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• (1105)

[Translation]

The Chair (Mr. Peter Schiefke (Vaudreuil—Soulanges, Lib.)): I call this meeting to order.

Welcome to meeting number 107 of the House of Commons Standing Committee on Transport, Infrastructure and Communities.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, February 1, 2024, the committee is meeting to start its study on the Canada Infrastructure Bank's involvement in the Lake Erie connector project.

Today's meeting is taking place in hybrid format, pursuant to the House of Commons Standing Orders. Members may participate in person in the room or remotely by using the Zoom application.

[English]

Although this room is equipped with a sophisticated audio system, feedback events can occur. These can be extremely harmful to our interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too closely to a microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour's microphone is turned on. In order to prevent incidents and safeguard the hearing health of our interpreters, I invite all participants to ensure that they speak into the microphone into which their headset is plugged and to avoid manipulating the earbuds by placing them on the table away from the microphone when they are not in use.

Colleagues, I welcome our witnesses for today. Appearing before us by video conference is Mr. Mark Winfield, professor, faculty of environment and urban change, York University. Welcome to you, sir. From the Canada Infrastructure Bank, we have Ehren Cory, chief executive officer; Sashen Guneratna, managing director, investments; and Frédéric Duguay, general counsel and corporate secretary.

We begin with our opening remarks, and for that I will turn the floor over to you, Mr. Winfield. You have five minutes, sir.

Dr. Mark Winfield (Professor, Faculty of Environmental and Urban Change, York University, As an Individual): Thank you, Mr. Chair.

My name is Mark Winfield. I'm a professor of environmental and urban change at York University in Toronto. I'm also coordinator of the master of environmental studies/juris doctor programs, a member of the university senate and co-chair of the sustainable energy

initiative at the university, although I am speaking today in my capacity as an individual and not on behalf of York University as an institution.

I've written extensively on energy, electricity, environment and climate change issues in Canada, particularly Ontario. I've been a member of NSERC and SSHRC funded research networks and energy storage, smart grids, clean energy planning and transportation and climate change. I'm a founding advisory member of the Energy Modelling Hub. Most recently, I was co-editor of *Sustainable Energy Transitions in Canada*, which was published by UBC Press last fall.

With respect to the Lake Erie connector, this project was first brought to my attention via media inquiries about three years ago now, I guess. I must admit, my first reaction was that it just didn't make a lot of sense, given what was happening with electricity in Ontario. The notion that the province was going to be in a position to export clean electricity to the U.S. markets simply did not accord with the generally accepted situation on the ground in the province.

Put bluntly, there is no clean electricity to export, and we don't foresee any, probably out into the 2040s at best. The province's nuclear fleet is at end of life, with all three plants scheduled to have units going off-line for refurbishment or retirement. The procurement of renewable energy was formally terminated in 2018, although, in fact, that had stopped earlier, around 2014. The province's energy efficiency strategy was terminated in 2019.

The current government had declined to engage with Quebec around the possibility of interjurisdictional exports and imports despite repeated offers from the Quebec side to do so. The province is actually now projecting and seeing a major increase in greenhouse gas emissions and nitrous oxide emissions from gas-fired generation. That's now up by a factor of three, relative to the low point in 2017 in the aftermath of the coal phase-out. It is now almost on a vertical growth curve, looking at a five time increase by the late 2020s, and that will continue through the 2030s.

There are IESO projections which, indeed, saw ongoing growth in natural gas generation and related emissions through the 2040s. The implication here is that the marginal fuel in Ontario for the foreseeable future will be fossil gas-fired and therefore not clean, as has been generally understood. The situation did beg the question about what level of understanding of the situation on the ground in Ontario was informing the decision-making and the level of due diligence in financing the project. I understand that is now on a definite hold.

I also have to note that similar questions have arisen around the Canada Infrastructure Bank's role at the moment as the only significant investor in the proposed nuclear reactor at the OPG Darlington site. Again, there are lots of questions. This is technology that does not exist, even as a prototype. There is no construction licence. The technology is different from anything the CNSC, the nuclear regulator, has seen before. There are debates within the CNSC itself about how it should even approach the review and approval of the project. There are many serious technical and economic questions about the technology reinforced by the failure of the flagship NuScale SMR initiative at the end of last year.

Just to finish up, regarding the implications here, it does seem there needs to be a higher level of due diligence on the Infrastructure Bank's part in making investment decisions that could be helped by informing and engaging with not just the relevant proponents and authorities, but also making sure there are discussions with people with knowledge and understanding of the local systems and issues within the academy and civil society.

There is a very definite need to reach beyond proponents and their lobbyists. I've been an external adviser on audits for the Auditor General and the commissioner of the environment and sustainable development. This is part of the audit practice. It's a way of ground truthing to indicate where they're going with their audit findings in terms of people with an understanding of the situation on the ground. This is very relevant in this case because I think there is a very serious need to separate the sales pitches around what's being portrayed as clean or green technology from the realities of their technical and economic status and viability.

I think I'll end there. I will be happy to take any questions.

Thank you.

The Chair: Thank you very much, Professor Winfield.

We'll now turn the floor over to Mr. Cory.

You have five minutes for your opening remarks, sir.

[*Translation*]

Mr. Ehren Cory (Chief Executive Officer, Canada Infrastructure Bank): Thank you, Mr. Chair.

Thank you, ladies and gentlemen of the committee.

My name is Ehren Cory and I am the CEO of the Canada Infrastructure Bank, or CIB. To answer the committee's questions, I'm joined by Frédéric Duguay, our general counsel and corporate secretary, and by Sashen Guneratna, who leads investments in the clean power sector. We are pleased to accept the invitation to testify

before you today as part of your study of the CIB's participation in the Lake Erie connector project.

• (1110)

[*English*]

Canada needs more infrastructure. It's a fact that's widely accepted and understood. Whether that's transmission lines like the Lake Erie connector that allow Canadian energy to move between markets across our country and to other jurisdictions, ports and airports that help Canadians export more and get to new markets, or projects like water and waste-water systems that enable more housing stock, we need more investment in infrastructure.

Government alone can't pay for all this infrastructure. Tax dollars are finite. We need the private sector to do its part as well.

Too often, we hear from infrastructure owners that their projects are sitting on the sidelines as they struggle to address the barriers to getting shovels in the ground. That's where the CIB comes in. We use innovative financing tools to de-risk investment and incentivize the private sector to spend on the infrastructure that, without the CIB, might not get built. We deliver value for taxpayers by making loans that get paid back with interest. It is this flywheel of investment that makes the CIB unique relative to other forms of government support for infrastructure projects.

Before I talk about the Lake Erie connector, I'll just talk for another moment about the CIB and our progress.

Over the last three years, the CIB has really hit its stride. We have now made more than 70 investments that have reached financial close, investing nearly \$13 billion of taxpayer money in projects in every region of Canada. These projects have a total capital cost of nearly \$35 billion. Each of them is real investment in real projects that address Canada's infrastructure gap.

The projects include an essential passenger and cargo airport in Thompson, Manitoba, that delivers critical service to 37 northern, remote and indigenous communities in the north; investments that support cities, such as Brandon, Manitoba, with water and waste-water treatment facilities, without which new housing can't get built; and battery storage facilities in partnership with Nova Scotia Power and the WMA, which is an economic development corporation owned by the 13 Mi'kmaq nations in the province, that will help decarbonize the Nova Scotia grid.

Two of the projects we've invested in are now completed. Another, the first phase of the REM transit system in Montreal, is also now operational. We are seeing the results of these investments.

Now let me speak to the Lake Erie connector, which is the focus of today's discussion.

The Lake Erie connector is 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. The project is a cross-border transmission line that will reduce GHGs on both sides of the border, provide a more resilient power grid and drive positive GDP for Ontario by connecting to the largest wholesale electricity market in the world. However, like many other projects, it has been sidelined due to an affordability gap.

