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Ottawa urged to expand green energy program

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A broad coalition of energy companies and environmental organizations is asking Ottawa to beef up its support for alternative energy development in the coming federal budget, adding another $2.2-billion to the program.

The group wants the federal government to dramatically expand and extend its existing ecoEnergy program, which gives a 1-cent-per-kilowatt-hour grant to anyone building green hydro, wind, geothermal, tidal or biomass projects between April, 2007, and March, 2011.

The $1.5-billion program has been so successful that it is expected to run out of money by the end of 2009. To ensure that the renewable energy industry keeps up its current momentum, the coalition is recommending that the ecoEnergy application deadline be extended to 2015, with $2.2-billion in additional funding to be paid out by 2022.

It is "absolutely critical" that the program be extended if Canada's alternative energy sector is to become a key part of the economy, said John Keating, chief executive officer of Canadian Hydro Developers Inc., a Calgary-based wind- and hydro-power developer.

Because of the high upfront capital costs of alternative power compared with fossil fuels, the subsidy is extremely helpful in keeping companies afloat, he said.

Canadian Hydro is one of almost two dozen organizations in the Clean Air Renewable Energy Coalition, which has been pressing its case with federal officials in prebudget consultations.

The group includes traditional energy companies such as Shell Canada Ltd., Suncor Energy Inc. and Ontario Power Generation Inc., along with several renewable energy developers, and non-government organizations such as Pollution Probe, the Pembina Institute and World Wildlife Fund Canada.

Unless Ottawa's support is extended, federal money will only help the country get to about 5,000 megawatts of renewable power, the coalition says. Its goal is 12,000 MW by 2015.

Long-term support is needed to encourage companies to invest in renewable power, said Roger Peters, senior policy adviser at the Pembina Institute.

He pointed out that Canada has risen sharply in rankings, calculated by consultants Ernst & Young, that measure how attractive a country is for renewable energy investments. Canada now sits in eighth place, up from around 18th a few years ago, mainly because of the federal incentive programs, Mr. Peters said.

But no one expects government support to go on forever, he said. As technological innovation drives down the price of renewable power, and the cost of carbon is factored into fossil-fuel-based energy, the need for subsidies should disappear.

Mr. Keating noted that in the United States, tax credits for wind energy producers must be renewed by the government every couple of years, and that uncertainty has created a boom-and-bust cycle south of the border.

Long-term federal incentives work well in combination with provincial programs that set renewable power targets, he said.

Industry Minister Jim Prentice said last week that renewables are "extremely important" to Canada's overall energy mix, but that conventional generation will remain a cornerstone of the country's power needs over the medium term. It's up to Finance Minister Jim Flaherty to determine what kind of support for renewable energy is included in the federal budget, he said.

Mr. Keating said that even if the new money is not allocated in the coming budget, something will have to be done before existing funding for renewable power runs out next year. "We all want to see a low-impact sustainable future in our energy supply, but it isn't going to happen without the government," he said.