

Remarks for
The Honourable Bob Chiarelli, Minister of Energy
Toronto Board of Trade
Tuesday, February 3, 2015

****Please Check Against Delivery****

Time: 12 noon

Location: King Edward Hotel, Sovereign Room

Thank you Angela [Iannuzziello, Vice-President, Canada National Transit Market Sector Lead, AECOM] for the introduction.

Good afternoon everyone and welcome.

I am pleased to have the opportunity to address the Toronto Board of Trade once again.

As an elected official, I have observed the changes in Boards of Trade and Chambers of Commerce from the restricted subject matter of taxation, regulation and economic development to subjects that are much broader.

Encompassing the principle that what's good for the community is good for business, in areas, for example such as transit and poverty; and that quality of life is an economic issue.

And thank you to the Toronto Board of Trade for leading in this regard.

And regarding Toronto's selection by the Economist as the best city in the world in which to live, congratulations to the people of Toronto and to the Board of Trade for your part in helping make this happen.

As an avid hockey fan I am also aware that the GTA produces some of the best hockey talent in the world. Unfortunately most of them play for teams in other NHL cities.

I think we all know that the energy sector is extremely strategic to governments, the corporate world and virtually every economy worldwide.

It has been and is a sector that opens great opportunities, but accompanied by great risks to governments, corporations and most strategically – and in recent years an accelerated pace – to the health and welfare of people and the environment around the world.

In Ontario and Canada there is now a strong consensus – at least among the Provinces and the public – that we are not immune to any of these risks.

So, from my vantage point as Minister of Energy here in Ontario, I thought it might be helpful to share with this audience some highlights and updates on several of the more dynamic and critical pieces impacting our great province.

Each of the subjects I will touch on today could be the only subject of a major speech, but I believe an energy sector overview may be helpful and informative at this time of dynamic change.

So firstly, on the issue of climate change and managing the carbon issue, I'm pleased to see that Premiers Wynne and Coulliard have decided to move to the front of the line to initiate a Canadian policy on climate change and managing carbon.

This is a critical goal for Canada's credibility, for our economy and for the future of our children and grandchildren.

An uncoordinated policy will hinder Canada's competitiveness.

There have been many meetings and ongoing dialogue between the two Premiers and their respective Ministers, including Minister Murray, the new Minister responsible for Climate Change, and myself as Minister of Energy. All directed towards encouraging a Canada-wide policy that makes sense for all Canadians.

And it has been a breath of fresh air to work with Premier Coulliard and his team who consistently proclaim their pan-Canadian interests and intention to be a full Canadian partner on this and other issues.

And I ask you as the Board of Trade in Canada's largest city and the 4th largest city in North America, to encourage this Canada-wide initiative in every way at your disposal.

And to take part in the process our government needs your input and advice.
At this point in time the plan is to roll out a policy by the end of this calendar year.

Next, I would like to highlight the issue of the price individuals and businesses pay for power in Ontario, including additional steps our government has taken more recently to mitigate rates and make them more affordable.

The three priorities for most electricity systems are to have electricity that is clean, reliable and affordable.

But when our government came to office eleven years ago the system was broken.

We had a deficit of electricity, threats of brownouts, generation was 25% dirty coal and the system survived by importing expensive electricity costing \$1 billion per year. It was neither reliable, clean nor affordable.

Our government rebuilt the system by investing over \$33 billion in new or upgraded generation and transmission over ten years.

And while making these investments, we eliminated all of our coal generation.

That's the equivalent of taking 7 million cars off our roads; and by independent calculation, is saving Ontario \$4 billion in health care and environmental costs annually.

Ontario's elimination of coal is the single largest climate change emissions reduction program in North America.

And today, Ontario is lauded for its reliable, clean and affordable system.

But replacing dirty coal, one of the cheapest types of generation, put significant upward pressure on prices.

And, by the way, blaming price pressures on renewable wind and solar is simply incorrect. This represents less than 8% of our generation and less than 2% of electricity bills.

Our replacement of the 25% of coal came mainly with 20 new gas generation stations and other types of generation such as water power, including the new tunnel at the Niagara Generating Station, and more recently the major expansion of the Lower Mattagami hydro station in Northern Ontario.

As a government we acknowledged that an unprecedented level of investments and abolishing coal generation would put major pressure on prices.

And so, to make our reliable and now clean system affordable, we introduced a number of price mitigation measures.

For the residential customer we introduced:

- The **Ontario Clean Energy Benefit** taking 10% off hydro bills.
- The **Ontario Energy and Property Tax Credit** that saves qualifying individuals up to \$973 per year, with a maximum of \$1,108 per year for qualifying seniors.
- The **Northern Ontario Energy Credit** which helps families and individuals in Northern Ontario with tax credits.

