Message

From: John Cannella [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=CD667C6D53774DD0A749783BB02AE89D-JOHN CANNEL]
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Today's News

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Date: Wednesday, April 5, 2017
Edited by: John Cannella (John.Cannella@ieso.ca)

Contact Editor

IESO Mentions

News - 3 Results

How Ontario can end government meddling in electricity markets

The Globe and Mail - Wed Apr 5 2017
Byline:GEORGE VEGH
Page: B4

Head of McCarthy Tetrault's Toronto energy-regulation practice and teaches energy regulation at the University of Toronto. He is the former general counsel of the Ontario Energy Board and the author of the C.D. Howe Institute study Learning from ...

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Sarnia Observer - Wed Apr 5 2017
Byline: Paul Morden
Page: A1 / Front

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Energy's new wave of innovation - Northern Ontario Business

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Back to Top

Industry News

News - 6 Results

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Byline: Kelly McParland

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Byline: Bruce Chessell
Page: A6

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Peterborough Examiner - Wed Apr 5 2017 **Page:** A2

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Back to Top

IESO Mentions

Full Articles

How Ontario can end government meddling in electricity markets

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Page: B4

Head of McCarthy Tetrault's Toronto energy-regulation practice and teaches energy regulation at the University of Toronto. He is the former general counsel of the Ontario Energy Board and the author of the C.D. Howe Institute study Learning from Mistakes: Improving Governance in the Ontario Electricity Sector.

Every 10 years or so, the Government of Ontario finds it necessary to freeze or cut electricity prices because the costs of an ambitious energy policy prove to be politically unacceptable. This leaves every generation of electricity customers paying for the cost of a failed experiment from a previous generation. We should learn from this experience and implement a governance model for the sector that reviews and mitigates costs before a policy is adopted, not after.

In 1993, the government froze prices because the costs of Ontario Hydro's massive nuclear expansion were leading to double-digit rate increases. In 2002, the government froze prices because the opening of the electricity market resulted in higher and more volatile prices. In 2017, the government cut prices because of the cost of the green energy and economy ambitions of Dalton McGuinty and George Smitherman. In each case, the underlying cost pressures of the policy were obvious and the resulting escalation of prices was entirely predictable. The consequences of the price interventions were also predictable: future generations were made financially responsible for their parents' policy choices.

Why is Ontario prone to these cycles and what can be done to stop repeating them?

The best explanation for this is the weakness in the governance structure of our electricity system. The government of the day faces virtually no restrictions on its ability to develop ambitious and costly experiments. The costs of these initiatives are outside of the tax base and are realized years after the plans are launched. So the government is virtually always in the position of developing ambitious plans with costs for which they are unaccountable.

In most North American jurisdictions, there are constraints on governments' ability to do this. These constraints are found in the checks and balances provided by independent energy regulatory agencies that are required to approve expenditures of ratepayer money. These agencies take the form of public utility regulators that oversee generation procurements (whether by system operators or utilities). This review typically requires a demonstration that the procurements are needed and economically rational.

Equally important, they are conducted through a transparent and deliberative process that forms a check on the impulsive short-term tendencies of governments.

In Ontario, there is no such oversight. While the AuditorGeneral conducts value-formoney audits years after the commitments are made, there is no prospective review to catch these issues prior to launching into a new round of commitments.

Generation procurements are determined entirely by the government. The system operator - the Independent Electricity System Operator - implements government directives. Neither the Ontario Energy Board nor any other independent regulator reviews these procurements. There are no independent criteria, no cost-benefit analysis, no consideration of the need for the procurements and no review of alternatives. In short, there is virtually no check on the power to procure supply.

The consequence of this is entirely predictable: The government adopts expensive and politically attractive projects.

When the costs of those projects start to come in, the government intervenes and passes the costs to future customers. The cycle is then left to start over.

The most recent price cut does nothing to address this structural problem.

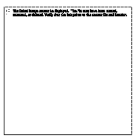
Nor is there any reason to expect this will change. To the contrary, in 2016, the government passed Bill 135 to make its agencies even more subordinate to government decision-making.

Far from providing checks and balances as they do in other jurisdictions, our energy agencies will be required to satisfy the government that they will, in fact, implement government directions.

Rather than being a constraint on government discretion as they are in other jurisdictions, our agencies provide the means through which the government exercises its absolute authority over energy procurements.