The project was initially proposed in 2014. Despite a strong rationale for the investment and public support from the Government of Ontario and the Independent Electricity System Operator, the project was stuck due to high costs that 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. However, COVID and inflation then took hold. In the face of rapid cost escalation, Fortis, the owner of the project at the time, suspended the project. As a result, the \$655-million investment commitment from the CIB did not proceed to close and the funds were never spent.

For every one of the investments we've made to date and will make, we undertake a rigorous risk-benefit analysis to determine if the project is in the best interest of Canadians. This due diligence is a normal part of making responsible investments.

In the case of Lake Erie, we sought expert advice to help us understand and ensure the value for taxpayers through due diligence. The total cost related to all the due diligence on this project was about \$900,000, which represents less than 0.14% of the total investment size.

It is, of course, possible, even likely, that there will be projects like the Lake Erie connector that will be paused, delayed or cancelled due to external factors. This is a natural part of the investment cycle. However, as we often experience with large infrastructure projects, they often return, as is the case with the Lake Erie connector.

I'm pleased to share that discussions on this project have recently resumed under the leadership of NextEra, which acquired Fortis' rights to the project, as well as the IESO. The CIB has been engaged in several recent meetings on the project.

Thank you.

I look forward to the members' questions and the dialogue over the next few hours.

• (1115)

The Chair: Thank you very much, Mr. Cory.

We'll begin our line of questioning today with Dr. Lewis.

Dr. Lewis, the floor is yours. You have six minutes, please.

Ms. Leslyn Lewis (Haldimand—Norfolk, CPC): Thank you for coming again, Mr. Cory. It's nice to see you again. You're becoming a permanent fixture here; it's good to have you back.

I want to ask you a few questions that are related specifically to the Lake Erie connector project. By way of background, we know that, in April 2021, the Liberal government and the Canada Infrastructure Bank announced their partnership with Fortis, a private company that makes billions of dollars in revenues every year. The plan was to build a new underwater transmission line, promising tonnes of low-carbon energy, billions in GDP and hundreds of jobs for Canadians. Had the project been viable, it would have brought jobs even to my community of Haldimand—Norfolk.

The bank offered Fortis, through its subsidiary, a \$655-million investment loan, and I understand that the project was cancelled or has been suspended. Even though no official work began on the project, the CIB managed to spend close to a million dollars on bonuses, and that was largely spent on consultants and lawyers.

My first question for you, Mr. Cory, is this: Where did the \$900,000 of taxpayers' money go?

Mr. Ehren Cory: In each of our investments, when it reaches the stage of an investment commitment, as this project did, we undertake due diligence. In this case, the due diligence really had two forms.

First, you can imagine in a loan of this size that there's a decent amount of legal work to structure the investment. This is particularly true in a transmission line that goes across international borders. Therefore, we had legal counsel in Canada who were our main counterparts helping us to structure the deal, write the loan agreements, etc., as well as in the U.S. to help us understand how inter-jurisdictional rules work, tax treatment and that sort of thing. That's the legal support we had, and that's the majority of the due diligence.

The other kind, which is very relevant to Dr. Winfield's comments, was technical due diligence: understanding the impact of the line and the projected flow of electricity in both directions on the line. Now, I will say that the independent system operator did the first and most important part of this work; that is its role. However, we wanted to have an independent view, so we hired consultants, technical advisers who understand electricity markets and have detailed models. They helped model for us how electricity would flow over the line, both trade from Ontario to the U.S. and trade at times when Ontario would need to import, because over the course of the year, electricity would flow both ways on this line. We were modelling those flows.

That's where we spent the due-diligence money. As in any large transaction, I think that's money well spent and taxpayer money well used.

Ms. Leslyn Lewis: Okay, well, that money well spent is of no value now because the project is cancelled. You're confirming that \$900,000 of taxpayers' money has now been wasted because the project is now cancelled, and you can't use that information from consultants because the project doesn't exist anymore. It's suspended.

Mr. Ehren Cory: It's quite the contrary. The project actually... Your last statement is absolutely correct; the project was suspended. Let's go back. This is 2021-22. Ontario determined the price it was willing to pay for this line. It was a fixed price offered by the independent system operator, by the Province of Ontario, to Fortis at the time.

Cost escalation in construction.... I don't have to tell committee members here what was happening in our construction markets.

Ms. Leslyn Lewis: Mr. Cory, my question is very simple. The project is suspended, so the \$900,000 is basically wasted money. It's gone.

Mr. Ehren Cory: Not at all. The project is live. The new owner of the project, NextEra, a large transmission operator, has restarted the work. Like many infrastructure projects.... One of the first things someone taught me in this industry is that every project dies a few times before it really lives. 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.

Ms. Leslyn Lewis: Let me ask you something about the viability of projects.

Organizations like, say, the United Nations often fund projects. When the projects fail, the company pays for it, not the organization. It's the company that had the contract that eats those costs. Why doesn't the CIB have a policy like that?

Mr. Ehren Cory: Well, the CIB is an investor. Different from other forms of government, we invest our money, and we charge interest. The way we get paid back is that we get our money back with interest. Across all of our portfolio of investments, we size our loans to get projects to happen, to make them affordable to rate payers, and to get paid back. When we get paid back in our projects across our portfolio, that more than covers our due-diligence costs. We will be repaid across the portfolio.

Now—

• (1120)

Ms. Leslyn Lewis: Why don't you hedge your risk? Why don't you, as an investor, decide that you will invest after the viability of the project? Did Fortis not announce that they had sought all the permits and were ready to go before you invested?

Mr. Ehren Cory: Absolutely, and as part of our natural due diligence, we always ensure that permits are received.

Ms. Leslyn Lewis: What did you spend on lawyers—a million dollars—for? Some of the lawyers referenced permits. If the permits were already confirmed, why are you wasting additional money on lawyers for permits that were already confirmed?

Mr. Ehren Cory: To be very clear, the achievement of permits is the problem of the project proponent, in this case, Fortis. We did not pay for them to get permits. We paid to do our due diligence to make sure that all permits were received and in good order, and that the project was investable.

The only thing that changed in the project was significant cost escalation. This is a highly technical project. They're burying a cable under the lake. In 2021-22, costs of projects went up dramatically. Ontario had offered a fixed price. Fortis could no longer make the project work even with our investment.

The Chair: Thank you very much, Mr. Cory.

Next we go to Ms. Murray.

Ms. Murray, the floor is yours. You have six minutes, please.

Hon. Joyce Murray (Vancouver Quadra, Lib.): Thanks for the information that you, as well as Professor Winfield, have provided.

I'm going to follow up on the conversation about due diligence.

Mr. Winfield suggested that further due diligence might be required. Can you tell us whether and how you plan to increase the due diligence on this project?

Mr. Ehren Cory: I'll be brief. I'll start, if I may, by recapping the due diligence around the project. It's really important. Of course, Dr. Winfield is an expert on this subject, but I just want to talk about our due diligence and the due diligence that came from the independent system operator, who committee members may have a chance to speak to. I don't know the other witnesses, but I would recommend it.

Remember that power systems work through the 8,760 hours in a year, and there are some hours of the day when Ontario has long, clean power. It might be the middle of the night, the wind is blowing and demand in Ontario is low, or the nuclear plants may be running, etc. Our due diligence showed that, in those moments, there were opportunities for Ontario to economically benefit from exporting clean power to the U.S., to the largest wholesale market in the world, called PJM, the Pennsylvania-Jersey-Maryland market. That equated to, over the first decade of this line, seven million tonnes of GHG savings from Ontario power going to the U.S.

There are also times in the year when Ontario imports power over the line. That might be when the nuclear plants need to shut down for maintenance, when it's not windy, or when it's a particularly hot or cold day in Ontario and you need to bring power in. The IESO's modelling suggested that they would be able to buy that power from PJM in those moments and avoid turning on gas plants in those peak moments in Ontario, so there were, over that same period, the first decade of the line, four million tonnes of GHG savings in Ontario.

