

Canada - United States
Inter-Parliamentary Group
Canadian Section



Groupe interparlementaire
Canada - États-Unis
Section canadienne

**Report of the Canadian Parliamentary Delegation respecting
its participation at the 35th Annual Conference of New
England Governors and Eastern Canadian Premiers**

Canada-United States Inter-Parliamentary Group

Halifax, Nova Scotia, Canada

July 10-12, 2011

Report

DELEGATION MEMBERS AND STAFF

From July 10-12, 2011, the Honourable Janis G. Johnson, Senator, Co-Chair of the Canadian Section of the Canada-United States Inter-Parliamentary Group (IPG), led a delegation to the 35th Annual Conference of New England Governors and Eastern Canadian Premiers (NEG/ECP) in Halifax, Nova Scotia. The other members of the delegation were the Honourable Wilfred P. Moore, Q.C., Senator and Mr. Terence Young, M.P. The delegation was accompanied by Ms. Angela Crandall, the Canadian Section's Executive Secretary, and Mr. Mohamed Zakzouk, Advisor to the Canadian Section.

THE EVENT

Through the NEG/ECP, which holds a conference annually, 11 jurisdictions in Eastern Canada and New England share ideas, build on historic ties, advance their interests and encourage cooperation with the private sector. Over the years, the NEG/ECP conference has addressed many topics of shared interest, including trade, the environment, economic development, tourism, energy, fisheries, and agriculture.

DELEGATION OBJECTIVES FOR THE EVENT

Canada and the New England states share a mutually beneficial relationship. According to recent figures, more than 400,000 jobs in the six New England states (see the Appendix) rely on Canada-U.S. trade. Annual merchandise trade between Canada and these states was recently valued at almost US\$25.1 billion: more than US\$6.97 billion was exported from these states to Canada, while they imported more than US\$18 billion from Canada. Recent data suggest that, in a 12-month period, Canadians made more than 2.7 million visits to the New England states and spent more than US\$730,000, while residents of these states made more than 1.2 million visits to Canada and spent about US\$450,000.

The IPG aims to find points of convergence in respective national policies, to initiate dialogue on points of divergence, to encourage the exchange of information and to promote better understanding among legislators on shared issues of concern. Members of the IPG's Canadian Section meet regularly with their federal counterparts and, in recent years, have attended meetings of governors and state legislators. At these events, Canadian delegates take the opportunity to engage in the conversations that will help achieve the Canadian Section's objectives, and to communicate the nature and scope of the bilateral relationship.

Members of the Canadian section of the IPG found the 2011 conference of the NEG/ECP to be a valuable opportunity to discuss the numerous opportunities for Canada and the six New England states to collaborate on improving regional trade

infrastructure, especially energy trade. Furthermore, they benefited from discussions on a variety of bilateral issues, including the “thickening” of the shared border, short-sea shipping and common environmental issues. Feeling that members of the Canadian Section were able to achieve their objectives for the event, the Canadian Section intends to attend future annual meetings of the NEG/ECP to continue its work in advocating Canadian interests in the New England states.

ACTIVITIES DURING THE EVENT

During the 2011 conference, the NEG/ECP dealt with a number of issues, including trade relations, border management, transportation, climate change and regional collaboration on renewable energy projects. The following sessions took place during the event:

- Managing the Fiscal Reality
- Enhancing the Trade Relationship
- Confronting the Environmental Challenge
- How States and Provinces can Influence the Canada-US Relationship
- Maximizing the Potential of Each Region’s Energy Resources
- Short-Sea Shipping Opportunities for Eastern Canada and New England
- An Update on the Lower Churchill Development

This report summarizes the plenary and selected discussions that occurred at the conference.

MANAGING THE FISCAL REALITY

Honourable Kevin G. Lynch, P.C., LL.D., PhD., Vice-Chair, BMO Financial Group

- There are more structural issues related to the global economic crisis than are perceived to exist. Economies, societies and politics around the world are being re-shaped, and new drivers of economic success are emerging.
- Rapid growth – sometimes with inflation – in dynamic emerging economies, such as China and India, has become the new global norm, while advanced economies are facing large fiscal burdens and experiencing slow and volatile recoveries. Advanced economies should expect relatively slower growth in the future.
- Global markets make countries financially interdependent. As Greece’s economic crisis demonstrates, a country does not have to be systemically important in order to pose great systemic risk for the global economy.
- The Group of Seven nations (G7) has experienced deteriorating fiscal balances. Short-term fiscal consolidation and long-term fiscal sustainability should be the first and second priorities for recovering economies.
- The programs and policies required to ensure North America’s global competitiveness today are different from those that were put in place 50 years ago. Essential aspects to ensuring North America’s global competitiveness include:

innovation; responsible management of natural resources; export market diversification; and management of human capital in order to address North America's demographic changes, including population aging.

