

# Energy, economic and environmental discourses and their policy impact: The case of Ontario's Green Energy and Green Economy Act



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## HIGHLIGHTS

- The discourse surrounding renewable energy initiatives is embedded within wider ideological debates.
- The information that underpins the debates in Ontario is the result of economic modelling, not empirical data.
- All of the existing modelling efforts suffer from significant shortcomings.
- FITS are seen as politically feasible mechanisms for correcting biases in favour of conventional technologies.
- The province's long-term commitment of renewable energy development is now uncertain.

## ARTICLE INFO

### Article history:

Received 11 November 2013

Received in revised form

21 January 2014

Accepted 24 January 2014

Available online 15 February 2014

### Keywords:

Ontario

Renewable energy

Economics

Policy

Discourse

Sustainability

## ABSTRACT

This paper examines the debates around the Ontario's Green Energy and Green Economy Act (GEGEA) as an energy and economic development strategy through comparative public policy and discourse analysis approaches. The evidence regarding the economic impacts of the GEGEA is found to be almost entirely based on the results of economic modeling exercises. Critics and supporters of the legislation have arrived at very different conclusions through such exercises. These outcomes are similar to those seen in other jurisdictions pursuing renewable energy initiatives, such as Feed In Tariffs (FITs), renewables obligations and portfolio standards. A discourse analysis approach is employed to examine the reasons for the different conclusions being reached over the impacts of renewable energy initiatives. Differences in modeling approaches and assumptions are found to reflect differences in ideational perspectives on the part of the modelers with respect to the appropriate roles of markets and the state and the relationship between economic development and environmental sustainability in public policy. The paper concludes with suggestions regarding the gathering and availability of information regarding economic development in the renewable energy sector, and a discussion of potential ways to strengthen future efforts to understand the economic and environmental impact of renewable energy initiatives.

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## 1. Introduction

Ontario's 2009 Green Energy and Green Economy Act (GEGEA) emerged as a focal point of debates about the economic and environmental merits of public policy initiatives intended to promote the large-scale deployment of low-impact renewable energy technologies such as wind, solar photovoltaic (PV), small scale hydro-electricity and biogas-based generation. Supporters of the Feed-In-Tariff (FIT) program that lay at the core of the legislation argued that it offered the potential to “combine the

benefits of price certainty, grid connection and regulatory simplicity to create the conditions for successful industrial development while limiting costs to ratepayers and reducing and replacing dangerous sources of electricity with clean technology” (Green Energy Act Alliance, Shine Ontario and the Pembina Institute, 2011). On the other hand, critics have argued that the program “will not create jobs or improve economic growth in the province of Ontario. Its overall effect will be to increase unit production costs, diminish competitiveness, cut the rate of return to capital in key sectors, reduce employment and make households worse off” (McKittrick, 2013, iv).

Criticism of the economic impact of the legislation has had a major impact on renewable energy policy in Ontario. The provincial government effectively terminated the GEGEA FIT

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program for projects over 500 kW in May 2013, explaining its decision in terms of cost concerns (Ontario Ministry of Energy, 2013a). Similar debates are unfolding in other jurisdictions pursuing renewable energy initiatives, including those, such as Denmark and Germany (Hamilton, 2008; The Economist, 2014) which inspired the Ontario legislation.

In practice, the empirical data on the economic impact of the Ontario legislation is extremely limited. Rather the evidentiary base for the debates over the economic impacts of the GEGEA flowed almost entirely from the results of economic modeling exercises. Critics and supporters of the legislation arrived at very different conclusions through such exercises. These outcomes are similar to those seen in other jurisdictions pursuing renewable energy initiatives, such as FITs, renewables obligations and portfolio standards. The following paper employs comparative public policy and discourse analysis approaches to examine the reasons for the different conclusions being reached over the impacts of renewable energy initiatives, and to suggest potential improvements in efforts to understand the economic impact of such initiatives in the future.

