

January 17, 2016

Corporate Services Committee

Councillors:

The London Chapter of the Council of Canadians supports the motion before you and agrees with all the arguments you have just heard.

I will share with you additional information about the new free trade deals and how they could drive energy outcomes for Ontario, and for Londoners.

I will provide some examples from NAFTA (in play since 1994), the Can-China FIPA (ratified in 2014) and the CETA (signed but not yet ratified), and the TTP (in negotiations).

MESA Power, an American energy corporation is presently suing Canada for \$775 million through the ISDS courts of NAFTA because local Ontario producers of energy were preferenced to produce jobs under the Green Energy Act's FIT program. Many lawsuits on energy service are in trade courts right now here and abroad.

If Ontario privatizes Hydro One, we would not be able to preference Canadian corporations or ever bring energy back into the public domain, without the threat of numerous and serious fines for billions of dollars from the corporations of our many trade partners. Under Canada's trade obligations, we would have to take the best bid from the foreign corporations of our trading partners such as China or the US, regardless of social, environmental or local procurement goals. The new style of trade found in NAFTA, the CETA, and the FIPA, limit the power of subnational governments to select an energy contractor for any other reasons besides cost. To preference Canadian bidders, we could be sued for discriminatory performance requirements, even if we do this for the right reasons, like providing local jobs.

What we do know is that it becomes very difficult to avoid trade liability if you have already privatized your energy sector. Once you go private, all private corporations from your trade partners have an equal right to win a bid. In this situation, it is extremely difficult, if not impossible, to preference a national provider or a public provider again unless they are able to put together the best bid among the many foreign competitors. Trade deal requirements are permanent. If we fully open up Hydro One to privatization, we will not be able to bring it back to public control because of our treaty obligations even if we found the cost or quality of service unsatisfactory. If we keep Hydro One public, we will be in a much better position to retain control over cost, quality, environmental preferences like renewables, and local job preferencing, into the future, under our trade requirements.

In order to keep as much of Hydro One in public hands as is possible, London City Council could vote to use the recent \$10 million profit it acquired from London Hydro to buy stocks in Hydro One. The city would make an 8% to 9% profit. Even if City Council decided that was the best use of the money, the city would probably be out bid. Foreign investors want to make a profit, yes, but they also have their own political agenda.

Imagine the Koch Brothers, who are already the second largest investors in the Tar Sands and are financing Tea Party candidates in the coming U.S. federal election, buying up 10% of Hydro One under one holding company, another 10% under another name and so on. Under the Canada-China FIPA, China could also buy up 10% or more of Hydro One, not just to make a profit, but to influence Canadian policy. China, according to the Globe and Mail, January 6, 2016, wants, as part of a historic free trade deal, a pipeline, not unlikely the Energy East Pipeline, to take tar sands bitumen to the East Coast, where tankers would move it through the Strait of Malacca between Malaysia and Indonesia and then through the South China Sea. The article says they have wanted this since 2012. In 2013, Council of Canadians chairperson Maude Barlow stated, " The Energy East pipeline would pose serious threats to local water supplies and communities along the route." (from Brent Patterson's blog January 15, 2016).

From our Trade Justice Committee Chair's blog:
www.newgenerationtrade.com

"All day long we employ energy sources in service of our eating, bathing, working, learning. Nearly all our activities are beholden to shared power. Just like water, energy is essential and the quality of our lives depends on its availability. Many problems can arise when energy becomes managed by for-profit interests. With privatization (or p3ing) we frequently see: decreased access, service limitations, job cuts, rate increases, and environmental risks. California saw rolling blackouts when they privatized. Ontario has its own privatization stories that have increased stress and expense like the 407 highway and Hamilton city water. Because of repeated problems, many municipalities are bringing energy and other contracts back to public hands. Hamburg Germany residents won an energy referendum in 2013 and are in the process of bringing their energy service fully public again. The purpose behind their major municipal campaign - "Our Hamburg, Our Grid" is to reclaim public authority in order to create a system based in renewables. Under a trade treaty, like CETA-TTIP, this change would be impossible because a country is barred from making a contract bid decision for a service solely for the reason of public or local ownership.

The danger for our future is not only the loss of reliable consistent funding but also the ability to shape our energy program and monitor its integrity. The auditor general and provincial ombudsperson have warned that they will no longer be able to monitor a private Hydro One. Foreign investors cannot focus on equitable

rates and environmental impacts at the expense of their bottom-line. Company survival depends on increasing profit. This does not an-evil-corporation-make, but a dangerous mismatch of public need with private goals. How do energy corporations manage their quarterly profit targets? Increases in rates, decreases in service, or cutting of jobs is likely. What else can they do to make the money needed in a context that requires consistent profit growth? (Jennifer Chesnut's blog, June 2, 2015).

Thank you for listening. I hope you will consider the impacts of trade treaties on energy procurement far into the future. This issue has a great weight not merely for what we want to accomplish now in our city, but for what we want our future city councils to be able to accomplish, and the kind of choices our children and grandchildren will be able to make about their energy futures.

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