

Notes d'allocution

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Thank you M. Schwartz.
Monsieur le gouverneur LePage,
Mme la délégué du Québec à Boston, Marie-Claude Francoeur,
Mesdames, messieurs, chers amis, bonjour.

Je suis heureux d'être aujourd'hui à Boston; alors que la Nouvelle-Angleterre, et en particulier le Massachusetts, est en pleine discussion sur son avenir énergétique et sur sa contribution à la lutte mondiale contre les changements climatiques. Nous sommes persuadés que grâce à ses caractéristiques, l'hydroélectricité québécoise peut faire partie des solutions aux défis qui se posent à la région dans ces domaines.

You've just heard of course that in Quebec we do celebrate our use of the French language. It is certainly an integral part of our collective identity, and our pride. It is also a significant part of New England's history. As Governor LePage and most Franco-Americans know very well, during the industrial revolution, a migration of French-Canadian families transformed the make-up of towns all across New England. It is estimated that over 2 million New Englanders can trace their origins to Québec. By and large these immigrants inter-married, assimilated and became part of the fabric of this region; it was their labour that powered its factories and industries.

So today New Englanders are seeking another type of energy from Québec. While I will focus most of my comments on our modern energy-trading relationship, it is important to note there are many chapters to our shared history.

The creation of Hydro Québec itself was a milestone for the people of Québec. Yet, the inspiration for this entity came from the Tennessee Valley Authority in the American south. The financing to develop this infrastructure was actually conducted on Wall Street. So we will always remember that American ideas and American firms partnered with us to make these accomplishments possible.

When the founders of Québec's modern energy systems were planning, they thought about our strategic long-term, cross-border, relationship, the interwoven nature of our societies and economies, and where our strengths lay. Today we would call it, 'creating a win-win'. But it is much more than that.

And this is how the story goes! One of my predecessors whom I admire greatly, Robert Bourassa, was Premier for 15 years between 1970 and 1994. On the eve of his re-election in 1985, Mr. Bourassa published a book called "Power from the North", which advocated for a strong hydroelectric trading relationship between Québec and this region, and Massachusetts in particular.

Referring to the northeastern US demand for Canadian hydroelectric resources, he wrote - and let's listen to his words:

"One thing is for certain – the need is there and will not subside. The question for the Northeast is whether it will continue its dependence on very expensive forms of energy which may damage the environment and do little to help the economy, or whether the U.S., as it has done so often in the past, will take decisive steps to protect its interests and in this case look to its neighbor to the north for a viable

alternative – a neighbor who is already its greatest trading partner and best friend in the world.”

And still today that is the case, as I say always to my American friends, “in good times and in bad times”.

When I read this same quote at the Governors and Premiers conference in Newfoundland in August, Governor Baker was kind enough to acknowledge that Bourassa’s words would be the perfect summary of his thoughts on this subject. So this morning I made sure, when I met him, to give him a copy of the book, and I gave the same gift to Governor Lepage.

To me, this book, published 30 years ago still illustrates our friendship with New England, and frames our relationship in the right context. It is more than something that can be traded on the stock market. It is historic and invaluable, and should be appreciated as such.

So this afternoon I will address our vital and broad trading relationship; the challenge of climate change; and the tools we have at our disposal: hydropower and other clean energies, carbon pricing, especially carbon markets and electrification of transportation.

A THRIVING BILATERAL ECONOMIC RELATIONSHIP

Canada and the US live along the longest de-militarized border in the world. This is something that too often we take for granted. We should be thankful to have each other as neighbours. Our relationship is therefore fruitful in many many ways.

In 2014: Québec purchased over 3.7 billion Canadian dollars’ worth of goods from New England.

Over a billion dollars of these purchases came from your State, and this makes us New England’s 5th largest client in terms of exports.

