

OPINION: ENERGY & ELECTION CAMPAIGN 2011

Canada's clean energy advantage: path to prosperity?

The election is the right time to argue why expansion of inter-regional trade in electricity makes eminent sense.



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WATERLOO, ONT.—A powerful argument exists for Canada to play a pivotal role in reducing the carbon burden of the North American economy through enhanced electricity trade. And yet, before you can count to three, paralysis settles in.

Witness the Prime Minister's promise to provide loan guarantees for financing the Lower Churchill hydro project in Newfoundland and Labrador. It incurred the usual wrath at the hands of Bloc Québécois Leader Gilles Duceppe who dismissed it as an egregious transfer of funds with a rejoinder: Why not Quebec? Subsequently, Quebec Premier Jean Charest and the entire Quebec National Assembly re-affirmed the grievance by adding yet another argument that lowering of financing costs to the project would distort electricity

markets. If only we could douse this with a bucket of cold reason and a grain of enlightened self-interest, there may be the basis for a productive dialogue.

The Quebec response, borne out of anger and deep historical animosity is unfortunate but predictable.

Elsewhere, the reaction to the loan guarantee was dismissed as crass electoral politics. Cynicism can be a poor companion to historical grievance, but we shouldn't let this pass. The election is the right time to argue why expansion of inter-regional trade in electricity makes eminent sense.

Development of an East West grid that becomes the backbone of enhanced trade in clean energy is central if we take a pan-Canadian view of the issue.

There exists an enormous potential for Quebec and other provinces to benefit from further development of the power grid as part of a continent-wide challenge to address the challenge of reducing greenhouse gas emissions. We need to ask how and under what conditions could Canada's clean

energy resources contribute to reducing the carbon footprint of the North American electricity sector?

And if this is a desirable goal, how would a coherent national strategy help us in making the right decisions about investments for specific projects that respond to regional needs subject to technical and economic feasibility?

Unbeknownst to our political class, the promising path for electricity trade for Quebec in the future may well be through Ontario and not its traditional markets in the New England states. This is so because the markets that are hungry for electricity and disadvantaged by heavy reliance on coal generation lie to the south and west of Ontario.

For Quebec to benefit from the capability of its system to exploit low off peak prices at nights and high prices during the day and exploit such price differentials on a seasonal basis will require an attitude infused with practicality.

Promoting a national vision of an East-West grid—akin to the railway that has such a deep and

positive resonance in Canadian politics—has not been part of the national dialogue. Significant expansion of inter-regional electricity trade by strengthening inter-provincial ties offers one of the best opportunities for Canada's clean electricity to displace generation in those states in the U.S. heavily dependent on fossil fuels.

Ontario's geographic proximity to a large U.S. market with strong existing interconnections to Quebec is the first clue as to how the future flows of electricity trade may evolve. Comparing the supply mix for electricity generation in Quebec, Ontario, and Canada against the U.S., there is a clear Canadian advantage—a low carbon handicap. Reducing barriers to both inter-provincial and regional trade is a winning proposition for all parties.

Whether through a tax mechanism or a cap and trade regime or some other approach—the cost of carbon emissions will result in higher cost electricity for states heavily reliant on fossil fuels.

For Quebec, the future opportunity in wheeling power through

Ontario to exploit price differentials not only makes economic sense but there are collateral benefits through improved reliability and security of the interconnected power grid.

Given that the cost of big transmission projects tend to be in billions rather than millions, with long lead times and uncertainty over approvals, there is a strong case to be made for the federal government to provide financing guarantees and policy certainty for investments in critical infrastructure that enhances the national advantage. The future will be different from the past and even a grudging recognition in Quebec to help exploit the Canadian advantage will be instrumental in shaping the future of an East-West grid. If reason were to prevail, the benefits to be derived from clean energy trade over the long term would readily trump the short sighted calculus of electoral gains and losses.

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