through all of the other amendments that have been put forward.

Mr. Toby Barrett: We don't go back to pages 17 and 18, which is made reference to here? We'd go back to page 1?

The Chair (Mr. David Oraziotti): We'd go back to the first one, unless you requested unanimous consent to move to a different one, as was done in—

Interjection.

Hon. John Gerretsen: My reading of motions 17 and 18 is that it's our view that they are more limiting in nature. They accomplish some of the same things, but I believe that the motion that the government has drafted here and that I'm presenting here is of a wider application, so that it could be used for larger purposes than what's set out in 17 and 18.

The Chair (Mr. David Oraziotti): Any further comment on 19? Seeing none, all those in favour of government motion number 19? Opposed? The motion is carried.

We're going to return to section 1, Conservative motion 1. If you want to go ahead, Mr. Barrett, you can read that.

Mr. Toby Barrett: I move that the definition of "greenhouse gas" in subsection 1(1) of the Environmental Protection Act, as set out in section 1 of the bill, be amended by striking out the portion before clause (a) and substituting the following:

"greenhouse gas" means a gas that contributes to the greenhouse effect by absorbing infrared radiation, including,"

By way of explanation, I can understand that perhaps there's an assumption—and I know that the title of this bill, or part of the title, is "greenhouse gas emissions." We know that this concept has been around since the 1950s; I have a Globe and Mail article that talks about the greenhouse effect that was published in either 1951 or 1953. However, I think it's dangerous to make assumptions that people understand just what is meant in this legislation by the term "greenhouse gas," because in this legislation there's no explanation or definition of what

that term means. I know there's a list—or I should say a partial list—of a number of gaseous compounds, but there's nothing here that tells us just what this legislation's referring to when it uses the term "greenhouse gas."

The Chair (Mr. David Oraziotti): Any further comment on this amendment? Ms. Jaczek, go ahead.

Ms. Helena Jaczek: We certainly would concur that, as we heard from many stakeholders and as we've seen on the Environmental Registry, there's a desire to expand the definition of "greenhouse gas," so we see this motion as perhaps an attempt to do that. But in our view, by specifically referencing "absorbing infrared radiation," you're actually giving a very narrow definition related to a particular compound. That's why we have government motion 3, which in our view gives us some flexibility.

As the minister alluded to, as we go forward with new science, there will be a need, no doubt, to expand the list of greenhouse gases by regulation. We certainly heard that from our stakeholders. There were a number of different suggestions as to what might be included in this extended list, but it's our view that this is best addressed by our motion number 3.

Also, I'm a little bit intrigued, in terms of the precise wording of PC motion 1, that there's reference to "absorbing infrared radiation." Apparently the Intergovernmental Panel on Climate Change has done a lot of work, and they're trying to obviously continue to define greenhouse gases. They do have some wording that does reference infrared radiation, but they also include emissions, not just the absorbing of infrared radiation. So I think this sort of goes to illustrate that when you try to specify within a bill itself this degree of specificity, it's going to be extremely difficult to move forward and ensure that we are consistent with the proposals that will be coming out of the US. We would not want to, of course, disadvantage any of our businesses in terms of border measures that the US may be considering.

So we feel, essentially, that we need some flexibility and that our motion provides that.

Mr. Toby Barrett: You make reference to what's coming out of the US, and there are two very large pieces of legislation now. I have not gone through them—I know the HR bill is well over 1,000 pages. But are you suggesting that they do have the definition in that legislation?

1650

Ms. Helena Jaczek: I'm not aware of that. It's the Intergovernmental Panel on Climate Change that is sponsored by the United Nations, and they're working on this.

But as it relates specifically to infrared radiation, apparently they're not concerned just about absorbing but also emitting. It's just an example of how, when you get into very specific wording, your efforts may be sort of hamstrung, in a sense, if you try to put specific wording into legislation, as opposed to, as time goes on, adding regulations.

Mr. Toby Barrett: Yes. We won't get to debate that, which is of concern. I do know this has come up recently,

actually, with another piece of environmental legislation, the Toxics Reduction Act, which, it has turned out now in regulation, is being applied to certain food products, which was never discussed or indicated in the legislation. That's one concern: leaving it up to those people who write regulation. They decide what the definition is.

I hear what you're saying about maybe backtracking, and perhaps this Ontario government did get out in front of the pack when this legislation was first introduced. I'm surprised to hear that we are waiting for the US legislation, if they don't have a definition, and I'm surprised, after all this work, that the UN body doesn't have a definition. That really makes it very difficult to make decisions, if we're not even sure what we're talking about here. As I say, this term has been around since the early 1950s. I'll leave it at that.

The Chair (Mr. David Oraziotti): Any further comments on this motion?

Ms. Helena Jaczek: I'd just like to reassure Mr. Barrett that, going forward, we will continue to consult with stakeholders as we look at expanding the list of greenhouse gases.

The Chair (Mr. David Oraziotti): Further debate? All those in favour of motion number 1? Opposed? The motion is lost.

Mr. Barrett, the next motion is yours as well: Conservative motion number 2. Do you want to go ahead?

Mr. Toby Barrett: Yes. PC motion on page 2, still on section 1 of the bill.

