

Boondoggle: How Ontario's pursuit of renewable energy broke the province's electricity system

The Ontario green electricity regime is a monumental failure. The costs to consumers are prohibitive and damaging the economy

[TERENCE CORCORAN](http://business.financialpost.com/opinion/boondoggle-how-ontarios-pursuit-of-renewable-energy-broke-the-provinces-electricity-system) October 21, 2016 <http://business.financialpost.com/opinion/boondoggle-how-ontarios-pursuit-of-renewable-energy-broke-the-provinces-electricity-system>

[Emails show co-operation among EPA, climate-change deniers](#)¹

Back in 2010, deep green environmentalist Rick Smith, then head of Environmental Defence Canada, hailed Ontario's Green Energy and Green Economy Act regime as a cost-free operation that would catapult the province into the big leagues of renewable energy. Through fat subsidies and high prices offered to wind, solar and other renewable industry players, jobs and growth would boom and Ontario would be free of its dirty coal plants. It was the End of Coal, the government said. The birth of a renewable miracle.

¹http://magnettrack.klangoo.com/v1.1/track.ashx?e=RCW_CLK&p=12519801617575859424&d=14923495219421701853&c=b478f41b-9fd2-41b7-883f-eb10e2cd7d56&u=6151d5bd-0a0b-414d-a9aa-15b99dbc36a9&l=http%3A%2F%2Fbusiness.financialpost.com%2Fopinion%2Fboondoggle-how-ontarios-pursuit-of-renewable-energy-broke-the-provinces-electricity-system&redir=http%3A%2F%2Fbusiness.financialpost.com%2Fpmn%2Fbusiness-pmn%2Femails-show-co-operation-among-epa-climate-change-deniers%3Futm_campaign%3Dmagnet%26utm_source%3Darticle_page%26utm_medium%3Drecommended_articles

Asked whether the plan might lead to higher prices for consumers, “No,” said Dr. Smith — he likes to be called doctor in recognition of his PhD in biology. “No. Not at all.”

Smith was absolutely sure that Ontario’s campaign to become the North American leader in renewable energy would not be a burden on consumers. He had the facts, the study, and the numbers. Renewable is doable. “We’ve done some modelling on this and we’re talking a penny’s increase to your average person’s electricity bill,” he said. “Ontarians won’t even notice any impact on their electricity rates.”

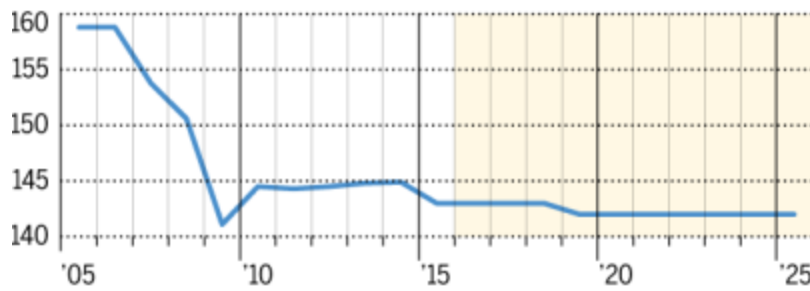
ONTARIO POWER FAILURE

Rising supply and shrinking demand ...

SUPPLY INSTALLED CAPACITY (GW)



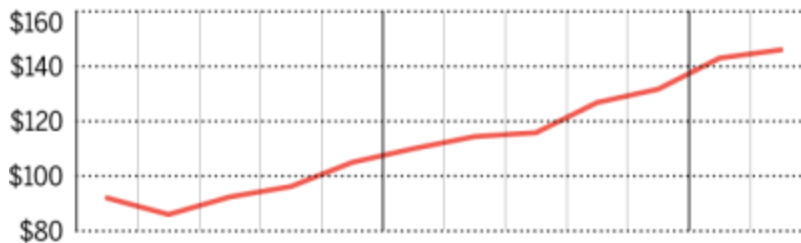
DEMAND NET ELECTRICITY DEMAND (TWh PER YEAR)



