

NEWS RELEASE

Cancelling contracts with wind, solar power providers would cut Ontario electricity bills by 24%

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For Immediate Release

TORONTO—If the Ontario government cancelled existing contracts with renewable energy generators such as wind and solar power, it could reduce electricity bills for Ontarians by 24 per cent, finds a new study released today by the Fraser Institute, an independent, non-partisan Canadian public policy think-tank.

“Electricity costs in Ontario skyrocketed in recent years due to poor government policies, so it’s time for meaningful reforms to reduce the burden on Ontarians,” said Ross McKittrick, economics professor at the University of Guelph, senior fellow at the Fraser Institute and co-author of *Electricity Reform in Ontario: Getting Power Prices Down*.

Ontario’s Green Energy Act, enacted in 2009, grants wind and solar generators long-term guaranteed electricity prices above market rates. To help pay for these contracts, the government attaches an extra charge to electricity purchased by Ontarians. This extra charge, called the Global Adjustment (GA), grew from less than one cent per kilowatt-hour (a common billing unit for energy) to about 10 cents between 2008 and 2017, causing the dramatic spike in electricity bills.

The new provincial government plans to scrap the Green Energy Act, which will help prevent further price increases, but crucially, won’t reduce current prices because it won’t reduce the GA costs.

To reduce current prices, finds the study, the government must either cancel or renegotiate existing contracts with renewable generators. These contracts represent almost 40 per cent of GA costs despite renewable power providing only seven per cent of Ontario’s total electricity generation.

Finally, the study notes that subsidies account for almost 90 per cent of the revenue earned by renewable generators, with only 10 per cent from market transactions.

“If the new government wants to provide relief for Ontarians suffering with artificially high electricity bills, it should deal with these overly-generous subsidies and lower the GA charge,” McKittrick said.

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