

Alberta imposes moratorium on BC wine and announces task force to address inter-provincial trade barriers

The Confederation of Canada and public prosperity are put at risk with weak federal leadership on issues of cooperation and trade

Announcements by BC's Premier and Environment Minister on January 30, 2018, caused investors and observers to question if the Trans Mountain Pipeline Expansion project would be completed and uncertainty that the export of Canadian bitumen would continue to be viable via the BC coast. Alberta bitumen is currently sold at a tremendous discount from global prices because Canada currently does not have sufficient infrastructure capacity to reach other markets around the world, particularly Asia.

Premier Rachel Notley announced one week later that a moratorium on the import of BC wine to Alberta would begin, effective immediately. Alberta's retaliatory measure may subject the project to a fine through contravention of the New West Partnership agreement. It is also a functionally viable retaliatory measure, as all alcoholic products imported to the province are distributed through the Alberta Gaming and Liquor Commission (AGLC).

In dollar terms, the trade implications of Alberta's wine moratorium is about \$70 million annually to wine producers in BC. If the discount applied to Western Canadian bitumen held steady for one year, the estimated impacts of restricted access to Asian and global markets will be a cost of \$23 billion to the Canadian economy.

The announcements made by BC signaled an intent, through the introduction of new legislation, to essentially cap the export of Alberta bitumen via BC coastal waters at today's levels by imposing new environmental standards specifically aimed at diluted bitumen products. It is widely accepted that such legislation would contravene Canadian constitutional laws and, should such legislation be introduced, that the legislation would be overturned in a Supreme Court challenge. However, the absence of legislation has not quelled investor uncertainty given the federal government's tepid response to assert jurisdictional authority over pipelines and rail transport. The Trans Mountain project is already a year behind schedule, and the anticipation of further delays that would result from legal challenges to such legislation could result in the project being cancelled.

In 2017, more than \$54 billion in major energy projects were cancelled in Canada because of regulatory delays and uncertainty, including the Energy East Pipeline Project and major LNG plants on the BC coast.

Alberta has responded to federal inaction to provide full certainty that the Trans Mountain project will get build and that BC trade routes will remain open to Alberta bitumen products. The province has stated its intent to escalate the issue until the issue of market access for Alberta bitumen products via BC has been resolved with unmistakable clarity and sufficient federal engagement to quell fears that any delay tactics by other levels of government will not result in cancellation of the Trans Mountain project.

Three specific actions have been announced to date:

Jan. 31 - Immediately following the BC announcement, Alberta announced the suspension of talks between the two provinces for establishing a trade relation whereby Alberta would import electrical power from BC, particularly the Site C dam project.

Feb. 2 - A moratorium has been placed on the import of wine produced in BC and will remain in effect until further notice.

Feb. 8 - The Alberta Government has struck a task force to address the issue of market access and, specifically, export of Alberta bitumen products

The Alberta Chambers of Commerce (ACC) has been monitoring this issue very closely and has been in ongoing communication with stakeholders and the provincial government.

The response of the ACC to the ongoing development issue, thus far, has been:

- The Alberta Chambers is, in principle, not in favour of any action that inhibits trade within Canada. Unrestricted and complementary inter-provincial trade has been integral to the country since Canada's confederation was founded, and subsequently, is the single most important contributor to Canadians' prosperity
- The federal government's responses to this issue have not been sufficient to provide the clarity and certainty needed to support a healthy and competitive investment climate in Alberta and Canada. Moreover, the lack of confidence resulting from federal responses to date put the prosperity of Canadians at risk.
- This issue, an issue of federal jurisdiction, is not a BC v. Alberta scenario. This is a BC v. Canada issue.
- Given the absence of federal leadership on this issue and to advocate the importance exporting Alberta energy products is to the national interest, the Alberta Government's response is measured and appropriate given the scope of the issue and the political, legal, and functional options currently understood and available
- The federal government needs to step up it's visible and clear authority on this issue and provide fulfill it's constitutional responsibilities

Sherwood Park & District Chamber of Commerce