



Government
— of —
Saskatchewan

Minister of Crown Investments
Corporation

Legislative Building
Regina, Canada S4S 0B3

November 2, 2023

The Honourable Steven Guilbeault, P.C., M.P.
Minister of Environment and Climate Change
House of Commons
OTTAWA Ontario K1A 0A6
ministre-minister@ec.gc.ca

Dear Minister Guilbeault:

The Government of Saskatchewan is committed to achieving net-zero emissions from the provincial electricity sector by 2050. This past May, Premier Scott Moe unveiled our province's plan to ensure Saskatchewan families and businesses continue to have access to safe, reliable, and affordable power.

SaskPower is committed to reducing emissions and supplying Saskatchewan residents with clean power. However, the targets imposed by the federal government's Clean Electricity Regulations are unaffordable, unconstitutional, technologically and logistically unattainable, and will jeopardize the reliability of our power grid. The potential harm the regulations will cause is not confined to the production of electricity or the utility itself; the harm also extends to industrial and commercial users of our grid, and financially vulnerable people who will be faced with rising costs of power and goods that require power.

Our goals, by contrast, are to achieve a net-zero target under realistic and sensible timelines and conditions so as not to undermine the affordability and reliability of electricity production in Saskatchewan.

The main points I wish to emphasize in this submission concerning the Clean Electricity Regulations (CER) are as follows:

- **Unaffordable:** The CER imposes financial burdens that are neither feasible nor realistic on Saskatchewan.
- **Unconstitutional:** The CER represents another serious instance of federal overreach into provincial jurisdiction.
- **Unattainable:** The CER's targets remain technologically and logistically impossible to meet.

Unaffordable:

The costs associated with the CER are unaffordable and present unacceptable risks to both the financial and physical well-being of Saskatchewan families and businesses.

The federal plan is expected to cost approximately **\$40 billion** in our province alone from now until 2035. Saskatchewan is not the only jurisdiction noting how Environment and Climate Change Canada (ECCC) significantly underestimates the costs of this policy. For instance, the Conference Board of Canada puts the nationwide cost of the clean electricity transformation at \$1.7 trillion, and the Université de Montreal at \$1.1 trillion. Other provinces too, like Ontario, cite provincial costs between \$375 and \$425 billion.

Further constraining the achievability of the CER is the grossly insufficient federal funding plan, which at present is not even adequate to cover what would be needed in Saskatchewan. While the federal government announced a tax credit as the primary fiscal instrument to enable compliance with the CER, it is unhelpful and uncooperative that eligibility is conditional on provinces being near-zero by the unrealistic target of 2035.

The cost of the federal regulations will mean electricity rates will more than double. **SaskPower projects rates will need to increase 107 per cent by 2035 to cover the costs imposed by the CER and coal regulations.** The magnitude of such a rate hike will price out residents from the electricity market altogether. This presents an unacceptable additional cost stacked on top of other federal taxes and regulations, such as the carbon tax.

The rate increase necessitated by the CER will also erode the viability of our industries, which will also negatively impact employment; and with fewer people working, fewer residents will be able to afford the costs from the CER in turn. Many of Saskatchewan's core industries are export and resource based. This means they are largely price-takers in the global market for their goods, making passing along increased input costs, such as from electricity, impossible. The lack of access to affordable energy as proposed under the CER will not only harm individuals, but also the Saskatchewan economy at large.

In this context specifically, a victim of the CER will be SaskPower workers. The imposition of federal standards dictating that provincial generating units be near-zero emitting by 2035 jeopardizes the employment of hundreds of SaskPower workers. Under the CER, 65 per cent of Saskatchewan's current electricity production would be shut down. Not only is this a threat to the reliability of our power supply but also the certainty that many Saskatchewanians remain gainfully employed in our province.

The federal government acknowledges that the CER will have disproportionate impacts on lower income households. **The federal government's own *Regulatory Impact Assessment Statement (RIAS)* published alongside the CER in August reveals that Saskatchewan is one of three provinces where consumers would pay significantly higher electricity rates until at least 2050, and where people in lower income households will face an especially larger share of the costs relative to their income.** This is because lower income households spend a higher proportion of income on electricity, up to ten per cent. These are the same households that are already experiencing energy poverty and making tough day-to-day decisions due to inflation and the increased cost of living as a result of other federal policy choices, like the carbon tax.

