



8 December 2009

Open letter to Honourable Shawn Graham, Premier of New Brunswick, Honourable Jack Keir of New Brunswick, and Party Leaders.

We are writing on behalf of the Council of Canadians to express serious concerns with the plan to sell the assets of NB Power and certain subsidiaries of NB Power. The Council of Canadians is one of Canada's largest public advocacy organizations, with members and chapters across the country, including in New Brunswick. We work to promote progressive policies on fair trade, clean water, sustainable energy, public health care, and other issues of social and economic concern to Canadians.

There are a number of troubling features with the sale that are triggering responses across your province, the Atlantic region and the country. To date, public engagement by your government on this monumental decision has been lacking. There remain a number of unanswered questions about the sale and insufficient plans for consulting with residents of New Brunswick. In particular, the Council of Canadians is concerned about the sale's impact on the capacity to expand in-province local renewable energy sources, a lack of clarity for a fair worker transition and the rights of future workers, and the affirmation of an export-oriented energy vision.

Expanding public and community renewable energy in New Brunswick

The sale of the New Brunswick Power Distribution and Customer Service Corporation¹ will not help expand public and community renewable energy ownership on local level in your province. As recently confirmed by Energy Minister Keir, Hydro-Québec will have first access to the grid to supply New Brunswickers with hydropower which could potentially fill the grid.² Although hydropower is low emissions and preferable to reliance on fossil-fuel based power, this can have the result of dissuading the expansion of local renewable energy projects that may not have access to the grid. With excess transmission capacity going to an open access competitive bidding process, local renewable energy sources are likely at a further disadvantage in competing against low-cost hydropower to access the grid. Energy systems based on local renewable resources have distinct advantages. Public and community ownership of green energy production provides the means to prioritize local green job creation and provincial energy needs. It also offers opportunities for enhanced accountability and retaining economic revenues for public purposes.

The province of New Brunswick will be better able to promote and support the expansion of local renewable energy projects by retaining ownership of NB Power including Power Distribution, Transmission and Customer Service Corporation and prioritizing these projects' access to the provincial grid. To further prioritize the expansion of public and community renewable energy, the province should establish a new renewable energy public utility or retain ownership, and create a new renewable energy arm of NB Power. This utility can provide logistical support and funding to renewable energy projects, making direct investments in publicly owned wind, solar, biomass, and tidal developments and ensure their access to the grid. Here, community and cooperatively owned renewable energy developments can

also play an important role in ensuring an emphasis on local and democratic governance of a new renewable energy system.

In the interests of workers?

The Memorandum of Understanding (MOU) is unclear about legal commitments to ensure a fair transition for NB Power workers and the rights of new employees. As raised by the International Brotherhood of Electrical Workers, while the Memorandum of Understanding (MOU) states that union contracts will be respected, the union has been advised that the word “respected” has no legal standing.³ The Energy Minister’s public statement that the final contract in March will be “iron clad” in affirming employment contracts remain consistent is not a sufficient response.⁴ These details should be available now for full discussion and consideration. Further, leaving new employees to come under an unspecified new plan, as opposed to the existing pension fund, raises serious concerns about whether the same standards will be maintained. There also remain outstanding questions over whether “just transition” programs (with suggested emphasis on green job creation) will actualize in order to provide the appropriate support for workers losing their jobs as a result of the confirmed closure of the Dalhousie generating station and other potential job loss associated with the sale.

Export-oriented energy vision versus sustainable energy systems

It is quite apparent that a large factor behind the sale, as well as a central contentious point amongst Eastern Canadian Premiers, is the desire to access lucrative U.S. export markets. Hydro-Québec stands to profit considerably by having first access to export power to nearby states. Premier Danny Williams as well as the premiers of Nova Scotia and PEI have all expressed, to varying degrees, the desire to access export markets through New Brunswick.⁵

The Council of Canadians cautions against a regional energy vision directed at export-oriented trade.⁶ The business model of focusing on exports and profit potential as opposed to sustainably meeting local and regional needs raises concerns. This can lead to decisions guided by priorities that may not be in the public interest. It can act to justify the expansion of large scale energy projects with serious social and environmental impacts while overlooking the benefits of achieving smaller scale, more diversified and sustainable energy production and consumption (including increased energy conservation and efficiency). For example, the expansion hydropower under Plan Nord in Québec, driven in large part in the desire to export power, has raised a number of legitimate concerns. This includes the lack of consensus regarding First Nations rights and decision-making powers over resource development, planning and implementation affected by the expansion as well as concerns raised over associated environmental impacts.⁷

Further, where investor-owned generators adopting this business model focusing on exports and profit potential are participants in provincial electricity sectors (an outcome of an open, competitive bidding process), provincial government’s capacity to ensure energy security is undermined. The North American Free Trade Agreement (NAFTA) gives significant rights to foreign investors and limits the ability of Canadian governments to intervene in energy trade, except in extraordinary circumstances. NAFTA's proportional sharing clause obliges Canada to continue exporting energy to the U.S. in the same proportion of total supply sold over the three previous years. Already, much of the oil and gas as well as the electricity produced in the Atlantic region are destined for export to the U.S. while Eastern Canadians rely significantly on imports to meet their energy needs. Further private energy

developments and potential exports from Eastern Canadian provinces undermine provincial governments' capacity to act in the public interest in ensuring energy and ecological security.

