

April 17, 2020

The Honourable Jonathan Wilkinson, P.C.
Minister of Environment and Climate Change
Environment and Climate Change Canada
200 Boulevard Sacré-Coeur
Gatineau, QC J8X 4C6

Dear Minister Wilkinson:

We reach out to you today in full acknowledgement of the tremendous challenges the Government is facing to navigate our country through the COVID-19 pandemic. As Canada addresses this health crisis compounded by an economic crisis, decisions made by the federal government at this crucial moment will shape the future of Canada.

In recognition of the confluence of the needs for robust climate action and COVID-19 economic recovery, we believe policy direction from the Federal Government must reflect a vision for building a sustainable economy. As your office considers ideas to help sectors recover and stimulate the economy following the COVID-19 pandemic, we, the undersigned representatives of the district energy industry, take this opportunity to stress the enabling role that district energy can play.

District energy systems supply hot water or steam and chilled water to buildings via underground piping networks to be used for space heating, domestic hot water, air conditioning and industrial process energy. By aggregating the heating and cooling requirements of dozens or even hundreds of buildings, district energy systems leverage economies of scale to produce economic, environmental and reliability benefits to the local economy. Increasingly, the addition of combined heat and power (CHP) enables production of three useful products (electricity, heat and cooling) from a single fuel which can enhance community energy resiliency, relieve strain on the electricity distribution grid, reduce downstream emissions and enable re-use of heat that would otherwise be wasted during electricity generation.

District energy systems with thermal storage help relieve stress in the existing energy infrastructure, pave the way for new building construction and directly support the retrofit economy. Widespread use of local and regional district energy systems has been a fundamental and primary contributor to low-carbon built environments in countries like Denmark and Finland. The United Nations Environment Program has identified district energy systems as “vital infrastructure for more sustainable cities and communities” and specifically recognizes those countries, cities and communities for strategic investments in district energy as “a most effective means to de-carbonize urban energy infrastructure.”

It is important to note that the Government of Canada has specifically incorporated strategic investment in district energy into its own Greening Government strategy. Public Works and Government Service Canada has undertaken a project to renew the seven plants that provide heating and cooling to more than 100 buildings in Ottawa’s downtown core. The listed benefits of the project include reducing energy costs

for the government, increasing the safety and reliability of the plants, and improving the government's environmental performance by reducing greenhouse gasses.

The federal government has recognized the value of district energy by including it in the group of clean energy technologies afforded Accelerated Capital Cost Allowances under 43.1 of the Income tax Regulations.

The City of Toronto has similarly concluded that district energy systems are a key opportunity for reducing GHG emissions from buildings and reducing demands on energy infrastructure. As part of its commitment to meeting these objectives, the City seeks to:

- Connect new buildings to district energy where a district energy system is established or under development;
- Design new buildings to be district energy-ready where future district energy system opportunities exist; and,
- Provide opportunities for existing buildings to connect to a district energy system once it is developed.

Toronto's *TCore Downtown Energy Strategy* concludes that district energy systems "are fundamental to reducing greenhouse gas emissions from buildings because they create the economies of scale to access large, low-carbon energy sources at a lower cost compared to individual buildings."

As of 2016, 2,863 buildings in Canada were served by district energy, resulting in 5.9 million MWh of delivered thermal energy annually. The Canadian Energy and Emissions Data Centre at Simon Fraser University notes that "half of all district energy systems in Canada have been commissioned since 2000, with one-quarter of all facilities constructed in the past five years." 28% of the district energy systems are owned by public institutions, such as academic institutions and healthcare campuses. Common customer types include government offices, commercial buildings, community centres and industrial facilities.

To enable Canada's energy transition, the deployment of district energy should be encouraged. This is being recognized by government across Canada. For example, the federal government, led by then-Environment and Climate Change Minister Catherine McKenna, announced a \$10 million investment in Enwave's Deep Lake Water Cooling system in January 2019.