I take my time on that because it's important. Some people say, "Well, how can there be savings on both sides of the border?" The answer is that there are a lot of hours in a year, and sometimes the electrons are flowing one way and some the other.

However, I'm not a power market expert, and so the IESO, the Independent Electricity System Operator, that's their job. They have a pretty complicated hour-by-hour model of the Ontario power grid. That's their modelling. We hired PA Consulting, which understands power markets very well, to do due diligence on that, to scrutinize and to make sure that was in the interest of the taxpayers, and it verified that it made sense.

To answer your question, as the project restarts—and as I was saying to Dr. Lewis, this project was, yes, suspended, given costs, but it is still a very viable project over the long term—we 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.

• (1125)

Hon. Joyce Murray: Mr. Winfield, the implication that we heard from a previous speaker was that due diligence could be wasted money, but I would like to hear your view on the role of due diligence, given that some projects won't go ahead and some will go ahead. With this one, it seems like there is a new owner and it will go ahead, but is due diligence not, really, partly the price of exploring whether a project is viable or not?

Dr. Mark Winfield: I would say precisely that. Yes, these things need to be subject to substantial scrutiny to see if they make sense, both in economic terms and in environmental terms.

The problem here is that this project was conceptualized at a different stage in the evolution of Ontario's electricity system. At that point, we were suffering from a condition called surplus baseload generation, which basically meant that the electricity demand went

below the minimum amount put out from the system, principally from the nuclear plants, because you can't turn them down. In those circumstances, Ontario was having to export electricity at a negative price. We were literally paying other people to take it off our hands.

In my view, that problem no longer exists, because we have the entire nuclear fleet in various stages of being refurbished, with units coming off-line. What is very clearly happening, and projected to continue happening through the 2030s, is that the marginal fuel in Ontario is natural gas—fossil gas—so there won't be any surpluses. This is because whatever capacity we have is going to be needed to meet the demand in Ontario, and any surplus we generate would be from gas-fired generation.

Hon. Joyce Murray: Thank you.

I have a question for Mr. Cory.

It's about the model the CIB is based on. I understand Norway has extensively used public-private partnerships, or P3s. How is our P3 structure in Canada set up compared to Norway's or a norm elsewhere?

Mr. Ehren Cory: Thank you for the question. It is interesting, isn't it?

I think the CIB is an innovative tool, but we are far from the only one. The Nordic countries have partnered together in a very long history around a Nordic bank, and Germany has the KfW with a similar structure.

Since the CIB was launched, the U.K. has announced an infrastructure bank modelled on this one. If you read their legislation, it will be very similar. Of course, most recently, Ontario announced plans to create something similar, so even here....

The Chair: Thank you very much, Mr. Cory.

[*Translation*]

I now give the floor to Mr. Barsalou-Duval for six minutes.

Mr. Xavier Barsalou-Duval (Pierre-Boucher—Les Patriotes—Verchères, BQ): Thank you, Mr. Chair.

I thank all the witnesses for being here with us today.

I will start with Mr. Winfield.

In your opening statement, you said that there was a solution other than the connector project under Lake Erie. I remind everyone that this project is suspended and we don't know if, in the end, it's going to happen. The other solution, which would have been less costly, involved using Hydro-Québec's existing network, which is already connected to the United States.

As an expert on this issue, can you enlighten us by telling us why this option was not considered?

[English]

Dr. Mark Winfield: Thank you, Mr. Chair.

My comments were mostly focused on the question of the relationship between Quebec and Ontario. In my view, it would make far more sense to strengthen the interties between Ontario and Quebec for a number of reasons.

The principal reason is the nature of the Hydro-Québec system, which has a very large storage capacity. It would be, in many ways, an ideal partner for the deployment of intermittent, renewable resources in Ontario—wind and solar, principally. 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.

There's been quite a lot of work done on this question. We worked with colleagues at HEC at the Université de Montréal on this question. There was work done by the IESO, as well, about the cost of the necessary reinforcements to the interties that already exist between Ontario and Quebec. The corridors are there. They would have to be upgraded, but we have quite good costing on what that looks like. Many people have looked at this and said this would make far more sense as a way of avoiding a large increase in gas-fired generation in Ontario and all the increases in greenhouse gases that go with that.

Ontario should have focused on the relationship with Quebec. As I mentioned, Mr. Legault made repeated overtures to Ontario about this and got no meaningful response, so that was very concerning. Frankly, I and many others cannot understand why Ontario would not engage in a more constructive conversation with its neighbour to the east.

• (1130)

[Translation]

Mr. Xavier Barsalou-Duval: As a federal entity, the Canada Infrastructure Bank has a federal point of view on investment, meaning a broader point of view than that of a single corporation like ITC Investment Holdings or a new business that now wants to get involved in the project. From the broader point of view that the Canada Infrastructure Bank needs to have, this project is not the most worthwhile on a financial level, or at least not the most appropriate. Based on my understanding, the Canada Infrastructure Bank should instead focus on finding ways to better connect Quebec and Ontario. This investment would be less expensive and more beneficial on an environmental level. Is that right?

[English]

Dr. Mark Winfield: Yes, I think that's very much the case. There's been quite a lot of modelling done on the Ontario-Quebec relationship and the ways in which that can be optimized. Yes, that would make sense to me in terms of particularly the Canada Infrastructure Bank to be looking at financing the strengthening of the interties between Ontario and Quebec.

There are similar cases, although it's complicated, but of course there's the question of the Atlantic loop in Atlantic Canada and in-

deed between Saskatchewan and Manitoba as well. Again, Saskatchewan has very high intermittent renewable potential, but needs storage, and Manitoba Hydro has, like Hydro-Québec, storage capacity in its hydroelectric system. It would make far more sense to be focused on strengthening the east-west ties in the electricity systems in Canada rather than on the north-south.

[Translation]

Mr. Xavier Barsalou-Duval: Thank you.

Mr. Cory, at the CIB, did you consider anything that corresponded to this or was similar to it? Did you at least ask these questions at the time before deciding to get involved in the project?

Mr. Ehren Cory: Thank you for the question.

[English]

Sashen, I may turn to you in a moment.

I just have three points. First, I absolutely agree with the idea that more transmission connections across this country are important to creating a reliable grid and meeting our electricity needs, whether that's in the Atlantic region as Professor Winfield mentioned... Saskatchewan and Manitoba he didn't mention, but in British Columbia and Alberta, there's a similar story about creating better connections, and for sure Ontario and Quebec. I would say it's not a question of either-or. We would absolutely be...and we have been talking to the electric utilities.

[Translation]

I met with people from Hydro-Québec last week, for example.

[English]

We talked about their priorities and their needs for investment.

Second, we're investors, we invest in projects. When the Ontario Independent Electricity System Operator and the Ontario government say it is a project they support, meaning the Lake Erie connector, and they think it's important to the reliability of the grid, GDP and export potential for us, and GHG emissions reductions, it's a project with benefits so we're willing to invest in it. If they also come to us and want to upgrade interties to Quebec, that would be very interesting for us as well.

The last point I'll make is this line actually does provide benefit to Hydro-Québec. Right now Hydro-Québec does not have a way to export power to PJM either. They connect to New York very well, but not to PJM. In the modelling that's been done, there is some economic benefit from Hydro-Québec also moving power through Ontario into the U.S. market using this line.

The Chair: Mr. Barsalou-Duval will have another round of questioning and then you can follow up and provide additional resources.

[Translation]

Mr. Ehren Cory: Thank you.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

[English]

The Chair: Thank you.

Next we have Mr. Bachrach.

Mr. Bachrach, the floor is yours for six minutes, please.

Mr. Taylor Bachrach (Skeena—Bulkley Valley, NDP): Thank you, Mr. Chair, and thank you to all of our witnesses for being here today. Before I start my questioning on this topic I would like to quickly move the motion that I put on notice at a previous meeting. I believe there's agreement amongst committee members. That motion reads:

That the committee extend the study of accessible transportation for persons with disabilities by at least one additional meeting, in order to hear testimony from persons with disabilities with lived experience, and organizations representing persons with disabilities.