## 2. Methods and background materials

### 2.1. Analytical approach

The dominant approaches to the study of public policy in Canada and elsewhere in the OECD have tended to emphasize the roles of government agencies and structures, and non-state actors and forces in understanding public policy debates and the resulting policy decisions (Doern, 1996; Howlett et al., 2010). In environmental, natural resources and energy policy cases, the importance of the physical nature of environmental and energy problems, and the economic context within which policy decisions are made have also been highlighted (Doern and Toner, 1985; Hessing et al., 2005, Chapter 2; Winfield, 2012, 3–6). While the roles of underlying ideas, norms and assumptions in policy formulation are generally acknowledged in discussions of approaches to the study of public policy (Atkinson, 1993, p. 1–3; Macdonald, 2007), the manner in which they shape and bound policy discourses has generally received much less attention in the public policy literature than the themes of state and non-state interests and actors and their interactions through policy networks and communities and institutions (Finlayson, 2004). Rather, ideas, norms and assumptions have tended to be dealt with through the proxies of the state and non-state actors whose actions they inform, rather than being treated as variables in their own right.

Discourse analysis approaches place a renewed emphasis on the importance of understanding the assumptions, judgements and contentions that provide the basis for analysis, agreements and disagreements among the actors involved in policy debates (Dryzek, 2013, 9–10). Such an approach is particularly useful in understanding the debates over renewable energy initiatives, where economic modeling exercises have provided much of the evidentiary base. The economic models being employed for these purposes are theoretical constructions, intended to help understand the potential impact of different types of policy interventions on the economy, environment and society. As such they incorporate explicit and implicit assumptions on the part of modelers about appropriate modeling approaches, and the importance to be attached to different factors and values (Oreskes, 2003). These differences in approaches and assumptions can lead to different conclusions, even within common modeling frameworks.

The assumptions incorporated into both the design of models and the inputs used for specific modeling exercises are likely to reflect the views of the researchers involved, particularly in areas

of uncertainty (Funtowicz and Ravetz, 1994, 203). Around issues related to the economic impact of major public policy interventions, like renewable energy initiatives, perspectives on the appropriate roles of markets and the state and the relationship between economic development and environmental sustainability in public policy are likely to be of central importance.

Within the debates over the economic impacts of renewable energy initiatives a number of distinct perspectives on these matters can be identified. Several fall into categories identified by Dryzek (2013) in his work on environmental discourses. These include “market fundamentalists”, (122) “economic rationalists”, (122–144) and “ecological modernists” (165–183).

“Market fundamentalists”, particularly as represented by various non-governmental think tanks, have been among the most prominent public critics of renewable energy initiatives. These actors tend to be ideologically opposed to any form of governmental intervention in the market, and have found renewable energy initiatives particularly objectionable given their scale and profile. “Economic rationalists” are generally committed to the intelligent use of market mechanisms to achieve public ends, and are often neo-classically grounded academic economists. Economic rationalists have also been important critics of renewable energy initiatives, arguing that they are an inefficient means of achieving environmental and economic policy goals, but they are not necessarily ideologically opposed to interventions into markets for these purposes.

“Ecological modernists” on the other hand, generally favor a restructuring of capitalist political economy in a more environmentally sustainable direction, and an active role for the state in these processes. They have tended to support renewable energy initiatives as expressions of movement in precisely such directions. Although the concept of ecological modernization is less well developed in North America than in Western Europe, it does partially overlap with the “progressive political economy” stream of Canadian academic and labor economists. Individuals and organizations within this camp tend to argue for public policies that enhance the development of high-value, innovative industrial sectors in Canada (Stanford, 2012), although a wider resurgence of interest in industrial policy in Canada and elsewhere in the OECD has also been noted recently (Ciuriak and Curtis, 2013). The development of “green” skills and jobs has emerged as a significant sub-discourse within the “progressive” literature in this area (Lee and Card, 2012).

The range of perspectives present in the economic debates over renewable energy initiatives can be viewed as a spectrum as shown in Fig. 1 below, with “market fundamentalists” being the least tolerant of policy interventions into markets for any purpose, through to “progressive political economists,” who may regard such interventions as essential not only to correct market failures but also to advance environmental sustainability and social justice. “Economic rationalists” tend to favor market-based approaches but are prepared to recognize the need for policy interventions to correct clearly evident market failures. “Ecological modernists” may regard markets as potentially useful tools in advancing environmental sustainability, but are less likely to pursue the establishment of market-based approaches as ends in themselves. They may also support major policy interventions in the context of

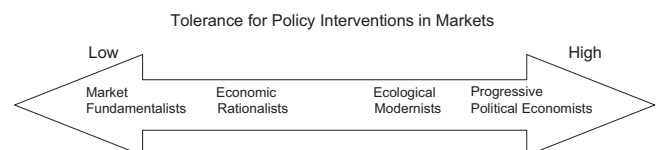


Fig. 1. Range of tolerance for market interventions among participants in renewable energy economic debates.

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