Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

Climate Change

2016 Value-for-Money Audit

Why We Did This Audit

- In spring 2015, legislative audit offices across Canada, including Ontario, began a collaborative audit to review governments' progress on climate change initiatives.
- The Ministry of the Environment and Climate Change (Ministry) has a mandate to lead Ontario's efforts to both reduce greenhouse gases and adapt to the effects of climate change.
- The Government of Ontario has set emission reduction targets to reduce greenhouse-gas emissions by 15% by 2020, 37% by 2030, and 80% by 2050 below the Province's 1990 levels.

Why It Matters

- Government had committed to meeting emission reduction targets in its climate change mitigation plan (2007) and created a climate change adaptation plan (2011–2014).
- Ontario is implementing a cap-and-trade system to combat climate change, expected to generate revenue of about $8 billion between 2017 and 2020, mainly from household/business consumption of gasoline and natural gas.
- Cap-and-trade revenue should be spent with value-for-money in mind and used as publicly communicated on emission reduction initiatives.

What We Found

- Based on an analysis commissioned by the Ministry, of the 18.7 megatonnes (Mt) emission reductions required to meet Ontario's 2020 target, only 3.8 Mt (20%) are expected to be in Ontario. The remaining 14.9 Mt (80%) of greenhouse-gas-emission reductions is forecast to occur in Quebec and/or California. Currently, the Canadian National Inventory Report does not recognize reductions achieved outside Ontario.
- By linking its cap-and-trade system, Ontario plans to recognize Quebec and California emission reductions that result from Ontario businesses paying an estimated $466 million for allowances to Quebec and California by 2020. Given the current oversupply of cap-and-trade allowances and other climate policies in Quebec and California, it is unlikely that the purchase of allowances by Ontario emitters will contribute to additional reductions in emissions. Based on preliminary estimates by the Ministry in 2015 used to inform program design, that amount could rise to $2.2 billion in 2030.
- The Ministry estimates that Ontario households are expected to incur additional costs for fuel, such as gasoline and natural gas, of $156 in 2017 and about $210 by 2019, and also additional yearly indirect costs on goods and services of $75 in 2019.
- Cap-and-trade revenues are planned to be spent on emission-reduction initiatives outlined in Ontario's 2016 *Climate Change Action Plan*. Our audit found that the Plan presented an unrealistic forecast of 9.8 Mt emission reductions in 2020, and did not consider certain alternatives that could have been more cost-effective.
- Most of the actions set out in the 2011 Adaptation Plan that was to be fully implemented by 2014 had not been completed as of August 2016, and the Ministry had not reviewed or updated the plan.

Conclusions

- Ontario's cap-and-trade will likely not significantly lower actual emissions by 2020. The potential exists for double reporting of emission reductions between California, Quebec and Ontario.
- The Ministry's 2016 *Climate Change Action Plan* requires further analysis to illustrate it will provide value-for-money for Ontarians and reduce emissions.
- The government needs to provide Ontarians with better information and support to adapt to a changing climate.

To view the report, please visit www.auditor.on.ca