



**GREATER CHARLOTTETOWN AREA  
CHAMBER OF COMMERCE**

**PRINCE EDWARD ISLAND  
ENERGY STRATEGY CONSULTATIONS**

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**SUBMITTED TO HON. GEORGE WEBSTER  
MINISTER OF ENERGY, ENVIRONMENT AND FORESTRY**



## Introduction

The Greater Charlottetown Area Chamber of Commerce welcomes this opportunity to provide written comments on the Prince Edward Island Energy Strategy Discussion Document.

The Chamber represents over 825 businesses in the greater Charlottetown area. Our membership employs 16,000 Islanders in businesses of all sizes spanning a broad range of economic activity. Our members are experiencing the full impact of rising energy costs on their operations, and are concerned over their continued ability to compete. The Chamber's interest in the province's energy strategy is grounded in the reality of decisions our members must make each and every day to cope with rising energy costs. In a similar way, the province's energy strategy must be grounded in the realities of PEI's existing resources and its geographic location.

The unrelenting, and recent unprecedented, increases in the price of petroleum based energy beg the important question - Is the nature of these changes cyclical or structural? This question is fundamental to the province's energy strategy and the policies and programs that can and should be pursued. If cyclical, a short-term and sector specific coping response may be appropriate. If structural, then a long-term, adaptive and societal response is required. In the Chamber's view, the province may be in the midst of a structural energy change, the beginning of a shift away from a petroleum based economy. If the mounting 'peak oil'<sup>1</sup> evidence is factored in, the shift may be even sooner than we now anticipate.

There are a number of givens that underlie any provincial energy strategy:

- ✻ Other than wind energy potential and bio-fuels, Prince Edward Island does not have domestic energy resources.<sup>2</sup>
- ✻ Prince Edward Island is an energy price taker. With the exception of tax policy, we have virtually no control over the product/resource component of the energy the Island consumes.

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<sup>1</sup> Peak oil is the point in time when the maximum rate of global petroleum production is reached, after which the rate of production enters its terminal decline.

<sup>2</sup> Excludes consideration of possible natural gas finds

- ✿ World energy demand is increasing, and with the current and expected future economic growth in China and India (combined 2.5 billion population), future demand growth is almost a certainty.<sup>3</sup>
- ✿ All energy supply, demand and price issues must be viewed through the prism of climate change and sustainability.

Our comments are focused on four themes:

1. Energy Costs and Competitiveness
2. Energy Strategy Objectives
3. Complexity and Uncertainty
4. The Role of Government

## **1. Energy Costs and Competitiveness**

Energy consumed by small and medium sized Island businesses is essentially twofold - electricity and petroleum products. Looking first at electricity, Exhibit 1<sup>4</sup> presents a comparison of medium size business rates for cities in North America.

Notice that as of 1 April, 2007, electricity rates in Charlottetown were significantly higher than other Canadian cities. Island businesses are working from a significant cost disadvantage that will only get worse as electricity prices continue to escalate. This cost disadvantage occurs across all categories of customers. It is also worthy of note that the rates for Boston and New York were 115% and 151% higher than Montreal. There is no need to look further for the reason why electricity exports to New England are of interest to the Atlantic Provinces, including wind from PEI.

