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Ontario to Establish a Voluntary Clean Energy Credit Market

By David Stevens

The Ontario Minister of Energy has asked the Independent Electricity System Operator (IESO) to take steps toward creating a voluntary clean energy credit market for Ontario. The plan would see voluntary clean energy certificates (CECs) created for each one megawatt-hour of “clean electricity” generated in Ontario. Eligible generation sources include wind, solar, hydroelectric and nuclear. Businesses will be able purchase and retire the CECs to meet corporate sustainability and ESG goals. The Minister of Energy says that revenue from the purchase of CECs will be for the credit of ratepayers who are paying for the clean electricity being generated.

The graphic set out below, prepared by the IESO, illustrates how a “Voluntary Clean Energy Credit Registry” could work.

The IESO has been tasked with preparing a report, by July 2022, assessing options for the establishment and ongoing operation and management of a registry to support the creation and/or recognition, trading and retirement of CECs within Ontario. Among other things, the report will include “detailed design options and recommendations, as well as potential benefits and projected costs of building and operating the registry.” Presumably, the IESO will take some guidance from other jurisdictions with similar frameworks in place (states in the U.S. Midwest and New England).

The Minister of Energy indicated the following “design principles” for the IESO to reflect in a CEC system: (i) scoped to Ontario; (ii) voluntary (for purchases of CECs); (iii) reflective of market demand; (iv) proceeds from CECs should flow to ratepayers; (v) ability to adapt for future expansion to other products and markets and incentivize future investment of clean generation; and (vi) avoidance of double-counting benefits that are also reflected in other programs such as Ontario’s Emissions Performance Standards Program.

The IESO is directed to carry out “engagement activities” with industry and associations, major power generators and consumers, Indigenous communities and other provincial ministries. According to the IESO, a series of engagement activities are being planned. On February 24, 2022, a stakeholder engagement webinar will be held to gather information on stakeholder clean energy goals, how these goals can be met and how clean energy credits could support those goals” (register here). The IESO also plans to undertake a survey of large customers to help in this data gathering. After that, the IESO may hold “dedicated technical sessions with interested stakeholders to better support the design of CECs in the Ontario market.” Prior to submitting its report, the IESO will have a further engagement webinar to discuss findings and recommendations. More details about the IESO’s engagement plans can be found here.

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