



HOUSE OF COMMONS
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CANADA

THE ERIE LAKE CONNECTOR: A PROJECT IN THE BEST INTEREST OF THE PUBLIC?

**Report of the Standing Committee on Transport,
Infrastructure and Communities**

Peter Schiefke, Chair

**OCTOBER 2024
44th PARLIAMENT, 1st SESSION**

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NOTICE TO READER

Reports from committees presented to the House of Commons

Presenting a report to the House is the way a committee makes public its findings and recommendations on a particular topic. Substantive reports on a subject-matter study usually contain a synopsis of the testimony heard, the recommendations made by the committee, as well as the reasons for those recommendations.

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THE STANDING COMMITTEE ON TRANSPORT, INFRASTRUCTURE AND COMMUNITIES

has the honour to present its

NINETEENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the committee has studied Canada Infrastructure Bank's involvement in the Lake Erie Connector project and has agreed to report the following:

TABLE OF CONTENTS

SUMMARY	1
LIST OF RECOMMENDATIONS	3
THE ERIE LAKE CONNECTOR: A PROJECT IN THE BEST INTEREST OF THE PUBLIC?	5
Introduction.....	5
Background: The Canada Infrastructure Bank	6
The Lake Erie Connector Project.....	8
Project Outline.....	8
Project Suspension in 2022	9
Purchase by NextEra Energy Transmission in January 2024	10
Questions Regarding the Potential Benefits of the Project	12
Greenhouse Gas Emission Reductions	12
Quebec Interties Options	14
Questions Regarding the CIB’s Due Diligence Efforts	14
Cost of Legal Fees	15
The CIB’s Due Diligence Process.....	16
APPENDIX A: LIST OF WITNESSES.....	19
REQUEST FOR GOVERNMENT RESPONSE	21
SUPPLEMENTARY OPINION OF THE BLOC QUÉBÉCOIS	23

SUMMARY

The House of Commons Standing Committee on Transport, Infrastructure and Communities (the Committee) held two meetings to conduct a study on the Canada Infrastructure Bank (CIB)'s involvement in the Lake Erie Connector project, a proposed underwater transmission line that would connect Ontario's electricity grid with the PJM Interconnection in the United States.

Some witnesses discussed the reasons behind the project's suspension in 2022 and its purchase, in January 2024, by NextEra Energy Transmission, a large U.S.-based utility company. Committee members also heard different perspectives on the question of Ontario's ability to export clean energy to the United States over the short, medium, and long terms.

The Committee heard primarily from senior officials from the Canada Infrastructure Bank, Ontario's Independent Electricity System Operator and from NextEra Energy Transmission. While the Committee invited the Minister of Infrastructure, Housing and Communities as part of its study motion, the Minister did not appear.

Some witnesses also discussed the CIB's due diligence process as well as the higher-than-average legal fees in the case of this project.

LIST OF RECOMMENDATIONS

As a result of their deliberations committees may make recommendations which they include in their reports for the consideration of the House of Commons or the Government. Recommendations related to this study are listed below.

Recommendation 1

Considering that the Committee still remains concerned about the waste, inefficiency, and lack of transparency at the CIB, the Government of Canada act on the single recommendation of the Committee in its third report and abolish the Canada Infrastructure Bank.

Recommendation 2

That the Government of Canada prevent the Canada Infrastructure Bank from using preferential public financing to “de-risk” wealthy corporations’ private-sector projects in cases in which such projects have circumstantial, speculative, or minimal benefits to the Canadian public.

Recommendation 3

That the Canada Infrastructure Bank refrain from using taxpayers' money to finance projects like the Lake Erie Connector, which are primarily for the benefit of foreign companies.

Recommendation 4

That the Canada Infrastructure Bank refrain from partnering with foreign companies that unfairly attack Quebec and Canadian companies, as NextEra Energy Resources did with Hydro Québec.

Recommendation 5

That the Government of Canada facilitate cooperation between the Quebec and Ontario provincial governments to work towards integrating their respective electricity grids.



THE ERIE LAKE CONNECTOR: A PROJECT IN THE BEST INTEREST OF THE PUBLIC?

