

June 5, 2020

Hon. Greg Rickford
Minister of Energy, Northern Development and Mines
Room 5630, 5th Floor
99 Wellesley St. W
Toronto, ON M7A 1W1

RE: Energy Policy and Economic Recovery from the COVID-19 Crisis in Ontario

Dear Minister Rickford,

Thank you for your continued leadership throughout the COVID-19 pandemic. The Ontario Chamber of Commerce (OCC) is working closely with the business community and government to support a successful reopening and recovery of our economy.

The OCC and its members appreciate the steps your government took to provide urgent rate relief to electricity consumers during the crisis.

This includes temporarily billing Regulated Price Plan (RPP) customers at the off-peak rate, adjusting eligibility for the 2020/21 Industrial Conservation Initiative, and deferring global adjustment (GA) charges for industrial and commercial customers. Going forward, it will be important to ensure that GA deferred payments are manageable and distributed fairly across ratepayer classes.

As Ontario begins turning towards economic recovery, access to reliable and affordable energy will be foundational for business competitiveness, particularly for sectors that are energy-intensive and trade-exposed. Meanwhile, Ontario's energy sector offers tremendous potential to drive job creation and accelerate recovery in the difficult months ahead.

The recommendations below, developed in consultation with the OCC's Energy Council, fall within four areas:

1. Industrial rate programs
2. Infrastructure
3. Energy efficiency
4. Innovation

1. Industrial Rate Programs

Prior to COVID-19, most industrial electricity customers in Ontario were paying considerably more than they would in competitor jurisdictions.¹ The pandemic exacerbated this challenge, as an overall reduction in daily demand for electricity and an increase in GA costs exposed businesses to considerable increases in their bills.

While these impacts were partially mitigated by the GA deferral, industrial electricity rates remain uncompetitive. As the economy enters a period of recession, this could force many large employers to relocate outside Ontario or shut down entirely. As COVID-19 has demonstrated, protecting the resilience of domestic industries such as manufacturing is essential.

- a. **Give Class A customers the option to freeze peak demand factors for one year.** The Industrial Conservation Initiative (ICI) incentivizes Class A customers to shave their peak demand in order to reduce their rates the following year. Given the current crisis, reducing consumption could dampen economic recovery, while the electricity system would not benefit from additional reductions in demand at this time. Class A customers should be given the option to either continue with regular ICI timelines or use 2019/20 peak demand factors to determine their 2021/22 rates.
- b. **Expand the Northern Industrial Electricity Rate (NIER) across Ontario.** Competitive electricity rates generate a high economic return, particularly for sectors in which electricity consumption is highly responsive to price changes, such as steel manufacturing, mining, and pulp and paper.² One option for Ontario is to expand the NIER into a province-wide program. Initially implemented to support Ontario's economy following the Great Recession, the NIER has succeeded in allowing industry to invest, retain jobs, and unlock development opportunities within the natural resource sectors. Expanding its geographic coverage and increasing the funds available within the current context would help protect industry from irreversible impacts to their competitiveness. Since the program structure is already in place, implementation would be simple.

2. Energy Infrastructure

Ontario is home to several shovel-ready and shovel-worthy energy infrastructure projects that could help accelerate economic recovery. Steps can be taken immediately, some in partnership with the federal government, to catalyze job creation and regional development. In addition to the recommendations discussed below, the Province should consider how it can help fast-track large infrastructure projects already underway, such as refurbishments of Ontario's nuclear power plants.

¹ London Economics International. 2019. *Ontario Industrial Electricity Rate Study*. <https://cme-mec.ca/wp-content/uploads/2019/11/LEI-Ontario-Industrial-Electricity-Rate-Study.pdf>.

² Grant Bishop and Benjamin Dachis. 2020. "Ontario Industrial Power Prices Set to Spike: A Four-Part Reform." The C.D. Howe Institute. <https://www.cdhowe.org/intelligence-memos/bishop-dachis-%E2%80%93-ontario-industrial-power-prices-are-set-spike-four-part-reform>.