And in our most recent budget we are taking the Debt Retirement Charge off residential bills, 2 years earlier than planned. And we will be providing a new Ontario Electricity Support Program for low income families taking an average of \$180 per year off bills.

Now, for businesses, two years ago we introduced the Industrial Electricity Incentive program (IEI). Using surplus power we provide electricity at about 50% of price for new companies in Ontario or for Ontario companies who expand and create jobs. And in our most recent budget, this was made much more widely available to more classes of businesses.

For example, Detour Gold is saving \$20 million in electricity costs for expanding what will be one of the largest gold mines in Ontario.

And in our recent budget we expanded our Industrial Conservation Initiative (ICI) to significantly help more of Ontario's large consumers save an average of 20% off their power costs.

And under our Northern Industrial Electricity Rate Program large Northern industrial consumers save about 25% off their power costs.

When taken into account, these programs make Ontario's companies extremely competitive compared to most Canadian provinces and many US states.

Also, we have taken meaningful steps to reduce price pressures in the medium term by scaling back over \$20 billion previously planned capital investments such as indefinitely postponing \$15 billion of new nuclear generation.

The Ministry of Energy is extremely committed to bending the cost curve down to mitigate rate increases in the short, medium and long term.

And now for the Energy East pipeline

I would like to highlight several issues regarding the Energy East pipeline project for a moment or two.

The government of Ontario recognizes the importance and scope of this proposal, especially so, since of this 4,600 kilometers cross-Canada project 2,100 kilometers stretches across Northern and Eastern Ontario, almost 50%.

And our government acknowledges that the federal National Energy Board has the regulatory jurisdiction and authority over this project.

And it is important to point out that the provinces may participate in the process as only intervenors.

And notwithstanding, this legally limiting role, the Ministry has mandated the Ontario Energy Board to conduct province-wide consultations on the project.

When submitted the OEB report will be used to help inform Ontario's intervention at the National Energy Board.

Last year our Cabinet approved six principles that should apply to pipelines in Ontario.

And Ontario will obviously fully participate in the process as an intervenor and we will not speculate on the outcomes.

However, at this stage we can share several outstanding concerns:

Firstly, that First Nations are not being adequately consulted.

Secondly, Ontario shares the concerns of Ontario's two large natural gas distributors – Union Gas and Enbridge – and Gaz Metro in Quebec, that the replacement of current gas transmission with oil leaves consumers at risk as to future gas supply and increased prices; this is an opinion shared by Quebec's equivalent of the OEB – Le Regie.

The extent to which TransCanada claims that permanent jobs will be created through operation of the pipeline.

The consultations to date indicate very significant concerns about the current route in a number of places in Ontario exposing ground water and water courses to unacceptable risks.

Next, I would like to update you on several other aspects of Ontario's Energy sector, each of which could be the subject of a full speech, so this is intended to very briefly inform you of a cross section of important issues to the energy sector:

- The Independent Electricity System Operator and the Ontario Power Authority have now been fully and legally merged, providing more coordinated and efficient energy system planning and management while creating other financial and system improvements.

Now, an update on the transformational relationship with First Nations and Metis communities.

- Our government has been committed to engaging First Nation and Metis communities in our Energy Sector.

We have provided a variety of programs and procurement incentives that have resulted in unprecedented equity and economic participation for them.

For example equity participation in the Bruce to Milton Transmission Line, the Lower Mattagami Hydro Electric Station, and extensive partnerships and participation in the Renewable Energy Sector.

Next, the challenge of Sustainability of Pensions is an issue known to everyone in this room, including the pensions of Ontario's Electricity agencies, particularly Hydro One and Ontario Power Generation.

Our government commissioned the Leech Report (Jim Leech) which confirmed that the ratio between public sector employers like OPG and Hydro One has become so grossly misaligned as to make them unsustainable.

Very recently unions and both companies have together selected a special pension Facilitator to manage a table on electricity sector pension reform.

Now with respect to Nuclear Refurbishment:

Ontario has over 40 years of experience delivering safe, affordable, clean, and reliable electricity to Ontarians.

Last year it produced 60% of Ontario's electricity. It is our base load and our 2013 Long Term Energy plan is committed to Nuclear Power.

Ontario's nuclear fleet will see 10 units reaching the end of their life cycle over the next 15 years.

Our government has adopted and is implementing the refurbishing of these units over this time frame pursuant to our Long Term Energy Plan.

I want to underline that this plan is committed to being completed on time and on budget, and the schedule of refurbishment is staged so that an alternative plan will be implemented if budget targets are not met.

Refurbishment, which costs 50% of the cost of building new nuclear, has been determined to be the cleanest, most reliable, and affordable option to replace the electricity in these units as they approach end of life cycle.

Nuclear Opportunities

At the same time as we challenge Ontario's nuclear industry to deliver on the refurbishment program, we are excited to expand this industry's presence on the global stage. Ontario's nuclear supply chain supports more than 50,000 jobs right here in Ontario.

