

January 15, 2025

Nik Spohr
Ministry of Energy and Electrification
77 Grenville Street
Toronto, ON
M7A 2C1

Submitted via email to Nik.Spohr@ontario.ca and through the Environmental Registry of Ontario

Dear Nik Spohr,

Re: ERO 019-9501 Consultation to support the important role for natural gas in Ontario's energy system and economy

The Ontario Federation of Agriculture (OFA) is dedicated to ensuring that the agri-food sector and rural communities are considered and consulted with on issues, legislation and regulations that would impact the sustainability and growth of our farm businesses. On behalf of OFA, thank you for the opportunity to participate in the consultation to support the role for natural gas under ERO 019-9501. Our top line feedback on the Natural Gas Policy Statement is summarized below:

1. Continue the Natural Gas Expansion Program with regulatory amendments to the Ontario Energy Board Act outlining program criteria. This program must target all rural, remote and northern customers.
2. Create a Renewable Natural Gas (RNG) content requirement essential to mobilize RNG development and to demonstrate a real and meaningful commitment for the role that RNG can play in Ontario.
3. Establish Ontario targets for RNG and hydrogen injection into natural gas pipelines.
4. Establish an RNG price to support market development and inform financial viability analysis needed for long-term investment.
5. Ensure robust low-carbon fuel markets such as RNG are in place in sufficient quantities to allow a stepped transition for IESO grid system electricity generation.
6. Once natural gas replacement procurements are operational, sufficient time must be allotted to conduct studies as each facility shuts down to understand the broader effects on the transmission system and to develop adequate infrastructure to maintain grid security.
7. Support the creation of safe and viable natural gas/RNG transportation facilities throughout Ontario. Revisit the 2017 proposed Agri-food RNG for Transportation

Program. It is critical that green rural transit funding supports the movement of freight throughout Ontario.

8. Support agricultural community farm cluster RNG production research.

Natural gas has a critical role to play in Ontario's transition to lower emitting energy sources and to a non-emitting electricity system. Rural, northern and remote energy users are hampered by energy system constraints, energy supply interruptions, and more expensive energy options with higher emissions, than urban counterparts.

Natural gas plays a key role in supporting energy affordability and customer choice in residential and small commercial applications especially in rural, northern and remote communities. The use of reliable sources of natural gas and the need for sources of lower carbon emitting fuels are not mutually exclusive. Attaining carbon sequestration targets means transitioning from fossil to renewable fuels. During the transition, and to make renewable fuel crop production viable, requires compressed and natural gas, as lower-carbon-intense alternatives to propane and diesel fuel. OFA believes hydrogen and RNG injection strategies will ensure new and existing natural gas assets are not stranded.

OFA supports the energy agnostic government approach whereby a combination of incentives and carbon costs enable private investment and technological advances to drive cheaper and cleaner options. This is also a transition, whereby medium term government direction to the Independent Electricity System (IESO) and Ontario Energy Board (OEB) will inform which cleaner technologies may need some assistance while we become truly energy agnostic.

Natural Gas Connection Expansion

The expansion of natural gas infrastructure has been a key OFA priority for many years and we appreciate the opportunity to address it. Natural gas fulfills diverse roles across the industrial, residential, commercial and agricultural sectors. While natural gas represents about 40% of Ontario's total energy use, serving over 3.6 million Ontario customers, only 20% of rural Ontario has access, and northern residents and businesses do not have access to natural gas.

Expanding natural gas access across Ontario must be a provincial infrastructure priority. It is one of the most important investments that the Province can make for its rural residents, farms, and businesses. After developing the Natural Gas Policy Statement, OFA supports the government directing the OEB to hold a hearing to review the revenue horizon for amortizing the upfront cost of new customer connections.

OFA recommends the government consider additional criteria to inform the selection for Natural Gas Expansion Program (NGEP) funding proposals. The challenge for government is not determining the most viable projects, but in combining that criteria with a multi-year vision, looking at strategic projects that in turn, enable more projects. Government must encourage strategic partnerships with farm communities and rural businesses to increase natural gas connection opportunities for rural Ontario.

Energy is one of the largest expenses in rural, northern and remote Ontario. The overwhelming interest in the NGEF from First Nations and rural communities reflects the importance of natural gas to rural Ontarians. OFA recommends continuing the NGEF to target all rural and northern customers. The OEB must encourage utilities to plan smart expansion, by, for example, providing increased consideration to expansions that contain both a community and a business/agricultural component. This can increase the feasibility of many expansion projects and enable otherwise non-viable projects.

According to the Financial Accountability Office of Ontario, annual rural household energy expenses are about \$1,200 higher than they are in urban centres. To ensure the success of future NGEF investments, businesses and households need to be better aware of the benefits of, and the incentives available for, equipment conversion to natural gas or electricity.