We propose maximizing local sustainable production and consumption of energy accompanied by significant improvements in energy conservation and energy efficiency, increased interprovincial low emission electricity trade from existing facilities, and a sustainable transit plan as an alternative to this export-oriented business model, which will help transition communities to a low carbon future.

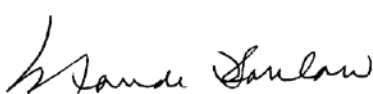
To clarify, while collaboration amongst Eastern Canadian Premiers realizing greater interprovincial low emission electricity trade is beneficial in replacing the need for power from fossil fuel sources and increasing power supply security, this need not necessitate the sale of NB Power.

Questionable benefits for New Brunswickers

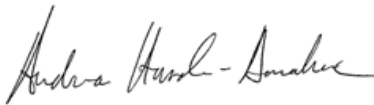
In addition to these concerns, it has now become questionable whether the proposed benefit of the sale in addressing provincial debt is in fact, a benefit at all. Mike Ferguson, the New Brunswick Auditor General has publicly pointed out that, when considering the net income NB Power has provided to the province in the past, the sale looks more like a net negative on the province's statements. The sale represents a serious loss of future revenue that could be earmarked by the province for a number of worthy efforts including green job expansion and social programs. Further, according to New Brunswick Union of Public and Private Employees, three reputable credit rating agencies – Moody's Investors Service, Standard & Poor's and DBRS – have questioned the impact of the sale on the province's burden of debt.⁸ This stands in contrast to the claim that the deal will lead to a 40 per cent reduction in provincial debt. There have also been legitimate questions raised by provincial residents over the agreement on rates which are more favourable to industry.

For all of these reasons, the Council of Canadians is compelled to see the sale of NB Hydro as largely not in the public interest. The questions and points raised here need to be sufficiently addressed.

Sincerely,



Maude Barlow
National Chairperson



Andrea Harden-Donahue
Energy Campaigner



Angela Giles
Atlantic Regional Organizer

¹ Memorandum of Understanding between the Government of New Brunswick and the Government of Quebec, <http://www.lowerratesnb.ca/downloads/MOU_EN.pdf>

² Quentin Casey, "Autonomy: Moncton academic says Quebec ownership of electrical grid will keep N.B.'s renewable energy projects offline," New Brunswick Business Journal, (November 3, 2009), <<http://nbbusinessjournal.canadaeast.com/front/article/844650>>

³ "NB Power union slams Hydro-Quebec deal," CBC news, (November 13, 2009), <<http://www.cbc.ca/canada/new-brunswick/story/2009/11/13/nb-nbpower-union.html>>

⁴ Ibid.

⁵ Kevin Bissett, "NB Power deal leaves Atlantic premiers divided," The Globe and Mail, (November 20, 2009), <<http://www.theglobeandmail.com/news/national/nb-power-deal-leaves-atlantic-premiers-divided/article1372055/>>; "N.B. and N.L. remain at odds over utility sale," CBC news, (November 20, 2009), <<http://www.cbc.ca/canada/new-brunswick/story/2009/11/20/nl-premiers-churchill-201109.html>>; Stephen Llewellyn, "NB Power sale helps region - P.E.I. premier," The Daily Gleaner, ><http://dailygleaner.canadaeast.com/cityregion/article/864759>>

⁶ This concern was raised recently in an open letter to Eastern Canadian Premiers regarding the Annual Conference of New England Governors and Eastern Canadian Premiers. "Open letter to Eastern Canadian premiers," The Council of Canadians, (September 11, 2009), <http://canadians.org/energy/documents/Letter_Atl_Premiers_1109.pdf>

⁷ "Charest's Plan Nord troublesome news for First Nations," Montreal Environment, (December 8, 2008), <<http://www.montrealenvironment.ca/charest%E2%80%99s-plan-nord-troublesome-news-for-first-nations-and-environmentalists/>>

⁸ "NBUPPE condemns controversial sale of NB Power," National Union of Public and General Employees, (November 20, 2009), <<http://www.nupge.ca/node/2740>>