



Canadian
Electricity
Association

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**Challenges & Opportunities:
The Transition to Cleaner Growth**

**Keynote Speech by
The Honourable Sergio Marchi
President and CEO of the Canadian Electricity Association**

**CanWEA Annual Conference & Exhibit
Changing Climate. Powering New Strategies
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Introduction

Thank you, Robert, for your warm welcome, and your kind invite to be with you today.

Et bon après-midi, mesdames et messieurs.

I am also pleased to be with you as are some of our CEA members in the audience and on various panels, including AltaLink, ATCO Power, Capital Power, SaskPower, TransAlta and TransCanada Energy. Please forgive me if I've missed out on others.

THEME: Changing Climate, Powering New Strategies

As all of you well know, the power sector and the energy landscape at large, are in transition. And our members are at the forefront.

They are working hard to navigate new political realities and policy directions, adapt to changing market structures, and integrate new technologies.

In short, they are helping to lead the transition to cleaner renewable sources, like wind, and paving the way to a more sustainable energy future.

Doing all this, I might add, while generating and delivering some of the safest, most reliable, most affordable power in the world.

When we usher in any kind of transformational change, pace and scope do matter.

The key will be in striking the right balance and understanding between benefits and costs; between investing in new technologies and stranding assets; between national ambition and technological reality; and between paying now or paying later.

In this regard, let me touch on several issues which will be critical in this journey of transition.

First, we must reduce regulatory barriers to clean energy projects.

I believe energy transition favours Canada's electricity sector.

Because of our generation mix – already over 80% GHG emissions-free nationally - we are well positioned to enable deep emission reductions of high-emitting sectors like transportation, space heating, and industrial processes.

To fulfil this role - this promise - we must invest today, in the infrastructure of tomorrow.





And for that, we need a long-term, stable, and predictable policy framework, with embedded regional flexibility for economic, resource and market differences.

CEA continues to call on our federal government to reduce regulatory barriers to clean energy projects.

As most of you will know, the federal government is in the midst of a major review of key pieces of legislation, including the Canadian Environmental Assessment Act, the National Energy Board Act, the Fisheries Act and the Navigable Waters Protection Act.

We have been regularly consulting with federal officials on these issues, and our core message has remained the same: the need for environmental protection is a given, but Canada needs a practical approach.

Our members are investing in infrastructure renewal at a clip of some \$20B annually. That's not small change.

And their continued investment will depend on an efficient and effective regulatory regime. A system that provides certainty, clarity and predictability. A system that ensures that good projects, get built. And built in a timely fashion.

Are we there yet? --- No.

But we seem to have come a considerable way since the Expert Panel Reports were released this spring.

Into the fall, we will continue to stress that the EA process;

- Cannot become so burdensome, that projects falter under its weight.
- That there must be some standing test for involvement in hearings.
- That early planning and engagement rules must value the good work that is already being done within our sector.
- That the government must protect and deepen the principle of 'one project – one assessment'.
- And, that while individual local concerns must be heard and carefully considered, they cannot be allowed to undercut national interests.





We truly must return to our nation-building ways.

While it may be tempting to rest on the knowledge that wind projects are not subject to the federal environmental assessment regime today, I would caution you against taking this view.

The federal EA system may, with a stroke of the pen, be applied to wind projects tomorrow. Pardon the pun ---but it seems no infrastructure types are immune to the winds of political change these days.

Second, we must bridge the “innovation gap” that currently exists between federal and provincial/territorial governments.

The energy system transition will only be as effective as the innovation that enables it.

Customers want better service and climate action, but not higher bills. They also want to be active energy managers, but only if it is easy and convenient.

And grid operators are being asked to seamlessly integrate a dizzying array of plug-and-play technologies.

It's all a little daunting.

But there will be no transition without significant innovation commitments and costs.

That is why we are encouraged by the federal government's commitment to fund green infrastructure and energy sector innovation that directly support renewables initiatives.

Budget 2017 outlined many new and improved funding options that will help ease the financial burden.

However, one-time public-sector funding mechanisms, are not enough.

Ongoing innovation commitments must be embedded in our provincial economic regulatory systems. In fact, they must become an integral fabric of our economic and corporate culture.

We must therefore overcome the disconnect between government policies that prioritize innovation, and energy regulatory decisions that curtail the capital required to deliver on them.

This “innovation gap”, stemming from a single-minded focus on short-term cost, has led to the rejection of many innovative pilot programs by our members, intended to develop and deploy new technologies, reduce emissions, and help provide power to remote communities.





Economic regulators must encourage and incent – or at the very least, permit! – investments in innovative pilot projects.

In other words, when it comes to the electricity sector, what are the implications of not making the required investments in infrastructure and innovation?

The consequences, I would suggest, would be quite striking.

There would be less-than-reliable electricity, a corresponding loss in the standard of living, squandered economic opportunities, and a less competitive economy.

While it is tempting to simply build and maintain the cheapest system possible, we must resist this near-sighted perspective.

