

RESEARCH - ANALYSIS - SOLUTIONS

CCPA REVIEW

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TAKING STOCK OF THE BIPOLE III DEBATE

On July 29, 2010 Manitoba Hydro (with the approval and support of the Manitoba government) announced their preliminary preferred route selection for the Bipole III transmission line. Bipole III will bring power from planned dam developments on the Nelson River down the west side of the province to southern Manitoba, and to export markets in the United States. This decision is the culmination of Round 3 of the Bipole III Environmental Assessment (EA) Consultation. Round 4 of the EA, which will seek input and address mitigation issues relating to the preferred route, is now underway and will continue into the fall.

The following schedule shows the timelines for completion of key aspects of the project. Given that some in the province oppose the west-side solution, arguing instead that the line should go down the east side of Lake Winnipeg, the debate on this issue will intensify in 2011 and could even become a central issue in the 2011 provincial election.

- Rounds One and Two Environmental Assessment Consultation, and Development of Alternatives Routes: 2008-2009
- Round 3 Environmental Assessment Consultation re. Alternative Routes: late 2009 - early 2010
- Preliminary Preferred Route Selection: mid 2010
- Round Four Environmental Assessment Consultation: mid 2010 - end of 2010
- Final Preferred Route Selection: early 2011
- Submission of Environmental Impact Statement for regulatory review: mid 2011
- Regulatory review: mid 2011 - late 2012
- Start of Project Construction: late 2012
- In-service Date: 2017

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In order to fully understand the upcoming debate, we need to situate Bipole III in the broader context of a wide range of issues that relate to the future development of Manitoba.

The Rationale for the West Side Route

First and foremost, the project will realize the potential for Manitoba to develop clean renewable energy based on the strategic location of dams along the Nelson River and the construction of Bipole III. The added power resulting from these projects will ensure that Manitoba homes and industries continue to benefit from the comparative advantage of low hydro rates. As well, the additional surplus power generated will be exported to the United States (as we are doing now) and possibly other provinces. The billions of dollars in earnings generated by these exports will do for Manitoba what exports of oil and gas do for Alberta, Saskatchewan and, more recently, Newfoundland, namely, cover the costs of developing the resource and support economic activities and services beneficial to citizens of the province. These earnings will also allow Manitoba Hydro to continue to supply power to Manitobans at the lowest rates in North America.

Second, both the Manitoba government and Manitoba Hydro understand that environmental concerns are becoming much more important in shaping the decisions of companies and jurisdictions that purchase energy (witness the current debate in the United States over the importation of dirty oil from the Alberta Tar Sands). Also, as has happened in other countries, the Manitoba government recognized that preservation of the Boreal forest in eastern Manitoba would create opportunities to encourage travellers to visit this part of the province to do things that will preserve the environment and create economic benefits for local people and their communities. In light of these considerations, five First Nations and the Manitoba and Ontario governments submitted a joint request to the federal government, asking them to apply to have 4.3 million hectares of virgin Boreal forest in this region declared a UNESCO World Heritage site. Protection of the habitat of the woodland caribou and other wildlife also figured prominently in the decision to build on the west side.

Third, in recent years Hydro and the government have held extensive consultations with Aboriginal peoples on the east side of Lake Winnipeg to get feedback on preferences regarding measures to improve their economic futures in the region. The majority of communities have said that they favour the construction of all-weather roads that will link the various communities, and the promotion of ecotourism — a spinoff of the proposed World Heritage Site — that will create economic and employment opportunities over the longer term.

Finally, the proposed Bipole III line on the west side is intended to reduce the vulnerability of the overall system to the impact of adverse weather such as ice storms, forest fires and other major events. The reliability of the system is strengthened by adding a transmission line that is separate from and in addition to the combined Bipole I and II lines that end at the Dorsey converter station. This means building a second converter station - the Riel converter station - in the south-east corner of Winnipeg.

In sum, the Manitoba government and Manitoba Hydro believe that the proposed Bipole III line on the west side is both compatible with the mandate of Manitoba Hydro and will yield significant benefits for all citizens of Manitoba.

