

MEDIA EVENT: ENVIRONMENTAL COMMISSIONER ENERGY CONSERVATION PROGRESS REPORT

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April 10, 2018

Time / Location:

10:00 a.m./ Queen's Park Media Studio

Speakers:

Dianne Saxe, Environmental Commissioner of Ontario

Media Attendance:

Print – 1 TV - 0 Radio – 0

Media Outlets:

Hains – QP Briefing

Statement

This year we are halfway between two important dates for Ontario's energy supply: 2005 and 2030. 2005 when Ontario's electrical system was in some ways at its lowest point and 2030 when it has to play a much larger role in helping us meet our climate targets. In this my third report to the legislature on energy and conservation I look at how Ontario's electricity system has changed since 2005 and where it needs to go by 2030. There's a lot of public discussion and public concern about electricity in Ontario. I think it's important that Ontarians base that discussion on facts and not on myths, rumors and part truths. I have therefore prepared independent nonpartisan answers to 19 key questions that Ontarians ask about electricity, including how electricity affects the air we breathe and the climate we live in.

These questions are the table of contents to my report. One key lesson is that Ontario has a lot to be proud of. In 2005, Ontario had an aging, highly polluting, highly indebted electric electricity system that strained to meet demand. Nuclear plant shutdowns in the late 1990s led to heavy dependence on coal fired electricity. Though it looked cheap on our power bills, coal-fired electricity came at a high cost to the environment, to the climate, and to human health. As a result, you can see over here, a dirty layer of yellow smog often settled over Ontario cities making the air unfit to breathe. Those were brutally hard days for the nearly 1 million Ontarians with asthma including my late husband. Fortunately public health organizations spoke up and helped Ontarians to understand the links between burning coal, breathing dirty air and damage to public health. Based in part on their work, all three Ontario political parties pledged to shut down coal fired electricity. Today, we have with us some of those organizations. I want to acknowledge and thank the Ontario Public Health Association, represented by Pegeen Walsh, the executive

director, and Helen Doyle the Environmental Health Manager for York Region Public Health and Toronto Public Health represented by Ronald MacFarlane, Manager of Healthy Public Policy and Sarah Gingrich, Health Policy Specialist. Thank you for coming.

Today, elected Ontario's electricity system is more expensive but it is also much cleaner and more reliable. In most years since we stopped burning coal smog days have dropped to zero. The sky is blue not yellow. Both air pollution and greenhouse gas pollution have dropped. In 2017 only 4 per cent of Ontario's electricity came from burning fossil fuels, the lowest level in decades. 96 per cent of Ontario's electricity was essentially emission free. At the same time our electrical system has regained its self-sufficiency and no longer faces brownouts on hot summer days. Together energy conservation and new renewables now meet almost as much of Ontario's electricity needs as coal fired generation did in 2005.

To make this transition electricity rates had to go up and they did. From 2006 until the 2017 Fair Hydro Plan, typical Ontario electrical bills went up much faster than the rate of inflation. Higher rates were only partly offset by a 13 per cent drop in average household consumption. For small businesses or people on limited incomes increases in the cost of any essential service can be challenging. Electricity price increases can be especially hard for those who live in the 16 per cent of homes with electric heat and many of those are older homes in rural or remote areas where the winter can be particularly harsh. I recommend that the government should do more to help these people make their homes more efficient, to keep their bills down and their quality of life up. I also think it's important for people to know why electrical rates have gone up. The main thing Ontarians are paying for is more and cleaner electricity generation which we needed and will need for years to come.

There are also some charges on Ontario bills that could have been avoided. For example on an electricity bill of 100 dollars per month about three to four dollars is being used to pay for decades old nuclear plant cost overruns. Out of that same hundred dollar monthly bill about 20 cents would pay for the relocation of the two gas plants from Oakville and Mississauga. Contrary to popular belief the sale of Hydro One has not contributed anything to the increase in power rates. And selling surplus power when we don't need it generated net revenue of about a quarter of a billion dollars in 2016, which Ontario electricity consumers would otherwise have had to pay.

We know that more electricity rate increases are ahead. Nuclear costs will rise to refurbish the Bruce and Darlington reactors, and Ontarians will have to pay back the money borrowed to fund the Fair Hydro Plan plus interest. To keep rates and emissions to a minimum Ontario needs to make full use of all the electricity we have instead of curtailing or turning off, wasting production of low carbon electricity when demand is low. And we can do this by using flexibility tools such as storage, demand response, interties and prices to better match supply and demand. And Ontario should focus conservation on achieving more savings at times of high demand when conservation produces the largest benefits.

