

June 24, 2020

Hon Catherine McKenna, Minister of Infrastructure and Communities
180 Kent Street Suite 1100, Ottawa, Ontario K1P 0B6

Hon Jonathan Wilkinson, Minister of Environment and Climate Change
Fontaine Building 12th floor, 200 Sacré-Coeur Blvd., Gatineau QC K1A 0H3

Hon Steven Guilbeault, Minister of Canadian Heritage
15 Eddy Street, 12th Floor, Gatineau, Quebec K1A 0M5

Using Federal Post COVID 19 Recovery Stimulus to Unlock Community Investment in Clean Energy

Dear Ministers McKenna, Wilkinson, and Guilbeault:

On May 15, 2020 OREC and CoEnergy submitted the attached suggestions for post COVID 19 recover stimulus that would support the growth of community financed energy projects across the country. This stimulus would unlock untapped community capital for the fight against climate change, as a means to immediately create green jobs across the country and, most importantly, build a bipartisan support base for climate change action.

Three programs were proposed - all three providing short term support that would lead to a strong independent community sector in the future.

- ***A Federal Community Power Procurement Plan***
- ***A Community Deep Retrofit Stimulus Fund:***
- ***Phase II of the Federal Smart Grid Program***

The undersigned community energy co-operatives and enterprises stand ready to support the implementation of these programs in four provinces – Alberta, Saskatchewan, Ontario and Nova Scotia – and to assist with the development of community capacity in other provinces. Together we represent thousands of individuals across Canada who have already invested in local clean energy and are ready to galvanize their neighbours to do the same.



It is the belief of our members that climate action and economic stimulus will only be successful if there is broad public support from within the communities where the investments are taking place. Around the world, when people in a community have the opportunity to invest in, and benefit personally in the climate change action, they will push for more and encourage their neighbours. In our experience, it is never the shortage of community capital that is the barrier, it is the availability of sound projects to invest in.

We, and the entire Cooperative community welcome any questions you may have.

Sincerely,



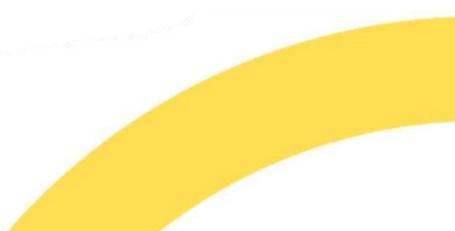
Dick Bakker, President
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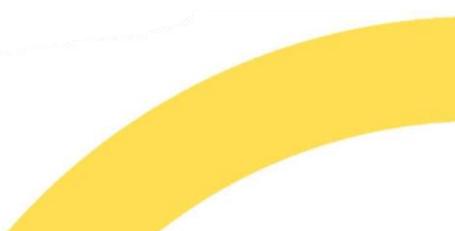
Josh Campbell

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**Using Federal Post COVID 19 Recovery Stimulus to
Unlock Community Investment in Clean Energy**

Ottawa Renewable Energy Co-operative / CoEnergy Ontario Co-operative

May 2020

“The Government sector protects us, the business sector supplies us, and community engages us. The community is an equal partner. Community plays an absolutely critical role in keeping people engaged and connected.” Henry Mitzberg, McGill University

Recent reports from experts around the world are saying that green projects such as boosting renewable energy or energy efficiency create more jobs, deliver higher short-term returns, and lead to increased long-term cost savings relative to traditional stimulus measures.¹ While delivering carbon reductions, an effective post COVID 19 economic recovery stimulus package must also rebuild local economies across Canada, leverage local investment, and be supported by all.

Community financing using innovative business models like renewable energy co-operatives is an untapped source of investment for these types of project. Federal post COVID-19 stimulus could unlock millions of dollars of investment in community retrofits and clean energy power systems by ordinary Canadians while at the same time providing thousands of local jobs and other community benefits.

We are proposing that the Federal Post COVID-19 recovery strategy include the following three stimulus programs. All three provide support in the short term that would lead to strong independent community sector in the future.