While the motion says “at least one additional meeting”, I think we've settled on the idea of one additional meeting to hear testimony. Really the rationale for this is that, as folks around the table know, we heard some excellent testimony from regulators, from companies, but the testimony from people with lived experience was quite minimal. I think the study would benefit, and the report would benefit, from hearing those voices at one additional meeting.

I'll move that motion and look forward to any discussion.

• (1135)

The Chair: Thank you very much, Mr. Bachrach.

We have had discussions on this. Do I have unanimous consent to adopt the motion put forward by Mr. Bachrach?

Some hon. members: Agreed.

(Motion agreed to)

The Chair: Thank you, Mr. Bachrach. The floor is yours.

Mr. Taylor Bachrach: Thank you very much, Mr. Chair.

Thank you, colleagues.

This is an interesting study, because we're talking about a project that was originally analyzed and discussed by the CIB over three years ago.

What we're trying to understand is the CIB's thinking around the public good that's involved in these investments. The CIB isn't just an investor; it's an investor of Canadians' money, so we shouldn't be seeing the bank simply making investments in projects that the private sector can finance itself unless there is some tangible public good. That's why the piece around greenhouse gas emissions is so interesting.

My first question is for Professor Winfield.

You've heard the discussion so far, and you've heard Mr. Cory's explanation of the rationale when it comes to greenhouse gas emissions. I'm wondering what other assumptions you would need to

know in order to better understand the CIB's analysis of the picture three years ago when it came to greenhouse gas emissions.

To really understand the climate benefits of this project, what other information would you need to know that the CIB had before it at the time?

Dr. Mark Winfield: That's a complicated question.

It requires a fairly detailed understanding of how electricity dispatch works in Ontario and what resources would be available at any given time. The complicating factor here is the assumption that there would be significant surplus generation available for export. Everything we're seeing in Ontario suggests the opposite.

As I've mentioned, virtually all of the units at all of the nuclear facilities will be going off-line for refurbishment over the next 20 years or so, and some are due for retirement. These have been the primary source of the surplus baseload generation, which we have had to export at a negative price, because we've had to pay Michigan to take it off our hands.

What we're seeing, as I mentioned, including from the IESO, is almost vertical growth in fossil gas-fired generation and the associated greenhouse gas emissions. That was becoming apparent even as of 2014, but it is now empirically apparent in the IESO's latest figures, which show it has tripled since 2017. As I said, that curve is virtually vertical through the 2020s, so the implication here is the marginal fuel in Ontario is unabated fossil gas.

I keep coming back to this question. I can't see where the surplus generation of any significance is going to come from over the next 20 years, given what we understand about how things are evolving in Ontario. Indeed, that question has been maximized further because there are then questions around the impact of electrification, which would increase electricity demand even further in Ontario so that there would be no surplus, as the IESO is telling us very emphatically. They want to spend a lot of money building generation.

Mr. Taylor Bachrach: Thank you, Professor Winfield.

Mr. Cory, I'll turn to you now, and I'd like to ask one more question, so please make your answer is relatively brief.

Based on what Professor Winfield has said, did the CIB's analysis of the Lake Erie connector show there would be surplus baseload generation in light of the fact that these nuclear power plants will be going off-line for refurbishment or retirement?

• (1140)

Mr. Ehren Cory: I'd love to bring you on the road with me, because your description of the CIB at the start of your comments was perfect, and I agree with every word you said. That is our job.

Mr. Taylor Bachrach: I still want to abolish it.

Mr. Ehren Cory: That's okay. You can come with me, and we'll tell the story of the CIB.

Mr. Taylor Bachrach: I'm happy to share that message across Canada.

Mr. Ehren Cory: I liked your first message.

The modelling done by the IESO is an hour-by-hour net model of all the supply in the province, imports and exports.

The modelling that was conducted by the independent system operator and verified by our external adviser said there will be lots of hours in the year, particularly in the next 10 to 15 years, when Ontario will have a surplus of clean power to export.

There will also be many hours in a year when Ontario will have to import. It can import bilaterally, for instance, by contracting with a nuclear or renewable power supplier in the U.S. instead of firing a gas plant in Ontario in those peak moments when there's a day of unscheduled maintenance, a day that's not windy or a day that's really hot.

The benefits of GHG show on both sides of the border.

As per MP Murray's question, we will test that again because, as Dr. Winfield said, conditions have continued to change since 2019-20, and we wouldn't make the investment without verifying our due diligence.

The Chair: Thank you very much, Mr. Cory.

Thank you, Mr. Bachrach.

Next we have Dr. Lewis.

The floor is yours once again for five minutes.

Ms. Leslyn Lewis: My question is also for Mr. Cory.

I note that every year, the bank reports in its annual report how much it spends on staff and bonuses. For almost every year of its existence, the bank has spent more on salaries and overhead than on actual infrastructure projects.

Let me put these numbers to you. Salaries for 2022-23 and bonuses came to \$30,200,000. Salaries for 2021-22 and bonuses came to \$23,973,000. Salaries for 2021 and bonuses came to \$17,742,000. You get the picture.

Why should Canadians, who are struggling with daily living expenses, not be concerned about these hefty bonuses and salaries that your non-profitable bank is dishing out?

Mr. Ehren Cory: I appreciate the question. You're right. The CIB really does focus on transparency. You see the finery in our reports, all of our expenses, an explanation of our bonuses and an explanation of our performance targets, along with when we meet them and when we don't. The performance bonuses are just that. They're based on the achievement of goals.

To be clear, last year, which just finished on March 31, the CIB made \$3.7 billion in new investments. The year before that, it made \$4.3 billion in investments.

There are staff costs to do that. Since the CIB launched in 2018, we've been ramping up staff.

Dr. Lewis, as you've described, that's the natural function of our hiring investment professionals. They're market experts and folks like Mr. Guneratna, who has a long experience in both energy and banking. They're folks like Monsieur Duguay, who comes to us from the private sector as well.

Yes, we've built a team. That team is getting incredible leverage on Canadian dollars by investing billions of dollars in new infrastructure projects.

Ms. Leslyn Lewis: You're talking about spending Canadian taxpayers' money as if it's profitable for you. You say you made this on investments. It means you're spending that money. That's not the revenue you are generating.

Isn't that correct?

Mr. Ehren Cory: We're making loans, so the revenue....

The number I just quoted, the \$3.7 billion last year, is correct. Those are loans that we have made in the past 12 months. The money will be loaned out and repaid over 10, 15, 20 and sometimes 30 years, with interest. Over time, the CIB will evolve to being more and more self-sustaining as an organization.

However, to be clear, we take every taxpayer dollar extremely seriously. Our staff costs are all in the pursuit of making the investments that both build new infrastructure and deliver the public benefits of GHG reduction, economic growth, indigenous participation and the better connectivity of Canadians.

Ms. Leslyn Lewis: The CIB, which is a \$35-billion bank, promised to make a high return of two, four and seven times from the private sector.

Tell me exactly how much money the CIB has made from private sector corporations. I'm not speaking about pension funds or Crown corporations; I'm speaking about the private sector.

How much investment has the CIB reaped from the private sector?

Mr. Ehren Cory: I'd just like to clarify the question, if I may. We're not seeking to make money from the private sector. We're seeking to coinvest with it.

In the Lake Erie connector example, we were going to lend \$655 million at the time, in 2021, when the project was agreed upon. The project was a \$1.7-billion project, so the other \$1.05 billion was coming, in that case, from the investors and the shareholders in the private sector company that is Fortis.

Just to be clear, we're not trying to make money from the private sector. We're trying to draw its money into infrastructure investments along with us.

• (1145)

Ms. Leslyn Lewis: Right, and you intend to be self-sufficient at some point, do you not?

As a bank, you will always be taking taxpayer money and lending it out to companies that have billions of dollars of their own money, while Canadians are struggling to put food on the table. That's the business model.

