



Ontario's "Transformational" Climate Action Plan

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As January 1, 2017, the day which marks “ground zero” for climate change reform in Ontario draws near, the provincial government is scrambling to put into place a structure of reforms and incentives that will support its sweeping climate change promises. As you’ll recall from our [previous posts](#), Ontario’s goal is to have a live cap-and-trade plan as of January 1st, and the Province is expecting allowance auction revenues of upwards of \$1.8 billion per year. In an effort to inspire confidence and relieve industry tension, the provincial cabinet leaked some details of their “transformational” Climate Action Plan, which contains a detailed strategy on how Ontario plans to achieve its future climate change goals.

Highlights include:

Building Sector

- Requirements for all new homes to be heated without fossil fuels in 2030 and this requirement will extend to all homes by 2050
- Introduction of mandatory energy audits for most homes sold in the province
- \$3.8 billion for new grants and subsidies to assist businesses and consumers with their switch from natural gas and other fossil fuels to electricity

Transportation Sector

- Rebates of up to \$14,000 for new electric vehicles with a goal of electric vehicles making up 12% of all new vehicle sales by 2025
- The plan provides for incentives to fuel distributors to sell fuel blends that may include up to 85% ethanol or other bio-fuels
- Over \$550 million dedicated to electrify the regional train networks and to construct additional bike lanes and bike networks

You will recall from our [earlier posts](#) that Ontario’s emissions breakdown, as illustrated in the chart below, suggests that any emissions reduction must come from improvements in the building and transportation sectors (and particularly the types of

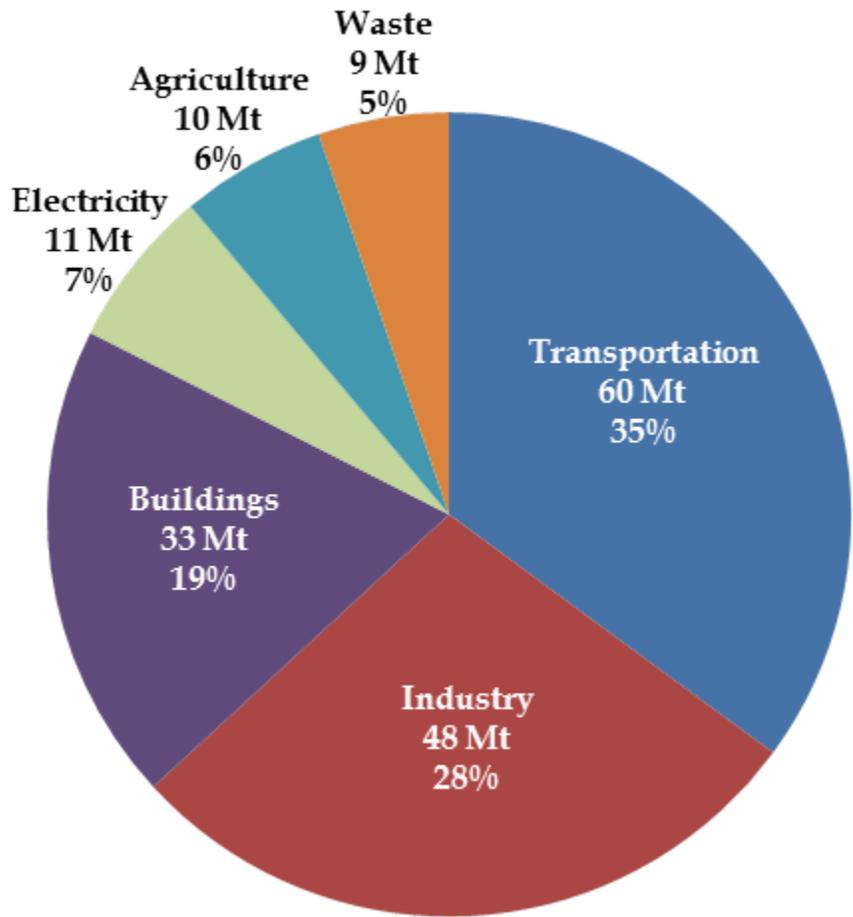
fuels consumed by those sectors) and that such change will have a significant impact on both businesses and consumers.

The leaked details can be summarized simply as “good-bye fossil fuels, hello electricity” and aim to completely phase out natural gas heating and leverage Ontario’s clean electricity grid for transportation. As always, the devil will be in the details and it is appropriate to have a certain degree of skepticism that the ambitious timeframe and sweeping changes will be effected exactly as proposed.

The plan also includes a swath of other measures to encourage clean industry and clean technology in an effort transform Ontario into a low-carbon economy. The significance of these measures is evident when we consider that natural gas accounts for nearly 76% of all heating, and electric vehicles for less than 1% of all new vehicle sales in Ontario.¹

Desperate times call for desperate measures – we anticipated that to meet the ambitious greenhouse gas reduction plans of this government, significant changes would be required. While the leaked details provide some clarity on how the provincial government plans to spend the \$1.8 billion generated by the cap-and-trade plan, there are still many important pieces missing. The proposals intend to alter the fundamental nature of the Ontario economy and it remains to be seen whether a transformational change can be implemented within such a short timeframe.

Ontario Emissions Breakdown



Source: National Inventory Report 2015 (2013 data), Ontario's Long-Term Energy Plan and Greenhouse Gas Emission Reporting regulation.

1. Source: The Globe and Mail; Fleetcarma; Statistics Canada: new motor vehicle sales, by province (monthly).

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