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September 22, 2009

Office of the Auditor General of Canada
240 Sparks Street
Ottawa, Ontario
K1A 0G6 Canada

***** BY FAX @ (613) 957-0474 AND MAIL *****

Dear Sirs/Mesdames:

Re: Green Infrastructure Funds and the Northwest Transmission Line

We write to draw to your attention the Prime Minister's recent announcement that the Green Infrastructure Fund (the Fund) will contribute \$130 million to the proposed Northwest Transmission Line (NTL) in British Columbia. We submit that this expenditure does not accord with the purposes to which Parliament allocated the Funds, that it is an inefficient means of meeting the fund's goals and that it does not demonstrate due regard to the environment. For the reasons that follow, we ask that you investigate this transaction, and, if you feel it is appropriate, report to Parliament on the use of the Fund in this case and/or more generally.

The Mandate of the Auditor General

As you know, your office is charged with reviewing the accounts of Canada, and specifically you may report to the House of Commons up to three times a year on "any cases in which [you have] observed that:

- (c) money has been expended other than for purposes for which it was appropriated by Parliament;
- (d) money has been expended without due regard to economy or efficiency; ... or
- (f) money has been expended without due regard to the environmental effects of those expenditures in the context of sustainable development.¹

In this letter we will address why we think that each of these in turn has occurred by funding the Northwest Transmission Line out of Green Infrastructure Funds.

While we are an environmental organization, this issue raises not just environmental concerns, but basic issues of financial accountability. Clearly the government could choose to fund the NTL, but to do so out of funds set aside for environmental purposes is clearly inappropriate.

¹ *Auditor General Act*, R.S.C. 1985, c. A-17, s. 7(2).

Purpose of the Fund

The Green Infrastructure Fund was created by Parliament in section 303 of the *Budget Implementation Act, 2009* which provides simply:

303. There may be paid out of the Consolidated Revenue Fund, on the requisition of the Minister of Transport, in accordance with terms and conditions approved by the Treasury Board, a sum not exceeding two hundred million dollars to support *infrastructure projects that promote a clean environment*. [Emphasis added]²

This is the only section of the Act dealing with the Fund, and “infrastructure projects that promote a clean environment” is not defined, but those words have a clear and ordinary meaning.

While the maximum allocation for the Fund for 2009 is two hundred million dollars, the government has announced publicly an intention to continue the fund for the next 5 years, for a total of one billion dollars.

The government has, of course, developed its own criteria for the allocation of these funds, further defining what it takes to be meant by “infrastructure projects that promote a clean environment”, but as a matter of law such policies cannot justify funding projects that are at odds with what Parliament has stated to be the purpose of the Fund.

The government has stated:

Eligible projects are those that promote cleaner air, reduced greenhouse gas emissions, and cleaner water and fall within any of the following categories: wastewater infrastructure; green energy generation infrastructure; green energy transmission infrastructure and solid waste infrastructure, and carbon transmission and storage infrastructure.³

The Northwest Transmission Line is a 335-kilometre, 287 kV transmission line which would run alongside Highway 37 in the Northwest of the province.

The government states two reasons for its claim that this massive transmission line project is about green infrastructure. First, the Prime Minister stated that the NTL would “benefit local communities by providing them with the potential to access clean electricity in the future, thereby reducing their reliance on diesel generation...” In actual fact the transmission line as proposed will not extend as far as the communities of Iskut, Deas Lake or Telegraph Creek – the main communities in the region. The Prime Minister’s statement seems to imply that this transmission line will have immediate benefits for these communities, when in actual fact the promised benefit may occur far in the future or not at all.

Second, the government estimates that there is the potential to build 2000 megawatts of renewable energy in the area from small hydro, geothermal, wind and biomass sources. Indeed, the government backgrounder notes that almost 500 MW of potential generation projects in the area are being considered under B.C. Hydro’s current Clean Power Call, and implies that all of these projects would be built and “immediately served by the Northwest Transmission Line project.” While there is significant potential for renewable power generation in the region, very few of these projects are currently built, and there are equally impressive power generation opportunities elsewhere in the province that are closer to existing transmission lines and/or which require less costly infrastructure to access the grid. To our knowledge, provincial government planning to identify what transmission lines should be built to best and most cost-

² *Budget Implementation Act, 2009*, S.C. 2009, c-2, s. 303.

³ Backgrounder: NorthWest Transmission Line in British Columbia, September 16, 2009, <http://www.pm.gc.ca/eng/media.asp?id=2820>, last accessed September 18, 2009

effectively provide access to the grid for potential renewable energy generation is at early stages,⁴ and we are not aware of any data suggesting that the NTL should be a high priority from the point of view of renewable energy.

Unmentioned in the Prime Minister's announcement are the 5 major mines proposed for the region which represent 97% of the region's anticipated energy demand.⁵ And yet, mining companies have been among the most vocal proponents of the Northwest Transmission Line.⁶ Indeed, an earlier proposal to build the transmission line originated as a means of servicing the Galore mine, with the mine expected to contribute \$158 million to the NTL, and stalled as a result of the mine having financial difficulties.

The logical result of the government's claim is that any and all transmission lines "promote a clean environment," provided that there is at least some potential for renewable power generators to hook into the transmission line, and regardless of associated environmental impacts. It cannot have been Parliament's intention to have these funds used in such a manner.

