



CANADIAN COUNCIL ON  
RENEWABLE ELECTRICITY  
CONSEIL CANADIEN SUR  
L'ÉLECTRICITÉ RENOUVELABLE

Honourable Catherine McKenna, Minister of Environment & Climate Change  
Honourable James Carr, Minister of Natural Resources  
Transmitted electronically to: [catherine.mckenna@canada.ca](mailto:catherine.mckenna@canada.ca) and [jim.carr@canada.ca](mailto:jim.carr@canada.ca)

19 March, 2018

Dear Minister McKenna and Minister Carr,

**RE: Aligning Action on Non-Emitting Electricity with Canada's Climate Change Commitments**

The Canadian Council on Renewable Electricity (CanCORE) was established to educate and engage Canadians about the opportunity to expand the production and use of renewable electricity across the country and now also works to develop coordinated positions with respect to relevant policies and measures under the Pan Canadian Framework on Clean Growth & Climate Change (“the Framework”). CanCORE represents the aligned interests of four major renewable power providers in Canada: the Canadian Hydropower Association (CHA), the Canadian Wind Energy Association (CANWEA), the Canadian Solar Industry Association (CanSIA) and Marine Renewables Canada (MRC). Our overarching goal is to ensure that Canada moves towards a virtually 100% non-carbon emitting grid by mid-century, so as to help ensure that Canada can meet its climate change and non-emitting electricity commitments for 2030 and beyond.

The Framework creates a national plan to reduce the amount and emissions intensity of the energy that we use toward a targeted reduction in greenhouse gas emissions of 30% by 2030 from 2005 levels. Achieving the Federal Government's commitment to 90% non-emitting electricity by 2030 is a critical factor of success for this plan. CanCORE lauds this Federal Government's collaborative approach to convening the provinces and territories and the many early actions taken that are positioning Canada for clean growth and climate action.

We believe that the federal government is developing a potential policy architecture that should help Canada reach these non-emitting targets. The initiatives related to greenhouse gas emission regulations on electricity, the Clean Fuel Standard and carbon back stop pricing represent an important opportunity to build a foundation for the development of an effective, long term plan to promote a sustainable non-emitting electric generation system throughout Canada. We very much appreciate the transparency and consultative manner with outside constituencies by which the federal government is developing these and other relevant policies and measures under the Framework.

We are writing, however, to clearly state that unambiguous signals are required for GHG emission regulations, the Clean Fuel Standard and the back stop carbon price if Canada is to have any chance of meeting its non-emitting electricity targets and its international climate obligations. **The National Energy Board currently forecasts (Canada's Energy Future 2017: Reference Case) that the share of electricity generation from non-emitting sources will increase from 80% to 81% between 2016 and**

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**2040, while the share from natural gas will increase from 10% to 18%% during that same period.**

In this context, we have provided a series of submissions expressing our growing concern with the apparent gap between the regulations and carbon pricing designs being proposed and the government's targets relevant to those measures. Each action in isolation will have a minor impact. However, in combination as a complementary suite of measures, they are essential for meeting our national targets. Specifically, these actions are the: i) Coal Phase-Out; ii) Natural Gas Performance Standard; iii) the Clean Fuel Standard; and iv) the Federal Carbon Pricing Backstop.

- i. **Coal Phase Out** - the federal government is to be commended for the strong measures it is proposing in phasing out coal-fired electricity by 2030.

***CanCORE urges the Federal Government to hold firm that no unabated coal-fired electricity generation will take place in Canada after 2030.***

- ii. **Natural Gas Performance Standard** – as currently proposed, CanCORE is of the strong view that this proposal is inconsistent with the Framework, and almost guarantees that Canada will be unable to meet its non-emitting electricity requirements and targets in 2030 and 2050. Natural gas should be viewed by the Federal Government as a transition fuel that can assist in the phase-out of coal-fired generation but whose contribution to the electricity supply mix will also need to decline over time in a manner consistent with supporting Canada's 2030 and 2050 climate change objectives. Near-term investments in new natural gas-fired electricity generation facilities need to reflect that public policy will require that there is a limited and declining role for unabated natural gas in electricity post-2030.

iii.

Unfortunately, the design of the proposed Standard will work to 'lock in' natural gas as a long term substitute for coal in electricity generation. This creates a significant risk for stranded assets if investments are made that are mis-aligned with Canada's international obligations under the Paris Agreement, and future policy or regulation is implemented consistent with those obligations.

***CanCORE urges the Federal Government to adopt the following features on a Natural Gas Performance Standard:***

- ***A stringency level, consistent with Alberta, of 370 t/GW.***
- ***A robust and regular review process to ensure that Standard is doing its part in meeting climate and non-emitting targets.***

- iv. **Clean Fuel Standard** – the CFS will play an important role in the transition to a clean energy future for Canada. In that respect, we note that the Framework fully expects this suite of measures to deliver 30 Mt of incremental GHG emissions reductions. In order to achieve that level of emission reductions it is critical that the measures being considered – covering liquid, gaseous and solid fuels – fully recognize the role electricity can play as a contributor. We also

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note that the Government is proposing a Standard that will apply to gaseous and solid fuels – something that has not been attempted heretofore (California and BC have only applied CFS to liquid fuels). Developing a comprehensive system over the next few months may stretch organizational capacities.

