Will Changing Political Winds Reshape Renewables?

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As growing public demand for greener energy intersects with technological advances that are making renewables increasingly cost effective, the outlook for the clean energy sector should be bright. And it is true, major opportunities exist for renewable energy companies, both here at home and internationally.

But all is not smooth sailing. There have been dramatic shifts in green energy policy in a number of provinces. The sector, if it is to be successful for the long-term, must take great care to understand regulatory regimes that are not only complex, but subject to wholesale change, as well.

> Cost Considerations
> If you've bought a new laptop recently, you know first-hand that technological advancements mean you can now spend less on a device than you did 10 years ago and still get better, faster machine. Tech improvements are having the same impact in the renewables sector, where developing wind- and solar-power technologies are expected to narrow the cost-gap with fossil fuels. That could make green energy projects more viable than ever before.

Politics at Play

Starting in the late 1990s, Canada's renewable energy companies enjoyed large-scale government support through tax incentives, subsidies and favourable pricing via feed-in tariffs.

A number of those industry-building policies have since been rolled back. Most notably, Ontario's recently elected Progressive Conservative government has moved quickly to:

1. Cancel that province's Green Energy Act, introduced in 2009 to grow solar- and wind-generated electricity supply
2. Wind down the province's feed-in tariff program that guaranteed wind- and solar-energy providers better prices for their clean electricity
3. Terminate 758 renewable energy contracts

One of those cancelled contracts was for the 18.5-megawatt White Pines Wind Project, which had been in development for 10 years. The legislation that terminated it — the

White Pines Wind Project Termination Act — went two steps further, limiting compensation the province must pay to the developer, German-owned wpd Canada Corporation, and preventing wpd Canada from suing the government. At the point of cancellation, the developer had spent $100 million on the project.

These unusual moves have reverberated throughout the renewable energy sector, and they raise an important question: What is the position of the law with respect to the enforceability of contracts after changes of government?

> Growing uncertainty here means it is now more important than ever for renewable energy developers to have skilled, experienced advocates guiding them during complex contract negotiations with governments.

BLG has been ahead of the curve on this subject: In 2016, we wrote an opinion for a foreign investor that was buying into existing renewables projects in Canada. The investor wanted to know what would happen if a government decided to change the rules mid-project. That scenario is now playing itself out.

> We are telling our clients that there are still excellent opportunities in the renewable-energy sector.

Renewables Take Hold in Oil Country

The Alberta government's decision to shut down coal-fired electricity plants by 2030 is putting the focus on renewables in that province, as well. Alberta has completed two procurements for 600 megawatts of wind power as part of its Renewable Energy Program and intends to add 5,000 megawatts more in an effort to get 30 per cent of its electricity from renewable sources. According to one government-funded study, that could attract as much as $8.3 billion in investments for new wind energy projects over the next 12 years.

The Technology Solution

New technology should play a major role in growing our offshore wind industry, as well. There are efforts already being made off the east and west coasts to develop wind projects, though they are not yet commercially viable.

Robust offshore wind development in Germany, the U.K., Netherlands and Ireland — where some projects are so successful, they are now subsidy-free — could open doors here as well. And then there's Asia. China, the world leader in wind power generation, is looking to increase renewable energy capacity and Taiwan brought in a feed-in tariff program for wind energy a few years ago. All of these advancements bode well for a growing green-energy industry here.

Despite all the advancements though, renewable energy has obstacles to overcome. Electricity storage is a significant one. In Ontario, wind power is often generated at night when demand is lower. At the moment, there is no reliable, cost-effective way to store that excess power until it's needed. But when that breakthrough comes, it will be a game-changer — for the industry and the planet.

In the long term, Canada will likely continue to increase focus on renewable energy because that's what the public wants: An environmentally sound approach to the production of electricity.

Expertise

Environmental

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