

**Written Submission for the Pre-Budget  
Consultations in Advance of the  
Upcoming Federal Budget**

**By: EDF Renewables Canada Inc.**

## **List of Recommendations**

- **Recommendation 1** – That the Government of Canada implement the Greening Government Initiative (GGI) and tender an RFP in Summer 2020 for 640,000 MWh; and procure a second RFP in 2021 that includes all federal crown corporations.
- **Recommendation 2** – That the Government of Canada develop the *Government of Canada Renewable Energy Credit (“CAN-REC”)* program to build new renewable energy projects and create jobs.
- **Recommendation 3** – That the Government of Canada include targets and grant funding mechanisms for green hydrogen projects in its upcoming National Hydrogen Strategy.

## **Body of Submission**

July 28, 2020

The Honourable Wayne Easter, MP  
Chair of the House of Commons Standing Committee on Finance

Sent via email to: [fina@parl.gc.ca](mailto:fina@parl.gc.ca)

### **RE: Pre-Budget Consultation in Advance of the 2021 Budget**

On behalf of EDF Renewables Canada, Inc. (**EDF Renewables**), I would like to thank you for the opportunity to participate in the government's pre-budget consultations for Budget 2021. EDF Renewables welcomes the opportunity to provide comment on measures the federal government can take to rebuild the Canadian economy better as it recovers from the COVID-19 pandemic. Moreover, we also believe our recommendations will support the mandate set by your government to strengthen the middle class, protect the environment, bolster the health and safety of Canadians, and work toward reconciliation with Indigenous peoples.

EDF Renewables is a market-leading independent power producer and electricity service provider. Since 2007, EDF Renewables has moved forward with a portfolio of 1,882 megawatts (**MW**) of solar and wind projects, in construction and operation across Canada – 1,000 MW of which are projects owned by local Indigenous communities or municipal partners. This portfolio represents more than \$3.6 billion of investment; 3,000 construction jobs across Canada; and enough energy to power 425,000 homes. With offices in Calgary, Montreal and Toronto, EDF Renewables employs more than 130 people working to deliver grid-scale power via wind, solar, and energy storage projects. EDF Renewables also delivers distributed and EV-to-grid solutions and performs asset optimization to maximize performance of generating facilities.

Economic recovery decisions made by the federal government today will shape the future economy of Canada. As the Government of Canada considers ideas to stimulate job creation and infrastructure investment, EDF Renewables suggests that clean energy infrastructure like wind, solar and energy storage will give Canada its best chance to meet and exceed our Paris targets of 30% below 2005 levels by 2030, as well as set an achievable trajectory to reach net-zero emissions by 2050. Making smart, strategic investments in wind, solar and storage, will create good jobs and economic opportunity in urban centres, rural areas and Indigenous communities across the country.

EDF Renewables is proposing two recommendations that would expand and accelerate the Government's pre-COVID-19 clean energy policy framework and a third recommendation that would leverage Canada's renewable energy assets. We feel these measures will put people to work today, while also creating the conditions for sustained investment over the period of Canada's economic recovery.

**Recommendation 1** – That the Government of Canada implement the Greening Government Initiative (GGI) and tender an RFP in Summer 2020 for 640,000 MWh; and procure a second RFP in 2021 that includes all federal crown corporations.

### Context

- The Greening Government Initiative (GGI) is a commitment to lower the GHG emissions of the Government of Canada's internal operations by 80% (relatively to 2005 levels) by 2050.
- Government of Canada created Centre for Greening Government within Treasury Board Secretariat (TBS) in 2016 to work toward this goal.
- Electricity Objective: "*Working with the provinces and energy suppliers, develop a strategy to power federal buildings with 100 per cent clean electricity, where available, by 2022.*"
- On April 15, 2020, Public Services and Procurement Canada (PSPC) released a Request for Information (RFI) for the procurement of new-build renewable energy generation capacity in Alberta to meet the demands of Government of Canada operations in Alberta (>280,000 MWh), and to displace the emissions of electricity consumed by federal facilities outside of Alberta (>360,000 MWh).
- EDF Renewables responded to the RFI and we eagerly anticipate the release of an RFP in Summer 2020. However, the size of the RFP due in Summer 2020 it is still unclear.
- Moreover, EDF Renewables has recently learned that the government has more MWhs available for tender in a second RFP that would include all crown agencies.

### Ask

- EDF Renewables asks that PSPC purchase the maximum MWhs presented in the RFP at 640,000 MWhs; and
- Launch an additional RFP in 2021 to encompass all federal crown corporations.

