



Premier of Alberta

Office of the Premier, 307 Legislature Building, Edmonton, Alberta T5K 2B6 Canada

August 23, 2023

Gil McGowan
President
Alberta Federation of Labour

Dear Gil McGowan:

RE: AUC Public Inquiry into renewable energy generation and the related pause in approvals.

Thank you for your letter of August 10th. I am pleased to reply and to elaborate on our government's commitment to further diversifying Alberta's already diverse economy. I will also set the record straight on our important and reasonable decision to properly assess and regulate Alberta's renewable electricity generation industry.

First, starting your letter by cheerleading the demise of Alberta's oil and gas industry was a surprise. The energy industry and the related petrochemical industry have been at the centre of Alberta's private sector union employment for many years. I had not expected the trade association for union leaders to be calling for Alberta to move away from an industry that has created so many union jobs.

Alberta has no intention of moving away from the energy industry. Indeed, our government believes that Alberta's prosperity will continue to come from the energy sector and the adjacent sectors that benefit from the expertise and innovation that comes from our energy industry. Furthermore, every reasonable forecaster admits that oil and gas will dominate the global energy mix for decades to come. Alberta, with its aspiration to carbon neutrality by 2050, will provide the world with oil and gas produced with the highest environmental, social and governance standards in the world. Energy and energy adjacent industries are "where the puck is going" and Alberta will get there first.

I direct your attention to the Energy Minister's mandate letter. He is expected to deliver on our platform commitment to support Albertans by developing and implementing an investment incentive program similar to the Alberta Petrochemical Incentive Program for additional capital-intensive technologies related to the reduction of emissions. Our government is looking at using this investment model to incentivize carbon capture,

utilization and storage (CCUS), ammonia, helium, lithium, liquefied natural gas, geothermal and mineral development. Our ministers regularly have discussions with private sector proponents exploring a variety of billion dollar low-carbon projects that are considering investing in Alberta. Most of these projects will create significant union jobs. I must point out that potential investors in these areas would not be considering Alberta had Alberta voters followed your advice and voted for a party that favoured an investment killing increase in Alberta's corporate tax rate.

Regardless, I hope that you can admit that our government is deeply committed to the decarbonizing technologies and industries of the future and that we are working hard on investments that will make Albertans, and Alberta's union workers, prosperous. Now, with regard to the AUC's public inquiry into the regulations for renewable energy generation, allow me to set the record straight.

I appreciated the letter made public by IBEW Local 424 which asked our government to consider the training and accreditation of electrical workers in the renewable energy industry. The IBEW asked us to consult with their union on this element of regulation. IBEW's letter is not very different from letters our ministers received from companies in the renewable energy sector. Most of the congratulatory letters sent to our ministers raised issues of regulatory uncertainty and asked the government to get clarity from the Alberta Utilities Commission (AUC) and the Alberta Electrical System Operator (AESO) on various regulatory issues. Our government was also approached by landowners and environmentalists on issues related to land use and the protection of wildlife and wild areas.

Landowners are concerned about the remediation of lands following asset end of life. There is no asset retirement obligation framework for wind and solar and the liability is significant. Solar installations now cover several thousand acres and as yet there is no ability to recycle the panels. Wind tower installations – some the height of the Calgary Tower and embedded with a massive amount of concrete to secure the base - number in the thousands. In the event of a company insolvency or major technological change there needs to be a clear plan for how these sites will be returned to pre-development condition.

The solar and wind industry enjoyed early support in rural Alberta because installations were initially placed on marginal lands and had a small footprint that did not interfere with farm operations. Now that large projects are consuming vast acres of prime farmland, public support in rural Alberta is eroding. That's why the RMA asked us to develop policies that will preserve the lands we use for food production and make more appropriate decisions on where to site projects. I'm certain that maintaining a healthy, robust and secure food supply will be of importance to members of the United Food and Commercial Workers Union, who take pride in feeding, serving and providing for Canada's hardworking families.

However, these concerns pale in comparison to the issues raised by technical electricity experts. Many experts from power generation companies, transmission companies and the regulators themselves raised issues of grid reliability and instability related to Alberta's very rapid build up of renewable electricity.

Part of the reason Alberta has been able to add so much wind and solar to the grid is that natural gas peaker plants have been able to come online when wind and solar are offline. However, the proposed federal Clean Electricity Regulations would make it nearly impossible to bring on new peaker plants to serve as a backup. We can only add wind and solar to the grid with reliable backup. We have made that point very clearly to the federal government and will be starting discussions to align their objectives with our 2050 target so we can ensure more wind and solar can be safely added to the grid without compromising reliability.

Alberta has a very lightly regulated electricity generation market. Indeed, our unique market structure has made Alberta the Canadian leader in the build out of wind and solar generation. Alberta is one of the best jurisdictions on the planet to get approval for renewable projects – that’s why so many global companies have invested in Alberta solar and wind facilities. However, renewable electricity is inherently unreliable. The wind and the sun are unpredictable, and nowhere in the world has added as much wind and solar to an electricity grid as quickly as Alberta intends to. A variety of factors, including federal government signals, are further accelerating this trend and the risks associated with it.

This accelerated trend has worried both the AUC and the AESO. They have raised concerns about grid reliability and instability several times in the last few years. In the second half of 2022 Alberta had seven different level 3 alerts. AESO level 3 alerts mean that power service to some customers is temporarily interrupted to guarantee system integrity and maintain required reserves. Up until recently AESO frequently went years between level 3 alerts. Both the AUC and the AESO have expressed concerns that the booming renewable sectors is raising the risk of brown outs and blackouts. These events are at most risk during heat waves or cold waves. A prolonged blackout in Alberta’s deep winter could result in a significant number of deaths.

It is in this technical environment that the AUC asked our government for policy and regulatory clarity. Rather than make those decisions behind closed doors, our government chose to instruct the AUC to hold a public inquiry on these issues. The inquiry will be transparent and will happen quickly. The clarity will be good for renewable energy proponents.

Questions of land use, wildlife protection, asset retirement planning, grid reliability and transmission congestion need to be answered. In the meantime, a little more than a dozen projects will be paused for about six months. Projects that had not submitted applications will have to wait before beginning the approval process. Projects that are in the construction phase will continue – no construction jobs will be lost.

This month political actors are making a kerfuffle of this inquiry and the related pause. A year from now all the players in the electricity industry will appreciate the clarity that will come from this process. I expect that the inquiry may actually speed up future regulatory processes.

I will conclude by asking the AFL to stand up for Alberta's energy jobs and the unionized construction jobs that will come from the programs our government is undertaking. I also ask that you not play politics with electricity reliability. Having dependable power is central to the health and prosperity of Albertans, and our government will do everything in our power to make certain that Albertans have affordable and reliable electricity.

Sincerely,

A handwritten signature in black ink, reading "Danielle Smith". The signature is written in a cursive style with a large, stylized initial "D".

Hon. Danielle Smith
Premier