

Cross-Border Electricity Trade and Cooperation Enabling Clean Growth, Together

Remarks by

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Good afternoon, and thank you for that warm welcome.

I know that Ambassador David MacNaughton wanted to be here today, but he got called away and unfortunately will not be able to join us. However, I do want to thank him very much for his continued support of Canadian electricity. I'd also like to extend my thanks to Minister Riordon and her Embassy colleagues for hosting us here today.

I have been asked to provide an update on policy, regulatory, and market trends that are driving increased North American electricity integration and collaboration.

In this regard, and in setting the stage for the two upcoming panels of experts, let me briefly touch on what I believe are 5 critical points.

First, electricity will play a central role in our clean energy future.

It is abundantly clear that clean energy *is* the way of the future. As such, this overarching force will define our industry, our economy, and our very way of life. And electricity will be at the center of it all.

Indeed, electricity has been called the “great enabler” of modern society.

From the alarm that woke you up this morning, to the traffic lights that guided your commute to work, electricity is central to our lives.

In fact, I'd be hard pressed to think of any other public asset that provides more good, to more people, in a more understated way, every single day of the week.

Electricity has simply become indispensable to the quality of our lives, and to the competitiveness of our North American economy. Both our social and economic prosperity depend on it.

Simply put, electricity is a **strategic asset**. But like any asset, it needs to be carefully nurtured.

Especially in light of the major infrastructure rebuild currently underway; an investment of some 350 billion dollars over the coming 20 years, since our system, like that of the US and the EU, is approaching its end of life cycle.

Now, as the Head of the Canadian Electricity Association, you might think I'm a little biased. As the old saying goes, “he who works with a hammer, sees every problem or opportunity as a nail”.

But if you consider some of the major goals that the federal and provincial governments are pursuing, whether it's:

- Increasing innovation;
- Developing green sources of energy;

- Reducing GHG emissions;
- Sustainably developing our natural resources; or
- Building a more prosperous life for all North Americans, including for our Indigenous Peoples.

All of these are major files and heavy political lifts, and electricity is central to each and every one of these objectives.

Second, we're in this together... and that's a good thing!

Our Prime Minister is promoting the concept of a formal North American Agreement on Energy and the Environment. CEA supports this.

Moreover, our Minister of Natural Resources, the Honourable Jim Carr, has been a steadfast champion for greater North American energy collaboration.

In this context, on June 29th, the PM, American President Obama, and Mexican President Pena Nieto met in Ottawa to commit to their ongoing partnership (or “bromance”) and with it, a deepening of our region’s solidarity and stability.

It was a good day for multilateral progress at a time when the world seems to be trending in the opposite direction.

It was also a good day for the environment.

The Leaders noted that the Paris Agreement was a turning point for our planet. And that our highly integrated economies and energy systems provide us with the opportunity of seizing the moment as we transition to a low carbon trajectory.

Canadian clean electricity is the catalyst to this vision.

The North American Climate, Clean Energy, and Environment Partnership commits to increasing clean power generation from 37% to 50% by 2025.

Canada’s generating mix already stands at some 83% GHG free, which far exceeds the figures of 32% for the United States, and 25% for Mexico. Indeed, our sector is one of the cleanest in the world.

Canada’s electricity sector has achieved significant emissions reductions since 2005 of about 30%, and it will likely achieve an additional 30% by 2030, as a result of the phasing out of much of Canada’s fleet of coal-fired generators, something Ontario has already accomplished.

At the risk of contradicting our DNA as Canadians, where we don’t engage in self-promotion, our electricity sector is Canada’s good news climate story, and we aim to extend that to a North American basis.

Thirdly, the North American partnership represents a significant opportunity for Canadian electricity companies.

We all know that Canada is a country blessed with abundant natural resources. As already noted, Canada's electricity generation is currently 83% GHG non-emitting.

Hydro power was responsible for 63% of Canada's electricity supply in 2015, with another 17% attributed to nuclear and about 2% to wind generation.

While wind power remains a relatively small contributor to Canada's overall supply mix, its importance continues to grow. The installed capacity is now well over 11,000 megawatts and in 2015, Canada ranked 6th in the world for the amount of wind capacity added in 2015.

Not bad for a country of 35 million people.

And we are keen to share this resource wealth with our friends to the South.