Mr. Ehren Cory: The model is to get infrastructure projects that are sitting on the sidelines going.

The Lake Erie connector is a great example of that. This project has been a decade in the making and it has not been built. Better connectivity of our grids is hugely important for Canadians.

Ms. Leslyn Lewis: The premise of the bank was that you would have two to four or seven times' return on investment. That's what was promised to taxpayers, and now you are speaking about taxpayers' money as money that we just give out.

Yes, those are our metrics. We give the money out, so we're successful and we can pay million-dollar bonuses to people who, it appears, are not doing anything, because you have to hire outside consultants to do the work.

Why don't your staff do the work, Mr. Cory? Why don't you have staff who can do the work, rather than outside consultants?

The Chair: Give a 20-second response, please.

Mr. Ehren Cory: There are two important questions in there.

Number one, we have an incredible staff who do the majority of the work on any investment. We always seek outside counsel for due diligence, as Dr. Winfield has talked about and as anyone would recommend. Both legal and technical counsel makes a lot of sense when you're making an investment of this size.

Number two, we take taxpayers' money very seriously. In looking, Dr. Lewis, at our same metrics, you would see that in the long term, we estimate that 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.

The Chair: Thank you very much, Mr. Cory.

Next we have Mr. Rogers.

The floor is yours for five minutes, please.

Mr. Churence Rogers (Bonavista—Burin—Trinity, Lib.): Thank you, Chair.

Welcome to our guests today. It's always a very interesting conversation, Mr. Cory, when you show up to talk about the CIB.

Thanks for the update, by the way, on the number of projects that are moving forward—70 plus—and the amount of investment that has been generated because of that.

I want to focus on process. Before I do that and ask you a question, I just want to make reference to Muskrat Falls in Newfoundland and Labrador. You are probably well aware of what happened there.

It was announced as a \$5.3-billion project to be built with taxpayer money. It turned out to be just about a \$14-billion investment of taxpayer money, which the province really couldn't afford. It became the subject of a major inquiry. During that inquiry, it was determined that this project did not have due diligence. It did not have

the necessary work that's being done, for example, by the CIB in a similar project that you are pursuing. It became very controversial.

Many people in the province are still angry about the fact that this was done with taxpayer dollars with very poor management over the period of years. It took twice as long to build as it should have. It was an unmitigated disaster, quite frankly. That's how people see it.

We, as the federal government, had to step in and assess Newfoundland and Labrador for that project; otherwise, electricity rates would have more than doubled or even tripled. It would have been a disaster for the people of Newfoundland and Labrador.

I want to ask you to tell the committee the process that your team goes through when they receive a project proposal. What are the things that you do as due diligence?

Mr. Ehren Cory: I really appreciate the question. Perhaps before I respond, I will just say one sentence.

Compare your Muskrat Falls example to the REM project in Montreal for instance, which we made a loan to, as is very publicly known. The first segment has opened.

In that project, we made a loan. In that case, the caisse is the equity investor. It has billions of dollars at stake. If you were to read the press, you would find out that this project has also gone up in costs—as lot of big projects do—by more than a billion dollars.

We have not put any more money in. The caisse and its equity investment has. We're still going to get paid back. Taxpayers' money is still coming back—every penny. The extra investment that's had to happen as that project escalated is being borne by the people who should...because they are the ones who are managing the project. They have their finger on it. They own up to that. That's the difference when you engage the private sector with you.

When we make an investment, we follow an investment process. We receive proposals all the time from all parts of the country—from public sectors, municipalities, provincial governments, indigenous communities or from the private sector.

For example, with the Lake Erie connector, we were first approached by Fortis, or ITC, which is its subsidiary, because it couldn't make the math work on the project and do it in a way that was affordable to taxpayers—Ontario ratepayers in that case.

Our due diligence starts by engaging with people like the Ontario government. Is this a project they need? Do they understand the value of it? Is a project they want?

We engage with the government. We engage with the proponent.

We then do what's called a term sheet. We try to sketch out what would be the terms at a high level of an agreement. They take that to their board and we take it to ours. We get a test that this makes sense as an investment and—to MP Bachrach's questions earlier—that there's benefit to taxpayers. That's the fundamental question we're answering because our job isn't to make every last penny or dollar. It's to protect taxpayers' money, but also to get those public benefits. That's what we're assessing.

Now we have the terms of a deal and, to answer your question, now we go into a detailed due diligence. We would, as is the case in this project, hire a technical adviser to help us understand the economics. A lot of it is about understanding the market and what revenue is going to come.

I will give you a different example. If we got approached by someone who wanted to build huge wind farms in Newfoundland, create hydrogen and export it to world markets, questions we need to answer are, what's the market for that hydrogen? Are people willing to pay it? How big is that market? That's what we're investing in.

That's the type of due diligence.

To answer an earlier question, we don't have on our staff a person who is an expert on the hydrogen market in Germany. We would go hire somebody to help us get that expertise.

That's the due diligence we would do. Then we would sign a loan agreement. You can imagine that for the size of loans these are—they are hundreds of millions of dollars loans—that's a pretty substantial document. You would get expert opinion. We have a legal team, but we would get external legal advice as well.

• (1150)

The Chair: Thank you very much, Mr. Cory.

Thank you very much, Mr. Rogers.

Mr. Churence Rogers: Am I done?

The Chair: You are done.

[*Translation*]

Mr. Barsalou-Duval, you have the floor for five minutes.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

I will also seize the opportunity during my time to move a motion. I hope we will be able to deal with it quickly.

On March 21, committee members received notice of the following motion:

Whereas on December 13, 2023, the House of Commons adopted the following motion, No. M-96:

That:

- a) the House recognize that an assessment by the International Association of Firefighters concluded significant regulatory shortfalls concerning emergency responses at Canada's major airports are needlessly putting the safety of the flying public at risk, by
 - (i) failing to specify rescue as a required function of airport firefighters,
 - (ii) requiring only that firefighters must reach the midpoint of the furthest runway in three minutes rather than all points on operational runways within that time; and
- b) in the opinion of the House, the government should, without delay, ensure that the Canadian Aviation Regulations reflect airport rescue and firefighting standards published by the International Civil Aviation Organization, specifically by

(i) giving firefighters at Canada's major airports the mandate and resources necessary to reach the site of a fire or mishap anywhere on an operational runway in three minutes or less,

(ii) specifying that a required function of firefighters be the rescue of passengers.

The Committee calls on the government of Canada, specifically the Minister of Transport, to inform the committee on how his department intends to respond to the motion adopted by the House.

The House passed this motion on December 13 of last year. I'm submitting the question to the committee because I want to make sure the committee receives a response from the government. It's an important motion. In fact, the House passed it unanimously, if I am not mistaken. It seems to me that the least we could do is keep people abreast of the follow-up on this issue. That is why I would like us to get a written response from the government. That way, the committee will be informed of the response the government intends to give to this motion.

Thank you, Mr. Chair. I hope the motion will pass unanimously.

The Chair: Thank you, Mr. Barsalou-Duval.

[*English*]

I have Mr. Strahl on the speakers list.

Mr. Mark Strahl (Chilliwack—Hope, CPC): Thank you, Mr. Chair.

Of course, we've had a discussion. I moved a motion related to M-96 in this committee during our study on Bill C-33, when we proposed having the International Association of Fire Fighters, the Canadian Airports Council and others come before this committee to discuss the impacts that making a change of this nature would have. If we're proposing to have a discussion, I think we could have that discussion.

I would also say we've been waiting to have this meeting regarding the Lake Erie connector for a number of months now, so I would move that we adjourn debate on this motion. Perhaps we can have a discussion at a business meeting. However, I don't think we should get into the debate at this time.

• (1155)

The Chair: Thank you very much, Mr. Strahl.

We have a motion to adjourn debate.