- a. **Review the payment structure for new transmission lines.** The existing beneficiary-pays approach to building transmission lines is a barrier to business investments in rural and Northern Ontario. We recommend reviewing the payment structure to pave the way for new job creation and regional development. In Northwestern Ontario, for example, there are there are dozens of mining exploration projects with potential to support province-wide economic activity, and opportunities to upgrade at-capacity radial lines serving the communities of Red Lake, Ear Falls, Sioux Lookout, and Greenstone. The process for selecting new transmission builds should remain transparent, with alternatives evaluated through cost-benefit analyses.
- b. **Fast-track the continued expansion of natural gas infrastructure.** Access to affordable, reliable natural gas across Ontario has long been critical to rural and northern communities. We encourage additional projects to be brought forward through the Natural Gas Community Expansion program, with additional funds committed and project delivery accelerated in the coming months to support recovery.
- c. **Support community investments in district energy systems.** District energy systems supply low-carbon thermal energy to building networks through underground piping networks. They leverage economies of scale to bring economic, reliability, and environmental benefits to local communities. In the current context, support from the Ontario government for these systems would attract private investment, create high-quality jobs, and facilitate sustainable development of communities across the province.

Specifically, we recommend launching a municipal grant or interest-free loan to assist Ontario municipalities with installation of district energy. This can be done in partnership with the federal government, which has supported deployment of these systems in the past. Program requirements could include an economic impact assessment, as well as letters of intent from building developers and property owners committing to connect to the system if constructed. Thermal distribution systems, and the associated revenues, could be owned by municipalities, further enhancing their economic self-reliance. This approach would also be a catalyst for additional investments from the private sector.

3. Energy Efficiency

Energy efficiency has several demonstrable benefits for economic stimulus, with every \$1 spent on programs generating an estimated \$7 in GDP.³ Most of this activity comes from savings that businesses and households reinvest into the economy. Additional value is created across the supply chain as demand increases for heat pumps, windows, and other high-performance manufactured goods. By raising productivity, energy efficiency also enhances industrial competitiveness.⁴

³ Efficiency Canada. 2018. *Less is More*. https://www.energycanada.org/wp-content/uploads/2018/05/Report_LessIsMore_EconomicImpactStudy-2018-05-01.pdf.

⁴ Canadian Energy Research Institute. 2020. *Industrial Competitiveness and Energy Efficiency*. <https://ceri.ca/assets/files/Study%20184%20Full%20Report%20FINAL.pdf>

Finally, energy efficiency performance and programs influence capital investment decisions. For multi-nationals deciding where to site operations, energy intensity and supportive government programs are key considerations. Announcements by BlackRock, Microsoft, the Bank of England, the World Economic Forum, and others indicate how sustainable finance will influence capital investment. In the context of economic recovery, the benefits of energy efficiency are invaluable.

a. Expand electricity conservation and demand management (CDM) programs.

Conservation is the cheapest form of electricity (at around 2.4 cents/kWh).⁵ With Ontario Interim Framework for electricity conservation programs set to expire at the end of 2020, there is an urgent and critical window of opportunity for Ontario to reap the long-term economic benefits of energy efficiency.

We strongly encourage your government to develop and scale electricity retrofit programs for residential, small business, and industrial customers. On the residential side, demand for electricity has increased as Ontarians are spending more time at home due to COVID-19, and most households are ineligible for low-income supports such as the IESO's Home Assistance Program.

CDM programs should be designed to maximize value for the electricity system at large, savings for customers, and job creation. Local distribution companies have the strongest relationships with their customers and are therefore well placed to deliver CDM programs. Effective delivery of provincial programs can also help attract federal funding going forward.

b. Adopt new building codes. Canada's net-zero energy ready (NZER) Model Codes are expected to be available for provincial and territorial adoption in the fall of 2020.⁶ Adoption of these NZER building policies would position Ontario to reap benefits similar to those expected in the Metro Vancouver region where NZER building policies are forecast to generate a \$3.3 billion market demand for high-performance building products and technologies between 2019 and 2032.⁷ Ontario, with federal support, can leverage new building codes complemented with incentives to support manufacturers re-tooling to supply these products and financial incentives for property owners.

c. Train displaced workers for careers in the energy efficiency sector. Expanded programs and new building codes will create additional demand for workers in the energy efficiency sector. Given the labour market disruptions caused by COVID-19, this presents an opportunity to reskill unemployed and underemployed Ontarians in sectors with long-term potential. In the

⁵ Environmental Commissioner of Ontario. 2018. *Making Connections: Straight Talk About Electricity in Ontario, 2018 Energy Conservation Progress Report, Volume One*. <http://docs.assets.eco.on.ca/reports/energy/2018/Making-Connections.pdf#page=310>.

