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Hamilton: Liberal win doesn't mean all's fine with green energy strategy

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Ontario's new Energy Minister Chris Bentley has much to learn over the coming weeks about the province's complex energy file, and hopefully with that learning will come some genuine listening.

It's tempting to think that the Liberal win earlier this month was a vote of confidence in the government's green energy strategy, warts and all.

But one could just as easily argue that the outcome of the election would have been very different if PC party leader Tim Hudak hadn't taken such an extremely negative position against the Green Energy Act, the feed-in tariff (FIT) program and associated initiatives.

Voters, by and large, are supportive – and many quite proud – of Ontario's green energy vision. They see that it's the direction we must take. They also see economic opportunity by heading in that direction, if done properly. For this reason, it appears most voters weren't prepared to let Hudak hit stop and press the rewind button.

At the same time, the fact that the Liberals only squeaked ahead in the popular vote seems a clear message that the approach behind the vision needs some fixing – and fast.

For one, the ball has been dropped on energy conservation. We know that the cost of programs that help us reduce energy consumption is much less than building new power supply. We know that investment in energy efficiency has a much faster payback, represents a permanent reduction in carbon emissions, and is a significant job creator.

We also know that widespread support for energy conservation is the best way to help ratepayers cope with rising electricity rates. After all, who cares if the rate goes up if the monthly bill stays the same?

Yes, the smart grid will help us take control of our energy use, and smart meters can encourage us to shift when we use electricity. All of this helps, but it doesn't encourage us to use *less* electricity. It's not true conservation. And trust me, we waste a lot of energy. There's much to conserve.

The Liberals have also paid a lot of lip-service to helping seniors and those on fixed-income cope with rising energy bills, but what's lacking is meaningful action. The Clean Energy Benefit

temporarily slapped on everyone's bills is not an answer, nor is an end-of-year tax credit on a bill that's paid monthly.

Another fix is needed with the FIT program itself. The rate structure is terribly out of date, and the Ontario Power Authority is already late in launching its two-year review of rates paid out for solar, wind, small hydro and biomass projects.

The rates under the FIT program were first announced in early 2009 and designed to assure a "reasonable" return on investment – about 11 or 12 per cent—for developers. The problem is that technology costs shift over time, sometimes dramatically. Solar is a case in point.

A recent report from the U.S. Department of Energy's Lawrence Berkeley National Laboratory concluded that the average pre-incentive cost of residential and commercial solar PV systems fell 17 per cent last year and a further 11 per cent in the first half of 2011.

"Solar cell prices around the world have gone down significantly," Paco Caudet, general manager of solar module maker Siliken Canada, told me this summer. "We have brought down costs over the last five months alone by almost 30 per cent."

You hear the same story over at Celestica, which is manufacturing solar panels and inverters in Ontario for other companies looking to comply with local content rules.

Mike Andrade, the company's senior vice-president, echoed Caudet's view. He said the original solar FIT rates were based on a price for panels and inverters that is now 30 to 40 per cent lower. "Developers can make a fine return on investment at a much lower FIT rate than we have now," he said.

Yet we continue to wait for rate adjustments. In retrospect, the two-year review was a mistake. Rate structure reviews should be done annually so the program can more quickly adapt to a changing marketplace.

We might also want to ask: should developers of multi-megawatt solar projects and large wind farms be booted out of the FIT program entirely?

After all, the program was created so community cooperatives, small businesses, farmers and homeowners could participate more easily in an electricity system previously dominated by the big developers, who were the only ones with the resources to take part in a competitive bidding process.

The level of community participation hoped for just hasn't happened under the FIT, and this may explain why the McGuinty government had such a poor showing in rural Ontario ridings. People in many of these ridings are feeling like big projects are being imposed on them and that they have little say in the process.

European studies show that there is less resistance to projects when those in the community feel they have part ownership and a voice that will be heard. The FIT needs to move in that direction.

Not to say we still won't need the big projects. But developers of these should be required to bid against each other so that Ontario ratepayers are assured the best deal.

And that, in a nutshell, is the problem we have so far: a great green vision, but not necessarily the best deal.

There's much room for improvement, but first the government has to recognize the need.

Tyler Hamilton, author of Mad Like Tesla, writes weekly about green energy and clean technologies.

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