RE: ECO Energy Conservation report - tomorrow

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Attachments: QA - ECO Annual Conservation Report - 20180409 FINAL.docx (38.59 kB)

Good afternoon,
Please find attached Energy's Q&A.
-Jonathan

From: Colford, Jonathan (CAB)
Sent: April 9, 2018 5:02 PM
To: McPhail, Blane (OPO)
Cc: Killorn, Bill (OPO); Forgione, Andrew (OPO); McMichael, Rhonda (CAB); Scott, Adrienne (CAB); Kwamena, Boafoa (CAB); Bromm, William (CAB); Farrow, Alicia (CAB); Tomescu, Alexandra (CAB); Pontikis, Maria (CAB); Skene, Katherine (CAB); Heitshu, Tania (CAB); Evans, Kirsten (CAB); Brown, Kyle (CAB); @CAB-Issues; Lazarus, Jordan (OPO); McLarnon, Joshua (OPO)
Subject: ECO Energy Conservation report - tomorrow

Hi Blane,
FYI – you likely have this info, but attached is the executive summary of the ECO's energy conservation report to be released tomorrow. She had noted in late January (in releasing her GHG progress report) that the LTEP wasn't compatible with climate legislation, and recommends in tomorrow's report that LTEP be legally required to be consistent with the Climate Change Mitigation and Low-carbon Economy Act.

Canadian Press reported her criticism of the LTEP in January 2018 – 16 Postmedia papers printed the story. It is below, following the summary of recommendations. QP Briefing also reported the ECO's comment and MPP Peter Tabuns' response. Comments are in bold in their respective stories.

Materials from the Ministry of Energy are going through approvals. The report is an Energy lead. MOECC is also working on a statement, which is with their MO for review/approval.

Summary of recommendations:

The ECO recommends that:
1. Ontario's Long-Term Energy Plan should be required by law to be consistent with the Climate Change Mitigation and Low-carbon Economy Act. It should plan Ontario's energy system, not
just electricity, and should prepare for significant electrification of transportation and heating.

2. Conservation should play a larger role than it does now and should be focussed on times of high demand. It will have more value as demand grows.

3. Ontario should do more to minimize adverse impacts of electricity generation, such as bird and bat kills by wind turbines.

4. To help people who are unduly affected by electricity rates, low-income and Aboriginal financial support programs should be supplemented with enhanced conservation programs to make electrically heated homes more efficient.

5. Ontario should learn from jurisdictions who already use much more renewable electricity, and update electricity infrastructure and energy system regulations to encourage the low-carbon
transformation. For example:
   a. Ontario should get better at using flexibility tools, such as storage, demand response, interties and prices, to match supply and demand, instead of turning off (curtailing) low-carbon off-peak electricity and running gas-fired generation at peak.
   b. Net metering and Market Renewal should provide sufficient incentives to grow renewable electricity as needed to keep Ontario's electricity supply low-carbon.
   c. Local distribution utilities should facilitate a growing level of renewable generation and storage.

LTEP comment from the executive summary (p. 7):

The limits on greenhouse gas pollution in Ontario's Climate Change Mitigation and Low-carbon Economy Act mean that more than 40% of the fossil fuels now used for heating and transportation must be replaced by conservation, active transportation, biofuels, direct renewable energy and low-carbon electricity over the next 13 years, within the lifetime of today's vehicles
and furnaces. This means that low-carbon electricity supply must increase much more than the government plans.

The Ontario government is not prepared for this transformation. The 2017 Long-Term Energy Plan mostly ignores the urgency of climate change and the 80% of Ontario's energy that comes from fossil fuels.

Ontario's current plans for obtaining future electricity supplies (other than nuclear) may save money in the short run if electricity demand remains flat. But they will discourage the growth of renewable electricity, may not save money if demand grows, and may not produce the low-pollution, low-carbon electricity supply that Ontario will need.

Report: Ontario has work to do to meet long-term climate change goals

Paola Loriggio, the Canadian Press
January 31, 2018

Ontario's first year of carbon pricing went well but more work is needed if the province wants to meet its long-term goals for reducing greenhouse gas emissions, the province's environmental commissioner said Tuesday.

In her annual report, the commissioner said the government needs a better plan for spending the funds brought in by the capand-trade system, which amounted to close to $2 billion last year.

The money is meant to be earmarked for green projects and almost all of the $1.37 billion spent as of last November met the established criteria, Dianne Saxe wrote.

What's more, some government ministries need to make more of an effort to consider climate change in their decision-making and spending, Saxe said. **The Ministry of Energy was named as a top offender, in part because Saxe deemed that its newly announced long-term energy plan is "incompatible" with the province's climate change law.**

But despite some hurdles in the system, she said switching to a carbon tax, as the Progressive Conservatives have vowed to do if they win the spring election, isn't likely to deliver results faster.

"The research that we've seen suggests that changing policies delays progress," she said.

"There isn't any jurisdiction in the world that's changed from cap and trade to a carbon tax. Most jurisdictions choose cap and trade because although it's more expensive to implement for the economy as a whole you produce the same level of emissions for a lower cost." The cap-and-trade system, which was launched last year, aims to lower greenhouse gas emissions by putting caps on the amount of pollution companies in certain industries can emit.

