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Alternative Energy & Power 2022

Canada: Trends & Developments
Vivek Bakshi, Helen Newland and Hazel Saffery
Dentons Canada LLP

Trends and Developments

Contributed by:

*Vivek Bakshi, Helen Newland and Hazel Saffery
Dentons Canada LLP see p.7*

Developments in Procurement of Renewable Energy in Canada: a Province-by-Province Overview

In March 2022, the federal government introduced [Canada's 2030 Emissions Reduction Plan](#) (2030 Plan), a sector-by-sector roadmap for Canada to reach its emissions reduction target of 40% below 2005 levels by 2030 and net-zero emissions by 2050.

Achieving these targets will require increasing electrification which, in turn, will require Canada to increase the supply of electricity and ensure that all electricity generation is net-zero emissions. To this end, the government of Canada will work with the provinces, territories and utilities to establish a Pan-Canadian Grid Council to promote clean electricity infrastructure investments. Further, the government of Canada will invest an additional CAD600 million in programmes to support the development of renewable electricity generation and grid modernisation projects, and CAD250 million to support pre-development work for large clean electricity projects.

Collaboration and co-operation with the provinces and territories will be critical to the success of the 2030 Plan. In furtherance of their climate change commitments and Canada's transition to the clean energy economy envisioned by the 2030 Plan, some provinces have announced plans to procure electricity generation from new renewable energy projects, which will come into service in the next five years, while other provinces are focusing on establishing the pre-conditions necessary to support renewable energy procurements.

In light of the above, and as demonstrated by the province-by-province survey set out below, we expect that generation from renewable sources, including larger scale governmental procurement of renewable energy, will enjoy a renaissance in the near to medium term.

Ontario

Ontario is entering a period of emerging system need that will require new electricity resources. This need is being driven by a growing economy, the retirement of the Pickering nuclear plant, other nuclear refurbishments, expiring contracts with existing facilities, and the uptake of electric transportation. To address these needs, the Independent Electricity System Operator intends to request competitive proposals for 2,500 MW of capacity through a Long-Term Request for Proposals (LT1 RFP), which will focus on meeting emerging system reliability needs.

The LT1 RFP, scheduled to be released in the third quarter of 2022, will seek to acquire capacity services from new-build electricity resources with a commercial operation date of 2027, with the option of longer terms for those able to reach commercial operation earlier. An additional 1,000 MW will be sought through a complimentary expedited procurement process, which will target new-build electricity resources able to commit to commercial operation in 2025.

Quebec

In 2018, the province of Quebec and its Ministry of Energy and Natural Resources introduced their [long-term Energy Transition, Innovation and Efficiency Master Plan](#) (the Master Plan). The Master Plan sets out guidelines for action, objectives and 2026 targets, focusing on ener-

gy efficiency and support for innovation in the energy sector.

Hydro-Québec, Quebec's government-owned integrated utility, has issued a call for tenders from all suppliers of renewable energy for [a 480 MW block of renewable energy, and from various local and regional participants for a 300 MW block of wind energy](#). Quebec aims to successfully deliver this electricity by no later than 30 November 2026.

New Brunswick

New Brunswick's Ministry of Natural Resources has announced its intention to source [100% of its power from non-emitting sources by 2050](#) but has yet to lay out a specific roadmap to achieve this goal, beyond its support, in conjunction with the federal government and private sector participants, for a number of modestly-sized projects. For example, the [Shediac Community Solar Farm](#) will comprise solar and battery storage facilities that, when connected to the distribution grid, will provide clean electricity to two net-zero commercial buildings in Shediac, New Brunswick. The [Burchill Wind Energy Project](#), a new wind energy project being developed 15 km outside of the City of Saint John, will generate 45 MW of new, clean energy.

However, in light of confirmation that New Brunswick's 450 MW Belledune Thermal Generating Station will not be excluded from the government of Canada's commitment to phase-out coal-fired generation by 2030, we expect to see a renewed interest, on the part of the provincial government, in renewable energy, including the importation of hydro-electricity from Quebec and support for the development of large-scale wind energy projects in the province.

