

May 17, 2016

BY COURIER (2 COPIES) AND RESS

Ms. Kirsten Walli

Board Secretary

Ontario Energy Board

2300 Yonge Street, Suite 2700, P.O. Box 2319

Toronto, Ontario M4P 1E4

Dear Ms. Walli:

Re: EB-2016-0004 – Natural Gas Community Expansion

We are writing on behalf of Environmental Defence regarding the schedule for submissions in the above proceeding. It is our understanding that Ontario's Climate Change Action Plan will be released very shortly and that the current draft contains information that is highly relevant to this generic hearing. Environmental Defence therefore requests that the first round of submissions in this proceeding be set for one week following the release of the Climate Change Action Plan so that the parties can make submissions on its impact.

The Globe and Mail states that it has obtained a copy of the draft Climate Change Action Plan (see attached article). Based on this report, the draft plan contains numerous provisions that would be highly relevant to this proceeding. For example, the draft plan apparently provides for a phasing out of natural gas for heating. The Board is considering whether to allow a subsidy for natural gas expansion. The appropriateness of a subsidy to expand natural gas is put into question by plans by the Ontario government to subsidize Ontarians to do the opposite (i.e. convert away from natural gas).

As reported in the Globe and Mail, the current plan also refers to "\$3.8 billion for new grants, rebates and other subsidies to retrofit buildings, and move them off natural gas and onto geothermal, solar power or other forms of electric heat." Plans to subsidize alternatives to natural gas are relevant to the Board's decision on whether to provide a subsidy for gas expansion. Furthermore, the Board may receive some comfort in knowing that a municipality will be able to lower its energy costs even if it does not meet Board criteria for natural gas expansion because it can take advantage of these new grants, rebates, and subsidies for renewable options such as geothermal.

The draft plan also speaks of prohibiting new homes from being heated by natural gas by 2030. This could impact the economics and potential financial benefits of natural gas expansion.

At the moment, we can only speculate on the content of the final Climate Change Action Plan. However, there is a strong indication that this plan will be relevant to the generic hearing issues, such as whether a subsidy for uneconomic projects is justified, and if yes, the criteria that should be required for such a subsidy. We therefore respectfully request that submissions be due following the release of the Climate Change Action Plan so that the parties will have an opportunity to make submissions on these important issues.

Yours truly,



Kent Elson

encl.

cc: Intervenors

May 16, 2016

Ontario to spend \$7-billion on sweeping climate change plan

By ADRIAN MORROW And GREG KEENAN

Ontario's \$7-billion bid to slash carbon footprint will affect every aspect of life in province while disrupting auto and energy sectors

Read more: *Full details of the incentives and costs of the Ontario government's Climate Change Action Plan*¹

The Ontario government will spend more than \$7-billion over four years on a sweeping climate change plan that will affect every aspect of life – from what people drive to how they heat their homes and workplaces – in a bid to slash the province's carbon footprint.

Ontario will begin phasing out natural gas for heating, provide incentives to retrofit buildings and give rebates to drivers who buy electric vehicles. It will also require that gasoline sold in the province contain less carbon, bring in building code rules requiring all new homes by 2030 to be heated with electricity or geothermal systems, and set a target for 12 per cent of all new vehicle sales to be electric by 2025.

While such policies are likely to be popular with ecoconscious voters, who will now receive government help to green their lives, they are certain to cause mass disruption for the province's automotive and energy sectors, which will have to make significant changes to the way they do business. And they have already created tension within the government between Environment Minister Glen Murray and some of his fellow ministers who worry he is going too far.

The 57-page Climate Change Action Plan was debated by Premier Kathleen Wynne's cabinet Wednesday and subsequently obtained by The Globe and Mail. Stamped "Cabinet Confidential," the document lays out a strategy from 2017 to 2021. It contains about 80 different policies, grouped into 32 different "actions." Each action has a price tag attached to it, as well as an estimate of the amount of emissions it will cut by 2020.

The Globe had previously uncovered details of the plan, but this is the first time the full blueprint has been revealed. The strategy is scheduled to be further reviewed by cabinet ministers and fine-tuned, sources said, with public release slated for June.

The many new programs will be paid for out of revenue from the province's upcoming cap-and-trade system, which is expected to be approved by the legislature this week and come into effect at the start of next year. Together, the cap-and-trade system and the action plan are the backbone of the province's strategy to cut emissions to 15 per cent below 1990 levels by 2020, 37 per cent by 2030 and 80 per cent by 2050.

"We are on the cusp of a once-in-a-lifetime transformation. It's a transformation of how we look at our planet and the impact we have on it," reads a preamble to the plan signed by Ms. Wynne. "It's a transformation that will forever change how we live, work, play and move."