I move that the definition of "greenhouse gas" in subsection 1(1) of the Environmental Protection Act, as set out in section 1 of the bill, be amended by striking out "or" at the end of clause (e), by adding "or" at the end of clause (f) and by adding the following clauses:

"(g) nitrogen trifluoride,

"(h) water vapour,

"(i) ozone,

"(j) chlorofluorocarbon, or

"(k) hydrofluorinated ethers, including desflurane, sevoflurane and isoflurane;"

This amendment obviously adds several other chemicals or products defined as emissions. Some of this is included in House of Representatives Bill 2454 and I'm assuming is included in Senate Bill 1733.

The latter three products, the hydrofluorinated ethers: As I recall, we had a deputation before this committee requesting that those three products be included in that definition of what is to be regulated.

The Chair (Mr. David Oraziotti): Any further comments? Ms. Jaczek, go ahead.

Ms. Helena Jaczek: Well, similarly, although we understand the good intentions of expanding the list at this time, and we did hear a specific deputant recommend the inclusion of some anaesthetic gases, again we would say that at this point in time we would not see the appropriateness of being so specific within Bill 185. We have included the six Kyoto gases. The legislation in the Senate certainly has not passed the Senate. At this point, we feel this definition is too limiting and we prefer to

move our amendment 3 as being the appropriate way of dealing with the ongoing science as climate change evolves. So again, we would prefer to introduce substances through regulation, that being a more efficient and effective approach.

The Chair (Mr. David Oraziotti): Any further comments? Seeing none, all those in favour? Opposed? The motion's lost.

Government motion 3: Ms. Jaczek, go ahead.

Ms. Helena Jaczek: I move that the definition of "greenhouse gas" in subsection 1(1) of the Environmental Protection Act, as set out in section 1 of the bill, be amended by striking out "or" at the end of clause (e), by adding "or" at the end of clause (f), and by adding the following clause:

"(g) any other contaminant prescribed as a greenhouse gas by the regulations;"

As we've already discussed, this motion would expand the definition of greenhouse gases beyond the six Kyoto gases listed in Bill 185 to include any other. We certainly did hear from a number of stakeholders and through public hearings, all the consultation that has been going on over the last year and also on the Environmental Registry that they would like the definition of greenhouse gases expanded.

We recognize that additional greenhouse gases are under consideration in the US and could continue to be identified over time as the science on climate change evolves. What we're proposing is a motion that will allow us the flexibility to identify in regulation additional greenhouse gases, ensuring that we can adapt to cap-and-trade developments in the US and over time.

The Chair (Mr. David Oraziotti): Any further comment? Mr. Barrett.

Mr. Toby Barrett: I guess, again, I am concerned that we would defer this, trying to pin down this list or definitions of what's on the list. We're told the science is there; we're told that this is a known entity and that we should be moving forward. We've been told this for decades, actually, so I just question why we wait for regulation when we know there is other legislation in other jurisdictions that has pinned this down.

I'm concerned too: Given the few people who came forward to testify, I'm just not sure whether those impacted really have a full understanding of what is going on here. I think since this legislation was introduced by the minister, I've seen maybe one or two newspaper articles about it—very, very little. There does not seem to be any government communications program or any effort to disseminate information, at minimum, to the general public. I would feel that those affected would want some assurances. At least, if they could better understand what this legislation is referring to when it talks about greenhouse gases and the several products that are listed in the bill. I just think that's very important before this basically leaves the Legislature and goes forward at some point for somebody, somewhere to write it up as a regulation. I'm sure they'll do a good job and talk to people, but they won't be talking to members of

this Legislature unless another amendment that I have proposed further in this process, where, when we do get to that stage of regulation, I'm requesting that those of us involved get to hear about it and the public gets to hear about it before these regulations get carved in stone.

1700

The Chair (Mr. David Oraziotti): Thank you, Mr. Barrett. Further comments, Ms. Jaczek?

Ms. Helena Jaczek: I would just like to point out that both US bills do also have this type of flexibility proposed in their legislation. In other words, they are also saying that they wish to have the opportunity to add greenhouse gases over time. So again, we're trying to be consistent. We think this is the best way of ensuring that we don't subject any of our Canadian industry to some disadvantage as compared to the US.

The Chair (Mr. David Oraziotti): Thank you. Any further comments?

Mr. Toby Barrett: The third Senate bill, apparently that's substituted, so it may be February before that is discussed.

The Chair (Mr. David Oraziotti): Fair enough. Okay. All those in favour of government motion 3? Opposed? The motion is carried.

That's all of the amendments in section 1. Shall section 1, as amended, carry? Carried.

Section 2, Conservative motion number 4. Go ahead, Mr. Barrett.

Mr. Toby Barrett: I move that subsection 2(1) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Definition: emissions trading

“(1.1) In this section,

“‘emissions trading’ means a tradable-permit system in which a person who emits a contaminant can buy from other persons, or sell to other persons, permission to emit a certain amount of the contaminant, where the market price of this permission reflects the marginal cost of emission reduction and gives a person who emits the contaminant the incentive to install and manage a cost-effective contaminant control system as an income producing asset.”

Again, given that this is what the bill is all about—cap and trade; we use the term “emissions trading” in the title if that title is approved—given the importance of the role of this term “emissions trading” and the importance it plays not only in the legislation but the impact that it may well have on the economy in the province of Ontario, I just think it's essential that we have an explanation, a definition describing exactly what we're talking about here. That's all I ask.

