

January 30, 2019

Re: Canadian Gas Association (CGA) comments to the Interim Report of the Expert Panel on Sustainable Finance and the role of regulated utilities in sustainable finance.

**To: The Expert Panel on Sustainable Finance, contact [ec.sfep-pefd.ec@canada.ca](mailto:ec.sfep-pefd.ec@canada.ca)**

Panel Members,

Thank you for the opportunity to provide comment on the interim report by the Expert Panel on Sustainable Finance. In this letter we provide input to the question of how Canada can better enable financial services to develop and scale innovations in markets and products that will support economic resilience in the face of climate change and will help stimulate low-emission growth.

The Canadian Gas Association (CGA) is the voice of Canada's natural gas distribution industry. Our members (see Map in Attachment 1) are natural gas distribution companies, transmission companies, equipment manufacturers and other service providers. For more than a century natural gas companies have been meeting the energy needs of Canadians from across the country. Our extensive infrastructure has played an important role in helping Canadians achieve our quality of life: because it has delivered affordable energy. That has meant significant savings for consumers and has meant growth for our economy. Throughout our 100 year history, natural gas utilities have been at the forefront of energy innovation. Our success in advancing modern heating technology solutions, industrial burners, pipeline construction and operation, and other innovations has been driven by a need and a desire to ensure our customers continue to benefit from safe, reliable and affordable energy.

Further, for the Panel's information and for important context, natural gas plays a central role in Canada, meeting 35% of our energy needs. That energy is delivered to nearly two thirds of Canadians through 550,000 kilometers of infrastructure. Over the last decade, natural gas use in Canada has increased by 28% and Canadian utilities added over one million new homes, businesses and industries to the gas system. Looking forward, the National Energy Board forecasts natural gas will become the largest energy source in Canada by 2040, and globally, the International Energy Agency forecasts natural gas use will increase 45% by 2040 to serve growing energy demands across the planet.

Looking specifically at how utilities can support cleantech/innovation funding, the CGA is of the opinion that there several key financing aspects of the regulated natural gas utility sector that are relevant to this matter and warrant consideration by the Expert Panel.

In general, government funding and programs are best positioned to support high-risk, early-stage R&D where public benefits are broad-based but uncertain. At the other end of the spectrum, technology vendors should play a primary role in funding and carrying out innovation activities that are closely tied to commercializing their own particular offerings, since they stand to reap substantial

financial rewards from successful commercialization. But this leaves a considerable financing gap in between – and this is the area where energy service innovation meets the customer, and needs to be tested.

Regulated utilities can provide solutions to fill this gap. Regulated utilities, by virtue of the regulatory oversight under which they operate, focus on financing innovations with significant likelihood of direct customer and broader social benefits. These include innovations that deliver: environmental and cost savings from new fuels and technologies, more efficient energy use, and better energy management; improved reliability and system resiliency; and a path to a sustainable energy future.

Regulated utilities are also uniquely positioned to finance and drive innovation activities that require testing or large-scale demonstrations of new technologies on utility networks or with utility customers. Innovative projects that focus on integrating new technologies or identifying the best option from among various emerging technologies are especially suited for utilities' efforts since such projects draw on utilities' unique capabilities that other financing sources simply do not provide.

Building on this reality for utilities, in October 2016, the Canadian Gas Association launched the Natural Gas Innovation Fund (NGIF). NGIF supports natural gas clean-tech solutions by pooling natural gas utility funding from across Canada and making investments in emerging non-commercial natural gas technologies. To date, NGIF has approved \$8 million in utility funding and leveraged over \$70 million in third party public and private funds. In December 2018, NGIF added seven natural gas producers to its existing funding group of five natural gas utilities. As a result, to the best of our knowledge, NGIF is the only fund globally that is providing full value chain (from wellhead to burner tip) natural gas innovation granting support for natural gas cleantech companies. More information on NGIF, its funding model and member companies can be found at the following webpage: <http://www.ngif.ca/>.

NGIF is an attempt to actualize our belief that regulated utilities can play a unique role in the sustainable financing of energy system and end use innovation. And the over 7 million natural gas customer locations in Canada - including homes, businesses, industrial facilities and power plants – offer a means to spread the financing risk of that innovation. By way of example, a nominal innovation levy of \$0.10/month per customer in Canada would generate \$8.5 million dollars/year. These funds could then be leveraged against federal funding and other private industry funding.

A more complete discussion of the various aspects of regulated utility innovation funding can be found [here](#). This study is one in a series undertaken by Concentric Energy Advisors for the Canadian Gas Association and the Canadian Electricity Association. We encourage the panel to review the material and take into consideration the possible role of energy utilities in your recommendations to government. In a similar vein, we note the references to the role of utilities in the report from Innovation, Science and Economic Development as part of the Pan Canadian Framework on Clean Growth and Climate Change. That report can be found [here](#).

In sum, utilities are a unique and critical source of sustainable “patient capital” needed to deliver

significant and enduring cost and environmental benefits. We welcome any comments or questions you may have about the regulated utility industry in Canada and its important role in providing rate based innovation funding.

Thank you,

A handwritten signature in black ink, appearing to read 'T. Egan', with a horizontal line underneath.

Timothy M. Egan  
President and CEO  
Canadian Gas Association

# Attachment 1. Canadian Gas Association: Distribution and Transmission Members Map

