

Electricity

The U.S. Administration supports greater cross-border trade in electricity and is working to reform domestic mechanisms affecting trade. However, U.S. energy legislation could still raise issues with regard to the electricity trade by moving to mandatory reliability standards. Canada continues to seek assurance that the development of any future electricity reliability standards—as well as the creation of an independent, self-regulating, industry-led reliability organization—will be handled jointly by U.S. and Canadian authorities. This approach is reflected in the present draft of the legislation. The Bilateral Electricity Reliability Organization (ERO) Oversight Group is working to ensure that the ERO functions on both sides of the border and does not create any artificial barriers in the electricity trade.

Canada also remains concerned about minimum renewable energy provisions at the state level, which could be used to exclude Canadian-origin electricity generated from renewable resources, notably hydro-electricity, and thus impede access to the U.S. market. In the absence of federal legislation ensuring equal treatment for Canadian renewable electricity, U.S. states may proceed with initiatives that could be inconsistent with existing trade agreements. Canadian advocacy in this sector has raised U.S. awareness of a North American electricity market and the impact of discriminatory measures on the market, which would work against our shared energy security and environmental objectives.

Ongoing restructuring may create risks for Canadian electricity suppliers in the U.S. market. However, opportunities for increased trade are also available, influenced by new markets and market structures, innovation in services and expanding energy demand.

Pipeline Subsidies

Canada remains concerned about the legislated incentives for a new pipeline to bring natural gas from Prudhoe Bay, Alaska, to the “lower 48” states, which passed in October 2004. The effects of the loan guarantees and other industry incentives on pipeline development remain uncertain, and Canada remains opposed to any price support mechanism for Alaska gas.

Because any pipeline from Alaska to the lower 48 states must route through Canada, Canada is a necessary partner in that development. The government strongly supports natural gas development in Alaska; however, the private sector should ultimately decide the nature and timing of such a pipeline. As well, in Canada’s view the private sector is best suited to decide the pipeline’s route, subject to regulatory and environmental review procedures. The Bush Administration has also adopted a route-neutral position on the Alaska pipeline project.

IMPROVING ACCESS FOR TRADE IN SERVICES

Financial Services

The Gramm-Leach-Bliley Act, passed in 1999, is the most important piece of financial services legislation enacted in the United States in decades. The Act allows foreign financial institutions to become financial holding companies and to engage in activities that they could not engage in before. With respect to the cross-border provision of services, Canada continues to seek a level playing field in securities, and it continues bilateral discussions with the United States on this issue. Further, as required under NAFTA, Canada, the United States and Mexico meet regularly to address financial services issues.

The U.S. government’s response to recent high-profile corporate failures was the Sarbanes-Oxley Act of 2002. It is sweeping legislation designed to promote confidence in U.S. capital markets. The federal government has been working to help ensure that Canadian public companies listed in the United States, and Canadian accounting firms auditing U.S.-listed companies, are treated fairly and, to the extent possible, are not unduly burdened by the new U.S. legislation.

Telecommunications

While there are occasional issues, Canadian telecommunications companies are generally able to obtain regulatory and licensing approvals within a reasonable time in the United States. This is important for Canadian companies competing in the U.S. market