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February 17, 2017

Dear Ms. Mellow:

Thank you for the opportunity to comment on Environment and Climate Change Canada's "Notice of Intent to develop greenhouse gas (GHG) regulations for electricity generation in Canada."

We are **strong supporters** of the government's decision to accelerate the phase out of traditional (unabated) coal power to 2030. We **also welcome your commitment** to generate 90 per cent of Canada's power from non-emitting sources by 2030.

We write to suggest some modifications to the government's proposed approach for **natural gas generation**.

We believe that our recommendations will help achieve the government's goal of accelerating investments in clean electricity. A strengthened approach to regulations on natural gas generation also supports the objectives of the Pan-Canadian Framework on Clean Growth and Climate Change and the longer-term vision of Canada's Mid-Century Long-Term Low-Greenhouse Gas Development Strategy.

Specifically, we recommend:

- **Strengthening the proposed standards for new natural-gas-fired electricity units.** As proposed, even the most stringent standard—420t CO<sub>2</sub>/GWh for new units, modified large combustion engine units, and new boilers—falls well below current best-in-class performance for natural gas combined cycle plants.<sup>1</sup>
- **Adding a performance standard for existing natural gas units.** As coal plants come offline, natural gas will represent the primary source of GHG emissions in the electricity sector. It's important that these emissions be reduced to meet Canada's 2030 emission target and make deeper reductions thereafter. The Government of Canada should complement its proposed standards for new units, modified units and coal-to-gas conversions with a stringent performance standard for existing gas units. To give operators an alternative to retrofits—which can be costly—the Government of Canada could allow compliance via a "portfolio" approach, meaning that gas plant operators could receive credit

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<sup>1</sup> For a detailed discussion of natural gas performance standards, please see p. 7 of the Pembina Institute's submission in response to this Notice of Intent.

towards the performance standard by operating renewable electricity facilities or by purchasing renewable electricity credits.

- **Committing to review and strengthen the standards within five years of their entry into force (proposed for 2020), and to subsequent regular increases in stringency thereafter.** As Canada’s Mid-Century Strategy states, “non-emitting sources will need to be considered for all new and existing needs” in order to fulfill Canada’s climate and clean growth objectives. A one-time, fixed performance standard for gas generation fails to convey to potential investors and operators that Canada is heading towards a virtually carbon-free electricity system by mid-century—well within the lifetime of potential new natural gas facilities. Thus, the Government of Canada should commit to an early (e.g. 2023) review of its 2020 performance standard for gas plants, and should commit from the outset that the regulations will become increasingly stringent in each subsequent phase of implementation.
- **Including a clear statement that any developers that choose to build new fossil fuelled power generation do so at their own financial risk.** As Canada moves to a clean energy system, and as carbon prices increase over time, natural gas generation may not offer attractive enough economic returns to their operators to continue operation. The forthcoming clean electricity regulations should clarify that, in the event that fossil fuel power generation built from now on becomes uneconomic (a “stranded asset”) within its lifetime, the Government of Canada will not provide operators with compensation of any kind.

Expert assessments are clear that over time, we need clean electricity to power a growing share of Canada’s economy, enabling a shift from fossil fuels to clean energy in sectors like transportation, buildings, and industrial operations. With over two-thirds of Canada’s power generated from renewable sources today, Canada starts that transition from a position of strength. Effective electricity generation regulations will **build on that advantage and position Canada for success.**

Thank you in advance for your consideration of these recommendations, and please do not hesitate to contact us if we can offer any assistance as you finalize the regulations.

Sincerely,



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