- It is important to ensure that the Canada-U.S. border is as open and secure as possible.

Pamela M. Prah, Stateline, The PEW Center on the States

- U.S. states are facing budget deficits for the fourth consecutive year. Furthermore, the average amount of state debt has risen in the past decade.
- In 2011, the deficit of the U.S. states totalled about \$86 billion. Budget shortfalls are projected in 45 out of the 50 states in 2012.
- State revenues are slowly improving. In 2011, state revenues increased 9% compared to 2010. However, state deficits remain above pre-recession levels.
- U.S. states have witnessed significant policy changes in the past two years, most notably:
 - Business taxes were cut in some states with the aim of fostering economic progress.
 - Some states introduced a wide range of cuts to education programs, unemployment benefits, pensions and some optional healthcare benefits.
- It is unknown whether cuts implemented by the U.S. states will continue, whether they will be challenged, and whether they would prove to be a hindrance to national recovery considering the rising unemployment rate across the United States.

ENHANCING THE TRADE RELATIONSHIP

Honourable Perrin Beatty, P.C., President and Chief Executive Officer, Canadian Chamber of Commerce

- The United States faces a number of critical issues, including a high unemployment rate, a rising national debt and inefficient regulatory processes. Furthermore, the growing economic competitiveness of countries around the world may compromise North America's prosperity.
- Integrated North American businesses are at a disadvantage as a result of the thickening border between Canada and the United States. Border delays result in higher costs for these businesses.
- The Canada-U.S. border needs to be modernized in order to improve the efficiency of moving people and goods across the shared border as well as to enhance the security of both Canada and the United States.
- Modernizing the Canada-U.S. border is of particular significance to the states and provinces along the border. State/provincial participation in the bilateral border debate is therefore critical.

**Honourable John Manley, P.C., O.C., President and Chief Executive Officer,
Canadian Council of Chief Executives**

- The North America Free Trade Agreement has increased the integration of North America's economies.
- There is a need for more engagement by U.S. governors and Canadian premiers in border talks between Ottawa and Washington.
- The transportation of people and goods across the Canada-U.S. border could be improved through a number of measures, including:
 - introducing pre-inspection and preclearance regimes for cargo;
 - harmonizing regulations on both sides of the border;
 - improving temporary access for business travellers;
 - introducing rerouting procedures for trucking in case of emergency;
 - eliminating unnecessary screenings;
 - improving coordination regarding the administration of border infrastructure; and
 - incorporating wait-time management technologies at border entry points.

Chris Sands, Senior Fellow, Hudson Institute

- There is a need for more stakeholder and political participation in organizations that work to address Canada-U.S. border concerns, such as the Regulatory Cooperation Council and the Beyond the Border Working Group.
- The engagement of both political parties represented in the U.S. Congress would be particularly useful in advancing Canada-U.S. border talks. Partisan politics are a hindrance to progress.
- Canada-U.S. trade is compromised by infrastructure-related problems, including inadequate rail and highway connections and energy transmission infrastructure, particularly between eastern Canada and New England.
- The public needs to be informed of the economic importance of Canada-U.S. relations, particularly in generating employment. Trade with Canada creates jobs in the United States.

CONFRONTING THE ENVIRONMENTAL CHALLENGE

**Honourable Jim Prentice, P.C., Senior Executive Vice President and Vice
Chairman, Canadian Imperial Bank of Commerce (CIBC)**

- Environmental issues do not respect jurisdiction or political borders; they affect both Canada and the United States. The quality of North America's environment is a primary advantage for Canada and the United States, and should be protected.
- The U.S. objective to become a clean energy consumer is congruent with Canada's objective to become a clean energy producer. Canada has a favourable environmental record and a strong energy resource base, including hydroelectricity, oil, natural gas and uranium.