Nova Scotia

In early 2021, the province of Nova Scotia committed to ambitious environmental goals to

reduce greenhouse gas emissions and source 80% of its energy through [renewable energy sources by 2030](#). Nova Scotia has issued a [Request for Proposals](#) to select up to five wind and solar energy projects with a total generation capacity sufficient to supply 10% of the province's electricity requirements.

Newfoundland and Labrador

In late 2021, the province of Newfoundland and Labrador's newly elected government announced a [renewable energy strategy](#) to facilitate a reduction in greenhouse gas emissions. In April 2022, the province announced an [end to a 15-year moratorium](#) on onshore wind development. The province has also expressed optimism that the construction of the 824 MW Muskrat Falls [hydroelectricity generation project](#), which began in 2013, will be completed, thereby increasing the proportion of the province's electricity generated from renewable energy sources by 18%. (Currently, there are 13 smaller-scale solar and wind energy projects in-service in the province.)

Prince Edward Island

In early 2022, the province of Prince Edward Island introduced its [2040 Net Zero Framework](#), outlining a plan to transition to a clean, sustainable economy. Due to its geographical location, the province has potential to support Canada's transition to a clean energy economy, and we expect to see future announcements of renewable energy procurements.

Saskatchewan and Manitoba

In 2021, SaskPower, the integrated generation and transmission utility in the province of Saskatchewan, awarded a 25-year power purchase agreement to Renewable Energy System and Awasis Nehiyawewini Energy Development, in respect of their [200 MW Bekevar Wind Energy Project](#). The agreement set a new, low benchmark price for renewable energy in Saskatch-

ewan. Construction on the project will begin in the summer of 2022, and the facility is expected to be completed by the end of 2023.

In Manitoba, Manitoba Hydro is constructing the [Keeyask Generating Station](#) which will provide 696 MW of new, renewable hydroelectric power. This project is scheduled for completion by the end of 2022. Recently, the government of Manitoba announced [plans to encourage and support the participation of Manitoba companies](#) in Manitoba Hydro tenders for renewable energy projects.

Alberta

Currently, the province of Alberta is undertaking consultation in relation to the long-term sustainability of its electricity system, its decarbonisation and potential pathways to, and implications of, a net-zero grid. Although this means the province is not pursuing specific initiatives to procure renewable energy generation, Alberta presents a buoyant market for renewables fuelled by the market for corporate power purchase agreements, the trading of emissions off-sets (generated by renewables), and the environmental, social and governance (ESG) goals of the oil and gas industry.

British Columbia

British Columbia's electricity supply mix is almost entirely (98%) comprised of renewable resources, principally hydro-electricity generation. The province has, in its [Clean BC Roadmap to 2030](#), committed to 100% renewable supply. BC Hydro, the province's integrated generation and transmission utility, does not, however, anticipate the procurement of new generation resources before 2031.

The above-described provincial initiatives bode well for energy transition in Canada. No doubt, Canada's energy supply mix will continue to change year-to-year, driven, in particular, by the

electrification of the transportation sector. This will continue to provide opportunities for the renewables sector.

Trends and Predictions in Environmental Law: Surge of Interest in Voluntary Carbon Markets

At the conclusion of COP26 in Glasgow in late 2021, 90% of the world economy was covered by net-zero commitments, including 701 of the 2,000 largest publicly-traded companies in the world by revenue. This rise in momentum of corporate net-zero targets also predicated a surge in interest as to the use of carbon markets to achieve decarbonisation goals. Now, almost halfway through 2022, it is fair to say that the expected surge of interest and participation was only the tip of the iceberg. We anticipate that the potential and opportunities stemming from the rise of carbon markets globally, particularly with respect to voluntary carbon markets, will only increase in the near future.

