

Elson Advocacy

May 24, 2022

BY RESS

Ms. Nancy Marconi

Registrar

Ontario Energy Board

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

Toronto, Ontario M4P 1E4

Dear Ms. Marconi:

Re: EB-2022-0072 – Consultation to Review Annual Update to Five-Year Natural Gas Supply Plan of Enbridge Gas Inc.

I am writing on behalf of Environmental Defence to provide comments on the 2022 gas supply plan update.

As outlined below, Environmental Defence has three primary comments. First, Enbridge should provide details in its pre-filed evidence for its rebasing application on issues that interact with gas supply planning and gas supply costs, including those specific details discussed during the stakeholder day. Second, we request that Enbridge not engage in any marketing related to so-called Responsibly Sourced Gas (“RSG”) as these certifications do not result in non-trivial improvements and there is a high likelihood that marketing would mislead customers to believe the contrary is true. Third, Enbridge’s short-term and long-term gas demand forecasting are inconsistent with legislated carbon targets and the mandatory plans created thereunder. Enbridge should explain in more detail how adjusted forecasting would change its gas supply plans and impact costs for customers.

Pre-Filed Evidence at Rebasing

Enbridge should provide details in its pre-filed evidence for its rebasing application on issues that interact with gas supply planning and gas supply costs, including those specific details discussed during the stakeholder day. Enbridge’s rebasing application will determine important issues that will have significant gas supply implications, such as setting design day assumptions. It will be much more efficient if Enbridge includes sufficient detail in its pre-filed evidence on these topics. Doing so will avoid the need for interrogatories. Also, questions that would have been asked at a technical conference can instead be asked as interrogatories. Overall, it will result in a more efficient process and a better record for decision-making.

The specific information requests are as follows:

- **Design day**
 - Please provide an estimate of the order-of-magnitude cost from a gas supply perspective of the increase in forecast demand specifically arising from the proposed change in design day assumptions (e.g., increased capacity costs); and
 - Please provide a comparison of, not only the design day methodologies, but also the design day assumptions, between Ontario and comparable jurisdictions (e.g., Vermont).
- **2% threshold**
 - Enbridge uses a 2% rule-of-thumb to determine what magnitude of supply deficit can be met with less-firm supply options. As the Enbridge and Union practices are harmonized, please analyze the appropriateness of 2% and consider an increase. Please also determine whether other jurisdictions have a higher threshold and provide details such as why it is higher and the specific assumptions used. This is important because a higher threshold, if it is safe, could reduce customer costs significantly by avoiding the purchase of more expensive firm capacity options.
- **Marginal supply costs**
 - Please provide the marginal capacity costs (TJ/d) for the various rate zones to assist in an understanding of the impact of various factors, including design day changes.

Responsibly Sourced Gas

Enbridge plans to purchase so-called “Responsibly Sourced Gas” but at no extra cost to customers. Environmental Defence requests that Enbridge not undertake any marketing of its RSG purchases as this would likely mislead its customers and constitute “green washing.”

RSG marketing is likely to mislead customers because the term “Responsibly Sourced Gas” sounds much better and more meaningful than is actually the case. In fact, RSG certifications have the following flaws:

- **No improvements required:** RSG certifications do not require suppliers to invest additional time or funds into improving their processes with respect to the environmental impact or any other aspect of their business. Therefore, certification cannot be said to actually result in any measureable carbon reductions or behaviour improvements. Instead, it simply reflects pre-existing differences in extraction practices.
- **Non-stringent criteria:** RSG certifications do not include stringent criteria, particularly when it comes to the environment. For instance, MiQ provides different grades for different levels of carbon emitted during extraction. However, gas with an “F” grade is nevertheless still “certified.”

- **Carbon-intense:** The only responsibly sourced gas is gas that is sourced from bio-waste (renewable natural gas) or electrolysis (green hydrogen). Fossil gas is never responsibly sourced because it remains a fossil fuel with a high carbon footprint when burned. Fossil gas contributes roughly one-third of Ontario’s carbon emissions. This would remain exactly the same even if 100% of that gas was so-called RSG as there would be no impact on the carbon arising from combustion.
- **No investments in improvements:** The limitations of RSG are highlighted by its extremely low cost. Enbridge is planning to purchase RSG for *no* incremental cost. Enbridge will be getting what it pays for – nothing.