INTRODUCTION

On 13 April 2021, the Canada Infrastructure Bank (CIB) announced that it had signed an agreement in principle with ITC Investment Holdings (ITC), a subsidiary of Fortis Inc.¹ to invest in the Lake Erie Connector project.² This connector is a proposed transmission line which would run for 117 kilometers under Lake Erie to connect Ontario’s electricity grid with the PJM Interconnection in the United States.³ Under the terms of the agreement, the CIB would invest up to 40% of the project’s capital cost, to a maximum of \$655 million, with the balance coming from private lenders.

The project, however, was suspended in 2022. The CIB, in a financial report, indicated this was due to “recent macroeconomic conditions which have impacted the proponent’s ability to secure a viable transmission service agreement within the required timeline.”⁴ In response to an Inquiry of ministry dated 24 October 2023, the CIB confirmed that it had incurred \$899,317.62 in expenditures in relation to the Lake Erie Connector Project prior to its suspension.⁵ The suspended project was subsequently acquired, in January 2024, by [NextEra Energy Transmission](#) (NextEra).

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- 1 Throughout this study, witnesses referred to both “ITC” and “Fortis” interchangeably when discussing the former proponent of the Lake Erie Connector Project. In relaying testimony, this report will use the term employed by the witness being cited.
 - 2 Canada Infrastructure Bank, [The CIB And Private Sector Partners To Invest \\$1.7 Billion In Lake Erie Connector](#), News release, 13 April 2021.
 - 3 Having started as a power pool between Pennsylvania, New Jersey and Maryland, [PJM Interconnection](#) now coordinates the movement of electricity through all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia.
 - 4 Canada Infrastructure Bank, [Second Quarter \(Q2\) Fiscal Year 2022-23 Financial Report](#), p. 7.
 - 5 Government of Canada, Inquiry of ministry: Q-1889 – Reply by the Canada Infrastructure Bank, Sessional Paper No. 8530-441-32, House of Commons, 11 December 2023.



On 1 February 2024, the House of Commons Standing Committee on Transport, Infrastructure and Communities (the Committee) adopted the following [motion](#):

Given that,

The Canada Infrastructure Bank (CIB) spent nearly \$900,000 in consulting fees on the Lake Erie Connector project;

That the committee undertake a study of the Canada Infrastructure Bank's involvement in the Lake Erie Connector project; that the committee hold three meetings to hear from witnesses on the topic; and that the committee invite the Minister of Housing, Infrastructure and Communities and Infrastructure Canada officials as well as the Chief Executive Officer and the officials of the Canada Infrastructure Bank to appear as part of the study.

The Committee held two meetings on this study, on 9 April and 11 April 2024, and heard from eight witnesses.

BACKGROUND: THE CANADA INFRASTRUCTURE BANK

The CIB was announced in the [2016 Fall Economic Statement](#) as a way to attract private sector investment in Canadian infrastructure. It was established as a Crown corporation the following year by the [Canada Infrastructure Bank Act](#) (CIBA).

According to section 6 of the CIBA, the CIB's purpose is to

invest, and seek to attract investment from private sector investors and institutional investors, in infrastructure projects in Canada or partly in Canada that will generate revenue and that will be in the public interest by, for example, supporting conditions that foster economic growth or by contributing to the sustainability of infrastructure in Canada.⁶

The CIB's [Corporate Plan Summary, 2020–21 to 2024–25](#) lists the corporation's three responsibilities as advising on, investing in, and developing knowledge and research about new infrastructure investment in Canada. The CIBA authorizes the CIB to contribute to infrastructure projects through equity investments, loans and loan guarantees. The Act also provides a budget of up to \$35 billion.

⁶ [Canada Infrastructure Bank Act](#) (S.C. 2017, c. 20, s. 403), s.6.

In May 2022, the Committee presented its report entitled [The Canada Infrastructure Bank](#), which was subsequently concurred in by the House of Commons on 26 October 2023. This report reflected witness testimony, gathered in February and March 2021, of the CIB's slow progress in advancing infrastructure projects and included a single recommendation: "That the Government of Canada abolish the Canada Infrastructure Bank."

According to [Ehren Cory](#), Chief Executive Officer of the Canada Infrastructure Bank, "the CIB has really hit its stride" in the past three years, investing nearly \$13 billion in projects which have a total capital cost, including private sector investments, of nearly \$35 billion. At the time of his testimony on 9 April 2024, he reported that 70 of the CIB's investments had reached financial close,⁷ two projects were completed, and another (the REM transit system in Montreal) was operational.

