

Clean Air Renewable Energy Coalition

Written Submission to the
National Stakeholder Workshops 2002

From the
Clean Air Renewable Energy Coalition

June 24, 2002

The Clean Air Renewable Energy Coalition is pleased to make this submission to the National Stakeholder Workshops of 2002. The Coalition represents an important multi-stakeholder partnership of business, ENGOs and municipal governments formed in December 2000 (the membership list of the Coalition is found listed at the bottom of each page). Together, we are a new voice calling for policy changes to support Canada's renewable energy industry.

We are writing to urge the federal, provincial and territorial governments to enhance the deployment and commercialization of Renewable Energy¹ technologies as part of Canada's contribution to addressing climate change.

In this light, the Coalition is responding for the most part to Focus Question # 2b of the Focus Questions on the federal Discussion Paper, i.e., Which Targeted Measures (TM) and or type of policy instruments are most relevant to your province/territory and sectors? We are also making a comment about Question # 2a on a Domestic Emission Trading System.

The Clean Air Renewable Energy Coalition wishes to congratulate the Government of Canada for its leadership in advancing the market for Renewable Energy. We are pleased with the federal commitment to purchase 20% of its electricity needs from 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 want to ensure that all governments help to advance Renewable Energy in Canada today. We propose joint federal, provincial and territorial government efforts in developing the following five recommendations:

- Increase the value of the WPPI to approximately 2.7¢/kwh (after tax, escalating) to ensure appropriate investment in wind energy and to match the United States Production Tax Credit equivalent.
- 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.
- Establish a new federal government-funded wind mapping initiative.

These proposals are discussed in more detail below.

¹ Renewable Energy includes power generated from the following sources, photo-voltaic power generation, wind power generation, low impact hydro-electric generation, wave power generation, tidal power generation, low emission biomass power generation.

Proposals:

We propose that the federal, provincial and territorial governments work together to increase the WPPI to approximately 2.7¢/kwh (after tax, escalating) to ensure appropriate investment in wind energy and to match the United States Production Tax Credit equivalent.

Currently the WPPI has a market value after tax of 0.6¢/kwh². However, the Clean Air Renewable Energy Coalition has determined that the additional cost of production for wind currently ranges between 2.0 - 6.4¢/kwh on average (see attached Economics of Wind slide package). 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¢/kwh³. 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 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 U.S. Federal and State governments in the field of renewable energy. The most recent comprehensive renewable energy bill passed by the U.S. 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 U.S.'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 U.S., we are urging the federal, provincial and territorial governments to support Bill S.517 and develop strategies within their own jurisdictions to remove transmission barriers and incent renewable energy through market-based policies or Renewable Portfolio Standards ("RPS") 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.

² WPPI value is 1¢/kwh x (1 - est. tax rate of 40%).

³ This assumes an exchange rate of 0.64 US dollars per Canadian dollar.

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 recommend the establishment of a new federal government-funded wind mapping and measurement initiative.

i) Wind Mapping: Establishing a new federal government-funded wind mapping initiative consistent with the quality of the U.S. wind mapping to determine the best wind resources across Canada from various sources could enable the provinces to appreciate their regional potential relative to other Canadian and U.S. resources.

See an example of the wind mapping done by BC Hydro at: http://www.bchydro.com/power_future/green/wind_mapping.html. An illustration of the wind mapping initiative in the U.S. can be found at: <http://www.windpowermaps.org/default.asp>

ii) Wind Measurement: Improve the operations, maintenance, data integrity and archiving of existing Atmospheric Environmental Stations ("AES") for wind measurement and increase the number of AES locations across the country.