The really big challenge is not just about electricity, it's about the fossil fuels that Ontarians use. Today electricity is the cleanest of our major energy sources but it's also the smallest, supplying less than 20 per cent of Ontario's energy. Virtually all the rest, almost 80 per cent, comes from fossil fuels such as natural gas, gasoline and diesel. The climate crisis and Ontario's Climate Change Mitigation and Low Carbon Economy Act limit the greenhouse gases and carbon pollution that Ontario can keep emitting from burning fossil fuels. This means that Ontarians must get ready to dramatically reduce emissions from fossil fuel use. And that means converting much of the space heating and transportation that use fossil fuels today to conservation, renewables, public transit, active transportation and low carbon electricity. In other words more bikes and transit but also more electric cars trucks and buses.

In buildings more insulation, better windows, smarter thermostats but also more high efficiency heat pumps.

And that means Ontario will need more low carbon electricity, perhaps a third more in the next decade or so before today's toddlers graduate from high school. Ontario should be planning and preparing for that right now. But instead the government's burying its head in the sand.

Contrary to the clear requirements of Ontario's climate law the government's entire 2017 Long Term Energy Plan is based on the assumption that the low carbon transformation will not occur. Instead it's betting it could keep electricity prices down by hoping that electricity demand stays flat and taking no responsibility for the consequences. Ontario's Long Term Energy Plan should be required by law to be consistent with the Climate Change Mitigation and Low Carbon Economy Act.

In conclusion, Ontario can be proud of its cleaner, more reliable electricity system and the resulting improvement in air quality and public health. Since 2005, we've taken the first indispensable steps in building a low carbon economy, conservation and getting fossil fuels minimised electricity generation. Looking ahead we'll need much more conservation and low carbon electricity to displace fossil fuels as the climate crisis worsens. Good public policy should be based on facts. Ontarians need independent non-partisan answers to their key questions about electricity. In today's report, I and my office do our best to answer them. Thank you. Merci. Any questions?

Q: Hains: So to focus on the Long Term Energy Plan, and how it complies or does not comply with the province's environmental rules. Is it fair to say that the Ministry of Energy through its Long Term Energy Plan is basically betting that the province will not comply and that it's using that assumption to make its financials add up?

Well the ministry is making no plans to comply. They're predicting that electricity demand will stay flat. They are entirely ignoring the question of how the province can comply with the Climate Act if electricity demand stays flat. They simply ignore the question. They don't answer it. They leave that entirely to the Ministry of Environment. They say Ministry of Environment you deal with climate change, don't bother us.

And that is simply not possible for a government to achieve its goals when the two branches, which must work together, are going in opposite directions.

Q: Hains: So what are the consequences of that divergence, both from an economic perspective and from a policy perspective in terms of pollution and so on?

Well from an economic point of view one of the things it means is that the province has turned its back on the renewable energy industry that we've spent so much time and money building. Cancelling the large renewable procurement and basically all other ways to make money selling renewable electricity in Ontario has basically forcing those industries to look elsewhere, and leaving Ontario with no clear path to achieving our climate targets. There's only... conservation is very important. It's the first thing we should do. It's always the cheapest. We have achieved a lot with conservation but we need to do much more. For sure that's first. But even after the maximum use of conservation and the maximum direct use of renewable energy, we are going to need to have sources of energy to replace fossil fuels. And if we're going to do that and keep the air breathable we need to have renewable energy. And the province has not got a path forward for renewable energy that makes sense.

Q: Hains: You mention as well the cost of electric heating and so on, and how that really affects some households especially in a rural Ontario. And that the government programs that exist right now are not sufficient to offset cost increases and so on. What

types of programs would you like to see to fill that void?

So there are....Ontario's rate of energy poverty is about 7 per cent, which is lower than the Canadian average but still that's a lot of people. There are two kinds of programs that the province has and should have.

First of all there's financial support for low income and Aboriginal households. And that's important. But there's also needs to be real attention to helping people make their homes more energy efficient.

There's about 16 per cent of Ontario homes are heated with electricity and in those homes average heating costs are higher.

So the average Ontario family spends about 3.5 per cent of its income on energy, home energy, in total. Families that have electric heating on average spend about 5 per cent of their energy, of their budget on energy.

And those 16 per cent of homes they're going to have even higher rates going forward and even higher bills going forward, unless there's serious attention to making those homes more efficient.

Electric baseboard heaters are very inefficient. Heat pumps are much more efficient. But for any home it makes sense to do the maximum you can to reduce energy consumption before you change the source. That's usually the cheapest. And so what we've asked for is that not only providing financial support to pay the bill, but that focus attention beyond on reducing consumption by making the homes more efficient.

If you think about it, we know electricity rates are going to go up. They have to go off a lot because we're only paying 80 per cent of the cost of today's electricity out of rates. And by 2021 we are going to have to start paying back that two and a half billion dollars a year that's being borrowed for the Fair Hydro Plan.

