THE POLITICS OF EMISSIONS REDUCTION IN ONTARIO PART 1: THE ROAD TO TODAY

David McGown
Canadian Business Coalition for Climate Policy

Introduction

Over the past decade, few issues of public policy have highlighted regional and partisan differences more than the question of climate change. East versus west, oil-producing versus low-carbon-producing provinces, climate science versus climate skepticism have been the attributes that framed this discussion. The phrase "climate policy" in Canada has come to be interpreted as code for a carbon tax and other prescriptive policies and regulations that target reductions in Greenhouse Gas (GHG) emissions.

Climate policy, however, should also be seen as a far more extensive set of policy options and levers that would include an equal emphasis on investments for adaptation that reduce the climate risk facing Canadian homeowners, businesses, and municipalities. The increasing frequency of extreme weather and the resulting wind, ice, and flood threats are risks that every Canadian confronts. The increasing need for more resilient infrastructure, nature-based solutions, or, for example, municipal investment in storm water systems, are ways that adaptation investments can reduce climate risk today.

It is, however, the emissions debate that has fragmented Canadians along regional and partisan lines.

Some observers date the "origin story" of this debate to the National Energy Program of 1980. Others point to the introduction of a retail carbon tax in British Columbia in 2008. Political, policy, and business leaders interviewed in a recent study by Positive Energy at the University of Ottawa, however, suggest a consensus that the 2008 federal election was moment that cleaved Canadian perspectives on emissions reduction and climate policy along partisan and regional lines.[1]

Liberal leader Stephane Dion's "Green Shift" was launched into the headwinds of a global financial crisis. The Conservative Party framed the Green Shift and its proposal for a revenue neutral carbon tax as a "permanent tax on everything."[2]

---

[1] Brendan Frank, "Overcoming Limits to Consensus-Building on Energy and Climate: Toxic Partisanship, Us Versus Them, False Polarization," University of Ottawa, February 2022. https://www.uottawa.ca/positive-energy/content/overcoming-limits-consensus-building-energy-and-climate-toxic-partisanship-us-versus-them

[2] Andrew Coyne, "Harper's Green Plan: Campaign 2008," *Maclean's*, October 13, 2008. https://www.thecanadianencyclopedia.ca/en/article/harpers-green-plan-campaign-2008

The Conservatives successfully conflated carbon pricing with a long-standing perspective that "all taxes are bad taxes." This campaign set off a particularly Canadian debate where market policy options became the preferred tool of the Liberal Party more often associated with regulatory and government intervention. The Conservative Party, to the extent that it chose to focus on climate change and emissions reduction, became the party of more politically palatable but more economically expensive regulatory intervention.

Opposition to a carbon tax has been something of a political purity test for many Conservatives, based in part in the belief that the road to electoral success can only be delivered when opposition to "a permanent tax on everything" is used to rally the base.

If carbon pricing and its effect on emissions became an issue dividing regions and parties at the federal level, how did that same conversation play out in Ontario?

The Politics of Emission Reductions 1999–2018

Judging by the recent election platforms of the Ontario Liberal Party, the Ontario Progressive Conservative Party, the Ontario New Democratic Party, and the Green Party of Ontario as proxies for insight into the partisan nature of the climate debate, it is clear that 2008 was not the watershed moment for climate policy or emissions in Ontario that it was federally.

Between 1999 and 2018, the election platforms of each of the parties highlighted the environment, and, not surprisingly, each framed its policy responses differently. The pros and cons of nuclear energy, the effectiveness of energy conservation subsidies, and the consumer cost of electricity were all constants in provincial election campaigns, with each party suggesting a different pathway to environmental or economic success.

The one consistent theme across all parties was a political consensus that Ontario should stop its use of coal for electricity generation. Between 1999 and 2014, when the last coal plant closed, no party opposed its elimination.

This is not to say that the politics of environmental or climate policy were muted during that era. Whether it was the Walkerton water crisis of the Harris years, the McGuinty government's decision to lock in high-cost renewable energy commitments and the effect on electricity pricing in the province, gas plant scandals, or other environmental issues, there was an endless series of political errors, and occasional advances. The political debates those issues created can and should be distinguished from the devolution into partisan entrenchment on how, or whether to, address climate change.

In 1999, the Ontario NDP focused on the importance of getting "tough on polluters" and supported the idea that Ontario's GHG emissions produced by electrical generation should be reduced by 40%. The Ontario PC party (running for re-election under Premier

Mike Harris) highlighted the objective of setting strict emission standards for Ontario Hydro.