Without structural changes to Ontario's regulatory governance model, there is no reason to believe that the province's cycle of financially unsustainable energy policy initiatives will end.

Back to Top



New electricity plant ready for operation; Natural gas-fired plant in St. Clair Township able to deliver power to the grid

Sarnia Observer - Wed Apr 5 2017
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A controversial natural gas-fired plant in St. Clair Township is now able to generate electricity for the Ontario power market.

On March 21, the Greenfield South Power Corporation generating facility on Oil Springs Line completed its market registration requirements, said Chuck Farmer, director of stakeholder and public affairs with Ontario's Independent Electricity System Operator (IESO.)

"What that means is it basically met all the requirements to produce electricity in the Ontario electricity market," Farmer said.

It will be able to operate under the company's 20-year contract to supply electricity to the Independent Electricity System Operator once it meets commercial operations requirements, Farmer said.

Until then, it can operate as a "merchant plant," offering energy into the market, Farmer said.

The Greenfield South station was "dispatched" to deliver electricity into the grid briefly on March 27, according to the IESO.

It said the facility is one of 30 natural gas generating stations in the province.

"The gas fleet in Ontario provides a very important function," Farmer said.

"They're generally quite flexible and they can adjust their output quite quickly, in response to signals from the grid."

Natural gas makes up about 25 per cent of the installed electricity generation capacity in Ontario, Farmer said.

Construction of the $360-million 289-MW Greenfield South Power plant began in 2013.

Toronto-based Eastern Power was allowed to build in St. Clair Township after the Ontario Government called a halt in 2011 to construction of a gas plant the company had initially been contracted to build in Mississauga.

Pressure from voters in Mississauga and Oakville led to the cancelling of natural gas plant projects in those communities at a cost to the province of as much as $1.1 billion, according to Ontario's auditor general.

The Mississauga project continued to attract controversy after it moved to St. Clair Township when picket lines were set up by unionized construction workers complaining about safety on the job site.

After a picket line in August 2015, opposition parties raised the issue in the Ontario Legislature, and the Ministry of Labour appointed a mediator to improve labour relations at the site.

The ministry also laid charges under the Occupational Health and Safety Act against Greenfield South Power Corporation. A trial began this week in Sarnia court, and is scheduled to continue next week. pmorden@postmedia.com

Back to Top

Energy's new wave of innovation - Northern Ontario Business

www.northernontariobusiness.com - Wed Apr 5 2017

A new pilot project is taking shape in Sault Ste. Marie that will study the viability of storing energy, and with it comes the promise of a more stable power grid and a $2-million investment in the community.

Convergent Energy + Power is currently constructing a lithium-ion battery system with a storage capacity of 7 megawatts of power, which will store energy produced by the city's existing solar and wind farms.

The company has secured a three-year contract with the Independent Electricity System Operator (IESO) to supply power to the Ontario grid, which will then be disseminated to customers around the province.

The facility is being constructed adjacent to the city's Public Utilities Commission (PUC) in the north end of the city, and uses IESO transmission infrastructure.

Tremor Temchin, Convergent's director of Canadian operations, said the ability to store energy and use it at a later date helps stabilize the power grid by making it more reliable during times of low production.

Typically, Temchin said the battery would charge at night when energy is cheaper and demand is low, and then discharge energy during the day, during peak times when production is high.

"If Sault Ste. Marie is producing so much wind and solar, if you can't use it at the time it's being produced, it has to go to other places," said Temchin, during a presentation to Sault city council on Jan. 23.

"With storage, you can produce solar energy, store it in the battery and then use it at night when there is no energy. So it has the benefit to shift usage."

Although Convergent's contract with the IESO is only for three years, Temchin said the system itself has a lifespan of between 10 and 20 years, and so there could be an opportunity to expand the project beyond the pilot.

But that decision would be up to the IESO, he added.

Pre-development work on the system was completed last October and construction is expected to be complete by April. The system will be operational by May.

With offices in New York and Toronto, Convergent currently has a handful of energy-storage projects across North America that are in progress or up and running.

The Sault Ste. Marie project will be one of the first such projects to be operational in Canada, Temchin noted.

He outlined the company's core principles as creating value that justifies the project's cost and fitting the technology to the project and the community.

