Municipal Opportunities to Address Fossil Fuel Subsidies

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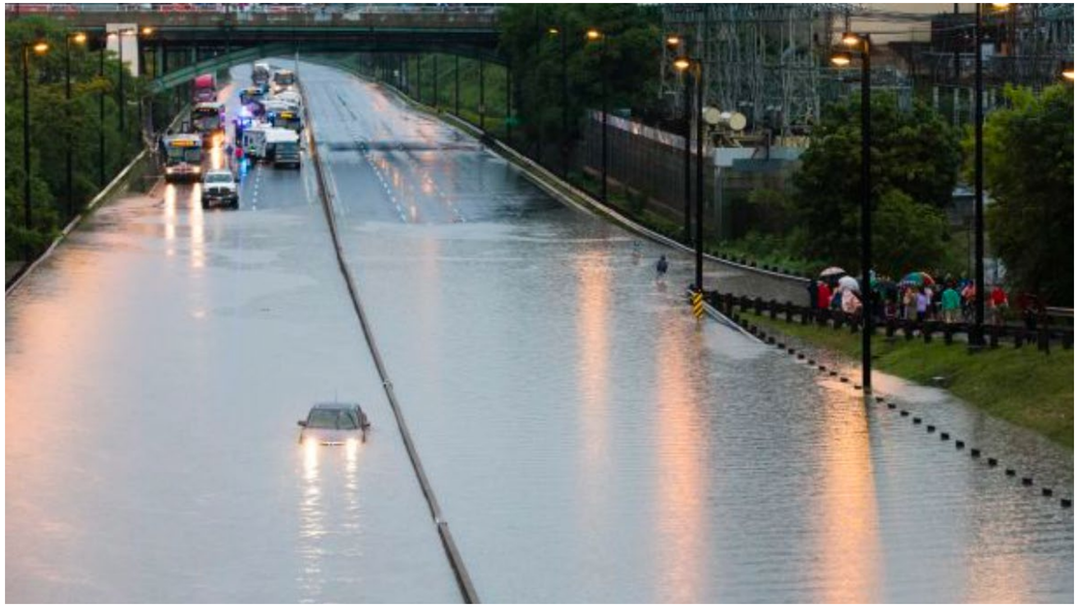
Municipalities and Climate Change

Municipalities are exposed to significant costs from climate change.

- Protecting residents and public infrastructure from extreme weather
- Eliminating emissions from corporate assets
- Supporting community emissions reductions
- These actions are necessary to meet Federal, Provincial, and Municipal climate targets



Fossil fuels are proven to be the main cause of climate change

Franchise Agreements in Canada

British Columbia

- Municipalities can elect to charge an operating fee of their choice,
- Kelowna, Highlands, Nanaimo, and Nelson charge **3%** of all gas revenues.

Alberta

- Municipalities authorized to enter into franchise agreements with utilities in return for exclusive rights to provide a service within the municipality. The **fees can be up to 35% of delivery revenues** to compensate the City for direct costs, restrictions on planning and development due to utility rights of way, as well as inherent risks related to utility access.
- Edmonton charges **32.9%** , which represents **$60M**, or 5.3% of the City's annual operating revenues ($61/capita)

Saskatchewan

- All urban municipalities have authority to implement a **5% access fee** to gas utilities in exchange for municipalities giving up the right to establish their own natural gas distribution systems
- Regina earns **$5.6 million** annually ($24/capita)

Manitoba

- Winnipeg has a Charter that authorizes them to implement sales taxes
- **2.5% sales tax on natural gas** for domestic purposes and **5%** for other than domestic purposes = **$22M**, ($29/capita)

Nova Scotia

- Halifax receives an access fee of 2% of the total natural gas revenues

1. Model Franchise Agreement Amendment Request

Request

- Minister direct MMAH to remove O.Reg 584
- Minister direct OEB to review the model franchise agreement and include payments for the use of municipal ROW
- 5% of revenues is proposed
- Amend section 101 to remove the ability for gas utilities to abandon old equipment in the ROW

Rationale

- Catch up with the rest of Canada
- Municipalities are encumbered and exposed to risk by gas infrastructure
- Municipalities are at forefront of delivering combined emissions reduction programs for those not benefiting from utility programs
- District energy utilities are charged access fees for Right of Way space
- As demand for space in the right of way increases, abandoned gas lines increasingly burden necessary public services (telecom, district energy, etc.)

2. Pipeline Taxes

Rationale to change the allowed assessment rate for pipelines:

- Pipelines should be at least the same tax rate as industrial

Ontario municipalities can charge property taxes on pipelines

- Rate can be less than residential rate
- Ex. Ottawa earns $5M/year currently

Table 3.2

RANGES OF FAIRNESS	
Property Class	**Range**
Residential	1.00
Multi-Residential	1.00 – 1.10
New Multi-Residential	1.00 – 1.10
Commercial	0.60 – 1.10
Office	0.60 – 1.10
Shopping Centre	0.60 – 1.10
Parking Lots/Vacant Land	0.60 – 1.10
Professional Sports Facility	0.001 – 1.10
Industrial	0.60 – 1.10
Large Industrial	0.60 – 1.10
Pipeline	0.60 – 0.70
Farm	up to 0.25
Managed Forests	0.25

3. Costs of Pipelines in the ROW

Operations Pipeline Costs

- Additional costs to work around pipelines in ROW
  - Difficult to decipher. Are any municipalities calculating this?