[Mr. Cory](#) described the CIB's role in terms of investment as de-risking investment to incentivise the private sector to move forward on infrastructure projects that "are sitting on the sidelines as they struggle to address the barriers to getting shovels in the ground." These are projects which, in his view, "might not get built" without the CIB's involvement. [He](#) clarified that the CIB's goal is not to "make money from the private sector," but rather to "coinvest" in order to draw private sector money into infrastructure investments. [Mr. Cory](#) added that, according to the CIB's estimates, "for every dollar of Canadian taxpayers' money that we're investing, we are drawing six dollars of private capital or so, currently, into those projects over the long term."

[Mr. Cory](#) viewed the CIB as "an innovative tool," though he pointed to similar structures already being in use in some European countries, as well as a more recent example in the United Kingdom, which he suggested was modelled on the CIB, and of course recent announcements in Ontario. Regarding the latter, [he](#) indicated an opportunity for partnership between the CIB and an Ontario Infrastructure Bank which, in his estimation, would result in more investment opportunities for both entities.

[The Honourable Lisa Raitt](#) (appearing as an individual) expressed general support for the public-private partnership (P3 or PPP) approach represented by the CIB, although she noted that "the previous Conservative government went through P3 Canada. The notion of it, I think, is something that makes a lot of sense. It's just the implementation and the execution of it that are very different."

7 According to the Canada Infrastructure Bank's [2022-23 Annual Report](#), p.16, a project has reached "financial close" when "the CIB and investment partners have completed all due diligence and entered into legally binding agreements."



When asked about transparency and rising salaries and bonuses for staff when compared to total operating expenses and funds spent on infrastructure projects, [Mr. Cory](#) insisted on the CIB's transparency, pointing out that all expenses, bonuses and performance targets are listed and explained in its publicly-available reports. Staff salaries, [he](#) explained, are lower than they would be in the private sector but are benchmarked, in conjunction with performance-based bonuses, to ensure they remain competitive. [Mr. Cory](#) further added that the CIB's "internal costs are made up of only salary and staff costs, some office rent and some computers."

THE LAKE ERIE CONNECTOR PROJECT

Project Outline

As [Matt Pawlowski](#), Vice President of NextEra Energy Transmission, described to the Committee, the proposed Lake Erie connector would be "a 117-kilometre underwater high-voltage direct-current transmission line" which would link Ontario to Pennsylvania. More specifically, it would connect with the PJM Interconnection, which [Mr. Cory](#) described as "the largest wholesale electricity market in the world."

[Chuck Farmer](#), Chief Energy Transition Officer and Vice President, Planning, Conversation and Resource Adequacy with Ontario's Independent Electricity System Operator, explained that Ontario currently has transmission interconnections with Quebec, Manitoba, New York, Minnesota and Michigan, which permit the daily import and export of electricity through Ontario's electricity markets. In his view, this system of interconnections "adds competition that helps drive down costs, allows us to more efficiently use the assets within Ontario and serves as a crucial source of supply when Ontario is experiencing tight conditions on the system."

As [Mr. Farmer](#) told the Committee, the Independent Electricity System Operator, or IESO, "is the provincial agency accountable in legislation for maintaining the reliability of Ontario's electricity system." He described the IESO as an "independent operator and planner," with no ownership over the system's assets or infrastructure and compared their responsibility for balancing the supply and demand for electricity in Ontario with that of air traffic controllers: "but instead of safely guiding planes, we move electrons around the system so that Ontario continues to have reliable access to electricity where and when the province needs it."

In announcing its agreement in principle with ITC, the CIB indicated that the Lake Erie Connector would result in the following benefits:

- lower electricity costs for consumers in Ontario;
- improved reliability and security of Ontario’s energy grid;
- reduced greenhouse gas (GHG) emissions as a source of low-carbon electricity in Ontario and U.S. electricity markets;
- during construction, the creation of 383 jobs per year, driving more than \$300 million in economic activity;
- over the project’s life, 845 permanent jobs; and
- a boost to Ontario’s gross domestic product by \$8.8 billion.⁸

In [Mr. Cory](#)’s view, the Lake Erie Connector was “a prime example of an infrastructure project that could potentially deliver public good outcomes, yet it has been stuck on the sidelines for a decade (...) due to an affordability gap.” He explained that while the project had been proposed as early as 2014 and had the support of both the Government of Ontario and the IESO, high costs would have had a significant impact on Ontario ratepayers. “The CIB became involved in 2019. After analyzing both the expected cost of the project and GHG and economic benefits, we agreed to make a \$655-million loan that would reduce the project’s total cost and minimize impacts to ratepayers.”