The federal government claims that the proposed regulations "have been designed to effectively exempt most Indigenous communities." The regulations disappointingly assume that Indigenous communities are somehow not connected to provincial electricity grids. While Saskatchewan's population is geographically dispersed, SaskPower operates and maintains a grid that supplies all but one remote Indigenous community. Of the 17 per cent of Saskatchewan residents who identify as Indigenous, almost half live in cities. Indigenous people in Saskatchewan are by no means exempt from the harms of the CER.

It would be irresponsible of the federal government, at a time when so many Canadians are facing cost of living challenges, to further jeopardize Saskatchewan residents, be it in the form of increased costs for electricity or goods. Or even threatening one's very well-being by limiting one's ability to stay warm in the winter due to lack of reliable, affordable power.

Saskatchewan remains committed to building out a reliable power grid that is affordable and accessible to our residents. This work includes investing in low or non-emitting technologies in a practical way over the coming years that ensures power rates stay affordable and competitive, in contrast to the punitive rate hikes and costs that the CER will impose on Saskatchewan and its residents.

Unconstitutional:

The CER represents another serious overreach by the federal government into provincial jurisdiction.

The draft regulations as written contravene section 92A(1) of the *Constitution Act, 1867*, where provinces are assigned exclusive jurisdiction for the “development, conservations and management of sites and facilities in the province for the generation and production of electrical energy.” The power to regulate these facilities includes the power to regulate their environmental effects, including their GHG emissions.

As a Crown Corporation, SaskPower is able to make commercial decisions through the lens of provincial public policy goals. The CER undermines this governance model of provincial Crown-owned utilities by constraining commercial choices and imposing federal will on provincial decision making. The federal proposal is not to build a national net-zero electricity grid, but rather dictate that provincial electrical generating units must be near-zero by 2035. While there is no “national electricity grid” in Canada, the nation has a set of provincial grids to reflect the structure of local electricity markets, available generation operations, constitutional authority, and policy choices of successive provincial governments.

As the majority of the Supreme Court of Canada recently stated in *Reference re Impact Assessment Act*, “[the federal] scheme intrudes more than incidentally into the provinces’ constitutional sphere. As I explained, that sphere encompasses exclusive legislative jurisdiction to regulate in areas including property and civil rights in the province (s. 92(13)), matters of a local nature (s. 92(16)), local works and undertakings (s. 92(10)), and non-renewable natural resources, forestry resources, and electrical energy (s. 92A).” We expect the federal government to heed the Supreme Court’s advice and refrain from further intruding into areas of exclusive provincial jurisdiction.

The CER represents another concerning example of federal jurisdictional overreach. While there is potential for federal-provincial cooperation on achieving common goals towards net-zero through SMRs, a dictated, top-down federal policy that intrudes on our province’s constitutional jurisdiction is unhelpful and unwarranted.

Unattainable:

At the end of the day, despite the many concerning financial and legal issues the CER present, the federal plan is simply technologically and logistically unfeasible and unattainable.

Saskatchewan’s electrical grid took 90 years to build. If the draft CER becomes law in 2025, as proposed, we would have to (re)construct over 100 per cent of our publicly-owned electrical system in just ten years. Given that a single generation project takes seven to ten years to commission, the CER’s timelines are summarily unrealistic.

Decisions about electrical supply planning ought to be driven by the local provincial authorities that prioritize grid reliability, affordability and access for ratepayers, as opposed to abstract federal computer models. Officials have repeatedly raised concerns about the accuracy of various federal modelling and data. Small parts of the federal model are just now being shared with SaskPower and Crown Investments Corporation – just before the end of the CER Gazette 1 comment period. The gaps in federal modelling mean that local realities are not accurately depicted. For example, the federal CER modelling does not properly account for the inadequacy of interprovincial transmission capacity and availability of power. The federal government also admitted that it has not yet modelled the direct effects and potential harm of the CER on Saskatchewan.

This is yet another reason why electrical supply planning in Canada should be done by utilities informed by provincial policy goals, in accordance with provinces' constitutional authorities and local market realities, and not by the federal government relying upon abstract computer models.

At the core of the regulations is the imposition of a performance standard that SaskPower is unable to meet. The standard imposes an "average annual emissions rate" of 30 tonnes of CO₂ per gigawatt hour (t/GWh). None of SaskPower's thermal units are able to meet that standard. The CER will effectively shutter, or severely restrict the use of, more than 2,300 megawatts (MW) of SaskPower-owned generating capacity. This runs contrary to the federal policy's own goals of "avoiding stranded assets" which the CER will do under current timelines.