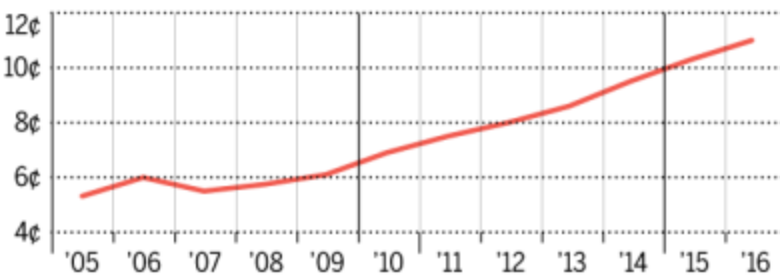
Notes: Net electricity installed capacity in gigawatts; annual demand in terawatt hours. Forecasts based IESO Supply Outlook 2016 projections; demand based on IESO Scenario B Demand Outlook

... yet prices continue to soar

SERVICE COST AVERAGE UNIT COST OF ELECTRICITY SERVICE, IN CURRENT DOLLARS PER MEGAWATT HOUR



ELECTRICITY COST AVERAGE CONSUMER PRICE FOR ELECTRICITY, IN CENTS PER KILOWATT HOUR



SOURCES: ONTARIO ENERGY BOARD, INDEPENDENT ELECTRIC SYSTEM OPERATOR

NATIONAL POST

The penny that nobody would notice on their bills has morphed into hundreds of dollars a year, in some cases a month, to the point where the premier of the province can't mention the word "hydro" without getting booed. The government also shocked observers last month when it suspended plans to buy more wind and solar power. Polls suggest voters are furious over electricity rates.

The doubling of electricity prices since 2005 is big politically, but it is just the top-line item on a long list of problems, misconceptions and outright fabrications that lurk within the Liberal government's decade-long pursuit of radical greenism.

Instead of being a worthy model for other nations and states, the province's green energy megaproject stands as a cautionary tale. Alberta's NDP government, also under the spell of green activists, should look twice before following its plan to kill coal and turn green.

For all the costs of going green — estimated by Ontario's auditor general to total \$170 billion over 30 years—none of the alleged economic and social benefits have materialized. Claims by former premier Dalton McGuinty and current leader Kathleen Wynne, repeated in a recent speech from the throne, that closing coal plants dramatically reduced smog and saved \$4.4 billion in health care and other costs are demonstrably untrue.

The promise of maybe hundreds of thousands of renewable energy jobs was also a fantasy; today, nobody can say where the jobs are, mainly because few new permanent jobs exist.

Instead of boosting Ontario's economy and the health of its citizens, the province has created an incoherent electricity industry that many say threatens the viability of key industries.

Veterans of Ontario electricity policymaking call the current Ontario electricity structure "badly broken," a "fiasco," a "train wreck in slow motion," and in need of a complete overhaul.

“Structurally, we’re not even close” to having a regime in place to return policy to some form of rational governance, said Jan Carr, former head of the Ontario Power Authority.

Carr said cancelling new wind projects shows the government is “finally waking up to Ontario’s electricity carnage.” But it won’t be enough. “Price increases are baked in for years to come due to the long-term contracts already in place, to say nothing of the implicit promise of returns based on global norms to the public pension funds who bought into Hydro One (the transmission company now being privatized to raise cash for the government).”



THE CANADIAN PRESS/Chris Young

Ontario’s Society of Professional Engineers has issued more than half a dozen critical reports on the Liberals’ tendency to let green talk and politics override sound policy. Instead of following the expert advice of engineers and people who understand the intricacies of electricity production and distribution, the government took to issuing directives right out the Premier’s office.

“Because they know how to turn a light bulb on and off, they’ll issue policy statements on the most complex engineering system on the planet,” said Paul Acchione, a former head of the engineers’ society.

Toronto consultant Jon Kieran, who has helped develop Ontario’s solar industry, recently wrote that the renewables program based on paying financial and project developers to build large wind and solar plans has morphed into “green corporate welfare.”

The initial idea of replacing coal with renewables “was a good idea 10 years ago,” he said, but the implementation has been a “fiasco” based on a fundamental misreading of the electricity sector.

Through subsidies and feed-in tariffs, the government promoted a massive expansion of Ontario’s electricity capacity. At the same time, demand for electricity went into decline as economic growth slowed and consumers cut back on electricity needs. Soaring supply, falling demand and mandatory pricing is a recipe for economic chaos.

Consumers watched their electricity commodity costs doubled to 11 cents a kWh this year from 5.5 cents in 2006 — plus rising transmission and distribution costs — with more to come in future years. The average unit cost of electricity service rose at an annual nominal rate of 6.4 per cent, equal to 3.7 per cent a year after inflation.