Project Suspension in 2022

In April 2021, when the project was first announced by the CIB, the Committee had questioned the Minister at the time, the Honourable Catherine McKenna, about the risks and benefits of the project. About 1 and ½ years later, the project still had not reached financial close, and in July 2022, Fortis announced the suspension of the project.

[Mr. Cory](#) explained the project’s suspension as being the result of “rapid cost escalation” in the context of the COVID-19 pandemic and subsequent inflation. Under these circumstances, Fortis was no longer able to proceed with the project, given the fixed price that had been agreed upon with Ontario’s Independent system operator.⁹

8 Canada Infrastructure Bank, [The CIB And Private Sector Partners To Invest \\$1.7 Billion In Lake Erie Connector](#), News release, 13 April 2021

9 Standing Committee on Transport, Infrastructure and Communities (TRAN), *Evidence*, 44th Parliament, 1st Session: [Ehren Cory](#), Chief Executive Officer, Canada Infrastructure Bank.



He clarified that the decision to suspend the project was made by Fortis, but that both the CIB and the government of Ontario were consulted and neither was willing to increase their investment at the time. On this topic, Mr. Farmer stressed that the IESO's focus is on economic value for ratepayers:

We would not build the line at any cost; I want to be clear about that. We need to understand what the value of the line is to Ontario's ratepayers, which will tell us what we would be willing to pay for it, and that would then form the negotiation that would take place between the proponent and the IESO.

Mr. Cory added that other projects were similarly impacted by cost escalations at the time but insisted that “every project has nine lives,” suggesting that short-term financial difficulties did not impact the overall potential benefits or the long-term viability of the project. Ms. Raitt also suggested that the suspension of projects is “very normal in the private sector.”

Specifically, Mr. Cory referenced the Whapmagoostui power project in northern Quebec and a B.C. Transit zero emission bus project, which were also suspended due to cost escalations. According to Frédéric Duguay, General Counsel and Corporate Secretary with the Canada Infrastructure Bank, the CIB's legal and technical advisory expenses for these two projects were “close to \$85,000” and “about \$185,000” respectively.

Purchase by NextEra Energy Transmission in January 2024

Mr. Pawlowski confirmed that NextEra acquired the ownership interests in the project in January 2024, has the support of the Mississaugas of the Credit First Nation as well as the Six Nations of the Grand River elected council, and is “actively engaged in discussions with Ontario's Independent Electricity System Operator and First Nations.”

He added that NextEra had recently re-engaged with the CIB and was discussing its possible involvement as a partner. He indicated the CIB's role might be as an investor, but also “as a partner with First Nations and as a way to involve First Nations in the project. It's not just about the financing; it's about other things the CIB brings to the table.” Mr. Cory confirmed that the CIB had “been engaged in several recent meetings on the project.”

Ms. Raitt agreed with the suggestion that “inflation and the interest rates” would have a “macroeconomic impact on the cost of financing projects and building infrastructure projects in Canada.” Indeed, when asked what had changed since the project's suspension, Mr. Pawlowski agreed that inflation and supply chain issues remain significant. Nevertheless, he insisted that NextEra is working through those challenges, adding “there have been a lot of different changes in the system that our due diligence

efforts have revealed are beneficial to the project. (...) our own analysis and our experts' analysis have shown that this is a viable project, and we want to move forward." [He](#) further expanded that, based on its due diligence efforts, NextEra noted "changes in conditions that are going on in the electricity system, including resources, low growth and other factors" which have led it to view the Lake Erie Connector as a potential "critical asset for Canada and for IESO going forward."

During his testimony before the Committee on 9 May 2023, [Mr. Cory](#) had indicated that the Lake Erie Connector project had been deemed "no longer good value for money." When asked if he still believed this to be the case, [he](#) responded "it's a bit too early to know for sure". He confirmed that better electrical grid connectivity would be a benefit but explained that both the CIB and the IESO would be updating their modelling to determine the exact value of that benefit and the amount they would be willing to invest in the project. This would then be compared with an updated cost estimate from NextEra to determine whether the project might be viable.

