

Pre-Budget Consultations in Advance of the 2020 Budget



PREPARED FOR THE STANDING COMMITTEE ON FINANCE

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List of Recommendations

Recommendation 1 Support for Policy and Regulatory Reform. That the Federal Government augment funding for programs and initiatives which support policy & regulatory reform regarding Smart Energy Communities and low-carbon energy systems by integrating the challenge of transitioning to low-carbon energy systems into the scope of existing federal initiatives.

Recommendation 2 Support for Social Innovation. That the Federal Government broaden the scope of Canada's Social Innovation and Social Finance Strategy¹ to include the societal challenge of advancing Smart Energy Communities, and create a Social Energy Innovation Fund to invest in initiatives that develop new community energy planning practices and methods.

Recommendation 3. Support for Community Energy Planning & Community Resilience. That the Federal Government provide stable and predictable financial resources, including green municipal bonds, as well as long-term funding to strengthen local governments' climate and energy staff capacity. To enable local governments across Canada to both develop and implement Community Energy Plans and Resilience Plans, we specifically recommend that the Federal Government:

1. Increase investment to continue building human capacity of small and mid-sized communities through the creation of long-term funding for energy and climate managers with a minimum of five-year contracts.
2. Scale up innovative green financing tools for municipalities to develop financial autonomy, including a framework for green municipal bonds, and provide matching funding to support these initiatives.
3. Establish revolving funds for sustained investment into community energy projects for small and mid-sized communities with up to 25-year payback periods.

¹ Social Innovation and Social Finance Strategy, Government of Canada, 2018
<https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/strategy.html>

Body of Submission

As a connector, educator and influencer, QUEST supports governments, utilities & energy providers, the development sector, and solution providers to establish Smart Energy Communities. A Smart Energy Community understands the compelling challenge of climate change while recognizing the reality of community energy needs and priorities. It seamlessly integrates local, renewable, and conventional energy sources to efficiently, cleanly, and affordably meet its energy needs. QUEST is an independent national non-profit service organization with a vision that Canada is a nation of Smart Energy Communities.

Over the past 13 years, QUEST has strived to accelerate this vision through a number of projects, applied research, and advisory services focused on deepening the alignment between government, industry and community stakeholders, growing the capacity of municipal staff and councillors to make informed energy decisions, and conducting research on how to best enable the Smart Energy Communities marketplace. Through shifting the conversation toward Smart Energy Communities, we choose to talk about what truly matters to Canadian's in their day to day lives - more sustainable energy systems, new economic opportunities, improved local environments, and more resilient infrastructure. This shift makes energy and climate policy constructive and concrete, paving the way for real progress on the issues that matter most to Canadians.

Pollution Probe is a national charity that exists to improve the health and well-being of Canadians by advancing policy that achieves positive, tangible environmental change. Celebrating our 50th anniversary in 2019, Pollution Probe has long been a recognised leader in defining environmental progress through research, awareness, education and by pressing for practical balanced solutions through evidence-based advocacy. Pollution Probe's energy program is focused on helping Canada transition to a sustainable low-carbon energy system in an efficient and equitable manner while reducing emissions that affect human health.

The recommendations that we make for Canada's upcoming Federal Budget reflect our collective experience working nation-wide with utilities, industry, non-profits, academic institutions, and communities. We hope that these recommendations will continue the important work of supporting Smart Energy Communities that we have seen through the successes of the Pan-Canadian Framework, the Green Municipal Fund, and many other innovative and important federal programs.

Recommendation 1. Well-designed policy and regulations are key to accelerating the diffusion of innovations necessary to transition to a Low Carbon economy. Existing Canadian energy systems have been designed to accommodate large-scale energy generation and are not yet ready to incorporate a high share of distributed energy resources and new grid infrastructure. Therefore, it is crucial to support policy and regulatory reforms which enable a smooth transition to a new balance between centralized and distributed generation.

- **Supporting regulatory reform.** [Budget 2018](#)² announced that the government would pursue a “regulatory reform agenda focused on supporting innovation and business investment. The goal is to make the Canadian regulatory system more agile, transparent and responsive, so that businesses across the country can explore and act on new opportunities, resulting in benefits for all Canadians.”

As part of this initiative, the Treasury Board of Canada Secretariat is in charge of coordinating targeted reviews of regulatory requirements and practices that are bottlenecks to economic growth and innovation in four sectors: agri-food and aquaculture, health and bio-sciences, transportation, and infrastructure³. Budget 2019 identifies regulatory sandboxes as a way to introduce novel regulatory approaches to reform regulatory frameworks⁴.

We recommend that Budget 2020 broadens the scope of the Treasury Board’s targeted reviews to incorporate the natural gas and electricity sectors, as well as increase funding for the next five years to support regulatory sandbox initiatives in these two sectors.

