

Template Municipal Motion and Issue Summary

Support for OEB Decision to Lower Energy Bills

Recommendations

[Mover name], seconded by [seconder name], recommends that:

1. City Council pass the following resolution:

WHEREAS: Residents are struggling with energy bill increases and need relief;

AND WHEREAS: Natural gas is no longer the cheapest way to heat homes because electric heat pumps are now much more efficient, can provide all heating needs even in the cold climates, and result in far lower energy bills compared to gas heating;

AND WHEREAS: Natural gas is methane gas, which is a fossil fuel that causes approximately one-third of Ontario's GHG emissions, and must be phased out because it is inconsistent with all climate targets, while heat pumps result in the lowest GHG emissions and are consistent with a zero-carbon future;

AND WHEREAS: The Ontario Energy Board (“OEB”) decided to end a subsidy for methane gas pipelines to be built in new construction developments, effective 2025, finding that this would lower energy bills for existing gas customers and improve affordability for new homebuyers, but this decision is at risk of being overturned by the provincial government;

AND WHEREAS: The OEB decision will help lower energy bills and encourage heating systems that are consistent with climate targets and plans;

AND WHEREAS: The construction of *new* methane gas pipelines, which have 60-year lifetimes, should not be subsidized because they are inconsistent with the City’s climate targets and will result in higher carbon emissions, higher energy bills, higher future decarbonization retrofit costs to get off fossil fuel heating, and a continued financial drain as dollars leave the province to pay for fossil fuels extracted in other jurisdictions.

NOW THEREFORE BE IT RESOLVED:

1. THAT the [municipality name] expresses its support for the decision of the Ontario Energy Board to end the gas pipeline subsidy and ask the Ontario Government to allow the decision to stand.

2. AND THAT this resolution be circulated to the President of AMO, Colin Best, Premier Doug Ford, the Minister of Energy, Todd Smith, The Minister of Finance, Peter Bethlenfalvy and all regional municipalities requesting support of the proposed changes.

Summary:

This motion would support a decision by the Ontario Energy Board (“OEB”) to end a subsidy for constructing methane gas pipelines in new building construction, effective 2025. The subsidy was previously worth approximately \$4,500 per home on average to developers.¹ The OEB ended the subsidy because it is bad for existing gas customers and bad for new homebuyers. The subsidy is bad for existing gas customers because they pay for the subsidy through higher energy bills. This is a major capital cost – amounting to over \$250 million each year.² The subsidy is bad for new homebuyers for many reasons, including that it encourages developers to install gas equipment, which is much more expensive to operate.³ As such, the subsidy causes higher energy bills for both existing gas customers and new homebuyers. The subsidy also encourages fossil fuel use. Eliminating it will be a win-win-win – for existing gas customers, for new homebuyers, and for reducing carbon pollution.

The subsidy for gas pipelines undermines municipal climate targets. Natural gas is also known as methane gas or fossil gas. It is a fossil fuel that causes approximately one-third of Ontario's GHG emissions.⁴ Heating homes and businesses with gas accounts for approximately 19% of Ontario's greenhouse gas emissions.⁵ Municipalities cannot achieve net zero without eliminating the use of fossil gas for building heating. Gas pipelines generally have a 60-year lifetime, extending far beyond 2050. It is financially and environmentally irresponsible to be building new pipelines and installing gas equipment in new units.

Many jurisdictions, including New York State and Montreal, are prohibiting methane gas connections in new construction.⁶ This makes a great deal of sense as a way to lower energy bills now *and* avoid expensive retrofit costs down the road. It also shows that housing development does not require gas. It would be ill-advised to not only allow new gas-heated subdivisions, but to maintain a *subsidy* for new gas connections.

The Ontario Government is contemplating overriding the decision out of concerns that it will impact the construction of new homes.⁷ But there will not be a negative impact on housing

¹ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 34 ([link](#)).

² OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 48 ([link](#)); The cost is over \$300 million annually including all cost categories, such as capitalized overhead per Exhibit J13.7 ([link](#), PDF p. 305).

³ The OEB's decision and many studies confirm that heat pumps achieve lower costs versus gas equipment - see: Evidence of the Energy Futures Group in OEB File # EB-2022-0200, p. 23 ([link](#)); Dr. Heather McDiarmid, *An Analysis of the Financial and Climate Benefits of Electrifying Ontario's Gas-Heated Homes by Installing Air-Source Heat Pumps*, August 2, 2022, p. 11 ([link](#)); Corporate Knights, *GREEN house effect: Calculate the savings from electrifying your home*, June 20, 2023 ([link](#)); Ontario Ministry of Energy, *Discussion Paper*, August 2023, pp. 10-11 ([link](#)); OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 41 ([link](#)) and see also p. 34 regarding the perverse incentives for developers.

⁴ Enbridge Evidence in Ontario Energy Board File #EB-2022-0200, Exhibit 1, Tab 10, Schedule 3, Page 2 ([link](#)). upstream leaks add at least an additional 40% to the harmful climate impact (likely more if the latest science and measurements are used)

⁵ Dr. Heather McDiarmid, *An Analysis of the Financial and Climate Benefits of Electrifying Ontario's Gas-Heated Homes by Installing Air-Source Heat Pumps*, August 2, 2022, p. 8 ([link](#)).