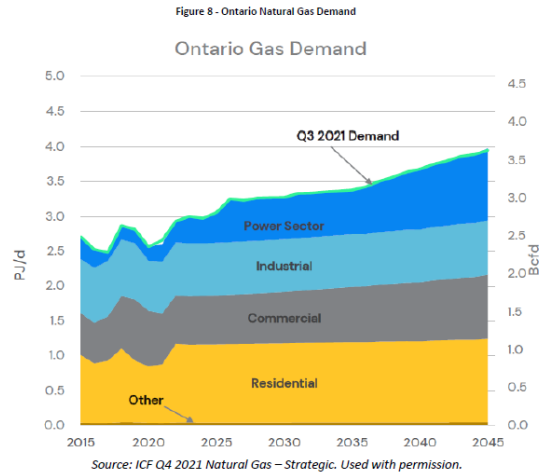
RSG does provide some transparency into the carbon intensity of extraction and other factors. However, this transparency likely will not actually translate into non-trivial carbon reductions. In theory, it could be possible that companies like Enbridge will prefer gas with better certifications, and that this will add an incentive for producers to improve their practices. However, markets for gas are large, and therefore a very large proportion of buyers would need to prefer RSG. This is unlikely if the incremental cost rises above zero by a non-trivial degree, which would be necessary for there to be a non-trivial price signal.

Furthermore, RSG could backfire by misleading customers into thinking that their gas supply is cleaner than it truly is. If even a portion of customers think that gas is “responsible,” they will be less inclined to invest in energy efficiency or electrification to reduce their consumption. To help reduce this negative consequence, Enbridge should refrain from producing and distributing marketing materials touting its RSG purchases.

Impacts of Forecasting Variances

Enbridge’s short-term and long-term gas demand forecasting are inconsistent with legislated carbon targets and the mandatory plans created thereunder. Enbridge should explain how adjusted forecasting would change its gas supply plans and impact costs for customers, both in its reply submissions and in more detail in its next gas supply plan update.

Enbridge’s short-term gas supply forecast did not take into account the planned increases in carbon pricing. More importantly, the long-term forecast underlying its application is inconsistent with legislated climate targets and plans. This long-term forecast is shown below:



Canada’s 2030 Emissions Reduction Plan includes a target for carbon emissions associated with buildings to decline by 41% by 2030 from 2019 levels (to 53 CO₂e from 91 CO₂e).¹ It targets a 22% reduction by 2026 from 2019 levels (to 71 CO₂e from 91 CO₂e).² This plan has formal legal status under s. 9 of the *Canadian Net-Zero Emissions Accountability Act* in relation to the legally binding targets under that Act.³ Canada has committed to net-zero emissions from electricity generation by 2035. This is also enshrined in its 2030 Emissions Reduction Plan.

This raises two issues for gas supply planning:

1. How would Enbridge’s gas supply planning change if it were to be consistent with Canada’s legislated targets and plan?
2. What is the cost difference between the existing plan and one that is consistent with the legislated targets (e.g., due to capacity purchases, changes in the mix of long- versus short-term contracts, etc.)?

Enbridge provided some additional detail in its “waterfall” figure, which was helpful. However, significant questions remain. Environmental Defence asks that Enbridge provide additional details, including a narrative explanation as well as adjusting the waterfall figure, to fully explain how peak design day demand is met.

Conclusion

Environmental Defence is not expressing in this letter a view on the gas supply plan or Enbridge’s overall forecasting methodologies as those issues will not be adjudicated in this proceeding. We have kept this letter to specific requests for information, consistent with the scope and framework of this gas supply plan consultation. Needless to say, Environmental

¹ <https://www.canada.ca/en/environment-climate-change/news/2022/03/2030-emissions-reduction-plan--canadas-next-steps-for-clean-air-and-a-strong-economy.html>

² *Ibid.*

³ *Canadian Net-Zero Emissions Accountability Act*, s. 9.

Defence has major concerns with a variety of issues associated with continued status quo fossil gas forecasting and planning based thereon, which will be addressed elsewhere.

Yours truly,

A handwritten signature in blue ink, appearing to read 'K. Elson', with a stylized, cursive script.

Kent Elson