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March 29, 2021

**RE: CNA Comments on the Review of the OBPS Regulations**

Dear Ms. Teeple,

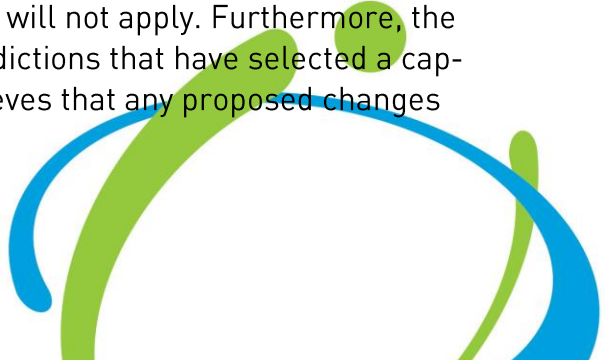
The Canadian Nuclear Association (CNA) appreciates this opportunity to provide comments on the Government of Canada's review of the federal Output-Based Pricing System Regulations.

The CNA is a non-profit organization established in 1960 to represent the nuclear industry in Canada and promote the development and growth of nuclear technologies for peaceful purposes. Our national industry association represents the interests of clean energy generators, mining companies, the medical isotope community and others connected to the nuclear sector across Canada.

Nuclear energy provides safe, reliable, clean power around the world. 446 operating nuclear reactors produce 11% of global electricity, which avoids about 2.5 billion tonnes of CO<sub>2</sub> emissions annually. In Canada, 19 power reactors generate 16% of the electricity supply, including 60% in Ontario. Canada is the second largest producer of uranium in the world, which supplies the domestic reactors and is also a valuable global export.

The design of the OBPS system, including the treatment of electricity generators will significantly impact the interests of CNA members. CNA has reviewed the discussion paper and would note that the OBPS Regulations are established under the Greenhouse Gas Pollution Pricing Act, which is the basis for the establishment of national standards for GHG price stringency for explicit price-based systems.

The Act allows that if a province or territory has established an explicit price-based system that addresses the national standard (i.e., British Columbia, New Brunswick, Alberta, Saskatchewan, Ontario) the OBPS Regulations will not apply. Furthermore, the GGPPA and the OBPS Regulations do not apply to jurisdictions that have selected a cap-and-trade system (i.e., Quebec, Nova Scotia). CNA believes that any proposed changes should be considered under all pricing systems.



The *OBPS Regulations* are intended as a mechanism within an explicit price-based system to maintain and protect against carbon leakage from industrial facilities on the global stage. That being said, the CNA recognizes that Canada's industrial facilities in exposed sectors, such as uranium mining and nuclear processing facilities must remain competitive in a global marketplace and continue to operate because they represent the source of industrial knowledge and resources that will facilitate Canada's transition to a net zero economy by 2050.

This review of the OBPS Regulations presents an opportunity to align the treatment of the OBPS for the electricity sector with the policy commitments being made by the federal government on the world stage - notably the commitment to 90% non-emitting electricity by 2030.

The CNA notes that at this time, there is no meaningful price signal to reduce GHGs from existing gas-fired generation through either behaviour change or innovation. The CNA notes that as a result of the current treatment of GHG emitting electricity generated from gaseous fuels under the OBPS (OBA = 370 t/GWh) — and in the absence of a complementary regulation that limits GHG emissions — at least 30% of the total emissions from the electricity sector (21.1 of 69.9 MT in 2018) from existing facilities are completely exempt from meaningful climate policy. This is the case at a carbon price of \$50/t and/or \$170/t due to the current OBA structure.

The CNA recommends that Canada:

- Conduct a parallel review of the requirements and guidance in relation to the Pan Canadian Benchmark on Carbon Pollution Pricing to ensure that any changes proposed to the GGPPA and OBPS Regulations would correspondingly apply to cap and trade systems. This is not mentioned in the discussion paper.
- Remain committed to achieving 90% non-emitting electricity by 2030; engage with provinces, territories, and stakeholders on the development of policy measures to achieve net-zero electricity sector by 2050 and consult with provinces, territories, and stakeholders to develop a sectoral strategy for electricity that would align with Canada's net-zero electricity targets. This strategy would be included in the Emissions Reduction Plan for 2030 and subsequent years (that would be established under Section 9(2) of Bill C-12).
- Remain committed to phasing out unabated coal-fired electricity generation before 2030; and continue to facilitate regional dialogues to determine the most efficient approaches to realize that goal.

- Remain committed to maintaining the Output Based Allocation (OBA) for new gas generation facilities that ramps down from 370 to 0 t/GWh in 2030 as it sends a clear and strong price signal for future investments in electricity generation capacity to gradually shift toward cleaner sources over time.
- Maintain the current approach to phase out the Output Based Allocation (OBA) for new GHG emitting gaseous fuel-fired facilities by 2030 and review the regulatory treatment provided to all existing GHG emitting gaseous fuel-fired facilities (including CCGT, SCGT, co-generation, and small behind-the-fence units) that currently largely exempts them from carbon pricing to determine what measures are required to achieve a net zero electricity sector in alignment with the necessary electricity decarbonization targets.

The CNA strongly supports Canada's climate change objectives and believes our industry is an important contributor to Canada's net zero goals. We look forward to continuing to work with Environment and Climate Change Canada going forward.

Sincerely,



**John Gorman**

Président-directeur général  
Association nucléaire canadienne