

# Is wind power blowing Hydro-Québec's profit?

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OPINION



**O**n the eve of an election call, Quebec's main party leaders have gone to battle over a wind-power project that Liberal Premier Philippe Couillard argues is crucial to good relations with First Nations but that François Legault's Coalition Avenir Québec calls "useless" and "ruinous."

The head of Hydro-Québec, which would purchase all of the power from the 200-megawatt Apuiat wind-energy development on Quebec's remote North Shore, has warned that the project would cause losses of between \$1.5-billion and \$2-billion for the provincial utility over 25 years.

The warning from Hydro-Québec chief executive officer Eric Martel, contained in a letter obtained last week by *Le Journal de Montréal*, drew a stiff rebuke from Mr. Couillard and Quebec Energy Minister Pierre Moreau. They ordered Mr. Martel to put a sock in it and negotiate a long-term power

purchase contract with the Innu First Nation and its partners in the \$600-million Apuiat project, Quebec's Boralex Inc. and Le Groupe RES of France.

Mr. Martel's position, Mr. Moreau said in a reply to the utility's CEO, "is contrary to the direction and objectives that the government of Quebec has set for Hydro-Québec, of which, I will remind you, it is the sole shareholder."

The controversy over the Apuiat project has rekindled a debate about the role of wind energy in Quebec's electricity mix, of which more than 90 per cent comes from decades-old hydro-electricity dams owned directly by Hydro-Québec or from the partly owned Churchill Falls project in Labrador. These so-called legacy projects have left Hydro-Québec with among the lowest production costs in North America, allowing the province to maintain residential and industrial electricity rates that are the envy of its neighbours, especially Ontario.

Critics warn, however, that this competitive edge is being slowly frittered away by government moves to use Hydro-Québec as a cash cow to backstop politically

motivated wind-power projects.

The former Liberal government of Jean Charest ordered Hydro-Québec to enter long-term purchase contracts with private renewable-power producers at prices far above the utility's own cost of production. In May, Quebec Auditor-General Guylaine Leclerc concluded these contracts, largely for wind power, boosted Hydro-Québec's costs by \$2.5-billion between 2009 and 2016.

While the cost of wind energy is rapidly declining across North America, the Apuiat project's developers would still reportedly fetch around 10 cents per kilowatt-hour for their power. That compares with the production costs of about 2.9 cents a kwh for Hydro-Québec's legacy dams and about 6.5 cents a kwh for the 1,500-MW Romaine generating station now nearing completion.

With Romaine now mostly on-stream, the utility is sitting on large energy surpluses for years to come. Hydro-Québec's attempts to unload its surpluses through long-term power purchase contracts with U.S. buyers have been stymied by competition from cheap natural-gas-generated power and environmentalist op-

position to big hydro projects, as well as the new transmission lines the utility needs to send additional power south. As a result, Hydro-Québec's power exports mostly consist of short-term sales in the U.S. spot market. Export sales generated a profit of \$780-million in 2017, or about a quarter of the utility's overall profit of \$2.85-billion.

For Mr. Couillard, the Apuiat project is crucial to obtaining Innu support for future hydro, mining and other development on their traditional territory. "Do you think First Nations are going to continue to accept the use of their territory to develop [Quebec's] wealth without them getting an appreciable and visible part of it?" the Premier insisted on Saturday.

Indeed, the Pessamit Innu Nation has lobbied officials in Massachusetts to reject Hydro-Québec's bid to sell power from the Romaine project to utilities in the state. "Hydro-Québec has destroyed our territories," Chief René Simon told the *Boston Globe* in January. "I would advise the Governor of Massachusetts not to buy power from Hydro-Québec."

The nine Innu communities on Quebec's North Shore remain

united in supporting the Apuiat, even if critics suggest Boralex and RES will be the main beneficiaries of the project. The development would create between 300 and 400 jobs during the construction phase, but only about 15 full-time jobs once it is completed.

For his part, Mr. Legault argues that no new wind-energy deals should be authorized until Hydro-Québec secures new long-term contracts to sell its power in U.S. markets. "Citizens of the North Shore might be deprived of a project in the short term. But they will understand that we can't force \$1.5-billion in losses on Hydro-Québec to create jobs. The jobs need to be useful," the CAQ Leader said on the weekend.

Quebec's election campaign is set to kick off on Aug. 23 and Mr. Legault has warned the Premier against forcing Hydro-Québec to sign a purchase agreement on Apuiat before the Oct. 1 election. But that is precisely what Mr. Couillard and Mr. Moreau appear to have ordered Hydro-Québec to do, with the utility set to resume negotiations with the Innu on Wednesday. Mr. Martel's future, needless to say, hangs in the balance.