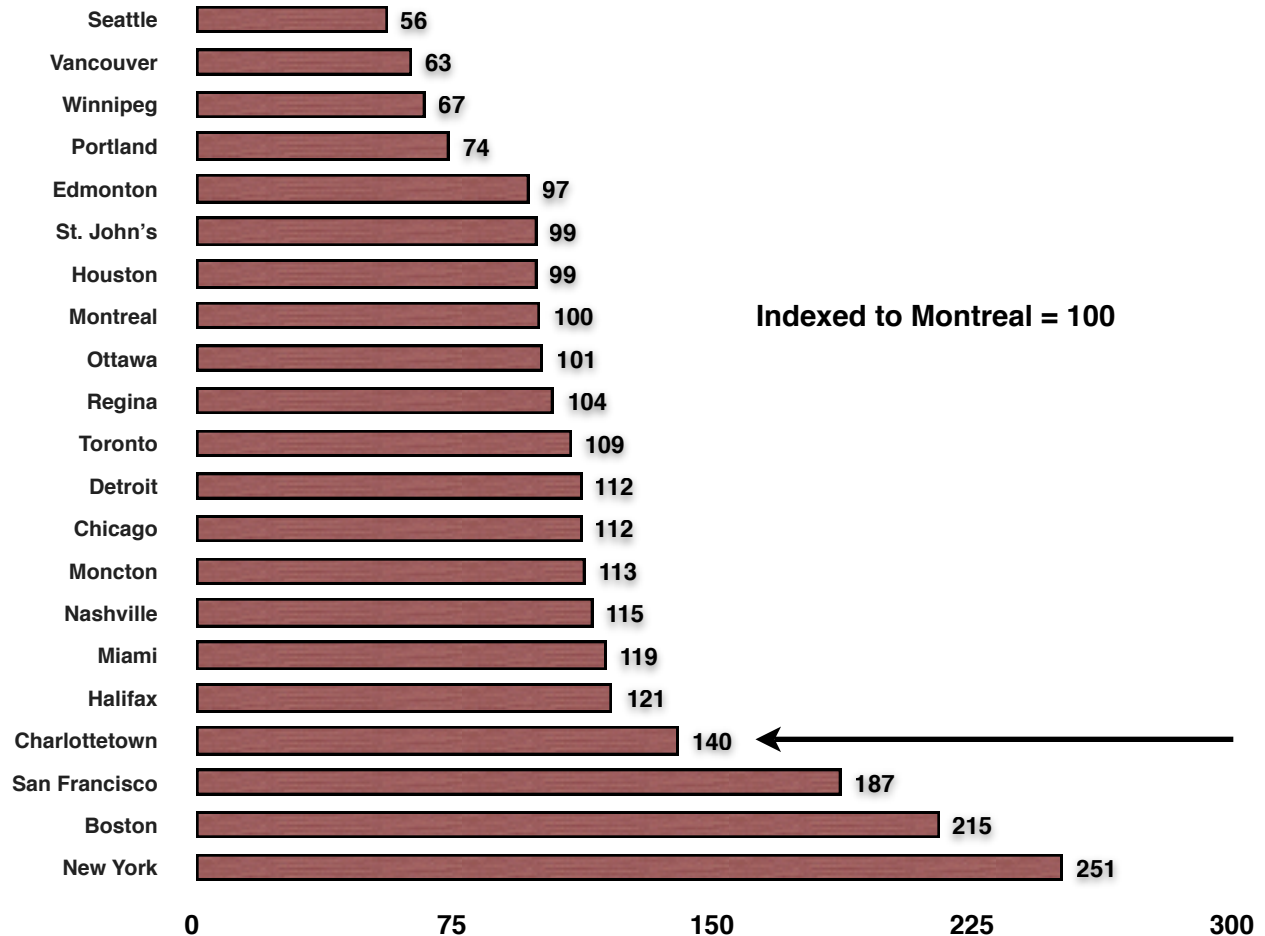
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<sup>3</sup> International Energy Agency, World Energy Outlook 2007

<sup>4</sup> Hydro Quebec 2007 Comparison of Electricity Prices in Major North American Cities

## Exhibit 1

Comparison of bills for medium-power customers based on a monthly consumption of 100,000 kWh and a power demand of 500 kW.



Prince Edward Island's energy strategy should take into consideration both the inherent relative electricity cost disadvantage and the potential for additional wind based electricity exports. However, with regard to wind energy exports by private corporations, the Province should ensure that these arrangements include economic offsets to provide significant on-Island benefits (technology transfer, royalties, support for centers of excellence, etc.).

As with electricity, our members also face challenges associated with fuel oil, gasoline and diesel prices. However, these input costs (compared to electricity costs) do not have the same impact on competitiveness. The impact is not relative to our competition, but is absolute in terms of survivability.

## 2. Energy Strategy Objectives

The Chamber's comments on the three Objectives in the Discussion Paper are provided in Exhibit 2.