How it all went wrong

It all began with the end of coal, a radical policy objective that pre-dates the 2003 election of Dalton McGuinty’s Liberal government.

Green economics was in the air during the former Conservative governments of Mike Harris and Ernie Eves. In 2002, an all-party Select Committee on Alternative Fuels recommended that the government “mandate the closure of all remaining coal or oil-fired generating stations by 2015.”

At the time, coal accounted for slightly more than 20 per cent of Ontario’s electricity supply. Renewables such as wind and solar, the report said, should be phased in to take the place of coal. The motivation seemed sound: Coal caused unhealthy smog and unwanted carbon emissions; wind and solar are clean and green.

Without having a clue as to how the province could shut down 20 per cent of its electricity supply, McGuinty's Liberals promised during the 2003 election to end coal production by 2007. The objective was an impossible one that experts say betrayed their deep ignorance, or wilful disregard, of the complexities of the electricity system, especially since the all-party committee report had recommended a target date of 2015.

In the end, the last coal plant didn't shut down until 2014, but only after the Liberals escalated their engagement with a phalanx of green activists such as Rick Smith and Gerald Butts, then with the World Wildlife Fund and now working on turning Prime Minister Justin Trudeau into a global political celebrity and carbon taxer.

Peter J. Thompson/National Post

Prior to the 2007 election, Butts was a McGuinty insider. After the election, he became McGuinty's principal adviser. As one of his biographical notes describes it, Butts "was intimately involved in all of the government's significant environmental initiatives, from the Greenbelt and Boreal Conservation plan to the coal phase-out and toxic reduction strategy."

Over a period of years, Butts and others developed scenarios and studies that gave a succession of energy ministers their intellectual and policy marching orders. Coal was dead, no questions allowed.

"Quite frankly, the province, and the electricity sector in particular, was taken over by what I would call a radical environmentalist agenda," said Bryne Purchase, now adjunct professor at the Queen's Institute for Energy and Environmental Policy, but Ontario's deputy minister of energy when the Liberals took power.

The 2007 coal exit plan was “physically impossible to do,” he added, “but for the longest time you could not say, ‘This is impossible,’ because if you did, then obviously you were not inside.”

One of the most influential green studies was a 2005 report commissioned by the Ministry of Energy: “Cost Benefit Analysis: Replacing Ontario’s Coal-Fired Electricity Generation.” The authors included Bruce Lourie, who later headed the Green Energy Act Alliance among other things, and Peter Victor, a veteran green guru to many from his post at York University’s department of environmental studies.

Victor is an “ecological economist.” Among the leading influences on his economic ideas, Victor lists Karl Marx, radical green leftist economist Herman Daly, and Nicolas Georgescu-Roegen, a famed promoter of the idea that social decline and degeneration are inevitable.

So influential is the 2005 cost-benefit analysis that the current Wynne government continues to cite it as the core justification for its decade of green energy policy. The analysis claimed that the province’s existing 6,500 megawatts of coal production—if kept in operation—would cost the province \$4.4 billion a year.

That number, and minor variations, has been cited hundreds of times by the government over the years. Last month’s throne speech claimed closing the coal plants “created savings of more than \$4 billion a year in health and other costs associated with smog and pollution from coal-fired generation.”

The \$4-billion figure is based on a claim that keeping the coal plants operating would cause devastating health and environmental effects.

The claim, popular among environmental activists, was that coal plant pollution — sulphur and nitrous oxides, particulate matter — caused death and disease in Ontario cities. The study attached a dollar figure to “premature mortality” and other impacts, and came to the conclusion that shutting the coal plants would save Ontarians \$3.4 billion (in 2004 dollars) in health and environmental costs and another billion in operating costs.

The final number, \$4.4 billion, is big, but more than 75 per cent of it is notional, speculative and, ultimately, non-existent.

The basis for the 2005 study’s conclusions has since been dismissed. The International Institute for Sustainable Development, a heavily pro-green think tank, last year cast doubt on the idea that Ontario’s improved smog conditions can be attributed to the coal plant closures. It quotes former Ontario environmental commissioner Gordon Miller as saying that while Ontario smog levels have improved “we can’t specifically attribute this” to the coal phase-out. “It could also be U.S. efforts.”

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Robert Lyng, environmental director at Ontario Power Generation, is quoted as saying the U.S. Clean Air Act as well as U.S. and Ontario motor vehicle regulations were what really caused the improvement in Ontario’s atmosphere—an improvement that had been underway for decades.

