

**"Why the Government of Ontario
Should Re-Think its Energy Policy"**

Luncheon address

**Mr. Don MacKinnon
President
Power Workers' Union**

to

Ontario Energy Network

**24 November, 2005
Toronto**

CHECK AGAINST DELIVERY

Media contact: Catherine Allman
hawkestone communications – public affairs
info@hawkestone.com; (416) 485-4606



Good afternoon ladies and gentlemen. Thanks very much for inviting me to speak with you here today.

I'm going to explain to you why the Power Workers' Union believes the Government of Ontario should re-think its energy policy. But, first, a little context about how we reached this position.

Since the spring of 2003, the Ontario Liberals have promised that they would close all of Ontario's coal-fuelled generating plants. At first they said by 2007, but now that has been delayed.

Our first response to the government was that "instead of closing the coal plants, they should be fitted with technology that reduces pollution."

We went on to point out that, the government simply can not find that much capacity – about one-fifth of the province's supply – in the timeframe allotted. Lastly, we observed that, "a shortage of electricity will hurt the province's industrial economy and result in a loss of jobs and businesses."

More than two years later we haven't changed our tune – or our essential message. Unfortunately, neither has the provincial government, other than to allow the closure date to slip.

The fact is that much has changed since 2003 in Ontario, more than can be addressed by a delay in coal plant closures:

- We are facing serious electricity shortages;
- Natural gas and oil prices have risen dramatically, and
- The timetable to bring on new gas-fired plants to replace existing coal plants is uncertain.

Before I go further, I want to address the obvious question – "Why is the Power Workers' Union going to all this trouble?"

Power Workers' Union members are proud to live and work in this great province and we care about its future. We're convinced that what the government is proposing just doesn't make sense. That it will inevitably lead to economic disaster. And it would be irresponsible of us not to stand up and point out that this particular emperor, the government's so-called energy strategy, is walking around with no clothes on. Out of doors. With winter coming on strong.

Therefore, with a case to make and a message to deliver, we have generated a province-wide campaign that presents our Better Plan to the people of Ontario.

If you haven't seen our print and TV ads, or heard our radio spots, here's a brief sampling of one TV spot and an excerpt from our half-hour documentary that ran province-wide this month:

[AV presentation]

The PWU "Better Plan" – detailed on our Website called, you guessed it, ABetterPlan.ca and on the cards at your table – has seven imperatives that the provincial government should seriously consider right now and that could be implemented immediately:

1. Maintain coal in the generation mix;
2. Retrofit coal plants with clean-burning technology;
3. Maximize nuclear capabilities;
4. Maximize hydroelectric capabilities;
5. Review natural gas strategy;
6. Invest in the development of green power, and
7. Promote energy efficiency.

Today, I'm going to expand, in particular, on the first two imperatives: "Maintain coal"; and "Immediately retrofit all coal units with clean-burning, coal technology."

The strength of Ontario's ability to generate power lies in having a diversity of sources. Coal, nuclear, hydro, green power, and natural gas should all be considered, based on supply, cost, distribution, and demand profile. And, given price and supply issues, it would be unwise to eliminate any one source of energy from our electrical generation mix.

We should maintain coal because coal has a history of reliable service. Ontario depends on coal-fuelled stations that are in service right now. As well as providing one-fifth of Ontario's electricity supply, coal-fuelled generation has traditionally been required to:

- meet changing demand;
- supply demand when other sources are unreliable, and
- balance load and generation at all times.

We should maintain coal because coal generation offers unique, flexible generation capabilities.

Ontario gas-fired generators typically offer load-following capability over the upper 25 percent of their capacity range; whereas coal-fuelled units can typically achieve load-following from minimum load, up to maximum output, which represents the upper 80 percent of each unit's capacity range.

Ontario should retain its coal plants if only as inexpensive insurance against high prices and supply interruptions.

We should maintain coal because our coal supply is nearby and abundant.

Ontario needs to use North America's abundant coal resources in order to balance the cost of natural-gas power generation and ensure a secure, long-term supply.

