



Climate  
Action  
Partnership

# Fossil Fuel Subsidies Forced Upon Municipalities

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# Municipalities and Climate Change

Municipalities are exposed to significant costs resulting from climate change. Fossil fuels are the main cause of climate change.

- Protecting residents and public infrastructure from extreme weather.
- Eliminating emissions from corporate assets.
- Supporting community emissions reductions.
- These actions are necessary to meet federal, provincial, and municipal climate targets.



# Municipal Franchise Agreement

- Municipalities in Ontario are not allowed to charge Enbridge for use of the municipal right of way.
- Another example of favoritism for fossil fuel system in Ontario's energy system.
- Ex. Fossil fuel infrastructure provided at no cost to new developments, but electricity must follow the growth pays for growth principle.
- Low carbon utilities coming into the market who are also going to need ROW space (district systems).
- They should be treated the same way.

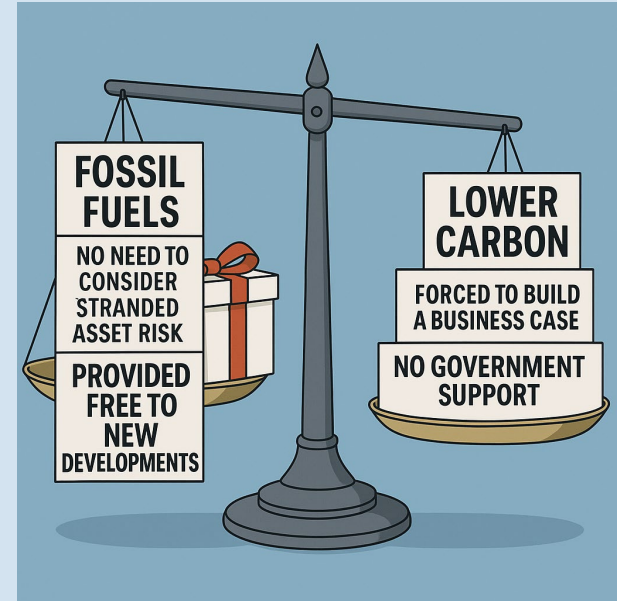


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# How Ontario Compares to Other Provinces

## British Columbia

- Municipalities can elect to charge an operating fee of their choice.
- Kelowna, Highlands, Nanaimo, and Nelson charge 3% of all gas revenues.

## Alberta

- Municipalities authorized to enter into franchise agreements with utilities in return for exclusive rights to provide a service within the municipality. The fees can be up to 35% of delivery revenues to compensate the City for direct costs, restrictions on planning and development due to utility rights of way, as well as inherent risks related to utility access.
- Edmonton charges 32.9% , which represents \$60M, or 5.3% of the City's annual operating revenues (\$61/capita).

## Saskatchewan

- All urban municipalities have authority to implement a 5% access fee to gas utilities in exchange for municipalities giving up the right to establish their own natural gas distribution systems.
- Regina earns \$5.6 million annually (\$24/capita).

## Manitoba

- Winnipeg has a Charter that authorizes them to implement sales taxes.
- 2.5% sales tax on natural gas for domestic purposes and 5% for other than domestic purposes = \$22M, (\$29/capita).

## Nova Scotia

- Halifax receives an access fee of 2% of the total natural gas revenues.



# Costs of Pipelines in the ROW

## Operations Pipeline Costs

- Additional costs to work around pipelines in ROW.
- Municipalities say it is hard to calculate those costs specifically for the fossil fuel pipelines.

## Abandoned Pipelines Removal Costs

- OEB acknowledged that pipelines will be facing a growing stranded asset risk.
- Enbridge can abandon their infrastructure in the municipal ROW.
- No need for municipal approval to abandon.

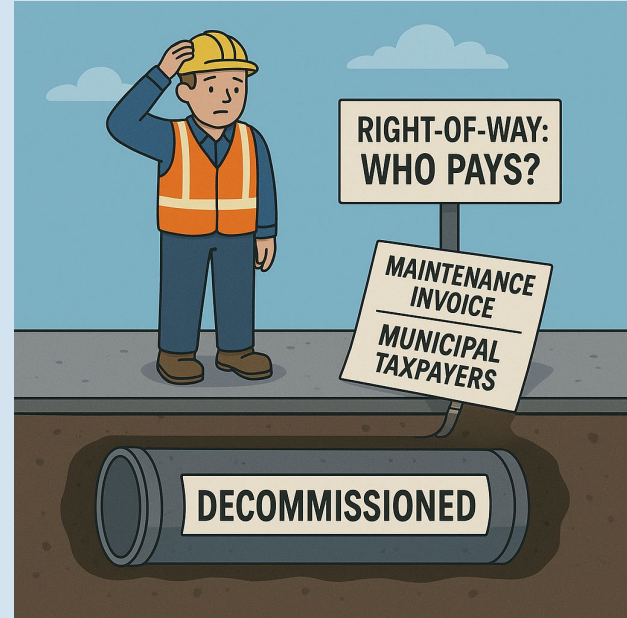


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# Affordability Implications

- Enbridge (Ontario) is guaranteed a regulated return on its fossil fuel infrastructure investments, creating a direct link between more infrastructure and profits.
- Enbridge (Canada) earns its profit through the sale of fossil fuels to Enbridge (Ontario).
- Enbridge is likely to add any new ROW charges to the rate base, as they are unlikely to allow these costs to negatively impact their profits.
- Revenues from ROW use could be used for actions that help Waterloo residents reduce emissions and lower their energy costs.
- Ultimately, this is about increasing fairness between fossil fuel and lower-carbon energy providers, while reducing stranded-asset risks in the rate base and protecting affordability for gas customers—where stranded-asset exposure ultimately resides.

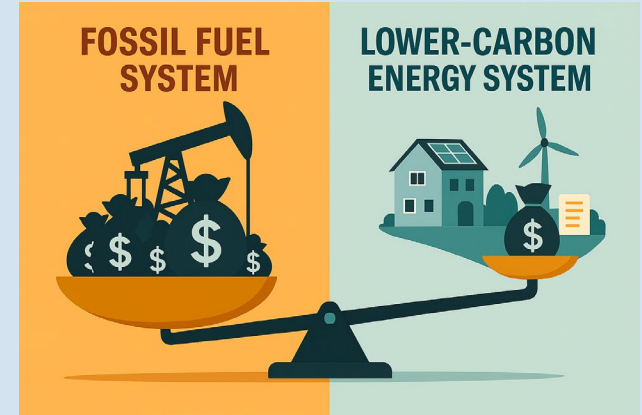


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# Recommendations

- Make improvements to level the playing field between fossil fuel and lower carbon options.
- Resolutions have been passed in Ottawa, Toronto, Guelph, London, and Kawartha Lakes.
- Do not approve the new Model Franchise Agreement to not lock in Waterloo Region.
- CAP supports the Region of Waterloo recommendation for Council to advocate to amend the Municipal Act and update the Model Franchise Agreement so Ontario municipalities can charge fair compensation from private utilities for use of the municipal right-of-way.
- The Municipality should also express its support for the update to the Model Franchise Agreement to remove the ability for private utilities to abandon infrastructure in the municipal right of way without approval from the municipality.

