



*Reed Boothby is a student-at-law at Burnet, Duckworth & Palmer LLP. He can be contacted on +1 (403) 806 7847 or by email: rboothby@bdplaw.com.*

Published by Financier Worldwide Ltd  
©2024 Financier Worldwide Ltd. All rights reserved.  
Permission to use this reprint has been granted by the publisher.

■ SPECIAL REPORT ARTICLE REPRINT January 2024

# Sorry for interrupting: Alberta's suspension on renewables approvals

BY REED BOOTHBY

Canada's commitment to achieve net-zero emissions by 2050 is well known in Canadian energy circles. The common understanding is that the success of this endeavour, in large part, depends on the development of a robust renewable electricity industry across the country. As the Canadian economy rapidly decarbonises, myriad electric generation technologies are being adopted more broadly across industries. Canada is in the process of quickly increasing its renewable electricity generation capacity, all while phasing out carbon-intensive sources of generation.

Regulation of Canadian electrical generation is a shared responsibility between the federal government and the provincial and territorial governments. The Canadian government has claimed jurisdiction over emissions reduction regulations, while the provinces and territories have jurisdiction over the planning and operation of their electrical generation capacity and grid operation.

The province of Alberta, once dominated by coal-fired generation, has emerged as the growth-leader in Canada's renewable energy industry. The province was home to more than three-quarters of the total wind and solar generation developed in Canada in 2022, and in 2023, Alberta was on pace to have its most productive year for renewables growth to date, both in terms of capital investment and new generation capacity. Amid this banner year in the province, the government of Alberta announced an unprecedented suspension of approvals for all new renewable projects over 1 megawatt, beginning in August 2023 and extending until February 2024.

The Alberta electricity generation sector is undergoing a period of profound transformation. Coal-fired generation, responsible for 47 percent of Alberta's electricity as recently as 2018, will be successfully phased-out in the province by the end of 2023, six years ahead of schedule. The resulting lost generation capacity has been offset, in part, by natural

gas generation. Natural gas generation now comprises 60 percent of Alberta's electricity generation capacity, an increase of 11 percent from 2018. Yet the major story in the past five years in Alberta has not been an increase in natural gas generation, but rather the considerable growth of both wind and solar.

Five years ago, wind power accounted for 8 percent of the province's total generation capacity, and solar almost zero. The Alberta Electric System Operator, the body responsible for managing Alberta's electricity grid, predicts wind and solar will collectively make up over 30 percent of the province's generation capacity before 2026. Over \$4bn of new capital investment in wind and solar projects since 2019 has helped fuel this transition.

In this environment of rapid growth in its renewable energy sector, and the attendant problems accompanying such growth, the government of Alberta announced a six-month pause on the approval of new wind and solar electricity generation

projects, citing the need for time to develop policies around the development of agricultural land, effect on scenery, reclamation security and system reliability. Concurrent with ordering the suspension, the Alberta government also directed the Alberta Utilities Commission (AUC), the regulatory body which oversees Alberta's utilities, natural gas and electricity markets, to conduct an inquiry into the policies and procedures governing the development of renewable electricity generation in the province, particularly those policies and procedures relating to project siting, end-of-life obligations and system reliability.

Alberta does not have an energy rights disposition regime for the development of renewables on public lands. All wind and solar projects are sited on private lands. Nor does Alberta have mandatory reclamation security requirements for renewables projects. All reclamation matters are addressed through contracts between project proponents and private landowners.

The government has voiced concerns about valuable agricultural land being taken out of production, and private landowners being foisted with reclamation and remediation costs at the end of a project's useful life. To address this, the Alberta government is contemplating amending its policy to include a new land-rating system restricting where wind and solar projects can be built, as well as a mandatory reclamation security deposit programme to cover clean-up costs when projects reach end-of-life. Unfortunately, the Alberta government has offered little detail on the specific policy amendments it is considering with respect to system reliability, though it has expressed concern that the growing

proportion of renewables in the province's supply mix, if unsupported by an equivalent amount of natural gas baseload power, will compromise system reliability. The results of the AUC's inquiry, due before 29 March 2024, will provide further insight on this front.

The suspension of renewables has not been well-received by many industry stakeholders. Many project proponents have expressed displeasure over the lack of notification or consultation prior to the suspension, which has put investments at risk while proponents await the results of the AUC's inquiry and the subsequent policy decisions. Others have queried whether a suspension was necessary to address the government's stated concerns, as the majority of renewable electricity generation projects coming online will not be decommissioned for at least 25 years.

More pointedly, there has been speculation that the suspension was implemented because of the growing tension, even antagonism, between the Alberta and federal governments regarding climate change policy. In the same month that Alberta announced it was suspending approvals on renewables projects, the Canadian government released its draft Clean Electricity Regulations. The draft regulations require all provinces and territories in the country to achieve a net-zero electricity grid by 2035 and include, with limited exceptions, strict emissions caps for carbon-emitting generation units constructed after 2025. The Alberta government fears that, as a result of these emissions caps, there will be insufficient development of natural gas baseload power to support the high-paced growth of intermittent renewables, which will lead

to significantly higher energy costs and a decrease in grid reliability for Albertans. To that end, the Alberta government has gone so far as an outright refusal to comply with the federal government's draft regulations, instead setting its own target of 2050 to achieve a net-zero electricity grid.

While these concerns are legitimate, the government's decision to suspend the traditional regulatory process, its perceived failure to consult with industry stakeholders, and the overt policy tensions that exist between the provincial and the federal governments have all had a chilling effect on investor confidence. By the Alberta government's estimation, only 13 projects have been impacted by the suspension. However, one clean energy think-tank estimates the suspension has affected 118 projects worth \$33bn of investment.

As in Canada as a whole, policy uncertainty regarding energy project development and climate change remains the primary risk and challenge confronting Alberta's renewable energy industry. This uncertainty could dampen the robust pace of renewable energy investment in the province. To maintain investor confidence and remain on pace to achieve its net-zero objectives, Alberta must establish clear policies on renewable electricity generation projects. Alberta is otherwise a favourable jurisdiction for renewables development, thanks to its unique deregulated electricity market and wealth of wind and solar resources, but regulatory clarity and consistency are necessary to attract capital investment to the province and ensure that Alberta remains on pace to meet its 2050 net-zero electricity grid target. ■

*This article first appeared in the January 2024 issue of Financier Worldwide magazine. Permission to use this reprint has been granted by the publisher. © 2024 Financier Worldwide Limited.*

**FINANCIER**  
WORLDWIDE corporatefinanceintelligence