

ONTARIO ENERGY ASSOCIATION

2020 PRE-BUDGET SUBMISSION

February 11, 2020

To shape our energy future for a stronger Ontario.



Ontario Energy Association

ABOUT

The Ontario Energy Association (OEA) is the credible and trusted voice of the energy sector. We earn our reputation by being an integral and influential part of energy policy development and decision making in Ontario. We represent Ontario's energy leaders that span the full diversity of the energy industry.

OEA takes a grassroots approach to policy development by combining thorough evidence based research with executive interviews and member polling. This unique approach ensures our policies are not only grounded in rigorous research, but represent the views of the majority of our members. This sound policy foundation allows us to advocate directly with government decision makers to tackle issues of strategic importance to our members.

Together, we are working to build a stronger energy future for Ontario.

The recommendations contained in OEA papers represent the advice of the OEA as an organization to the provincial government. They are not meant to represent the positions or opinions of individual OEA members, OEA Board members, or their organizations. The OEA has a broad range of members, and there may not always be a 100 percent consensus on all positions and recommendations. Accordingly, the positions and opinions of members and their organizations may not be reflected in this report.

SUBMISSION

The Ontario Energy Association (OEA) welcomes the commitment of the Government of Ontario to strengthen its fiscal management and is pleased to provide this submission to the Minister of Finance.

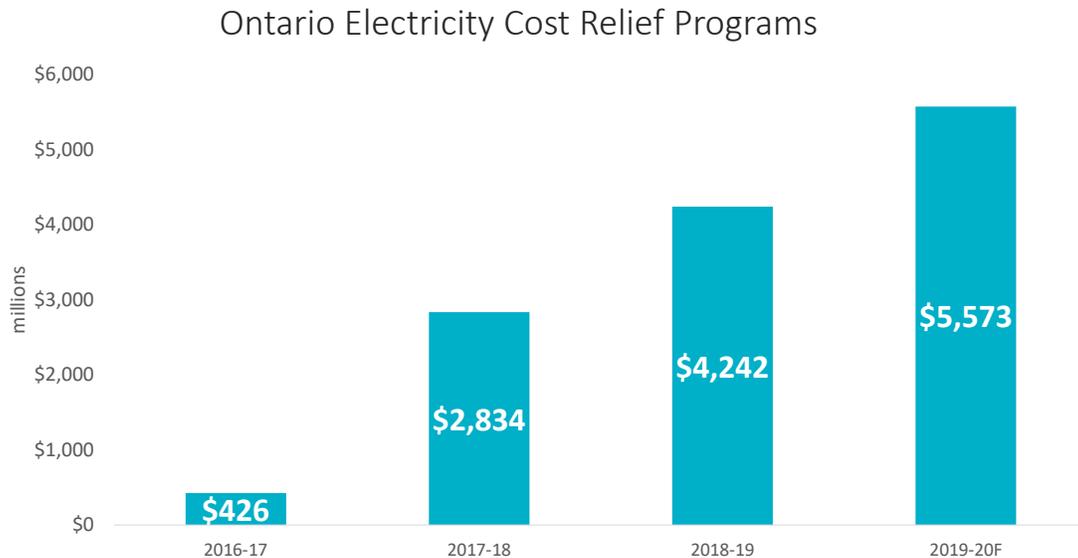
The government has requested innovative and cost-effective ideas that can:

1. make life more affordable
2. prepare people for jobs
3. create a more competitive businesses environment
4. connect people to places
5. build healthier and safer communities
6. make government smarter

The purpose of the OEA's 2020 pre-budget submission is to make the Minister of Finance aware of policy research that the OEA is currently undertaking and intends to release in March 2020.

A primary issue explored as part of this research will be some of the consequences for both taxpayers and electricity ratepayers of the current electricity bill subsidy regime and options to reduce these burdens and meet the government's commitment to reduce rates by 12%.

The current fiscal burden of electricity bill relief in the province has grown significantly, increasing from \$426 million in 2016-17 to \$5.6 billion in 2019-20.¹



Sources: Government of Ontario. *2019 Economic Outlook and Fiscal Review*. Queen's Park Printer for Ontario. 2019.
Ontario Ministry of Finance. [2019-20 Third Quarter Finances](#). January 2019.

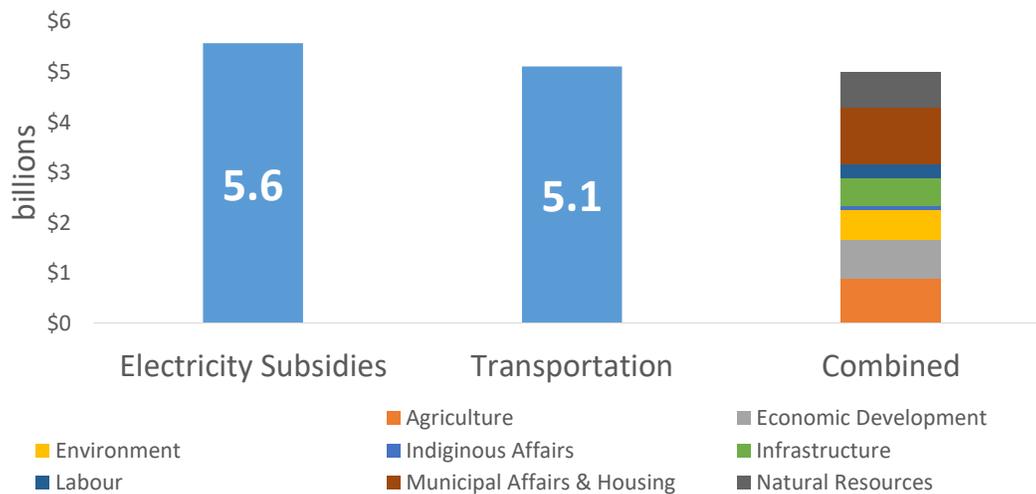
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As shown in the chart below, the Ontario government is spending more on subsidies for electricity rates than it is on the following other government priorities combined:

¹ Table 3.10: <https://budget.ontario.ca/2019/fallstatement/chapter-3.html#section-4>

- Agriculture, Food and Rural Affairs
- Economic Development, Job Creation and Trade
- Environment, Conservation and Parks
- Indigenous Affairs
- Infrastructure
- Labour, Training, and Skills Development
- Municipal Affairs and Housing
- Natural Resources and Forestry

Electricity Subsidies vs. Other Government Priorities



Source: Ontario Ministry of Finance. 2019-20 Third Quarter Finances. January 2020.

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Further, in a separate paper, the OEA will be exploring and discussing options for Ontario to maintain and grow demand to help lower electricity system costs. This analysis is necessary because Ontario’s current electricity system that is largely characterized by costs that are fixed in the short- and medium-term. As a result, when assessing electricity bills and rates in Ontario, attention should be paid to economic growth and associated policies. Economic growth and its associated increase in electricity consumption and demand can help lower rates under specific circumstances.

The OEA's hope is that these contributions will demonstrate how the energy sector can assist the government in meeting its overall policy objectives by ensuring affordable, reliable, and sustainable energy for Ontario consumers at the residential, commercial, and industrial levels. Our forthcoming research will seek to create new investment opportunities, generate savings for Ontario families and businesses, and continue positioning the energy sector to support economic growth.

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Ontario Energy Association

Let's unravel complex energy challenges, together.