"Convergent is not a technology company," he said. "We don't sell a branded system of battery or flywheel; we are technology-neutral. We try to find the best technology in the energy storage space and use them for the applications they're designed for."

In this case, the system is being supplied by General Electric. The highly secure system is fully sealed and will produce zero noise and zero emissions.

Temchin described it as a "very safe, very reliable system."

"Once commissioned, we will bring in the fire department to do a walk-through of the fire suppression system so they're up to date and go through best practices to address any emergency scenario that may arise," he said.

Perhaps the best part for the City of Sault Ste. Marie is that there is no cost to the community as host of the project.

In fact, Temchin estimates the Sault battery project will inject about $2 million into the city's economy, and a number of local companies have already been contracted for design, engineering and construction services, including STEM Engineering Group, WSP, S&T Group, N-Sci Technologies, and SalDan Construction Group.

Over the long term, the facility isn't expected to create much permanent employment, as Convergent monitors the system and dispatches the energy from a distance.

There will, however, be an opportunity for a local company to pick up the annual servicing contract for the duration of the three-year contract, Temchin said.

Yet, for a community that has billed itself the 'Alternative Energy Capital of North America,' an energy storage project is another feather in its cap.

"I think this project is a step in this direction," Temchin said. "It's going to be one of the first energy storage systems to be operational in Canada, and I think it will help people see how progressive Sault Ste. Marie is."

Back to Top

Industry News

Full Articles

Kelly McParland: Ontario Liberals get hit by their own hydro blame boomerang

National Post - Tue Apr 4 2017
Byline: Kelly McParland

If you're the energy minister in a province filled with angry voters seething at exorbitant electricity bills, the last thing you want is to find yourself asserting that the $4.85 million paid to one of the power companies' chief executives has nothing to do with the outrageous level of monthly charges.

But Glenn Thibeault wanted the job - he even quit the NDP to join Ontario's Liberal government - so there he was before the cameras, piously insisting (www.torontosun.com) that the rich pay package of Hydro One boss Mayo Schmidt was really just a pittance in the grand scheme of things.

"The salary of the CEO has nothing to do with the rates that we're seeing on our bills," Thibeault insisted. "The rates are set by the Ontario Energy Board, they're not set by the company."

Notice the clever reference to "our" bills, as in: "Hey, I live here as well. I'm stuck with the same pain for 14 years of Liberal mismanagement as you are."

OK, Mr. Minister, good try. Regrettably, Thibeault's timing was a bit unfortunate. This is the time of year when the annual Sunshine List is released - the tally of Ontario public employees earning $100,000 and above. And gee, who should top (news.nationalpost.com) the list? Is that Jeff Lyash's name we see up there? Why, yes it is: the chief executive of Ontario Power Generation, which produces the power that Hydro One delivers to Ontario businesses and households, made $1.2 million last year, beating out the 123,409 top-earning people on the public payroll for first place.

Related

Top earner made $1.2 million: Close to 8,000 more public-sector workers in Ontario making $100,000 or more (news.nationalpost.com)

Kathleen Wynne's $50 billion power spend on electricity adds up to little for Ontario ratepayers (business.financialpost.com)

Ontario knew about strong opposition to privatizing Hydro One for more than a year, but did it anyway (business.financialpost.com)

Together, that means the two utilities paid their bosses over $6 million last year. And Lyash could do even better next year, since OPG declined a request from Premier Kathleen Wynne to lower the cap it is willing to pay its CEO, which has been set at $3.8 million.

Why, you ask, is it necessary to pay so much to executives at companies that so antagonize the people they are meant to serve? Stop me if you've heard this before: it's because, says Thibeault, the government needs to ensure that qualified people are in charge.

"I get that it's concerning for people but really, if we were to look at taking all of the salaries away of all the executives, we wouldn't be addressing one cent on any one bill," Thibeault said.

Busy defending others, the minister may not have realized that he was inadvertently condemning his own government in the process. If the people running the power companies can't be blamed for all the waste, boondoggles and faulty decision-making that has pushed bills through the roof, then it follows that the Liberals must get credit for doing it all on their own.

This is not the message Wynne wishes to send as she gears up for next year's election. Hydro bills - everyone in Ontario still refers to the electricity system as if it were entirely based on hydro power - have become the No. 1 concern among voters, outpacing (www.theglobeandmail.com) all the usual worries about health care, taxes, education costs, etc. Wynne has scrambled to soothe the temper of frustrated consumers, offering up rebates, tax holidays and trite excuses about how, a decade and a half ago, the Liberals were left with an ageing system by the previous government.

