Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

News Release

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Ontario's Cap and Trade Will Not Significantly Lower Emissions Within the Province by 2020: Auditor General

(TORONTO) It is likely that less than 20% of reductions required to meet the province's 2020 target will be achieved in Ontario, Auditor General Bonnie Lysyk says in her *2016 Annual Report*.

Ontario has set a target to reduce emissions by 15% below 1990 levels by 2020. This would require an estimated 18.7 megatonnes (Mt) of reductions.

However, a study commissioned by the Ministry of the Environment and Climate Change (Ministry) projected that Ontario's cap-and-trade program and spending of revenue that it generates would likely lead to reductions of only 3.8 Mt in Ontario, or roughly 20% of the 18.7 Mt required.

The new cap-and-trade system will require large emitters to obtain an "allowance," or licence, for each tonne of greenhouse gases that they produce. As these emitters reduce their output of gases, they can sell remaining allowances to other emitters.

In 2018, Ontario plans to link its cap-and-trade program to a system that already links Quebec and California. Emitters in all three jurisdictions would then be able to trade allowances with each other.

The Ministry plans to count emission reductions achieved in Quebec and California using allowances purchased by Ontario emitters to meet the remaining 80% of the target.

"The potential exists for double reporting of emission reductions between California, Quebec and Ontario" Lysyk said today after the Report was tabled in the Legislature.

The province's plan to address climate change will cost Ontario businesses and households about $8 billion between 2017 and 2020 under a cap-and-trade program that comes into effect in January.

Our audit found that, in addition to the $8 billion that the cap-and-trade system will cost Ontario consumers and businesses, Ontario emitters are expected to pay up to $466 million more from 2017 to 2020 to buy allowances from emitters in Quebec and California. Early estimates used to inform program design suggest that in 2030, these payments could rise to $2.2 billion.

"Our concern with these payments," Lysyk said, "is that the government has not adequately studied whether Ontario businesses buying these allowances will actually contribute to additional emissions reductions in Quebec and California.

"Without that sort of study, these funds may be leaving the Ontario economy for no purpose other than to help the government claim it has met a target."

Other significant findings in the Report include:

- Unresolved issues remain with Ontario's cap-and-trade system, such as the lack of any formal agreements among the three jurisdictions to prevent the same emission reduction from being reported in more than one jurisdiction.

- Ontario's 2016 Climate Change Action Plan, which outlines spending of cap-and-trade revenues on emission-reduction activities within Ontario, presents an unrealistic forecast of reductions by 2020, and did not consider certain alternatives that could have been more cost-effective.
- More than two-thirds of the 37 actions set out in the Ministry's 2011-2014 Adaptation Strategy and Action Plan, which sets out how the province will deal with the effects of climate change, were not completed at the time of our audit.

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