MYAP Watch List – May 1, 2018

1. Cap and Trade/ GreenON

2. NAFTA and Related Trade Issues

3. Corrections (including Health Care)/SSO/POR

4. Transit – Inside the GTHA

5. Fair Hydro Plan

Cap and Trade / GreenON

GreenON

- MOECC received approval on April 24th for GreenON solar rebate program to be delivered by LDCs and pilots with select Indigenous communities.
- GreenON program announcements planned for May 1st (SME support, solar rebate).

Cap and Trade

- MRIS received approval on April 24th to launch the Capital Investment in Low Carbon Technologies Program (aka ArcTurn). Program funding for 18/19 would be offset from MRIS' allocation with the intent of future funding to be drawn from the GGRA – legislative amendments to the CCMLEA would be required. Announcement of the program planned for May 1st.

NAFTA and Related Trade Issues

- NAFTA/Economic Competitiveness
  - The U.S. is pursuing a NAFTA Agreement in Principle (AIP). An AIP would likely take the form of a high-level, non-binding agreement on a subset of key NAFTA negotiating issues.
  - The U.S. wants to find a landing zone on Rules of Origin (ROO) for autos first before moving on to other key negotiating areas.
  - NAFTA Ministers met bilaterally in Washington, D.C., on April 19 and 20, 2018. They were scheduled to reconvene on April 25, 26, and 27 in Washington.
  - Ministries (MIT, MIA, MEDG, MOF, MAESD, MCI, MTCS, MNDM, MNRF and OMAFRA) presented proposals to respond to potential NAFTA outcome scenarios (AIP or withdrawal by the U.S.) for consideration by Cabinet on April 18, 2018. The next step is a Treasury Board submission for May 1, 2018.
  - Cabinet approved the MIA-led “Economic Competitiveness” submission on Jan. 24. Ongoing work includes:
    - MOF is exploring options to respond to U.S. tax changes (monitoring impact, working with the federal government, and developing options through the Budget process to improve tax competitiveness); and
    - MIT and Ontario’s Representative in Washington continue to monitor Buy American measures and seek Ontario exemptions as necessary.
    - MIA, MIT, MOF and MEDG are working with affected ministries to complete analysis of the sectoral impacts of a potential U.S. withdrawal from NAFTA. Analysis is underway..
    - MIA and MIT are pursuing economic cooperation partnerships with U.S. states.

- US Steel Tariffs
  - On March 8, 2018 the United States enacted a 25% tariff on steel from all countries except Canada and Mexico under Section 232 of the US Trade and Expansion Act. There is a risk of diversion to Canada of non-NAFTA steel products destined

for the U.S. market in response to these tariffs, which in turn could erode prices and margins for Ontario steel producers.
  - Although Section 232 tariffs do not currently apply to Canada, there is the possibility they could be applied in the future (Canada is exempt through April 30, 2018).
  - The federal government may need to be ready to apply prompt retaliatory measures against US imports under Section 53 of the Customs Tariff Act
  - Potential to impact other steel sector participants, e.g. Tenaris Algoma Tubes (Sault Ste. Marie) and Gerdau (Whitby, Cambridge)

- CPTPP
  - On February 22, 2018, the Premier gave a speech at the Toronto Region Board of Trade where she called on the federal government to provide transitional assistance to help Ontario's automotive and agri-food sectors adjust to the new realities created by the CPTPP before ratifying the deal. The province is requesting at least $1.26 billion over 10 years in assistance for the auto sector and at least $1.4 billion over 10 years for the agri-food sector in Ontario.
  - MEDG and OMAFRA are continuing analysis to refine Ontario's requests, which will need to be negotiated with Innovation, Science and Economic Development Canada and Agriculture and Agri-food Canada.
  - The CPTPP was signed on March 8. The CPTPP Parties will take the necessary domestic steps to ratify the Agreement (i.e. complete domestic legal procedures). Canada's timelines for ratification are still unknown.
- Fairness in Procurement
  - On February 20, 2018, the government introduced the *Fairness in Procurement Act, 2018* which allows Ontario to take responsive and proportional action to government procurement practices by US subnational jurisdictions.
  - On April 1, 2018, the *New York Buy American Act* (NYBAA) came into effect.
  - On April 1, 2018, Ontario's responsive regulation under the *Fairness in Procurement Act* came into effect to govern ministries and agencies (not BPS, but including IESO and OPG) that procure NY state structural iron from a NY state

resident business for construction of roads or bridges over $1M USD.

- Representatives from the MIA Washington Office continue to work with representatives from Texas to secure an exemption from that jurisdiction's Buy American legislation.