In 2001, the Harris government announced and implemented regulations setting out the closing of the Mississauga coal-fired generating station. Also, in 2001, the Ontario government convened an all-party Legislative Committee on Alternative Fuel Sources. It reported to the legislature in June 2002 and recommended the closing of two additional coal-fired generating stations by 2005.[3]

The 2003 election illustrated the all-party consensus on the exit from coal. The Green Party highlighted in its election platform that year: "Scientists agree: rapid climate change is real." The NDP would have implemented a moratorium on the development of new nuclear facilities. The PC party noted that Ontario would need to take steps to meet Ontario's obligations for GHG emissions reductions. The Liberals set 2007 as a firm date for coal conversion.

In the period before the 2007 election, coal provided a significant percentage of Ontario's electricity-generating capacity. Every party continued to support its elimination. The Liberals endorsed GHG emission reductions. The Greens endorsed GHG emission reductions. The PCs endorsed GHG emission reductions (albeit at lower levels than the Liberals). And the NDP supported the introduction of clean energy standards.

In 2011, one started to see some divergence in how "climate-related" issues were framed. The PCs talked about the need to eliminate "eco taxes," to end smart metering, and to focus on investing in natural gas, hydro, and nuclear. The Greens and NDP called for an end to investments in nuclear energy. Every party continued to support the elimination of coal generation. The PCs set an end date of 2014 for the completion of coal generation closures.

Partisan views on climate policy became more distinct in the run-up to and throughout the 2018 provincial election. The abrupt resignation of PC leader Patrick Brown in February 2018 put an end to the party's embrace of carbon levies as a preferred tool for reducing GHG emissions. The PCs under Brown had proposed to eliminate the cap-and-trade program, replacing it with an Ontario carbon tax, and had plans to offset the carbon charge with personal income tax reductions. According to the *Toronto Sun*, Doug Ford, then a candidate for mayor of Toronto, declared Brown's overall policy direction "a winning platform that will appeal to residents in Etobicoke and Scarborough."[4]

---

[3] M. Harris, M. Beck, and I. Gerasimchuk, "The End of Coal: Ontario's coal phase-out," International Institute for Sustainable Development, June 2015, p. 9. https://www.iisd.org/system/files/publications/end-of-coal-ontario-coal-phase-out.pdf

[4] A. Artuso, "PC Leader Patrick Brown lays out election platform," *Toronto Sun*, November 25, 2017.

By the time the June election was called, Doug Ford was leader of the PC party, and distanced his leadership and the party from his predecessor.

Then-Premier Kathleen Wynne, in the Liberal election platform, denounced Doug Ford and the Conservatives for having "no plan to fight climate change and protect our environment. He would scrap green projects such as home retrofits, leading to tens of thousands of private sector job losses." Doug Ford for his part promised that there would be no carbon tax or cap and trade, that Ontario would scrap the Green Energy Act, and that his government would challenge any attempt by Ottawa to introduce a carbon tax in the Supreme Court. He described his approach as "scrapping the Carbon Tax and cancelling Kathleen Wynne's cap-and-trade slush fund." The not-so-subtle reference to a carbon tax, even when Ontario did not actually have one, was lost in the "fog" of the election campaign. The PC party won with 40% of the popular vote and a majority government. Yet, a year later, Ontarians voted 41% in favour of a federal Liberal party running on an ambitious GHG emissions reduction platform.

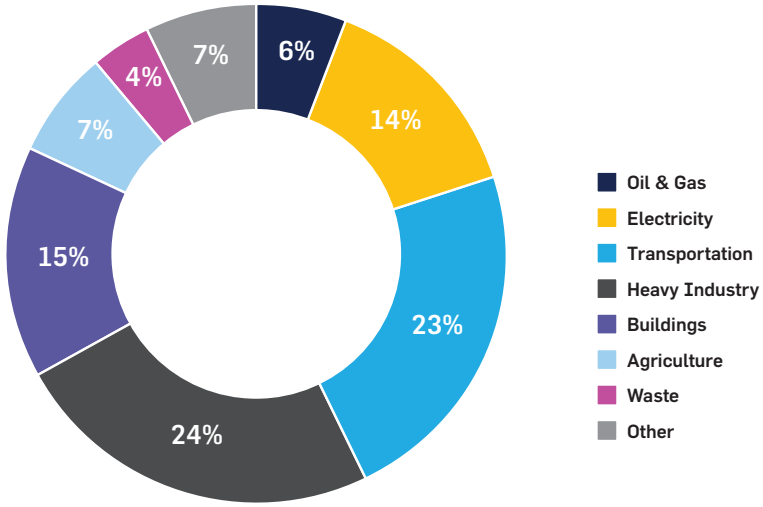
Over the two decades of political consensus on the province's transition from coal, the issue was rarely framed as an emissions reduction plan or the best way for Ontario to address climate change. It was most often presented as a "health" issue or the best way to reduce Ontario's exposure to smog or "smog days."

