

The Role of Government in the Energy Sector

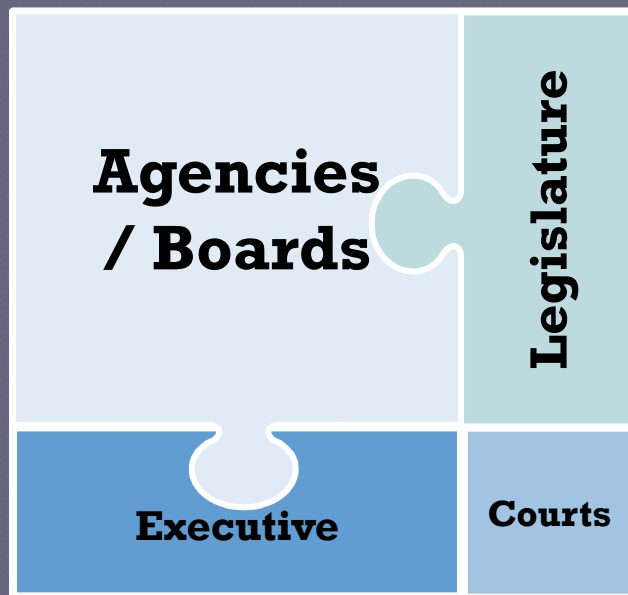
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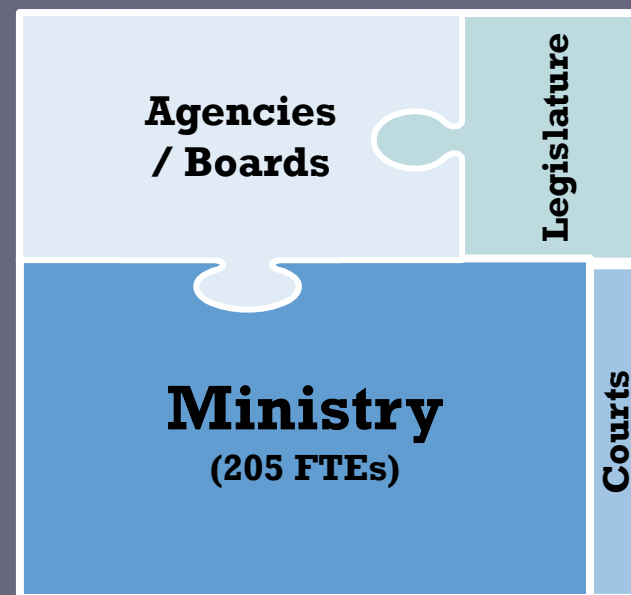
Energy Leaders Conference | April 5, 2013

