

**REMARKS OF VINCENT CARON**

**BILL 165 – KEEPING ENERGY COSTS DOWN ACT**

**STANDING COMMITTEE ON THE INTERIOR**

**APRIL 8, 2024 – 3PM**

CHECK AGAINST DELIVERY

Mr. Chair,

Committee members,

My name is Vincent Caron, I am Director of Policy & Ontario Government Relations at CME. Thank you for dedicating your attention to me today.

I am here today to support Bill 165.

As is well known there has been a flurry of investment in manufacturing lately. The Ontario sector being half of this country's manufacturing GDP, this has deep impact on the prosperity of our country, our ability to pay for essential services like health and education.

None of it can happen without connected energy systems.

Like any electricity or pipeline operators will tell you, there are few energy systems that can operate reliably in a close circuit.

Texas tried and we saw the result with catastrophic failure a few years ago.

Most often, everything is connected.

The pipes that carry our natural gas,

The high-capacity wires on our pylons, connecting with the wires in our neighborhoods and appliances in our homes.

The machine operators workers powering equipment in southwestern Ontario assembly plants and the operators siting in generating station control rooms, miles away.

It all needs to connect to one comprehensive energy plan.

The same goes for Ontario's ability to decarbonize energy consumption.

Ontario's record has improved greatly in recent years. The retirement of coal electricity generation was a great success, which many north American jurisdictions are still only considering at this time.

Just one point of reference, Michigan passed legislation in November mandating 80% clean electricity supply by 2035. Ontario is at over 93% now.

But decarbonization cannot happen in a vacuum.

This is why Bill 165 is needed.

To be clear, CME never likes to see the government intervene in the decision-making process of an energy regulator.

We believe in an independent OEB, and we take great care of making fact-based, non-ideological interventions at hearings to preserve a reasonable basis for the rates that are applied.

But we also believe that the decision rendered by the Ontario Energy Board in December in the rebasing application of Enbridge Gas made the government intervention necessary.

I will explain why, focusing my remarks on the most critical element from our perspective - the decision to require all natural gas connections in the residential and small commercial sectors to be paid upfront rather than over the lifetime of the equipment, as of 2025.

This decision was a surprise and had potential ramifications for the industrial sector.

First of all, we are by far the largest user of natural gas in the province. In 2020, the industrial sector consumed 2.7 billion cubic feet of natural gas per day as per Statistics Canada. This is about 34% of the total, versus 20% for the residential sector.

Often, gas is used for industrial processes that require high temperatures, where electricity is a poor substitute – examples including steel, cement and fertilizer manufacturing.

Transition is harder and more expensive for us. We can't turn on a dime.

While we consume most of the gas, network costs are broadly distributed. And so, shifting this balance suddenly, without coordination, has great potential to impact the competitiveness of our whole economy.

We are in a time of transition. More manufacturers are considering greener energy alternatives than before. They are driven by decarbonization mandates in global companies, and government actions like the green economy investment in the US Inflation Reduction Act.

I heard the worry of stranded assets, but the problem with an early transition from gas is stranding manufacturers with the bill. It is jeopardizing access to reliable, affordable energy that is needed for Ontario's industrial competitiveness.

Leaving systems costs squarely on the shoulders of large consumers will not make decarbonization easier. It will make matters worse, as soaring energy rates detract resources away from retrofits and equipment upgrades.

Beyond the financial element, we are also concerned with the risks to our energy sufficiency. Specifically, the risk of blackouts and brownouts in Ontario.

While lower carbon energy options are being pursued by companies and the province, we cannot jeopardize reliability.

IESO was clear in its pathways to decarbonization study, we are facing a short-term shortfall due to nuclear refurbishments. There is not enough electricity available to phase out natural gas from electricity generation before 2030.

The impact of a sudden spike in electric heating post-2025 have not been studied, but it would without a doubt complicate the picture. In its final report, the Electrification and Energy Transition Panel put it best, and I quote:

*replacing the 582 petajoules of natural gas for space and water heating (representing 22 per cent of Ontario's final energy demand [...]) with electricity is a substantial undertaking, requiring a large amount of additional supply, along with the transmission and distribution infrastructure needed to deliver it.*

**The Panel report goes on to recommend that the government of Ontario provide clarity to utilities, investors and customers, with policy direction on the role of natural gas in Ontario's future energy system, as part of its next integrated long-term energy plan.**

We very much agree with the panel recommendation. This is the most proper venue for a statement on the future of natural gas.

With the big picture of reliability, affordability, sustainability in mind, drawing from the input of all economic sectors AND

projections from IESO, the minister has the mandate and tools to set a direction.

And so, to conclude, by passing this Bill, we are not asking you to shut down the debate on the energy transition. There are many things governments can and should do to help homeowners and companies lower energy bills and emissions.

For example, we can connect more hybrid systems with heat pumps AND natural gas, using gas for reliability on the coldest days of the year or to save money and electricity during peak consumption hours.

We ask you to vote for Bill 165 to focus on solutions like that, and keep the OEB focused on its core mandate as an independent economic regulator while the government continues to set energy transition policy.

There is a role for appropriate scrutiny of capital expenditures at the OEB. That can and should still happen in rebasing applications. We will continue contributing to this important work as a fact-based intervenor at hearings, so we can keep our energy framework as low cost and predictable for jobs creators as possible.

Thank you.