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Our File # 339583-000224

By electronic filing

February 8, 2016

Kirsten Walli
Board Secretary
Ontario Energy Board
2300 Yonge Street, 27th floor
Toronto, ON M4P 1E4

Dear Ms. Walli

Re: 2016 Natural Gas Market Review ("NGMR")
Board File #: EB-2015-0237

These are the comments of Canadian Manufacturers & Exporters ("CME") on the 2015 Natural Gas Market Review ("NGMR").

As a preliminary matter, CME commends the Board for initiating its 3rd NGMR in a timely manner. Given the pace of ongoing developments and related issues in the North American natural gas market, conducting back-to-back 2014 and 2015 NGMRs has benefitted the interested parties.

While CME benefitted from all of the presentations, these comments focus on the regulatory implications of Ontario's cap and trade policy.

It is CME's position that cap and trade needs to encourage investment by industry in the technologies that will lead to lower greenhouse gas ("GHG") emissions. Otherwise, it will turn out to be a tax on industry that will slow the investments that have already allowed Ontario manufacturers to make significant strides in reducing emissions. In this regard, it is important to note that Ontario's emissions have fallen by approximately 20 percent since 2005, and manufacturers have been successful introducing technologies aimed at reducing GHG since before 1990.

When manufacturers replace old equipment with new, a plant runs more efficiently, productivity is increased and emissions are reduced. In order to sustain Ontario's economic competitiveness, cap and trade needs to be accompanied by incentives that encourage investment in productivity-enhancing technologies and machinery and equipment that have been shown to reduce emissions.

In this regard, we believe it is vital that Ontario's gas utilities, under the regulatory oversight of the Board, work with industry to find the best way forward for the manufacturing sector to ensure the system is structured to encourage investment in new technologies that will lead to lower GHG and a stronger economy.

Enbridge Gas Distribution Inc. ("EGD") confirmed that it anticipates having to purchase significant GHG allowances on behalf of many of its customers, and that these costs would be recovered through a separate volumetric charge on customer bills. EGD estimates the potential bill impact of these costs to be substantial – ranging from 9.5% to 21.4% annually.

EGD also noted in its presentation that Ontario is an energy intensive and export-based economy, and as such, we must remain competitive while making meaningful GHG reductions. To this end, EGD also agrees that technology development and commercialization is critical to the creation of a lower carbon economy. It is CME's view that policy instruments required to reduce GHG emissions, while sustaining economic growth, cannot be viewed in isolation. They need to be part of an overall policy plan. The Board is in a position to assist in such a process.

Recognizing that both EGD and Union Gas Limited ("Union") will likely file GHG Applications in the fall of 2016, we urge Board Staff to recommend that the Board initiate a proceeding, by way of either a generic proceeding or policy consultation, to develop the Board's policy in relation to the implementation of cap and trade by natural gas distributors.

Yours very truly

Vincent J. DeRose

c. Participants in EB-2015-0237
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