

## II. MARKET ACCESS IMPEDIMENTS AND VULNERABILITIES

### A. No Tariffs on Electricity Trade

Currently, there are no tariffs to impede electricity exchange between Canada and the United States. In Canada, no taxes have been levied on electricity exports since 1963. Nor does the U.S. government impose any taxes on electricity imports from Canada.

The federal government used to tax export sales. From 1925 to 1963 a tax of 0.3 mills per kWh was levied on electricity exports. The export tax was repealed in the budget of 1963 for the following reasons:

1. The tax was an obstacle to exports.
2. The revenue raised was insignificant, about \$1.0 to 1.5 million per year.
3. The taxation of electricity exports was inconsistent with the treatment of other energy forms (oil and gas) which were not then taxed.

### B. Regulation of Electricity Trade

Although there are no taxes levied on electricity trade between Canada and the United States, electricity exports in both countries are regulated by the two governments. Existing government regulations impede electricity trade only to a very minor extent.

A Canadian utility wishing to export electricity to the United States must obtain a certificate of public convenience and necessity for an international power and export license. Both are issued by the NEB (see the National Energy Board Act Part VI regulations). The applicant must demonstrate that the power and/or energy to be exported is surplus to Canadian requirements and that the price is just and reasonable in the public interest. While neighbouring provinces are given the right of first refusal, they must match the export price.