

Energy—Alberta's Bioenergy Grant Programs Follow-up

SUMMARY

In 2008 we audited the bioenergy grant programs the Department of Energy administered. We made a recommendation to improve the application and reporting processes related to evaluating environmental impacts.¹

Our 2013 follow-up audit concluded that the department still did not require grant applicants to demonstrate their product's positive environmental impact relative to comparable non-renewable energy products. We did not repeat the original recommendation because the grant programs that were part of the 2008 audit² were no longer accepting applications. We also identified areas in which the department could improve the ongoing credit program and the reports it requires for all three programs as they relate to emission reductions. We made two recommendations to the department in our July 2013 report.³

Why this is important to Albertans

Bioenergy is one of the elements within the climate change strategy that will assist in reducing emissions. If the bioenergy projects the government funds do not reduce emissions as expected, the government will have to reduce emissions in other areas to achieve its targets.

AUDIT OBJECTIVES AND SCOPE

Our audit objective was to determine if the department had implemented the two outstanding recommendations from our July 2013 report.

We conducted our field work from January to April 2014 and substantially completed our audit on May 14, 2014. Our audit was conducted in accordance with the *Auditor General Act* and the standards for assurance engagements set by the Chartered Professional Accountants of Canada.

BACKGROUND

In 2006 the Government of Alberta committed to its Nine Point Bioenergy Plan.⁴ The plan included grant programs⁵ to encourage investment in bioenergy production in Alberta and to develop Alberta's biofuel capacity and infrastructure for biofuel products distribution. Alberta's Bioenergy Policy Framework requires grant recipients to assess the environmental impact of bioenergy programs. Bioenergy is one of the elements that the government expects will reduce emissions in Alberta and help the province meet the targets it set in the climate change strategy.

¹ *Report of the Auditor General of Alberta—October 2008*, no. 25, page 255.

² Biorefining and Market Development Program and Bioenergy Infrastructure Development Program

³ *Report of the Auditor General of Alberta—July 2013*, no. 14, page 111 and no. 15, page 112.

⁴ Alberta's Nine Point Bioenergy Plan <http://www.energy.gov.ab.ca/pdfs/BioE9pointPlan.pdf>, 2006.

⁵ Biorefining and Market Development Program, Bioenergy Infrastructure Development Program and Bioenergy Producer Credit Program

FINDINGS

Clarify reporting guidelines for grant recipient reporting – implemented

The department's guidelines require grant recipients to annually demonstrate that the bioenergy products they produced had lower emissions than those from comparable non-renewable energy products. The guidelines require that grant recipients calculate emissions on a lifecycle basis.

Establish adherence to nine point bioenergy plan for the Bioenergy Producer Credit Program – implemented

In 2013 the department implemented processes to ensure that grant recipients comply with its requirement to annually demonstrate that their products resulted in lower lifecycle emissions than those from comparable non-renewable energy products. Our testing found these processes to be effective.

The department has not accepted new applications for credit program grants since 2011. Existing grant recipients annually apply for grants based on their production.