

## Terence Corcoran: The dark side of green energy

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### *When governments dream, taxpayers pay*

**I**n the annals of Canadian green energy policy, nothing stands out like Ontario's headlong rush into becoming a world leader in the business. In the belief that politics can defy economics, politicians all over the world are making the big bet that they can overturn the hard rules of supply and demand, the role of prices and the limits of innovation by pushing the right policy buttons.

There isn't a jurisdiction in Canada, from provinces funding carbon sequestration to Ottawa's biofuels program, that hasn't spent millions and even billions to reshape the world in the image of green activists and green-industrial lobbyists looking for handouts. Across Europe and throughout the United States, electricity has become the playpen of governments. U.S. President Barack Obama even has his own private solar power scandal, Solyndra. Solyndra, however, only amounted to \$535-million in bad loans to a failing solar power company.

A new report from the Auditor-General of Ontario fries much bigger fish. It demonstrates that no Canadian government has gone as far out of line as Ontario's Liberal Premier Dalton McGuinty in misappropriating the levers of authority to achieve green ends. It's also doubtful any government has ever received such a scathing review from its own auditor.

In 2009, the McGuinty government literally bulldozed its own regulatory regimes, charged ahead without cost-benefit analysis or business plans, refused to allow cost-cutting alternatives that would have saved ratepayers at least \$8-billion and generally allowed



the green-industry lobby to dictate the structure of the province's electricity sector in its favour. The specifics of the report point not just to bad policy badly implemented, but to a high level of fiscal negligence and abuse of process and disdain for taxpayers and electricity consumers.

Costs of electricity in Ontario, up 65% since 1999, are to rise another 46% in the next four years, or \$31 per household per month.

As Auditor-General Jim McCarter notes several times, much of that money will go to pay for locked-in contracts for wind, solar and renewable energy the province doesn't need. For a decade to come, Ontario will likely have surplus electricity. Under contracts signed with green-energy producers and others, the government will pay electricity generators billions of dollars to not produce electricity.

The Auditor-General leaves little to the imagination in his incisive dissection of the government's top-down, to-hell-with-economics power trip. Even the Cabinet appears to be an after-thought.

The idea was simple within the tight control centre run by the Premier and former Energy Minister George Smitherman. Renewable energy would create jobs in Ontario and reduce carbon emissions and, possibly, offset closing coal plants. None of these alleged objectives were ever examined. The government appears to have depended almost totally on the input of industry "stakeholders."

The coal plants will close, but the lost power will be replaced by gas and nuclear, not renewables. Billions of dollars were committed to renewable energy, writes the Auditor-General, "without fully evaluating the impact, the trade-offs and the alternatives through comprehensive business-case analysis." Regulators were ignored, no objective studies were considered or investigations conducted.

In a pointed note at the beginning of comments on renewables, the AG highlights the wilful neglect that continues to dominate electricity policy. "We did not rely on the Ministry [of Energy]'s internal audit service team to reduce the extent of our audit work because it had not recently conducted any audit on renewable energy initiatives."

On job creation, the AG concludes that claims of 50,000 green jobs are inaccurate, because most will be short-term. It notes studies in other countries showing more jobs lost from expensive green-energy initiatives, the jobs killed by higher electricity prices paid by residential, commercial and industrial users.

The province's deal with Samsung and a consortium of Korean companies, a political controversy since it was announced, resurfaces. The report merely deepens the controversy. As told by the auditor, Korean companies approached the government in June 2008, the same month Mr. Smitherman was appointed Minister of Energy. By December of that year, a memorandum was signed. Mr. Smitherman travelled to Korea in June 2009. Six months later, a \$7-billion investment deal was signed to build renewable power plants, equipment-supply plants and extend transmission grid capacity. "Neither the OEB [Ontario Energy Board] nor the OPA [Ontario Power Authority] was consulted about the agreement."

The Cabinet was "briefed" only after an announcement had been made. "Normal due diligence for an expenditure of this magnitude had not been followed."

No economic analysis or business case had been prepared. The Samsung consortium — already set to receive feed-in-tariff rates for solar and wind power that were above international norms — also was to get a \$437-million bonus if plants were built in Ontario. The AG says the bonus was cut to \$110-million after the AG initiated research into the deal.

Similar stories exist in other jurisdictions, the logical outcome when governments are allowed to run free with uneconomic green policies that are aimed at overthrowing basic economic realities. The massive spending and arbitrary policy-making become central planning run amok, an abuse of power and a neglect of sound policy. Heads should roll.

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