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Carbon Markets Bureau
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RE: Submission From the Association of Major Power Consumers in Ontario (AMPCO) on "Driving Effective Carbon Markets in Canada" Consultation

Overview

AMPCO is the collective voice of Ontario's large industrial electricity consumers, representing approximately 15 terawatt-hours (TWh) of annual electricity demand—more than 10 per cent of total provincial consumption. Reliable, affordable electricity is foundational to the competitiveness and long-term viability of our members' operations, which is why AMPCO welcomes the opportunity to participate in this engagement.

AMPCO's members are committed to maintaining Ontario's industrial competitiveness in global markets. This requires an electricity pricing framework that is affordable, predictable, and designed to support continued capital investment in Ontario's energy-intensive industries.

The majority of AMPCO members are Emissions-Intensive and Trade-Exposed (EITE) facilities. Many are currently facing significant pressure from U.S. tariffs and escalating cost challenges, placing their competitiveness—and in some cases their continued operation—at risk. In this context, AMPCO's request is both timely and critical to enabling Ontario's industrial sector to navigate these extraordinary economic conditions.

This submission provides comments on the Discussion Paper, Driving Effective Carbon Markets in Canada. It focuses on the treatment of natural gas–fired electricity generator emissions under Ontario's Emissions Performance Standards (EPS) system, as applied in compliance with the federal Output-Based Pricing System (OBPS), and the interaction between carbon pricing, electricity system reliability, and industrial electrification.

Key Message

Carbon pricing should not impose full compliance obligations on natural gas–fired electricity generation where emissions are unavoidable due to system constraints and where no emissions-reduction response is possible. During such periods, carbon pricing embedded in Ontario's electricity prices increases costs without reducing emissions and directly undermines federal electrification and industrial competitiveness objectives.

Context: Electricity Reliability Constraints

Ontario's electricity system is undergoing an extended period of nuclear refurbishment. During these outages, natural gas–fired generation is required to maintain system reliability and meet electricity demand. There are no reasonable alternatives capable of replacing this supply in the short or medium term.

As a result, emissions from gas-fired electricity generation during these periods are not discretionary. Generators cannot materially reduce emissions in response to a carbon price without compromising system reliability and impacting efforts to move towards electrification technologies.

Carbon Pricing on Electricity Does Not Reduce Emissions in This Context

Federal carbon pricing policy is intended to change behavior by encouraging emissions reductions, fuel switching, and investment in lower-emissions alternatives. However, where electricity emissions are driven by system necessity:

- There is no alternative generation available to respond to the price signal.
- Electricity demand is largely inelastic.
- Emissions occur regardless of the carbon price.

Under these conditions, carbon pricing does not reduce emissions and instead functions as a direct cost pass-through to electricity consumers. In effect, it operates as a pure cost or tax without delivering emissions-reduction outcomes.

Carbon Pricing on Electricity Undermines Electrification

Electrification is a central pillar of federal climate policy. Industrial sectors are being encouraged to transition away from direct fossil fuel use toward electrification technologies in order to reduce emissions.

When electricity prices are increased through carbon pricing applied to natural gas generation:

- Electricity becomes less competitive relative to direct fossil fuel use.
- Industrial electrification projects face higher operating and investment costs.

This creates a policy contradiction in which carbon pricing discourages electrification while failing to deliver corresponding climate benefits.

Recommended Policy Direction

AMPCO recommends that the Government of Canada provide time-limited flexibility under the OBPS for electricity generation during provincially led clean-electricity construction or refurbishment periods, in order to preserve industrial competitiveness and prevent unintended impacts on emissions-reduction and electrification objectives when temporary natural gas–fired generation is required to ensure system reliability.

We would be happy to discuss this submission in detail. Please let us know if you have any questions or concerns.

Sincerely,

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