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Ministry of the Environment and Climate Change
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May 20, 2017

Dear Mr. Loi,

Re: Amendments to Cap and Trade Program Regulation and Quantification, Reporting and Verification of Greenhouse Gas Emissions Regulation, EBR 013-0104

Please accept the following submission of the Canadian Environmental Law Association (“CELA”) regarding the quoted regulation proposal notice.

The design of the Ontario Cap and Trade Program must reflect the urgency of greenhouse gas emissions reduction efforts. Allocating allowances free of charge weakens Ontario’s efforts to transition to a decarbonized economy, and sends inaccurate market signals about the carbon dioxide-equivalent intensity of products and industrial processes.

CELA does not support the allocation of emission allowances free of charge. Broad leakage concerns that underpin these allocations have not been substantiated, therefore the allocation of allowances free of charge can be best understood as a program-wide subsidy for industrial emitters.

The allocation of allowances free of charge must be eliminated. The *Cap and Trade Program Regulation* must be amended to set an assistance factor that declines every year in order to reflect the urgency of reducing greenhouse gas emissions (Formula 3.2-1, *Methodology for the Distribution of Ontario Emission Allowances Free of Charge* [“Methodology”], December 12, 2016).

The cap adjustment factor for fixed process emissions (Table 5 of the *Methodology*) must decline at the same rate as the cap adjustment factor for combustion emissions. The Ministry has not persuasively demonstrated why participants emitting process-based emissions should be eligible for the full subsidy for a longer period of time than those responsible for combustion emissions.

The Cap and Trade Program must aim to gradually reduce the amount of allowances that are allocated free of charge. The *Cap and Trade Program Regulation* must include a clear timeline for phasing out free allowances. Voluntary participants and new facilities must not be permitted to apply for free allowances. The amendment proposed in section 3.6 should therefore also be removed.

Thank you for the opportunity to comment on the proposed changes.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Barbora Grochalova', with a long horizontal flourish extending to the right.

Barbora Grochalova
Counsel