

Introduction:

Alternatives North is pleased to present these comments on the discussion paper produced by the Government of the Northwest Territories, “Towards an Energy Strategy for the NWT.”

Energy – both how it will be supplied and consumed – is one of the most pressing issues that we face as northerners. This is not only the case due to Canada’s commitments to reduce green house gases (GHG) in accordance with the Kyoto Protocol, but also more generally, since the cost and availability of energy underpins most of the opportunities (and risks) we have available to us for environmentally friendly economic development. The choices we make with regard to energy will have a decisive impact on the sustainability of the world we leave for our children.

Rather than go through the questions that were posed in the discussion paper, this submission addresses certain broad themes that we see as fundamental to the choices we have to make about the future of energy production and consumption in the Northwest Territories. Since Alternatives North has limited resources, much of what we have to say necessarily takes the form of questions and suggestions for further analysis, rather than answers and solutions.

Although the discussion paper is generally very helpful, we do think that certain important issues are handled inadequately, or in one or two cases, missed entirely. Those areas, too, are identified.

Issues and Commentary:

Supply:

There is no mention of hydrogen as a potential fuel source (although fuel cell technology itself is mentioned). Considering the amount of hydro capacity that exists in rivers down the valley shouldn’t the NWT look now at the potential of converting it into hydrogen? We need to do it now because we might be able to either use the proposed natural gas pipeline, or a parallel pipe run in the same trench, to move it to markets within the territories, and maybe south. Note that Iceland has made the commitment to convert its economy from petroleum to hydrogen within seven years. They were able to adopt this strategy due, at least in part, to their abundant supply of geothermal sources but our hydro supply, especially if augmented by other renewables such as wind where it is feasible, are also substantial.

Geothermal sources are discussed in the paper but the prospect of using the two mines in Yellowknife as sources for community energy programs (after they go out of production) is not. Promising local opportunities, such as these, have a place in the overall NWT energy strategy.

Regulatory powers:

It is obvious that governments need to take a more hands-on regulatory role in the development of the mining industry. The data provided shows that each new mine adds 10 per cent to the territorial GHG production figures. Allowing the mines to choose the energy source regardless of “external” costs is not acceptable (see the Full Cost Accounting section below). As a condition for their being given access to NWT resources, they must be required to develop their operations in ways that maximise benefits - and minimise the harm - to northerners. This may mean that they are required to utilise hydro or some other renewable that is going to be useful to northerners during the life of the mine or afterwards. Certainly no further mine development that depends on power generated using fossil fuels should be allowed.

We in the NWT may also need to think about whether the proliferation of “local” environmental review bodies is good or not. Author Noam Chomsky makes an effective argument that decisions made by decentralised institutions “closer to the people” are only good theoretically, that decentralised public decision-making opposed to ever more centralised corporate power simply disadvantages the public interest. The paper doesn’t take a position on this issue, it just describes the current (and developing) situation which is resulting from land claim settlements. As important as land claims are, and as desirable as local control of regional resources may be, the NWT and all its constituent parts, need to examine whether such Balkanization really serves the interests of any northern group or organisation - be it an individual First Nation or any local community. Such a consideration is obviously fundamental to an overall territorial energy strategy, and therefore must be consciously made after a full and focussed public debate.

Free Trade:

The paper talks repeatedly about NWT energy participating in “North American” markets, yet no where does it discuss the implications of free trade deals on either our economic development prospects (the risks of “proportionality” rules in NAFTA, for example), or on our democracy. The paper also observes that there is a market for electricity due to America’s wish for a continental energy market, but fails to address the resulting risks to health and social programmes and to the environment that result from corporate and foreign governments demanding deregulation as a precondition. There is also no discussion of who is benefiting, either nationally or business/consumer from free trade in energy arrangements. The neglect of these issues is a fundamental shortcoming of the paper that needs to be remedied. The Government should contract a critical tax policy consultant who can provide an analysis of the risks associated with free trade. It could use this information to balance the generally positive analysis it now receives from sources both within its own bureaucracy and from the sources it normally looks to from without (like the federal government’s DFAIT).

Many believe that if northerners really want to be environmentally responsible, we

should produce energy for local markets, not for export. This issue has not been fully discussed by northerners. Before a strategy is finalised that assumes exports are a 'good', there needs to be an effort made to ensure that the public understands the full range of possibilities and outcomes, and that it generally endorses the strategy.

Energy Demand - Transportation:

The transportation sector is the biggest energy consumer in the NWT using fully two-thirds of the fuel consumed. The GNWT needs to examine alternatives to the present most heavily used modes (especially air and truck). Instead of pouring huge sums of money into what appear likely to be dead-end projects like "roads to resources", it makes strategic sense for the Territories to look closely at more energy efficient modes such as rail (or possibly lighter-than-air technologies) to meet at least a portion of our ongoing needs for long distance hauling and passenger movements. As long as we rely on energy intensive modes of travel we're not going to be moving ahead. Furthermore, a major move into an alternative transportation mode would likely be a substantial economic development project in itself. The energy strategy needs to step back and examine the options which might be tomorrow's solution, as well as proposing ideas to maximise efficiency in the old, existing technologies we use today. Not to do this might mean we are throwing good money after bad, rather than investing precious public dollars where it will do the most good in the long term.