Sandboxes are places for early, collaborative testing and idea-sharing related to regulatory options for emerging technologies. They enable the co-creation of common frameworks among multiple stakeholders, and significantly reduce costs and lost revenue. As a result, they have the potential to accelerate the adoption of new technologies⁵. A sandbox housed by a central entity such as a regulator or government would be able to quickly test and adapt new technologies and programs. The Ontario Energy Board has established Ontario as the first jurisdiction in Canada to have introduced a regulatory sandbox and is now accepting applications.⁶

- **Supporting policy reform.** Successful systematic and large-scale policy reforms require the consultation and collaboration of multiple stakeholders from diverse sectors. We recommend that the Federal Government increase funding for initiatives and programs that explore new policies in collaborative and interdisciplinary ways. The existing Clean Growth Hub⁷ initiative is a

² Budget 2018, Making it easier for entrepreneurs and companies to do business, <https://budget.gc.ca/2018/docs/plan/chap-02-en.html#Making-it-Easier-for-Entrepreneurs-and-Companies-to-Do-Business>

³ Targeted regulatory review, Treasury Board of Canada Secretariat, <https://www.canada.ca/en/treasury-board-secretariat/services/federal-regulatory-management/targeted-reg-review.html>

⁴ Government of Canada Budget 2019, Chapter 2. Building a Better Canada <https://budget.gc.ca/2019/docs/plan/chap-02-en.html#Bringing-Innovation-to-Regulations>

⁵ According to Report from [Canada's Economic Strategy Tables: Clean Technology](#), 2018.

⁶ Ontario Energy Board, https://www.oeb.ca/_html/sandbox/process.php

⁷ <https://www.ic.gc.ca/eic/site/099.nsf/eng/home>

platform which leverages the programs and initiatives of 16 federal departments and agencies that form the Hub. We recommend that the federal government expand the mandate of the Clean Growth Hub to include more active energy policy research in order to explore cross-sectoral policy reforms that have the potential to accelerate the transition to a low-carbon economy.

Recommendation 2. Canada's Social Innovation and Social Finance Strategy⁸ recognises that new and innovative approaches are required to tackle societal issues. Focusing on social innovation provides local players with flexibility and agility to test and adopt new governance structures, practices, and/or methods to advance the transition to a low-carbon economy and adapt to the impacts of climate change. Examples of social innovations which advance Smart Energy Communities may include new ownership and financing models, national workshops facilitating dialogue and exploring common solutions, new governance structures and operational protocol in local governments.

We recommend that the Federal Government:

- Broaden Canada's Social Innovation and Social Finance Strategy and the recommendations made by the Social Innovation and Social Finance Strategy Co-Creation Steering Group⁹ to include the challenges of advancing Smart Energy Communities.
- Create a local Social Energy Innovation Fund to invest in projects that develop new community energy planning practices and methods. This fund can be designed as a joint fund between the federal government and the provinces & territories. The Social Innovation Advisory Council can be in charge of the design of the fund as its mandate is to provide an important perspective from within the stakeholder community and report regularly to government on progress and emerging issues related to the Social Innovation and Social Finance Strategy.

Recommendation 3. Community Energy Plans and Resilience Plans are essential tools for local governments seeking to become Smart Energy Communities. To build Smart Energy Communities and develop and implement these plans over the long-term, local governments require not only up-front capital investment, but also sustainable and predictable sources of funding. Based on QUEST's extensive experience, one of the most important aspects for the successful development and implementation of these plans is staff capacity and logistical support.

⁸ Social Innovation and Social Finance Strategy, Government of Canada, 2018
<https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/strategy.html>

⁹ Recommendations of the Social Innovation and Social Finance Strategy Co-Creation Steering Group, Government of Canada, 2018
<https://www.canada.ca/en/employment-social-development/programs/social-innovation-social-finance/reports/recommendations-what-we-heard.html>

Through programs such as Low Carbon Communities Canada and the Green Municipal Fund, the Federal Government has made great progress in supporting Smart Energy Communities. These programs, however, focus on providing capital support for one-time projects through competitive applications, putting resource-limited, small and mid-sized communities at a distinct disadvantage. These programs also fall short of supporting municipalities in the hiring permanent energy and climate managers and in providing them with regular training. Without these expert personnel, municipalities lack the capacity to develop beneficial projects, apply to funding opportunities, and carry out plans that increase the health, affordability, resilience and prosperity of their community.

We suggest that the Federal budget:

1. Increase investment into strengthening human capacity of small and mid-size communities with the creation of long-term funding for energy and climate managers for a minimum of five years (which is the period of time needed to develop, implement, and monitor energy and climate plans, and transform operational activities and practices) The Federation of Canadian Municipalities' Climate Staff Grant developed as part of the Municipalities for Climate Innovation Program, or BC Hydro's Community Energy Manager program, provide good examples of this concept in practice.
2. Scale up innovative green financial tools for municipalities to develop financial autonomy, including a framework for green municipal bonds and matching funding to support these initiatives. The Bank of Canada could play a role in supporting municipalities with resources, expertise, and logistics.
3. Establish revolving funds for sustained investment into community energy projects for small and mid-sized communities with an up to 25-year pay-back period. This may be similar to the Toronto Atmospheric Fund and Low Carbon Communities Canada program.

With in-depth experience helping communities achieve the benefits of both community energy planning and resilience planning, QUEST is currently piloting our Smart Energy Communities Scorecard, delivering resilience planning workshops, and pursuing funding for the development of a National Disaster Resilience Profile. QUEST recognizes that Indigenous and off-grid communities are especially in need of support for community energy and resilience planning and require programs that are developed with substantial consultation and input from Indigenous community representatives. We hope to work more closely with these unique communities in future projects, including through our Indigenous Smart Energy Communities Scorecard Proof of Concept initiative.

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