Policy-making institutions in the energy sector

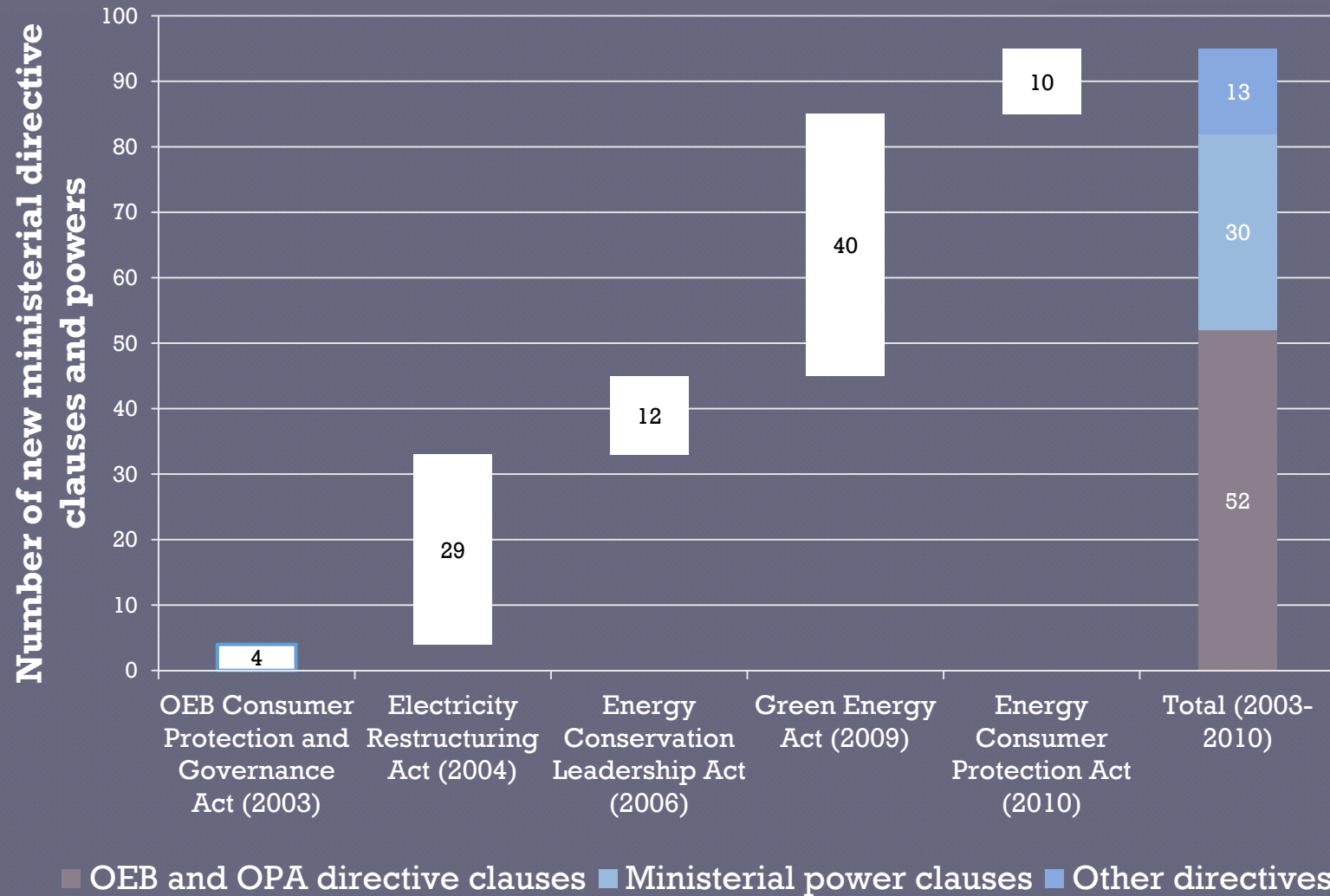
OECD Countries



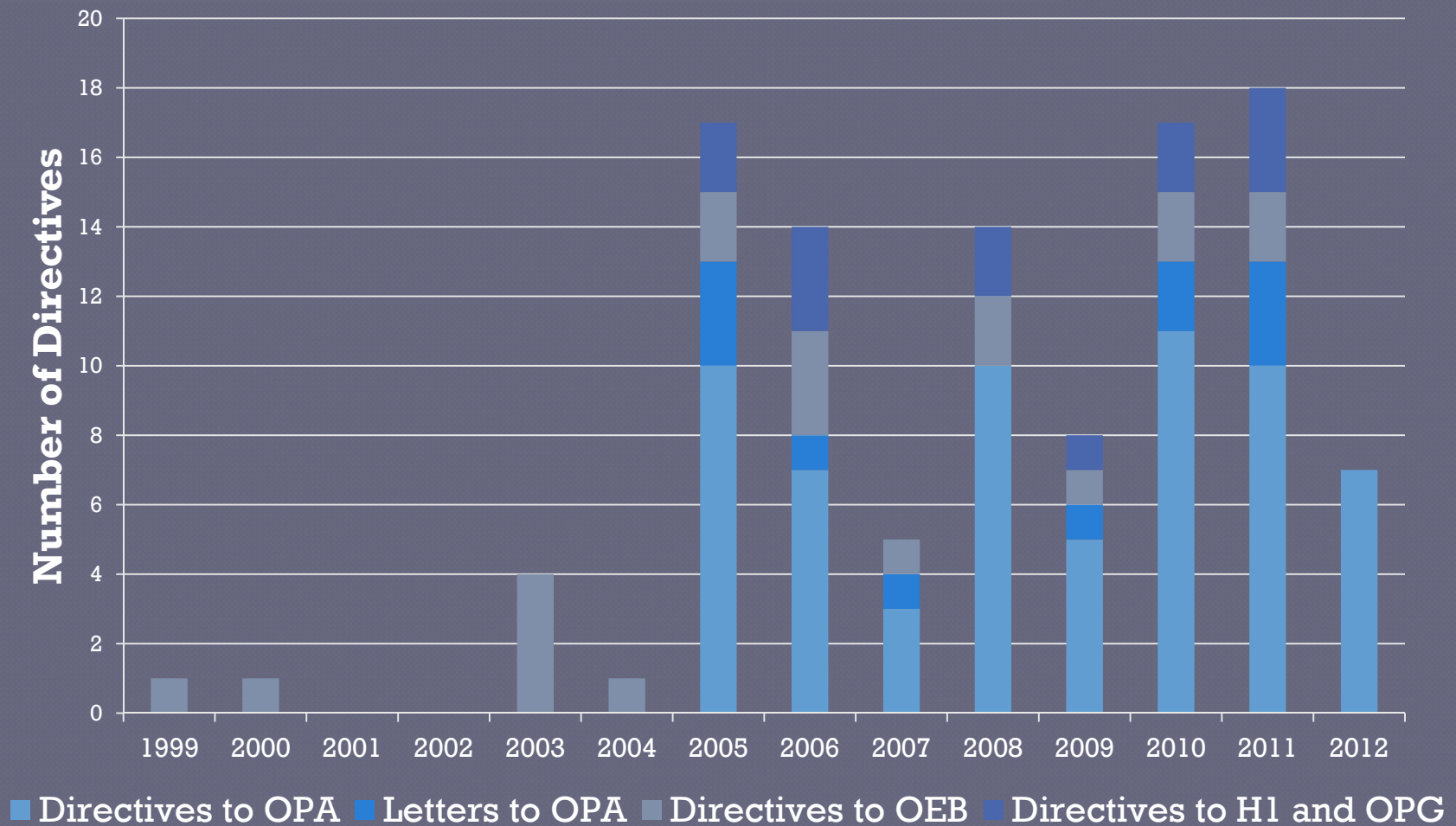
Ontario



Ministerial directive powers