Role of Market Forces:

The paper rightly identifies market forces as an important tool to be used to achieve greater energy efficiency. It also mentions that present public subsidy programmes hide from consumers the real cost of energy. The paper suggests, as a matter of philosophy, that the government should move away from subsidies and towards freer markets. Because pricing can be one of the most effective tools to encourage energy conservation, Alternatives North subscribes to this position. But at the same time, the discussion paper does not assume the clear - and to our mind *proper* position, that energy is an essential commodity, one that must be provided to every NWT household as a matter of survival. Energy must be perceived and maintained as a publicly owned and publicly controlled utility. Then, as we move to invoke "market disciplines" to reduce subsidies, it will be easier to ensure that the needs of (especially low income) northerners are accommodated. Creative funding arrangements should be developed that use price and savings incentives to achieve energy conservation without leaving any northerners to "freeze in the dark." For example, a universal, permanent grant that offsets the higher costs of energy that result from full cost pricing could be paid to all NWT households as a rebate on their energy bill. As long as this subsidy is independent of actual energy used, the incentive to reduce consumption (made more worthwhile by higher prices) would continue to be effective.

The discussion paper talks about government's role in subsidising the development

and implementation of new technologies. Alternatives North's position on subsidies to business - including alternative energy businesses - remains as it has been in the past: subsidies must be made only when it's in the public interest and to achieve a public purpose, not just to foster "business". As well, where possible subsidies should be made in ways that provide the public sector with equity involvement in the funded project(s), including a return on this investment equivalent to those a private investor might expect (with the possible exception of a reduced risk premium). Amorphous promises of jobs, expecting/hoping for benefits through business taxes or waiting for royalties don't cut it.

In the discussion paper it is said, "With respect to utility regulation, the objective is to balance the interests of the consumers and the utility companies." Although Alternatives North agree with this statement as far as it goes, the devil can certainly be in the details. Business interests are not on par with those of consumers of essential goods (i.e., private interests can never be allowed to trump the well being of the general citizenry or the public interest).

It seems to be a "goal" of the NWT energy strategy is to foster profitable private energy businesses. The private sector may have a role to play in either the generation or distribution of energy but such involvement should be permitted only when it is in the overall interests of the people of the NWT. And as stated before, general claims that *any* economic activity is *good* activity must be challenged.

As a final point, it's noteworthy that the discussion paper refers to the successes of provinces like B.C., P.Q. and Manitoba in developing energy export strategies which benefited their citizenry. None of them did it through privatisation.

Distributed Energy Generation:

Distributed energy generation is a good idea in theory and probably in practice. There are at least three issues that concern Alternatives North: 1. NTPC should not be dismantled. On the contrary, the mandate of the corporation should be adjusted to make it a more substantial player in the economic sphere, mandating it to participate in schemes that foster appropriate economic activity and greater energy efficiency; 2. flowing from the foregoing point, distributed power generation must not be seen as a means of transferring another public service into the private sector. Recall that energy supply, especially in the north, is necessarily a utility, and utilities are natural monopolies, ill-suited to the unfettered market economy; and 3. subsidy and conservation programmes, pricing policy, including the laudable single NWT price idea proposed by some, etc., are more easily implemented (or at least accommodated) if delivered by publicly controlled institutions operating in the broader public interest.

Full Cost Accounting:

In a number of places in the document, the concept of "cost-benefit analysis" comes

up. There is no description, however, of what factors are taken into account when making the assessment. Therefore everything from the perceived viability of alternative sources of energy or modes of transportation, to the business choices the mines are making are based on incomplete, if not faulty, economics. The GNWT must take the position that a different accounting system - one that takes "externalities" fully into account - must be used when making energy policy decisions. GNWT regulatory mechanisms and internal policy changes are required to achieve this goal.

Diversification:

The discussion paper identifies the value of affordable energy to the eventual diversification of the NWT economy. The examples it offers, however, all focus on resource exploitation industries. Alternatives North remains convinced that small, locally controlled economic enterprises which are focused on meeting local needs is the only way the NWT is going to have a truly sustainable economy. It is acknowledged that lower energy costs could foster this form of economic development in the same way that it fosters mega-projects and resource extraction industries. As Alternatives North has recommended in other submissions it has made to the government, this area of economic activity is under-developed in the NWT at this time. Building retrofit programmes, maintenance of decentralised energy generation facilities (such as forestry-based biomass), etc., represent opportunities for economic development that create permanent, local economic activity and jobs. Before an energy strategy is finalised, a detailed analysis of these opportunities need to be undertaken. This is so in case a more sustainable economic development model requires a different energy strategy focus.

Concluding Remarks:

The discussion paper is an excellent first step but before some of the hard choices we face as a society can be made Alternatives North believes that more work needs to be done in the areas we have identified.

Before ending, Alternatives North wishes to thank the staff of the Energy Secretariat for the willingness they have shown to meet with representatives of Alternatives North, and for the patience they exercised in helping us achieve a better understanding of some of the very complex issues involved.

And a final word: Alternatives North readers of the discussion paper were struck by the list of concerns and interests held by Members of the Legislative Assembly of the Northwest Territories (as reported in Appendix B). Many of their views are identical to those which are promoted in this intervention. Why is it apparently so hard to translate what is obviously a "northern" position into public policy? To the mind of Alternatives North, and with all due respect, it must be due to a lack of sufficient political will to implement the changes that we want to see to make the world a better place to be. We encourage the Members of the Legislative

Assembly to implement their convictions. Our elected officials have the support of the people of the Northwest Territories to implement the ideas the discussion paper reports are desired. We wish our elected leaders courage and vision to implement the very promising energy future we can all see is possible.