Corrections (Incl Health Care)/SSO/POR

Corrections

- The *Correctional Services Transformation Act, 2018* received LRC and TB/MBC approvals on February 6, and Cabinet approval on February 8. The legislation was initially introduced on February 20 and reintroduced on March 20. Passage of the legislation is anticipated May 3.
- On September 26, 2017, the OHRC filed an application with the Ontario Human Rights Tribunal, alleging that the Ontario government breached the *Jahn* settlement.
    - On November 28, MCSCS received TB/MBC and Cabinet approvals for *Jahn.* Funding and FTEs in out-years were approved in principle as part of MCSCS' 2018-19 PRRT submission.
    - MCSCS and OHRC finalized the minutes of settlement on December 21. The OHRC issued a public statement regarding the settlement on January 18.
    - MCSCS posted public reports on two baseline reviews on April 16.
- MCSCS has agreed to report back to the Ombudsman every six months on its progress in addressing the *Out of Sight, Out of Mind* report recommendations. MCSCS submitted its first report in October 2017.

Health Reform

- In October 2017, Cabinet directed MCSCS to work with MOHLTC to conduct consultations with stakeholders, Indigenous partners, and a new expert advisory committee (EAC) on options to transform health care services in correctional facilities.
- On April 10, MOHLTC and MCSCS provided an information update on this work to HESP.
    - MOHLTC and MCSCS have established the EAC to provide non-binding advice (delayed launch due to delayed introduction of new corrections legislation). The first EAC meeting was held on April 9, with additional meetings scheduled from April to June. The EAC's final report with recommendations is due to the Deputy Ministers of MOHLTC and MCSCS by July 1, 2018.
    - Targeted in-person consultation meetings with key stakeholder groups and organizations will be completed by April 30, 2018.

Strategy for a Safer Ontario/Police Oversight Reform

- On October 18, 2017, MCSCS and MAG received Cabinet approval on a policing omnibus bill, including new legislation to address Strategy for a Safer Ontario (SSO), police oversight, missing persons, and forensics oversight, as well as legislative amendments to the *Coroners Act.*
- On March 8, Bill 175, *Safer Ontario Act, 2017* received Royal Assent.
- On April 18, Cabinet approved proclamation of substantial provisions under the *Ontario Special Investigations Unit Act, 2018,* related regulatory amendments under the *Police Services Act,* and proclamation of legislative amendments to the *Coroners Act.*
- NAN has expressed concern that the provisions under the *PSA* related to First Nations' policing will not be proclaimed in spring 2018. MCSCS is reviewing options internally to mitigate these concerns.

Transit – Inside the GTHA

- An announcement of the MOU with the City of Toronto on SmartTrack is tentatively tracking to May 2, 2018 (TBC). Once the MOU is executed, the 2016 Agreement in Principle (AIP) will be amended accordingly.
- On April 17, 2018, Toronto City Council's executive committee approved changes to the cost of the City's SmartTrack project for base station infrastructure. The City estimates that these costs would increase City-borne costs by $268 million. The plan was approved by City Council on April 25, 2018. On April 10 and 11, MTO received approval from TB/MBC and Cabinet to enter into a MOU with the City of Toronto to signal the Province's agreement to assume some of the costs that would otherwise be borne by the City for its SmartTrack proposal, as set out in the terms of an AIP between the City and the Province.

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Fair Hydro Plan

- OPG began purchasing the asset from IESO on Dec 21, 2017.
- In accordance with the Financing Plan, the Fair Hydro Trust (FHT) will continue to incur short-term debt on a regular basis to fund purchases of the investment asset from the Independent Electricity System Operator (IESO), which will then be periodically refinanced through the issuance of long-term debt.
- Under OPG's Financing Plan, the debt incurred by the FHT is split into senior (51 per cent), subordinated (39 per cent), and junior subordinated (10 per cent) debt.
- As a result of the first and second issuances, a total of $1.77 billion of long-term debt has been issued, with a weighted average interest rate of 3.61 per cent.
- OPG successfully undertook its second issuance of long-term debt on April 24, 2018:
  - $400 million of senior notes with an interest rate of 3.52 per cent.

    - $306 million of subordinated debt at a rate of 3.83 per cent and $78 million of junior subordinated debt at a rate of 4.21 percent.
    - The weighted average of these three series of debt (i.e., senior, subordinated and junior subordinated) is 3.71 per cent, compared to a weighted average of 3.53 per cent for the first issuance.
- Energy is proposing to table the IESO's 2017 annual report at Cabinet May 2nd before tabling in the legislature. The report contains factual information regarding the IESO's role under the fair hydro plan. The ministry is advising that it is not anticipated that there will be negative public response or issues raised by stakeholders when tabled. The report was publicly available on the IESO's website as of April 5, 2018.
- Risks: AG review of the 2018 Pre-Election Report on Ontario's Finances placing additional scrutiny on the Fair Hydro Plan and the dispute with the AG over rate-regulated accounting practices. Continued high risk that the AG will issue an adverse opinion on public accounts.