(Motion agreed to: yeas 9; nays 2)

[*Translation*]

The Chair: Mr. Barsalou-Duval, I give you the floor once again. You still have five minutes.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

Mr. Cory, in a statement on May 9, 2023, if I'm not mistaken, you said that due to the increase in costs, the Lake Erie connector project's value was no longer satisfactory. At the time, we did not know it cost \$1 million in consultation fees, or \$900,000, more precisely.

I understand that for any large-scale project, it's necessary to perform due diligence and the sums invested may be significant. Nonetheless, \$900,000 is really quite a lot of money.

Based on the information we got on this amount, about \$800,000 or \$750,000 represent legal fees, if I'm not mistaken.

Mr. Ehren Cory: Yes, it was around that amount.

Mr. Xavier Barsalou-Duval: It seems huge to me.

Currently, you're participating in 70 projects altogether. You said you take on these types of fees for all projects. That said, are the fees as high as this in all 70 projects? Is it normal for you to invest nearly \$1 million in consultation fees in each project? Don't you have any internal expertise?

Mr. Ehren Cory: I'll let Mr. Duguay answer the question, because he is our general counsel.

However, in response to part of your question, I do want to say that it's not necessarily normal to invest such an amount. The project we're talking about here is rather complex, considering the issues of cross border trade. Part of the legal fees were to review and better understand electricity market regulations, including those in the United States. That led to increased costs.

For each of our projects, we exercise due diligence. This type of fee really depends on the project.

I'd now like to invite Mr. Duguay to add a comment on the matter.

Mr. Frédéric Duguay (General Counsel and Corporate Secretary, Canada Infrastructure Bank): Thank you, Mr. Cory.

Essentially, we have these types of fees in all projects, especially large-scale ones like at the Lake Erie connector project. Totalling \$1.7 billion, this project was highly complex because it included a Canadian law component, but also an American law component.

To answer your question, Mr. Barsalou-Duval, I must say that we do have an internal legal team. It's a small team that works closely with our investment team to ensure due diligence as part of the projects.

When we come to an agreement in principle with a third party on a project, when we launch a contract negotiation process with them and have to ensure due diligence, that's the moment we call on external legal counsel and take on this type of fee.

In the case of the Lake Erie connector project, as I said, we needed lawyers who practised not only Canadian law, but also American law, specifically Pennsylvania's current legislation, since agreements with the United States required review.

• (1200)

The Chair: Thank you very much, Mr. Duguay.

[English]

Next we have Mr. Bachrach for two and a half minutes, please.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

Mr. Cory, at a previous meeting of this committee, you indicated, "In the medium term, we were going to be importing energy that would be less carbon intensive than using gas to fill baseload in Ontario. That was our analysis."

That begs a question about the short term and the long term. After this project was set to come online if the investment had gone ahead, what were the short-term assumptions around imports and exports of clean energy and the long-term assumptions around imports and exports of clean energy?

In other words, to Professor Winfield's earlier point, at what point was Ontario going to be exporting clean energy? You say that in the mid-term they're not going to be, that we're going to be importing clean energy. I assume that's a net. When is the net export of clean energy from Ontario going to happen, in the bank's initial analysis?

Mr. Ehren Cory: I will for sure turn to my colleague, Mr. Guneratna, to help answer that question, and I appreciate the question from the member.

In general terms, and Sashen can help me, in the immediate term, this is for sure a net exporter. There is more power flowing from Ontario to PJM than the other way around.

Mr. Taylor Bachrach: Is this in the short term?

Mr. Ehren Cory: It's in the short term.

In the medium term, as we go through the refurbishment of nuclear facilities and, as Dr. Winfield points out, as we become tighter on supply, it becomes both an importer and exporter.

I think your point about net is incredibly important. It will continue to export, but there will also be imports. Then, in the longer term, there is the potential for the line to be used to make larger-scale clean imports from the U.S., whether that's from bilateral contracts on the nuclear fleet in PJM or with larger renewable developers.

Yes, the PJM grid is, on average, dirty, but that doesn't mean that you have to import dirty power. The IESO has talked about it, and if you speak to them, you may ask them this question. They talk about contractually signing bilateral contracts with clean producers in the U.S. so that, even when they're importing, it will be clean power.

I hope that answers your question.

Mr. Guneratna, would you like to add anything?

Mr. Sashen Guneratna (Managing Director, Investments, Canada Infrastructure Bank): The only other thing I'll add is that the Ontario Society of Professional Engineers in 2021 said that Ontario wasted more than seven terawatt hours of clean electricity. They had the electricity but no demand to use that electricity. It was billed or sold to New York and Michigan at lower or negative prices.

The Chair: Thank you very much, Mr. Bachrach.

Next we have Mr. Strahl.

Mr. Strahl, the floor is yours. You have five minutes, please.

Mr. Mark Strahl: Thank you very much, Mr. Chair.

Mr. Cory, earlier in your testimony today you said, about infrastructure projects, that every project “dies a few times before it really lives.” This was in response to Dr. Lewis' question regarding if it was a good use of \$1 million for a project that was dead.

If every project dies a few times before it really lives, how many other projects that have been announced by the CIB are in their dying phase and have had millions of dollars thrown at them when we don't know if they are actually going to go ahead? Those are your words, not mine. How many projects do you believe are at risk that you have already done the announcements for and that you have already spent money on?

Mr. Ehren Cory: I appreciate the question, and I appreciate the replay of my adage, which I heard from an old construction hand many years ago.

First, the sentiment behind it is clear. Large infrastructure projects are complex. They often take years to come together. This one has taken a decade, and it's still going through that.

To answer your question directly, there are two other projects that I'm aware of that are in a similar suspended state. One was a power project in northern Quebec. It's called the Whapmagoostui project that we announced in partnership with indigenous communities and Hydro-Québec. Again, cost escalation for that remote construction made it such that the project was paused.

The other was a project with B.C. Transit around the purchase of zero-emissions buses for B.C. Transit where we were working on a deal with all levels of government. That project has also paused.

Those are the only two that I'm aware of. I would say—

● (1205)

Mr. Mark Strahl: I'm sorry, but I don't have much time.

On those two projects that you just listed, how much money has already gone out the door? How many taxpayer dollars have already been spent either by the bank or by external consultants that may or may not ever be useful to Canadian taxpayers? How much have you already spent on those projects that are at risk of being cancelled?

Mr. Ehren Cory: I appreciate the question.

We've answered this in previous members' questions, an Order Paper question. I'm happy to provide the figures. Mr. Duguay has them.

Mr. Frédéric Duguay: As previously reported, Mr. Chair, for the B.C. Transit zero-emissions project that Mr. Cory is referring to, those costs are close to \$85,000, in total, for legal expenses and also technical advisory expenses.

On the Whapmagoostui project, as previously reported to Parliament, those costs total about \$185,000, again, between legal expenses and due diligence and technical expenses as well.

Mr. Mark Strahl: Okay, so it's getting close to \$1.3 million among these three projects that are dead and might be revived.

Some of these questions I would prefer to ask the Minister of Housing and Infrastructure, who is the minister responsible for this, and through whom the CIB has their parliamentary accountability. However, he has declined an invitation to appear on this study even though he was invited by motion of this committee, so I'll ask you.

He provides to you a statement of priorities and accountabilities, which is interesting considering that he won't be accountable to this committee on this issue, but he has stated that he believes the Canada Infrastructure Bank should become a centre of expertise.

As Dr. Lewis has pointed out, you've gone from \$17 million to \$21 million to over \$30 million now in staff and bonus costs. You're clearly expanding the size of the CIB's cost to taxpayers in terms of its number of employees, or salaries for those employees.

Do you believe that you are a centre of expertise on infrastructure? If so, why the need—like the government, which has expanded the use of external consultants to \$21 billion a year—to use so many outside consultants if you are an infrastructure centre of expertise?

Mr. Ehren Cory: Thank you for the question.

Yes, it is a core part of our mandate, as you say, and as outlined in our statement of priorities and accountabilities. We are absolutely fulfilling a role of providing advisory support.