Compliance versus voluntary

Carbon markets exist under both mandatory (compliance) programmes and voluntary programmes. A "compliance" programme is where an emitter of greenhouse gas (GHG), is required to reduce its emissions and to remain compliant with the regime and its obligations, may use compliance accepted offsets, verified emission credits, certificates or other "credits" to meet some portion of its obligations. Internationally, two of the more well-recognised compliance carbon markets are the European Union Emissions Trading Scheme (EU ETS) and the California Cap-and-Trade Program. In terms of Canadian activity, the robust Albertan compliance market has garnered interest from developers and potential investors across Canada.

In Alberta, participation in the [Technology Innovation and Emissions Reduction Regulation \(TIER\)](#) is required by large-scale industrial facilities emitting 100,000 Mt or more of GHG

emissions annually, and there is also an opt-in process for facilities emitting less than 100,000 Mt GHG emissions annually. One of the methods a TIER-regulated facility (whether mandatory or voluntary participation) has to meet its TIER emissions limits is by paying into the TIER fund.

Another method is to buy – or produce – emission offsets generated by facilities that voluntarily reduce or sequester GHG emissions, and retire such offsets against one’s obligations. Any type of entity can create emission offsets under the TIER programme if it does so in Alberta in accordance with a wide range of approved protocols, including (but not limited to) aerobic composting, biofuel, carbon capture and storage, distributed renewable energy generation and solar and wind electricity generation, pneumatic devices and reducing GHG emissions from cattle. Once those offsets are created, entities can sell them into the market – whether to an intermediary, such as a broker or retailer, or directly to a party wishing to retire the credits. The market price for these offsets is usually a small discount to the cost of paying into the TIER fund (ie, the price of the provincial “carbon tax”) and obtaining “TIER credits”.

Unlike compliance credits which are used for compliance within a regulatory regime, the use of credits within a voluntary carbon market is voluntary. These credits, offsets and verified emission reductions are developed nationally or internationally but in accordance with protocols or methodologies established by the voluntary standards, each standard having its own registry. The largest four voluntary “standards” are:

- Verified Carbon Standard (VCS);
- American Carbon Registry;
- Climate Action Reserve; and
- Gold Standard.

The VCS programme – established by Verra in 2006 – is the most widely used voluntary GHG programme and includes a wide variety of technologies and measures which result in GHG emission reductions and removals. These credits – whether VCS/Verra or otherwise – are retired to support or meet emission reductions commitments. Developers, project owners and project proponents worldwide can develop these offsets provided their projects achieve real, additional, quantified, verified, unique and permanent GHG reductions.

On the other side, companies, for profit and not-for-profit organisations and governmental agencies will acquire these credits from the registry, a broker, a developer, a project owner or invest in projects themselves in order to quantify (and report upon) the GHG emissions reductions they have achieved or the ESG progress of their organisation.

Market growth

As more and more of the world’s companies and organisations pledge to their consumers, stakeholders and investors that they will achieve net-zero or reduce emissions, participation in voluntary carbon markets has skyrocketed. Companies from all sectors including tourism, retail, information technology, energy and healthcare, can voluntarily participate in such markets to achieve their corporate emissions reductions, expanding the reach of these carbon markets far past just industrial emitters or “green” organisations.

Due to the extensive application of these voluntary carbon markets, the results of increased participation in these markets have widespread effects: resorts are now advertising their carbon neutrality, commercial airlines are offering the option for travellers to offset their emissions from flying, fashion brands are purchasing credits to offset their emissions – possibilities abound.

These markets are not only facilitating the reduction of emissions, but are also introducing novel business opportunities for companies to invest in carbon offset projects to participate in the trade of voluntary carbon credits. In turn, voluntary carbon credits are seen to be the lead recipients of private financing of climate-action projects that may otherwise not receive funding, and support investment into the innovation required to lower the cost of emerging climate technologies.

As [voluntary carbon markets](#) are not driven by regulatory obligations, the potential of these markets is seemingly endless. While this unregulated potential is an exciting trend for the future, it also stirs up concerns regarding the oversight and transparency of the voluntary market, and the ability for the market to be scaled at the pace it is growing. It is estimated that the demand for carbon credits could increase by a factor of 15 or more by 2030, and by a factor of up to 100 by 2050.

