

September 16, 2022

Ministry of Energy  
Government of Ontario  
77 Grenville Street  
Toronto, Ontario M7A 2C1

## **Re: Consultation on the Development of a Clean Energy Credit Registry**

Invenergy appreciates the opportunity to provide input to the Ministry of Energy's proposed Clean Energy Credit (CEC) Registry. With Canadian headquarters in Toronto, Invenergy is the world's largest privately held renewable energy company and a global leader in developing and operating sustainable energy solutions. We have successfully developed over 30GW of capacity across 200 projects globally.

As a leader in the renewable energy sector, we play a catalytic role in the energy transition of many countries across the world. In Ontario, we have a proven track record of two decades, having delivered the 78 MW Raleigh Wind Farm, the 10 MW Sandringham, and the 10 MW Woodville solar farms. In addition, Invenergy continues to own and operate the St. Clair Energy Centre, a 570 MW thermal generating station in St. Clair Township, just south of Sarnia. The St. Clair plant powers hundreds of thousands of homes and businesses in Ontario and demonstrates our longstanding interest in helping Ontario meet its electricity demand.

At Invenergy, we are encouraged by the development of a CEC registry that will track the trade of credits from net-zero emission generation thereby enabling businesses to meet their sustainability goals while incentivizing new renewable energy generation to come online at a lower cost. Clean Energy Credits (CECs) will contribute toward maintaining a safe, reliable, clean and affordable energy supply for all Ontarians. We support the principles upon which the registry will be based, especially around customer choice and future-proofing the registry by enabling it to be flexible and expansive. These principles will attract new investment in clean energy generation and further decarbonize the grid.

To that end, Invenergy strongly recommends that the Ministry consider two key elements to ensure that CECs are effective. First, the registry should be designed to achieve additionality by offering credits to only new renewable energy generation. Secondly, the registry should ensure that the environmental attributes of CECs are transparent to allow potential buyers to make decisions based on their needs and market dynamics. Invenergy recommends that the Ministry consider the following to ensure a successful Ontario registry.

### **CEC registry should lead to additionality**

Ontario will face an electricity shortfall as early as 2025, and the province will require a combination of energy conservation and new generation added to the grid to meet increasing demand. As the province faces an unprecedented challenge with the early retirement of its nuclear power plants and refurbishments at other facilities, natural gas will be the only source to meet Ontario's short-term firm capacity needs. With the incoming federal Clean Electricity Regulations, Ontario will inevitably be required to balance its energy mix in favour of renewable

energy sources to ensure it can meet regulatory and market demand and maintain its clean electricity advantage over its peer jurisdictions.

In light of these challenges, Invenergy strongly recommends that the registry focuses on additionality to ensure CECs are generated from new renewable energy projects to drive new clean energy into the electricity grid. Additionality will allow Ontario to diversify its electricity mix and avoid a situation where it relies on existing emitting generation to meet demand. To include existing non-emitting generation as part of credit offerings would limit the potential of the CEC registry to incentivize new generation to the grid for important reasons.

Firstly, additionality occurs when greenhouse gas emissions are reduced due to new, clean generation added to the grid. If CECs are traded under business-as-usual conditions, meaning tied to existing clean generation, then the market is not additional, and credits cannot be used to argue that reduction is additional. In fact, not only would tying CECs to generation from new projects accelerate the low-carbon transition but factoring their economic attributes in CECs will lead to cheaper power, where the appropriate market mechanisms exist. Secondly, subsidizing existing non-emitting generation would not meet the needs of corporate, industrial, and institutional (C&I) buyers looking to meet their ESG goals, want to add new renewable energy capacity to the grid and want to measure how their investment reduced their environmental impact.

Additionality would be in line with Minister Smith's letter to the IESO in January 2022, directing the IESO to ensure that the design of a provincial CEC registry would benefit ratepayers and support the future development of new clean energy in the province. The State of New York, which has adopted a Clean Energy Standard, provides a great example for Ontario when prioritizing new renewable energy projects. Since New York is committed to procuring at least 50% of the electricity consumed in the state from renewable energy resources by 2030, they have implemented a credit system for various tiers of renewable energy credits (RECs) to differentiate between technologies and the date of commission. Based on our experience in the State, Tier 1 RECs (new build) hold significantly more value than Tier 2 (commissioned before 2015). The value for Tier 1 is driven by increased pressure from investors who want to demonstrate additionality in their renewables and energy procurement strategies. Given Ontario's challenge to increase its capacity and diversify its energy mix, additionality as part of the registry is critical for the province.

Furthermore, CECs are not enough to drive new clean energy projects and should be built upon an electricity procurement mechanism, i.e. power purchase agreements, to drive demand for credit generation. For example, businesses looking to invest in Ontario by setting up their manufacturing hubs and data centers, are interested in drawing clean energy to power their operations. Suppose Ontario develops a mechanism to enable corporate Power Purchase Agreements (PPAs). In that case, it will benefit from a CEC registry that will de-risk investments made by C&I buyers working to achieve net-zero targets and recognize that procuring renewable electricity is a vital step towards their sustainability goals. In turn, it will drive renewable energy development across the market and benefits Ontarians with access to clean and affordable energy supply.

## **Identifying the environmental attributes of CECs**

Invenergy supports the basic features of the proposed registry that will require information about each CEC and act as a tracking system to ensure transparency and accountability. One of the key uses of environmental attributes conveyed by CECs is the ability to claim that the buyer

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uses 100 percent clean, renewable energy. Invenergy strongly recommends that for additionality to occur, labelling the type of fuel source buyers will receive through CECs is imperative and should be part of the final version of the registry.

Referring back to Minister Smith's letter to the IESO, "customer choice" should be at the heart of the design of the CEC registry and customers should have their choice of CEC products, as long as the products are measurable and verifiable and are sourced from clean energy. Customer choice can play an important role in determining which type of energy gets produced and added to the grid, especially when the majority of C&I buyers are obligated by their shareholders to purchase CECs from clean technologies with particular environmental characteristics. The State of NY also provides an example of how their credit system ensures transparency over procurement choices that enable C&Is to power their business through technologies that align with their corporate social responsibility and can be more effective in providing additionality.

As increasing numbers of corporations seek to meet their growing sustainability goals, Ontario's CEC registry will have to incorporate these important considerations to support the province's efforts to further decarbonize its electricity grid, reduce emissions and meet market demand.

Thank you for the opportunity to engage and provide input on the proposed Clean Energy Credit (CEC) Registry. Invenergy is deeply invested in Ontario's clean energy and urges the Ministry of Energy to consider our recommendations for a successful CEC registry. Please do not hesitate to contact us should there be any questions related to the comments outlined in this submission or if there are any other ways we can support the development of this program.

Sincerely,



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