The Liberals maintain the mess they inherited was so bad they had no choice but to spend heavily to repair the damage. Thibeault says (news.ontario.ca) it cost $35 billion in all. No, no, it was $50 billion, claims (news.ontario.ca) Wynne. Both appear to assume Ontarians will be impressed by the figure, failing to appreciate that many voters feel large parts of it has been wasteful and unnecessary. Like the failed "smart meter" program. The gas plants closed for electoral reasons. The billions in solar and wind installations that operate sporadically and produce power the province doesn't need. The egregious contracts with alternative-energy providers that saddle the province with decades of heavily-subsidized, high-price power. The exports sold at a loss to Americans.

How much does the waste add up to? No one can be certain. As much as $30 billion? That's not far off the $37 billion Auditor General Bonnie Lysyk calculates (www.thestar.com) Ontarians overpaid between 2006-2014.

Given such astronomical figures, Minister Thibeault is probably correct: even the most ridiculously overpaid power executives couldn't earn enough to put a dent in the total. You'd have to have thousands and thousands of power workers, all earning fat salaries, to make even the slightest impact.

Which, as it happens, we do: the 2016 Sunshine List is home to more than 7,600 OPG employees earning more than $100,000 a year, far more than any other employer spending public money. How many others could be found at Hydro One isn't known; only its top five earners are required to disclose their pay since Wynne began selling off chunks of the company to raise money for her cash-strapped government.

On Monday Thibeault sought to shift the spotlight, complaining that the opposition Progressive Conservatives refuse to reveal their policy plans. Tory leader Patrick Brown "doesn't want to do anything other than just ride into winning government in 2018. Government takes a lot of hard work. You've got to make tough decisions. He's continuing to take the easy way out on this," he complained.

And why not? If hard work and tough decisions are responsible for the calamity the Liberals have created, Brown is wise to stay well clear of it.

National Post

Back to Top

Ontario Power Generation janitor makes more than $100,000, nearly double his base salary

News - National Post - Tue Apr 4 2017
Byline: Daniel Melfi

Michael Osso is a janitor for Ontario Power Generation and, according to the Sunshine List, he took home a salary of $105,562.17 in 2016.

However, Osso's salary isn't quite as attainable as OPG would like to make it appear. It suggests that with the help of a couple of extra shifts and a healthy work ethic, anyone lucky enough to be within the OPG ranks can bring home the big bucks.

Upon further investigation, that is not exactly the case. "Osso is an OPG janitor who is also a trained and qualified radiation technician," said Neal Kelly, a spokesperson for OPG. "For parts of 2016 he was filling in in that role."

Related

Wynne tells OPG to come up with 'more reasonable' CEO salary than $3.8M maximum (news.nationalpost.com)

Top earner made $1.2 million: Close to 8,000 more public-sector workers in Ontario making $100,000 or more (news.nationalpost.com)

Ontario's Sunshine List 2017: All the ways you never thought you could make $100,000 a year (news.nationalpost.com)

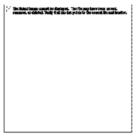
Osso nearly doubled his base salary of $54,000. "He earned additional income while working as a radiation technician and he earned that income with overtime pay, outage premiums and shift and weekend premiums," Kelly said.

According to OPG, radiation technicians spend their time performing safety checks, measuring safe radiation levels and a variety of other manual and administrative tasks.

Often shifts at OPG are 8, 10, or 12 hours, making overtime hours a frequent and attainable goal.

The Power Workers' Union would not comment on the subject.

Back to Top



Power restored to Billy Bishop Airport after waterfront outage

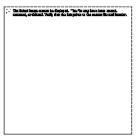
thestar.com - Tue Apr 4 2017
Byline: Evelyn Kwong

Power has been restored to Billy Bishop Airport and several buildings along the waterfront following an outage on Monday morning, Toronto Hydro confirms.

Around 10:30 a.m., crews were working to restore power to four buildings between York St. and Bathurst St. on Queens Quay and the Island airport, Toronto Hydro spokesperson Tori Gass told the Star.

During the outage, operations at Billy Bishop continued to run smoothly as the airport used its back-up generator.

