
Electricity

Increasing efforts have been made by some interests in the United States to limit importation of Canadian electricity or to place it at a competitive disadvantage. Most notably a coalition, consisting primarily of U.S. midwestern coal interests, has been lobbying for restrictions on imports of Canadian electricity. Their actions have included the threat of a petition to the U.S. Secretary of Commerce to use Section 232 of the U.S. Trade Expansion Act to prevent U.S. imports of Canadian electricity on the grounds that they are a threat to U.S. national security. At present, electricity is not covered by international trade agreements. The United States could, therefore, impose restrictions on electricity imports with no penalties under the GATT.

The Canada-U.S. Free Trade Agreement will protect Canadian electricity exports from such actions. The Agreement provides that neither Canada nor the United States may impose import tariffs, fees, quotas or other quantitative restrictions on energy imports, including electricity, from the other country unless justified under a recognized GATT exception. Although national security is a recognized GATT exception, the Agreement defines the terms more precisely than GATT, essentially narrowing it to

cover non-proliferation of nuclear weapons and military threats. In future, it will be virtually impossible to use national security grounds under U.S. trade law to restrict imports of Canadian electricity into the United States.

Although the Agreement should assist electricity export efforts for a number of provinces, Quebec in particular should benefit. Quebec is a major producer and exporter of electricity. In 1986, Quebec sold electricity valued at \$370 million to the United States, which represented 74 per cent of provincial revenues from energy exports (petroleum accounted for nearly all of the remaining exports). With its substantial hydro potential, Quebec proposes to increase significantly its electricity exports. British Columbia will benefit from the enhanced access to the California market resulting from the partial removal of the restraint on Canadian electricity imports posed by the Intertie Access Policy of the Bonneville Power Administration.