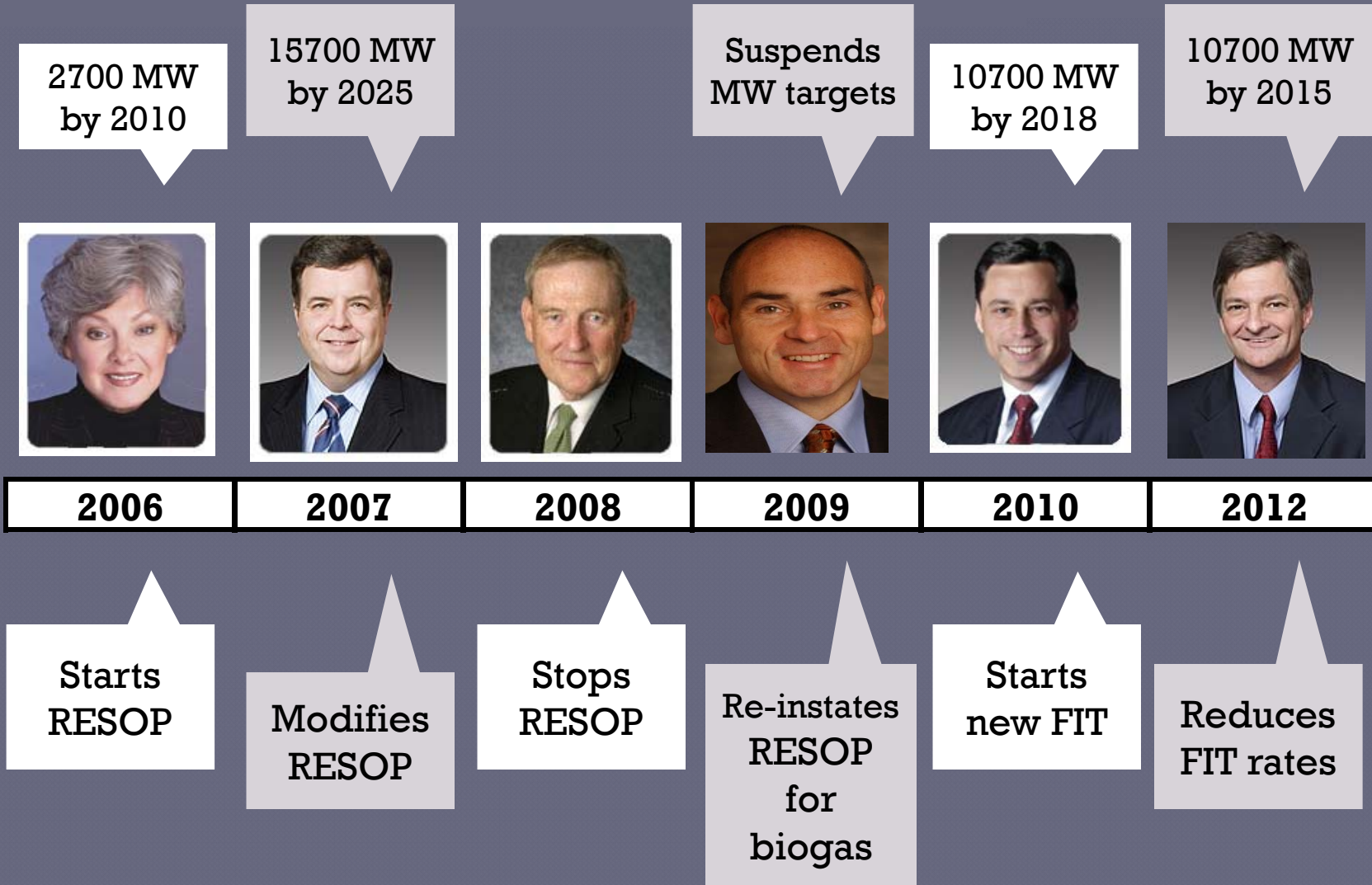
Usage of directives



Consequences of directives

- Risk of costly policy mistakes
 - No public consultation needed, not transparent
 - No rationale or cost-benefit analysis required
 - Expert agency advice can be ignored
- Policy surprises and instability
 - No notice required
 - Policy exposed to short-term political pressures and ministerial rotation
 - Fixes needed when mistakes become apparent

