

Ontario's Cap and Trade Program: How Will it Impact Your Business?

The Ontario Chamber of Commerce (OCC) has been your voice to government on behalf of the province's business community. While government has proceeded with the implementation of cap and trade, the OCC continues to work with our membership to try and educate businesses about what this will mean for your bottom-line. We are also engaged in an ongoing dialogue with the provincial government to try and ensure the new program has as limited an impact on Ontario's competitiveness as possible. As the voice of Ontario business, the OCC has designed this pamphlet to help you understand the implications of the program for your operations and direct you to other useful resources. We understand that the cost of doing business in the province is rising, and will continue to ensure that business priorities are heard by all governments.

WHAT IS CAP AND TRADE?

The Government of Ontario launched its cap and trade program this year as part of its plan to reduce the province's impact on climate change. The program sets a cap, or maximum limit, on the amount of greenhouse gas (GHG) emissions that can be released by large emitters in the province (those that release more than 25,000 tonnes of emissions per year). Large emitters are required to hold permits equal to their total emissions, and can buy or sell these permits in the market based on their needs. This market activity generates a carbon price, or a cost to emit.

HOW WILL CAP AND TRADE IMPACT YOUR BUSINESS?

The impact of cap and trade depends on the specific characteristics of your business. In particular, your compliance obligations will differ based on how many GHGs your business releases each year. Below, we provide some information on how large and small emitters may be impacted.

TYPICAL ONTARIO BUSINESS NOT DIRECTLY PARTICIPATING IN CAP AND TRADE (<25,000 TONNES GHGs)

For businesses that do not participate directly in the cap and trade program, which includes most small and medium sized enterprises in Ontario, the impacts can be difficult to determine. Where can businesses expect to see impacts from cap and trade?



Energy: Natural gas prices are projected to increase by 3.3 cents per m³ in 2017. The actual cost to the business will depend on consumption volume and usage patterns.



Electricity: There could be an impact to electricity prices as a result of cap and trade. The direct impact to a business will depend on amount of electricity use, time of use, and other usage characteristics. The government intends to use over \$1 billion in revenue from cap and trade to offset this cost to electricity consumers.



Transportation Fuel: The price of gasoline is projected to increase by 4.3 cents per litre, and the cost of diesel by 5 cents per litre in 2017. The actual cost to the business will depend on the amount of vehicle transportation undertaken and the size of the vehicle fleet.



Pass-through Costs from Suppliers: Energy, electricity, and transportation impacts will be felt by businesses across the economy. In turn, these businesses may choose to pass through all or a portion of these impacts to their customers. The size of this pass through will depend on the nature of these suppliers and individual business decisions. For example, if your supplier relies on a large delivery fleet, you may experience a real increase in their price.

Energy Vantage Inc. has created a calculator to help smaller commercial and residential consumers estimate the added cost to their natural gas and transportation fuel consumption. To use the calculator, visit: <http://capntradetransparency.com/>

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LARGE ONTARIO EMITTER DIRECTLY PARTICIPATING IN CAP AND TRADE (>25,000 TONNES GHGs)

Businesses that release more than 25,000 tonnes of emissions per year are required to directly participate in the cap and trade program. If your business meets this criterion, you would already be responsible for reporting your emissions to the government. At the end of each compliance period, they must hold a quantity of permits equal to the amount of GHG emissions that they have released during that period. Permits can be obtained via quarterly government auctions or in the market, making these businesses directly subject to the carbon price. Businesses generating more than 10,000 tonnes but less than 25,000 tonnes of emissions can directly participate in the program by opting in as a voluntary participant.

To find out more, visit: <https://www.ontario.ca/page/cap-and-trade>

WHAT OPPORTUNITIES EXIST TO OFFSET THESE IMPACTS?

Currently, businesses have access to some funding programs to reduce GHG emissions via the Green Investment Fund:

[SMART GREEN PROGRAM](#)

Operated by the Canadian Manufacturers & Exporters, this \$25 million program supports investments in technology and process improvements by small and medium sized manufacturers to achieve lower GHG emissions on a per-production-unit basis. The program provides non-repayable grants of 50% of eligible costs up to \$200,000.

For more information visit: <https://cmeweb.crm.eperformanceinc.com/smartgreen/>

[TargetGHG](#)

Operated by Ontario Centres of Excellence, this is a \$74 million program that encourages large industrial plants to adopt new technology and support Ontario's entrepreneurs. Three streams of funding are available, including industrial demonstration and collaborative technology development.

For more information visit: <http://oce-ontario.org/target-ghg>

In the future, the government intends to use a portion of revenue generated from cap and trade to fund programs and services designed to help both small and large emitters adopt low-carbon technologies and reduce GHG emissions. These programs will be delivered through a Green Bank. Specific commitments have also been made to reduce emissions in the agri-food and agricultural sectors.

WE WANT TO HEAR FROM YOU

We understand that the cost of doing business in Ontario is rising. We want to hear about your expectations for operating under the new cap and trade program. How do you feel about the cap and trade program? How do you expect the program to impact your business? We will use this information to ensure that the voice of business continues to be heard on this issue.

To share your thoughts, please contact: capandtrade@occ.ca