While these one-off investments are certainly welcome, a much more sustainable strategy is to leverage core policy tools to drive COVID-19 economic recovery. Policy direction can stimulate the low-carbon industry and provide strong signals that expedite widespread energy system change. A notable advantage of district energy projects is that they offer a seamless fit with desired policy outcomes across levels of government, particularly with cities and towns. District energy systems across Canada help municipalities become more resilient, reduce carbon emissions and generate economic stimulus.

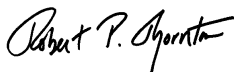
Minister, as you and your Office, your Departmental officials and your Cabinet colleagues consider stimulus measures in the energy sector, district energy stands ready to support the dual objective of reinvigorating Canada's Post COVID-19 economy and at the same time reduce Canada's greenhouse gas emissions. The following ideas would help the energy industry while at the same time increase Canada's ambition on climate change action:

- Streamline Federal Government announcements of projects approved by the Canada Infrastructure Bank.
- Encourage the Federation of Canadian Municipalities (FCM) to quickly disburse the \$1 billion allocated to it in Budget 2019, with district energy as an 'in-scope' project type.
- Accelerate calls for projects under the Climate Action Incentive Fund (CAIF) stream of the federal carbon pricing re-investment system, fast-track review of applications and expand eligibility under the program (i.e. increase funding cap per project).
- Accelerate the commitment to launch four long-term funds to help attract private capital that can be used for deep retrofits of large buildings such as office towers.
- Include district energy as an eligible investment under the proceeds reinvestment of the Output-Based Pricing System.
- Recapitalize low carbon energy programs under Natural Resources Canada.
- Recapitalize the Low-Carbon Economy Fund's Leadership and Champion streams.

We hope that these ideas are received in the constructive spirit in which they are put forward. We will seek to engage with your office and departmental officials on this matter in the coming weeks but wanted to waste no time in bringing this perspective to your attention.

We would, of course, happily make ourselves available to discuss this with you in more detail should you wish.

Sincerely,



Robert P. Thornton
President & CEO
IDEA



Tonja Leach
Executive Director
QUEST



Carlyle Coutinho
President & COO
Enwave

(CC: Hon. Catherine McKenna, Minister of Infrastructure & Communities)

(CC: Hon. Steven Guilbeault, Minister of Canadian Heritage)

(CC: Hon. Seamus O'Regan, Minister of Natural Resources)

The **International District Energy Association (IDEA)** is a 501(c) (6) non-profit industry association founded in 1909 with headquarters near Boston, MA, USA. IDEA represents nearly 2,400 members from 26+ countries around the world, with a majority in North America. IDEA members own, operate, design and optimize district energy systems that supply steam, hot water, chilled water and energy services to multiple buildings in cities, communities, campuses, airports, military bases, industry and healthcare. Working with global partners, IDEA specializes in highly reliable and resilient thermal networks, combined heat and power, thermal storage, microgrids and clean energy management to optimize energy efficiency, reduce harmful emissions, and provide sustainable solutions for mission-critical and community-scale markets.

QUEST is a national non-government organization that works to accelerate the adoption of efficient and integrated community-scale energy systems in Canada by informing, inspiring, and connecting decision-makers. The organization commissions research, communicates best practices, convenes government, utility, and private-sector leaders, and works directly with local authorities to implement on-the-ground solutions. QUEST recognizes communities that have embraced these principals by referring to them as Smart Energy Communities.

Enwave Energy Corporation is the largest core-competency district energy provider in North America and an industry leader in providing innovative, sustainable energy solutions. A private corporation owned by Brookfield Infrastructure Partners and its institutional partners, Enwave has assets in Toronto, Chicago, New Orleans, Houston, Las Vegas, Los Angeles, Seattle, Portland, Windsor, London and Charlottetown. In each community, Enwave operates intelligent thermal energy systems that generate, store, and share energy across the district.