Canada alone has more than 8 billion tonnes of proven coal reserves which store more energy than all of our oil, natural gas, and oil sands combined. That represents close to a one-hundred year supply of coal at current production levels.

We should maintain coal because the demand for electricity is much higher than anticipated.

The Ontario government originally based its replacement strategy on a 10-year, Independent Electricity System Operator outlook, that called for 24,000 megawatts in 2006 and 26,000 in 2015.

Electricity shortages this past summer however, indicated that future demand will be much higher. The province exceeded the 26,000 Megawatt peak-demand just this past July, 10 years ahead of schedule, forcing the importation of expensive – and dirty – power from the U.S., and selective “brownouts” to conserve energy.

We should maintain coal because coal offers cost advantages.

The government’s current plan would replace inexpensive coal with expensive natural gas. It would lock Ontario into a reliance on natural gas for up to one-fifth of its power generation for the next twenty years. The cost of natural gas is dramatically higher than coal and the energy sector doesn’t see it decreasing in the foreseeable future. For example, during the past five years the cost of natural gas has increased by 136 percent.

In 2003 Ontario spent \$915 million on coal for its coal plants. If natural gas had been used, we would have spent in excess of \$2 billion, more than twice as much, to generate the same amount of electricity.

In the next twenty years, conservative estimates by Global Energy Decisions, a California-based research group, suggest that eleven billion dollars would be saved were Ontario to upgrade existing coal-fuelled plants to clean-coal instead of replacing them with natural gas.

Clean-burning coal technology would afford Ontario additional electricity security and, thus, more time to protect the economic interests of our Province and our citizens. It also allows us the option of benefiting from the next generation of clean coal technologies such as zero emission and gasification that are currently under development.

We should immediately retrofit all coal units because appropriate replacement generation is not going to be available in time and time is one thing we are rapidly running out of, given increasing demands for electricity. The provincial government says it has a plan to build 7,605 megawatts of generation capacity to replace Ontario’s coal-fuelled stations by 2009.

Out of eleven government projects aimed at reaching that goal, we calculate that only three are actually underway and these projects equal only about one-quarter of the supply needed to replace coal. The rest have a long way to go. They are still at only either the proposal or request-for-proposal stages.

This situation is not likely to improve. The government's current plan imposes unnecessary risks. Replacing coal with natural gas poses many technical challenges. In light of those, for example, the government has already had to delay the closing of Nanticoke.

The construction of each natural gas plant requires a thorough environmental assessment for both the plant and new transmission lines.

Opposition from local communities to new, gas-fired plants, has lead to cancellations and delays. What happens if coal-fuelled plants are closed and the natural gas plants are not ready? This risk should not be taken.

We should immediately retrofit all coal units because clean coal technologies work.

Ontario Power Generation has already achieved significant emission reductions with the installation of low NOx burners, precipitator upgrades, scrubbers, selective catalytic reduction technologies, smart computer monitoring systems and turbine upgrades. Utilities in Germany, Denmark and the U.S. have, and continue to achieve results that are as good or better.

By continuing to install proven clean coal technologies we can easily reduce aggregate emissions by 96 percent. Additionally, with turbine upgrades, and by introducing biomass co-firing, we can achieve substantial reductions in CO2 emissions. This is an effective and affordable way of helping both the province and Canada meet its Kyoto commitments, much better than the Ontario Liberal plan to rely on federal government money to off-set Ontario's higher electricity prices.

Finally, if our coal plants will be running for some time, why not virtually eliminate the smog emissions now? Installing available clean coal technologies is the sensible approach for the environment and the economy.

So, all in all, we believe that just the first two points of the Power Workers' Union Better Plan – that is: “Maintain coal”; and “Immediately retrofit all coal units with clean-burning, coal technology.” – are a positive way of addressing the changing realities of Ontario's electricity sector, and better by far than the Liberal plan to remove electricity supply without viable replacement generation.

There are many governments and companies, around the globe, who are spending a great deal of financial and human resources to improve the industry.

