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Pre-Budget Consultations in Advance of the Upcoming Federal Budget

Written Submission from
WaterPower Canada

CONTACT:

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LIST OF RECOMMENDATIONS

1. RECOMMENDATION:

That the federal government continue its national and global leadership in designing and implementing strong measures for decarbonization of Canada's electricity supply:

- a) remain committed to striving toward 90% non-emitting electricity by 2030; and commit to achieving 100% non-emitting electricity before 2050.
- b) set legally-binding five-year emissions-reduction milestones towards economy-wide net-zero emissions by 2050.
- c) continue to support provincial and territorial discussions that can accelerate the adoption of waterpower projects of all types to help decarbonize emission-intensive regions.

2. RECOMMENDATION:

That the federal government continue its national and global leadership in designing and implementing strong measures for fuel-switching from fossil fuels to clean and renewable electricity in transport, industry and buildings ("electrification"):

- a) create an electrification strategy for electricity to become Canada's single largest energy source by 2050.
- b) implement the Clean Fuel Standard.
- c) implement a legislated Zero-Emissions Vehicle (ZEV) mandate; and maintain incentives for the adoption of electric vehicles, and funding for electric vehicle charging infrastructure.

3. RECOMMENDATION:

That the government ensures that federal legislation does not introduce any undue or overly burdensome constraints on waterpower producers, so that the regulatory environment provides compliance certainty and regulatory efficiency for the continued operation of existing waterpower generation stations, and does not impede investments in existing or new hydropower facilities. In order to do so, the federal government should:

- a) develop and/or amend as necessary, regulations and policies under the recently modified *Fisheries Act* and *Canadian Navigable Waters Act* to ensure that all existing waterpower facilities can continue to operate without undue constraints that were not foreseeable at the time of construction, and so that they can be maintained or refurbished in a timely and cost-effective manner.
- b) ensure that departments that are responsible for the implementation of the *Fisheries Act*, the *Canadian Navigable Waters Act*, and the *Impact Assessment Act* are provided with the human and financial resources necessary to promptly and efficiently deal with all applications for project reviews, authorizations and permits.

The Honourable Wayne Easter, P.C., M.P.
Chair of the House Standing Committee on Finance

Dear Mr. Easter,

**RE:
Written Submission from WaterPower Canada to the House of Commons Standing Committee on Finance for the Pre-Budgetary Consultations in advance of the 2021 Budget**

WaterPower Canada (WPC) is the national trade association that speaks for the Canadian hydropower industry. WPC Members are hydroelectricity producers, and suppliers of goods and services to the sector.

As you are aware, electricity is an essential service and critical for pandemic response including by powering hospitals, communication networks and food supply chains. Waterpower represents 60% of Canada's total electricity production. The waterpower sector has overseen the reliable operation of the more than 500 waterpower stations from coast-to-coast-to-coast during the tremendous challenges that the COVID-19 pandemic has presented. We are proud to have supported Canada's pandemic response.

This letter presents WPC's priorities for the next federal budget. The measures that we propose will support the restart of the Canadian economy as it recovers from the COVID-19 pandemic and will create the conditions necessary to move projects forward. Waterpower projects have been the foundation blocks of our country's productivity and economic development throughout the last century. Building on our strengths and leveraging existing competitive advantages will support a resilient recovery:

- Canada is the world's 2nd largest waterpower producer and has the potential to more than double its waterpower production and generation capacity.
- Leveraging and building on our existing competitive waterpower advantages would add billions of dollars of investment and tens of thousands of new jobs each year, to a sector that already contributes more than \$30 billion to the Canadian economy and supports a labour force 130,000 strong.
- Canadian waterpower is flexible and dependable. It plays a significant role in supply adequacy, and grid reliability and resiliency in Canada's electricity system. There remains significant potential for it to play a much larger role.

In a carbon-constrained global economy, jurisdictions that produce goods and services with low embedded greenhouse gas emissions will have an edge over those that don't. Waterpower projects are also clean and renewable and contribute to avoiding millions of tons of greenhouse gas emissions every year. These measures will also support the government's clean growth and climate action priorities:

- *"Electrifying industry to make Canada home to the cleanest mills, mines and factories in the world through zero-carbon clean electricity generation and transmission[1]"* is reliant on the continued operation of the existing waterpower generation fleet to its maximum potential.
- *"Exceeding Canada's current target to reduce greenhouse gases by 30% below 2005 levels by 2030"[2]*, is reliant on increasing:
 - the efficiency, capacity and flexibility of the existing waterpower generation fleet through refurbishment and redevelopment projects;
 - the market access for regions with abundant clean and renewable energy to demand centres through new inter- and intra-provincial transmission capacity; and
 - the fuel-switching from fossil fuels such as gasoline, diesel and natural gas to clean electricity (i.e. "electrification") in the transport, industry and buildings sectors.

[1] Paraphrased from mandate letter of Minister of Natural Resources, the Honourable Seamus O'Regan.

[2] Paraphrased from mandate letter of Minister of Environment and Climate Change, the Honourable Jonathan Wilkinson.

- “Developing a plan to achieve a net-zero emissions economy by 2050”[2], must include the integration of projects that can ensure the reliability and resilience of the electricity supply as the contribution of variable renewable energy resources (i.e. wind and solar) increases, including new classes of projects for Canada such as “Pumped Storage Hydro” and “Green Hydrogen” projects.

With the right economic and climate signals from the federal government, our sector can contribute significantly to a prosperous economic recovery for our country; one that is durable, national and renewable.

The following three recommendations will enable the waterpower sector to contribute to a clean and resilient recovery.

