

Four Key Messages on the Need to Expand / Extend the ecoENERGY for Renewable Power program

Natural Resources Minister Lisa Raitt recently told the House of Commons Standing Committee on Natural Resources that funding for the ecoENERGY for Renewable Power program would be fully allocated, and program targets met, 1.5 years early in Fall 2009. This is a reflection of the enormous success of this program and the strong demand for it.

- 1. CanWEA is advocating for an expansion and extension of the program in a Fall economic statement such that it will support the deployment of an additional 8,000 MW of wind energy by March 31, 2014.**

Why do this?

- 2. The ecoENERGY for Renewable Power program has been a resounding success.**
 - As of May 21, the federal government had signed contribution agreements worth \$944 million to support the deployment of 2,917 MW of new renewable energy projects in Canada. While the program was designed to support the deployment of 4,000 MW of renewable energy projects in Canada by March 31, 2011, Natural Resources Minister Lisa Raitt recently acknowledged that the strong demand for the program means that its 4,000 MW target will be met, and all funds allocated, 1.5 years early in Fall 2009. More than 10,000 MW of projects have sought support under the program.
 - The ecoENERGY program has played a critical role in stimulating wind energy development in Canada. By providing a clear and certain revenue stream for wind energy projects, it helps in securing project financing (particularly important in today's credit markets) and provides partial compensation for the fact that environmental externalities of electricity production are not currently priced in most electricity markets. It has also served to encourage provincial government procurement of wind energy by lowering costs for ratepayers.



- The ecoENERGY program has provided significant economic benefits to Canada. Every dollar invested leverages \$8 of private sector investment, a significant portion of which finds its way to rural Canada in the form of tax payments to rural local governments and land lease payments to rural local landowners. It has also helped create the conditions for growing Canadian participation in the wind energy supply chain – creating new opportunities for Canadian companies in the world’s fastest growing electricity sector.
- 3. A failure to expand and extend the ecoENERGY program will prevent the construction of numerous “shovel ready” projects the federal government is seeking to encourage as a means to stimulate the economy.**
- A wind farm can be built in less than one year and represents a major construction / infrastructure project.
 - Approximately 2,000 MW of power purchase agreements (PPAs) have been signed by provincial utilities with wind energy projects that are to be constructed in 2010 or 2011 in Canada. This represents \$6 billion in investment and about 2,000 jobs.
 - Many of these projects signed PPAs under the reasonable assumption that they would have access to ecoENERGY funding support because the program was to run until 2011.
 - An inability to access these funds will fundamentally change the economics of these projects (which have been selected through very competitive RFP processes) and will lead to project delays and possibly cancellations when we need to be doing all we can now to get projects into the ground. It will also serve to significantly exacerbate the additional challenges faced by wind energy project developers in the current economic situation where project financing is increasingly difficult and more expensive to secure for these very capital intensive projects.
- 4. A failure to expand and extend the ecoENERGY program will lead to a significant flow of capital from Canada to the United States as investors move to take advantage of the more profitable wind energy investment opportunities that will exist in the United States as a result of the Obama Administration’s economic stimulus package.**
- The Obama Administration’s economic stimulus package took several major steps to support wind energy development in the United States. Most importantly, it extended the Federal Production Tax Credit (PTC) to the end of 2012. The PTC incentive has



approximately three times the value of the ecoENERGY incentive and, as a result of the stimulus package, can now be received as a grant equivalent to 30% of capital expenditures on a wind energy project.

- The US measures also include \$2.3 billion in new manufacturing tax credits to support the construction of new manufacturing facilities for wind turbines and other renewable energy technologies.
- These US initiatives will be fully operational in the Fall of 2009, exactly when funds for the ecoENERGY program will be fully allocated. As a result, investors with an interest in investing in wind energy projects and manufacturing facilities in North America will see the following in Fall 2009 and will act accordingly:
 - Implementation of aggressive new measures to stimulate investment in the wind energy sector in the United States that are significantly more valuable for investors than current policies in Canada and extend out for several years
 - An end to Canada's major federal support mechanism for renewable energy (ecoENERGY) with no vision or commitment for future federal support for the wind energy sector.

