CLEAN ENERGY CANADA

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BACKGROUNDER

Priorities for Canada-U.S. Collaboration on Clean Energy

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OVERVIEW

- Prime Minister Trudeau and President Obama are expected to announce new climate change and clean energy commitments during their meeting in Washington D.C. this week (March 9-10).
- Media reports anticipate that the bilateral commitments will cover clean energy, reductions in greenhouse gas emissions in the transportation sector, regulations for methane emissions, and Arctic climate impacts.
- This backgrounder provides an overview of potential areas for Canada-U.S. cooperation on clean energy and clean transportation.

Q&A

What could increased cooperation between Canada and the U.S. on clean power look like?

The two countries could collaborate on cross-border electricity transmission infrastructure, work together to invest in smarter grids, and create the conditions for increased exports of renewable power.

Specifically, President Obama's Clean Power Plan allows U.S. states to use Canadian clean power to help meet their targets, provided the Canadian power comes online after 2012.

This is a significant opportunity for Canada: analysis by the North American Electric Reliability Council suggests that as the Clean Power Plan takes full effect**, Canada could triple its clean power exports to the U.S. by 2030**.[1]

The vast majority of Canada's nearly CAD$4 billion in electricity exports to the U.S. in 2014 came from hydro projects in Quebec, Ontario, Manitoba and British Columbia. Each of these provinces plans to develop new non-emitting generation (hydro, wind, or solar) that could qualify under the Clean Power Plan's federal requirements.

There are also several proposals for new cross-border electricity transmission that would require a Presidential Permit in order to proceed.

What about reducing greenhouse gas pollution from transportation?

Electric vehicles are a key piece of the puzzle to reduce emissions in the transportation sector. They can also provide power storage and increase grid reliability.

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[1] While a recent U.S. Supreme Court ruling has stayed work on the Clean Power Plan pending the outcome of litigation, the White House and the U.S. Environmental Protection Agency have both expressed confidence that the plan will ultimately prevail on its merits.

This week, Canada and the U.S. can work together to accelerate the uptake of electric vehicles (EVs) by:

- Supporting fast-charging infrastructure across the border.
- Committing to a rapid increase in EV procurement for government fleets. (For example, the federal governments could adopt the commitment that 10% of new fleet vehicles be zero-emitting by 2016, as British Columbia and its U.S. state Pacific Coast Collaborative partners have done.)
- Committing to adopt harmonized national Zero Emission Vehicle (ZEV) regulations—a logical next step from the harmonized vehicle fuel efficiency standards already in effect in Canada and the United States. One-third of the American and Canadian populations live in provinces and states that have, or are considering adopting, a zero-emission vehicle standard.[2]

Because the auto sector is so highly integrated across North America, it makes sense for the growing electric vehicle sector to develop on a continental scale as well. The "three amigos" summit later this year offers an excellent opportunity to launch a North American Electric Auto Pact.

Why could this week's meeting deliver progress on issues related to climate and clean energy?

Both leaders have placed a strong emphasis on clean energy and climate change:

- While former prime minister Stephen Harper made the Keystone XL pipeline proposal the focus of his U.S. engagement, Prime Minister Trudeau responded to the U.S. rejection of Keystone by pledging to work with "like-minded countries to combat climate change, adapt to its impacts, and create the clean jobs of tomorrow."[3]
- President Obama has made action on climate change part of his legacy. In particular, he has championed the Clean Power Plan, which seeks to reduce greenhouse gas pollution from the electricity sector.
- Under President Obama's Administration, solar power in the U.S. has increased twenty-fold, and the solar sector has created jobs at 10 times the national average.
- At international climate negotiations, the U.S. has emphasized the need for demonstrable action to hit national emission reduction targets. While Prime Minister Trudeau does not yet have a plan to achieve Canada's 2030 target, the results of the First Ministers' Meeting in Vancouver earlier this month set a deadline for a national climate plan, which helps make the case in Washington that Canada will take its target more seriously this time around.

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[2] 10 U.S. states, including California, New York and Oregon, have implemented zero-emission regulations that require auto manufacturers to increase zero-emission vehicle sales from 4.5% in 2018 to 22.5% by 2025. In Canada, Quebec is planning a zero-emission vehicle standard, and B.C.'s Climate Leadership Team has recommended the province implement such a standard.

[3] The full text of Prime Minister Trudeau's statement on the Keystone XL pipeline decision is available at: http://pm.gc.ca/eng/node/39903

Do we need to harmonize with the U.S.?

The U.S. is the world's second-largest clean energy market (behind China), with US$56 billion invested in 2015—an increase of seven per cent over the year before. So there are significant clean energy opportunities for Canada in the U.S., and working together can help us achieve them.

The U.S. also has some clean energy policies that Canada would do well to consider emulating, including a federal tax incentive of up to US$7,500 to purchase an electric vehicle, and a set of tax credits[4] for clean power production and investment that U.S. Congress recently extended to 2020.

But the two countries have very different greenhouse gas emission profiles—for example, the U.S. burns more coal and does not have an oilsands sector—and different political systems. So while the U.S. is an important partner, ultimately we need to choose the policies that work for Canada. Indeed, there could be areas where Canada chooses to go further than the U.S.

Given the emphasis on clean energy in the U.S., can Canada compete?

Canada has significant clean energy assets to bring to the bilateral conversation:

- Canada currently has the highest percentage of renewable power on its grid of any G7 nation.
- Global consulting firm McKinsey & Co. identified several clean technology areas where Canada is globally competitive, including energy efficiency in buildings and next-generation transportation.

Moreover, clean energy is a core climate change solution and growing global industry. The costs of the technologies involved are falling year after year, making clean power ever-more competitive with fossil electricity (like coal, oil and gas). The opportunity is too big for any country to ignore.

Canada's clean energy investment did drop significantly—by 46 per cent—falling from over US$7 billion in 2014 to US$4 billion in 2015. Cooperation with the U.S., along with smart policy choices at home, can help reverse that trend.

Is it a waste of time to make commitments with a president who is about to become a lame duck?

Absolutely not. While President Obama has made clean energy a personal priority, the sector is big business in the U.S. Global leaders like electric car manufacturer Tesla, and top-tier tech companies like Apple, are big players in clean energy. It was the U.S. Congress, not the President, that voted to extend tax credits for clean power in December 2015. The sector will continue to matter (and, very likely, to grow) even well after President Obama leaves office.

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[4] The Investment Tax Credit (ITC) for solar and the Production Tax Credit (PTC) for wind power.