

March 2, 2007

Mr. Scott McCoombs, P.Eng.,  
Manager – Energy Management,  
Nova Scotia Department of Energy,  
5151 George Street, Suite 400,  
Halifax, NS B3J 3P7

Dear Scott:

Re: Stakeholder Commentary on Robert Cary Report of February 12, 2007  
Report on Policy Options and Decisions

The Ecology Action Centre (EAC) appreciates the opportunity to provide comments on the final report by Mr. Cary. The Ecology Action Centre strongly supports renewable energy in Nova Scotia and believes that direct renewable energy sales to retail customers is one of many strategies to develop our indigenous energy resources. We believe implementing renewables to retail is a defensive strategy for our province, at this period in time. If not implemented soon, we fear that Nova Scotia will lose further capacity in a home-grown renewable energy industry.

We emphasize however, that a renewable to retail policy is far from sufficient as a renewable energy development strategy. The desire for a more comprehensive strategy was expressed in many of the stakeholders comments and will be dealt with in our discussion below.

Below we will discuss the EAC's support for a renewables to retail policy that does not offset existing renewable targets, our support for a system capability study, our support for the development and implementation of a feed-law policy to deliver multiple benefits to the province, and recommendation to create an environmental advocate to the Utility and Review Board (UARB).

### **Implementation Options**

The Ecology Action Centre strenuously objects to option B2, which would allow renewables to retail to offset the existing renewable portfolio standard obligation. If this were to occur the renewable energy developed from renewables to retail would create no new environmental benefits. We believe that it was the understanding of the people of Nova Scotia, that the mandatory renewable energy standard outlined by the government would be a minimum standard.

Many customers may wish to personally, go beyond, the 20% of generation from renewables that will be implemented province-wide. If an individual consumer desires to purchase more renewable energy to benefit the environment, they should have the freedom to do so. If an offset option is adopted, this might take away one of the reasons customers would want to buy renewable energy.

In general, the EAC is supportive of option C, and believe this option is in keeping with the original Electricity Marketplace Governance Committee (EMGC) proposal.

We remain very concerned that the policy discourse on renewable energy is based on a false premise. Namely, that artificially restricting the development of renewable energy is somehow cost-effective and precautionary. Renewable energy development in this province will be reduced if we disallow the export of renewable energy attributes and if we continue current procurement policies. The statement that the export of renewable energy attributes will increase the cost of compliance with greenhouse gas regulations stems from an analysis that is void of the regulatory and industrial dynamics that govern real-world economies.

Nova Scotia has a very GHG-intensive electricity sector. The environmental and social consequences of this are severe. It requires that Nova Scotia make a significant transformation to compete in the emerging carbon constrained economy. Therefore, we do not believe it is precautionary to quell the development of renewables by, for example, disallowing the export of attributes, having renewables to retail offset existing targets, or continuing the current procurement policies based on requests for proposals with a competitive bidding process. The most precautionary thing for Nova Scotia to do at this time is to accelerate our development of energy efficiency and multiple forms of renewable energy to both avoid future carbon liabilities and spur the development of emerging green energy sectors.

In this century, at least, an 80% GHG reduction below 1990 levels by 2050 is needed to prevent dangerous climate change. Nova Scotia cannot afford to blind itself to this future environmental and economic reality by continuing to utilize autistic economic analysis. If we do so we will continue to be laggards in the development of renewable energy industries with punishing consequences for our environment and Nova Scotia's social and economic development.

To deliver multiple benefits to Nova Scotia, we should be looking to accelerate the transition towards sustainable energy as much as possible. Nova Scotia should be considering restrictions on the importation of attributes or offsets and a strategy should be developed to ensure we are exporting carbon credits, as long as they are verified to be delivering real GHG reductions.

### **Independent Capability Study**

The EAC strongly supports an independent study on system capabilities for renewable energy. We support Mr. Cary's recommendation to allow development to continue and that the UARB might be an appropriate body to carry out such a study.

We emphasize that for the study to be independent, the UARB must carry out the study on its own and not order the NSP System Operator to undertake the study. We believe the study should be open to public review and critique and that the study should focus on technical feasibility. However, we wish to note that it will be difficult to separate issues of project ownership and contractual arrangements from final policy because technologies develop within a social and institutional context.

