Clean Air Renewable Energy Coalition

Thursday May 16, 2002

Dear JMM Ministers:

We are writing to urge you to make clear commitments on behalf of your respective governments to enhance the deployment and commercialization of low-impact renewable energy technologies at the joint meeting of federal, provincial and territorial Energy and Environment Ministers in Charlottetown on May 21.

The Clean Air Renewable Energy Coalition wishes to congratulate the Government of Canada for its leadership in advancing the market for low-impact renewable energy. We are pleased with the federal commitment to purchase 20% of its electricity needs from low-impact renewable energy. We are also pleased with the announcements in the December 2001 budget, which include a Wind Power Production Incentive (WPPI) and an expansion of the definition for hydroelectricity in the accelerated tax depreciation schedule (i.e. CCA Class 43.1). Finally, we believe that the Market Incentive Program for distributors of emerging renewable electricity sources could provide an important element for marketing renewable energy.

We are writing to federal, provincial and territorial Ministers today because we want to ensure that all governments help to advance low-impact renewable energy in Canada today. We propose joint federal, provincial and territorial government efforts in developing the following four recommendations:

- Increase the value of the WPPI to 2.4¢/kwh to ensure appropriate investment in wind energy.
- Expand incentives to include other renewable resources such as on-grid and distributed generation solar photovoltaics, sustainable biomass, wave and tidal energy, and low-impact hydroelectricity.
- Include renewable energy in the definition of eligible offsets within any Domestic Emission Trading regime developed in Canada.
- Expand the Market Incentive Program funding to provide a broader-based Consumer Green Energy Rebate and Education program.

These proposals are discussed in more detail below.

Proposals:

We propose that the federal, provincial and territorial governments work together to increase the WPPI to 2.4¢/kwh after tax to ensure appropriate investment in wind energy.

Currently the WPPI has a market value after tax of 0.6¢/kwh, however the Clean Air Renewable Energy Coalition has determined that the additional cost of production for wind currently ranges between 2-6.4¢/kwh on average. The federal, provincial and territorial governments should expand the WPPI to better reflect the necessary incentive and to harmonize with the US wind energy production tax credit, currently valued at approximately 2.7¢/kwh. There is an effective WPPI mechanism in the rules, which would ensure that if a particular wind farm has a lower green premium cost than the WPPI, the incentive would not apply.

We propose that additional federal, provincial and territorial incentives be developed on an ongoing basis to encourage other renewable resources such as on-grid and distributed generation solar photovoltaics, sustainable biomass, wave and tidal technology and low-impact hydroelectricity, among others.

The WPPI targets wind specifically, we would like to see the WPPI enhanced. We believe that the federal government should encourage the development of a variety of low-impact renewable energy resources through incentives that would contribute toward the growth of our economy and reduction in emissions (i.e., both greenhouse gases and other air pollution emissions).

Additionally, our governments would do well to emulate incentives offered by the US Federal and State governments in the field of renewable energy. The most recent comprehensive renewable energy bill passed by the US Senate provides important direction for our jurisdictions. Bill S. 517 introduced a federal renewable energy portfolio standard (RPS), a five-year extension of the wind energy production tax credit and will create a new investment tax credit for small wind systems used to power homes, farms, and small business. The RPS stipulates an additional 1% of the US's electricity to come from new renewable energy sources by 2005 with increases each year to a target of 10% of the electricity supply by 2020. To ensure that our own Canadian commitments are consistent and harmonize with the US, we are urging the federal, provincial and territorial governments to support Bill S.517 and develop strategies within their jurisdictions, to remove transmission barriers and incent renewable energy through market-based policies or RPSs and net metering.

The Government of Canada should ensure appropriate consideration for renewable energy in the definition of eligible offsets within any Domestic Emission Trading regime.

Under Option 4 of the federal government's *Discussion Paper on Canada's Contribution to Addressing Climate Change*, renewable energy should be considered as an eligible source of "offsets" for purchase by those companies participating in the domestic emissions trading regime. In this context, they could be part of the other eligible sectors identified including agriculture, forestry and municipalities.

We propose the governments expand the Market Incentive Program funding to provide a broader-based Consumer Green Energy Rebate and Education program.

Increasing consumer demand for renewable energy is a critical part of the equation for sustainable expansion of renewable energy in Canada. The current federal Market Incentive Program is a very limited $25 million program over 4 years. However, the concept to support retailer's costs of educating consumers and providing rebates to enhance renewable energy marketing can be a very effective tool to increase demand for renewables, thereby creating the environment to sustain development of supply. The provinces and territories could also consider using this approach to augment the credit to incent regional development and energy diversification.

We appreciate the opportunity to provide you with our thoughts. We have provided additional background information on possible wind farm developments in Canada, wind power premiums and installed wind capacity. If you or any of your officials have any questions, please feel free to contact us.

Sincerely,

Richard George
President and CEO
Suncor Energy Inc.

David Pollock
Executive Director
Pembina Institute for Appropriate Development