Be it at Babcock and Willcox in Cambridge, or MDA and SNC in Mississauga or at Chalk River Laboratories in the Ottawa Valley.

These domestic leaders are already exploring opportunities in emerging markets and our Government is keen not only to support but to ensure their international success.

We will do all we can to bring the right people together, from industry and government to catalyze international business and deliver jobs for Ontario industries.

And we are pleased to see the federal government's RFP to create a government owned but commercially operated Chalk River research facility, which currently sustains close to 5000 high skill jobs in Ontario.

Working together with Ontario's and Canada's Nuclear Sector, Ontario and Canada can revitalize the Nuclear Sector and bring it to a new level.

Asset Council

As everyone is aware, last April, our Government launched an aggressive review of the Ontario Business Enterprises, including the LCBO, The Beer Store, significant real estate.

And of course, including Ontario Power Generation and Hydro One.

The Asset Council's recommendations to date do not contemplate divestment of any OPG assets. But is recommending the disposition of some of Hydro One's distribution business.

The Council, headed by former TD Bank CEO Ed Clark, is continuing its work analyzing and assessing the various options available to Government.

We believe that market conditions are prime today to maximize value for taxpayers and ratepayers alike.

We know that any divestment in the near term will mean billions would be made available for important investments in infrastructure; and provincial ownership of hydroelectric assets is not necessary to protect ratepayer interests; that strong and effective OEB oversight will continue to ensure ratepayers are protected.

And we want to assure the business community that, our procurement process will be fair, open, and transparent, and will likely weight issues, such as any consolidation achieved, protecting ratepayers, and having significant positive experience in Ontario's Energy Sector.

Flatline Demand Growth

At the start of the last decade, Ontario faced a shortage of supply at a time of economic growth this resulted in corresponding electricity demand growth.

But, as we project into the next decade, we are facing a flat demand curve, perhaps even modest decline in overall demand. The exciting part of this news is that we are becoming a more energy efficient society, at work and at home.

Since 1990, we have seen commercial and industrial energy intensity decrease, while important measures of economic growth have increased.

Simply put, both government and industry are getting better at being efficient with their energy use, and technological innovations continue to have a material impact on our electricity demand.

Businesses and system operators need to embrace this culture of change and drive down electricity demand even as we pursue economic growth; as overall this will mean enhanced productivity and lower costs for large commercial and industrial ratepayers.

And conservation further flattens our demand going forward

Conservation helps Ontarians better manage their energy costs, lowers greenhouse gas emissions and avoid the costs of building new generation.

In our new conservation framework, signed by all of our local distribution companies, we have an ambitious goal to conserve 7 terawatt hours by 2030, equivalent to taking 1 in 5 homes off the grid.

To give you an idea of the scale of that, 30 TWh is equivalent to all of the electricity used by the City of Toronto in 2013.

And specific to this audience, conservation is already at work for businesses across Ontario.

Home Depot, for example, is a leader in helping save energy, reduce system costs and manage their own commercial electricity costs.

Home Depot has completed 191 conservation projects province wide. And these have reduced energy consumption by more than 29 million kilowatt-hours since 2012, enough electricity to power more than 3,000 typical Ontario homes for a year.

Last year, 245 Tim Horton's' restaurants underwent renovations that included energy-saving measures like switching to LED lighting and installing white roofs.

Through its combined conservation efforts, last year Tim's estimated it would save around four million kilowatt hours of electricity province-wide.

And just this past Sunday, the Super Bowl was held for the first time at a stadium entirely lit by LED's, cutting energy use by an estimated 75%. In Ottawa, the home of the Ottawa Senators, Canadian Tire Centre has done the same.

These are just a few examples of how conservation can work to increase the bottom line for business, while helping lower demand overall, which saves all ratepayers in the long run.

I would encourage every business, if you have not already done so, to contact the LDC or utility serving you for an assessment of your potential savings. Many of you will be surprised.

And Demand Response programs also flattens our demand curve going forward

An important component of our system management will increasingly become Demand Response and Demand Management programs.

In these programs, the IESO would call upon large consumers under contract to curtail electricity use during specific peak periods, thus avoiding the firing up of a peaking generating station, like a large gas plant during the most critical hours of the year.

The large consumer receives a discounted power price and the system saves major operating costs, which in turn reduces upward cost pressures in the system.

DR is truly cutting edge and I predict, will continue to revolutionize the electricity sector in the years ahead.

Conclusion

I would like to once again thank the Toronto Board of Trade for this opportunity to update all of you on the significant priorities of our Ministry moving forward into 2015.

As we move to continue to make our electricity system reliable, clean and affordable for all Ontarians I look to all of you – the business leaders in our province – to ensure stakeholder participation as we work to meet the needs of families and businesses.

Thank you.