Nevertheless, the transition from coal was the single most important decision contributing to a reduction in GHG emissions in the province and in Canada over the first fifteen years of this century.

Emissions Reductions in Ontario: A tale over three decades

As a percentage of Canada's total GHG emissions, Ontario produced some 30% of the total in 1990. By 2019 that percentage had declined to some 22%, largely thanks to the rapid transition away from coal.

Figure 1: Total GHG Emissions 1990 = 180



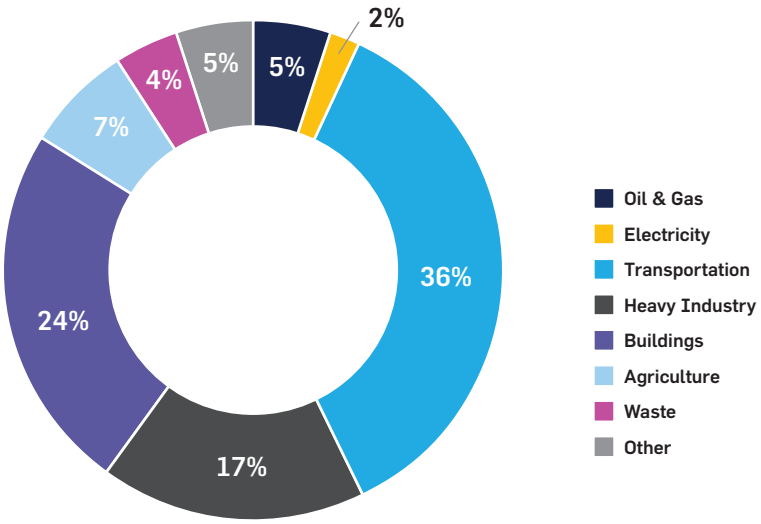
GHG emissions in 1990 reflected the structure of the province's economy at the time. Key factors included a reliance on heavy industry versus services, the underpinnings of coal-generated electricity, and the significant contribution of personal and heavy transportation. Total emissions were some 180 megatonnes of CO_2 equivalent. (Figure 1) GHG emissions produced by the generation of electricity contributed 14% of Ontario's total emissions or some 26 Mt of CO_2 equivalent.[5]

By 2019, despite a much larger Ontario economy, total emissions generated in Ontario had declined by over 9% relative to 1990 levels to 163 Mt CO2 equivalent. (Figure 2) The electricity sector produced just 3.3 Mt of CO2 equivalent. Similar declines were seen in heavy industry, reflecting the change in the structure of the Ontario economy as it shifted steadily toward services.[6]

[5] National Inventory Report 1990–2019: "Greenhouse Gas Sources and Sinks in Canada," Canada's submission to the United Nations Framework Convention on Climate Change, Part 3. p. 49. https://publications.gc.ca/collections/collection_2021/eccc/En81-4-2019-3-eng.pdf

[6] National Inventory Report 1990–2019: "Greenhouse Gas Sources and Sinks in Canada," Canada's submission to the United Nations Framework Convention on Climate Change, Part 3. p. 49. https://publications.gc.ca/collections/collection_2021/eccc/En81-4-2019-3-eng.pdf