SaskPower also purchases power from independent electricity producers operating at industrial and co-generation units, which are also unable to meet the CER's performance standards. This represents an additional 600 MW that will be eliminated and replaced with less efficient boilers for steam power at sites. This all comes on top of the retirement of Saskatchewan's 1,420 MW of conventional coal facilities by 2030. Apart from natural gas, there is no adequate replacements to bridge this large of scale baseload capacity between 2030 and 2035. That is in part why as part of Saskatchewan's plan, we fully intend to run our fossil-fuel assets until end of life to ensure our grid remains stable, affordable and reliable.

Projects already underway are necessary interim steps in Saskatchewan's plan to maintain a reliable grid while transitioning away from conventional coal and towards net-zero by 2050. The essential role of natural gas as a bridging technology has been emphasized to ECCC numerous times by provincial governments and utilities across the country. Saskatchewan must build new baseload power now, using natural gas-fired generation to move away from conventional coal by 2030; however, the CER mandates that these new gas units would face severely restricted operations come 2035.

Officials will be submitting further data from SaskPower and the Government of Saskatchewan outlining how incongruous and incompatible the CER is with our province's electrical grid.

The CER remains unfeasible for Saskatchewan without an alternative and reliable source of baseload power in the near-term until such technologies exist, such as Small Modular Reactors (SMRs) and further carbon capture technologies to bridge the transition to net-zero.

Saskatchewan's path to net-zero relies on the future successful deployment of SMRs, carbon capture on natural gas, long-term utility-scale energy storage, transmission interties with other jurisdictions combined with smart grid management. The pre-commercial stage of many of these technologies make for significant uncertainty for reliability and future cost profiles.

For instance, the assumptions made in the CER about carbon capture technology on natural gas-fired generation download significant risks onto the provinces and utilities. The CER proposal to enforce a 40 t/GWh emissions standard during the optimization of carbon capture and storage-enabled (CCS) units, and only until 2039, does not align with SaskPower's experience of what is feasible during the commissioning and optimizing of a carbon capture system. The federal government would do well to learn from SaskPower, the only electrical utility in the country that has experience with building utility-scale CCS technology.

This demands prudent supply planning, not extravagant risk taking, as the CER contemplates, to get to an artificial deadline of 2035. Saskatchewan's electricity plan reflects that a smoother investment profile from 2025 to 2050 will achieve the lowest possible costs with the most realistic deployment of new technological innovations. We would hope that the federal government shares our goals of deploying SMRs in Saskatchewan along with other prudent investments to lower our emissions. However, given the federal government's targets, we equally feel that the Government of Canada should therefore shoulder and share much of the technological risks, financial risks and costs associated with achieving net-zero.

While we continue to work towards improving our electrical utility, as evidenced by past investments in carbon capture technology at Boundary Dam and envisioning a strategy to deploy SMRs, the technological and logistical underpinnings of the CER are flawed. The regulations as proposed present burdens that cannot be overcome by 2035 through existing technologies or the stark realities of provincial electrical grids.

A Path Forward

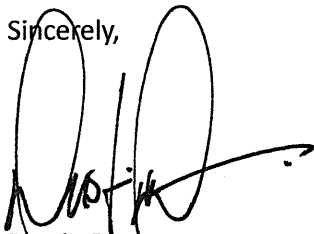
Saskatchewan is fully committed to achieving a net-zero power system by 2050. What we are not prepared to do is risk the affordability and reliability of our provincial power grid to attempt the impossible and achieve an arbitrary federal target date. The CER as drafted is not financially, logistically or technically feasible for Saskatchewan.

No minor tweaks or adjustments can adequately address the fundamental flaws in these regulations. As such, the Government of Saskatchewan insists that the CER must not proceed as currently proposed. Further, any replacement regulations must be fundamentally redeveloped in partnership with Canada's provinces and territories.

The Government of Saskatchewan looks forward to working with the federal government where we can to build clean electricity generating facilities needed to achieve net-zero. At the same time, our government will do everything within our power to protect the affordability and reliability of our power grid. We will also continue to reaffirm Saskatchewan's exclusive provincial jurisdiction, as enshrined in the Constitution, over electrical power generation.

We hope the federal government will acknowledge and accept Saskatchewan's plan to protect and grow Saskatchewan's economy and ensure the continued viability of our power grid and publicly-owned Crown utility for generations to come.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dustin Duncan', with a long horizontal flourish extending to the right.

Dustin Duncan

Minister of Crown Investments Corporation

cc: Kent Campbell
President and CEO, CIC

Rupen Pandya
President and CEO, SaskPower