

MEMO

FROM: Alexander Wood, Senior Director – Policy and Markets

**TO: FITR Development
Renewable Energy Development Branch
BC Ministry of Energy, Mines and Petroleum Resources**

DATE: September 29, 2010

RE: SP submission to consultation on BC feed-in tariff regulation

Sustainable Prosperity (SP) is a national research and policy network, based at the University of Ottawa. SP focuses on market-based approaches to build a stronger, greener economy. It brings together business, policy and academic leaders to help innovative ideas inform policy development.

Sustainable Prosperity welcomes the opportunity to comment on the Feed-in Tariff Consultation Paper, and commends the government of British Columbia for its commitment to engagement and consultation on an issue of critical importance to the province's future electricity system and economy.

SP has very recently released a Policy Brief entitled ***Ontario's Feed-in Tariff for Renewable Energy: Lessons from Europe***, in response to the first anniversary of Ontario's *Green Energy and Green Economy Act*. The purpose of the Policy Brief is to take the policy lessons of European use of feed-in tariffs (FiTs)– particularly in the long-term evolution of the policy in those jurisdictions where the policy has been most successful– and extract the most significant implications for Ontario policy makers as they consider the future of their own FiT.

Although written to inform the policy debate in Ontario, this policy brief is also relevant to the consultation British Columbia is currently conducting on a proposed feed-in tariff policy.

With that in mind, Sustainable Prosperity is submitting the policy brief to the government of British Columbia for consideration. In particular, three of the policy implications identified in the brief should be considered in the development of B.C.'s feed-in tariff, understanding at the same time that at least the first two will likely fall under the purview of BC Hydro's implementation of the FiT regulation:

First, although the proposed BC tariff proposal envisages an expenditure cap (at \$25 million p.a.), it is still advisable for BC to design into the FiT policy a mechanism whereby the tariff being offered on new contracts takes account of the declining costs of technology development and deployment. Germany has, for example, a "degression" policy that reduces the tariff in a fixed, transparent, and predictable way, based on established experience curves for renewable technology costs. This policy helps control overall program costs. At the

same time, as stated in the SP brief : “...a FiT that maintains a constant rate over time will essentially be providing a growing real subsidy to generators”. This should be avoided.

Second, the suggestion in our Policy Brief to Ontario to pursue time-differentiation of tariffs - based on the assumption that some renewable technologies might better be able to provide power to the system at peak hours (and so represent a greater value than those that cannot) – may in fact be more relevant in B.C.. This is because the greater scope of technologies covered by the FiT (i.e. allowing bio-mass and geo-thermal) that can in theory provide power at peak-load hours. Time-differentiation of tariffs should be considered.

Third, British Columbia - with its existing carbon tax - obviously faces the issue from a very different perspective than Ontario does, but the interaction effects between the carbon tax and a feed-in tariff need to be carefully assessed, understood, and addressed. As the policy brief makes clear, theoretical studies suggest that bringing in a feed-in tariff after a carbon tax will tend to minimize those interaction effects. But one should not conclude that the possibility of such effects is completely removed, and so the development of the the FiT policy should take interaction effects into account. This is especially true as B.C. considers its commitments under the Western Climate Initiative to a cap-and-trade system.

Finally, the point made in the Policy Brief on the regrettable conflation in Ontario between the FiT and increasing electricity prices stands as a cautionary tale for British Columbia. The B.C. government will have learned lessons on the need for public education and engagement from its experience with the carbon tax and the HST. It needs to heed and apply those lessons carefully.

We thank you for the opportunity to comment on the proposed feed-in tariff regulation. Please do not hesitate to contact us with any questions you might have.

Alexander Wood
alex@sustainableprosperity.ca
613.562.5800 x. 1189