Plus we know nuclear rates are going to go up. And judging from American predictions, natural gas rates are also going to go up. So costs are going to go up and that will mean more and more hardship for families with energy poverty. You could just give them money every year and then need to give them even more money the next year, or we could spend some money making these homes much more efficient. And that's a better long term debt.

Q: Hains: So with the costs rising in about four to five years, and they should continue to go up as scarcity goes along with it and so on. Would you say that the time to act on those conservation measures and so on, is now?

Absolutely. You know we have years of evidence in Ontario and elsewhere that conservation is the cheapest way of providing energy needs. It also creates good employment in Ontario, builds skills and it makes homes more comfortable. If you think about low income housing that's poorly insulated, the windows leak. It's drafty. It's cold in the winter. It's hot in the summer. It's really unpleasant to live there, can be hard on the health of the people there. If you make those homes weather tight then already warmer in the winter cooler in the summer more comfortable, better for health. So there's a lot of benefits to conservation. But for sure it's a really good investment. We should be doing more of it.

The one thing that we do focus on electricity conservation is it depends when. So peak demand in Ontario is about a quarter of the time. 16 hours a day, five days a week. The three warmest and coldest months. And that's the time when conservation is the most benefit to the grid and to the air and to the climate.

Right now the conservation programs for electricity tend to be rather unfocused and so they value reducing electricity consumption at night just as much as they do at peak. And that's a waste of money because you don't get very much benefit from conservation at night at the moment. We get a lot of benefit from conservation during those one quarter

of peak hours. And so conservation should be focus when it does the most value.

Q: Hains: The PC leader has made some promises about, on different policies on this issue and so on. Among them that no carbon pricing would go in, and that he would also lower hydro costs. What consequences would that have for the province's policies and meeting those longer term goals for greenhouse gas emissions?

I don't take a position on the party platforms of any party. But what we do know and we documented in our last report on climate change....The most cost effective way of reducing greenhouse gas emissions is to put a price on carbon. Cap and trade can work. Carbon tax can work. But without a price on carbon the only other ways of reducing emissions tend to be much more rigid, much more expensive.

You can command and control, regulations. You can. It's much more difficult to do. So if we want to...given that the climate crisis is real and advancing rapidly, you know, we had this extraordinary situation in February in the middle of winter in the dark where one third of the ice in the Bering Sea melted in eight days. Climate crisis is moving very fast. We have international obligations to reduce our emissions. It will be much more difficult and more expensive to do that without a price on carbon.

In terms of electricity rates, the....One of the things we tried to demonstrate in this report is what are people paying for when we pay our electricity bills? I mean nobody likes paying bills. But I think a lot of people. My experience in talking to people is that many people want to know what are we paying for? Was this money all wasted? Is this all for just moving the gas plants? Are we getting something for it?

And so they know that what are the things we're getting for it is a much more reliable, up to date system that gives people some comfort.

When they know that one of the things we're getting for it is much cleaner air and better public health. That is also some comfort to people.

We don't see in our work any way to reduce the cost of electricity. We are already paying only 80 per cent what electricity costs and running up the big credit card bill.

If you run up a bigger credit card bill eventually you have to pay it. It's much easier to run up debt than it is to pay it off.

Ontario's spent nearly two decades now trying to pay off the stranded debt that Ontario Hydro left, which was about 20 billion dollars. We're paying it off a little more than a billion dollars a year and it's been very hard work. And now here we are again building up dead two and a half billion dollars a year, which we'll have to pay off again. It's much easier to borrow than it is to pay back.

Q: Hains: As far as reducing greenhouse gas emissions and so on, the PC leader has said that he prefers to let the free market decide. And to kind of to support innovation in the marketplace and so on. Do you feel that that's a feasible route to the province reaching its greenhouse gas targets?

The free market certainly has an important role. On renewable energy for example feed in tariff was the international best practice in 2009 when we adopted the Green Energy Act. It's not anymore.

These days competitive, free market procurement of renewable energy has become standard practice and can produce lower costs, as long as you're prepared to accept very large centralized projects. But we also have a lot of experience in Ontario that you can't rely entirely on the free market.

So if you think back 14 years or so to Ontario electricity or maybe 16 years. So in 2002, under the conservative government of the day we had an experiment with a completely competitive electricity market. And it started off very well but within two months wholesale prices doubled. And there was enormous public concern. This is the thing

about free markets. Rates....prices can go down but they can also go up. And the....Premier Eves appointed a task force to review the future of electricity Ontario. And they very strongly recommended that that was not the way to go. That the people needed predictable prices and that long term contracts needed to be added and less emphasis on the market.

So I hope that whatever policies are adopted we learn from what's happened before and hopefully make new mistakes not old ones.

Q: Hains: All right thank you.

Thank you very much.

N.B.: Comments captured are not verbatim quotes

Prepared by:

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