

Ministry of the Environment  
and Climate Change

Ministère de l'Environnement et de  
l'Action en matière de changement  
climatique



Deputy Minister

Sous-ministre

77 Wellesley Street West  
11th Floor, Ferguson Block  
Toronto ON M7A 2T5  
Tel.: 416 314-6753  
Fax: 416 314-6791

77, rue Wellesley Ouest  
11<sup>e</sup> étage, édifice Ferguson  
Toronto ON M7A 2T5  
Tél: 416 314-6753  
Télé.: 416 314-6791

May 11, 2016

**MEMORANDUM**

**TO:** Stephen LeClair  
Financial Accountability Officer  
Financial Accountability Office of Ontario

**FROM:** Paul Evans  
Deputy Minister  
Ministry of the Environment and Climate Change

**RE:** **FAO Information Request FA1507-01**

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I am writing in response to your letter of May 2, 2016 in which you ask that the Ministry of the Environment and Climate Change undertake a second review of FAO Information Request FA1507-01, dated April 6, 2016, seeking information pertaining to the proposed cap and trade program.

The ministry acknowledges the important role played by you and your office in providing independent analysis of the state of the Province's finances and is providing you with additional information in response to your request.

**Free Allowance Estimates**

Your office requested that the ministry provide you with the estimated number of free allowances used to generate the estimate of proceeds that was referenced in the 2016 Ontario Budget. The ministry has provided this estimate in the attached Information Request document. To assist your office in performing its analysis, supporting information is also included in the appendix.

The ministry has not previously contemplated the public release of this information in advance of the allowance auction process. We are particularly concerned about the potential impact the release of these figures could have on the future auctions of allowances and market integrity. California, for example, does not publish estimates in advance, but does disclose the number of free allowances issued post auction. (The link to this information is included in the appendix.) In Ontario, the proposed legislation sets out a requirement that the Minister make public the number of free allowances distributed within twenty-four months of their distribution, subject to appropriate considerations as stated in the proposed legislation.

The ministry is considering the potential impact of the public disclosure of estimates of free allowances in advance of the auction. In the interest of transparency and in recognition of the statutory entitlement of your office to this information, we are providing the estimates to you. We request an opportunity to meet with you before you make a decision about whether to publicly disclose this information.

### **Green Investment Fund**

In our April 29, 2016 correspondence, the ministry advised that the total amount of greenhouse gas emission reductions and the cost per tonne of greenhouse gas emission reductions related to initiatives that will be funded through the Green Investment Fund had not yet been determined.

You have also asked for information about the criteria used to select the initiatives funded through the Green Investment Fund. Announced in the 2015 Fall Economic Statement, the Green Investment Fund is a down payment on the province's cap and trade program and serves as a strong signal of what Ontarians can expect from proceeds of the program. While the disclosure of the deliberations of Treasury Board and Cabinet regarding the actual selection of funded initiatives would be prohibited under subsection 12(2) of your Act, the information outlined in the attached appendix will help your office in understanding the range of considerations developed by the ministry to guide the selection of these initiatives.

We can confirm that the criteria for allocating funds informed a submission to Treasury Board of Cabinet. The allocation of funds based on the submission was then set out in a formal Minute of Treasury Board and approved by Executive Council. The criteria were an important part of informing the submission and were part of the deliberations in determining the allocation of funds by Treasury Board. As such, this information falls within section 12 (1) of the *Freedom of Information and Protection of Privacy Act* and

thus is subject to Cabinet confidentiality.

As detailed in Ontario's Climate Change Strategy, most of Ontario's greenhouse gas emissions come from the transportation, industry and buildings sectors. The information in the appendix demonstrates that Green Investment Fund investments are targeted at these sectors to maximize the impact of the fund. The Green Investment Fund itself is distributed through transfer payment agreements which include requirements for recipients to measure and report on greenhouse gas emissions reductions, where applicable. This will enable future evaluation of the cost per tonne of greenhouse gas emissions reductions.

### **Administrative, Enforcement and other Costs**

You have requested further information on the application of the Cabinet Records exemption to your April 6, 2016 request for the administrative, enforcement and other costs related to the cap and trade program for the years 2017-18 to 2020-21. We can confirm that the requested costs were part of a Program Review, Renewal and Transformation (PRRT) submission to the Treasury Board of Cabinet and were specifically addressed in a formal Minute of that Committee. PRRT is an annual business planning cycle for the government. The PRRT Minute was subsequently approved by the Executive Council. These figures were a core component of the submission and central to the deliberations of the Treasury Board and the resulting Minute. As a result, we have determined that the information falls with section 12(1) of the *Freedom of Information and Protection of Privacy Act*, including paragraph 12(1)(a), which specifically references the Minutes of the Executive Council or one of its committees.

While these costs may eventually be reflected in the Printed Estimates, the manner in which they may appear for the periods outlined in your request have not been determined.

We note that a small portion of these costs is identifiable as costs associated with the agreement with the Western Climate Initiative for administrative, technical and infrastructure services that will allow Ontario to link its cap and trade program with California and Quebec. Please see the appendix for a link to this agreement and associated costs.

## Closing

Once your office has had the opportunity to review the information provided, you may find it useful to meet with ministry staff for further clarification. The primary contact to support your work is Lucia Lau, Director, Business and Fiscal Planning Branch, Ministry of the Environment and Climate Change at (416) 314-7370.

Please do not hesitate to contact me if you require any additional information or further clarification.

Sincerely,



Paul Evans

- c: Robert Fleming, Assistant Deputy Minister, Climate Change and Environmental Policy Division, MOECC
- Jim Whitestone, Assistant Deputy Minister, Environmental Programs Division, MOECC
- Heather Taylor, Chief Administrative Officer/Assistant Deputy Minister, Corporate Management Division, MOECC
- Lucia Lau, Director, Business and Fiscal Planning Branch, Corporate Management Division, MOECC
- Chris Giannekos, Assistant Deputy Minister, Office of the Budget, Ministry of Finance