Within the existing generation fleet, there is spare capacity in some regions, due to energy efficiency efforts and slow-downs in the industrial sector. There are also significant hydro and wind resources that could be developed.

Viable hydropower, reservoir, and wind farm sites exist from coast to coast. How much exactly is difficult to pinpoint – but it is safe to say that it is in the tens of thousands of megawatts.

In June, Natural Resources Canada launched a website that maps Canada's existing and potential clean energy resource. The map shows hundreds of potential dam sites and dozens of potential hydro reservoir sites. It also shows a strong wind resource across Canada.

And so Canada is working to enable North America's clean energy aspirations by exporting more clean power, providing hydro and wind project capital and expertise, and developing new clean electricity resources north of the border.

In 2015, Canada exported over 68,500 gigawatt hours to the United States via 35 transmission lines. Net exports were valued at \$3.1 billion by the National Energy Board.

And the best is yet to come, thanks to these newest North American commitments and the US Clean Power Plan.

To facilitate this cross-border win-win, CEA and a consortium of nine other entities sponsored a Brattle Group report. The report provides technical guidance to U.S. state policymakers on how to enable clean energy imports from Canada, for compliance with the CPP.

The paper was published the day before the North American Leaders Summit in Ottawa, and has been very well received on both sides of the border. The Brattle Group will participate on the second panel later this afternoon, and a few copies of the report may be found at each table. It is also available on the Brattle website as well as our own.

Fourth, North American collaboration also represents an opportunity for the U.S.

After all, U.S. States require reliable supplies of GHG emissions-free power to meet the Clean Power Plan, State clean energy portfolio standards, and/or emissions targets.

Canadian electricity therefore presents a low-cost, reliable way to diversify a State's portfolio.

The New England Clean Energy RFP, for example, is ongoing and seeks to bring more renewable energy from Canada.

As well, Canadian power exports can be ramped up and down fairly easily, thus pairing very well with American wind and solar resource development.

It is truly a crossborder win-win deal.

Finally, we will need to work through the challenges to operationalizing the Agreement.

Issues will always crop up – matters that could stand in the way of realizing North America's clean energy potential.

It is thus incumbent on industry, civil society, and government to work together to find enabling solutions.

Our electricity companies know they must develop projects with a strong focus on serving their customers, protecting the environment, addressing Indigenous concerns, and securing social acceptance.

In the cross-border context, one of the biggest hurdles will be in maximizing the value of the existing transmission capacity and building the new capacity necessary to accommodate the growing power flows.

In this regard, there are currently a half-dozen transmission projects under development across the Canada-US border, which would significantly expand capacity.

And collaborating on these projects was a commitment made by the three North American Leaders in their Summit partnership statement.

Indeed, if all 6 transmission projects move forward, the incremental capacity would be large enough to increase Canadian energy imports by almost of 50%, representing enough generation to offset 28 million tons of CO2 emissions annually.

Those are significant numbers.

But permitting delays and inconsistencies are impediments.

As the partnership agreement is implemented, we need to work in collaboration with the U.S. to address trade barriers, streamline permitting processes, and share information that ensures sound, evidence-based decisions.

I also believe that greater efforts need to be made to integrate Mexico into our overall work, as it ushers in far-reaching reforms of its energy market.

I know, for example, that the North American Reliability Corporation, which is an excellent and practical example of cross border collaboration and standards setting, already has this on its radar.

In closing, in the face of global headwinds against political, economic, and environmental collaboration, our “Three Amigos” moved boldly on the right issues at the right time.

They sought to deepen our bonds, between our three countries and our three peoples.

And in doing so, I believe they took another step towards transitioning our continent from a North American Free Trade “*Area*” to a North American “*Community*” --- a community underpinned by increasingly shared ambitions and values.

The US election has become part of all our cocktail chats, but I for one hope that the next Administration takes up where the current Administration leaves off, when it comes to nurturing our North American relationships.

Because it matters.

We know that tomorrow’s economy will be built on a foundation of clean, sustainable growth. A growth that stands to drive new technologies, increase productivity, and lay the foundation for economic prosperity for generations to come.

And in the process, it will strengthen North American ties and resolve.

Yes, it is time to build something important. Something enduring.

And if we do it right – and if we do it together – we will build a brighter, greener and better tomorrow for all of our peoples.

Thank you very much for your time and your attention.