

## GUEST COMMENTARY

### Ontario's drive to go green

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The Ontario government continues to make strides toward its target of reducing the province's greenhouse gas (GHG) emissions by 6 per cent below 1990 levels by 2014. To meet this target, the government is relying on a variety of tools, as set out in Ontario's Climate Change Action Plan, but so far predominantly on the phase out of Ontario's coal-fired electricity generators by 2014 and their replacement, partly, with new renewable sources.

The province is also moving quickly to develop a GHG-emissions fixed cap-and-trade system. In a June 2008 memorandum of understanding with the province of Quebec, Ontario proposed to implement such a system as early as 1 January, 2010. More recently, the province reportedly began developing a legislative framework that would be compatible with the Western Climate Initiative (WCI), an initiative of several U.S. states and Canadian provinces to establish a regional cap-and-trade system by January 1, 2012.

Although the WCI's design recommendations set out principles to which partner jurisdictions must adhere, these partners will retain significant latitude to implement the system's details within their own jurisdictions. The Ontario government should soon be releasing comments it received on its December 2008 discussion paper on a cap-and-trade system for Ontario. According to informed sources, Ontario will also be forming an industry advisory group to help the province further develop its cap-and-trade system.

A number of related issues remain to be settled as Ontario designs a cap-and-trade system. Attention must be paid to the source and the development of offset protocols, the approved quantification and monitoring methodologies that GHG reduction projects must typically follow to earn credits for reductions achieved outside the capped sectors.

The Ontario Ministry of the Environment is currently adapting 16 unspecified protocols to Ontario conditions. Another issue that has been a source of consideration for some time is whether the Ontario Power Authority, under the feed-in tariff programme, will continue to purchase renewable power on terms under which it is entitled to all surplus emissions credits and environmental attributes generated in the production of such power. Likewise, the question must be considered regarding the ownership of emissions credits earned by a project or facility that has received funding from the province, including under the Emerging Technologies Fund.

How these issues are resolved and how the details underlying the government's initiatives take shape over the next few months will be critical to Ontario's developing renewable energy and carbon markets and the success of Ontario's Climate Change Action Plan.

To encourage new renewable development, the provincial government recently began an ambitious reform of its electricity sector with the introduction of the Green Energy and Green

Economy Act, 2009. Introduced in the legislature on 23 February, 2009, the act is intended not only to create opportunities for wind, hydro, biomass, biogas, biofuel, solar and other renewable projects in the province but also to encourage energy conservation and GHG emissions mitigation.

Notably, the act would authorise the minister of energy and infrastructure to direct the Ontario Power Authority to develop a feed-in tariff programme that would establish standard programme rules, contracts and pricing for the sale of power from certain classes of renewable energy projects.

Theoretically, this acts as a greater incentive to developers by guaranteeing a sufficiently attractive fixed contract price. To achieve these goals, the government will need to resolve some fundamental issues, including settling the price for renewable power under the feed-in tariff programme, addressing the administration and capacity issues relating to connecting new renewable power to Ontario's transmission system, and considering the process for participation by First Nations in renewable project development.

The Ontario government and the Ontario Power Authority will continue to engage stakeholders on the feed-in tariff programme in the spring as it seeks feedback on price, and to draft feed-in tariff programme rules and contracts.

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