⁶ Over 20 jurisdictions in the United States have prohibited gas connections in new construction. See EB-2022-0200, Exhibit J8.3, Attachment 1 ([link](#), PDF p. 66)

⁷ Ontario Government Press Release, December 22, 2023 ([link](#)).

supply – developers can simply forgo gas connections, avoiding those costs and the time needed to add the gas infrastructure.⁸ And the OEB decision will certainly improve housing affordability. Many groups and experts have spoken out in favour of the OEB decision and the importance of respecting its independence and evidence-based processes. A recent letter from a coalition of environmental groups outlined the following benefits of allowing the OEB decision to eliminate the subsidy stand:

- **Lower energy bills for existing gas customers:** Eliminating the subsidy will lower energy bills for existing gas customers by avoiding over \$250 million each year in unnecessary gas pipeline costs covered by gas rates.⁹
- **Encourage the most cost-effective development decisions:** Developers do not have the right incentives now because they do not pay for gas infrastructure and do not pay the ongoing energy costs to run the expensive gas equipment they install.¹⁰ Eliminating the pipeline subsidy will encourage developers to install equipment that is best for the homebuyers.¹¹
- **Many benefits for new homebuyers:** Better incentives for developers will encourage them to install heat pumps and induction stoves, which have many benefits for new homebuyers, including the following:
 - **Lower energy bills:** Heat pumps and induction stoves are much cheaper to operate than gas.¹²

⁸ Forgoing gas totally eliminates the cost and time of bringing gas pipes to the development and to each home’s gas meter. It also eliminates the time and cost of bringing in gas fitters to install gas pipes inside each home after they have been framed in. There is also no incremental cost for developers to install heat pumps instead of gas furnaces. Developers generally do not pay for heating equipment costs. Instead, the homebuyers pay the cost directly through rental agreements. Again, homeowners end up with lower energy bills because heat pumps are roughly three times as efficient as gas furnaces and they do not need to pay fixed monthly charges for a gas connection, which are more than \$310 annually.

⁹ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 48 ([link](#)); The cost is over \$300 million annually including all cost categories, such as capitalized overhead - see Exhibit J13.7 ([link](#), PDF p. 305).

¹⁰ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 34 ([link](#)).

¹¹ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 41 ([link](#)) (“When a developer is faced with the full cost of including gas service in a development, that developer will be fully incented to choose the most cost effective, energy efficient choice in a manner that not only achieves efficiency in the cost of housing in a competitive market and lowers the operating cost of that housing, but also maximizes the contribution to achieving government decarbonization policy goals.”)

¹² The OEB’s decision and many studies confirm this. See Evidence of the Energy Futures Group in OEB File # EB-2022-0200, p. 23 ([link](#)); Dr. Heather McDiarmid, An Analysis of the Financial and Climate Benefits of Electrifying Ontario’s Gas-Heated Homes by Installing Air-Source Heat Pumps, August 2, 2022, p. 11 ([link](#)); Corporate Knights, GREEN house effect: Calculate the savings from electrifying your home, June 20, 2023 ([link](#)); Ontario Ministry of Energy, Discussion Paper, August 2023, pp. 10-11 ([link](#)); OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 41 ([link](#)).

- **Avoid future retrofit costs:** Installing electric equipment now will avoid retrofit costs that would otherwise be needed in the future for homes to get off fossil fuels for heating and cooking.¹³
- **Eliminate carbon monoxide poisoning:** Electric equipment fully eliminates the risk of carbon monoxide poisonings and fatalities from gas appliances.
- **Indoor air quality:** Gas equipment, especially stoves, emit toxic gases into homes, which can contribute to respiratory problems, especially in children, seniors, and asthma sufferers.¹⁴ One study found that 13% of childhood asthma in the United States is attributable to gas stove use.¹⁵ Electric equipment results in cleaner air and healthier families.
- **Safety and convenience:** Induction stoves heat water faster than gas, are easier to clean, and are much safer for children as the surface does not get hot.¹⁶ Heat pumps are stronger and more efficient than traditional air conditioners, providing better and cheaper cooling in the summer.¹⁷ These are just some of the additional benefits of electric equipment.
- **Lower carbon pollution:** Encouraging less gas helps to avoid the carbon pollution that is already causing more frequent wildfires, drought, and green Christmases.
- **Jobs and growth:** Electric heating is much better for our economy than gas heating. Spending on gas flows out of the province and is lost to our economy. Spending on electricity will fund the growth of made-in-Ontario electricity generation, distribution, and transmission, creating good jobs, economic growth, and government revenue.

The City has a strong interest in seeing this decision stand, both for the sake of lowering resident's energy bills and ensuring policies that are consistent with the City's climate targets. It is therefore important that the City write to the Minister of Energy in support of the OEB decision.

¹³ OEB Decision and Order in EB-2022-0200, December 21, 2023, p. 38 ([link](#)).

¹⁴ CBC, *After seeing how gas stoves pollute homes, these researchers are ditching theirs*, April 7, 2022 ([link](#)); CBC,

¹⁵ Taylor Gruenwald et al, Population Attributable Fraction of Gas Stoves and Childhood Asthma in the United States, *Int. J. Environ. Res. Public Health* 2023, 20(1), 75 ([link](#)).

¹⁶ CBC, *Professional chefs tout the culinary — and environmental — advantages of induction stoves*, April 7, 2022 ([link](#)).

¹⁷ Evidence of the Energy Futures Group in OEB File # EB-2022-0200, p. 22 and footnote 48 ([link](#)).