

September 11, 2012

The Honourable Michael Gravelle  
Minister of Natural Resources  
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Dear Mr Gravelle:

**Re: Comments on the MNR Report  
*Economic Impact of Waterpower Projects on Crown Lands in Ontario***

## Summary

The Ministry of Natural Resources has recently released a report entitled "*Economic Impact of Waterpower Projects on Crown Lands in Ontario*".

While this report claims to show there is economic benefit to developing hydro-electric generating stations on Crown land, as **negative economic impacts are not addressed**, the conclusions presented are incorrect – they are as nonsensical as saying that shoplifting is good for the economy because the thief can sell the stolen items and earn money.

The report then exaggerates this incorrect net benefit by applying multipliers for indirect and induced effects and further deceives by multiplying this incorrect net benefit by an arbitrary 23 years.

What needs to be included in the report are the negative impacts due to the construction of a generating station. For example:

- White water rafting businesses shut down would result in direct lost jobs as well as lost business for local lodges and outfitters. Snowmobiling and ice fishing would become dangerous due to the changing water levels caused by generating station peaking operation.
- In-water recreation would become too dangerous to continue both upstream and downstream, so eliminating scuba diving and family visits would result in lost business for local restaurants and gasoline stations.

Given the complete lack of balance and consideration for negative impacts, **this report is incorrect, deceptive and should be withdrawn** until these changes are made, or text explaining the limitations of the report is added.

## Detail

The Ministry of Natural Resources recently released a report entitled "*Economic Impact of Waterpower Projects on Crown Lands in Ontario*", dated April 2012. Concerns include the following:

## **Arbitrary 23-year period**

The report estimates all jobs created to an apparently-arbitrary year of 2035, and presents these jobs as if they lasted only one year. So the claimed 9,900 jobs are only an average of 430 jobs per year – rather a different result.

And as discussed below, facts ignored and incorrect assumptions in the report result in the number of jobs created being further reduced, and may well result in a net loss of jobs.

## **Negative Impacts**

It is a fact that hydro-electric generating stations:

- Result in a reduction of water flow in sections of rivers.
- Require an intake and an exit tailrace, and these present dangers to in-water recreation.
- Many would use cycling operation, due to the 50% premium paid for electricity generated during peak times. Such cycling would affect many kilometers of river.

These impacts would make existing activities – such as white-water rafting, scuba diving and swimming – impossible or too dangerous. Snowmobiling and ice fishing would become dangerous due to the changing water levels caused by generating station cycling operation. Increased methylmercury production would negatively affect the local sport fishing businesses. That is, there would be negative economic impacts – which would be further multiplied by the same indirect and induced factors as are shown for jobs that might be created.

But the report simply ignores such negative impacts. This is as short-sighted and closed-minded as saying that shoplifting is good for the economy because the thief can sell the stolen items and earn money. Obviously this is a ridiculous conclusion – just as are the conclusions presented in this report.

The only responsible actions are either for the MNR to withdraw this report until negative economic impacts are considered, or to add text explaining such has not been done.

As negative impacts will be site-specific, it would be useful to provide some example case studies for expected common situations, such as the elimination or reduction of white-water rafting, ice fishing, in-water recreation, or scuba diving.

## **Assumptions**

Some assumptions appear to be incorrect, for example:

- In Appendix E (page E3) it is noted that all power generated would be at the off-peak, and on page E8 the Feed-In Tariff contract price is given as 13.1 ¢/kW•h (for smaller stations). However, the FIT contract price is never actually paid, as all times are considered either off-peak (where 0.9 of the contract price is paid) or peak (where 1.35 of the contract price is paid). And the peak period is 8 hours per day so even a run-of-river generating station would produce a third of its output at peak times.
- In Appendix E (pages E10 and E11) and Tables 6 through 9 (pages 8 through 10) it is assumed that 100% of the Capital Expenditures would be made in Ontario. However, many of the types of turbines and generators, and some control and power transmission components required are simply not manufactured in Ontario, so this is an incorrect and overly-optimistic assumption.

- Furthermore, investors for construction financing would not all be in Ontario, some profits would be taken out of Ontario, and some services, such as insurance would be sourced outside of Ontario, so many of the other assumptions are not realistic.

Also, the report should provide justification for the assumptions made.

## Ontario Economic Regions

Appendix C presents Ontario Economic Regions. However, it appears there are errors on page C2, for example:

- There is no region 44 even though one is shown on the map.
- Region 47 is shown to be both Renfrew and Haliburton.

It is not clear if this is just a typographical error, or if this error would have any impact on the results elsewhere in this report.

## Conclusion

By not even attempting to identify negative economic impacts, this report is incomplete and the findings incorrect. Furthermore, assumptions made are not explained or justified, and some are incorrect.

It is accepted that that negative economic impacts will be site-specific, so a suggested step forward is to include a few case studies for developments proposed for locations where:

- White-water rafting businesses operate or ice fishing is popular.
- In-water recreation is common and would be affected, such as Bala.

Either text should be added indicating the limitations of this report, or negative impacts should be addressed. Until these changes are made, this report should be withdrawn.

Sincerely,



Mitchell Shnier

Cc: The Honourable Kathleen Wynne, Minister of Municipal Affairs and Housing, and Minister of Aboriginal Affairs, [KWynne.mpp.co@liberal.ola.org](mailto:KWynne.mpp.co@liberal.ola.org)

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