### Benefits

- 640,000 MWh/yr equates to one 180 MW wind project, which attract over \$215 million in capital investment; invest over \$70 million into local businesses in the province of Alberta and create over 250 construction jobs at the height of construction; and, employ 5-7 full time employees.
- More economic development opportunities would exist in an additional RFP.

**Recommendation 2** – That the Government of Canada develop the *Government of Canada Renewable Energy Credit* ("CAN-REC") program to build new renewable energy projects and create jobs.

### Context for Action

- Canada has put in place a national carbon price that will reach \$50/tonne in 2022.
- Large emitters and industries, which have high carbon exposure are common purchasers of Renewable Energy Credits ("RECs") or Carbon Compliance Credits

(“Carbon Credits”) from entities like EDF Renewables to offset their emissions profile and save money.

- Large emitters have stressed their desire to procure Carbon Credits; however, they are not clear the impact of future carbon policy changes and would prefer to focus on sustaining their core business due to COVID-19 versus economic savings possible through Carbon Credits.

## Ask

- The Federal Government can remove financial barriers and create an immediate investment opportunity through the implementation of a Government of Canada Renewable Energy Credit (“CAN-REC”) program.
- **The CAN-REC Program would:**
  - i. Set a **floor price** for the Can-REC, at a discount to current market rates;
  - ii. Be structured to allow **re-assignment** of all CAN-REC contractual obligations **from the Government of Canada to large emitters** to insulate the Government of Canada from long-term obligations and lower program cost to zero over time, and;
  - iii. Be for a term not to exceed 20 years from project in-service.
- The program intent is for the Government of Canada to ‘backstop’ the value of the CAN-REC by establishing a ‘national floor price’. This will remove financial risk of a future carbon policy change over a 20-year term, while shoring up an expected lack of liquidity in Canada’s carbon marketplace due to discretionary spending budget cuts and lack of cash flow from large emitters related to COVID-19.
- **Detailed Design Feature – “Floor Price”:**
  - Under Alberta’s offset program, a \$50/tonne carbon price would equate to a REC value of \$26.50/MWh<sup>1</sup>.
  - The CAN-REC would be priced lower than \$26.50/MWhr to drive assignment to large emitters.
  - This discount encourages generators to market the CAN-REC and its environmental attributes to large emitters that require compliance credits.
- **Detailed Design Feature – “Assignment to Large Emitters”:**
  - While the Government of Canada will initially contract to acquire the CAN-REC from the Project, the intent is for the government to act as a financial backstop to facilitate project construction today, and also allow the Project to find a new buyer for the CAN-REC. That Large Emitter will ultimately hold the contractual obligations over the 20 year term.
  - A large emitter of 1 MT per year, could save in excess of ~\$10 million annually through the purchase of these discounted CAN-RECs. These savings to large emitters, typically in the resource sector, will provide additional opportunity for reinvestment in their core business.

## Benefits

- EDF proposal is for the Government of Canada to purchase 5 million CAN-RECs (approx. market cost of a REC would be ~\$130 million/year) that would result in:
  - Roughly 1.5 gigawatts (**GW**) of new renewable generation capacity;

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<sup>1</sup> Based on an Electricity Grid Displacement Factor (“EGDF”) of 0.53

- Attract approximately \$2 billion in private capital;
- Reduce national emissions by 2.65 MT;
- Invest nearly \$500 million into host community and local businesses;
- Create more than 1,500 construction jobs and 150 full-time equivalents (“FTEs”) over a roughly 12 – 36-month period; and
- Quick deployment for an economy hard hit with the current downturn.

***Recommendation 3 – That the Government of Canada include targets and grant funding mechanisms for green hydrogen projects in its upcoming National Hydrogen Strategy.***

### Context for action

- Canada already has considerable renewable electricity assets such as wind and solar.
- Given the federal government’s target of net zero emissions by 2050, even more renewable electricity will be forthcoming.

### Ask

- That the Government of Canada:
  - Set clear green hydrogen targets
  - Establish of a wholesale hydrogen market
  - Develop mechanisms to help de-risk investments for end-users to adapt to regulations, including grant funding programs to invest in green hydrogen pilot projects.
  - Ensure green hydrogen is included in the Low Carbon Fuel Standard Credit (fuels obtain credits based on their CI scores)
  - Convene a Canada Hydrogen Business Council with stakeholders across the value chain that would work to:
    - foster a comprehensive policy and regulatory framework in the Strategy, instead of a patchwork of policies and regulations across jurisdictions; and
    - harmonize codes and standards across provincial and international jurisdictions to ensure best practices are applied across the global hydrogen economy to facilitate the growth of trade and export markets.

### Benefits

- Alignment with current government priorities to reach net zero by 2050.
- Spur economic development and job creation.