



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

April 18th, 2018

Paola Mellow

Executive Director, Electricity and Combustion Division,

Environment and Climate Change Canada

Transmitted electronically to: ec.electricite-electricity.ec@canada.ca

Dear Ms. Mellow:

RE: Comments on Proposed Federal GHG Emission Regulations for the Electricity Sector

Thank you for the opportunity to comment on the Federal Government's proposed greenhouse gas (GHG) emissions regulations for the electricity sector. The Canadian Council on Renewable Electricity (CanCORE) represents the aligned interests of the four major national renewable electricity trade associations in Canada: the Canadian Hydropower Association (CHA), the Canadian Wind Energy Association (CanWEA), the Canadian Solar Industries Association (CanSIA) and Marine Renewables Canada (MRC). Our over-arching goal is to ensure that Canada moves toward achieving our national non-emitting electricity target of 90% by 2030, and close to a 100% non-emitting electricity grid by 2050, to ensure that Canada meets our national climate action and clean growth objectives, and international obligations under the Paris Agreement.

In that respect, we strongly commend the Federal Government for its proposed GHG emission regulations for unabated coal-fired electricity and the accelerated schedule to phase out such generation in Canada by 2030. As your Regulatory Impact Analysis Statement (RIAS) notes, the net-benefit (including compliance costs) of Canada implementing this measure, in addition to an estimated 100 Mt of displaced GHG emissions, would be \$2.7 billion (including positive benefits of \$3.6 billion in avoided climate change damage and \$1.3 billion in health and environmental benefits

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from air quality improvements).

However, if we are to meet our stated objectives and obligations, regulations to decarbonize the electricity sector must be extended to all sources of significant GHG emissions including natural gas. Furthermore, they must be in place during the time-frame during which coal-fired electricity is being phased out. Otherwise, investment-decisions in new electricity generation capacity will lock-in new significant sources of GHG emissions for decades to come or result in stranded assets. Unfortunately, **it is our view that the proposed GHG emissions regulations for natural gas-fired electricity generation fall far short** of what is required to send market signals that align with Canada's shrinking annual carbon budget by providing incentives for investment in technologies that will steadily decrease the GHG emissions intensity of Canada's electricity sector over time.

In reality, the proposed Natural Gas Performance Standard (the "Standard"), neither requires new natural gas-fired facilities to use the best available technology from a GHG emissions perspective, nor provides incentive to shift from coal to non-emitting electricity sources. Instead, the benefits of the Federal Government's global leadership to "power past coal" will be significantly offset by a "dash-to-gas". This is confirmed by the Federal Government's own analysis for the Regulatory Impact Assessment Statement (RIAS) that identified that GHG emissions from the electricity sector would not be reduced below approximately 30 Mt per year by 2030, and that due to the long-lived nature of these investments, the Standard would not provide further emissions reductions between 2030 and 2050.

We recognize the unique situation associated with the conversion of coal-fired facilities to natural gas-fired facilities and we support the approach taken by the Standard as proposed in this area. In particular, we support the clear limitations on a facility's life-span that are differentiated on the basis of their relative GHG emissions performance.

However, the Standard as proposed is completely inadequate for new stand-alone natural gas facilities. While GHG emitting natural gas has a role in supporting the transition to an increasingly non-emitting electricity grid, it is not a sustainable long-term solution (without carbon capture and

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storage). Thus, the Standard should establish: an initial stringency that reflects the best available technology at the time of investment; and a regulatory regime that increases said stringency over time to make it increasingly onerous to invest in new natural gas-fired electricity generation whose emissions intensity is not best-in-class. If we are to meet our stated objectives and obligations, it is critical for new investment in natural gas assets to be balanced against their long-term GHG liabilities. The Standard as proposed fails to do this.

Firstly, we believe the initial stringency of the Standard as proposed is inadequate and must be strengthened. We note that the proposed stringency is significantly weaker than what Alberta considers to be “best-gas” (420 t/GWh vs 370 t/GWh in Alberta). It is difficult to understand why the Federal Government is proposing a weaker performance standard than Alberta when Alberta is the jurisdiction most at risk of seeing a significant increase in natural gas fired generation.

Secondly, we also note that the Standard as proposed does not include a commitment to being regularly reviewed over time to ensure that the stringency continues to reflect the best available technology and to provide a steadily increasing incentive to shift toward natural gas-fired generation with a decreasing emissions intensity or other cost-competitive non-emitting sources. A regular and robust regulatory review is required to ensure that the requirements of the Standard stay in alignment with our stated objectives and obligations.

The Standard as proposed will not encourage investment in natural gas-fired electricity generation with the lowest emissions intensity, nor encourage investment in other cost-competitive non-emitting alternative options. The outcome, as confirmed by the RIAS, is that the benefits of the Standard as proposed would be minimal both for GHG emissions displacement and for health.

In summary, it is our view that the Standard for maximum GHG emissions regulations for new natural gas-fired generation should, at the very least, be of equal stringency to Alberta’s proposal of 370 tonnes/GWh, with a regular and robust review process in place to ensure that the Federal Government can ultimately strengthen the standard to stay on track to meeting its stated objectives and obligations in the near- and long-term.

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The Federal Government is pursuing several policies that could contribute to the decarbonisation of the electricity sector. Unfortunately, we have noted a consistent pattern in proposals to date (e.g., the Standard for natural gas, the federal carbon pricing backstop, etc.) that fail to send any meaningful market or price signals to investors that natural gas is a transition fuel that will play a decreasing role in our electricity supply-mix over time. The proposed policy will fall short for Canada's stated objectives and obligations with respect to GHG emissions reduction. The same resolve apparent in the Federal Government's proposed coal phase-out should, in our view, be consistently implemented throughout the electricity sector where cost-competitive non-emitting options are abundant and ready to be harnessed.

We thank you for your consideration.

Sincerely,

Eduard Wojczynski, President, Canadian Hydropower Association

Robert Hornung, President, Canadian Wind Energy Association (CanWEA)

John Gorman, President & CEO, Canadian Solar Industries Association (CanSIA)

Elisa Obermann, Executive Director, Marine Renewables Canada (MRC)

CC: Clare Demerse, Climate Policy Advisor, Office of the Federal Minister of Environment & Climate Change

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