



CANADIAN INSTITUTE FOR
ENVIRONMENTAL LAW AND POLICY

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Heather Pearson, Manager
Ministry of the Environment
Integrated Environmental Planning Division
Air Policy and Climate Change Branch
135 St. Clair Avenue West , Floor 4
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Dear Ms. Pearson,

**Re: Comments on the Discussion Paper: A Greenhouse Gas Cap-and-Trade System for Ontario –
Environmental Registry # 010-5484**

The Canadian Institute for Environmental Law and Policy, also known as CIELAP, is an independent think tank that has been providing advice to the federal and provincial government for nearly 40 years.

Since its establishment CIELAP has provided leadership in the development of environmental governance models and frameworks. CIELAP played a significant role in the development of two of the most progressive environmental governance models: the *Environmental Bill of Rights* and the establishment of *Environmental Commissioners* at the Federal and Ontario level.

CIELAP has particular interest in promoting an effective and accountable environmental legal and policy framework and welcomes the opportunity to provide comments on *the Discussion Paper: A Greenhouse Gas Cap-and-Trade System for Ontario*.

CIELAP recognizes climate change as a present reality and addressing it a priority. Credible and immediate carbon emissions reduction policies are required to avoid substantial risks to future generations. Our comments focus on three issues: Air Quality, Energy and Climate Change.

A Greenhouse Gas Cap-and-Trade System for Ontario

The Kyoto Protocol established a market-based mechanism to allow developed countries with binding emissions targets to reduce greenhouse gases such as carbon dioxide, methane, carbon tetrafluoride, trifluoromethane, and nitrous oxide. Under the cap-and-trade system, industries would be allocated allowances limiting them to a certain amount of greenhouse gas emissions each year.

The Government of Ontario is proposing a comprehensive policy framework for a greenhouse gas cap-and-trade system and pursuing partnerships through the integration into a broad North American Cap-and-Trade system for greenhouse gases.

Ontario's emission trading system proposes *a link to other trading systems such as the Western Climate Initiative and other North American and International systems*. The alignment of Ontario's cap-and-trade system with other trading systems would give regulated emitters access to a larger pool of spare permits. That will lower the costs of compliance and provide our industries with great experience in all aspects of emissions trading, but it also means that desired emissions reductions may take place in other countries instead of Canada. This system would also allow regulated emitters to pay for emission-reduction schemes in poor countries as opposed to cutting their own emissions (e.g. Clean Development Mechanism).

Without big technological advances that help Ontario emitters to meet the required reductions, they may be more reliant of foreign offsets to fulfill goals of carbon neutrality. Investments in the development of new technologies that will reduce emissions are imperative to achieve real emissions targets.

Considering the options relating to the *distribution of allowances* in the proposed cap-and-trade system for Ontario, auctioning presents more advantages than gratis allowances. Auctioning allows the generation of proceeds needed for research and development of sustainable technologies that would help emitters to achieve carbon neutrality. Revenues could be used to fund investments in energy efficiency, alternative renewable energy and clean technology. Having a combined gratis/auction allocation process may bring some advantage in the initial stages of the program; however regulatory agencies run the risk of issuing too many allowances, reducing the effectiveness of regulation, and practically removing the cap.

Understanding the impact of our actions today and making immediate sacrifices for an abstract benefit in the future is crucial to mitigate the effects of climate change as a mechanism for sustainable development. Time for action is now. The cap-and-trade system, considered as a *transitional mechanism* to a future with alternative sources of energy and empowered with enforcement, will assure that environmental goals will be achieved within a certain timeline. This market-based system will help spur the innovation needed to ease the transition to a low carbon-based economy.

Pragmatic steps are available across a range of policies which can make a great difference. Other policies, such as carbon tax, product standards and cap and share system, along with incentives to develop a culture of conservation and sustainability should also be considered in the decision-making process for a solution to combat climate change.

Yours sincerely,



Anne Mitchell
Executive Director

Cc: Hon. John Gerretsen, Minister of the Environment
Gord Miller, Environmental Commissioner of Ontario