

Ontario's green policy questioned in EU trade talks

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European Union trade negotiators are taking aim at the provinces' renewable energy policies – notably Ontario's Green Energy Act – as they seek to open up provincial procurement markets under a proposed Canada and EU comprehensive trade deal.

Canadian and European negotiators are meeting this week in Ottawa, and federal Trade Minister Peter Van Loan said they are now focusing on the most difficult issues, including Europe's desire to gain access for its corporations to the lucrative provincial and municipal purchasing budgets.

The Europeans are particularly keen to head off protectionist policies in Canada in order to supply the manufactured products and services that will fuel the country's growing appetite for renewable power – a goal that represents a direct challenge to Premier Dalton McGuinty's ambition to make Ontario an export-oriented hub for renewable energy manufacturing.

In an interview, Mr. Van Loan said the provinces – which are at the negotiating table for the first time in international trade talks – have committed to open their procurement markets. He said they all see the benefits that would accompany a free-trade deal, even as they seek to negotiate protection for politically sensitive sectors, including procurement.

"They have gains they want to make and [making tradeoffs] is the nature of free-trade negotiations," Mr. Van Loan said.

He noted that Canadian companies and workers were harmed when they were shut out of U.S. government projects under President Barack Obama's massive stimulus effort, and says it was a mistake to leave provincial and municipal procurement out

of the North American free-trade agreement. Ottawa and the provinces eventually negotiated a deal that gave Canadian companies limited access to U.S. government stimulus projects in exchange for access to provincial purchasing programs, but Ontario exempted its renewable energy policies from that deal.

Other provinces, notably Quebec and Prince Edward Island, also have policies that reward renewable energy producers that purchase goods and equipment locally, but none are as aggressive as Ontario's feed-in-tariff program, which pays high rates for wind and solar electricity but requires up to 60 per cent local content. Japan has already complained to the World Trade Organization that the Green Energy Act violates trade rules, and both the EU and [the United States](#) have joined the action as third parties.

Behind much of the push for liberalized trade rules are multinational companies that are eager to keep costs down and locate their manufacturing facilities where it makes the most business sense. They include U.S.-based General Electric Co. and First Solar Inc., Denmark's Vestas Wind System AS; German solar manufacturers Solon AG and Schott Solar GmbH, and a growing number of Chinese manufacturers.

The United States increased the growing tensions over trade in green energy products when it launched an investigation into union complaints that [China](#) is illegally subsidizing its wind turbine and solar manufacturers by offering cheap land and low-interest loans. Chinese officials rejected the complaints, saying they have more to do with election politicking in the U.S. than real trade action.

Governments around the world – including Ontario and Quebec – have justified their support for expensive renewable power both in terms of environmental benefit and industrial strategy, noted Mark Winfield, an environmental studies professor at York University. The renewable sector is widely supported through subsidies, targets for generation capacity and premium prices paid by government-owned utilities.

“It's hard to make the case for spending taxpayers dollars – or ratepayers dollars – if most of the benefit is going to China or some other foreign manufacturer,” Mr. Winfield said.

Trade experts say the green energy trade is just one of several hurdles that negotiators face as they aim to complete a deal by the end of 2011. Others include agriculture, including Canada's quota-based dairy system; the broader provincial and municipal procurement markets; and Canada's desire to have its service sector be treated on an equal footing with companies from European countries.

"The provinces' renewable energy protectionism "isn't a deal breaker but it certainly doesn't help," said Jason Langrish of the Canada-Europe Roundtable for Business.