New minister / new policy

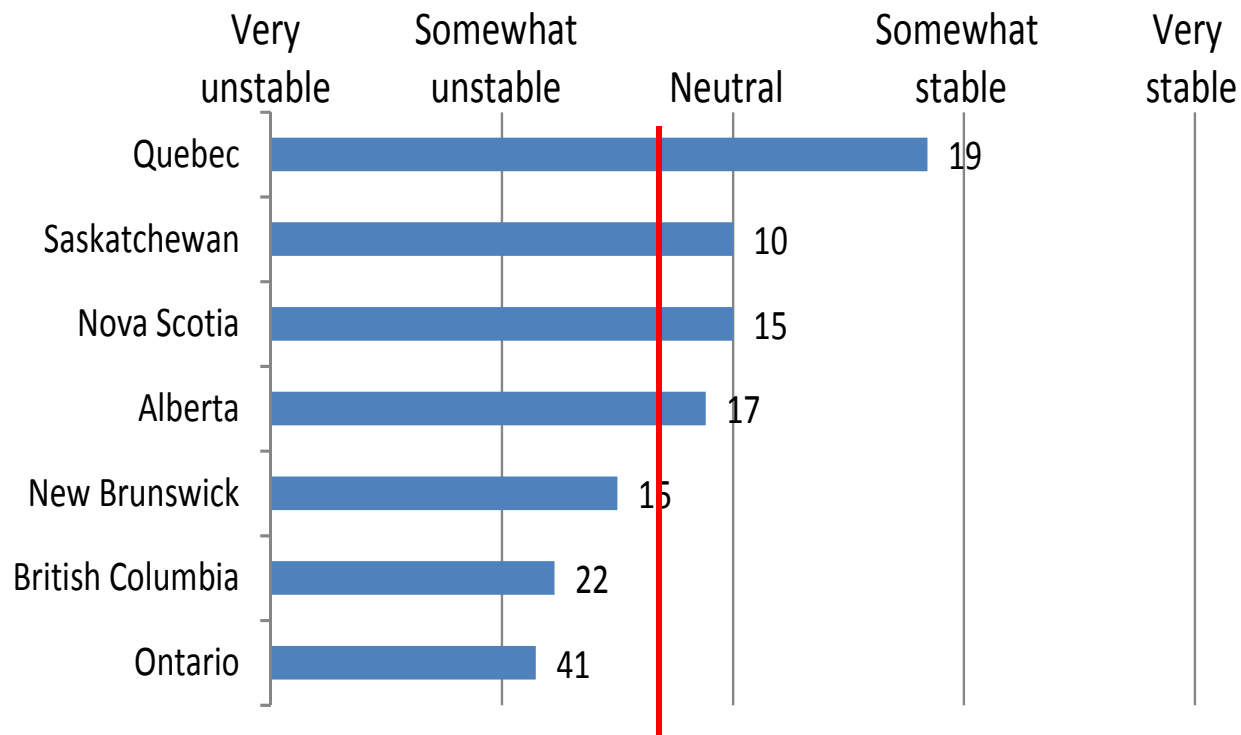


Ministerial shuffle

Minister of Energy	Party	Dates	Duration (months)	Deputy Minister	Duration (months)
Lyn McLeod	Liberal	Aug 89 - Oct 90	14		
Jenny Carter	NDP	Oct 90 - Jul 91	9		
William Ferguson	NDP	July 91 - Feb 92	7		
Brian Charlton	NDP	Feb 92 - Feb 93	12		
Bud Wildman	NDP	Feb 93 - Jun 95	28		
Brenda Elliott	PC	Jun 95 - Aug 96	14		
Norm Sterling	PC	Aug 96 - Oct 97	14		
Jim Wilson	PC	Oct 1997 - Apr 2002	54	Bryne Purchase	44
Chris Stockwell	PC	Apr 2002 - Aug 2002	4		
John Baird	PC	Aug 2002 - Oct 2003	14		
Dwight Duncan	Liberal	Oct 2003 - Oct 2005	24	James Gillis	37
Donna Cansfield	Liberal	Oct 2005 - May 2006	7		
Dwight Duncan	Liberal	May 2006 - Oct 2007	17	Peter Wallace	15
Gerry Phillips	Liberal	Oct 2007 - Jun 2008	8		
George Smitherman	Liberal	Jun 2008 - Nov 2009	17	Saad Rafi	16
Gerry Phillips	Liberal	Nov 2009 - Jan 2010	2	Fareed Amin	7
Brad DuGuid	Liberal	Jan 2010 - Oct 2011	21	David Lindsay	19
Chris Bentley	Liberal	Oct 2011 - Feb 2013	16	Serge Imbrogno	
Average			16		23
Median			14		18

Private sector perceptions

Ratings of stability of renewable energy policy by province



Source: Ivey/U Calgary 2012 survey of energy firms active in wind power in Canada

Private sector preferences

Importance of factors in wind firms' investment location decisions

Ranking	Factor
1st	Natural wind conditions
2nd	Policy stability
3rd	Transmission capacity availability
4th	Presence of MW capacity target

Source: Ivey 2008 survey of energy firms active in wind power in Ontario

Governance reforms

- ⦿ 'Down-size' the Ministry of Energy
 - Move all staff to OPA, OEB or IESO
- ⦿ Remove ministerial directive authority
- ⦿ Strengthen agency appointment processes
- ⦿ Specify major energy policy objectives in legislation (e.g. long term energy supply mix)

Benefits of governance reform

- Improved policy consistency and predictability
- Increased investor confidence
- Lower cost of capital -> lower consumer rates
- More investment in infrastructure, improved reliability