Back to Top



MOE responds to Hardeman's comments about hydro

Ingersoll Times - Wed Apr 5 2017
Byline: Bruce Chessell
Page: A6

The Ministry of Energy (MOE) has responded to comments made by local Oxford MPP Ernie Hardeman.

Hardeman said he was unimpressed with the provincial Liberal governments proposed Fair Hydro Plan earlier this month, adding that it seemed the solution being proposed was to just defer costs for hydro to the future.

The proposed plan was introduced recently by the provincial liberal government and will give an average of five per cent off electricity bills for households, farms and small businesses.

In a statement provided to Postmedia, minister of energy Glenn Thibeault said the PCs have been eager to criticize the proposed hydro plan, but have no plan of their own or any ideas that would help lower electricity costs.

"While our plan provides substantial, wide-spread and long-lasting relief that will have an immediate impact on peoples'lives, MPP Hardeman and the PCs have yet to bring forward anything credible," Thibeault said. "One of their criticisms - halting the broadening of Hydro One - won't take one cent of electricity bills. And their push to rip up energy contracts would lead to increased rates, lawsuits and penalties."

Minister Thibeault also said through Ontario's Fair Hydro Plan this government is cutting electricity bills by 25 per cent on average for all families starting this summer, as well as about half a million farms and small businesses.

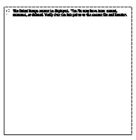
"It is the single largest rate reduction in the province's history, with rates also held to inflation for the next four years," he said. "Our plan is about real relief for Ontarians and a way to ensure greater fairness in our electricity system."

In an interview with Postmedia, Hardeman said that they have to look at the root cause as to why hydro prices are so high.

"One of the main ones is, of course, the Green Energy Act, which is putting a lot of the cost of the hydro that they're paying for and putting it into the global adjustment pot and trying to pay for it that way," Hardeman said. "If they don't look at how we got into this mess and solve that problem, obviously the mess is going to keep growing as time goes on."

According to the MOE, the Fair Hydro Plan will enhance low-income support (OESP) and some customers could see as much as a 40 to 50 per cent reduction in their electricity bill.

Back to Top



Leal, Scott spar over Roland's; Opposition MPP blames steakhouse closure on soaring hydro rates, but Leal says there were other factors

Peterborough Examiner - Wed Apr 5 2017 Page: A2

Two Peterborough MPP s squared off at Queen's Park on Monday over who is responsible for the upcoming closure of Roland's steakhouse on Highway 7 just east of the city.

The fine dining restaurant has been a Peterborough institution for nearly 60 years, founded in 1958 by Roland and Gertrude Rubman, and has been owned for the past 28 years by Peter and Brigitte Brugger.

The restaurant is closing April 15 after they accepted an offer from an unnamed developer buying the property.

Peter Brugger cited rising costs of electricity as a major factor in the decision to close - even though the kitchen uses natural gas to cook, hydro bills have doubled over the past two or three years, he told The Examiner last month.

Haliburton-Kawartha Lakes-Brock Progressive Conservative MPP Laurie Scott raised the issue during question period in the Ontario Legislature on Monday, questioning Peterborough MPP Jeff Leal, who is the minister of agriculture, food and rural affairs with responsibility for small business.

"Do you know what finally drove them to close their doors? The outrageous hydro costs resulting from this government's misguided policies," Scott told the legislature.

Scott said Brugger shared the hydro bills for Roland's with her and she said they had doubled in January from just a year earlier, despite spending $23,000 on new energy-efficient LED lighting.

"After seeing them, I'm not surprised why he was forced to shut down. Rising hydro costs are hurting the rural economy in our area and the government's poor excuse of a relief plan will do little to undo a decade of runaway increases."

Leal responded that there are other factors behind the closure besides the hydro bills, citing the recent openings of the Hobart's and The Keg steakhouses in Peterborough.

"The fact of the matter is, the owners, and I know them well, were offered a substantial amount of money to buy the property for commercial development.... There's going to be an extensive commercial development," Leal responded.

Leal's answer didn't satisfy Scott.

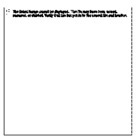
"This is a real business, real jobs lost because of the government's misguided policy decisions," Scott said.

"In the owner's own words, he saw no chance for survival."

The speaker of the legislature had to interrupt Scott's questions several times to warn several MPPs on both sides to stop heckling.

