

REMARKS

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Greenhouse Gas Progress Report 2016 – Facing Climate Change

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Check Against Delivery

Bonjour à toutes et à tous.

Climate change is so much worse than most people realize. The blistering summer and unseasonably warm fall of 2016, in Ontario and around the world, add another pebble to a mountain of evidence about this urgent crisis. The world's climate is approaching multiple tipping points. There are likely only a few years left to avert long-lasting devastation. Soon, there could be no turning back.

Ontario is already warming faster than the world average, and our weather is getting wilder. Ontarians create more than our fair share of greenhouse gas (GHG) pollution. I am proud that Ontario is, at last, joining the worldwide movement to put a price on GHG emissions.

Ontario was Canada's climate leader when it closed the coal-fired electric generating stations. This is Ontario's, and Canada's, biggest contribution to date to reducing our carbon footprint. The last of these plants closed in 2014; 2015 was our first year with no smog days. Closing the coal plants is the main reason that **Ontario reached its 2014 GHG reduction target**. This deserves congratulations.

The government also deserves kudos for its active role in national and international co-operation on GHG reductions. Action on GHGs around the world is key to a survivable future. But Ontario still has a lot of work to do. Even without the coal plants, Ontarians have a carbon footprint that is dangerously large and twice that of other northern jurisdictions like Sweden.

I therefore congratulate the government for adopting Ontario's first climate change law, the *Climate Change Mitigation and Low-carbon Economy Act, 2016* (the "*Climate Act*"). The emission reduction targets in the new *Climate Act* are ambitious, but amply justified by climate science and by Canada's international commitments. The *Climate Act* creates two main tools for reducing Ontario's emissions:

1. A cap and trade program that starts in 2017 and will slowly decrease the number of permits that Ontario issues for GHG pollution, and
2. A Climate Change Action Plan to be funded from the monies raised from auctioning emission permits.

The cap and trade program is reasonable and well-designed. It balances the urgent need for GHG reductions with the cost to Ontarians. Cap and trade has great potential to reduce Ontario's GHG emissions and fossil fuel dependence, over time, at a lower cost to our economy than a carbon tax. The Action Plan contains some great ideas, including energy efficiency initiatives to help people reduce their energy costs. I know how important that is. If done well, the Action Plan could also drive innovation and help transform our economy into a sustainable, low-carbon economy with good, local jobs. These opportunities are key to a better future.

Together, these programs should also help keep more money in Ontario's economy, by reducing our dependence on imported fossil fuels. Without the *Climate Act*, by 2020 Ontario would likely spend an extra \$300 million every year to import petroleum products and natural gas, on top of the \$11 billion/year that we already pay.

It's a good new law. But there are pitfalls ahead.

It is challenging to design and implement a complex solution to an extremely complicated problem. Our recommendations would help keep investment and GHG reductions in Ontario, through appropriate use of auction proceeds and high-quality Ontario offset credits.

In particular, our recommendations can help the government avoid three major risks:

1. Excessive dependence on California allowances;
2. Undermining its own program; and
3. Misuse of the auction proceeds.

1. Excessive dependence on California allowances: The government proposes to link our cap and trade program with California and Quebec starting in 2018. There are many good reasons for such a link, including reducing costs for Ontario emitters and preserving jobs here. But in the first few years of a linked system, it could often be cheaper for Ontario emitters to purchase California allowances (i.e., permits to pollute) than to reduce emissions in Ontario.

Does this matter? GHG reductions can help preserve our climate no matter where they occur. Just keeping our imports of petroleum products and natural gas flat would more than offset the financial cost of buying California allowances. But too much reliance on California allowances could slow Ontario's transition to the low-carbon economy that is

essential for our future prosperity, and would make it harder for Ontario to meet future GHG targets. There are also legal uncertainties that could undermine the California program, or prevent international transfers of emission reductions. The November 8th US election has made a California link much more challenging to achieve.

Ontario needs a contingency plan if the link with California does not go ahead as planned. Part of the answer could be a robust set of Ontario offsets. Increasing the organic matter in Ontario soils can also go a long way, as shown in the Soil Health technical report that my office released last week.

2. Undermining its own program: Unsubstantiated claims about emission reductions undermine the government's credibility, and that of the entire cap and trade program. Our recommendations would help establish clear, transparent and verifiable rules for cap and trade accountability. Our earlier reports have called on the government to stop programs that actively conflict with Ontario's climate objectives, such as subsidizing fossil fuels, and destroying the wetlands necessary for climate resilience. This work is still to be done.

3. Misuse of the auction proceeds: The full cap and trade proceeds are urgently needed for the hard work of transforming Ontario's economy away from its current 80% dependence on imported fossil fuels. It would be a tragedy to fritter this money away. But the government could be powerfully tempted to siphon off the proceeds for purposes other than new GHG reductions.

The proposed billion-dollar subsidy of electricity rates is just such an example. I found no evidence that this subsidy will reduce GHG emissions. Changing the funding source for existing conservation programs won't increase conservation; and, most of the time, conserving clean Ontario electricity does not reduce GHG emissions at all.

Our recommendations would help ensure that Ontario's auction proceeds are spent on the real GHG reductions that we need.

Where do we go from here? Ontario has done so much right to face climate change. We met the 2014 target: our emissions were 6% below 1990, despite substantial population and economic growth. Now Ontario has a much-needed *Climate Act* to help us meet the even more challenging targets ahead.

Our recommendations can help the government avoid some obvious pitfalls. It must stay the course, meet the *Climate Act* targets, and get on with building a thriving low carbon economy. We owe it to each other, and especially to our young people, to make this work. I'm not willing to look my children in the eye, and explain why we threw their future away.

Merci, thank you.