I visited Europe in the summer. It was an eye-opening trip. In countries such as Germany and Denmark, decades of research have generated an expertise in the coal-fuelled industry, and in the development of clean-coal technology, unequalled anywhere in the world.

Within our nation's own borders, the Power Workers' Union has been observing closely the work of the Canadian Clean Power Coalition, an association of leading Canadian coal and coal-fuelled electricity producers which includes the governments of Alberta, Saskatchewan and Nova Scotia.

The Clean Power Coalition's mandate is – to research, develop and demonstrate commercially viable, clean coal technology.

It should be noted too that another major Clean Power Coalition partner is the Canadian federal government.

On the Natural Resources Canada, Clean Coal Technology Roadmap Website, is this posted opinion, quote: “Many people have the perception that ‘Clean Coal’ is an oxymoron. However, we do have the technology to make this a reality. Coal-fired electricity generating plants can be retrofitted or built so they produce low to zero emissions,” unquote.

We observe also that the federal document which outlines how Canada will meet its Kyoto commitments, states several times that clean coal technologies will be an integral part of Canada's Kyoto commitment.

Based on the evidence of international – and national – ongoing investigations and promotions of clean coal technologies, we can only say to the provincial government, “Rethink your current energy strategy.”

And we’re not alone. Our polling shows a majority of Ontarians feel the same way.

In October, surveys we conducted with the Innovative Research Group, indicated that 88 percent of Ontarians believe the provincial government should rethink its energy plan. The survey showed that there is widespread – 73 percent – support among Ontarians for keeping the coal plants open, if the use of new clean-coal technology will reduce harmful emissions. And 91 percent would choose to install new clean-burning technologies in Ontario’s existing coal plants. Support for this plan is from the voters of all parties.

From business and media we’re increasingly hearing similar sentiments:

- The Ontario Chamber of Commerce has urged the Government of Ontario to both “Continue operation of coal fired electricity generation stations.” and “... retrofit the coal fired facilities with new emission-reducing technology.”
- The Northwestern Ontario Associated Chambers of Commerce “recommend that the Province thoroughly analyze the opportunity to upgrade the existing coal-fired generating stations.”
- Energy Probe has stated that, "From an environmental point of view, it makes no sense to shut these [coal-fuelled generating stations] down, while we're importing large amounts of coal-fired power from [the U.S.]."
- An editorial in the *Windsor Star* stated that, “the Ontario government... should provide the evidence needed to revisit its decision to shut down coal-burning plants, and use natural gas to replace output.”

- And an editorial in the *Ottawa Sun* stated bluntly that “there are technologies... that can help reduce harmful emissions from these [coal-fuelled] plants. If they've got the machinery and the know-how to help us do that, let's hope that our politicians will have the common sense to take a look at it. ”

The PWU has made a commitment to continue with our campaign.

Today, I'm carrying that message to you, the leaders of the Energy Industry in Ontario, and asking you to: “inform your customers, your employees, your legislative and bureaucratic contacts, of the existence of A Better Plan.”

At the Website, ABetterPlan.ca, you'll see a strategy that:

- Ensures a diverse mix of energy sources and a secure supply of electricity;
- Limits the anticipated cost increases associated with dependence on natural gas, and
- Provides a dramatic improvement to our environment by removing almost all the smog emissions from our coal generation, while reducing the reliance on “dirty” U.S. plants.

This is a plan that:

- Buys time to review the best way to introduce natural gas into our system;
- Maximizes our existing assets – coal, nuclear and hydro;
- Offers a realistic scenario for green power, and
- Takes advantage of the huge potential from energy efficiency improvements.

In short, this is A Better Plan that considers all the available options for power generation in Ontario and that will ensure the people of Ontario have an energy policy that meets their economic, environmental and health needs, while protecting reliable, reasonably-priced electricity in Ontario.

To close today, I'd like you to have a look at another of our campaign's paid-advertising spots – one that puts a very human face on this discussion of advanced new technologies and fiscal targets in the

billions of dollars – because human beings, and the quality-of-life of the workers and citizens of this province, are really, in the end, what this is all about.

Thanks very much for your time and attention.

-30-