If they exceed those limits they must buy allowances at quarterly auctions or from other companies that come in under their limits.

The cap declines about four per cent each year to 2020 and then roughly 2.9 per cent each year afterwards to 2030. The province's goal is for greenhouse gas emissions to drop to 15 per cent below what they were in 1990 by 2020 and to 37 per cent below the 1990 level by 2030.

"I would expect that, from a compliance point of view, Ontario will be able to meet the 2020 target because it includes the availability to use offsets and buy allowances from outside Ontario," Saxe said.

"It's much more challenging moving forward from 2020 to 2030," she said. "We now know what the maximum number of allowances will be each year but we don't know how the province intends to get there. So that's one of the reasons why I've recommended a specific carbon budget for each ministry and each sector." Ontario's Environment Minister Chris Ballard said the government is proud of its record on climate change but recognizes there is a lot of work ahead. He said he would discuss Saxe's concerns with her and take the report and its recommendations into account.

All departments are aware of the importance of reducing greenhouse gas emissions, but face other pressures that can sometimes get in the way, he said.

"It's a matter of how fast we can get there as a province, how fast we can get there as ministries, but I also have to take into account not only my schedule but their schedules as well," he said. "But they know this is something that needs to get done." Ballard said he is confident the province can meet its 2030 goals, particularly as green technologies such as electric vehicles become more mainstream.

"We just have to keep staying the course," he said.

Critics said the report shows not enough is being done to combat climate change.

"Clearly the Liberals are talking about this a lot but in very key areas they're not taking the action that has to happen," said New Democrat Peter Tabuns, the party's environment critic.

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ENVIRONMENTAL COMMISSIONER SAYS CAP AND TRADE IS ON “RIGHT TRACK” BUT OUTLINES AREAS FOR IMPROVEMENT

By: David Hains

Ontario made "significant progress" to reduce greenhouse gas emissions in 2017, **but the government's Long-term Energy Plan remains incompatible with climate goals, the province's environmental commissioner says.**

Dianne Saxe presented her annual Greenhouse Gas Progress Report Tuesday morning, summarizing the state of provincial carbon emissions.

"The cap and trade program is complicated and has room for improvement," she stated. "But it has put Ontario on the right track."

She added that the province is "probably" on track to meet its 2020 climate goals, but that it would be much more challenging in 2020-30.

The province's four carbon auctions were "rousing successes," according to Saxe, and raised $1.9 billion for the Greenhouse Gas Reduction Account. These auctions exceeded their floor prices, the commissioner noted, adding that "the cap and trade system is starting to motivate change."

But Saxe said that there's room for improvement in Ontario's nascent cap and trade system. She explained that freight transportation by truck is the fastest growing source of emissions in Ontario, but the government has subsidized natural gas trucking.

"The government has chosen some ideas that are popular with stakeholders, instead of those that are likely to be most effective," she writes in the report.

Other policies come in for criticism too. She explained that building more roads in busy areas does not reduce congestion, because of the well-observed phenomenon of induced demand. She also said that the government has not implemented well-designed road pricing, and singles out for criticism the government's backtracking on allowing the provincial capital to toll roads. "It was very poor policy for the province to deny Toronto's request to charge road tolls, which would have been used to fund badly needed transit," she writes, adding her own emphasis. "Municipalities should be able to use road pricing to pay for their share of public transit investments,."

She also recommended that the government should "phase out diesel truck retrofit subsidies," "fund initiatives designed to take older, less efficient diesel trucks off the road," and "support only those renewable natural gas trucking projects that do not have a pipeline connection." She recommends that each ministry be held accountable to carbon goals.

She also offered an assessment of the Progressive Conservative platform promise to scrap cap-and-trade for a carbon tax.

"The research that we've seen suggests that changing policies delays progress," the commissioner said at her presser. "There isn't any jurisdiction in the world that has changed from cap and trade to a carbon tax." That said, Saxe conceded both policies could work.

Environment Minister Chris Ballard said he was pleased with the report.

"I think that, overall, it's a very positive report," he told QP Briefing. "I was certainly delighted to see her agreement that cap and invest is the best way to reduce our carbon pollution reduction for the least cost," he added in a not-so-veiled criticism of the PC carbon tax plan.

The commissioner had also noted that she expects cap and trade revenue to be lower in 2018, in part a result of the market adjusting to the addition of California and Quebec and also the uncertainty in the first half of the year due to the scheduled June election.

Ballard conceded that that's the case, but explained that, because of conservative estimates, the ministry remains prepared for lower revenue and what that might mean for the projects funded by it.

Peter Tabuns, the NDP's environment and climate change critic, pointed out some shortcomings, however. "The commissioner was very clear that the Ministry of Energy's Long-term Energy Plan is going in a direction contrary to where Ontario has to go, and that's a huge issue. That's something the province has to address. Clearly, the Liberals are talking about this a lot, but in very key areas they aren't taking action that has to happen."

Ballard said he's frequently in touch with Energy Minister Glenn Thibeault and that part of the reason for the commissioner's finding is the scheduled shutdown of two nuclear plants in the 2020s.