Figure 2: Total GHG Emissions 2019 = 163.2

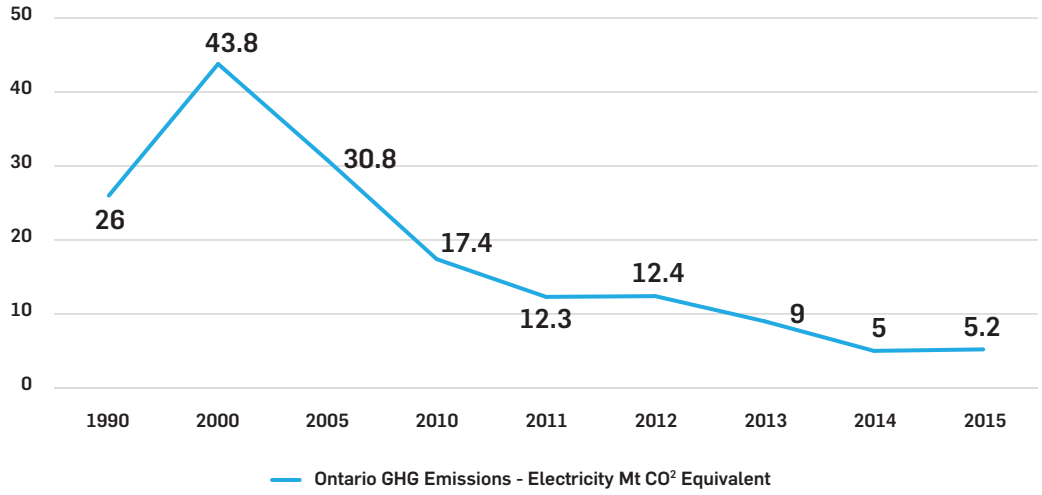


Offsetting these declines was a 40% increase in emissions from the transportation sector and a 42% increase in emissions from the building sector. Increases from transportation were driven primarily by increases in both the numbers and the intensity of passenger vehicles and heavy transportation.[7] Much of the increase in emissions from buildings resulted from the increased use of natural gas to heat both residential and commercial buildings, representing a shift from coal-based electricity production to natural gas.[8]

[7] Ontario Energy Association, "Net Zero 2050," June 2021, p. 20. https://energyontario.ca/Files/PDF%20files%20to%20share/OEA_Net_Zero_2050.pdf

[8] Ontario Energy Association, "Net Zero 2050," June 2021, p. 26. https://energyontario.ca/Files/PDF%20files%20to%20share/OEA_Net_Zero_2050.pdf

Figure 3: Ontario GHG Emissions - Electricity Mt CO^2 Equivalent[9]



A closer look at the electricity sector (Figure 3) shows that GHG emissions rose to 43.8 Mt in 2000, dropped to 30.8 Mt in 2005, declined further to 17.4 Mt by 2010, and by 2015 had been reduced to only 5.2 Mt.[10] The significant reduction of nearly 90% in GHG emissions from this sector is the result of action *and* of political alignment, over two decades, on the importance and value of transitioning away from coal-fuelled generation.

A more recent data point highlights the ongoing cross-party support for the transition from coal. Just last month, Minister of Energy Todd Smith tweeted: "Today is a historic day for Ontario's Clean Energy advantage!" referring to the demolition of the Lambton Generating Station in Sarnia, Ontario's last coal-fuelled generating facility, which opened in 1969 and ceased production in 2013.[11]

---

[9] "National Inventory Report 1990–2015: "Greenhouse Gas Sources and Sinks in Canada," Canada's submission to the United Nations Framework Convention on Climate Change, Part 3. p. 82. (Year 2000 data from the 2015 National Inventory Report, Part 3. p. 78). https://unfccc.int/files/national_reports/annex_i_ghg_inventories/national_inventories_submissions/application/zip/can-2017-nir-13apr17.zip

[10] "National Inventory Report 1990–2015: "Greenhouse Gas Sources and Sinks in Canada," Canada's submission to the United Nations Framework Convention on Climate Change, Part 3. p. 82. https://unfccc.int/files/national_reports/annex_i_ghg_inventories/national_inventories_submissions/application/zip/can-2017-nir-13apr17.zip

[11] Todd Smith, Twitter Post. 02-12-2022, 10:54 am. https://twitter.com/ToddSmithPC/status/1492527520406777862

But Ontario's success at emissions reduction in the electricity sector over the past decade is about to take an abrupt U-turn. The province's nuclear generating station at Pickering will be closed by 2025, and its Bruce and Darlington units will go "offline" for refurbishment.

The result of the permanent closing of Pickering and temporary closures at Bruce and Darlington will be a short-term increase in GHG emissions. Ontario's Independent Electricity Systems Operator (IESO) forecasts that emissions from electricity generation will more than double to 11.9 Mt by 2030 (or roughly back to the sector's emission levels in 2012) as generation shifts from nuclear generation to natural gas.[12]

The IESO in December 2021 forecast Ontario's electricity consumption in the medium term. Of note, it suggests that:

1. Ontario is entering a time of "marked" electricity demand growth;
2. That growth could be much higher than forecast;
3. Ontario's supply mix could look very different in the coming years;
4. The electrification of transport is expected to grow at 20% a year; and
5. The increasing prevalence of EVs (Electric Vehicles) and the shift in energy source in the steel industry have the potential to reduce Ontario's GHG emissions by some 18 Mt by 2040 (or some 11% of current emissions).

The report forecasts modest growth (~1.0% per annum) in residential, commercial, and industrial demand for electricity between 2022 and 2042. Transportation demand is forecast to increase by an average annual growth rate of nearly 20%,[13] driven significantly by Ottawa's decision to force a shift in the production and sale of EVs.

