

AN ALBERTA WIND ENERGY WINDFALL

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It is rare for the phrase “renewable support agreement” to be uttered in the same breath as “windfall government gains.” Nonetheless, this is the case with Alberta’s Renewable Electricity Program (REP). In [newly published research](#), we examine how we got here, the REP’s performance, and future directions.

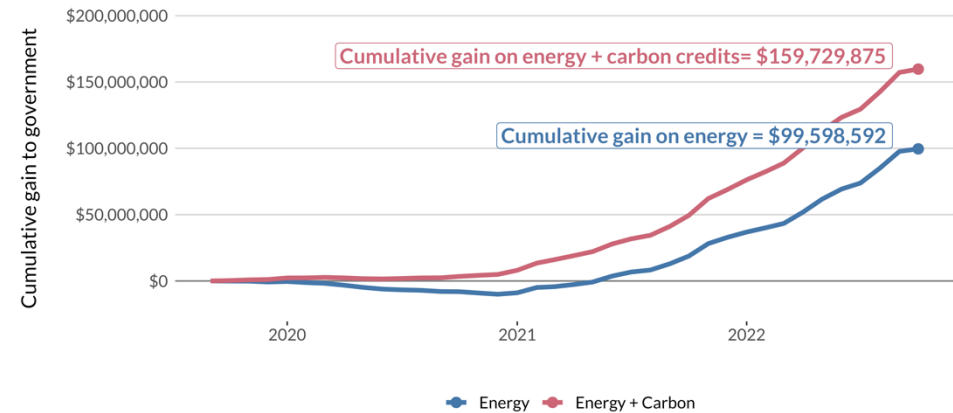
In 2016, the then-NDP government launched the REP with the goal of increasing the share of renewable energy in the province. Rather than directly subsidizing renewable projects, the REP asked renewable developers to bid in competitive auctions for “contracts-for-differences” with the least cost projects winning the day. A “contract-for-difference” sees the government “top up” any gap between the auction price and the market price, guaranteeing the developer a fixed price for their generation. However, when market prices are above the auction price, the cash flows the other way, with the *developer paying the government*.

This is the situation that is now playing out. A combination of falling renewable energy costs, the design of the procurement, and high power prices has led to considerable cashflow to the government. We calculate, using conservative assumptions regarding which facilities hold which contracts, **the government has received roughly \$100 million in net payments** as of October 13, 2022.

Additionally, as a condition of receiving these supportive contracts, developers had to surrender the rights to their environmental attributes, namely any carbon offsets or emission performance credits they would otherwise be eligible to receive. These credits have value as they act as currency with which polluters can cover their compliance obligations. From government’s perspective, not having to issue them is thus a benefit. It won’t show up as a line item in the provincial budget, but it’s a real economic gain nonetheless. We calculate, again using conservative assumptions, the value of these surrendered credits to be an additional \$60 million.

As of this writing, the REP has been a total gain to the government of \$160 million.

Renewable electricity program benefitting the Alberta government



Based on conservative assumptions placing highest strike contract on largest generator (Whitla) and lowest on abandoned project (Sharp Hills). Carbon value assumes TIER (0.37 tonnes per GWh) allocation. Includes annual inflation adjustments to strikes as per contracts.

But before taxpayers celebrate, it’s worth considering that the high power prices leading to these gains are the same ones hitting the pocketbooks of ratepayers. A significant policy opportunity is embedded in this observation. Currently, REP payments are flowing into general revenue for the government—a non-descript line item for Alberta Energy. Instead, these funds generated—in large part due to high electricity prices—could be directed to those least able to cope with the burden of high electricity bills. Bill payment assistance programs, something sorely lacking in Alberta but a feature of many other states and provinces, could be funded by gains from the Renewable Electricity Program.

To be sure, high prices won’t be around forever. There is no guarantee these contracts will continue to generate the type of cash we are seeing today. All the more reason to consider linking their gains to bill support programs, which are most in need during these periods when prices are high.

In the meantime, the REP has successfully shown that renewable support programs needn’t result in exorbitant subsidies. With REP launching the continued growth of wind and solar, even after the current government pulled the plug on future auctions, it is clear renewables are here to stay—and grow—in Alberta.