At the national level, Canada is the largest purchaser of goods from the US. In the case of Quebec imports from Massachusetts, we are mostly bringing in high tech or highly refined goods such as jet engines or engine components. We are also a major purchaser of recycled metals, refined precious metal products, medical devices, high tech computing medical equipment – in brief goods coming from your high end manufacturing sector, which of course is energy intensive and depends on stability and predictability of energy costs.

In 2014, more than 375 billion US dollars of exports went to Canada. The overall economic relationship between our countries is the largest bilateral relationship. If we include the trade in goods and services, and foreign direct investment, we are talking about a 1.4 trillion US dollar relationship. This economic relationship is at the core of our collective strength, and sets an example to the world.

There are also many companies that have a footprint on both sides of the border. Companies such as Bayliss Medical in Burlington, American Steel in Auburn, Brookfield Power in Marlborough, and Dorel Home Products in Foxboro, are all owned by parent companies in Québec. So Quebecers are investing and creating jobs in Massachusetts.

THE POSITIVE CONTRIBUTION OF HYDROPOWER to CLIMATE CHANGE GOALS and as a COMPETITIVE ASSET

So to maintain a competitive edge, our businesses on both sides of the border need affordable, stable and reliable base-load electricity. But there is an increasing awareness that this energy also needs to come from clean and of course renewable energy resources.

This is because we can no longer hide the externalities of our energy use. The costs of inaction are just too high: up to \$44 trillion according to a recent report from Citigroup.

I for one, am an optimist. The International Energy Agency recently reported that the global economy grew by around 3% in 2014, but energy-related carbon dioxide emissions stayed flat. This is the first time in at least 40 years that such an outcome has occurred outside of economic crisis.

Regionally, I think we have a lot of assets at our disposal to contribute to this global challenge. First of all, we have had tight coordination on cross-border energy and environmental issues since 1973, when the first New England Governors-Eastern Canadian Premiers conference was held. Québec still today is strongly committed to this forum. At this conference in Newfoundland earlier this year, we set ambitious regional targets, to reduce carbon emissions by 35-45% below 1990 levels by 2030. So I'm looking forward to attending the next edition in 2016 of this conference right here in Massachusetts.

So, since 1985 – again the year this book was published–Québec has been providing clean energy resources to New England through the “Highgate line” into Vermont. In 1990, the “Phase II” line into Ayer, was commissioned. This second line regularly provides between 1,300-1,400 megawatts of transmission capacity to New England on average. Last year, Québec supplied nearly 10% of this region's demand for electricity. But even during the coldest days of winter, our lines regularly carried on average about 1,600 megawatts of capacity. So in 2014 alone, power from Québec, “Power from the North”, helped New England avoid 3.4 million metric tonnes of carbon dioxide emissions over the base case.

But only 225 megawatts of this supply to New England are currently under contract, long – term contract, through a long-term agreement made between Hydro Québec and Vermont utilities. So this represents less than 2 terawatt-hours when Quebec has the capacity to export above 30 terawatt-hours. So there is tremendous amount of energy available to trade with Massachusetts.

Since 2003, Hydro-Québec has added over 4,200 megawatts of new hydroelectric capacity, and the plans are there to add an additional 1,000 megawatts by 2020. Export

opportunities are important, and our government will support efforts to supply additional capacity to New England. Hydro-Québec is a natural partner for supplying clean energy to New England, hopefully under a long term, predictable, win-win arrangement. But I want to be very clear and reassure you: How and under what conditions you choose to move this power through New England is your decision, and your decision only.

We are very proud of the resource that we are able to offer to you, and want to offer you. Taken over the 100-year lifecycle of a hydro project, our power generation facilities, including reservoir-based facilities, have a greenhouse gas footprint comparable to that of wind power. Over 99% of our electric power generation comes from hydroelectricity and wind power in Québec. This system of course therefore helps us maintain one of the lowest per capita GHG footprints in North America.

