



THE SASKATCHEWAN ECONOMIC IMPACT ASSESSMENT TRIBUNAL REPORT ON THE DRAFT CLEAN ELECTRICITY REGULATIONS – AN SES PERSPECTIVE

The provincial government is using the *Saskatchewan First Act* to either block, or delay, the implementation of federal climate change policies in Saskatchewan. *The Saskatchewan First Act* (the “Act”) attempts to give the Government of Saskatchewan exclusive jurisdiction over the regulation of greenhouse gas emissions in the electricity generation sector, the oil and gas sector, and the forestry sector. That position is highly contentious, since the Supreme Court of Canada has recognized that the Government of Canada also has a significant role to play in regulating greenhouse gas emissions in the Canadian economy as a matter of national concern.

Among the measures put in place by the Act, the Province has created the Economic Impact Assessment Tribunal (the “Tribunal”) and is asking it to examine the economic impacts in Saskatchewan of several major federal climate change initiatives, but without asking it to also examine the costs that will result from not adopting those initiatives. Notably, the Tribunal has not been asked to examine the high price society will pay if it fails to act in a timely way to reduce greenhouse gas emissions.

In the case of the proposed federal Clean Electricity Regulations, although the Tribunal is tasked with examining the economic impact on Saskatchewan of this major federal climate change policy initiative, there is no discussion whatsoever of climate change in the report, and no examination of the economic costs associated with delaying rapid greenhouse gas emission reduction in the electricity generation sector.

Similarly, in analyzing impacts of the Clean Electricity Regulations on jobs, the Tribunal report fails to take account of the many jobs that will be created as we move to a clean electricity system in Saskatchewan.

Another shortcoming of the Tribunal Report is that its conclusions are based on comparing a first draft of the federal Clean Electricity Regulations—intended to be a consultation document—with what the provincial government calls Saskatchewan’s Affordable Power Plan. This means the Tribunal Report is fundamentally inaccurate. Based on extensive consultations by the federal government since the first draft of the Clean Electricity Regulations, it is clear the revised version of the Regulations is going to give provinces more flexibility with respect to the operation of their existing natural gas power stations, thus reducing economic risks to Saskatchewan.

The decision by the Tribunal to use the Saskatchewan government’s Affordable Power Plan as a basis of comparison to the draft Clean Electricity Regulations is also a serious mistake. The so-called Affordable Power Plan is premised on several unrealistic assumptions. For example, it assumes that Saskatchewan can keep its conventional coal-fired power stations running well beyond 2030, in violation of federal regulations that all provinces have known about since 2012, when the Harper government introduced Canada’s first coal phase-out regulations. All other provinces that have coal-fired generation stations are complying with the federal regulations. For example, Ontario is completely off coal now, after a 10-year effort to do so. Alberta will phase out its last coal-fired power station this year.



Another unrealistic assumption in the comparison between the Affordable Power Plan and the draft Clean Electricity Regulations deals with carbon pricing. The Affordable Power Plan, as modeled by the Tribunal, assumes the federal carbon tax will remain at \$65 per tonne. In contrast, the Clean Electricity Regulations model assumes the federal carbon tax will be \$170 per tonne and apply to all electricity generation emissions. These assumptions naturally make the Clean Electricity Regulations look less financially attractive. The reality is—whichever plan is adopted—the federal carbon levy will be the same amount, unless Saskatchewan is successful in its ongoing challenge to federal carbon pricing and how it is applied in this province. A court ruling in Saskatchewan's favour is unlikely.

Yet another error in the comparison between the two plans is the assumptions made about the level of federal government funding that will be available to Saskatchewan to help with new electricity generation projects. The Affordable Power Plan, as modeled by the Tribunal, assumes the federal government will provide Saskatchewan with 75% of the cost of a Small Modular Nuclear Reactor and 50% of the cost of new renewable energy projects. Yet there is no signal from the federal government that this is likely to happen. Meanwhile, the assumption in the modeling of the Clean Electricity Regulations is that a federal tax credit of only 15% will be available to help with new electricity generation projects.

Given the difference in assumptions, the economics of the Affordable Power Plan naturally come out looking better. However, it is doubtful that the Federal Government will provide more funding for Saskatchewan's Affordable Power Plan compared to the necessary capital to comply with the Clean Electricity Regulations. Moreover, Saskatchewan's Affordable Power Plan would mean much greater emissions from 2025 – 2050 than compliance with the proposed Clean Electricity Regulations.

Saskatchewan is an export economy, but the Tribunal Report also fails to examine the barriers that Saskatchewan exporters are likely to face in the future if Saskatchewan's grid is not rapidly decarbonized. For example, the European Union has just adopted a Carbon Border Adjustment Mechanism that ensures imports into the European Union from countries with weak climate policies face higher tariffs. Many more countries are likely to follow the EU example in the decades ahead.

Finally, the Saskatchewan government has made the serious mistake of being the only provincial government not to participate in regional consultation with the federal government around climate change policy. This puts Saskatchewan's government in a weaker position to negotiate constructively on behalf of the people of Saskatchewan. Saskatchewan needs responsible leadership that negotiates in good faith with the federal government to maximize federal funding for clean electricity while ambitiously reducing our greenhouse gas emissions as quickly as possible. SES encourages minimizing total accumulated emissions over the next 25 years while keeping our electricity reliable and avoiding an undue burden of cost imposed on Saskatchewan rate payers. Cooperation among all levels of government is needed to deliver on clean electricity with the urgency that the climate crisis demands.