
Electricity

As outlined in the U.S. National Energy Policy (Cheney Report), the U.S. Administration supports increased cross-border trade in electricity and reform of domestic mechanisms affecting trade. Congressional efforts to restructure the sector and implement Administration initiatives remain stalled by concerns arising from California's failed deregulation and disagreement over federal and state jurisdiction. Canada continues to strongly oppose proposals for U.S.-imposed, continent-wide systems reliability standards. Rather, it favours an industry-based, binational self-regulating reliability organization, which would develop reliability standards while preserving the respective authority of Canadian and U.S. regulators. Another issue with the potential to affect trade in electricity is the new reciprocity provisions under development in U.S. regulations; Canada continues to raise concerns about these provisions.

Canada remains concerned over proposals in recent U.S. federal and state legislation to exclude Canadian-origin renewable energy resources and hydroelectric power from U.S. renewable energy programs. Canadian advocacy in this sector has raised U.S. awareness of a North American electricity market and the impact that discriminatory measures could have on this market. Canada continues to monitor developments in U.S. renewable energy standards.

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

Pipeline Subsidies

Canada is concerned over proposed subsidies for a new pipeline to bring natural gas from Prudhoe Bay, Alaska, to the "lower 48" states. Any floor price or loan guarantees to industry would affect the economics of a pipeline route, distort energy markets and negatively impact Canadian projects in the Mackenzie Delta.

Canada strongly supports natural gas development in Alaska, and we are necessarily partners in that development because any pipeline from Alaska to the

lower 48 states must go through Canada. However, the private sector should ultimately decide on the nature and timing of such a pipeline. As well, in Canada's view the private sector is best suited to decide its route, subject to regulatory and environmental review procedures. The Bush Administration has also adopted a route-neutral position on the Alaska pipeline project.

Hemp Products

On October 9, 2001, the U.S. Drug Enforcement Agency (DEA) published interpretative, proposed and interim rules regarding hemp foods and oil. These rules, which were to be effective immediately, banned hemp food products that use ingredients (hemp seed or oil) containing any THC (tetrahydrocannabinol) and required hemp body-care companies to file for exemptions with the DEA to secure hemp oil imports. In April 2002, a hearing was held at the U.S. Court of Appeal for the Ninth Circuit to determine whether federal law may classify hemp food containing THC under the Controlled Substances Act (CSA). The case is being reviewed by a three-judge panel, and a final decision is expected in early 2003. The Canadian government is monitoring this situation carefully.

MONITORING DEVELOPMENTS AFFECTING CANADIAN INTERESTS

Record of Understanding on Agriculture

The December 4, 1998, Canada-U.S. Record of Understanding (ROU) and Action Plan has continued to contribute to the management of bilateral agricultural trade relations. The Consultative Committee on Agriculture established under the ROU continued to hold its periodic meetings in 2002, as did the Provinces/States Advisory Group. Intensified communications resulting from these meetings have helped both countries to better understand bilateral trade issues and have accelerated work to define solutions to emerging problems. The Consultative Committee on Agriculture also agreed to a renewed work plan to continue to address issues of bilateral interest.