June 17, 2021

To: engagement@ieso.ca

Re: Feedback – Gas Phase-Out Impact Assessment

Are there additional considerations the IESO has not identified in defining the scope of the assessment to examine the reliability, operability, timing, cost and wholesale market implications of reduced emissions on the electricity system?

Thank you for the opportunity to provide our views on this important topic. On behalf of our members, the Toronto Region Board of Trade (the Board) advocates for policy change that drives the growth and competitiveness of the Toronto region. Sustainable, reliable and affordable energy remains a top concern for families, small businesses, midsized manufacturers, and major industry and landlords across the province.

The Board supports a well-balanced energy system – one that enables the province to cost-effectively reach net-zero GHG emissions by 2050. To achieve this goal, emissions reduction efforts must be considered holistically, with each proposed measure assessed on value-for-money and its potential for unintended consequences.

For the scope of this assessment, the Board particularly supports the need to examine the issues of reliability and cost. In Ontario, gas-fired generation plays a modest but critical role, with significant value from its high capacity factor and its flexibility.

In addition, it may be valuable to examine a number of scenarios for future demand when evaluating the impact of reducing electricity system emissions. Pursuing increased economy-wide electrification and emissions reduction is likely to lead to increased demand for electricity. Evaluating only the present-day supply mix would miss the opportunity to consider what a larger, more diverse energy supply could look like and consider what emissions reductions would look like in that scenario on both a relative and absolute basis.

To inform your considerations, I have attached a copy of the Board's *Principles for the Clean Transition*. The principles can serve as the foundation for evaluating the *how* of reaching our collective emissions-reduction targets, and can help ensure that the province is well-positioned to seize the economic opportunities linked to cleantech and clean energy development.

Sincerely,

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[redacted]

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Principles for the Clean Transition

INTRODUCTION

There is an increasing consensus of the need to reach net-zero greenhouse gas (GHG) emissions. Countries around the world have increased their 2030 emission-reduction targets – and while the ambition is laudable, it also increases the urgency to ensure the transition is done right.

Within Canada, Ontario has been a leader in reducing emissions largely through replacing coal-fired electricity generation with nuclear, natural gas, solar and wind. In 2019, Ontario's emissions were more than 20% below 2005 levels and nearly 10% below 1990 levels (source). The energy sector serves as a platform that enables other sectors to achieve their own objectives, such as economic development, innovation and emissions reduction. Moving forward, continued progress requires a comprehensive and principles-based approach to ensure our region is positioned to thrive in a net-zero future.

The Toronto Region Board of Trade (the Board) supports a well-balanced energy system – one that enables the province to cost-effectively reach net-zero GHG emissions by 2050. Because of the interconnected nature of the energy system, achieving this goal means that emissions reduction efforts must be considered holistically. Many measures proposed to achieve net-zero emissions by 2050 rely on switching fuel from high-emitting sources to electricity or other low-carbon sources. However, the price of electricity is currently a major barrier to increased uptake of electrified space heating and zero-emission vehicles. A more affordable electricity system with a modest GHG footprint in the near term is likely to encourage greater fuel switching and lead to larger overall emission reductions than an emissions-free but much more expensive electricity system would.

Informed by our members, the Board has designed a set of principles for the clean transition. The principles outlined below can serve as the foundation for evaluating the *how* of reaching our collective emissions-reduction targets. Applying these principles to government action can help maintain public and business support for the energy transition through ensuring that their priorities are reflected in the design of various measures. They can also help ensure that the region is well-positioned to seize the economic opportunities linked to cleantech and clean energy development.

PRINCIPLES FOR THE CLEAN TRANSITION

COST-EFFECTIVE

- **Maximize ROI**: Regulatory tools, policy changes and funding programs must seek to maximize the value of both public- and private-sector investment. In doing so, the transition must seek to ensure that investments to reduce emissions maximize co-benefits such as system resiliency and economic development.
- **Leverage Existing Assets**: Policies should seek to minimize the costs of the transition and risk of supply disruptions through utilizing Ontario's existing assets, such as generation facilities, transmission and distribution lines, and pipelines. This infrastructure should be evaluated for how it could be repurposed

for lower-carbon fuels like hydrogen and renewable natural gas (RNG) and how it could help integrate increased distributed energy resources.