So as we have a shared commitment to reduce our emissions in this region, we are happy to discuss ways that our power system can contribute to a clean energy mix, which would include your own local renewable energy, such as solar and wind, onshore or offshore. It's not the question of using hydroelectricity or solar or wind, it's about having a good mix of the three. And the capacity of hydroelectricity is unique in providing base load reliability to a portfolio of renewable energy.

So in this spirit of partnership, we believe that our energy resources can play a vital role in helping Massachusetts meet its targets set out in the *Global Warming Solutions Act*. Current legislative efforts in this state, as well as the coordinated RFP that was announced yesterday implemented alongside Connecticut and Rhode Island, are of course important to the long-term planning of energy infrastructure on both sides of the border. But if we are going to 'increase the bandwidth' between Québec and New England, we all need more certainty. On our side of the border, we commit to tracking every last kilowatt-hour that we would send you in order to ensure you that you are receiving hydropower, and hydropower only

In Québec, we rely on this energy much more than for its market potential. We also use it to propel our economy, attract and keep businesses in Quebec and also, of course, as the cornerstone of our fight against climate change.

I am very proud to say that because of the right choices that were made by Robert Bourassa, in the seventies where the other option was nuclear power stations along the Saint Lawrence, M. Bourassa decided to go north and 'go hydro', dealing with the population and giving them a very good historic treaty to let them take profit out of this fantastic project.

Because of his decision we are today the fourth largest hydropower producer in the world. I say this as the leader of a jurisdiction which offers some of the most affordable residential and commercial electricity rates in the world. While listening to Governor LePage's speech this morning, apparently this is not exactly the situation in New England. So we take fiscal responsibility in our energy sector very seriously. Even though our electricity imports from the U.S. have diminished in recent times, of course, our overall energy trading relationship is a two-way street, because we also import oil and gas from the U.S. Now, more than 50% of the oil in Quebec now comes from the U.S.

The reliability of our system is also tested and proven. Hydro Québec adheres to all of the same standards – the North American Electric Reliability Corporation standards – as US utilities. Hydro-Québec also spends well over \$1.6 billion Canadian dollars annually in order to ensure the reliability of its transmission system in Québec. Our power engineering cluster is recognized the world over. Our generation system is state-of-the-art, and IREQ, Hydro Québec's research and development institute, is a world-class facility that ensures our utility is always one-step ahead of the curve – particularly in cutting edge research on the storage of energy associated with wind or solar generation. It's easy to store hydroelectric power, you just leave water behind the dam and that's the simplicity and beauty of this.

And lastly, Quebecers always honour their agreements and commitments. Québec's long-term contract with your neighbour Vermont has ensured the state a secure, continuous supply of power during periods of peak demand. What we supply to Vermont is put directly into the planning of our generation and transmission, and is treated in the same way as "domestic-load". Any long-term contract with New England would be treated as such. When we send power to homes in New England, under a long term contract, we treat it exactly as if we were sending the same power to our own homes in Quebec. It is as important in terms of reliability and predictability.

Now moving to climate change.

THE WESTERN CLIMATE INITIATIVE CARBON MARKET

In order for us to meet our GHG emission reduction target of 20% below the 1990 level by 2020, we are deploying ambitious programs.

First, the most important thing we can do, must do, across the globe is to put a price on carbon, whether it come via a tax, a levy, or a market mechanism. So in Québec, we moved first from a levy on fossil fuel to a carbon market system under the auspices of the Western Climate Initiative. This market helps us to establish firm targets for GHG reductions, whereas, in my view, a tax structure doesn't provide the same flexibility or the same predictability. It has also allowed us to count on a fixed revenue stream that we can put to good use into a wide array of local GHG-reduction programs, via a dedicated Green Fund that we set up. So, we have implemented this market jointly with the State of California, at the two ends of the North American continent. We now have a joint carbon trading system that is one of the most interesting in the world because it links federated states from two different countries in the same continent. That is not something that you see elsewhere in the world.