When asked whether the IESO supported the project moving forward, [Mr. Farmer](#) indicated support for a renewed exploration. Similar to Mr. Cory's point, however, he indicated that the IESO's support of the project's previous iteration was based on its cost-benefit analysis and that, as conditions had changed, further analysis would be required to ensure a proper understanding of the potential benefit to Ontario ratepayers.

As [Mr. Pawlowski](#) confirmed, negotiations began anew when NextEra acquired the project. No commercial arrangements or funding agreements carried through from the project under Fortis. [He](#) also indicated that the CIB had not yet specified a loan rate, as discussions had only just resumed.

As [Mr. Pawlowski](#) explained, his company is comprised of two main entities. NextEra Energy Resources focuses predominantly on wind and solar power, as well as some nuclear plants, while Florida Power & Light, "the largest utility by megawatt hour in the U.S." includes a significant gas-powered fleet. A recently-announced program aims to reduce its "Florida generation down to a zero-emissions profile by 2045," through converting some gas plants to hydrogen-power, increased development of solar power, as well as battery storage.

[Mr. Pawlowski](#) added that, in Canada, NextEra "has majority ownership of a 450-kilometre electricity transmission project located between Wawa and Thunder Bay, Ontario" and also owns and operates wind generation and energy storage facilities.



QUESTIONS REGARDING THE POTENTIAL BENEFITS OF THE PROJECT

In explaining NextEra's interest in resuming the Lake Erie Connector project, [Mr. Pawlowski](#) explained that the potential benefits of the connector include "local economic opportunities and increased reliability and resiliency for the Ontario electricity grid through new access to the PJM market." More specifically, he explained that the capacity for electricity to flow in both directions between Ontario's grid and the PJM would provide more options to reach "the right mix" in terms of generation resources to meet demands.

[Mr. Farmer](#) confirmed that the IESO's assessment determined the project would improve the reliability and increase the affordability of Ontario's electricity system. Interties in general, [he](#) explained, are beneficial in that respect:

They can provide capacity, which means that when we are in tight times, we can import capacity from neighbouring jurisdictions. We do that quite a lot. They can provide energy. They can provide reliability services, like operating reserves. We get a lot of value. The more interties we have, and the more robust our interties are, the more we can rely on them to maintain the reliability of our system.

[Mr. Pawlowski](#) described the connector's long-term role as "another resource in the stack that the IESO has" to increase the system's overall reliability and resiliency, which can result in benefits both financially or in terms of GHG emission reductions. By way of context, [Sashen Guneratna](#), Managing Director, Investments, with the Canada Infrastructure Bank, pointed out that in 2021, according to the Ontario Society of Professional Engineers, Ontario produced an excess of more than seven terawatt hours of clean electricity.¹⁰ As there was no demand to use it, this electricity "was billed or sold to New York and Michigan at lower or negative prices."

Greenhouse Gas Emission Reductions

[Mr. Cory](#) and [Mr. Pawlowski](#) both pointed to potential environmental benefits through a reduction of greenhouse gas (GHG) emissions. They explained that, through access to a wider range of power generation options, excess clean power can be exported to another part of the system, in theory reducing reliance on higher emission sources.

¹⁰ For context, the total annual energy demand for the province of Ontario in 2021 was 137.6 terawatt hours, according to the Independent Electricity System Operator's [Historical Demand overview](#).

[Dr. Mark Winfield](#), Professor at York University's Faculty of Environmental and Urban Change (appearing as an individual), however, questioned the conclusion that the Lake Erie Connector would allow Ontario to export significant amounts of clean energy. This, he claimed, is based on "the assumption that there would be significant surplus generation available for export." He explained that "virtually all" of Ontario's nuclear facilities are due to come offline for refurbishment in the next two decades, which would reduce Ontario's production of clean energy at a time when its consumption is expected to continue to increase. According to [him](#), Ontario's recent overproduction of clean energy is tied to nuclear production, as a reactor cannot be turned down to reflect reduced demand in the way other generation sources can. The refurbishment plans would likely result in increased demand for gas-fired generation in the province.

[Mr. Cory](#) acknowledged that the refurbishment of nuclear facilities would have an impact on Ontario's ability to export clean energy in the medium term, when clean power will likely flow alternately in both directions. He maintained, however, that in the short term, the province's grid would certainly be "a net exporter." Finally, he acknowledged that in the long-term, Ontario would likely become a net importer of energy, adding that bilateral contracts could ensure that priority be given to clean energy sources from PJM.