Opponents of the West Side Route

Some critics oppose the west-side solution for the Bipole III transmission line on the grounds that the costs are excessive. The Conservative Party critic for Manitoba Hydro, for example, says that “[A line on the west side] will be less reliable, 479 kilometers longer, and will cost Manitobans \$1.75 billion more than an eastern route [which works out to \$7,000 for every Manitoba family].” This \$1.75 billion presumably reflects the difference in construction costs between west side and east side, plus the savings that would accrue by eliminating the construction of a second converter station.

In a letter to the *Brandon Sun* dated August 25, 2010 Bob Brennan, President and CEO of Manitoba Hydro, rejected the Conservative Party analysis. “In fact, Manitoba Hydro has estimated that the west side route will be \$2.247 billion, while the cost of an east

side route would be \$1,837 billion. The difference is therefore \$410 million.” The other \$1,340 billion in the Conservative Party estimate is presumably the cost of the second converter station, which Brennan says “is absolutely vital to the increased reliability of our electricity system” and would, therefore, be required regardless of which side is chosen for Bipole III. This means, of course, that the Conservative Party’s claim that they could save \$7,000 for every Manitoba family by going down the east side is now reduced to \$1,610.

More broadly, the suggestion that building down the west side is going to take money out of Manitobans’ pockets is spurious. The costs of construction will be recouped through the sale of exports to utilities in the United States and other jurisdictions.

A much bigger threat to Manitoba families is the suggestion by the Conservative Party that they would scuttle the west side project if elected in 2011. This would delay the process significantly, a delay that would result in the loss of revenues from export sales much in excess of the estimated \$410 million in savings on construction from going down the east side, savings that could presumably disappear if the project is delayed.

Another consideration is the possibility that a line down the east side of Lake Winnipeg would cost customers not only in the short run because of the delay, but also in the long run because customers will lock into other suppliers, or even drop contracts. They may drop contracts because they conflict with environmental and social criteria that must be considered in choosing suppliers. This point was made by CMC Consultants Inc. in a study on the environmental issues involved in the selection of a Bipole III route. The revenues lost as a result of delayed and lost contracts would be at the expense of Manitobans, and would be likely to exceed by a large margin the fictitious \$7,000 per family used by the Conservative Party.

Opponents of the west-side route never consider the intrinsic value of maintaining a large portion of the boreal forest intact. Their arguments do not consider that this area is the habitat for a number of endangered species. Although it is difficult to assign a dollar value to any ecosystem using traditional economic tools, surely the unspoiled boreal forest is worth more than zero, the value opponents implicitly

assign by ignoring the environmental damage caused by situating Bipole III in that location. The significant existing development on the west side means that the net environmental impact will be considerably less there than on the east side.

The east side alternative is no alternative at all. If the existing plan is delayed or scrapped, the costs to all Manitobans would be large. These costs would be especially significant for those living on the east side of Lake Winnipeg. The expectation is that the combination of all-weather roads and a UNESCO designation will promote economic development and job creation. Abandonment of this part of the plan would be damaging to the future prospects of the people and communities in this region.

Where Does This Leave Us?

On the basis of the information now available, it would seem that the Manitoba Hydro/Manitoba government plan for the construction of a Bipole III transmission line on the west side is sound. This plan will not only generate major benefits, but also distribute these benefits in a way that will yield long-term benefits for all of us. The government is responsible for making decisions that are in the best overall interest of all Manitobans, so long-term environmental issues must be taken into consideration.

Opponents insist that the Bipole III transmission line should go down the east side. Opposition on this basis, given the information available to date, appears ill-founded. Given the importance of the project to Manitoba’s future, it would be best to accept the plan in its essential features and direct our energies to ensuring that the government and Manitoba Hydro follow through on the commitments they have made to Manitobans, and in particular to those who live on the east side of Lake Winnipeg.

Errol Black is a Brandon City Councillor and a member of the CCPA-MB board.

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