## **Standard Offer Program/Feed-Law**

The EAC is pleased that Mr. Cary has recognized that the current request for proposals procurement policy utilized by NSPI discourages community-based participation and that the bidding system can lead towards the non-delivery of projects.

The EMGC did not discuss feed-law policies. This is perhaps not surprising since the recommendations were written 4 years ago. The emphasis stakeholders have put on a feed-law program during the stakeholder session speaks to the need to update the provinces energy procurement policies.

The EAC wishes to emphasize that a feed-law mechanism has been more successful in building capacity than the methods we currently use and that it can complement our current renewable energy target. For instance, a feed-law mechanism might enable Nova Scotia to meet the renewable energy target sooner and in a way that delivers economic development benefits.

The recommendation that a feed-in tariff be determined by competitive pricing from larger projects is problematic because a significant number of Nova Scotians will be excluding from setting this price. Those participants who have a history of bidding low to gain market share and engaging in market gaming will set the price. This has resulted in projects not being built, and it will result in the exclusion of Nova Scotia's communities from renewable energy development.

The Ecology Action Centre recommends that the government of Nova Scotia order NSPI to offer an immediate fixed price for small, distributed connected projects, and that the initial price be set by a group of experts and stakeholders.

While we appreciate that Mr. Cary has reported on issues raised by stakeholders, we wish to note that he was not tasked with providing a thorough analysis of the feed-law mechanism. We therefore recommend that an independent feasibility study on the feed-law mechanism be undertaken this year as part of an overall evaluation of Nova Scotia's current renewable procurement policies based on request for proposals. The study should focus on the mechanism to determine the price needed to spur the development of multiple forms of renewable energy in a geographically distributed fashion. The study should be developed in cooperation with multiple stakeholders and with a focus on delivering multiple economic development and environmental objectives. The study should be a first step in implementing the recommendation of the Standing Committee on Economic Development made on January 25<sup>th</sup>, which stated:

“The Standing Committee on Economic Development requests that the government insist that the Department of Energy formally involve the Departments of Economic Development and Agriculture in the development of programs, policies, legislation and regulations that will guide the development of the renewable energy industry”

### *Emerging Industries*

Mr. Cary further discussed the opportunities for emerging technologies. While Mr. Cary has attempted to deal with stakeholders concerns, we emphasize that little meaningful discussion has occurred on issues of innovation and industrial dynamics.

The EAC emphasizes that a specific strategy needs to be developed to spur emerging technologies. This should include an aggressive, independent, university-based research and development strategy and include consideration of utilizing the feed-law mechanism to allow market entry and community participation.

### **UARB Powers & Process**

Mr. Cary has made a number of recommendations regarding the Utility and Review Board. It is our belief that legislative change will be required to create the role for the UARB that Mr. Cary envisions.

We also recognize that many issues relating directly to the environment will be dealt with at the UARB in the future (e.g. EMGC implementation, system capability study, Demand Side Management, Fuel Adjustment Mechanism). We also recognize that environmental expertise will be increasingly needed at the UARB as Nova Scotia enters the paradigm shift that the issue of climate change will bring to the electricity sector.

The Ecology Action Centre has been involved in Utility and Review Board processes for over 30 years. During this time the EAC has found it very difficult to find the capacity in terms of time and funds to adequately represent environmental interests. At times, this has meant that an environmental voice has been excluded from key decisions.

Given the growing importance environmental issues will play in future UARB processes, we request that the government legislate the creation of an *environmental advocate* before the UARB. The advocate should be funded in the same manner as the existing consumer advocate, the advocate should be hired through an open process conducted by the Nova Scotia Environmental Network (NSEN), and NSEN will act as the environmental advocate's clients.

### **Conclusion**

This concludes the Ecology Action Centre's discussion of Mr. Cary's final report. We believe this process has shown that Nova Scotians are requesting that their government go beyond policy positions previously thought to be adequate.

We hope the EMGC recommendations pertaining to renewables to retail made 4 years ago can be implemented expediently. We also hope we can immediately consider a more effective renewable energy policy for Nova Scotia that learns from the experience in other jurisdictions. We further hope that we never again allow ourselves to argue over a policy for years while we watch opportunities pass by.

Yours Sincerely,



Brendan Haley, BSc, MES  
On behalf of the Ecology Action Centre