[Mr. Pawlowski](#) admitted that it would be theoretically possible for Ontario to "dump" its surplus high-emission electricity into the PJM system and thereby undermine the decarbonization goals of some of its member States. He proposed an alternative scenario, however, in which, "instead of dispatching a gas plant in Ontario, the IESO can take advantage of a resource that's in PJM that's already either dispatched or clean, or both, in order to not dispatch the plant in Ontario."

[Mr. Farmer](#) explained that the IESO had identified "a number of ways" the Lake Erie Connector could result in reduced GHG emissions across the system. Firstly, Ontario's current base of nuclear and hydro power would provide the PJM with further access to clean energy. In addition, he proposed a variation on Mr. Pawlowski's scenario of prioritising cleaner sources instead of dispatching gas plants. In fact, Mr. Farmer explained, Ontario's natural gas generation could represent the cleaner alternative. By exporting power to the PJM, Ontario could replace "a less efficient or higher-emitting resource in the PJM footprint, which would lead to a net gain in the overall airshed that we share." [He](#) added, in response to Dr. Winfield's concerns, that tie lines "are importing and exporting energy every hour", with demand varying significantly throughout the year and even throughout a single day. He further explained that Ontario has "a large nuclear baseload fleet, even with our refurbishment program, a large hydro fleet, and



substantial wind and solar on the system, so there are many hours when we have available non-emitting energy that we can export to neighbouring jurisdictions.”

Quebec Interties Options

Dr. Winfield also suggested that it would be more beneficial, both financially and environmentally, to strengthen interties between Ontario and Quebec. He explained that the interties already exist, although they would need to be upgraded, and that the two systems would be “ideal” partners:

The two could balance each other off very nicely in terms of Quebec helping Ontario when there is lowered output from renewables. When Ontario's outputs are high, they could sell to Quebec. That's often in the winter, when Quebec has challenges around meeting peak and when Quebec doesn't run the hydro dams. It effectively stores the energy behind the dams.

Mr. Cory agreed that strengthening interties between Canadian provinces would be beneficial but argued that “it's not a question of either-or.” He explained that the CIB had responded to a project that was identified and supported (in its previous incarnation) by the IESO, but that it would also look into proposals it receives for interties between Ontario and Quebec. He also added that the Lake Erie Connector would provide benefit to Hydro-Québec by allowing it access, through its interties with Ontario, to the PJM network. A connection that, he indicated, does not currently exist.

Mr. Pawlowski, when asked about NextEra’s objection to a project that would connect the Hydro-Québec system with New England, stated that the Lake Erie Connector is different in that it allows two-way generation. The proposed Quebec-Maine link, however, “really relies on generation on one side going into the U.S.”

QUESTIONS REGARDING THE CIB’S DUE DILIGENCE EFFORTS

In response to an Inquiry of ministry dated 24 October 2023, the CIB confirmed the following expenditures for the Lake Erie Connector project, for a total of \$899,317.62:

- \$555,145.30 for “Legal advice related to Canadian law for project structuring, due diligence, environmental and regulatory law, and drafting legal documentation for the Project”;
- \$248,170.82 for “Legal advice for United States law project structuring, due diligence, environmental and regulatory law and drafting legal documentation for the Project”;

- \$25,010.00 for “Financial advice and expertise related to electricity transmission and financial structuring advice for the Project”; and
- \$70,991.50 for “Technical Power markets advice and independent analysis of the GHG emissions impacts of the Project.”¹¹

When asked whether these expenses had been “wasted”, given the project’s suspension, [Mr. Cory](#) answered “Not at all. (...) This project was suspended, but it continues apace. It is a necessary part of the transmission grid in North America, and we still think it’ll get built.”

According to [Mr. Cory](#) and [Mr. Pawlowski](#) further due diligence would be required to ensure an up-to-date view of the project’s potential benefits and costs. Nevertheless, both agreed that the CIB’s previous work on the project would provide a benefit, acting as a base to additional considerations and avoiding the need to “start from scratch.” [Mr. Cory](#) also provided some expansion on the need for additional work:

[W]e will update that forecasting. We will again scrutinize the independent system operator's view. Certainly, as a lender to a project, it's our duty to make sure that's true. However, we are not also the power market experts, so we would hire more due diligence to do that. We would also have legal fees to finalize the contracts with whoever is the new borrower, but we would really be building on the due diligence done to date.

