TAF The Atmospheric Fund

Maryanna Lewyckyj
Environmental Registry of Ontario
Ministry of the Environment, Conservation and Parks
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Re: ERO #019-5816

September 14, 2022

Dear Maryanna,

The Atmospheric Fund (TAF) appreciates the opportunity to provide feedback on the matter of developing a Clean Energy Credit (CEC) registry. TAF is a regional climate agency that invests in low-carbon solutions in the Greater Toronto and Hamilton Area.

A regulated clean energy credit market has potential to support decarbonization by channeling investment into clean energy infrastructure. Experience in many other jurisdictions shows that there is a significant demand for clean energy, which supports the expansion of clean energy supply. For example, Alberta has added more than two gigawatts of clean generation to the grid through corporate Power Purchase Agreements (PPAs) in the last two years alone. Ontario can and should take advantage of the growing demand for clean energy to help finance the transition to a net zero electricity system. ***In principle, TAF supports the creation of a regulated CEC system in Ontario.***

However, we are concerned with the proposal to allow the sale of CECs based on existing generation assets under contract. The foundational principle of credit or offset markets is additionality – that the sale of a credit should result in incremental carbon reduction and/or clean energy supply that would not have occurred without the revenue from sale of the credit. CECs sold based on existing generation assets under contract lack additionality. The IESO itself has advised that such credits carry "no additionality" and amount to little more than government-sanctioned "greenwashing"[1]. Furthermore, the availability of a large volume of CECs based on existing assets, effectively endorsed as legitimate by the Province of Ontario, risks undermining the market for CECs and/or PPAs for new clean energy supply. Therefore, ***the inclusion of this type of CEC product could actually reduce investment in clean energy and undermine the transition to a net zero electricity system.***

If existing generation assets under contract are allowed to generate CECs, we recommend those credits be retired on behalf of customers (option 1a as outlined by the IESO). Alternatively, if such CECs are sold, all revenues should be required to be reinvested in new clean energy infrastructure. Using the revenues to invest in new clean energy supply would still achieve the ministry's goal of benefiting ratepayers.

[1] IESO, C*lean Energy Credits: Presentation for IESO Engagement Days*, April 21, 2022.

We recommend the province design the proposed CEC system to maximize private investment in new clean energy supply*. **There are several ways to achieve this, as outlined by the IESO. Based on the experience of other jurisdictions and the responses to the IESO Customer Preference Survey, we believe that CECs bundled with PPAs is the most promising option (option 3a as outlined by the IESO). PPAs are a proven mechanism for channelling private investment into additional clean energy supply and are the preferred mechanism for large companies around the world to achieve clean energy commitments. However, creating a successful market for CECs based on PPAs will require more than the creation of the proposed CEC Registry. ***Regulatory amendment is needed to allow clean energy purchased through PPAs to be subject to reduced global adjustment charges.

TAF supports the creation of a CEC registry to mobilize private investment in clean energy. To ensure impact and credibility, we recommend that the government make additionality a foundational principle for the proposed CEC system. A CEC market flooded with credits based on existing assets with no additionality will undermine investment in clean energy and encourage “greenwashing”. In contrast, a robust and transparent CEC market based on new clean energy generation has the potential to mobilize significant private investment in clean infrastructure, accelerate the transition to a net-zero grid, and support long-term energy affordability for all Ontarians.

We strongly urge the province to design the proposed Clean Energy Credit market to prioritize additionality and mobilize investment in a clean energy future.

Sincerely,

Bryan Purcell

VP of Policy & Programs
The Atmospheric Fund

About the Atmospheric Fund

The Atmospheric Fund (TAF) is a regional climate agency that invests in low-carbon solutions for the Greater Toronto and Hamilton Area (GTHA) and helps scale them up for broad implementation. Please note that the views expressed in this submission do not necessarily represent those of the City of Toronto or other GTHA stakeholders. We are experienced leaders and collaborate with stakeholders in the private, public and non-profit sectors who have ideas and opportunities for reducing carbon emissions. Supported by endowment funds, we advance the most promising concepts by investing, providing grants, influencing policies and running programs. We’re particularly interested in ideas that offer benefits in addition to carbon reduction such as improving people’s health, creating local jobs, boosting urban resiliency, and contributing to a fair society.