



Media Backgrounder: Federal Coal Regulations and Lower Churchill Falls

August 19, 2011 - Today the federal government of Canada announced new nation-wide regulations on coal-burning power plants, along with a loan guarantee for the Muskrat Falls project as a means of reducing greenhouse gas emissions in the Atlantic Canada electricity sector. New federal coal regulations and federal financial support for Muskrat Falls are supposed to lead to reductions in coal-burning in Nova Scotia, currently responsible for ½ of the province's greenhouse gas emissions. Rising costs of electricity in Nova Scotia are largely due to volatile international coal prices and depreciation of existing coal infrastructure.

The new federal coal regulations will apply to coal plants over 45 years by as early as 2015, requiring these plants either be shut-down or under-go efficiency upgrades to achieve a yet-to-be determined efficiency standard that is equivalent to natural gas burning electricity plants. In Nova Scotia, new federal coal regulations would apply to Trenton Unit 5 and Point Tupper, starting as early as 2015. These regulations would be additional to existing provincial 'hard-caps' regulations on greenhouse gas emissions from Nova Scotia Power's coal-burning, requiring a 25% reduction below 2007 levels by 2020. Nova Scotia Power also operates coal-thermal plants in Lingan and Point Aconi, Cape Breton. Nova Scotia Power and the government of Nova Scotia have expressed concerns over compromised system reliability and the costs of stranded assets that could result from the forced shutdown of Trenton and Point Tupper.

The loan guarantee for Muskrat Falls comes in advance of the completion of environmental and utility regulatory approval processes, amidst ongoing NunatuKavut legal disputes in Labrador and skepticism from the investment community regarding the economics of this project, given current electricity market trends in the United States. The New England electricity sector is currently undergoing a domestic transformation towards natural gas and renewable electricity, heavily supported by state and federal tax incentives, feed-in tariffs policies and regulations. Canadian hydro does not currently qualify for American renewable electricity portfolio standards. Muskrat Falls hydro-electricity is expected to flow to Nova Scotia by 2017, constituting up to 10% of provincial electricity supply by 2020 (1/4 of the province's recently legislated 40% renewable electricity target for 2020). This project is expected to cost 6.2 billion dollars, 20% of which will be paid for by Nova Scotia Power (1.2 billion dollars) with parent company Emera additionally investing 600 million dollars. To date, the Nova Scotia Department of Energy has not ordered an independent review of the cost-effectiveness of this project, in comparison to hydro import substitution from Quebec. It is projected that Muskrat Falls power will be delivered to Newfoundland at 14 cents/kWh. Quebec hydro is delivered at 5-7 cents/kWh in Quebec. Quebec is the largest hydro-electricity producer in the world and currently has existing hydro capacity to support the displacement of coal in Nova Scotia. The Government of Newfoundland has ordered an independent review of the cost-effectiveness of this project, in comparison to other options for displacing fossil fuels. Currently the transmission capacity to deliver Muskrat Falls electricity to Nova Scotia does not yet exist, nor does the transmission capacity to export Muskrat Falls to American markets. 40% of the output of the Muskrat Falls project remains unsold, with 20% procured by Emera and 40% procured by Nalcor in Newfoundland.

By 2020, Nova Scotia aims to reduce greenhouse gas emissions 10% below 1990 levels. Currently Nova Scotia is 8.7% above 1990 levels, requiring a greenhouse gas emissions reduction of close to 19% over the next 9 years. Scientists estimate that globally, coal-burning power plants must be phased out by 2025-2030 to avoid surpassing global greenhouse gas thresholds that will cause catastrophic interference with the atmosphere. The Ecology Action Centre questions if new coal regulations and plans for importing Muskrat Falls hydro to Nova Scotia will be enough to cost-effectively and efficiently achieve fossil free power by 2030.