⁶ Kevin Lockhart. 2020. "How today's economic recovery policies can bake-in tomorrow's energy efficient buildings." Efficiency Canada. <https://www.energycanada.org/how-todays-economic-recovery-policies-can-bake-in-tomorrows-energy-efficient-buildings/>.

⁷ Juvarya Veltkamp. 2019. *Green Buildings Market Forecast*. Vancouver Economic Commission. https://storage.googleapis.com/production-vec-uploads/2019/03/GreenBuildingsMarketResearch_WEBMarch7_Launch-compressed-compressed.pdf.

context of physical distancing, training can take place online and work can begin immediately with virtual energy assessments.⁸

4. Energy Innovation

Innovation within the energy sector drives new areas of economy activity, attracts private investment, creates high-quality jobs, and advances global competitiveness. Given the strong capacity for innovation that exists within Ontario's workforce and business community, it should form a strategic part of the province's recovery efforts. This includes investments in carbon abatement technologies, in addition to the two areas discussed below.

- a. **Accelerate electrification of transportation systems.** Ontario has the necessary ingredients to become a global leader in electric vehicles (EVs): rich deposits of battery input commodities such as lithium and cobalt, a highly skilled workforce, and a world-renowned auto manufacturing sector. Electrification creates jobs and reduces emissions, while reducing electricity costs by distributing fixed costs of existing generation capacity over a larger number of users. The Province should prioritize policies that incentivize electrification of personal vehicles, freight transportation, and public transit systems. This could include support for companies across the EV supply chain, buildout of charging infrastructure, and/or demand-side incentives for consumers.
- b. **Continue supporting the development and deployment of small modular reactors (SMRs).** Ontario has an opportunity to leverage its existing nuclear expertise to lead SMR deployment across Canada and globally as demand grows for clean, flexible, and reliable sources of energy generation. Within Ontario alone, deployment of SMRs has significant potential to support economic development in remote communities and mining sector competitiveness by providing an alternative to costly expansion of electricity transmission lines or continued reliance on diesel generation.

The Memorandum of Understanding (MOU) on the development of SMRs signed by Ontario, New Brunswick, and Saskatchewan in late 2019 was an excellent step. As indicated by the MOU, the provinces will need to identify and reduce regulatory barriers to deployment of SMRs. In Ontario, this could include amending regulation to classify SMRs as a rate-regulated asset and therefore allow for recovery of construction costs. Additionally, we recommend working with the federal government to increase export opportunities in response to a growing global market for clean, non-emitting energy resources.

- c. **Enable production and export of medical isotopes.** Another area with growth potential for Ontario is the supply of medical isotopes. Throughout COVID-19, Ontario's nuclear energy producers have supported health care responses around the world by supplying Cobalt-60 to sterilize medical devices. The Government of Ontario can help drive medical isotope

⁸ Brendan Haley. 2020. "How can we work on energy efficiency while physical distancing?" Efficiency Canada. <https://www.energycanada.org/covid-19-part-1-how-can-we-work-on-energy-efficiency-while-physical-distancing/>.

development by working with the federal government to ensure producers have long-term access to international markets, capital, and an enabling regulatory environment for continued innovation.

Conclusion

Over the past few months, the unprecedented nature of the COVID-19 crisis has created similarly unprecedented challenges for Ontario's economy. The shape of recovery will be partially determined by the effectiveness of government policy, and the OCC and its members believe provincial energy policies should play an important role in accelerating economic growth and strengthening long-term competitiveness.

The recommendations above outline opportunities to leverage industrial rate programs, infrastructure, energy efficiency, and innovation to support the economy throughout recovery. Each proposal would have widespread benefits for household spending, business investments, jobs, and GDP. We welcome the opportunity to discuss these ideas further and look forward to continued engagement with the government on economic recovery.

Sincerely,



Rocco Rossi
President and CEO
Ontario Chamber of Commerce

CC:

Hon. Bill Walker – Associate Minister of Energy, Government of Ontario