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Murray seeks to assuage municipalities about cap-and-trade

By Natalie Paddon

The Environment Minister told the Association of Municipalities of Ontario conference that industries won't be packing up and leaving when the plan is rolled out because they've helped design it.

Environment and Climate Change Minister **Glen Murray** assured local leaders at the Association of Municipalities of Ontario's annual conference that their industries won't pack up and leave when the province introduces its cap-and-trade system.

Speaking in Niagara Falls, Murray said the province has worked with nine large-emitting industries, AMO and other municipal groups on the details of its plan and how it will take into account the province's regional economies.

"We have to design a system that allows industry," he said Wednesday.

"Mike's members aren't going to pack up because of our cap-and-trade system because they've designed it," Murray added, referring to the Cement Association of Canada led by president **Michael McSweeney**.

When British Columbia put in a carbon tax, the province lost some of its major cement facilities and now imports a lot of its cement from China, Murray said.

But Ontario more closely resembles Quebec with a large resource- and industrial-based economy, including cement and forestry industries, large cities filled with infrastructure and rural and farming communities, Murray said.

The province announced in April its plan to bring in a cap-and-trade program and link it to the joint Quebec-California system. Murray said earlier this summer the system will likely be starting up in the first quarter of 2017.

A cap-and-trade auction has companies buying permits from the government that allow them to emit a certain amount of greenhouse gases. If Ontario follows the same pattern as Quebec and California, the first auction will cover only some sectors (such as electricity or manufacturing), with other sectors added in subsequent auctions. Details are expected to be announced in the fall.

As expected, Ontario will take some of its cues from the other plans when it comes to excluding certain industries, such as forestry and farming, Murray said. "They are not covered in ... California or Quebec's cap-and-trade system, and they will not be in Ontario's," he said at AMO.

But farmers, for example, could still benefit from the system by having a "healthy soils policy" or a woodlot that could be classified as "carbon sinks," potentially resulting in internationally-traded carbon credits, he added.

"They're offsets that companies who can't meet their reductions can buy as long as they are creating a stronger amount of carbon absorption," Murray said. "Forestry and farming will be on the offset side; they will be on the carbon credit side."

Murray said he's working with the Ontario Federation of Agriculture and other industry experts on the details of the plan, such as a requirement around the average age of trees needed in order to apply.

But Murray said that, even after the plan is implemented, the government will be consulting with municipalities and industry about the design of the program over the next five years. "We'll have to do re-design, we're going to make mistakes."

During the session on Ontario's steps to reducing greenhouse gas emissions, Chatham-Kent Mayor **Randy Hope** asked Murray to "cool it" on the carbon-emissions reducing system to allow more dialogue around the economic, social and agricultural impacts this could have on some municipalities.

Hope said Chatham-Kent is trying to increase natural gas access as an alternative fuel source and is looking to a co-generation system to reduce costs associated with greenhouses in rural communities.

In response, Murray said natural gas is emerging as one of the largest emitters of carbon. "It is very, very potent," he said. "It just looks good compared to oil and coal."