As I was mentioning in response to an earlier question from MP Rogers, our role starts with providing advisory support to the potential borrower in how to structure these types of investments. It could be a public...or a province, a municipality or an indigenous community, or the private sector.

We're doing that on projects like Georgina Island, where we're working with a first nation on the potential to build a new road that connects their community, or Taltson, which is a hydroelectric project in the Northwest Territories where we're working with the government.

So yes, we provide that sort of advice on how to structure a deal. When they get to the detailed stage of investment, that's when we would bring in the third party expertise and due diligence. As Monsieur Duguay was describing, that would usually be for legal, but also for market and technical support. Notwithstanding that, we have an incredible staff. There is market-by-market understanding of what the demand and the offtake are, and what the reasonable construction cost is that we would go to a third party for.

The Chair: Thank you very much.

Thank you, Mr. Cory.

Next we have Mr. Bittle.

Mr. Bittle, the floor is yours. You have five minutes, please, sir.

Mr. Chris Bittle (St. Catharines, Lib.): Thank you so much, Mr. Chair.

I guess, looking back, we can see that the CIB isn't the first time the federal government has been involved in public-private partnerships. The previous government was involved in the P3CF, the public-private partnership Canada fund, under the previous government. I know Mr. Strahl was here at that time.

Would you be aware if due diligence had been done at those times and under similar models? Can you explain, if you are aware, what would have been done at those times?

Mr. Ehren Cory: I'm not personally aware. I joined the CIB in late 2020, but I can say that I have every belief that they would have conducted a similar type of due diligence. Certainly, when you're investing Canadian taxpayers' money and making large-scale loan agreements like we are, I think that's an expectation that you, as parliamentarians, would have of us, so I assume that they did similar due diligence.

In my old role—I used to work for the Province of Ontario at Infrastructure Ontario—we certainly conducted similar types of technical due diligence. For instance, if we were investing in a new highway or a new hospital, we would hire a cost consultant to help us estimate whether the cost was reasonable, for example, so it's very standard, at least from my experience. I'm sure that the P3CF did similar due diligence.

• (1210)

Mr. Chris Bittle: I wonder if you could speak about the private sector. We're talking about the CIB like it's operating in this vacuum, like it's the only one that would hire lawyers to conduct a \$600-million loan and be shocked that there would be costs coming from it.

I am wondering if you could explain, perhaps from the private sector experience that you've brought with you, how a bank would operate in a similar type of experience if loaning out hundreds of millions, if not billions, of dollars on the fly.

Mr. Ehren Cory: I appreciate the question.

I would say two things. First, let's use Lake Erie as an example. If we were structuring these legal agreements.... As committee members, you, I think, may have opportunities to ask the proponent of the project—whether that's Fortis, if you've invited them, or NextEra, which may be taking over the project—this question.

However, very clearly, our lawyers were interacting with their lawyers, and our technical advisers were interacting with theirs.

There was an earlier question about not believing the marketing materials of the proponent. I want to be very clear. The proponent also did a technical study and had its own estimate of the GHG savings. It had its own third party consultant do that. Respectfully, that's its number. We need to have our own independent view of that, which is why we hire due diligence. However, absolutely, the private sector is doing the same on its side and then some. I think that's reasonable and to be expected in these types of large commercial agreements, which are what the CIB was set up to do.

Mr. Chris Bittle: Do you have any sense of what the proponent spent in terms of getting this project off the ground to even get to a point where you're involved?

Perhaps that's just a better question for them.

Mr. Ehren Cory: Apparently, Mr. Guneratna does have an idea, but I will just say that, in general, before we've spent a dollar on a project, proponents have spent millions of their dollars. I could give you many examples of project proponents and the types of investments that they have to make to get a project off the ground.

In this case, Mr. Guneratna, is there anything you want to add?

Mr. Sashen Guneratna: Yes.

It was between \$10 million and \$20 million that they spent of their own money to bring the project from when they got involved until it was suspended.

Mr. Chris Bittle: Thank you so much.

I know it's been touched on briefly in terms of the Ontario government bringing forward an infrastructure bank. I know our government and that government don't often see eye to eye, but I am wondering. I know the CIB has become a bit of a political football, but if it was such a failure of a model. Can you comment as to why the Ontario government set up a very similar model within the province?

Mr. Ehren Cory: I would never suppose to speak for them, but I've had a lot of discussions, I think, in their lead-up and in their planning.

I think, similar to us, what they see is that we have a very simple problem. All of us are going to need more infrastructure, at every level of government, in every.... If you're talking about a political..., it's one of the few issues that actually has unanimity. I could ask a mayor, a premier or a prime minister of any political party, and they would all agree that we need to get more built faster.

Actually, the reason we don't is very simple. It's that we can't afford it all. The costs of our infrastructure needs exceed our ability to.... There are studies that talk about the hundreds of billions of dollars needed to be spent in this country, so the only way to do that is find a way to draw private and institutional pools of capital into these projects. They're big companies, but they also make smart investment decisions based on math, so the only way to do that for many of these projects that are very long—20, 30 or 40-year lives with high uncertainties—is to find a partnership. That's the whole point of public-private partnerships. We can share with them—not take but share with them—the risks of those projects, the upfront investment hurdles of those projects.

That's what the CIB is here to do, and I think Ontario sees that as a way to similarly draw more investment and have more infrastructure built at the end of the day.

The Chair: Thank you, Mr. Bittle.

Thank you, Mr. Cory.

Next we have Mr. Muys.

Mr. Muys, the floor is yours. You have five minutes, please.

Mr. Dan Muys (Flamborough—Glanbrook, CPC): Thank you, Mr. Chair.

I go back to questions that my colleague Dr. Lewis was asking.

In the fiscal year that ended, 2022-23, the CIB had \$46 million in operating costs, and of that, \$8.1 million were bonuses. That's 18% of your operating costs for bonuses. That seems like a very excessive amount. Do you think that's justifiable? That can't compare to what the private sector is paying.

• (1215)

Mr. Ehren Cory: In that same fiscal year—let's start with a general sense—the CIB made investments of \$4.3 billion of our money into projects that had a total capital value of between \$12 billion and \$13 billion. We did that with an internal staff of just over 100 people in offices in Toronto, Montreal and Calgary.

Our compensation structure is benchmarked rigorously to the private sector. We hire from a pretty wide sector of Canadian banks and professional industry groups. We hire engineers and investment professionals. People who work at the CIB come because they believe in the public sector mission of the bank, and they take compensation that does not match what they can get in the private sector. However, it does need to be, at least, competitive, and that's why we benchmark it. It's a mix of the base salary and bonus that is benchmarked. We're extremely transparent in what our performance goals are and if we meet them or not, and that's what our performance compensation is linked to.

Mr. Dan Muys: I find that 18% of your operating expenses being used on bonuses to be excessive. We disagree on that.

When you were here in May 2023, just about a year ago, I asked you about internal audit processes and transparency. You talked about the need to improve transparency, yet we're looking at a project today that's been shrouded in secrecy. We had to ask questions in question period and submit Order Paper questions to draw out some of those details and find out the volume of taxpayers'

money that's been wasted. Is this what you view as an improvement in transparency?

Mr. Ehren Cory: In answer to the follow-up, just to be clear, at the CIB our internal costs are made up of only salary and staff costs, some office rent and some computers. We are a knowledge-based organization, so the fact that salaries make up the majority of our expenses is actually not, in my mind, surprising. The balance between base and variable compensation, as I said, is designed to make our performance transparent and our compensation linked to actually meeting the tangible goals we set, not only in dollar deployment but in achieving outcomes like the number of new homes connected to broadband, the number of indigenous communities with access to better infrastructure, etc.

Now to the question about transparency, I think the CIB has made a significant investment in its transparency. Monsieur Duguay, who is our general counsel, also leads much of our work around transparency and can speak to this. Our publishing, whether it's on our internal expenses or salary costs.... You're quoting to us our salary costs. We try to always provide up-to-date, accurate and transparent information around all of the money we're spending, including on projects and third parties, which you can also see in our reports.