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

Ms. Helena Jaczek: It's our view that this specific definition in the bill is unnecessary. The Environmental Protection Act already provides the authority for the use of economic and financial instruments and market-based approaches, including without being limited to emissions trading. So this authority has already been used to

establish the nitric oxide and sulphur dioxide emissions trading program. So we feel that this is not necessary and could, unintentionally perhaps, bring some consequences that would limit our ability to design a program that would work for Ontario and possibly limit our ability to link with the emerging emissions trading systems in North America.

We essentially want to ensure that this bill is worded in a way that is sufficiently broad to ensure that we are consistent with what does emerge in North America—again, to protect our businesses from potential border measures related to our exports to the United States. So we will not be supporting this motion.

The Chair (Mr. David Oraziotti): Any further comments? Okay, all those in favour? Those opposed? The motion is lost.

Conservative motion number 5. Mr. Barrett, go ahead.

Mr. Toby Barrett: I move that subsection 2(1) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Definition: financial instrument

“(1.2) In this section,

“‘financial instrument’ means a real or virtual document representing a legal agreement involving some sort of monetary value.”

Again, as with emissions trading, the crafting of this legislation made a point of including “financial instruments” in the title. This tells you something, but I can find very little in the legislation that explains what we're talking about.

We do know that in both the Senate and House of Representatives bills, which seem to be the only legislation, really, that I can find—I think we all agree that it's very important to take a look at what is coming forward in the United States.

I know that both bills—I can't find them right now—go into a fair bit of discussion about derivatives. It's pretty complex stuff. They've done their work on that and I feel they have gone a long way in laying out just how these kinds of systems would work, so that everybody can understand how it's going to affect their state, their jurisdiction, their company, their book of business or their electricity bill perhaps. I just find nothing in here that tells me what's going on.

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

Ms. Helena Jaczek: Well, again, we feel that this is too narrow a definition. It's a new definition. Neither of the two US bills that we've had the opportunity to study have a definition of “financial instrument.” In fact, I'm sort of curious where this particular definition may have actually come from. It'd be interesting to be enlightened.

Mr. Toby Barrett: I'd like to hear how the government is defining these terms. I'll throw it out—

Ms. Helena Jaczek: It is our intention not to narrowly define within the document, because we wish to be consistent with what emerges from the US. Certainly, I'm informed that they were not able to find this type of

definition in any cap-and-trade legislation that has been proposed to date.

The Chair (Mr. David Oraziotti): Okay. Any further comments? All those in favour of motion number 5? Opposed? The motion is lost.

Mr. Barrett, number 6, go ahead.

Mr. Toby Barrett: Okay, and as you can appreciate, the PC motion on page 6 is of the same ilk if you take a look at the title of this bill.

I move that subsection 2(1) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Definition: market-based approach

“(1.3) In this section,

“‘market-based approach’ means an approach based on a method of arriving at the appraisal value of an asset, instrument or interest on the basis of the prices at which similar items are available or were sold within the last three to six months, making appropriate adjustments for differences in quality, quantity or size.”

Again, seeing no explanation or definition of what “market-based approach” in the title of this bill is referring to, for purposes of discussion I put forward a definition and would ask if a definition can be included in this legislation. The cap-and-trade approach, which is a good approach, has proven itself well with respect to acid rain, but it’s an approach that is market-based, or it’s an approach, I guess looking at it in another way, that’s an intrusion into the market by government. I think it’s very important, if we’re going to pass this kind of legislation—I know we’re waiting on the UN and we’re waiting on the Senate in the United States. Maybe we should not pass this legislation if we are not making any moves on these several issues that I’ve talked about in the last three motions until we find out what that final Senate bill is going to look like.

1710

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

Ms. Helena Jaczek: My comments will be very similar on this motion as well, that again it’s too restrictive. It’s something that we feel could potentially have some unintended consequences if this particular definition is not used in the US, as it seems to us that there is no contemplation of this kind of narrow definition. Ontario does already have an emissions trading system, and it hasn’t been found necessary to define it in this way. Again, we’re intrigued as to where this particular definition came from, why it was chosen. If it’s something that has emerged in other jurisdictions, obviously we would be interested.

Mr. Toby Barrett: It’s put forward for discussion and basically to make a point. You’ve made a point that we’re not ready to move forward until that UN committee and until the United States pins down what they’re doing. For that reason, I question why this legislation should be passed before the US legislation is passed. I’m agreeing with your reasoning on that.

The Chair (Mr. David Oraziotti): Any further comment? Ms. Jaczek, go ahead.

Ms. Helena Jaczek: To respond to that, Bill 185 is essentially enabling legislation. We want to be ready. It has taken a certain amount of time to come to this point and therefore we feel that having this in place will mean that we are ready to leap ahead with the type of greenhouse gas emission program that we know that North America, the world, the globe needs. That’s why this legislation is here.

The Chair (Mr. David Oraziotti): All those in favour of Conservative motion number 6? Those opposed? The motion is lost.

NDP motion number 7: Mr. Tabuns, go ahead.

