



CITY OF HAMILTON

PUBLIC WORKS DEPARTMENT
Energy, Fleet and Facilities Management Division

and

CORPORATE SERVICES DEPARTMENT
Financial Planning, Administration and Policy Division

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| TO: | Mayor and Members General Issues Committee |
| COMMITTEE DATE: | October 18, 2017 |
| SUBJECT/REPORT NO: | Municipal GHG Challenge Fund (PW17079 / FCS17082) (City Wide) |
| WARD(S) AFFECTED: | City Wide |
| PREPARED BY: | Tom Chessman (905) 546-2424 Ext. 2494 John Savoia (905) 546-2424 Ext. 7298 |
| SUBMITTED BY: SIGNATURE: | Rom D'Angelo, C.E.T.; CFM Director Energy, Fleet and Facilities Management Division |
| SUBMITTED BY: SIGNATURE: | Brian McMullen Director Financial Planning, Administration and Policy Division |

RECOMMENDATIONS

- (a) That the Projects for the requested funding amount of \$8,750,210, as listed in Appendix "A" of Report PW17079 / FCS17082, be approved for consideration under the Municipal Greenhouse Gas (GHG) Challenge Fund;
- (b) That the Projects for the requested funding amount of \$455,034, as listed in Appendix "B" of Report PW17079 / FCS17082, be approved for consideration under the Municipal GHG Challenge Fund with project implementation contingent on receiving requested funding from the Municipal GHG Challenge Fund with the City's funding share to be financed by the Energy Conservation Initiative Reserve (112272);

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

- (c) That the Projects for the requested funding amount of \$7,220,113, as listed in Appendix “C” of Report PW17079 / FCS17082, be approved for consideration under the Municipal GHG Challenge Fund with project implementation contingent on receiving full funding from the Municipal GHG Challenge Fund;
- (d) That the Mayor and Clerk be authorized to execute all necessary documentation, including Grant Contracts and Funding Agreements for funding under the Municipal GHG Challenge Fund, in a form satisfactory to the City Solicitor;
- (e) That copies of Report PW17079 / FCS17082 be forwarded to local Members of Provincial Parliament.

EXECUTIVE SUMMARY

On August 14, 2017, the Ontario Government launched a new Municipal Greenhouse Gas Challenge Fund (GHG Fund) that will support projects such as renewable energy and energy efficiency retrofits to municipal facilities like arenas and making energy-efficiency upgrades to drinking water or wastewater treatment plants, to achieve long-term and cost-effective pollution reductions.

The GHG Fund is investing up to \$100 M in 2017-2018 of proceeds from Ontario’s carbon market that aims to support community-led action on climate change. At least 30% of funded projects will be located in Small / Rural / Northern Municipalities (population less than 100,000 or areas north of and including the districts of Parry Sound and Nipissing). Municipalities are invited to submit applications for the fund by November 14, 2017. Successful applicants will be informed in writing by February 2018.

It should be noted that the GHG Fund is a competitive application-based program that will fund up to 100% of the eligible costs for greenhouse gas emissions reduction projects proposed by municipalities. Municipalities may request up to \$10 M per project. However, a higher score will be given to applicants that leverage funds for up to 50% of eligible costs (e.g. through federal / municipal governments, private sector, industry partners, etc.).

The Ontario Ministry of the Environment and Climate Change will review all applications for the GHG Fund based on the assessment criteria as outlined in the Analysis and Rationale for Recommendation section of this Report.

A number of projects were evaluated based upon staff’s interpretation of the criteria, as specified within the application process and the GHG Fund’s program guidelines. The proposed projects have been organized into three categories as reflected in Appendices “A” through “C” of Report PW17079 / FCS17082. Appendix “A” reflects the list of 15 projects requesting GHG funding of \$8,750,210 that have secured pre-2018 Capital Funding or are identified in 2018 Capital Budgets (Tax or Rate) and as such, any realized GHG Fund grants received will provide future capital funding capacity. Appendix “B” reflects the list of six projects that, if successful to receive requested GHG Funding of \$455,034, the City’s share will be funded by the Energy Conservation