Providing a balance of free market activity, transparency and necessary regulation during growth will be important to ensure that voluntary carbon markets can continue to drive innovation while achieving real, verifiable and additional emissions reductions at a manageable cost. Questions about the speed at which enough high-quality credits can be brought to market in order to meet the growing demand also poses a challenge, as interest in offset projects may surpass the carbon credits inventory worldwide.

Further, the voluntary market is comprised of several different standards, different types of projects and different “qualities” of credits. For many potential entrants to the market, the risks or opportunities arising from these differences can either deter or encourage participation depending on risk tolerance. Although efforts are underway to harmonise the currently fragmented markets and scale up such markets to meet the growing demand, there remains work to do to convince non-participating parties, auditors and third-party regulators of the strength and validity of the market.

The buying, selling, holding, trading and retiring of carbon credits is quickly becoming a vital tool for companies, and the world, to meet the ambitious goals that have been set for reducing GHG emissions. As the development of comprehensive voluntary carbon markets continues rapidly in Canada, it is to be hoped that this will lead to Canada’s greater participation in global voluntary carbon markets, allowing Canadian project developers of offset credits to realise the maximum potential value of their credits, and increasing the use (and retirement) of these credits by Canadian companies.

Dentons Canada LLP is known as one of the world's premier firms for energy work of all types and in all jurisdictions, including power generation and transmission, distribution and supply of electricity as well as oil and gas (upstream, midstream and downstream). Clients look to the firm's lawyers for innovative business and legal solutions across the power generation industry, including biofuel, biomass, carbon capture and storage, geothermal, hydrogen, hydroelectric, landfill gas, run-of-river, solar, natural gas,

nuclear, waste to energy, wave and tidal, and onshore/offshore wind. The breadth and depth of Dentons' global reach and local knowledge means the team is able to support its clients wherever their project is located and successfully lead clients through the laws and regulations that surround the industry.

The firm would like to thank Zehan Jagosh, Miranda Neal and Kate Wiltse for their contribution to the chapter.

AUTHORS



Vivek Bakshi is a partner at Dentons Canada and leads the firm's global energy sector Group representing clients in the energy, natural resources and infrastructure sector. He

specialises in the structuring, negotiation and documentation of natural resource projects and related financings, and in domestic and cross-border mergers and acquisitions in the oil, gas, water and power sectors. Vivek has previously practised in London and Tokyo and has considerable international experience. He has significant expertise in regulated electricity markets and has acted for numerous clients in the development, operation and acquisition of independent power projects, including those involving renewable energy sources.



Helen Newland is a partner at Dentons Canada, with over 30 years' experience in both the public and private sectors, including four years as counsel to the Canadian Energy

Regulator. She has acted as counsel to some of Canada's largest natural gas and electricity distributors in connection with rate and facility applications, regulatory audit and compliance issues, conservation and demand management initiatives and the development of regulatory codes. Helen has also acted as counsel to some of North America's leading energy companies regarding the development, construction, operation and acquisition/disposition of energy projects; she has specific expertise in energy agreements, regulatory approvals, environmental assessments and permitting and aboriginal consultation.

Contributed by: Vivek Bakshi, Helen Newland and Hazel Saffery, **Dentons Canada LLP**



Hazel Saffery is a partner in Denton Canada's energy group and has extensive experience in both the carbon industry oil and gas industry and the power industry. Based in Calgary, she

advises clients on energy acquisitions and divestures, corporate transactions and the development of independent power projects. Hazel provides expert advice with respect to carbon credit development projects, carbon trading, power development projects and transactions, offtake arrangements, and upstream oil and gas transactions and operations.

Dentons Canada LLP

850 - 2nd Street SW
15th Floor
Bankers Court
Calgary
Alberta T2P 0R8
Canada

Tel: +1 403 268 7000
Fax: +1 403 268 3100
Email: Vivek.bakshi@dentons.com
Web: www.dentons.com

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