Mr. Peter Tabuns: I move that subsection 176.1(4) of the Environmental Protection Act, as set out in subsection 2(2) of the bill, be struck out and the following substituted:

“Same, greenhouse gases

“(4) A regulation under this section that relates to greenhouse gases,

“(a) shall, despite subclause (2)(b)(ii), provide for instruments created by the regulations under subclause (2)(b)(i) to be distributed only by auction and may govern the distribution of those instruments; and

“(b) may authorize a person or body to prescribe, govern or otherwise determine any matter that may be prescribed, governed or otherwise determined by the Lieutenant Governor in Council under this section.”

My argument is fairly straightforward. I look at the position taken by the David Suzuki Foundation and the Pembina Institute, who both make strong arguments against systems that give away emission permits and allowances. They argue that a 100% auction system means that you’re giving away allowances to emitters who may well not need them at all, leading to price crashes in the market. Certainly, the experience in the European Union with giving away a large number of free allowances to electricity producers led to windfall profits for those companies but didn’t advance the cause of reducing emissions at all. They argue that it’s better to make subsidies directly out of separate programs rather than make subsidies through giving away free emission allowances. Ultimately, if we’re going to raise the money that we need to raise to invest in renewable power, giving away free instruments undermines that goal, that program. So I would ask the government and the opposition to support my resolution so that we aren’t giving away emission credits.

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

Ms. Helena Jaczek: I understand Mr. Tabuns’ reasoning, and we would concur that ideally we would move to no free allowances. We feel, though, at this time, we’ve heard from industry at public hearings and through the consultations throughout this year that we need to link with the broader cap-and-trade systems. Neither the Waxman-Markey bill nor the Kerry-Boxer bill are saying “no free allowances.” They are identifying a mix of allocating allowances by auction and free of charge, at least in the initial years. It’s a situation where it is important to keep Ontario industries remaining competit-

ive in the North American and global trading markets. We've learned from the European experience.

I had the opportunity to hear the minister speak at a meeting of the Toronto Board of Trade, and this was raised, in terms of just exactly what you describe: wind-fall profits. So we need to be very mindful of that, but at this point in time we recommend that our existing subsection 176.1(4) be retained, as it does provide the possibility. I hope it won't be too long before we do move to the 100% auctioning that is recommended here.

The Chair (Mr. David Orazietti): Any further comments?

Mr. Peter Tabuns: Briefly, just that if we actually are going to have competitive industry, we have to move them fairly rapidly off of fossil fuels. It's not just a question of climate change but a question of the long-term availability of fossil fuels. Giving away free permits doesn't advance that cause. I hear your argument; I disagree with it.

The Chair (Mr. David Orazietti): Mr. Barrett, comment?

Mr. Toby Barrett: Yes. Just by way of comment—and someone may have more information—as far as auctions, I understand that the Regional Greenhouse Gas Initiative is by auction. That's one of the regional trading systems that's actually working. The Western Climate Initiative is still a gleam in someone's eye. That is based on auction. However, as I understand, it's limited to just electrical generators.

Interjection.

Mr. Toby Barrett: Yes. If we're going to be following the US lead—I think they talk about the market system somehow naturally going towards more of an auction system, but it starts out as an allocation system. Very briefly, could someone maybe make this distinction between—

Ms. Helena Jaczek: They're certainly ready to do so.

Mr. Toby Barrett: And the EU system as well?

Ms. Heather Pearson: You are correct: The Regional Greenhouse Gas Initiative in the northeastern United States is electricity-based, and it does try to auction 100% of the allowances. As already has been mentioned, the initiatives at the federal level in the US are looking at a mix of auctioning and free allowances, again to allow time for industry to adjust. In the EU, ETS is also striving to move towards 100% auctioning over time.

Mr. Toby Barrett: Another system that did work very well with respect to SO_x and NO_x is the acid rain trading system. I think the auction component of that is very small; is that correct?

Ms. Heather Pearson: I believe so, but I can't give the specifics of that and what it is in the US.

Mr. Toby Barrett: I know that there is a component in there for auction, but it's clearly not being used at all. But that acid rain trading system, I understand, still continues?

Ms. Heather Pearson: Yes, it does.

Mr. Toby Barrett: And it continues to be enhanced as other jurisdictions get drawn in or the bar has been raised over the years?

Ms. Heather Pearson: That's correct.

Mr. Toby Barrett: I think the auction component of that is maybe only 1.9% or something.

Ms. Heather Pearson: I'm sorry; I don't know the specific numbers.

The Chair (Mr. David Orazietti): Any further comments?

Mr. Peter Tabuns: Recorded vote.

Ayes

Tabuns.

Nays

Barrett, Jaczek, Kular, Mangat, Mauro, Moridi.

The Chair (Mr. David Orazietti): The motion is lost. NDP motion 8: Go ahead, Mr. Tabuns.

Mr. Peter Tabuns: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Same

“(5) A regulation under this section that relates to greenhouse gases shall promote the goal of reducing Ontario's greenhouse gas emissions to 25% below 1990 levels by 2020.”

1720

Very simply, if you follow what the United Nations Intergovernmental Panel on Climate Change talks about, if you're going to stabilize the climate at all, those are the target levels that you have to be aiming for. That should be reflected in this bill and should be reflected in the direction of government targeting.