To achieve efficient use of NGEF investments, distributors, municipalities, communities, and businesses need assurance that Ontario will continue to support further public investment in natural gas infrastructure. A long-term vision allows strategic planning for balancing pipeline systems, adding pressure stations, and increased capacity for distributors, and allows municipalities and businesses the time to prepare for potential capital investments. This in turn, supports continued expansion.

Because of the importance of the NGEF initiative to Ontario's rural competitiveness, way of life, and wellbeing, OFA recommends establishing a 20-year program to generate at least \$75 million each year for gas expansion. This annual investment would help connect some 425,000 customers over the 20-year span. Beginning in year two, millions of dollars in direct economic savings are annually generated to reinvest in local communities; the investment pays dividends almost immediately. OFA will continue to work towards increasing rural natural gas expansion opportunities in Ontario. To improve the NGEF, OFA has six recommendations for consideration:

1. Increase awareness of available government/industry subsidies and the ease of accessing incentives for converting a home to electric or natural gas heating from less efficient and higher emitting fuel types.
2. Improve project rate of connection by allocating some NGEF funds towards connection costs that otherwise discourage potential customers from connecting to existing or new expansions due to their distance from the distributor pipeline.
3. Consider metrics beyond connections per \$ of NGEF support. Consider projects that bring other communities closer to pipeline access; increasing project Profitability Index and bringing these other communities closer to financial viability for future expansion access.
4. Consider the contribution of business customer volumes towards project viability, and the benefits that access provides to local community and small business economic development.

5. Continue to support further public investment in natural gas infrastructure. The government has a key role in identifying potential expansion projects to receive public funding, based on advice from the OEB, project proponents, and the public.
6. OFA views natural gas as an appropriate fit with federal, provincial and municipal sustainability objectives. Infrastructure expansion has numerous benefits including the development of RNG and low-carbon hydrogen for pipeline injection.

Renewable Natural Gas

Renewable Natural Gas (RNG) and low-carbon hydrogen injected directly into the natural gas pipeline distribution networks are viable options to decarbonize our energy mix, avoid the capital cost associated with widespread electrification, and may prove cost competitive. Although current production levels are low, natural gas distributors across North America are looking at increasing RNG supplies. For example, British Columbia has a 2030 target, and of 15% of gas supply being renewable or low carbon (currently 2%), and Quebec has set 2030 targets to increase bioenergy production by 50%, and 10% RNG in their natural gas system. (2024-09-10 CER Energy Profile Quebec <https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/provincial-territorial-energy-profiles/provincial-territorial-energy-profiles-quebec.html>)

According to CER's 2020 *Market Snapshot: Producing energy from everyday waste* – British Columbia adopts renewable natural gas, the household cost of RNG blending ranges from \$2.35/month for 5% blending, to \$47.02/month for 100%. <https://www.cer-rec.gc.ca/en/data-analysis/energy-markets/market-snapshots/2020/market-snapshot-energy-everydaywaste.html>
As of January 1, 2025, Fortis BC customers subscribed in the voluntary RNG program will pay a rate of \$13.22 per GJ for the cost of biomethane on their gas bill.

The measure of success for the NGEP is larger than simply the number of connections per dollar invested. Supporting strategic natural gas expansion sustains economic development, job creation, and an affordable cost of living for rural Ontario. When available, natural gas is often the cleanest and most economical fuel option for many rural communities. Pipeline injection of renewable natural gas and hydrogen will further reduce the carbon footprint of natural gas.

Energy Regulators and Electricity Procurements

The government should continue to review and direct overarching priorities to ensure energy regulators reflect the government of the day. Acknowledging that a target for zero carbon emissions is a permanent goal for the province and country, the Independent Electricity System Operator (IESO) and Ontario Energy Board (OEB) should be empowered to expand emissions control incentives from the energy sector, and develop programs for pipeline and electrical grid applications.

OFA supports a planning framework that incorporates other ministries and stakeholders in a broad review and ensure climate change mitigation and adaption are foundational. This means

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incentivizing and enabling businesses to adopt technologies to go along with a cleaner energy system. Otherwise we risk missing our emission reduction targets.

We support government enabling OEB to focus on longer term strategies and goals. For example, when contemplating community level natural gas expansions, the deciding factor cannot only look at cost per connection. Enabling the use of a strategic vision to balance cost efficiency with calculated expansion will better deliver on Ontario's objectives – connect more people and businesses to fuels that are cleaner than existing fuels, providing the private sector with opportunities to green the energy system. This longer view will enable foundational expansions which will in turn enable more-viable projects.

This more strategic view would include easier access for municipal and rural agriculturally based RNG pilots and pilots to inject green hydrogen into the expanded pipeline infrastructure.

The mandates for IESO and OEB must ensure safety and consumer protection. However, these organizations are uniquely situated to also enable more unique pilots for greener energy. We support empowering IESO and OEB to expand demand management incentives tailored for unique sectors that are not large enough to participate in the Industrial Conservation Incentive program to effect regional demand management with cleaner renewable tools. We also support the Ministry enabling OEB to continually update the natural gas conservation program framework.