Initiative Reserve (112272) which has a sufficient uncommitted balance. Appendix “C” reflects the list of 18 projects that will not proceed in the absence of the requested GHG Funding of \$7,220,113.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Appendix “A” reflects the list of 15 projects requesting GHG funding of \$8,750,210 that have secured pre-2018 Capital Funding or are identified in 2018 Capital Budgets (Tax or Rate) and as such, any realized GHG Fund grants received will provide future capital funding capacity. Appendix “B” reflects the list of six projects requesting GHG funding of \$455,034 that if successful to receive requested GHG Funding, the City’s share will be funded by the Energy Conservation Initiative Reserve (112272) which has a sufficient uncommitted balance. Appendix “C” reflects the list of 18 projects requesting GHG funding of \$7,220,113 that will not proceed in the absence of the requested GHG Funding.

Staffing: N/A

Legal: The City will have to enter into some form of a funding agreement with the Ministry of the Environment and Climate Change should the City be successful with its applications to the GHG Fund that will encompass the terms and conditions of the GHG Fund. The Program Guidelines indicate funding agreements will need to be completed before the end of the 2017-2018 fiscal year (March 31, 2018).

HISTORICAL BACKGROUND

The Government of Ontario has announced the Ontario Municipal GHG Challenge Fund (GHG Fund) which will be funded by proceeds from Ontario’s cap and trade program. This initiative is part of Ontario’s Climate Change Action Plan to fight climate change, reduce greenhouse gas emissions and transition to a low-carbon economy. The Action Plan in conjunction with the cap and trade program form the backbone of Ontario’s strategy to cut greenhouse gas emissions to 15 per cent below 1990 levels by 2020, 37 per cent by 2030 and 80 per cent by 2050.

The Province will be allocating \$100 M from proceeds of its carbon market initiative to the fund in 2017-2018 with at least 30% of funded projects to be located in Small / Rural / Northern Municipalities (population less than 100,000 or areas north of and including the districts of Parry Sound and Nipissing). Municipalities are invited to submit applications for the GHG Fund by November 14, 2017. Successful applicants will be informed in writing by February 2018.

GHG Fund eligible projects include municipal projects that reduce GHG emissions in any sector including buildings, energy supply, transportation, water, waste and organics sectors. Projects that are currently underway are only eligible if they were initiated after June 1, 2016 and for these projects, municipalities are limited to requesting funding for up to 25% of eligible costs.

Ineligible projects under the GHG Fund are projects that are not reasonably likely to directly reduce GHG emissions such as:

- Plans, studies and research initiatives
- Education and awareness initiatives
- Granting programs
- Projects exclusively focused on adaptation

GHG Fund eligible costs are those directly related to the reduction of GHG emissions associated with the project. For example, a community centre retrofit project is eligible only for construction costs that are directly related to the measure(s) that reduces energy and GHG emissions, such as renewable energy technology, adaptive thermostats and lighting retrofits.

Municipalities may request up to \$10 M per project. The Province will contribute up to 100% of eligible costs. However, a higher score will be given to applicants that leverage funds for up to 50% of eligible costs (e.g., through federal / municipal governments, private sector, industry partners etc.). Municipalities are not required to provide a priority ranking on their project submissions.

The Ontario Ministry of the Environment and Climate Change will review all applications for the GHG Fund based on the assessment criteria as outlined in the Analysis and Rationale for Recommendation section of this Report.

A number of projects have been evaluated based upon staff's interpretation of the criteria, as specified within the application process and the GHG Fund's program guidelines. This Report, "Municipal GHG Challenge Fund" (PW17079 / FCS17082), seeks Council's endorsement of the projects to be submitted for GHG Fund consideration.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

N/A

RELEVANT CONSULTATION

CityHousing Hamilton – has submitted a project with their board's support for consideration under the GHG Fund.

Hamilton Police Services - has submitted a project with their board's support for consideration under the GHG Fund.

All City departments were solicited for potential project proposals for submission consideration under the GHG Fund.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

As the City is responsible for all Hamilton Police Services (HPS) facilities, among the projects put forward for GHG Fund consideration is a project for the district energy connection to the HPS Forensic facility currently under construction. Similarly, a project has been included for the rehabilitation of the Ken Soble apartment building operated by CityHousing Hamilton (CHH).