The Chair (Mr. David Orazietti): Any further comment? Ms. Jaczek, go ahead.

Ms. Helena Jaczek: Our position is that by including this kind of target within the legislation we would not be consistent with Ontario's climate change action plan. This is what we've laid out following a great deal of consultation. Our goal is that, by 2020, greenhouse gas reductions be 15% below 1990 levels. We feel that this is an aggressive target. We will be reporting annually to the Legislature on our progress, and the progress report is reviewed by the Environmental Commissioner. Our Bill 185 is essentially there to allow Ontario to design a cap-and-trade system, as I've said several times this afternoon, that can link up with other systems. So, through regulation, Ontario will set a limit on emissions from sectors covered under the program, and this will help us achieve our economy-wide greenhouse gas targets.

We have had some supportive quotes from various sources that feel that our targets are reasonable. The Environmental Commissioner has stated, “I am pleased with the efforts the government is making in charting a transparent course to ensure Ontario will reduce its greenhouse gas emissions.” He goes on to say that he “agrees that the short-term (2014) greenhouse gas target is achievable.” And, “The Environmental Commissioner of

Ontario also accepts the broad sector allocations that will contribute to achieving the 2014 greenhouse gas reductions.”

The David Suzuki Foundation has stated, “The targets for reducing greenhouse gas emissions are solid, particularly the long-term targets. They’re in line with what science dictates is required.”

So we feel that we’re building a sound plan and that this particular legislation is not the place to specify a particular target.

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

Mr. Toby Barrett: I certainly agree that targets are very important and targets should be included in this legislation, as they are included in both US pieces of legislation. The legislation specifically lays out the targets from 2012 right through to 2050. For example, the parliamentary assistant made mention of a 15% target for 2020. The US House of Representatives bill says that in 2020, US greenhouse gas emissions are not to exceed 80% of the 2005 greenhouse gas emissions. Unless that changes, is that going to be the Ontario target, if we are going to be following the US legislation?

Ms. Helena Jaczek: At this point in time, we are stating that our targets are those in Ontario’s climate change action plan.

Mr. Toby Barrett: In the amendment from the NDP, it states, “shall promote the goal” of this particular target. I think it’s important in legislation that, rather than promote a goal, it should set the goal by legislation. I think that’s a little polite to put it that way—a little wishy-washy. You’re either going to set a goal or you aren’t in legislation, and if it’s going to be there to promote a goal, which is a moving target—maybe you know more about this government than I do, but I just question that phraseology.

Mr. Peter Tabuns: I would say that through cap and trade alone, you’re not going to meet the target. It’s a component of a larger plan and is saying that this component of a larger plan should promote that goal. That’s the logic.

The Chair (Mr. David Oraziotti): Any further comments?

Mr. Peter Tabuns: Recorded vote.

Ayes

Tabuns.

Nays

Barrett, Jaczek, Kular, Mangat, Mauro, Moridi.

The Chair (Mr. David Oraziotti): The motion is lost.

Members, we have a few minutes to get over to the House for a vote. When we come back, I’d ask members to, as soon as the vote is over, come back to committee and we can get started. We’ll start with Conservative

motion number 9 when we return. The committee is in recess.

The committee recessed from 1723 to 1730.

The Chair (Mr. David Oraziotti): Okay, committee members, let’s pick up where we left off here. Conservative motion 9: Mr. Barrett, if you want to go ahead with that, you can.

Mr. Toby Barrett: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Reports before regulation

“(5) A regulation under this section that relates to greenhouse gases shall not be made unless the Lieutenant Governor has obtained and made available to the public,

“(a) a report of an independent body on the total amount of greenhouse gases emitted annually in Ontario, including the annual amount of greenhouse gases emitted from products imported into Ontario; and

“(b) a report of an independent body on the costs of complying with the regulation to persons engaged in,

“(i) agriculture,

“(ii) manufacturing,

“(iii) steel production,

“(iv) electricity generation using coal or natural gas,

“(v) oil and natural gas exploration, and

“(vi) chemical production.”

The Chair (Mr. David Oraziotti): Any further comments?

Mr. Toby Barrett: I put forward this amendment recognizing the importance of understanding the true impact of this legislation, not only on the environment—and, ideally, the change that this Ontario legislation will have on the global environment—but also, I guess more specifically to Ontario, the economic impact that this legislation would have on the cost of doing business, for example, with respect to agriculture or the benefit to agriculture of being part of—I use agriculture as an example—how there would be benefits not only for the environment, for greenhouse gas emissions, but also for the allocation of land, labour and capital within agribusiness, for example, and I use (b)(i) as an example with respect to agriculture. As we have found of note, and I know this legislation does deal with money and it deals with markets, finances, the economy and trading, even though it is an environmental bill, it’s very important to have written into this legislation requirements that somebody out there, at arm’s length in this case, is there to monitor, to evaluate, to audit and to report. I think it’s important to have those principles contained within the legislation.

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

Ms. Helena Jaczek: In our view, this proposal would be incredibly costly, first of all. It seems to suggest that the government of Ontario would pay a third party to prepare two public reports: one that accounts for all greenhouse gas emissions generated in Ontario as well as those that are created through the production of all

products imported into Ontario, and a second that outlines the costs of compliance for certain sectors.

