



Pre-Budget Consultations in Advance of Federal Budget 2021

Written Submission from
WaterPower Canada

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The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance
The Honourable Mona Fortier, Minister of Middle-Class Prosperity and Associate Minister of Finance

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Dear Ministers,

RE: WaterPower Canada's Submission to Pre-Budget Consultations

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. Thanks to the preparedness and response of our Members and their workforce, we have overseen the reliable operations of more than 500 water power generation stations throughout the pandemic. These continue to power critical services such as hospitals, communication networks, and food supply chains across the nation. We are proud of our role in supporting Canada's pandemic response.

Thank you for the opportunity to discuss the role our members can play in accelerating the nation's transition to a greener and more innovative, inclusive, and resilient economy and society. Canada's Strengthened Climate Plan (SCP) recognizes climate action and clean growth as "*key pillar[s] in the Government's commitment to create over one million jobs... [while] restoring employment to pre-pandemic levels*" and, at the same time, achieving a net-zero emissions economy by 2050. In support of these goals, the federal government has committed to a 90 per cent non-emitting electricity supply by 2030, and a net-zero emissions electricity supply before 2050. Further, the plan recognizes that the costs and impacts of climate change necessitate resilient solutions.

As Canada's "clean-energy powerhouse," the waterpower sector is uniquely positioned to play a critical role in delivering on this appropriately ambitious agenda. Specifically, waterpower offers the following characteristics and contributions:

- **Affordability and competitiveness:** Waterpower currently produces 60 per cent of Canada's total electricity supply. Hydro-rich provinces offer the nation's lowest unit system costs. Our industry gives Canada a powerful economic edge, and Canadian households pay the second-lowest residential power rates in the OECD. As global markets inevitably move to account for the costs of embodied carbon in products and services, our nation's affordable and abundant non-emitting electricity will help ensure the future competitiveness of Canadian companies.
- **Job creation and economic development:** Canadian waterpower projects have driven productivity and economic development for more than 100 years of our history. Although our nation has only two per cent of the global workforce, we rank in the top 10 countries globally for waterpower jobs; these positions constitute more than half of Canada's total renewable energy workforce. By leveraging and building on this existing competitive advantage, Canada could 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 of over 130,000 strong.
- **Emissions reduction potential:** As holder of 20 per cent of the world's freshwater, Canada is the world's third largest waterpower producer, alongside other leaders such as China, Brazil, and the United States. Each year, over the course of many decades, Canadian waterpower producers have averted the release of hundreds of megatonnes of greenhouse gas emissions. However, despite our largely non-emitting electricity grids, fossil fuels such as natural gas, gasoline, and diesel fuel currently provide approximately 80 per cent of our energy needs. Our nation will need additional generation, transmission and storage capacity to close that gap. With 2030 less than 10 years away, it is critical that planning and coordination move forward rapidly and effectively.

Fortunately, waterpower producers can contribute significantly by investing in:

- Refurbishment and redevelopment of existing generation units and sites;
- Expanded transmission infrastructure;
- Projects such as pumped storage hydro (PSH), and Green Hydrogen that augment waterpower's role as the flexible, reliable and resilient backbone of our energy supply, and as a force multiplier that enables the integration of wind and solar power.

Security and resilience: Across North America, climate change and severe weather events are throwing vulnerable energy infrastructure into sharp focus. As we steadily clean up our supply, we must also ensure we harden our systems against such shocks. Canada's waterpower producers have been at the forefront of understanding climate change science through research, impact modelling and assessment, and adapting infrastructure and operating practices toward a wide range of scenarios. The future availability of water for hydroelectricity production in Canada is generally secure, and reservoir storage is well suited to manage the variability in flows. Our sector is using its extensive knowledge of potential future trends in water supply, extreme weather events, and energy demand to inform investment decisions. In doing so, it is helping to future-proof Canada's largest source of clean energy and demonstrating leadership on resilience to the impacts of climate change.

Budget 2021 offers Canada an opportunity to create the conditions needed to accelerate investment in major green infrastructure projects. Effective, long-term climate policy would send the clear and strong market signals needed to mobilize investment in clean sources of energy production, including waterpower. Federal leadership and coordination will be critical.

In addition to the specific recommendations that follow in the Appendix, we respectfully ask that government pay close attention to ensure that the implementation of federal legislation does not introduce any undue nor overly burdensome constraints on waterpower producers. Compliance certainty and regulatory efficiency, for the continued operation of the existing waterpower fleet, and the development of new assets, is essential.

We welcome the opportunity to provide additional information as required.

Sincerely,



Patrick Bateman
Interim President
WaterPower Canada

APPENDIX

RECOMMENDATIONS:

Increasing demand for non-emitting electricity, driven by stringent, stable, coordinated, and long-term climate policy, is critical for our sector to maximize our investments in the coming years. WaterPower Canada expresses our support for recommendations made by the House of Commons Standing Committee on Finance in their report “*Investing in Tomorrow: Canadian Priorities for Economic Growth and Recovery*” presented to the House of Commons of Canada on 16 February, 2021 with relation to: clean energy (recommendations 135, 136, 138 and 139) as presented below; and to the electrification of transport including developing the market for Zero Emissions Vehicles (recommendations 141, 142, 143, 144 and 145) [1]:

- **Recommendation 135:** “*That the Government of Canada remain committed to achieving the goal of 90% non-emitting electricity by 2030, as well as commit to achieving 100% non-emitting electricity before 2050 by setting legally binding five-year emissions-reduction milestones in order to achieve economy-wide net-zero emissions by 2050.*”
- **Recommendation 136:** “*Continue to make the investments necessary to support other levels of government and industry to grow demand for clean electricity by: expanding electrification of public transit and light-duty vehicles; planning for transmission grid expansion to displace coal and diesel; and demonstrating innovative green hydrogen production and utilization projects.*”
- **Recommendation 138:** “*Make investments in projects that will improve the renewable capacity of Canada’s energy grids, such as the Atlantic Loop, and eliminate Canada’s reliance on coal by 2030.*”
- **Recommendation 139:** “*Implement the Clean Fuel Standard*”

With relation to recommendation 135, in addition to the passage of Bill C-12 “*An Act respecting transparency and accountability in Canada’s efforts to achieve net-zero greenhouse gas emissions by the year 2050*” WaterPower Canada views the strengthening of the federal carbon pricing backstop in the electricity sector as crucial to realizing these goals and spurring investment and creating jobs.

With relation to recommendation 138, projects like the Atlantic Loop that would supply hydroelectricity from Quebec and Newfoundland and Labrador, to New Brunswick and Nova Scotia, are examples of where the federal government can facilitate collaboration between provinces to seek efficient ways to achieve our climate goals.

With relation to recommendation 139, despite our abundance of non-emitting electricity options, only 20% of the energy used in Canada is electric (i.e. approximately 80% are met by fossil fuels such as gasoline and diesel). WaterPower Canada views the coming into force of the Clean Fuel Standard by 2022, and without any further weakening, as a crucial piece of the strategy to accelerate fuel switching from fossil fuels to electricity.

[1] House of Commons, *Investing In Tomorrow: Canadian Priorities For Economic Growth And Recovery*, Report of the Standing Committee on Finance (FINA), Feb. 16, 2021.

<https://www.ourcommons.ca/Content/Committee/432/FINA/Reports/RP11058298/finarp01/finarp01-e.pdf>