Highlights include:

- \$3.8-billion for new grants, rebates and other subsidies to retrofit buildings, and move them off natural gas and onto geothermal, solar power or other forms of electric heat. Many of these programs will be administered by a new Green Bank, modelled on a similar agency in New York State, to provide financing for solar and geothermal projects.
- New building code rules that will require all homes and small buildings built in 2030 or later to be heated without using fossil fuels, such as natural gas. This will be expanded to all buildings before 2050. Other building code changes will require major renovations to include energy-efficiency measures. All homes will also have to

undergo an energy-efficiency audit before they are sold.

- \$285-million for electric vehicle incentives. These include a rebate of up to \$14,000 for every electric vehicle purchased; up to \$1,000 to install home charging; taking the provincial portion of the HST off electric vehicle sales; an extra subsidy program for low- and moderate-income households to get older cars off the road and replace them with electric; and free overnight electricity for charging electric vehicles. The province will also build more charging stations at government buildings, including LCBO outlets, and consider making electrical vehicle plug-ins mandatory on all new buildings. The plan sets targets of expanding electric vehicle sales to 5 per cent of all vehicles sold by 2020, up to 12 per cent by 2025, and aiming to get an electric or hybrid vehicle in every multivehicle driveway by 2024, a total of about 1.7 million cars.
- New lower-carbon fuel standards would require all liquid transportation fuels, such as gasoline and diesel, to slash life-cycle carbon emissions by 5 per cent by 2020. The plan will also provide \$176-million in incentives to fuel retailers to sell more biodiesel and 85-per-cent ethanol blend. The government will also oblige natural gas to contain more renewable content, such as gas from agriculture and waste products.
- \$280-million to help school boards buy electric buses and trucking companies switch to lower-carbon trucks, including by building more liquid natural gas fuelling stations.
- \$354-million toward the GO regional rail network.
- \$200-million to build more cycling infrastructure, including curb-separated bike lanes and bike parking at GO stations.
- \$375-million for research and development into new clean technologies, including \$140-million for a Global Centre for Low-Carbon Mobility at an Ontario university or college to develop electric and other low-carbon vehicle technology.
- \$1.2-billion to help factories and other industrial businesses cut emissions, such as by buying more energy-efficient machines.
- \$174-million to make the government carbon neutral. This will include retrofitting buildings, allowing some bureaucrats to work from home and buying carbon offsets.

The actions expected to cause the largest emissions cuts by 2020 are moving buildings and the electricity system off natural gas (three million tonnes); programs to make industry more energy efficient (2.5 million tonnes); the low-carbon fuel standard (two million tonnes); the renewable content requirement for natural gas (one million tonnes); and switching trucks and buses to liquefied natural gas and electricity (400,000 tonnes.)

Cutting natural gas, which currently provides 76 per cent of heating, will require mass adoption of green technologies in buildings across the province. The plan lists geothermal systems, air heat pumps and rooftop solar panels as technologies that will be eligible for rebates. It could also require an expansion of the electricity grid. The plan promises, however, to subsidize any increased electricity costs for homeowners.

The electric vehicle targets represent a sea change for the province's \$16-billion auto sector. The 2025 goal would boost to about 86,000 the number of annual electric vehicle sales, more than 20 times the number of electric vehicles sold in the province so far this century.

Already, the plan is causing tension within government, pitting Mr. Murray against Energy Minister Bob Chiarelli and Economic Development Minister Brad Duguid. Mr. Murray's colleagues, sources said, complained that he often did not bother to consult with other ministers as he drafted the strategy, and ignored their advice when he did.

Energy officials were particularly concerned about the new Green Bank, contending its functions could be handled by the Independent Electricity System Operator, sources said. Mr. Duguid, meanwhile, was worried about the effect on the auto sector. Mr. Murray also aggravated colleagues with an Economic Club speech last month, in which he chastised auto companies for not doing enough to fight climate change and mused about closing down the province's nuclear power plants.

The behind-the-scenes battle played out at a meeting of cabinet ministers involved in the climate file two weeks ago, when Mr. Chiarelli and others confronted Mr. Murray with their complaints, sources said. After The Globe subsequently revealed the clash, all parties have tried to play it down.

"We're working very well together. I'm very excited about it. We have a very, very good strong team and we've worked very hard for two years," Mr. Murray said last week.

Mr. Chiarelli, for his part, acknowledged there had been "debate" at Wednesday's cabinet meeting, but said it ended with "100 per cent consensus" on the climate plan.

"We have a normal amount of debate on this issue," he said. "If you were to get a leak on every cabinet meeting, you would find out, you know, that there's a good airing of points of view on issues."

Asked if Mr. Murray had to change or water down the plan to get cabinet buy-in, Mr. Chiarelli cracked a grin.

"You know what? I'd be breaking my oath if I told you that," he said. "You know that."

References

1. www.theglobeandmail.com/news/national/ontarios-climate-change-action-plan-heres-how-the-spending-breaks-down/article30029123/%3bjsessionid=2typx5qwytm34xpm13jy94crmmmfrzqlq8vzjlnyvjdkgrmyns8!-619412960/?ts=160516051842&ord=1

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