We view the threat of climate change as an urgent threat. We cannot really consider anything that would be an impediment to the government taking action—and that's the way we view this motion: as not only very costly but something that would slow us down.

Ontario does report. Our Go Green climate change action plan in 2007 included an assessment of the greenhouse gas emissions in the province. Progress is reported annually to the Legislature, and that report is reviewed by the Environmental Commissioner of Ontario. Statistics Canada does collect, analyze and publish this information on industrial greenhouse gas emissions to support Canada's national and international reporting obligations, so we feel we have a system that gives us fairly good information in this regard. We've also posted a draft greenhouse gas emissions reporting regulation on the Environmental Bill of Rights registry, and that specifically will require reporting for all regulated sources that are emitting 25,000 tonnes of carbon dioxide equivalent or more per year. But the motion as has been proposed here is something that we could not support.

The Chair (Mr. David Oraziotti): Any further comments? Motion number 9: All those in favour? Those opposed? The motion is lost.

Government motion, page 10. Ms. Jaczek, go ahead.

Ms. Helena Jaczek: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

"Same

"(5) Without limiting the generality of clause (4)(a), a regulation under that clause may,

"(a) prescribe objectives and other matters that must be considered in setting the percentages of instruments to be distributed by any of the means referred to in clause (4)(a);

"(b) prescribe objectives and other matters that must be considered in setting reserve bids for instruments distributed by auction or sale prices for instruments distributed by sale."

The Chair (Mr. David Oraziotti): Any further comments?

1740

Ms. Helena Jaczek: By way of explanation, this motion would expand the regulation-making authority under Bill 185 to prescribe parameters and constraints that must be considered with respect to the auctioning of allowances, to ensure that the design of the auction and the percentage of allowances auctioned do not generate excessive amounts of revenue beyond what is necessary for the regulatory purpose.

Auctioning is a key component of cap-and-trade systems developing in the US and around the world, and we know that it is essential to be open and transparent in the manner in which we design the potential auctioning regulations. As a result, this motion would allow the government to enshrine in regulation the objectives and requirements considered in developing auction rates and

other auction design elements. It will also ensure that future regulations are supported by sound analysis and information.

The Chair (Mr. David Oraziotti): Thank you. Any comments on this? Mr. Barrett.

Mr. Toby Barrett: I'm not sure if these objectives—does it actually require adherence to the objective or is it an objective that's been included in the legislation just for the reason of listing an objective? I'm not sure if it actually requires adherence.

Ms. Helena Jaczek: As I understand it, it's essentially a design feature in the way that the auctioning will occur, but we can certainly ask for additional clarification, should you require it.

Mr. Toby Barrett: No, I guess I'll just leave it at that.

The Chair (Mr. David Oraziotti): Okay. All those in favour of government motion 10? Those opposed? The motion's carried.

NDP motion 11: Mr. Tabuns, go ahead.

Mr. Peter Tabuns: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

"Same

"(6) A regulation under this section that relates to greenhouse gases shall not permit any person to create a financial instrument unless the regulations impose a limit on the amount of greenhouse gases the person may emit."

Just to be clear, having consulted legal counsel, that's the way it has to be drafted to say there won't be any offsets allowed in this bill.

I want to speak briefly about offsets. The David Suzuki Foundation and the Pembina Institute both recommend strongly that offsets not be part of this system; that they lead to difficulties in administering the system—it leads to gaming, it leads to loopholes; that in fact there have been substantial problems with the Kyoto Protocol's Clean Development Mechanism because they have tried to deal with the complexities and it has led to very high transaction costs, which have reduced the efficiency of the system as a whole. Beyond that, people should be aware that two of the leading audit companies that worked on the Clean Development Mechanism, Norway's DNV and SGS UK, have both run into substantial problems with the United Nations for failure to actually ensure that instruments that were for sale on the market were real instruments. That's a substantial problem.

The Washington Post just recently ran an article by two people who had worked as lawyers for the Environmental Protection Agency, who both made the argument that offsets—for instance, buying credits by giving someone money to keep a forest growing—could not guarantee in any way that there wouldn't be another piece of forest nearby that would never have been cut except for the fact that at one point, part was reserved and the log was just moved down the road. They also make the argument that the refrigerant HCFC-22, in its manufacture, creates an extremely powerful greenhouse gas as a by-product. The by-product is fairly cheap and

easy to destroy—and in fact, our governments could require that manufacturers do that—but investors in offsets have persuaded regulators to approve destruction of the by-product as a carbon offset, making it twice as profitable to sell the by-product destruction as it was to sell the refrigerant. So you get those kinds of distortions.

The other reality: A report that just came out recently by Greenpeace USA noted that the loopholes from offsets in the proposed Waxman-Markey bill would “effectively postpone the need to reduce US industrial emissions for close to two more decades.”

I would say that the arguments by fairly credible sources about the problems with offsets are substantial enough to say that if you feel that climate change is urgent, you will not provide for loopholes in this bill.

I also have to say that for Ontario to be competitive, it needs to have substantial action taken on greenhouse gas emissions.