This market covers 85% of Québec's GHG emissions, and will provide over 3.3 billion Canadian dollars of revenue in our Green Fund by 2020. Everybody wonders how we are going to fund public transit? How are we going to fight coastal erosion? How are we going to move forward in the electrification of transport? Where is the money going to come from? Debt? Well that is pretty much difficult nowadays; we know that -- taxing people more? No! Using the power of this market to transform the economy and mitigate climate change, that's the way we see it. So revenues from the carbon market can be put to all

sorts of use in a modern economy, including GHG-reduction measures as we do. Or, it could be, in theory, channeled towards debt and tax relief. These are flexible instruments.

So the carbon market has been performing very well in California and Québec. We've now held four common joint auctions. All units have been sold above the minimum price. And I think the two big participating states are extremely happy with the way things are going now. It's a good example that is now being studied more and more around the world. So I was very pleased when recently, my Canadian counterpart from Ontario, Premier Wynne, announced her government's intention to join the Western Climate Initiative, earlier this year. We have stepped up cooperation on this front and we expect full integration to occur within the next few years. Our two provinces represent more than 60% of Canada's population, so this is a giant leap forward for our country. And if you add British Columbia's carbon tax, this is something that is important to say because it's a different notion of what you can hear sometimes, 70 % of Canada's population now, when Ontario joins our market, will be living in a jurisdiction which has a very strong carbon pricing signal. Either a tax, a carbon tax, or a carbon market. A Chinese delegation will visit us soon to learn more about the functioning of our markets, we know that China announced a country wide market in the coming years. We recently signed an agreement with Mexico's Secretary of Environment and Natural Resources to exchange information on the same topic.

So we are putting this, in the context of our international relations. Quebec, as a federated state of Canada and because of its distinct nature, exercises this international representation in our own areas of jurisdiction in collaboration always with Canada's diplomats. But we are adding to language, culture, commerce and trade of all kinds, we're adding this theme of climate change, what we call "climate diplomacy", which I think is quite important, particularly for federated states and regions around the world.

I would also be very pleased to start a conversation, I hope one day soon, with the Administration of the State of New York on the possibility to eventually develop a North American carbon market, because I read with a lot of interest Governor Cuomo's recent announcement and comments on this. There are people here who wonder why we didn't join the RGGI, the Regional Greenhouse Gas Initiative. The answer is quite simple; our electricity is already produced with 99% of renewable sources, so there's not a lot that we can trim by joining a market that is only focusing on energy generation.

So climate change is a reality that our populations live in, and live with. And it is our responsibility to act. We will be asked later, by the next generations, what we did or what we didn't do about this phenomena that is already changing the planet, and changing the world around us. And we see it in Quebec and I'm sure you see it here. Extreme weather events, coastal erosion, melting of the permafrost in our Northern sub-arctic region. It's happening and doing nothing is much more expensive than taking action. So as North American Chair of The Climate Group States & Regions Alliance, it's a network of more than 50 sub-national governments, I believe that the Paris Conference is a unique opportunity for governments like ours to put forward bold initiatives to get tangible results for next generations. Because most people who are studying now climate change will agree that most of the levers, the majority of levers, roughly 60% to 70% of action levers are situated at this level of jurisdiction, either in large cities or in federated states. It's therefore absolutely crucial that we all work together and share what we do.

QUÉBEC TRANSPORTATION ELECTRIFICATION ACTION PLAN 2015-2020

Last but not least, of course now with the very low emissions levels that we have in Quebec, we've already got the low hanging fruits, so the next steps are going to be much more difficult. Right now 44% of our emissions come from the transportation sector. I think it's the same in this region - trucking, railways, all of the heavy transportation you can think about. It goes without saying that the largest recipient of the Green Fund money that I was talking about a bit earlier will be the transportation sector, for example, developing large public transit projects, or helping a trucking company – which has been done – move from diesel operated trucks to clean energy operated trucks, that cause 25 to 30% less emissions compared to traditional engines. Or running electric schoolbuses, like we started doing now, on an experimental basis in Quebec, or hybrid or fully electric buses in cities. The technology exists and it's good business and it's good jobs for people.