### Exhibit 2

Objective	Comments
<p><b>Energy Security</b></p> <ul style="list-style-type: none"> <li>• Greater self-sufficiency</li> <li>• Improved price stability</li> <li>• Diversity of supply</li> </ul>	<ul style="list-style-type: none"> <li>• The Chamber fully supports the objective of pursuing energy security, recognizing that the scope for changing the supply mix may be limited, as close to 88% of our energy supply is imported petroleum or electricity.</li> <li>• Bio-fuel, in particular ethanol, has been touted as a way to increase energy security. We suggest that the province exercise caution in this regard. Benefits to agriculture need to be separated from energy security objectives.</li> <li>• Wind energy may be the most effective instrument to enhance electrical energy security. However, the appropriate public / private mix needs to be addressed. Island energy security should take precedence over exports of wind based electricity to New England.</li> </ul>
<p><b>Environmental Sustainability</b></p> <ul style="list-style-type: none"> <li>• Increased energy efficiency and reduced consumption</li> <li>• Renewable energy development</li> <li>• Reduced GHG emissions and other pollutants</li> </ul>	<ul style="list-style-type: none"> <li>• Given the realities of demand, supply, and price, increased energy efficiency is vital to Island businesses. If we can't control what we pay, we should focus on how much we use.</li> <li>• The Chamber strongly suggests that the Province introduce programs aimed at helping small and medium sized businesses reduce energy use (e.g. conversions, retrofits). This would help offset the competitive disadvantages associated with price, as well as reduce GHG gases.</li> </ul>
<p><b>Economic Development</b></p> <ul style="list-style-type: none"> <li>• Support growth of local industries and new job opportunities</li> <li>• Research, development &amp; demonstration of new technologies</li> <li>• Strengthen and diversify local economy</li> </ul>	<ul style="list-style-type: none"> <li>• Pursuing energy security and environmental sustainability can have positive local economic benefits provided there are planned offsets built into energy strategy initiatives.</li> </ul>

### **3. Complexity and Uncertainty**

There is such complexity and uncertainty surrounding future energy supply and demand that it brings into question the validity of any definitive conclusions. Debate is ongoing over the extent and timing of climate change, the desirability of nuclear energy, the net environmental impacts of bio-fuels, the feasibility of hydrogen based fuels, the net energy balance of tar sands production, human health impacts from electrical transmission etc. While complexity and uncertainty are real, they should not prevent the province from developing an energy strategy. As long as design and action are based on the best professional, informed, consensual information, the long-term interests of Island businesses and residents will be served.

The Province should assess whether additional resources have to be allocated to the energy portfolio to ensure access to the latest technical information and developments elsewhere.

### **4. The Role of Government**

The Provincial Government has a very distinct role to play in the Province's adaptation to ever increasing energy prices, dwindling nonrenewable resources, and environmental degradation from fossil fuels. It all starts with leadership, and the first requirement is the completion of an action oriented energy strategy to guide future actions of residents, businesses and of government itself. Government roles include:

- Leader - provide direction in energy policy, programs and initiatives
- Educator - promote an energy conscious community by providing ongoing information regarding energy issues facing PEI, and the Government's strategy, targets and progress
- Coordinator - bring parties together to solve/resolve issues and problems
- Stimulator - generate awareness and encourage actions consistent with the strategy
- Researcher - keep abreast, as best possible, of energy developments and communicate them to the Island business community and residents
- Funder - provide targeted assistance, but only in keeping with the energy strategy
- Demonstrator - undertake internal and external projects to demonstrate workable solutions

- Broker - arrange/negotiate solutions between Governments and between and among private sector investors
- Regulator - ensure standards
- Evaluator - establish benchmarks and measure progress towards all aspects of the energy strategy

When it comes to actual projects, from energy efficiency to renewable sources, the business community is ready to create, innovate and implement. Ultimately, sustainable and 'green' solutions must meet the test of the marketplace, albeit within the strategic framework established by government. With the challenges Prince Edward Island faces in adapting to the realities of escalating energy prices in a carbon constrained world, comes opportunity. The right framework, with the right incentives, will allow the private sector to respond in a timely and efficient manner.

The Chamber and its members offer support and assistance to the successful completion and implementation of an energy strategy that is realistic and appropriate to the uniqueness of Prince Edward Island.

Submitted by:

Douglas Coles, President, GCACC

A handwritten signature in black ink, appearing to read 'Douglas Coles', with a long horizontal line extending to the right.