I know the arguments made around the table today around competitiveness, and I would say that Canadian banks had difficulty competing with American banks because American banks had far less regulation and Canada had far more. But a year ago, we found out what it meant to have a far less regulated banking system. It means that you are on very thin ice. Canada benefited from the fact that it restrained its financial institutions in a way that protected people who had bank accounts, who had made investments in those banks.

I’d argue that the government should set aside the whole offset direction so that Ontario will make, as speedily as possible, a transition away from fossil fuels.

The Chair (Mr. David Oraziotti): Further comment? Ms. Jaczek, go ahead.

Ms. Helena Jaczek: We did hear quite a bit about offsets during the hearings here. So has the ministry. We heard that offsets should be limited, small, with a number of constraints put on them.

The government has consulted widely on offset design because in fact offsets are an important component of the cap-and-trade programs currently under development at the federal and subnational levels in Canada and the US.

I’d like to again, hopefully, reassure Mr. Tabuns a little bit that we will continue to seek the views of recognized experts and the views of our major industrial stakeholders on the design of offsets. We have to ensure that they’re credible and that there is a rigorous approach to ensuring that they’re doing what they are supposed to be doing.

I understand where he’s coming from in terms of not wanting to have any offsets at all, but we simply feel that at this point in time, we need to have the ability to have the creation of offsets within our cap-and-trade system.

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

Mr. Toby Barrett: I’m just concerned because there’s so little in this bill on how this actually would be working. I’m not too keen on this. I think it’s important to have flexibility. There would be situations, perhaps, where we have a very long, hot summer, which is per-

haps one reason why this legislation is being considered. There has to be that kind of flexibility where, if an entity—it may be an electricity generator—goes over the limit, they pay the price. I think that’s really the basis of a cap-and-trade system and the goals that are set. It’s there to allow that to occur and to allow buying and selling without a command-and-control system. We could go back to a command-and-control system, perhaps, and forget about cap-and-trade, if we’re going to be imposing limits.

The Chair (Mr. David Oraziotti): Any further comments? Mr. Tabuns, go ahead.

Mr. Peter Tabuns: I just want to say that if the goal of the government is to ensure that our legislation is aligned with that brought forward in the United States, then this bill and its regulations, when they ultimately come down, will allow a very high level of offsets, which will probably result in a very low level of transition away from fossil fuels—one.

1750

Two: If, in fact, you go ahead with a level of offsets comparable to the United States, this government—or whoever is in power when this bill in force—will have to face scandals like the way they’ve faced in Europe on offsets with companies that fudged the numbers, because this is an extraordinarily profitable sector.

Lastly, the offsets will not protect industry in Ontario from the growing volatility in energy costs, particularly for oil and gas. So I think that the government’s decision to not go forward with a program that substantially reduces fossil fuel consumption is one that the government will regret.

The Chair (Mr. David Oraziotti): Any further comments? Seeing none, all those in favour—

Mr. Peter Tabuns: Recorded, please.

The Chair (Mr. David Oraziotti): A recorded vote has been called for on NDP motion number 11.

Ayes

Tabuns.

Nays

Barrett, Jaczek, Kular, Mangat, Moridi.

The Chair (Mr. David Oraziotti): The motion is lost. Conservative motion number 12: Mr. Barrett, go ahead.

Mr. Toby Barrett: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Cost of carbon

“(6) A regulation under this section that relates to greenhouse gases shall not be made unless it will ensure a uniform and predictable cost of carbon.”

I felt that this was a suggestion that came up at the witness table from Imperial Oil and from Union Gas to do what we can as a committee or as legislators to try to

work into this legislation something that would give them a little more confidence about what they're dealing with here, what the cost to their various industries would be, not only once the legislation is in place but once a trading system is in place.

We know that this page and a half of legislation is designed to create a carbon market in Ontario which would be relatively insignificant as far as impacting the globe but would have a considerable impact within the Ontario economy—an impact of billions of dollars every year involving all of these various financial instruments that are mentioned in the title but not explained. It involves derivatives and everything else that a commodity market includes. This legislation does not seem to focus on auditing, reporting, evaluating or oversight of that particular market. There is concern here that, with whatever formula is used, as far as auctions or allocating allowances, there has to be more information and a better structure so that, at minimum, people and organizations have a bit of an idea just where the price is going to go on carbon. I do know that in the US legislation they predicted what the price of carbon would be.

The Chair (Mr. David Oraziotti): Any further comments? Ms. Jaczek, go ahead.

Ms. Helena Jaczek: I guess I'm kind of surprised to see this motion from the PC Party basically calling for the government to set the price of carbon. We're committed to allowing the market to determine the price of carbon. We're not in favour of any system that is more akin to a carbon tax.

Again, we've heard from major industries through the hearings and consultations that it's critical that our system link to the broader cap-and-trade systems emerging across North America. In order to keep our industries competitive, any price caps could limit Ontario's ability to link with other trading systems, so we will not be supporting this motion.

Mr. Toby Barrett: We're not calling for a price cap; we'd just like to know—we need a guarantee of uniformity and predictability.

The Chair (Mr. David Oraziotti): Any further comments? Seeing none, Conservative motion 12: All those in favour? Opposed? The motion is lost.

NDP motion 13: Mr. Tabuns, go ahead.