- **Maintain Flexibility**: Ontarians have spent billions in recent decades to renew energy infrastructure, and many facilities have decades of useful life remaining. For example, the Ontario nuclear refurbishment program extends to the 2060s. While large-scale generating facilities may need long-term contracts, the system must maintain adequate flexibility to respond to unforeseen changes in demand and emerging technologies.

COORDINATED

- **Domestic Alignment**: Each level of government has articulated different emissions-reduction targets and programs on how to reach those targets. This presents a risk of conflicting and overlapping requirements that could significantly increase costs for consumers. Governments must work together to articulate a coherent plan.
- **International Alignment**: Canadian policy and action must also be set with an understanding of the global context. Close integration with ambitious U.S. policy commitments in areas such as energy efficiency, methane emissions and vehicle standards will help support global competitiveness for Canadian firms.
- **Predictable**: Businesses crave certainty. The absence of predictability in climate policy makes it difficult for the private sector to invest in emissions reduction opportunities. There are significant pools of private capital ready to be unleashed to support deep energy efficiency retrofits, low-carbon fuels and other clean innovation opportunities. Governments can assist with improving the ROI on these measures either through increased predictability or through leveraging co-investments or tax credits to accelerate the payback period.

EQUITABLE

- **Equity by Design:** Access to an affordable, reliable supply of energy has the potential to be a great equalizer, and the in the energy transition we must ensure that energy poverty is alleviated, not exacerbated. Additionally, marginalized communities have historically had limited input and control in the development of energy infrastructure. To rectify these imbalances, the clean transition must embrace equity principles up-front to ensure that all communities can participate and benefit.
- **Training Opportunities**: Many new jobs will be created through the energy transition, and existing occupations will need to enhance their skills. Some workers will need to transition their skills to emerging lines of work. Training programs should prioritize helping historically underrepresented individuals gain access to these growing fields.
- **Indigenous Reconciliation**: Major infrastructure projects such as generating facilities and transmission lines require social license to be built, particularly from Indigenous communities. This increasingly means providing meaningful economic benefits. Governments and sector leaders must prioritize advancing reconciliation with Indigenous communities, including through supporting Indigenous-led projects, drawing on Indigenous knowledge and skills, and ensuring opportunities for Indigenous community participation and equity partnerships.

INTEGRATED

- **Holistic**: The energy transition must take account of the interconnected relationship between fuels and electricity. Instead of a siloed approach, it must embrace an understanding of these relationships and stay focused on how to reach an overall net-zero economy. Emissions should be evaluated as part of this larger picture.
- **Energy-efficient**: Energy system planning must include a strong focus on energy efficiency and demand-side management. Reducing energy demand can help manage system costs and facilitate a more affordable transition to electrification or lower-carbon fuels.
- **Optimized:** There is significant opportunity to maximize the investments already made in our energy system through ensuring emerging solutions are integrated and optimized. Energy storage solutions, hydrogen production, and other technologies to increase efficiency can help level out energy demand and reduce wasted energy.

ECONOMIC CATALYST

- **Export-oriented**: The global cleantech market is expected to exceed $3.3 trillion in 2022. Canadian governments should help locally based firms develop export-ready products and services that can create well-paying, sustainable jobs. This includes providing strong support for businesses to ensure our firms can scale competitively in Ontario and Canada.
- **Competitive**: The government must ensure that transition policies support existing Ontario-based firms and workers through the transition, including through ensuring access to affordable energy and the expertise needed to reduce emissions while preserving jobs. Where possible, regulations should be streamlined and outcomes-driven, allowing competition and innovation to find the most efficient way of reaching the goal.
- **Forward-Looking:** By being an early mover, Ontario and Canada have an opportunity to seize a larger share of the global markets for cleantech and lower-emission products. The government should implement policies that foster innovation and remove barriers to adoption of emerging technologies. Investments should be made with both economic recovery and long-term net-zero objectives in mind.