Cost of Legal Fees

During their testimony, CIB representatives were also asked to provide further explanation for the previous expenditures, the majority of which went to legal fees. [Mr. Cory](#) and [Mr. Duguay](#) explained that, while legal fees are a normal part of the CIB’s due diligence efforts in any project, the Lake Erie Connector’s international aspects presented an unusual level of complexity. This required higher than normal costs in terms of legal fees, notably due to the need for American (and specifically Pennsylvanian) legal expertise.

[Mr. Duguay](#) further explained that the CIB’s relatively small internal legal team works closely with the investment team and begins work on the negotiation phase of a project, undertaking legal drafting and due diligence. A major project, however, such as the Lake Erie Connector, can exceed the capacity of the half-dozen internal legal staff, which then

11 Government of Canada, Inquiry of ministry: Q-1889 – Reply by the Canada Infrastructure Bank, Sessional Paper No. 8530-441-32, House of Commons, 11 December 2023.



requires external expertise. He confirmed that the CIB has a procurement policy, which is available on its website,¹² as well as a tendering process specifically for legal fees:

On average, we retain the services of three to five law firms, first to gain an understanding of the expertise required for a project and hourly rates, and then to make sure there is no conflict of interest regarding the spending of public funds.

Given the complexity and novelty of this project, installing a connection beneath Lake Erie, [Mr. Cory](#) again confirmed that due diligence costs were “higher than average.” He pointed out, however, that as a proportion of the investment, they remain “quite small and competitive.”¹³ He also explained that, in general, the CIB makes efforts to standardise tools, documents, and approaches to lower due diligence costs for similar future projects. Given the nature of this particular project, however, this was not possible, which resulted in above-average costs.

When asked why due diligence work could not be done internally, [Mr. Cory](#) replied that, while the majority of work on an investment is typically done internally, outside counsel is “always” sought, particularly in the case of larger investments. [He](#) added that the broad scope of investments in which the CIB may be involved makes it impractical to maintain internal expertise on all possible issues.

The CIB’s Due Diligence Process

[Mr. Cory](#) also spoke more broadly on the CIB’s due diligence process, which he indicated typically takes two forms: legal counsel to help structure the agreement itself and understand potential legal implications, and technical expertise to understand the project and its potential value and benefit to taxpayers. This, [he](#) added, involves confirming work already done by the proponent to ensure the CIB has its own “independent view” prior to investing taxpayer funds in any particular project. In the case of the Lake Erie Connector project, [Mr. Guneratna](#) provided context in stating that Fortis’s own costs, from acquisition until the project was suspended, were in the \$10 million to \$20 million range.

Other witnesses were clear that due diligence represents a necessary cost to infrastructure projects. [Mr. Pawlowski](#) confirmed that NextEra had engaged its own independent experts to study the project, while [Dr. Winfield](#) agreed that due diligence is required to determine whether a project is viable: “these things need to be subject to

12 Canada Infrastructure Bank, [Procurement Policy](#).

13 [Mr. Cory](#) indicated that the nearly \$900,000 spent on due diligence “represents less than 0.14% of the total investment size” for the Lake Erie Connector project.

substantial scrutiny to see if they make sense, both in economic terms and in environmental terms.” These upfront costs, [he](#) explained, can “potentially avoid a much bigger expenditure down the road.” He warned, however, against proceeding with a project without addressing questions raised during the due diligence phase.

[Mr. Farmer](#) confirmed that the IESO’s role included assessing the value of the Lake Erie Connector project prior to entering negotiations for a commercial contract. Meanwhile, [Ms. Raitt](#) stated that “Due diligence has to be done on projects. It has to be done at the pace of the project, and not necessarily at the pace of bureaucracy, which can be a difficult thing, to slow down a project.” She added, however, addressing Committee members:

[T]he government has made a choice that it is going to do its due diligence outside of the federal departments, and it is going to do it in a different way. That comes with the costs that you see, which have been illuminated through the process that you’re currently studying. It’s up to you, and it’s up to taxpayers, to determine if that is an appropriate use of the taxpayers’ dollars.

APPENDIX A: LIST OF WITNESSES

The following table lists the witnesses who appeared before the committee at its meetings related to this report. Transcripts of all public meetings related to this report are available on the committee’s [webpage for this study](#).

