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Analysis Reveals Clear Winners in Taxpayer-Funded Renewable Energy Programs: C.D. Howe Institute

Toronto, Feb. 19 – A careful review of Canadian government renewable energy programs reveals some clear winners when it comes to the cost-effective use of taxpayers' money, according to a study released today by the C.D. Howe Institute. In *"Going Green for Less: Cost-Effective Alternative Energy Sources,"* authors Roger A. Samson and Stephanie Bailey Stamler conclude that the lowest-cost government incentive programs are those for renewable heat and power technologies, such as wind power, and solar air and hot water heating.

The authors review the efficacy of the entire portfolio of federal and provincial renewable energy incentive programs – with respect to major liquid biofuels, renewable power, and renewable heat options – to determine their cost effectiveness in reducing emissions of greenhouse gases (GHGs).

The lowest-cost government incentive programs identified are for renewable heat and power technologies such as wind power, solar air and hot water heating, and biomass pellet heating, as well as energy retrofitting strategies. For these programs, mitigation could be realized at \$10-to-\$60 of government subsidy per tonne of carbon dioxide equivalent (CO₂e) offset.

In contrast, they find the most expensive government incentives to be liquid biofuels, which range from \$295-to-\$430/tonne of CO₂e for ethanol to \$122-to-\$175/tonne of CO₂e for biodiesel. The federal government's \$4.5 billion ecoENERGY program has dedicated half of the total budget towards liquid biofuels.

The authors conclude that a redirection of federal funds towards more fiscally cost-effective carbon mitigation approaches would create greater parity in the way incentives are currently used to encourage renewable energy deployment. They propose a "carbon bounty" that could be applied equitably across all renewable energy technologies and reward those that are most cost efficient.

Overall, governments in Canada are presently over-investing taxpayers' money in high-cost mitigation technologies and under-investing in low-cost mitigation technologies, say the authors.

The C.D. Howe Institute is Canada's leading independent, nonpartisan, nonprofit economic policy research institution. Its individual and corporate members are drawn from business, universities and the professions.

The study is available at www.cdhowe.org.

For more information, contact:

Ben Dachis,
Policy Analyst,
C.D. Howe Institute,
416-865-1904;
Email:cdhowe@cdhowe.org.

Roger Samson,
Executive Director,
REAP-Canada,
514-398-7743.

Going Green for Less: Cost-Effective Alternative Energy Sources, C.D. Howe Institute Commentary No. 282, by Roger A. Samson and Stephanie Bailey Stamler (February 2009). 25 pp; \$12.00 (prepaid, plus postage & handling and GST – please contact the Institute for details). ISBN 0-88806-745-3.

Copies are available from: Renouf Publishing Company Limited, 5369 Canotek Road, Ottawa, Ontario K1J 9J3; or directly from the C.D. Howe Institute, 67 Yonge St., Suite 300, Toronto, Ontario M5E 1J8. The full text of this publication is also available from the Institute's website at www.cdhowe.org.