Of course, we need to keep costs as low as we can. All our members readily accept that.

But, we must be inspired to build the best and strongest of systems.

To complement the focus on costs, with the value that electricity brings to the lives of Canadians and the economic life of this country.

In effect, the guiding vision should be to pass on to future generations a system that is at least as good as the one we were fortunate to inherit.

Third, we must protect the competitive position of Canadian companies.

There's no denying it. There is a strong undercurrent of political change, especially in relation to Canada's largest trading partner, where their President talks about an "America First" approach, during an era of rising U.S. protectionism.

After a career spent in Canadian federal politics, including in international trade roles, I can't tell you how strange it is to say that.

'Globalist' is now a term of derision in the White House.

While the NAFTA negotiations have begun in earnest, the outcome is far from certain.

In addition, the Trump Administration has also reversed federal climate policy, and is moving to limit the role of the EPA.

They are slashing regulatory regimes in record numbers, and have hit us hard on the soft wood lumber and aerospace files.





And, they have their sights on corporate tax cuts, which if successful, will improve the economics of U.S. energy projects.

Taken together, Trump's policies pose a threat to the competitiveness of Canadian businesses.

Now I'm not saying that our Federal and Provincial governments should cut and run. But their game plans must account for the issue of competitiveness.

As governments operationalize their individual and collective climate action trajectories, they must work with industry to both monitor and bridge the competitiveness gap between the two countries.

Our First Ministers released the Pan-Canadian Climate Framework at their last meeting --- at their next session, the issue of Canadian competitiveness must be high on their agenda.

Entire careers have been devoted to finding ways to close the productivity gap between Canada and the U.S. And yet it has persisted.

I'm not asking for miracles. But there are practical steps that can be taken. For example:

- protect the tariff free trade of energy
- accelerate the disbursement of federal infrastructure and innovation funding
- consider corporate tax relief, if the same comes to pass in the U.S.
- extend clean energy production incentives for new emerging technologies
- provide accelerated capital cost allowances (CCA) rates
- assist Canadian firms market their clean energy expertise internationally
- recycle carbon tax revenues, and;
- ensure that good projects move forward in a timely fashion.

The essential point is to have a strategic response in place; one that will manage the competitive gap between our two countries.

Fourthly, we must ensure that all Canadians benefit from Canada's greener future, by supporting northern and remote communities.

Among other values, Canada was built on the principles of equality and opportunity. But frankly, these communities do not enjoy the reliable, clean, and affordable energy that the majority of us do.





Indeed, over 70% of remote and off-grid communities in Canada rely on diesel-fuel for meeting their basic energy needs.

Diesel generators in many of these communities are at full capacity, and the cost of electricity in some regions is as much as ten times the Canadian average!

This needs to change.

The status quo limits local economic opportunities, stifles growth, and undermines peoples' quality of life.

We simply cannot have an energy transition for some, and an energy trap for others.

That's not the meaning of success.

Nor is it the Canadian way.

Finally, building and sustaining public confidence in this transition is indispensable.

The battle against climate change will be a long-term struggle. Accordingly, if we are to win, building and maintaining public trust throughout will be critical.

And I'm not simply talking about a public relations exercise.

Cost perceptions and concerns pose a serious risk to sustained climate action. Canadians want to clearly understand what the plan is, how we will get there, and what it will all cost.

Quite basic, actually.

In setting policies, it is the government's obligation to set the level of ambition, define the public policy framework, and support key projects and initiatives.

Industry's role is to invest, innovate, and implement these decisions.

The public's responsibility is to actively engage in the process and understand the implications for them and our country.

The balance between costs and benefits, price and value, today and tomorrow, must all be discussed openly and candidly.

The national conversation must be structured, transparent, and ongoing.





Canada's Natural Resources Minister Jim Carr is driving this conversation through a national dialogue called "Generation Energy", which CEA supports.

While this is a good initiative, there are some pressing questions which are searching of reassurance. For example:

- What follows the culminating two-day Generation Energy Symposium event on October 11th and 12th, in Winnipeg?
- How will the conversation be sustained?
- Will a national vision emerge?
- And how will it mesh with the Canadian Energy Strategy, that has yet to make it over the goal line?

Conclusion

In closing, do we have the national will to succeed in this journey of energy transition?

It won't be a sprint. Nor will it be easy.

But despite our national level of ambition and the uncertainty that it brings, I remain optimistic.

Optimistic, because Canada has a long history of successful nation-building projects that required broad-based national commitment.

We built the great railroads of the 19th century.

The highways, seaways, and national broadcast systems, of the 20th.

And, more recently, the Canadian-made arm, that extended mankind's reach into space.

These transformative accomplishments were all made possible because Canadians knew the importance of thinking ahead; of preparing the ground for future economic prosperity.

We are again at one of those transformative moments.

A time to build something important. Something enduring.

And to leverage one of our strategic assets --- clean electrical power --- to build a brighter, cleaner and better tomorrow.

Thanks for your time and attention.

