



**Canadian Vehicle
Manufacturers' Association**
Association canadienne
des constructeurs de véhicules

December 16, 2016

Ms. Andrea Pastori
Cabinet Liaison and Strategic Policy Coordinator
Strategic Policy and Analytics Branch
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Subject: EBR Registry Number: 012-8840 – Planning Ontario's Energy Future: A Discussion Guide to Start the Conversation

Dear Ms. Pastori:

The Canadian Vehicle Manufacturers' Association (CVMA) representing FCA Canada Inc., Ford Motor Company of Canada, Limited, and General Motors of Canada Company appreciates the opportunity to review and provide comments on Planning Ontario's Energy Future: A Discussion Guide to Start the Conversation. Honda of Canada Mfg. and Toyota Motor Manufacturing Canada Inc. share our views and support this letter. This submission represents the collective views of all five motor vehicle manufacturers operating automotive assembly facilities in Ontario.

Vehicle manufacturers have a long track record of reducing energy consumption and greenhouse gas (GHG) emissions, and the Ontario vehicle manufacturers are continuing to take further actions to reduce carbon emissions and energy consumption. This is reflected in publicly stated company commitments and documentation of successful energy innovation activities. Our industry will continually increase energy efficiency as we compete for product mandates. However, regardless of how efficient we are or become, we, and our supply chain, are facing energy cost headwinds that are impacting investment decisions.

The primary objective in the development of the 2017 Long-Term Energy Plan (LTEP) should be the delivery of affordable electricity that is reliable and of high quality. This LTEP should be developed taking into account climate change policies, economic conditions, and changing consumption habits.

Already inflated electricity rates are forecasted to go higher. The Global Adjustment is growing with no relief in sight. Significant changes and new approaches are now needed to bend the cost curve back in the right direction.

Ontario's all in delivered industrial electricity rates are the highest compared to competing automotive jurisdictions in North America (the U.S. Midwest and Southern states and Mexico). We are very concerned about further erosion in Ontario's competitive position due to increasingly high electricity rates, including uncertainty regarding future rates, and the impact of carbon pricing on electricity rates for OEM operations, logistics, and the supply chain.

We offer the following suggestions:

- The overriding objective of the 2017 LTEP 2017 should be to reduce the all-in-delivered Ontario electricity rate without compromising reliability or power quality.
- All energy initiatives, programs, and decisions should be tested against the overriding objective of lowering Ontario electricity rate.
- The Ministry should carefully conduct and review forecasts (demand outlooks) to avoid the construction of costly new generation capacity.
- Revenue collected from the future sale of any Ontario energy assets should be used to reduce energy rates.
- Ontario's Market Renewal Initiative should have cost containment as its primary objective, and its implementation should follow the completion of the LTEP.
- A competitive industrial electricity rate for Ontario similar to the Northern Industrial Electricity Rate (NIER) should be considered.
- Reliability issues, especially small duration events like voltage sags, need to be addressed to reduce their current impact on highly sensitive automated industrial operations.
- Our comments on the Navigant Fuels Technical Report are provided in Attachment 1.

We wish to commend the Ministry of Energy for undertaking such a comprehensive review that considers climate change objectives, energy and electricity policy, and fuels planning in the development of the 2017 LTEP. We thank the Ministry for the opportunity to comment. Affordable and reliable electricity is a very key factor in the success of the automotive manufacturing industry in Ontario.

We trust that our comments will be considered. If you have any questions about our submission, please contact me at 416.364.9333.

Yours sincerely,



Yasmin Tarmohamed
Vice-President, Environment, Health and Safety

Attachment

cc: T. Christie, Ministry of Energy
D. Cayley, Ministry of Energy
M. Reid, Ministry of Energy
S. Hume, Ministry of Energy

ATTACHMENT 1

NAVIGANT: Fuels Technical Report, September 2016 – CVMA Comments

We offer the following comments and observations on the Navigant Fuels Technical Report which should be considered with respect to the 2017 LTEP. Also, we wish to be engaged in these ongoing discussions regarding fuels and energy for vehicles as the industry is in a period of unprecedented and uncharted lower greenhouse gas vehicle technology implementation and deployment.

- References to vehicle related regulations, page 36 and footnote 17 are not correct for Canada. Environment and Climate Change Canada (ECCC) has aligned vehicle GHG standards with the U.S. EPA. They are not Canadian fuel economy standards. Applicable Canadian greenhouse regulations are:
 - Passenger Car and Light Duty Truck GHG Emissions Regulations – 2011 to 2025 model years
 - Heavy Duty Vehicle and Engine GHG Emission Regulations – 2014 – 2018 model years; 2019 to 2027 model years regulations are under development
- It is unclear from the report if the consultant used fuel consumption or greenhouse gas reduction projections consistent with ECCC as described in the regulatory impact analysis statements from the above noted vehicle GHG regulations.
- The report should be revised to reflect the “integrated system” for vehicle emission and engine control technologies, and fuels as recognized by ECCC in their regulatory development. We support the approach of ensuring that the quality of all fuel delivered to the vehicles at the end of the distribution system meets or exceeds all appropriate fuel requirements for vehicles today as well as for future advanced technology vehicles to operate as intended.
- Fuels for transportation must evolve to match the vehicle technologies. Efforts are underway to reduce transportation GHG emissions by using higher octane fuels to support an optimized fuel/vehicle system. This is being aggressively studied in the U.S. at this time and should be considered in this study.
- There is reference on page 24 to “Transportation fuels use is less variable than fuels use in any of the other sectors considered in this report”. This needs to be considered in the context of year over year new vehicle fuel consumption improvements as mandated by the Canadian light-duty and heavy-duty vehicle GHG emissions regulations.
- The use of vehicle fuel consumption values should include L/100 km as recognized by the Government of Canada. Page 24 of the report indicates “The efficiency of these vehicles has on average improved from 270 km/GJ (9.2 km/litre or 21.7 miles per gallon) in 2005 to 302 km/GJ (10.3 km/litre or 24.3 miles per gallon) in 2015”. These values should be revised to reflect the information published by the federal government.
- We are unclear regarding the IESO’s base assumptions regarding the adoption of EVs (page 34) and if it is consistent with the adoption of that technology per ECCC’s projections under the vehicle GHG regulations. This needs to be consistent with ECCC as it is an appropriate base assumption.