These recommendations are best achieved with a tempered approach to ensure costs are practical and adaptable. We recommend the government consider oversight or review by an expert committee, guided by government policy statements and mandates.

Curtailing Natural Gas-fuelled Electricity Generation

According to the IESO Pathways report, shutting down large facilities while maintaining reliability can take many years to achieve. Replacement resources should be procured, built, commissioned and operated at a satisfactory level of performance prior to the shutdown of facilities. RNG is a suitable replacement only after significant work is done to ensure that RNG is market ready in sufficient quantities.

Revisit the Proposed Agri-food RNG for Transportation Program

Transportation and buildings are large carbon emitters and among Ontario's primary targets to reach climate change carbon goals. Currently, most efforts and attention are focused on urban transit, and urban new and retrofit construction. We are very interested in a comprehensive engagement to develop a network of RNG transportation services and facilities strategically sited throughout rural Ontario.

An Agri-food RNG Transportation Program refining biogas produced by an anaerobic digestion facility that primarily uses agricultural or food-based feedstock could be used in natural gas-fuelled vehicles and create significant and measurable GHG emission reduction or avoidance.

Such programs can work with existing Rural and Remote Community Natural Gas Infrastructure funding to strategically build up this critical infrastructure in agricultural communities, while also targeting to reduce the large carbon footprint of freight transport throughout Ontario.

Along with basic infrastructure investments in broadband, schools, and health institutions, securing access to natural gas and RNG will help lead rural economic development. It is critical that green rural transit funding supports the movement of freight throughout the province.

Historic energy procurements directed by the Ministry of Energy and administered through Ontario regulators have generally not given sufficient weighting to municipal, local and Aboriginal engagement to sufficiently allow these groups to have a meaningful say in where facilities should strategically be sited to balance local needs with program objectives.

The potential impacts on these stakeholders and the potential benefits of project construction and operations including employment, contracting, procurement, training, and direct economic participation benefits should be considered. The potential impacts on landowners and land users, including appropriate land acquisition processes, adequate engagement with landowners, and residents, should integrate with appropriate route and land requirements for a strategic network of transportation service facilities.

Aboriginal peoples must be presented with opportunities to play an active roll in monitoring construction, operations, and potential effects on Aboriginal culture and institutions. Local traditional knowledge integration into project design, and impacts on: health and socio-economic conditions, physical and cultural heritage, current use of lands and resources for traditional purposes, and any historical or archeological significance must be considered.

Agriculture, Natural Gas, and Renewable Natural Gas

From an agricultural perspective, natural gas, and the production and use of RNG is critical to the sustainability of Ontario farm operations. From local to international, the demands placed on farms to provide food, fibre and renewable fuel, requires reliable energy sources. Farmers need access to natural gas and compressed natural gas options. Agriculture and the agri-food sector are energy intense industries.

OFA supports reductions in carbon emissions as we move away from fossil fuel based energy, but this is a transition, and until renewable energy options are feasible for farm equipment power requirements, we will continue to strive to secure reliable, traditional fuel options. Challenges include electricity quality; voltage drops and surges, uncontrolled ground currents, and supply constraints; propane supply interruptions, risks of losing crude oil supplies through Enbridge Line 5, and efforts to bring natural gas infrastructure to our rural farm communities.

The amount of residual farm and forest biomass in Ontario and across Canada available for biogas production far outweighs feedstock available from municipal organic waste. Agriculture is an innovative sector. If pipelines are nearby, farm-based anaerobic digestors can produce and

refine biogas into pipeline ready RNG. Biogas can also be used to produce net-zero electricity to power heat pumps or to make green hydrogen. Farming and food processing provide a ready, sustainable source of RNG feedstock for rural Ontario to produce clean renewable fuels. Strategic pipeline expansion to agricultural communities will enable farmers, farm commodity groups and food processors to help Ontario achieve our electrification and decarbonization goals.

OFA recommends the Ministry of Energy join OFA, OMAFA, Enbridge, and Agriculture and Agri-Food Canada (AAFC), by supporting agricultural community farm cluster model research currently underway, led by the Canadian Biogas Association. These clusters would produce and refine biogas to RNG for injection into the natural gas distribution network throughout Ontario. Depending on feedstock, RNG can have negative CO₂e emissions. This model will also enable closer pipeline access for currently non-viable community expansion projects and increase the likelihood for many rural communities to receive natural gas.

Our farm businesses rely on the work of Ministry staff and policymakers to advance our energy systems, and the development and execution of programs by dedicated IESO and OEB staff. We look forward to continuing to work with the provincial government, our municipal counterparts, rural community stakeholders, and utilities to ensure the important role for natural gas in Ontario's energy system and economy accurately reflects the best interests of agricultural, rural, northern and remote communities, and Ontario long-term energy policy objectives.

Sincerely,



Drew Spoelstra
President

cc: OFA Board of Directors

This submission has been approved by OFA Board of Directors and will be posted to OFA's website: <https://ofa.on.ca/resources>.