Mr. Peter Tabuns: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Same

“(7) A regulation under this section that relates to greenhouse gases shall not permit any person to use a financial instrument to authorize emissions of greenhouse gases if the instrument was created by a person whose greenhouse gas emissions are not limited by the regulations or by the law of another jurisdiction.”

Essentially, not allowing emitters, polluters in Ontario to take advantage of what may well be fraudulent offsets in other jurisdictions or allowing them to say to Ontario, “We've met our commitments,” when in fact the

reduction in greenhouse gas emissions that they present for review don't exist.

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

Ms. Helena Jaczek: Again, we are committed to including offsets within the cap-and-trade program. It's certainly our intention that prior to allowing the use of offsets, we would ensure that rigorous standards for offsets were in place to ensure the environmental integrity of the reduction. But similar to the previous motion, we are not able to support this.

The Chair (Mr. David Oraziotti): Okay. Any—

Mr. Peter Tabuns: Just a recorded vote.

Ayes

Tabuns.

Nays

Barrett, Jaczek, Kular, Mangat, Moridi.

The Chair (Mr. David Oraziotti): The motion has been lost.

Conservative motion 14: Mr. Barrett, go ahead.

Mr. Toby Barrett: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Integration with national system

“(7) A regulation under this section that relates to greenhouse gases shall not be made unless a national emissions trading system for greenhouse gases has been implemented under an act of the Parliament of Canada and the regulation is integrated into that system.”

We've heard discussion this afternoon about the fact that we've really got no business going anywhere with this until there's a minimum of a continental system in place and, through this amendment, a Canadian system or a national system, which would give us—well, unless we're going to be dealing directly with China, India, Brazil or Russia, it gives us that forum to deal with a global issue and to be part of a global approach.

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

Ms. Helena Jaczek: We'd certainly agree that it would be ideal if the federal government would move on this issue. Unfortunately, we don't see much movement, so we're not prepared to wait. We've been calling on the federal government to put in place a national system, but that doesn't seem to be happening. We are not going to delay, waiting upon the Harper government.

The Chair (Mr. David Oraziotti): Any further comment? Conservative motion 14: All those in favour? Opposed? The motion is lost.

NDP motion 15: Mr. Tabuns, go ahead.

Mr. Peter Tabuns: I move that subsection 2(2) of the bill be amended by adding the following subsection to section 176.1 of the Environmental Protection Act:

“Same

(8) A regulation under this section that relates to greenhouse gases shall not permit any of the following persons to sell or otherwise transfer any financial instrument that, under the regulations made under clause (4)(a), was distributed to the person in respect of a generation facility, as defined in the Electricity Act, 1998, that uses coal or any other fossil fuel as a power source:

“1. Ontario Power Generation Inc. or any of its subsidiaries.

“2. A person who transmits electricity into the IESO-controlled grid, as defined in the Electricity Act, 1998.”

The Chair (Mr. David Oraziotti): Further comment?

Mr. Peter Tabuns: Yes, if I may. I'm quite concerned that there may be people within the government who see the government's objective of shutting down coal as an opportunity to issue emission credits that could in turn be sold to other cap-and-trade systems in North America. I think that would be a perversion of the arguments that have been made for shutting down the coal plants, because, in fact, if you sell the credits that they have and allow someone else to pollute elsewhere in North America, you will have defeated a very large part of the reason for having acted on them in the first place. If indeed we're going to be reducing emissions through shutting down coal plants, there shouldn't be an escape hatch that allows pollution to continue somewhere else.

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

Ms. Helena Jaczek: We certainly are committed to closing out the coal-fired generation plants by 2014. We're really proud of our government's initiative in that, and that certainly will be the single largest carbon reduction action in Canada.

In terms of the design of the cap-and-trade program and the treatment of alliances, the sort of issue that

you've raised is something that we're actively considering. We need to ensure that we're consistent with what's happening across North America and we want to make sure that—

The Chair (Mr. David Oraziotti): Sorry, Ms. Jaczek, I'm just mindful of the clock here. If you've got something that you want to—

Ms. Helena Jaczek: No, I'll simply wrap up by saying that we're certainly committed to taking a very significant step in terms of climate change by closing our coal-fired generating plants.

Mr. Peter Tabuns: Then I'm sure you'll have no trouble supporting this amendment because it will mean that the reduction in carbon emissions will be real and absolute and not traded away as credits to someone else.

Ms. Helena Jaczek: At this point, this is a step too far for us.

The Chair (Mr. David Oraziotti): Do members want to vote on this before we go?

Mr. Peter Tabuns: Yes. Recorded vote, please.

Ayes

Tabuns.

Nays

Barrett, Jaczek, Kular, Mangat, Moridi.

The Chair (Mr. David Oraziotti): The motion's lost.

We're at motion 16, a Conservative motion. That's all the time we have today for committee. We'll be back Monday at 2 o'clock to finish up with the remaining amendments.

Committee is adjourned.

The committee adjourned at 1800.

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Mr. John Gerretsen (Kingston and the Islands / Kingston et les Îles L)

Mr. Peter Tabuns (Toronto–Danforth ND)

Also taking part / Autres participants et participantes

Ms. Heather Pearson, executive lead, strategic support, Ministry of the Environment

Clerk / Greffier

Mr. Trevor Day

Staff / Personnel

Mr. Doug Beecroft, legislative counsel