NOTE: Watch video of the exchange online at www.thepeterboroughexaminer.com.

Back to Top



A low-carbon Canadian economy: How to get there; With the reality of climate change, transforming how Canada produces energy must be an essential part of a low-carbon strategy

theglobeandmail.com - Tue Apr 4 2017, 5:40pm ET
Byline: Glen Hodgson

The worldwide transition toward a low-carbon economy is well under way. Ambitious international targets are in place and policies are being actively debated, developed and implemented step by step to make the transition. Many businesses and institutions - notably in Europe, China and North America - are reducing their greenhouse gas (GHG) footprint. The more innovative firms and governments are exploring new growth opportunities in this lower-carbon world. Yet, progress is uneven across sectors, regions and governments, and the 180-degree turn in U.S. climate policy under Donald Trump risks slippage from the steps already taken.

In Canada (www.conferenceboard.ca) , too, progress has been made, but it remains uneven. Initial steps have been taken, including the signing of a pan-Canadian framework that the federal and most provincial governments are now working to implement. But overarching policy is still a work in progress. I recently authored a study for the Conference Board of Canada, titled Shaping the Canadian Low-Carbon Economy (www.conferenceboard.ca) , which develops an overall framework for defining the low-carbon economy and understanding the policies required to make material progress.

We identify four cornerstones of the low-carbon economy and the policies and practices needed to achieve it. The first two cornerstones are energy consumption and its complement, energy efficiency. The third cornerstone is the supply of energy and related technology, goods and services, and the fourth is the low-carbon business opportunity.

If Canada is to constrain and then reduce its GHG emissions, Canadians will need to change how and why we use energy in vehicles, public transportation, buildings and infrastructure. Energy consumption will need to shift progressively toward electricity in many areas, even though new low-carbon electricity may not be cheap and would require greater reliance on renewable sources.

Energy production plays a fundamental and central role in the growth of Canada's economy, and will do so for decades to come. Global demand for oil (www.conferenceboard.ca) and gas (www.conferenceboard.ca) is still on the rise; it would be foolish to neglect the energy production sector and its many supporting sectors such as energy distribution and construction.

Yet with the reality of climate change, transforming how Canada produces energy must be an essential part of a low-carbon strategy. Doing so in the smartest way possible presents a formidable technical, business and policy challenge, but also an enormous opportunity. For example, greening Canadian electricity production and adding supply to electrify the economy will require huge investment in electro-technologies. The business dimension is equally crucial. Firms will adopt a mix of strategies to reduce carbon emissions across their value chains, but some will also seize business opportunities from engaging in the clean-technology value chain for innovative low-carbon goods and services.

An array of policy tools will need to be developed and enhanced to help guide the low-carbon transition.

Carbon pricing: A carbon price is an anchor policy. It creates incentives for consumers and businesses to reduce the consumption and production of hydrocarbons and GHG emissions, with a lower impact on economic output than relying solely on regulations. In addition to developing effective carbon-pricing policies, revenues will need to be used wisely to sustain public support and offset negative economic impacts.

Standards and regulations: Regulations and standards are a complement to carbon pricing. For example, best-in-class building codes, construction methods, urban design and emissions standards for vehicles can be more effective in achieving lower future GHG emissions than relying on carbon pricing alone.

Public spending and investment: Government spending touches all four low-carbon cornerstones. Seeking ways to reduce GHG emissions should be a mandatory criterion when creating strategies and evaluating proposals for government spending. Governments can also play a central role in making green financing available to firms and for infrastructure investment (www.conferenceboard.ca) , to encourage the development and adoption of low-carbon technologies and methods.

Low-carbon government procurement: Governments are significant purchasers of goods and services. Procurement policies and practices should include criteria aimed at reducing GHG emissions.

Carbon credits and other policy tools: To hit emission targets, Canada and its provinces could purchase carbon credits from other jurisdictions (such as California) that have made greater advancement in building a low-carbon policy framework.

A successful strategy would articulate how the Canadian economy will transform toward low carbon while sustaining sufficient economic growth, with broad buy-in by consumers and businesses.

In short, the advancing low-carbon agenda will be complex, demanding, risky, and create opportunities for societal and business transformation - all at once.

Glen Hodgson is senior fellow at the Conference Board of Canada.

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Back to Top