RECOMMENDATION 1:

That the federal government continue its national and global leadership in designing and implementing strong measures for decarbonization of Canada’s electricity supply:

a) remain committed to striving toward 90% non-emitting electricity by 2030; and commit to achieving 100% non-emitting electricity before 2050.

b) set legally-binding five-year emissions-reduction milestones towards economy-wide net-zero emissions by 2050.

c) continue to support provincial and territorial discussions that can accelerate the adoption of waterpower projects of all types to help decarbonize emission-intensive regions.

Clean and renewable waterpower currently represents approximately 60 per cent of Canada’s total electricity generation and 90% of Canada’s total renewable electricity generation[3].

Growth in waterpower production has made an important contribution to the greenhouse gas (GHG) emissions reduction from Canada’s electricity sector of more than 38 per cent since 2005 [4]. Continued growth in waterpower production will enable Canada to meet future GHG reduction targets through: the completion of more than 4,150 MW of new waterpower generation projects that are nearing commercial operation; new transmission infrastructure to increase market access; investments in efficiency enhancements and generation capacity additions during refurbishment and redevelopment of existing facilities; and development of new hydropower generation projects.

The regulated coal phase-out & pollution pricing in the electricity sector implemented during the 42nd Parliament were important achievements. During the 43rd Parliament, the federal government needs to build on these achievements by continuing to support provincial and territorial discussions that accelerate the adoption of waterpower projects to help decarbonize emission-intensive regions; and introduce legally-binding five-year emissions-reduction milestones toward net-zero emissions by 2050 (as per the mandate letter to the Minister of Environment and Climate Change). These measures are important to bolster the long-term market signals sent to investors and decision-makers to develop long-lived clean and renewable electricity generation and transmission assets.

[2] Paraphrased from mandate letter of Minister of Environment and Climate Change, the Honourable Jonathan Wilkinson.

[3] Statistics Canada, “Electric power, annual generation by class of producer” (Table: 25-10-0020-01)

[4] Government of Canada (2019) “Canada’s Fourth Biennial Report on Climate Change”

RECOMMENDATION 2:

That the federal government continue its national and global leadership in designing and implementing strong measures for fuel-switching from fossil fuels to clean and renewable electricity in transport, industry and buildings (“electrification”):

a) create an electrification strategy for electricity to become Canada’s single largest energy source by 2050.

b) implement the Clean Fuel Standard.

c) implement a legislated Zero-Emissions Vehicle (ZEV) mandate; and maintain incentives for the adoption of electric vehicles, and funding for electric vehicle charging infrastructure.

Despite Canada’s abundant clean and renewable electricity resources, only 20% of our total energy needs are currently met by electricity. Fossil fuels like gasoline, diesel, petroleum and natural gas meet 80% of our energy needs. Getting started on fuel-switching from fossil fuels to clean electricity (i.e. “electrification”) in the transportation, buildings and industry sectors is the next step for Canada’s climate action and clean growth. Canada needs a national electrification strategy to make this a reality.

A central part of this electrification strategy must be the Clean Fuel Standard that is currently under development by Environment and Climate Change Canada. The Clean Fuel Standard, which is a key GHG emissions reduction initiative in the Pan-Canadian Framework on Clean Growth and Climate Change, will create an obligation for fossil fuel producers to reduce the lifecycle greenhouse gas emissions intensity of their products including through fuel-switching. As this policy is finalized it needs to fully enable and reward the role of electrification across all sectors and fuel types.

Furthermore, measures that accelerate the adoption of electric vehicles such as: a legislated Zero-Emissions Vehicle (ZEV) mandate; incentives for the adoption of electric vehicles; and funding for electric vehicle charging infrastructure, would also deliver significant near-term greenhouse gas emissions reductions, and benefits to human health.

RECOMMENDATION 3:

That the government ensures that federal legislation does not introduce any undue or overly burdensome constraints on waterpower producers, so that the regulatory environment provides compliance certainty and regulatory efficiency for the continued operation of existing waterpower generation stations, and does not impede investments in existing or new hydropower facilities. In order to do so, the federal government should:

a) develop and/or amend as necessary, regulations and policies under the recently modified *Fisheries Act* and *Canadian Navigable Waters Act* to ensure that all existing waterpower facilities can continue to operate without undue constraints that were not foreseeable at the time of construction, and so that they can be maintained or refurbished in a timely and cost-effective manner.

b) ensure that departments that are responsible for the implementation of the *Fisheries Act*, the *Canadian Navigable Waters Act*, and the *Impact Assessment Act* are provided with the human and financial resources necessary to promptly and efficiently deal with all applications for project reviews, authorizations and permits.

The waterpower sector is highly regulated by both the federal and provincial governments (often causing duplication). As a result, it typically takes 8 – 12 years, from planning to commissioning, for a new large hydropower project. Numerous federal and provincial authorizations, approvals and permits, can be required before any new investments in the development, operation, maintenance, optimization and/or refurbishment of hydropower generation stations are made. These can relate to the *Impact Assessment Act*, *Fisheries Act*, the *Species at Risk Act*, the *Migratory Birds Convention Act* and the *Canadian Navigable Waters Act* (and parallel provincial regulations). In particular, the modernized *Fisheries Act* has come into force without the policy and regulatory guidance and instruments that would provide the compliance certainty and regulatory efficiency required to not impede investment in the normal operation of existing waterpower generation stations.

WPC would welcome the opportunity to appear before the Committee as a witness to deliver oral testimony.

Sincerely,



Anne-Raphaëlle Audouin
President and CEO, WaterPower Canada