In short, we do not believe that the NTL is being built to "promote a clean environment." Nor do we believe that it even meets the government's more specific stated objective of funding "green energy transmission infrastructure." The primary drive to build the project is to facilitate resource extractive industries, with only a secondary benefit to renewable power generation and communities. The claim that the project "promotes a clean environment" is to focus on a secondary and largely speculative benefit and fails to consider the broader environmental implications of electrification, including opening a large area up for urban development and reducing the costs of resource extractive industries.

Economy or Efficiency

In the alternative, if the government is truly attempting to promote a clean environment through funding for the NTL, due to the stated benefits for local communities and renewable power, it represents an inefficient and costly way of achieving these benefits.

In terms of local communities, few communities will actually be added to the grid as a result of the NTL. The communities in the region could be provided with reliable and renewable power far more cheaply by focussing on building regional renewable-based power systems to service those communities.

In terms of renewable power, as noted above, there is little evidence that this public infrastructure spending is cost effective even as compared to other transmission infrastructure projects in the province. When compared to the environmental benefits per dollar spent of other non-transmission environmental

⁴ The BC Government has charged the province's Utilities Commission with holding an inquiry under section 5 of its Act (known as the "Section 5 Inquiry") with respect to the province's "long-term infrastructure for electricity transmission", including consideration of the appropriate transmission infrastructure required for renewable energy and a prioritization of the construction of that infrastructure. The Section 5 Inquiry process, which began earlier this year, is expected to release a draft report in late June 2010.

⁵ These mines are: Galore Creek, Shaft Creek, Red Chris, Mount Klappan, and Kutcho Creek. For discussion of these mines and their demand for power see Pembina Institute. Sizing it Up: Scenarios for Powering Northwest British Columbia, downloaded from <http://pubs.pembina.org/reports/sizingitup-primer.pdf>, last accessed September 18, 2009.

⁶ Mining companies were quick to applaud the Prime Minister's announcement. See, for example, Sky-line Gold's press release: <http://in.sys-con.com/node/1111398>, last accessed September 18, 2009.

infrastructure projects, such as developing energy efficiency infrastructure or building public transit infrastructure, the cost efficiency of the NTL pales in comparison.

Regard to Environmental Effects

One would expect that green infrastructure spending would be made with a special attention to its environmental effects. Unfortunately, this does not appear to have been the case here.

As noted above, the primary purpose of the NTL is to decrease the cost of mining operations in the region. It does not appear that there has been any consideration of whether the environmental impacts of the planned mining projects render it inappropriate to fund the NTL through Green Infrastructure Funds.⁷

Even to the extent that the project is about connecting renewable energies to the grid, there does not appear to have been even a passing recognition of the fact that such projects can, themselves, have environmental impacts which may undermine their “green credentials.”⁸

Moreover, so far as we understand there has been no environmental assessment of this project prior to announcing this funding.⁹ While it may be that this announcement does not amount to a formal approval of the expenditure, the commitment to fund is at least politically binding, and it is unclear what consideration of the environmental impacts of the NTL occurred.

We would ask your office to examine the extent to which the decision to fund the NTL out of Green Infrastructure Funds had due regard not only to the environmental impacts, and non-environmental benefits, of this project, but also with regard to the foregone opportunity to fund other, more effective environmental infrastructure through these funds.

Comment on other projects

While the focus of this letter is on the NTL, the fact that the Prime Minister would seek to fund mining infrastructure out of funds set aside for Green Infrastructure raises disturbing questions about the management of this Fund more generally. Given the importance of effective funding of infrastructure intended to build a new, sustainable economy, these funding decisions warrant a high level of scrutiny.

It is also worth noting that although environmental assessments appear to still be required in relation to funding for transmission infrastructure, the government has purported to exempt much of its funding

⁷ Preliminary research by the Pembina Institute suggests that the increased mining development in the region could have the effect of increasing the region’s Greenhouse Gas emissions by as much as 820,000 tonnes per year – over 12 times the region’s current level of emissions.

⁸ While we are not opposed generally to micro-hydro and other renewable energy projects, the current legal regime has not been effective in ensuring that such projects are appropriately sited and constructed in a way that will minimize their environmental impacts. For some discussion of these impacts and related issues, see our Independent Power Projects (IPP) in British Columbia Background, at <http://www.wcel.org/articles/IPP-QandA.pdf> (last accessed September 21, 2009)

⁹ The federal government generally harmonizes its assessments with the BC government. As recently as March of this year Transport Canada was making submissions to the BC Environmental Assessment Office on the scope of the BC assessment for the Northwest Transmission Line. The BC EAO currently lists the assessment at the pre-application stage. There is no record in the Registry (as at September 18, 2009) established under the Canadian Environmental Assessment Act of a separate assessment of the NTL.

schemes from any environmental assessment requirements through recent amendments to the *Exclusion List Regulations, 2007* under the *Canadian Environmental Assessment Act*. For such projects, the Auditor General's responsibility to evaluate whether money has been expended without due regard to the environmental impacts of the project will be doubly important.

Conclusion

For the above reasons, we submit that the decision to fund the NTL out of funds intended for green infrastructure is irresponsible, and not in accordance with the intent of Parliament in allocating those funds. We would encourage your office to investigate these concerns and to report your findings to the House of Commons.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew Gage". The signature is fluid and cursive, with the first name "Andrew" and last name "Gage" clearly distinguishable.

Andrew Gage,
Staff Lawyer,
West Coast Environmental Law

- cc. Prime Minister Stephen Harper (by fax @ 613-941-6900 and mail)
- cc. Scott Vaughan, Commissioner of Environment and Sustainable Development (by fax only @ 613-941-8286)