¹ <https://www.politico.com/news/2020/05/08/clean-energy-is-now-a-hot-investment-241868>

A Federal Community Power Procurement Plan

Procurement of renewable electricity for federal government facilities in provinces with fossil fuel power generation from renewable energy co-operatives through long term leases of solar PV and power storage. This would be part of the federal commitment to procure 100% of its electricity from renewable sources by 2022 and focus on provinces with high or marginal carbon grids.

A Community Deep Retrofit Stimulus Fund:

Incentive grants for community financed mass, deep retrofits of community, institutional, and multi-residential buildings as a major component of a national buildings retrofit strategy, focusing on provinces with significant numbers of older buildings. \$100 million over 5 years.

Phase II of the Federal Smart Grid Program

A second round of the Natural Resources Canada (NRCan) Smart Grid program focusing on deployment of community renewable energy technologies such as community-scale storage and virtual net metering for community solar. \$100 million over 5 years.

Each of these stimulus programs would drive down installation costs of retrofits and distributed energy, reduce the carbon footprint of communities, engage thousands of Canadians in the recovery effort, and build localized support for climate action and community ownership.

Experience in Europe², the United States³ and Canada shows there is a huge appetite among ordinary citizens for the opportunity to invest their savings in local, secure, and RRSP eligible, renewable power projects through business models like renewable energy co-operatives and community development funds. These business models are now being extended to include community financing of building retrofits, storage and electrification.

Community financing and ownership also produce a strong local economic development multiplier effect. All returns are earned, spent and re-invested locally. Local installation creates local employment, and local ownership means more community acceptance

² <https://www.rescoop.eu/>

³ <https://ilsr.org/national-community-solar-programs-tracker/>

(less NIMBY). This makes it ideal for federal stimulus as it will have an impact all across the country.

Renewable energy co-operatives are currently active in Alberta, Saskatchewan, Ontario and Nova Scotia, with the majority being in Ontario. All provinces, especially Quebec, have a long history in supporting co-operatives to achieve economic development.

A Federal Community Power Procurement Program

Procurement of renewable electricity for federal government facilities in provinces with fossil fuel power generation from renewable energy co-operatives through long term leases of solar PV and power storage.

Procuring federal electricity from renewable energy co-operatives would have a significant economic benefit all across Canada, leveraging millions of dollars of community investment in renewable power. While procurement of electricity from large solar and wind farms may have cost advantages, procurement from community owned sources would have a far greater local economic impact and have widespread public support.

The power would be procured through 20- 30-year lease or power purchase contracts to reflect the zero fuel cost of renewable energy. The price paid would be both financially viable for the co-operative and provide savings for the federal government over the term of the lease against grid tariffs. This win-win approach has been demonstrated by a recent contract signed between OREC and the Museum of Science and Technology in Ottawa.⁴ The stimulus would therefore require no additional funds to be budgeted and committed beyond existing levels. Making this procurement of renewable electricity part of a recovery stimulus package through leasing of equipment should allow the earmarking of procurement from renewable energy co-operatives.

To be effective, the federal community power procurement stimulus would need to be large enough to drive down installation costs.⁵ The procurement could focus on provinces with grids that have a high carbon footprint (NS, NB, SK, AL) and provinces

⁴ Ingenium Canada signed a 25 year lease agreement with the Ottawa Renewable Energy Co-operative for a solar PV system in 2019 to procure power for the Museum of Science and Technology in Ottawa <https://www.orec.ca/projects/museum/>

⁵ We are suggesting procurement of 250 GWh/year through 30-year lease contracts with renewable energy co-operatives signed for implementation in 2021 and 2022.

such as Ontario where closure and refurbishment of nuclear capacity will otherwise mean significant increases in natural gas generation.

To meet their 100% renewable electricity target, the federal government will need to procure this power from onsite power systems but also by “wheeling” power from off-site suppliers. This federal stimulus could therefore be used to encourage provinces to modernize their regulatory systems to allow the wheeling of renewable power to customers from off-site sources through innovations such as virtual net metering. In the meantime, federal government could make special arrangements with individual provinces to procure power on their behalf from renewable energy co-operatives as is being proposed in Nova Scotia.

A Community Deep Retrofit Stimulus Fund

Incentive grants for community financed mass, deep retrofits of community, institutional, and multi-residential buildings as a major component of a national buildings retrofit strategy, focusing on provinces with significant numbers of older buildings. \$100 million over 5 years.