We just need to shift our economy to that side, to this new century, to be again, ahead of the curve, telling our people that they should never have to choose between protecting the environment and fighting climate change and having a good job. Fighting climate change will give them good jobs, better jobs for the future. So of course, we need to break our dependence on fossil fuels, we must shift to other options, particularly in the transportation system.

Last month, our government announced its Transportation Electrification Action Plan. This five year plan will deploy over 420 million Canadian dollars to bring 100,000 electric vehicles onto Québec's roadways. We would not have 420 million dollars without the Green Fund, there is no way we could fund this. We would not have the money to fund our public transit projects, begin the electrification process or the kind of actions I mentioned earlier. This is the tool that the carbon market brings us. So, we will also work to increase efficiencies in intermodal freight transport, and help taxi fleets make the transition to all-electric vehicles. There's a company in Montreal that announced that soon they will deploy a fleet of 50 taxis in Montreal – fully electric taxis. People are asking for this by the way, they want to see their governments taking action. This is what we should all do. By the end of 2016, we will have deployed about 800 charging stations, including 60 fast ones. We will also support employers to deploy charging stations at their places of business.

And most importantly, this is a long term vision: we will work with manufacturers to leverage public investments, and generate 500 million dollars in private investments, in order to make Québec a hub for light electric vehicle and electric bus manufacturing. If you think about it, we have everything that needs to be there to build an electric car or bus: lithium ion and even better, aluminum - aluminum made with clean hydroelectricity. There's almost no carbon footprint. Aeronautical materials that we can use and transfer to the automotive industry and we are right now talking about such projects.

We want the climate change leaders of tomorrow to start taking electric busses to school today. Why not? And it is happening, it's not science fiction. We have a company in Québec called Lion, like the lion you may see in a zoo, but a peaceful lion, that is now building an electric school bus completely made in Québec, except for the tires. So transportation electrification is a thing where we should cooperate much further. I think

there is so much capacity here with your universities and intellectual bodies and engineering schools, that we should be natural partners in developing this type of industry. There are tremendous opportunities for collaboration for our research clusters and manufacturing sectors. We can already travel from Montréal to Norwich, Vermont along an electric charging station corridor. Let's dream big here, how about Bruins and Canadiens fans driving to both cities using an electric car? That's something that could be done, an interesting project that we can work on together. And private money can be put to use. In our case, some private businesses offer new charging stations at the parking lots of restaurants for example. It seems to be a good way to market your company, to be seen as being active on the environmental front.

We are also very proud to launch the International Zero-Emission Vehicle Alliance with the States of California, Massachusetts, Vermont, Connecticut, Rhode Island and Maryland earlier this year. This is another example of our unique cooperation with those States. This alliance is proof positive that globalisation, can also – also, not only, but also – can be a force for good.

CONCLUSION

We care deeply about the environment and want to preserve it for generations. No matter what we do in this region, we must write the next chapter of our history together. This is because climate change does not stop at the border. Our energy systems and resources do not stop at the border. We must grow and work closer together, in order to make sense of our world and drive forward change.

So let's revolutionize and decarbonize our economy, create long-lasting sustainable economic prosperity, preserve our environment, and ensure that by the time the kindergarten students of today retire, we have created a more sustainable society. Quebecers and New Englanders are already working very well together. Let's double-down on our efforts and maintain the strong relationship and the friendship that we have, for ourselves and for our posterity.

So this conference obviously will have a strong role to play in this regard and I commend your work and thank you for inviting me today. And I say to New Englanders: we've been friends, we are friends, we are neighbors, let's work together for the future and the next generation.