Abandoned Pipelines Removal Costs

- Rationale: OEB acknowledges that pipelines will be abandoned in next 10-20 years. Gas utilities are allowed to abandoned pipelines in the ROW.
- Under roadways and railways, pipeline space should be filled to prevent ground shifting
- Resources required
- Value of salvaged material
- Extent of remediation and reclamation work required
- Ongoing monitoring
- Legal costs

Mitigating Impact on Fossil Fuel Ratepayers

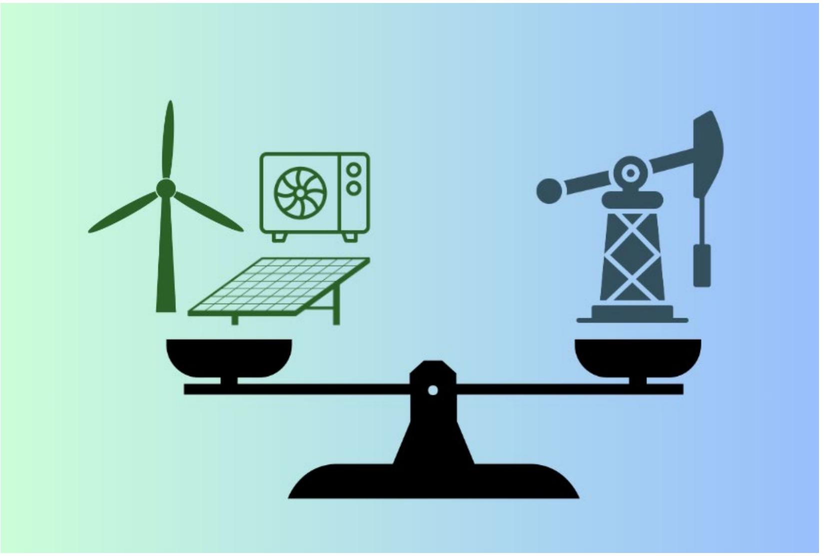
- Natural gas or gasoline rates may increase
- Municipalities will use the revenues to cover costs of energy efficiency programs for vulnerable residents to help them reduce their dependence on fossil fuels

Model Franchise Agreement Review Primer

- Ontario Climate Caucus Information on fossil fuel subsidy forcing municipalities to not charge Enbridge for use of municipal ROW.
- https://guides.co/g/ontario-climate-caucus-hub/387042

Energy Decision Matrix – Leveling the Energy Field

- **Helps understand and compare potential options for meeting our energy needs.**
- **Providing opportunity to compare options rather than just doubling down of energy systems of the past.**



Advancing deeper energy efficiency opportunities.

- Comparison of costs re: fossil fuel use, geo-exchange, heat pumps, efficiency improvements, renewable energy, storage.
  Both up-front and operating costs.
- Identification of pros and cons, and costs and benefits associated with each of these scenarios, and the development of an objective decision matrix for comparison
- The application of different lenses to these decisions, including resilience, climate, economic, social, market transformation, etc.

Example of Energy Decision Matrix Use

For example: Lets take the expansion of the natural gas system in Ontario

Phase 2: $234 million for 8,750 connections. Comes to $26,742 per connection

Estimated to save customers an estimated $250-$1500 per year ($2.2 million - $13 million)

At $250/year that comes to a 106 years pay back; and at $1500/year a 17 year pay back.

Subsidized on the Ontario wide rate base, estimated at $1 per month from ALL natural gas customers - not just those within those newly connected communities. This is another example of a fossil fuel subsidy.

How might have efficiency, geothermal, heat pumps, net metering, etc. compared re costs and benefits of reducing electricity costs for these customers?

Energy Decisions Matrix - Mechanical System Costs (ex. low rise)

Fossil Fuel Route
- Fossil Fuel Furnace 5 – 7 K
- Fossil Fuel Hot Water Heater 1.3 – 3 K
- Air Conditioner 4.2 – 6 K
- **Range = 10.5 – 16K**
- (no savings re infrastructure costs)

Fossil Fuel Subsidies
- OEB New Developments subsidy $4,800 (rate base)
- Natural Gas Expansion Program Phase 2 Subsidy - $ 26,000 Infrastructure cost (rate base)
- Free Use of Municipal Right of Way (municipal property taxes)

No fossil fuel/All Electric
- CC ASHP 12 – 18 K
- Electric Hot Water Heater 1.5 – 2.5 K
- **Range = 13.5 – 20.5 K**
- **GSHP 18 - 30 K**