

Ontario's Auditor General Slams the Provinces Pending Cap and Trade Fiasco

(December 2, 2016) Ontario's Auditor General tells the public what's really going to happen when the province introduces its cap and trade program. Hint: it's not pretty.

<https://ep.probeinternational.org/2016/12/02/ontarios-auditor-general-slams-the-provinces-pending-cap-and-trade-fiasco/>

Ontario's Auditor General (AG) has once again set her sights on the province's energy sector – [this time slamming the upcoming implementation of the cap and trade market](#). The policy, which kicks in at the beginning of 2017, will cost Ontarians billions of dollars in additional heating and transportation charges, lead to even higher electricity rate increases than are already expected, send billions of dollars from the Ontario economy to California and Quebec and vastly overstate any environmental benefits.

In short, the AG's report adds to [Consumer Policy Institute's previous criticism of cap and trade](#) that detailed how the biggest winner from the policy will be Queen's Park, which will have the power to create and distribute any amount of credits it wishes and use any revenue from the program to fund a suite of pet projects that will have little-to-no environmental benefits.

The AG highlighted that the small number of emission reductions that will incur in Ontario as a result of cap and trade will come at a major cost for the province's households and businesses, which are already struggling from the [fastest electricity rate increases of anywhere in North America](#). Between 2017 and 2020, households and businesses will be forced to buy \$8 billion worth of carbon credits that the province intends to auction off each quarter. The annual (direct and indirect) cost to the average household will rise to \$285 by 2019 (households that drive more miles will pay more). The impact on rural and northern households, which are already suffering from high energy costs, haven't been analysed by the province.

Cap and trade will also make electricity price hikes worse for industrial customers, according to the AG. Even though the province will use billions of dollars in proceeds from its carbon credit auctions as a subsidy to lower hydro bills, by 2030, [large industrial customers will experience a 7% increase in their electricity rate that is "directly attributable to cap and trade."](#) This price hike is over and above the increases that the province has already laid out in its Long-Term Energy Plan.

While the province has told the public that the billions of dollars it will raise from its cap and trade program will go towards funding any number of projects – including pet infrastructure projects and a subsidy to lower hydro bills – it hasn't told the public who else will benefit.

Two of the biggest beneficiaries will be California and Quebec.

As part of the cap and trade program, Ontario will link its market with existing carbon credit markets in California and Quebec. Both California and Quebec [currently have a massive "surplus" of carbon credits](#) – largely because the officials overseeing those markets handed out too many free credits. Once Ontario joins the market, it will, according to an analysis performed by the Ministry of the Environment and Climate Change, by 2019 import \$466 million worth of credits from those two jurisdictions. By 2030, that figure is expected to hit \$2.2 billion. This is money that will leave Ontario and flow into the California and Quebec economies.

Worse still, is that the AG's report details how any environmental benefit from cap and trade will be vastly overstated. That's because Ontario, Quebec and California have yet to fully agree on how they will count any carbon reductions that will occur – ensuring that there will be ample double-counting. If a company in California, for example, reduces their carbon output and then sells a carbon credit to a business in Ontario, both jurisdictions could, under current rules, count that as a carbon reduction – essentially doubling the stated amount of emission reductions.

How the cap and trade program will operate in the future is anyone's guess, as the AG reports that officials overseeing it haven't "finalized" its design after 2020. If the provincial estimates of the cost of previous policies – including, but certainly not limited to, smart meters and renewable energy policies – are anything to go by, the hundreds of dollars in added costs that households are now expected to pay each year will creep ever higher.

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