Many stakeholders are recommending that a federal post COVID-19 recovery stimulus package include a national buildings retrofit strategy. To meet Canada’s net zero carbon target by 2050, up to 3% of all buildings will need to undergo a deep retrofit every year all across the country – a perfect candidate for federal stimulus.

This goal will require innovative new approaches to achieve mass retrofits to deep levels. Old approaches like grants for attic insulation and light bulbs will not cut it. It will require the ramping up of a workforce and design professionals fully trained in deep retrofits. Innovative installation techniques will be needed to gain economies of scale (the Model T effect).⁶ Deep retrofits will need long term financing that can integrate a wide range of integrated measures and equipment – from lighting to envelope upgrade to efficient HVAC.

Community business models like clean energy co-operatives can provide this type of financing while at the same time providing local economic benefits. CoEnergy Ontario

⁶ See Ralph Torrie and Celine Bak. <https://www.corporateknights.com/reports/green-recovery/recovering-stronger-building-low-carbon-future-green-renovation-wave-15875463/>

Co-operative is currently working on a savings by design deep retrofit of an older condo building that could serve as a model for community financing.

Economies of scale can be achieved by retrofitting several similar buildings at the same time with a standard retrofit package. This “mass retrofit” approach is particularly necessary in the residential sector.

The challenge is that until economies of scale drive down retrofit costs, the full cost of a deep retrofit with electrification cannot be fully financed out of the energy savings that will accrue. Federal stimulus of community financed projects could play a major role in “buying down” the costs of deep retrofit for a period of 3-5 years while economies of scale are achieved. As well as reducing Canada’s carbon emissions the stimulus would have significant multiplier effect throughout local economies.

We are proposing an incentive grant that would make deep retrofits of community, institutional, and multi-residential buildings financially viable - based on current costs. The incentive would be paid only for community financed projects which result in significant reductions in energy use and carbon footprint.⁷ Half of the incentive would be paid upon completion of the energy audit, analysis and final design, with the balance being paid once construction was complete and verified.

Phase II of the Federal Smart Grid Program

A second round of the Natural Resources Canada (NRCAN) Smart Grid program focusing on deployment of community renewable energy technologies such as community-scale storage and virtual net metering for community solar. \$100 million over 5 years.

The current federal Smart Grids program offered through Natural Resources Canada (NRCAN) is funding innovative distributed generation projects run by electrical utilities all across Canada.⁸ They include, for example, Ottawa Hydro’s MiGen project that is piloting the integration distributed generation, power storage, and demand management in an Ottawa neighbourhood.⁹

⁷ We estimate that a capital incentive of \$80 per GJ of annual savings would be needed in 2020 to make deep retrofits that reduce energy by 40% and carbon footprint by 80% financeable from the savings accrued.

⁸ <https://www.nrcan.gc.ca/energy/science/programs-funding/19793>

⁹ <https://hydroottawa.com/save-energy/innovation/migen>

Federal Post COVID 19 stimulus could play a key role in scaling up these innovations to accelerate the adoption of smart grids all across the country – particularly where utilities are having to meet increasing demand. In these areas, distributed generation and smart grids would help to stabilize electricity prices and reduce the need for “wires” options such as new substations and distribution lines.

Renewable energy co-operatives have many years of experience in financing and owning distributed energy and would therefore make idea partners for electric utilities in the scaling up of smart grids. The use of stimulus funds would scale up the innovations piloted in the Smart Grid program, leverage community investment in distributed generation and community storage, and have a significant local multiplier effect by providing local jobs, economic development, and savings investment opportunities.¹⁰

We are proposing that as part of the Post COVID 19 Stimulus package, the federal government implement a second round of the NRCan Smart Grid program that would support projects submitted by utility/energy co-operative partnerships.¹¹

For more information please contact:

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¹⁰ In 2017, OREC assessed the local community impact of their projects.

<https://www.orec.ca/impact/>

¹¹ The current NRCan Smart Grid program has an allocation of \$100 million over 5 years. We are proposing the same level of funding for the second round.