The proposed projects have been organized into three categories as reflected in Appendices “A” through “C” of Report PW17079 / FCS17082. Appendix “A” reflects the list of projects that have secured pre-2018 Capital Funding or are identified in 2018 Capital Budgets (Tax or Rate) and as such, any realized GHG Fund grants received will provide future capital funding capacity. Appendix “B” reflects projects that, if successful to receive requested GHG Funding, the City’s share will be funded by the Energy Conservation Initiative Reserve (112272) which has a sufficient uncommitted balance. Appendix “C” reflects projects that will not proceed in the absence of the requested GHG Funding.

The Ontario Ministry of the Environment and Climate Change will review all applications for the GHG Fund based on the evaluation criteria as outlined below:

Project Focus (10%): Higher scores will be given to projects that aim to replace fossil fuels with clean, renewable energy and achieve net zero (or better) emissions buildings, transportation systems, and/or infrastructure.

GHG Emissions Reduction Assessment (40%): Higher scores will be given to projects that result in significant and cost-effective GHG reductions. Greater weight will be given to projects that yield earlier GHG reductions.

Project Co-benefits (10%): Higher scores will be given to projects that result in positive co-benefits, including:

- Economic Benefits
- Social Benefits
- Environmental Benefits
- Behavioural Change Benefits
- Innovation, Science and Technology Benefits
- Benefits to low-income and vulnerable communities

Alignment with Municipal GHG Emissions Planning (10%): Higher scores will be given to projects that align with a municipality’s GHG emissions planning and to municipalities that have a comprehensive GHG reduction plan that meets or exceeds the Province’s 2020, 2030 and 2050 targets.

Work Plan and Budget (30%): Higher scores will be given to projects that have a detailed, feasible work plan to achieve the project outcomes. Municipalities may request up to \$10 M per project. The Province will contribute up to 100% of eligible costs. However, a higher score will be given to applicants that leverage funds for up to 50% of eligible costs (e.g., through federal / municipal governments, private sector, industry partners etc.).

The possible GHG reduction of a project will be a major factor as to which projects are successful in the competitive application-based GHG Fund program. Applicants will be required to provide an estimate of the GHG reduction potential for their project as part of the application process. GHG Fund Program Guidelines provides assistance to applicants with estimating GHG impacts. It is noted that GHG quantification occurs at the project level and relies on initiative-specific information including: defining baselines, boundaries, emissions, emission factors, initiative characteristics, initiative lifespan,

monitoring plan, assumptions, uncertainties and ensuring that data exists to support the quantification and monitoring approach. Staff from the Office of Energy Initiatives has assessed the GHG reduction potential of proposed projects based upon the GHG Fund program guidelines.

Staff has compiled a list of proposed projects for Council's consideration that have been evaluated based upon staff's interpretation of the aforementioned evaluation criteria, as specified within the application process and the program guidelines.

The proposed projects have been organized into three categories as reflected in Appendices "A" through "C" of Report PW17079 / FCS17082. Appendix "A" reflects the list of 15 projects requesting GHG funding of \$8,750,210 that have secured pre-2018 Capital Funding or are identified in 2018 Capital Budgets (Tax or Rate) and as such, any realized GHG Fund grants received will provide future capital funding capacity. Appendix "B" reflects the list of six projects that if successful to receive requested GHG Funding of \$455,034, the City's share will be funded by the Energy Conservation Initiative Reserve (112272) which has a sufficient uncommitted balance. Appendix "C" reflects the list of 18 projects that will not proceed in the absence of the requested GHG Funding of \$7,220,113.

ALTERNATIVES FOR CONSIDERATION

Not Applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Economic Prosperity and Growth

Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.

Healthy and Safe Communities

Hamilton is a safe and supportive city where people are active, healthy and have a high quality of life.

Clean and Green

Hamilton is environmentally sustainable with a healthy balance of natural and urban spaces.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic city.

APPENDICES AND SCHEDULES ATTACHED

Appendix “A” – Municipal GHG Challenge Fund Project Submissions Identified with Capital Funding

Appendix “B” – Municipal GHG Challenge Fund Project Submissions Identified with Energy Reserve Funding

Appendix “C” – Municipal GHG Challenge Fund Project Submissions without full City Funding