- Coal is the single largest contributor to greenhouse gas emissions in the electricity sector. There are 51 coal-fired plants in Canada, compared to 600 in the United States. According to President Obama, the Alberta oil sands constitute a major environmental challenge for Canada. Similarly, coal-fired plants pose a significant environmental challenge for the United States.
- About 65% of Canada's coal-generation capacity is expected to reach its end-of-life use by 2025. Expired facilities will have to be replaced by new coal facilities with higher environmental standards, or by alternative modes of electricity generation. In both cases, Canada's environmental performance with regard to electricity generation is expected to improve.
- New hydroelectric capacity is expected to play a major role in replacing Canada's coal production, which is particularly advantageous to Quebec and Atlantic Canada. Newfoundland and Labrador's Lower Churchill project is an example of a hydroelectric project that could supply energy to the United States, especially New England. Newfoundland and Labrador exports three times more electricity than it consumes.
- Challenges facing Canada-U.S. electricity trade include: a lack of clarity on North America's electricity supply mix when coal plants reach the end of their useful life; insufficient transmission infrastructure in the United States; and growing protectionism, particularly in the United States, regarding energy imports.
- There is a need for more Canada-U.S. cooperation on energy issues, including:
 - a bilateral policy framework to improve both the potential of hydroelectricity in eastern Canada and electricity infrastructure in the United States in order to maximize the benefits of Canadian energy imports;
 - some form of a national energy plan for Canada in order to improve the certainty of Canada's energy outlook for stakeholders on both sides of the shared border; and
 - a bilateral energy efficiency roadmap that would harmonize efficiency standards in order to improve North America's overall competitive advantage.

MAXIMIZING THE POTENTIAL OF EACH REGION'S ENERGY RESOURCES

Ian L. Forsyth, Director, Corporate Planning and Business Strategy, Nissan Canada Inc.

- The Intergovernmental Panel on Climate Change (IPCC) recommends that carbon dioxide emissions be reduced by 90% over the 2000 to 2050 period, which is a significant challenge, particularly for the transportation sector.
- The Nissan LEAF, which is a battery-powered vehicle, does not emit any greenhouse gases. The vehicle meets all of Nissan's safety and operational standards.
- In order to improve the viability of electric vehicles, collaboration among national and local governments, electricity suppliers and other specialists is essential.

- In terms of reducing greenhouse gas emissions, the energy source used to operate electric vehicles is an essential consideration.
- Preparing electric vehicles for the European market would require that North American standards be compatible with European infrastructure.

Chul Hee Jo, Professor, Inha University

- Tidal power is reliable, predictable and suitable for South Korea.
- There are many potential sites for tidal current power in coastal Korea.
- Community buy-in is essential before the development of tidal power projects.

Steve J. Rourke, Vice President, System Planning, ISO New England

- About 47% of proposed energy projects in New England are natural gas projects, and 49% are renewable energy projects, mostly wind.
- Natural gas use in New England has risen significantly in the past 20 years, while oil use has fallen over the same period.
- The production of renewable energy in New England, particularly wind, is increasing, and can have an expanded role in the region's energy future. The best potential for wind energy is in the northern and offshore areas of New England.
- Wind energy involves a number of advantages and challenges in New England:
 - Wind energy enhances the region's fuel diversity and renewable energy portfolio, and eliminates the fuel costs associated with other energy sources.
 - A combination of on-shore and offshore wind energy projects could produce about 20% of New England's energy needs and reduce the greenhouse gas emissions of the region's energy sector.
 - Wind energy has a high capital cost, involves siting and operational concerns, and may face economic challenges considering the currently low prices of natural gas.
- A number of measures could improve New England's wind energy prospects:
 - additional investment in transmission infrastructure to facilitate the integration of large-scale wind projects;
 - centralized wind-power forecasting in order to improve the predictability of wind energy resources; and
 - employment of natural gas plants in conjunction with wind energy plants in order to manage the variability of wind resources.
- A range of factors will likely affect future changes in New England's energy generation options:
 - the relatively low cost of natural gas, which could further displace other energy resources;
 - upcoming U.S. Environmental Protection Agency rules, including the Utility Air Toxics Rule, the Clean Air Transport Rule, the Cooling Water Intake Rule and the rules on Coal Combustion Residuals; and

- aging fossil-fuel plants since, as of 2030, 8,600 megawatts (MW) of coal and oil units will be more than 50 years old, 4,300 MW will be more than 60 years old and 1,200 MW will be more than 70 years old.
- Transmission projects throughout New England have improved the viability of renewable energy integration and energy trade with eastern Canada.
- Additional transmission infrastructure is required to facilitate the integration of large-scale wind developments and improve the viability of energy imports from Canada. Potential transmission lines from Quebec and New Brunswick could provide approximately 22% of New England's energy.

