

5 reasons to oppose Ontario's cap and trade proposal

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(December 11, 2015) Our letter to Ontario's Ministry of the Environment and Climate Change on why a cap and trade program is a poor idea.

To:

Ministry of the Environment and Climate Change

Climate Change and Environmental Policy Division

Air Policy Instruments and Programs Design Branch

Energy Probe wishes to submit the following comments regarding Ontario's proposed cap and trade system.

Ontario wants to reduce carbon emissions in the province through a cap and trade system and is accepting public comments on the proposal. Energy Probe is opposed to the cap and trade program for the following reasons:

- 1. A cap and trade system won't reduce carbon emissions.** Europe's cap and trade system has been in place for more than a decade and has had no impact on carbon emissions. Any emission reductions have resulted from fuel-switching, as generators [switched from coal to increasingly competitive natural gas](#) (this has already occurred in Ontario); the offshoring of the continent's biggest emitters to [countries with laxer emissions regulations](#); renewable energy policies that offered generous [subsidies to wind and solar producers](#) and that continue to be paid for by residential ratepayers; and the severe economic downturn that has plagued Europe since 2009. Worse still, one study found that Europe's cap and trade system actually *increased* global emissions, as industrialized nations purchased dubious international carbon offsets that [increased polluting activities elsewhere](#).
- 2. Cap and trade will be used as another corporate welfare program.** Ontario's renewable energy policies, particularly its Feed-in-Tariff (FIT) program for renewable generators, has been a [bonanza for large corporations](#) – at the expense of residential ratepayers that have had to pick up the tab. Europe's cap and trade program has also proven to be a corporate welfare program, as governments were reluctant to handicap favoured companies and sectors and issued generous (and excess) emission credits. One study found that the continent's cap and trade program resulted in billions of dollars in profits that largely accrued to just a [handful of large companies](#). This has been the experience with every cap and trade system introduced in Western countries.
- 3. Cap and trade systems are particularly susceptible to fraud and political manipulation.** The author of the book *Fraud and Carbon Markets* says that as much as [\\$20 billion was lost to fraud](#) related to the continent's cap and trade system between 2005 and 2011. Europol, the law enforcement agency of the European Union, found that as [much as 90% of the continent's carbon market was "fraudulent."](#) And Interpol, the world's largest law enforcement agency, has warned that the intangible nature of carbon credits [make them more "viable" to corruption](#). Regulators themselves are just as susceptible to manipulating carbon markets – for the benefit of the industries they are supposed to oversee – by failing to ensure that emission reductions are real. An EU court found that Britain was the

only country to perform on-site inspections of companies to ensure their stated emissions were real. Even then, [it only checked 1% of all sites in 2012](#) – down from 5% in 2008.

4. **Energy prices in Ontario have been soaring in recent years and cap and trade will only make them worse.** In November, the Ontario Energy Board announced that the peak rate for electricity had increased by 25% from a year earlier. That increase is just the most recent installment of a [decade-long trend](#). Over the last ten years, the average price of power paid by ratepayers has nearly doubled – increasing at a rate well above inflation. Hydro bills have become so high that many customers are flocking to natural gas companies, looking for ways to use lower gas prices to offset the growing cost of hydro. Cap and trade will ensure that those savings will be wiped out, as the costs of any cap and trade program that are levied on distributors will be fully passed on to ratepayers.
5. **Soaring energy costs are pushing more households into fuel poverty and a cap and trade program ensures that trend continues.** In recent years, Ontario has taken a number of band-aid steps to try and reduce the burden of high energy prices – though, notably, it has failed to actually take the necessary steps to reduce hydro bills for all customers. First, it introduced the Ontario Clean Energy Benefit (OCEB), which offered residential ratepayers a 10% reduction on their hydro bills. The cost of that program, which has been more than \$4 billion and counting, has been paid for by taxpayers. With the OCEB set to expire at the end of 2015, the province has introduced the Ontario Energy Support Program (OESP), which will see ratepayers charged a fee to help low-income households pay their hydro bills. Nonetheless, the number of households needing assistance to keep the lights on has increased. The number of Toronto Hydro customers, for example, that use the distributor's low-income energy assistance program to pay their monthly bills increased by [80% between 2012 and 2013](#). The province's proposed cap and trade program will further increase electricity prices, resulting in more households struggling to pay their bills, which, in turn, will require the province to pass on the costs of helping these ratepayers through ever-more programs and fees.

Sincerely,

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