

OCTOBER 2011

- 1 Ontario Election 2011 - Renewable Energy
- 2 Contact Us

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Introduction

The Ontario Election 2011, held on October 6, has resulted in the Ontario Liberal Party being re-elected with a minority Government, winning 53 seats, one shy of a majority mandate. The Progressive Conservatives finish with 37 seats, and the New Democratic Party with 17.

Prior to the calling of the election campaign, the Ontario Liberal Party held a clear majority in the 107 Member Legislative Assembly with 70 seats, the Progressive Conservatives 25, the NDP 10 and 2 vacancies.

Renewable Energy Programs & Policy

Two existing major renewable energy initiatives have been at the centre of political debate both prior to and during the recent provincial election campaign.

Enabled through Ontario's *Green Energy and Green Economy Act, 2009* the Feed-in Tariff (FIT) Program is the main policy instrument designed to encourage growth in the renewable energy sector, assist Ontario in phasing out coal-fired electricity, and stimulate the development of new green technologies. The program aims to achieve this by offering "stable prices under long-term contracts for energy generated from renewable sources, including biomass, biogas, wind, solar, and water." Individuals, proprietorships, partnerships and corporations that meet the eligibility requirements of the program, are to be paid for each kWh of electricity generated from the renewable energy project. The program has two streams: The FIT Program is designed for projects over 10 kW while projects under 10 kW fall under the microFIT Program. FIT is currently administered by the Ontario Power Authority.

Japan and the European Union have complained to the World Trade Organization, calling a key part of the FIT program, its local/domestic content rules, an illegal subsidy.

In January 2010, the Ontario Liberal Government announced a \$7-billion Green Energy Investment Agreement with Samsung C&T Corporation and Korea Electric Power Corporation (the "Korean Consortium"). This was the single largest investment in renewable energy in provincial history and this was hailed by the Liberal Government as a fundamental initiative to kick start and build a "green economy" in Ontario. The agreement aims to: build 2,500 MW of wind and solar power, deliver an estimated 110 million megawatt-hours of emissions-free electricity over the 25-year lifetime of the project, create more than 16,000 new clean energy jobs to supply, build, install and operate the renewable generation projects, and lay the groundwork with major partners to attract four manufacturing plants. According to the original deal, the Korean Consortium will receive \$437-million in incentive payments over the 25-year life of the deal if it fulfills its contractual obligations.

Party Platforms/Commitments

During the recent campaign, the three major political parties in Ontario took the following positions in relation to renewable energy policies:

Liberals

The Ontario Liberal Party has committed to following through with the FIT Program. Through this and other mechanisms they have committed to creating 50,000 clean energy jobs and replace coal powered plants over the next three years. The Ontario Liberals also commit to staying with and building upon the Korean Consortium. Further, during the election campaign the Liberals announced that they had renegotiated the original deal and that instead of paying the Korean Consortium a \$437-million incentive over 20 years, the province has negotiated that figure down to a maximum of \$110 million.

The Liberals forecast renewable sources such as wind, solar and biomass will produce 12.8 percent of the province's energy by 2030, up from three percent last year.

Progressive Conservatives

The Progressive Conservatives have committed to ending the FIT Program. They view the initiative as an unnecessary tax burden as well as a mechanism which warps the usual cost of hydro. Though they commit to its elimination, they have stated that all existing contracts, beyond a certain stage of development, will be honored.

New Democratic Party

The Ontario NDP have committed to the stated policy aims of the FIT Program, however, take issue with general cost of electricity and rising public sector CEO compensation in the energy sector. Though they contend small private producers, co-operatives and others who want to sell power back to the grid will continue to play a role, they argue that large-scale electricity generation must be publicly-owned, "publicly accountable and affordable". They commit to honoring existing contracts.

The Ontario NDP has committed to building-up the green energy sector.

Analysis

Very early indications are that the Liberal minority government will attempt to govern by seeking the support of one or other opposition party on an "issue by issue" basis rather than attempting to strike a larger bargain with one of the opposition parties in order to secure support for its agenda.

The Government's key policy initiatives on renewable energy, as summarized above, will almost certainly be interpreted as contributing to Liberal electoral losses in this election, particularly in rural and southwestern Ontario. The full effect this has on the Government continuing in its agenda is yet to be seen. For now, the FIT Program would not appear to be in jeopardy of

being discontinued or reversed. However, there will certainly be renewed pressure on the minority Government to proceed cautiously with new initiatives in the area of "green energy" and progress on already stated goals, projects and initiatives may be at risk of being slowed.

It is highly doubtful that either the NDP or Progressive Conservatives will make green energy policy the "make or break" issue for keeping the Government alive, at least for the next 12 to 18 months.

Next Steps

Ontario Premier Dalton McGuinty will look to form a new Cabinet in the coming days, almost certainly within the next two weeks. There will be a new Environment Minister named to Cabinet (the incumbent lost his seat in the election) and possibly a new Energy Minister (incumbent Brad Duguid was re-elected). The Government will also proceed with a "Speech From the Throne", likely near the end of October, which will outline with greater precision its priority themes and approach to navigating the Legislature in light of the new political configuration.

Contact Us

For further information, please contact a member of our [National Renewable Energy Group](#).