



October 11, 2001

Axor

BC Hydro

BP Canada
Energy
Company

Benign
Energy
Canada Inc.

Dofasco

Enbridge

Federation of
Canadian
Municipalities
(FCM)

Friends of
Earth (FOE)

International
Institute for
Sustainable
Development
(IISD)

Ontario Power
Generation

Pembina
Institute

Pollution
Probe

Shell Canada
Limited

Suncor
Energy Inc.

Toronto
Environmental
Alliance (TEA)

Toronto Hydro

TransAlta

WestCoast
-

Hon. Paul Martin, M.P.
Minister of Finance
Minister's Office – L'Esplanade Laurier
140 O'Connor Street
OTTAWA, ON K1A 0G5

Dear Minister Martin,

On behalf of the Clean Air Renewable Energy Coalition, we wish to submit the following proposal for your consideration for your next budget. As the listing of names to the left suggests, we are a broad coalition of companies, environmental groups and other organizations who have come together for the single purpose of advancing the development of low-impact renewable energy technologies and specifically "green power".

Projections suggest that renewable energy sources and technologies could meet up to 50% of the world's energy needs by 2050. Canada, however, currently lags behind Denmark, Germany, several U.S. states, the United Kingdom, the Netherlands, Ireland, Japan and Australia in the deployment and commercialization of low-impact renewable technologies and the realization of attendant technological advancement benefits.

In these recent days of heightened security concerns, low-impact renewables like solar, wind, geo-thermal and micro/mini-hydro technologies are those we need the most to diversify our energy sources and to protect and enhance our natural environment and public health. They are, however, the least well understood and the least well financed, thereby suffering from low demand, high costs and marginal economics.

For some time now, the Clean Air Renewable Energy Coalition, has been advocating for significant government action to support renewable energy beginning in the 2002 Budget. As an initial step, we are requesting that the federal government implement the following short-term "no regrets" measures in the 2002 Federal Budget:

- **increase the demand for "green power" by providing consumers with a Consumer Green Energy Credit to cover a portion of the premium cost associated with the purchase of green power from electricity providers;**
- **support the supply of low impact renewable energy technologies by providing a broader Canadian Renewable and Conservation Expense (CRCE) treatment, an investment Tax Credit (ITC) under the Income Tax Act on capital costs or a Production Tax Credit (PTC).**

A short backgrounder and briefing note on these proposals is attached for your information. **We do consider it critical to introduce both measures at the same time due to the fact that any sustainable kick start of the industry requires broad based demand initiatives to engage consumers in the choice as well as supply support.**

We strongly believe that increased production and use of low-impact renewable energy must be central to any national plan to address climate change and other pressing air pollution problems. Just as importantly, we believe these energy sources present a tremendous economic opportunity for Canada as the global marketplace for renewable energy technologies is expanding exponentially, as well as an opportunity to build towards energy diversification and sustainability.

These measures would provide a solid foundation for the establishment of a domestic renewable industry until there is a change in the prevailing culture of capital markets and large capital pools towards risk and innovation and until there is a domestic greenhouse gas (GHG) emission trading system in place. An emission trading system may be expected in 2005 and is significant to the renewable industry in that consumers and companies will be able to monetize the value of GHG reductions resulting from these projects thereby leveling the playing field with conventional energy production.

It is calculated that some 2 years are required to achieve infrastructure, economies of scale and administrative management and information systems in the renewables industry. We need to begin now to improve the demand and access to markets for renewable energy in Canada in order to preserve our opportunity to lead, rather than trail, this technological change.

Government policies and programs to support the emergence of the renewable industry in Canada represent an opportunity to realize the benefits of capital investment, regional creation of jobs, and related technology advancements, while cleaning our air and improving the health of children and other vulnerable Canadians. They also establish a foundation for energy source diversification with important climate change co-benefits to enable us to achieve our international obligations.

We are asking for your personal support and that of your government to include reference to these market mechanisms in your Federal 2002 Budget that invest in the future and kick start the domestic renewable energy industry. We believe the mechanisms proposed above would go a considerable distance to remove the impediments to innovation and growth of these technologies.

Yours sincerely,

CLEAN AIR RENEWABLE ENERGY COALITION



Mr. Richard L. George
President and CEO
Suncor Energy Inc.



Mr. David Pollock
Executive Director
Pembina Institute for Appropriate
Development

Encl.

cc: All Ministers sitting on the Economic Union Cabinet Committee (CCEU)
The Honourable Robert Nault
The Honourable Herb Gray
The Honourable Lucienne Robillard