A DISCUSSION OF SHORT-SEA SHIPPING OPPORTUNITIES FOR EASTERN CANADA AND NEW ENGLAND

John Henshaw, Executive Director, Maine Port Authority

- Short-sea shipping is beneficial for North American businesses, and could be used to improve the efficiency of trade between Canada and the United States.
- Short-sea shipping provides good opportunities for import and export cargo.
- The benefits of short-sea shipping should be made evident to shippers.

Michael A. Leone, Port Director, Massport

- Short-sea shipping is the most environmentally sustainable way of moving freight in the long term. It has the potential to eliminate truck congestion and reduce diesel emissions.
- Short-sea shipping is cost-effective, as it reduces the need for costly highway maintenance.
- A short-sea shipping network, possibly linking Halifax, Nova Scotia, Boston, Massachusetts and Portland, Maine, is needed to improve the movement of goods between eastern Canada and New England.

Percy Pyne IV, Chair and Co-founder, American Feeder Lines Holdings Ltd

- North America could become more economically competitive by advancing short-sea shipping networks.
- Reliability and frequency are essential components of a successful short-sea shipping network.
- Improved short-sea shipping services and infrastructure would make Canada-U.S. trade more dynamic. The ultimate goal is to be able to connect Halifax, Nova Scotia to Miami, Florida and every port in between.

AN UPDATE ON THE LOWER CHURCHILL DEVELOPMENT

Ed Martin, President and Chief Executive Officer, Nalcor Energy

- Newfoundland and Labrador's goal is to maximize the province's potential as an energy producer and exporter.
- Newfoundland and Labrador's energy capacity includes: 6,700 MW of developed and 6,000 MW of undeveloped hydroelectric capacity; 51 MW of developed and 5,000 MW of undeveloped wind energy capacity; 2.75 billion barrels of discovered oil and 6 billion barrels of undiscovered oil; and 10 trillion cubic feet of discovered natural gas and 60 trillion cubic feet of undiscovered natural gas.
- The inadequacy of transmission infrastructure in eastern Canada is the biggest challenge facing Newfoundland and Labrador's Lower Churchill development.
- The Lower Churchill project presents significant employment opportunities for eastern Canada.
- Improving the connectivity of transmission infrastructure will improve the overall reliability of Newfoundland and Labrador as an energy supplier to other eastern Canadian provinces and to New England.

Chris Huskison, President and Chief Executive Officer, Emra

- The goal of Nova Scotia's Renewable Electricity Plan is to supply 40% of the province's energy from renewable energy sources by 2020. Large-scale hydroelectric projects are essential to achieving this goal.
- The Lower Churchill project presents attractive economic and employment opportunities for the eastern Canada.
- Improving the connectivity of energy transmission infrastructure in eastern Canada and New England will strengthen the region's ability to incorporate additional renewable energy capacity, such as wind and tidal.

Respectfully submitted,

Hon. Janis G. Johnson, Senator
Co-Chair
Canada-United States
Inter-Parliamentary Group

Gord Brown, M.P.
Co-Chair
Canada-United States
Inter-Parliamentary Group

Appendix

U.S. States in the NEG/ECP

- Connecticut
- Maine
- Massachusetts
- New Hampshire
- Rhode Island
- Vermont

Canadian Provinces in the NEG/ECP

- New Brunswick
- Newfoundland and Labrador
- Nova Scotia
- Prince Edward Island
- Quebec

Travel Costs

ASSOCIATION	Canada-United States Inter-Parliamentary Group
ACTIVITY	35th Annual Conference of New England Governors and Eastern Canadian Premiers
DESTINATION	Halifax, Nova Scotia, Canada
DATES	July 10-12, 2011
DELEGATION	
SENATE	Hon. Janis G. Johnson, Senator, Co-Chair Hon. Wilfred P. Moore, Q.C., Senator
HOUSE OF COMMONS	Mr. Terrence Young, M.P.
STAFF	Mrs. Angela Crandall, Executive Secretary Mr. Mohamed Zakzouk, Advisor
TRANSPORTATION	\$1,414.74
ACCOMMODATION	\$2,526.10
HOSPITALITY	\$Ø
PER DIEMS	\$618.70
OFFICIAL GIFTS	\$Ø
MISCELLANEOUS/REGISTRATION FEES	\$Ø
TOTAL	\$4,559.54