**CanCORE urges the Federal Government to design CFS in the appropriate manner:**

- ***It must fully account for electricity as a legitimate ‘fuel’ for compliance purposes in the development of the CFS for liquid, gaseous and solid fuels***

- v. **Federal Carbon Pricing Backstop** - the most efficient and lowest cost policy mechanism available to reduce emissions is a Carbon Pricing regime **where the coverage of emissions is as broad as possible**, the carbon price steadily increases over time, and the schedule of Carbon Price increases is known for as long a period as possible. A Pan-Canadian clear, fair and effective price signal with long-term policy certainty that shifts investment over time away from emitting toward non-emitting activities (including electricity generation) is the single largest critical success factor for Canada to meet its climate and non-emitting goals.

Unfortunately, the proposal from ECCC that the electricity sector would be covered by Output Based Performance Standards (OBPS) of 420t GW/h is totally inadequate in providing a clear and compelling price signal.

As stated by the Technical Paper on the Federal Carbon Pricing Backstop (May, 2017), “the aim of an output-based pricing system is to minimize competitiveness and carbon leakage risks for activities for which those risks are high, while retaining the incentives to reduce emissions created by the carbon pricing signal.” The vast majority of electricity generation in Canada is not subject to competitiveness or leakage considerations. Industrial use of electricity represents only a portion of electricity use in Canada, many regions are dominated by non-emitting electricity that is not sensitive to a carbon price and only a subset of remaining Canadian industry in emission intensive regions are trade exposed (EITE). For this reason it is inefficient economically and environmentally to shelter most electricity users from a full carbon price. Taking steps to ensure that clear price signals continue to decarbonize our electricity sector while balancing competitiveness and affordability is key for the design of the Federal Carbon Pricing Backstop.

***While CanCORE questions the use of an OBPS in the electricity sector at all, as a compromise to reduce the impact of carbon pricing on EITE and other electricity users it urges the Federal Government to adopt the following recommendations:***

- ***For new emitting electricity generation facilities, the OBPS should be set at 0 t/GWh. In other words, new facilities should be exposed to the full Carbon Price as is currently the case in Ontario, Quebec and British Columbia. Investors seeking to build new electricity generation in Canada must receive a clear signal that encourages consideration of non-emitting generation alternatives and***

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***makes it clear that the economics of investment in emitting electricity generation will become less and less attractive with the passage of time.***

- ***For existing emitting electricity generation facilities, the OBPS should initially be set at 370 t/GWh declining by 1 per cent per year. This would be consistent with the current approach in Alberta and would address the unique competitiveness and leakage risks in Emissions Intensive and Trade Exposed (EITE) sectors. In this approach, existing facilities would benefit from having much of their emissions sheltered from the full carbon price in the initial years.***
- ***For facilities that do not have access to power-lines or pipe-lines (i.e. remote mines), a discrete OBPS could be negotiated at a level greater than 370 t/GWh (with a commitment to strengthen on a regular basis thereafter). This would address the unique challenges to decarbonization in these special instances.***

Ministers, we would once again like to thank you and your government for providing CanCORE with the opportunity to participate and contribute to Canada's critical agenda to address climate change and pursue a vibrant clean energy future. We believe we have been active and constructive contributors in this process, including the commissioning of modeling work on the impacts of different carbon pricing schemes for the electricity sector.

That said, we also note that an additional multi stakeholder committee has been recently established to which we were NOT invited. This is the Multi Stakeholder Committee on GHG Regulations and Programs. It is looking at the impact of the suite of measures discussed above (as well as others), *in toto*, on the competitiveness of Canadian industry and on Canada's ability to meet its GHG and renewable electricity commitments. We have kindly requested that we be allowed to participate in these meetings as none of the industry groups there represent our situation and perspective as renewable and non-emitting electricity providers.

Minister McKenna, as you "develop a plan to combat climate change and reduce greenhouse gas emissions, consistent with our international obligations and our commitment to sustainable economic growth"; and Minister Carr, as you "develop a Canadian Energy Strategy to protect Canada's energy security; encourage energy conservation; and bring cleaner, renewable energy onto a smarter electricity grid"; we ask that you ensure that no opportunity is missed to align the policy and regulatory landscape with our national goals. The level of ambition and the degree of challenge ahead necessitates that no less is done.

Thank you for your continued leadership on clean growth and climate change. We would be pleased to meet with you at your convenience to discuss the contents of this letter further.

Sincerely,

John Gorman, President & CEO, Canadian Solar Industries Association (CanSIA)  
Robert Hornung, President & CEO, Canadian Wind Energy Association (CanWEA)  
Elisa Obermann, Executive Director, Marine Renewables Canada (MRC)

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Eduard Wojczynski, President, Canadian Hydropower Association (CHA)

CC

- Marlo Reynolds, Chief of Staff to the Minister of Environment & Climate Change
- Clare Demerse, Senior Policy Advisor to the Minister of Environment & Climate Change
- Zoë Caron, Chief of Staff to the Minister of Natural Resources
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