Organizations and Individuals	Date	Meeting
<p>As an individual</p> <p>Mark Winfield, Professor, Faculty of Environmental and Urban Change, York University</p>	2024/04/09	107
<p>Canada Infrastructure Bank</p> <p>Ehren Cory, Chief Executive Officer</p> <p>Frédéric Duguay, General Counsel and Corporate Secretary</p> <p>Sashen Guneratna, Managing Director, Investments</p>	2024/04/09	107
<p>As an individual</p> <p>Hon. Lisa Raitt, P.C.</p>	2024/04/11	108
<p>Independent Electricity System Operator</p> <p>Barbara Ellard, Director, Resource and System Adequacy</p> <p>Chuck Farmer, Chief Energy Transition Officer and Vice- President, Planning, Conservation and Resource Adequacy</p>	2024/04/11	108
<p>NextEra Energy Transmission</p> <p>Matt Pawlowski, Vice-President</p>	2024/04/11	108

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the committee requests that the government table a comprehensive response to this report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 107, 108 and 127](#)) is tabled.

Respectfully submitted,

Peter Schiefke
Chair

NO TO FEDERAL INTERFERENCE IN QUEBEC'S JURISDICTIONS.

The Bloc Québécois thanks the members of the Standing Committee on Transport, Infrastructure and Communities, its staff, analysts, and witnesses who provided us with valuable information on the Canada Infrastructure Bank's (CIB) involvement in the Lake Erie Connector project, which involves building an undersea power line to connect Ontario's electricity grid to the PJM Interconnection in the United States.

The CIB, by leading a partnership with a foreign company that unfairly attacks a Quebec company, as the American company "NextEra Energy Resources" did with Hydro Quebec, is an example that explains the Bloc Québécois lack of confidence in this federal government agency.

When we know that the US company "NextEra Energy Resources" has invested colossal sums, to say the least dubious, to undermine the efforts of the "New England Clean Energy Connect". This demonstrates an unacceptable failure on the part of the CIB to have it as a partner.

In this demonstration, let us know that the "New England Clean Energy Connect" is promoting an electrification project on its territory and that Hydro Québec is its main supplier. For its part, the "NextEra Energy Resources" promoting energy investments in nuclear power, was thus fighting a hydroelectric project favorable to Hydro-Québec. A fight on the part of the "NextEra Energy Resources" marked by illegalities.

In a referendum process wanted by opponents of the "New England Clean Energy Connect" project, "NextEra Energy Resources" not only spent twenty million dollars in the camp against the "New England Clean Energy Connect" project, but also launched legal proceedings, among others, against Hydro-Québec.

But this is just the tip of the iceberg. "NextEra Energy Resources" also secretly funded groups that opposed the project to counter Hydro-Québec and its partners. To achieve its goals, the American company hired the consulting firm "Hawthorn Group", which it used as a front company to fund well-known groups such as "Stop the Corridor" and "Alpine Initiatives". Funding that was found illegal by the Maine State Supreme Court following investigations by the State Ethics Commission. "Stop the Corridor" had to pay \$50,000 in fines for not registering as a stakeholder in the referendum. "Alpine Initiatives" was fined \$160,000 for failing to register as a political action committee after donating \$150,000 to the Maine Democratic Party.

The Bloc Québécois finds it grotesque that the CIB is preparing to potentially offer money to the American company "NextEra Energy Resources" in the connection project under Lake Erie. While this company has used immoral subterfuges to fight the export of our electricity to the United States, the CIB is financing the import of electricity to Canada from this same American company with taxpayers' money! You couldn't make this up.

While we were relieved to see that the majority of committee members adopted our recommendations on this project, this study nevertheless revealed the intention of the federalist parties to interfere in an area of Quebec's jurisdiction. Hydro Québec was built by Quebecers and

for Quebecers, Ottawa's intrusion is not welcome. This desire for federal interference in provincial jurisdictions was reflected in the committee members' desire to encourage the federal government to get involved in the integration of provincial electricity networks. The Bloc Québécois repeats that it is up to Quebec and each province to decide how they manage their affairs. Period.

Sources :

<https://www.tvanouvelles.ca/2024/08/01/une-agence-dottawa-veut-financer-un-adversaire-dhydro-quebec>

<https://www.mainepublic.org/politics/2023-11-30/documents-reveal-nexteras-hidden-attempts-to-derail-cmps-transmission-line-corridor>

[Le projet de ligne d'Hydro-Québec contesté devant les tribunaux | TVA Nouvelles](#)