[12] Ontario Electricity Systems Operator (IESO), "Annual Planning Outlook: Ontario's electricity system needs: 2023–2042," December 2021, p. 74.

[13] Ontario Electricity Systems Operator (IESO), "Annual Planning Outlook: Ontario's electricity system needs: 2023–2042," December 2021, p. 22.

The Emissions Eco-system in Ontario 2018–2022

Following its election in June 2018, the Progressive Conservative government introduced the Cap-and-Trade Cancellation Act, 2018, which ended Ontario's cap-and-trade system and its brief engagement with California and Quebec in a secondary market for carbon emissions. It also committed the government to establish targets for reducing GHG emissions.

In November 2018, the Ontario government released its "Made-in-Ontario Environmental Plan." In that document, then-Minister Rod Phillips announced that the province's emissions-reduction target would be in line with Canada's Paris commitments and forecast a 30% reduction (or 17.6 Mt) in the province's GHG emissions, to 143 Mt.[14]

Ontario's Auditor General in 2019 released its analysis of the "Made-in-Ontario Environmental Plan" to reduce GHGs. The Auditor General's analysis estimated that Ontario's plan to reduce GHGs would only achieve between 36% and 75% of the committed targets.[15]

In April 2021, the Prime Minister announced that the federal government would increase its emissions reduction target to 40–45% below 2005 levels by 2030,[16] and it has implemented legislation that sets out a "net zero by 2050" target.

The 30% reduction target that Ontario set in 2018 remains in place today.

As the province heads toward a June election, it is not likely that the PC government will adjust the province's targets or commit to "net zero by 2050."

The Ontario government has, however, made several significant commitments that will continue to reduce emissions. First, Ontario implemented a carbon price for heavy industry when it introduced its Emissions Performance Standards in February 2019, which came into force on January 1, 2022. It recently committed $500 million to support a coal-to-electrical-furnace transition at the Hamilton ArcelorMittal Dofasco

[14] Ontario Ministry of the Environment, Conservation and Parks, "Preserving and Protecting our Environment for Future Generations: A Made-in-Ontario Environment Plan," 2018, p. 21. https://ero.ontario.ca/notice/013-4208

[15] Office of the Auditor General of Ontario, 2019 Annual Report, Vol. 2, Chap. 3: "Climate Change: Ontario's Plan to Reduce Greenhouse Gas Emissions," p. 122. https://www.auditor.on.ca/en/content/annualreports/arreports/en19/v2_300en19.pdf

[16] Government of Canada. "Government of Canada confirms ambitious new GHG reduction targets," News Release, July 12, 2021. https://markets.businessinsider.com/news/stocks/government-of-canada-confirms-ambitious-new-greenhouse-gas-emissions-reduction-target-1030598006

steel plant, which will result in an annual 3 Mt reduction in emissions.[17] The government has also targeted innovation and production of EVs in the province and recently began to re-invest in charging stations for EVs. It also recently committed $5 million in adaptation funding for resilient water and wastewater infrastructure with the City of Toronto.

The Ontario Liberals in November 2021 noted that they "will have a strong plan once again to make Ontario a leader in the fight against the climate crisis.'[18]

The Ontario NDP in its March 2021 climate plan committed to a net zero pathway, an effective moratorium on nuclear expansion, and the re-establishment of a cap-and-trade program.[19]

The key point here then is that while the environment in general and climate change in particular has been less of a source of political division in Ontario than at the federal level, there are growing differences between the provincial political parties and those differences have manifested themselves in various policy outcomes.

The second part of this two-part policy briefing will set out possible policies that may find some convergence across the political parties.

David McGown is the Executive Director of the Canadian Business Coalition for Climate Policy, an experienced financial services executive with CIBC and IBC, and a Past President of the Couchiching Institute on Public Affairs.

[17] Press Release, "ArcelorMittal decarbonisation project in Hamilton, Canada confirmed with the announcement of a CAD$500M investment by the Government of Ontario." https://corporate.arcelormittal.com/media/press-releases/arcelormittal-decarbonisation-project-in-hamilton-canada-confirmed-with-the-announcement-of-a-cad-500m-investment-by-the-government-of-ontario

[18] Ontario Liberal Party News Release. DEL DUCA: Doug Ford's Government is Deceiving Ontarians on Climate Change. November 22, 2021. https://ontarioliberal.ca/del-duca-doug-fords-government-is-deceiving-ontarians-on-climate-change/

[19] Ontario NDP, "CLIMATE · JOBS · JUSTICE Green New Democratic Deal." March 2021. https://www.ontariondp.ca/sites/default/files/gndd_-_en_-_sm1.pdf