If the coal-based smog didn’t exist as a problem, then no deaths and health costs were averted, and no billions have been saved. For a fraction of the alleged costs, the Liberals could have retrofitted the coal plants to be much cleaner.

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A lot of hot air

Despite warnings from experts and independent government agencies that adopting wind and solar would be unworkable, kill coal remained the Liberal objective, and the focus shifted to wind and solar as renewable replacements — although the cost-benefit analysis never looked at the economic costs of a transition to renewables.

Since 2003, eight different ministers have held the Ontario energy portfolio. Under the 2009 Green Energy Act, brought in by George Smitherman during his brief disastrous run as minister, the push for renewables gathered momentum. Smitherman signed a \$7-billion supply deal with Samsung Group that later had to be renegotiated. The World Trade Organization overturned a requirement that builders of renewable power use local suppliers.

A succession of coal shutdown target dates were missed, but each failure merely produced a new set of ministerial directives as the province ordered more wind and solar for a system that was already over capacity. People involved in the industry over the years say the entire electricity system, including the relatively independent Ontario Power Authority, was taken over by the premier's office.



Nathan Denette/National Post/Files

One of the most consistent critics of the political takeover of the system has been the Ontario Society of Professional Engineers (OSPE). The society's central message: **“There does not appear to be any entity other than the ministry itself that has overall planning ownership of the electrical grid.”**

Paul Acchione, an OSPE engineer with long experience in the electricity industry, said the government was “hiring political scientists and environmentalists because they thought they were the experts.” As a result, the government has issued more than 100 ministerial directives that ignored the dramatic decline in demand and the realities of managing an electrical grid where new expensive supply was mushrooming all over the province.

Expensive wind and solar supply needs to be backed up by expensive new gas plants that in turn operate at a fraction of optimal capacity. The new capacity came at the wrong time of day or season, forcing curtailment in which producers were paid for electricity that wasn't needed.

The result, Acchione said, is “everything costs more.”

The U.S. has moved to build giant gas plants as cheap sources of electricity, but the gas component of Ontario's electricity supply runs 12.5 cents a kilowatt hour. Wind and solar power also forced major investments in transmission and other costs.

Through the years, escalating government control was cheered on by a growing industrial complex of wind and solar promoters backed by a large contingent of financial firms, big name consultants, fee-collecting law firms and major corporations. All were anxious to play a lucrative role fulfilling renewable objectives.

The provincial auditor general last year delivered a devastating report on the Liberal green electricity campaign. The report estimated that by 2014, electricity consumers had "already paid a total of \$37 billion, and they are expected to pay another \$133 billion in Global Adjustment fees from 2015 to 2032." That's \$170 billion over 30 years.

Global adjustment fees are the sum total of all the monies Ontario industries and consumers pay to fund all the back-room policy fiddles, cash transfers and subsidies the Liberals brought in to fund renewable power, shut down coal and manipulate the system.

The only real benefit of the policy is a reduction in Ontario's carbon emissions, estimated at 30 megatons per year 2007. The auditor general estimated that "the implied cost of using non-hydro renewables to reduce carbon emissions in the electricity sector was quite high: approximately \$257 million for each megatonne of emissions reduced."

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In short, Ontario's non-hydro renewables regime will reduce carbon emissions at a cost of \$250 per tonne. The price of CO2 emissions on the California-Quebec cap and trade system Ontario plans to join is currently \$17 a tonne.

As for job creation, Rick Smith and company promised hundreds of thousands of new jobs. The government now claims 42,000, although it is widely conceded that job creation is minimal. The auditor general said the jobs appear to be mostly short-term subsidized jobs for workers installing wind turbines and solar panels.

The Ontario green electricity regime is a monumental failure. The costs to consumers are prohibitive and damaging the economy. The environmental and health benefits are debatable and likely non-existent. Worst of all, while the few jobs that have been created are mostly temporary, the high prices it foisted on consumers are permanent.

- The Liberals' expensive renewable deals will cost taxpayers a 'staggering' amount to tear up²
- Jon W. Kieran: Controlling Ontario's electricity costs³

² <http://business.financialpost.com/fp-comment/the-liberals-expensive-renewable-deals-will-cost-taxpayers-a-staggering-amount-to-tear-up>

³ <http://news.nationalpost.com/full-comment/jon-w-kieran-controlling-ontarios-electricity-costs>