Mr. Dan Muys: Sure, although we had to produce Order Paper questions to extract some of that information.

Let me switch gears and go to Mr. Winfield.

You talked in your opening remarks about audit practices and grounding for projects. It seems to me, from what you described here, that it was fairly obvious quite some time ago that this particular project was not one that was going to be successful, and that the assumptions that were being made were off base. Here we have a million dollars of taxpayers' money wasted—the majority of which, by the way, on lawyers and not engineers—for a project of this type.

What's your comment on that? This seems to be avoidable.

Dr. Mark Winfield: It's a little complicated because sometimes you have to spend a little bit of money up front to recognize that there's a problem, which does potentially avoid a much bigger expenditure down the road. There's obviously a rationale for spending some money on a project if you're going to take it seriously.

The question that arises, though, is: What do you do with that initial analysis? I would have thought anybody looking at the Ontario electricity system at that stage would have had some pretty serious questions about where this was going and where it fit. The fact they proceeded anyway is the part that worried me more.

As I said, sometimes that upfront investment and due diligence makes sense to avoid the bigger loss down the road. Some people might point in the direction of Muskrat Falls, where the problem was that the upfront assessment was ignored.

• (1220)

The Chair: Thank you very much, Professor Winfield.

Next we'll go to Mr. Iacono.

[*Translation*]

The floor is yours for five minutes.

Mr. Angelo Iacono (Alfred-Pellan, Lib.): Thank you, Mr. Chair.

I think the witnesses for being with us today.

Mr. Cory, I really liked your statement. You said that, even if a project is suspended several times, there's always the hope that it will be reactivated.

[*English*]

A cat has nine lives. It's a bit like that.

[*Translation*]

My colleagues on the other side asked you if other projects followed the same scenario, and you answered directly that there were two others.

Could you explain the reason for suspending this project? Is it because the project is no longer good or viable, or is it because the costs associated with implementing the project came up unexpectedly afterwards?

Mr. Ehren Cory: Thank you very much for the question.

[*English*]

"Every project has nine lives" is a more eloquent way of stating my earlier points, so I appreciate that.

What's interesting, of course, is construction projects in this country went through a significant challenge in and around the time that this project was suspended due to cost escalation. Committee members here would know better than anyone what has happened with regard to the tightness of our labour markets and global costs of materials, whether it's steel or concrete that went into these projects. There have been huge increases.

There's a trend I could point out, and it's true for the Lake Erie connector and for sure it's true for the Whapmagoostui hydroelectric project. Between the time the idea was launched and there was an alignment between parties and we signed a term sheet, between then and final investment, what happened in those cases was significant cost escalation.

To Dr. Winfield's earlier comment, it's much better to discover that in the due diligence phase than to discover it later.

The reason those projects have nine lives and are suspended is that the underlying rationale for them remains very strong: The need for new sources of clean power in northwestern Quebec didn't go away, and the need for better transmission connectivity between

Canada and the U.S. did not go away. In the long term, the project still has real viability, in our view.

[*Translation*]

Mr. Angelo Iacono: It's interesting to note that my colleagues from the Conservative Party and the NDP who sit on the committee are questioning the value of the Canada Infrastructure Bank. In the meantime, Ontario's conservative Premier announced that the province will create its own infrastructure bank in the fall.

Would you agree that announcing the creation of the Ontario infrastructure bank represents approval of our model?

Mr. Ehren Cory: I always try not to get involved in certain political issues.

The role of the Canada Infrastructure Bank is to increase investment in infrastructure in Canada.

Mr. Angelo Iacono: Does the fact that Ontario will have its own infrastructure bank mean that your work will be easier and allow for more projects in Ontario?

Mr. Ehren Cory: That is a good question. The answer is yes, absolutely.

We think there's a real partnership opportunity between the Canada Infrastructure Bank and Ontario's own bank. It will lead to a higher number of projects for us and, I hope, for them.

[*English*]

Mr. Angelo Iacono: Thank you.

I really liked your comment in response to one of my colleagues that all of us need more infrastructure. I look at that and say that all of us need love.

You've been in this field for quite some time. Since 2015, has infrastructure doubled compared to the previous 10 years, and, if so, is that due to the CIB?

Mr. Ehren Cory: To be clear, the idea of an infrastructure bank is a tool in the tool kit. We don't presume, and we're pretty humble about this. It takes all of us.

To answer your earlier question about the Ontario bank, someone once asked me if we would be competing for the same deals. There is enough to go around. We need all hands on deck to build the infrastructure we need. We are one tool and I think there's a great opportunity.

To directly answer your question, yes, the projects that the CIB has invested in during the last three years, since I joined, or during the last five years, since we staffed up, represent \$35 billion of infrastructure projects that were stuck on the sidelines. The math didn't work, the risk was too big or the term was too long. There was something broken and the market wasn't doing those projects on their own.

The CIB, by entering, helped facilitate those projects. Yes, we've played an important role in accelerating infrastructure investment in the country.

• (1225)

Mr. Angelo Iacono: Thank you very much for your involvement with the REM in Quebec.

[*Translation*]

Mr. Ehren Cory: Thank you.

[*English*]

The Chair: Thank you very much, Mr. Cory.

[*Translation*]

Thank you, Mr. Iacono.

Mr. Barsalou-Duval, you have the floor.

Mr. Xavier Barsalou-Duval: Thank you, Mr. Chair.

I'd like to come back to the infamous \$900,000 in consultation fees. That seems like a rather significant amount to me, and I want us to keep talking about it.

Of these \$900,000, \$800,000 is for legal fees. I think that \$25,000 was spent to get financial expertise and \$70,000 to get information on electricity markets and greenhouse gases. The \$800,000 for legal fees applying to Canadian law and American law represent the lion's share.

When we talk about government expenditures and billing, we always have in mind the scandals where invoices were paid without even being looked at, as was the case for ArriveCAN. I don't claim it's the case here; I don't know. Like it or not, concern should be our reflex when we see such high numbers. I think that at some point, when we are facing such high numbers, our sense of reality gets a little distorted. It's disorienting. When we talk about \$80,000, \$800,000 or \$800 million, what does that mean for everyday folks?

Let's look at the \$800,000. Obviously, your consultants aren't paid \$20 an hour. They are usually rather well paid. Let's say they are paid 10 times higher. That would mean they worked 4000 hours on the project. It might be less, it might be more.

Can you give me an order of magnitude for the average hourly cost, the number of contracts, the number of firms involved and the number of work hours they actually invested in this project? It seems quite astronomical to me, and I want to better understand.

Mr. Ehren Cory: I will let Mr. Duguay tell you more on this subject.

Mr. Frédéric Duguay: Thank you.

The question includes different elements. Let me respond first to the general question regarding procurement, legal services and technical services.

Let's start with legal services. When an investment goes through our investment process and we're coming to the start of the negotiation phase, legal drafting and due diligence for the project, that's when we determine if we need to call upon our internal expertise. Within the CIB, a team of half a dozen lawyers works in partnership with the investment team to structure projects. However, for a major project, for example \$1.7 billion in this case, we simply do

not have the staff required to manage the project within the CIB. We therefore need to call on external expertise.

Now let's talk about procurement. We have a procurement policy and, as per our commitment to transparency, this policy can be consulted on our website.

As for legal fees, we have a tendering process. 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.

Mr. Xavier Barsalou-Duval: More specifically, how many billed work hours are we talking about? Legal bills always include the number of hours of work as well as the hourly rate. I would like to have an idea of the average hourly rate and number of hours.

Mr. Frédéric Duguay: You are entirely correct.

When it comes to the connector project, for example, I think the CIB became involved starting in 2019. In 2021, we gave our approval for our \$655 million investment. Important negotiations occurred over several months...

The Chair: Thank you.

Mr. Frédéric Duguay: —not only with third parties, but also to ensure due diligence.

Mr. Xavier Barsalou-Duval: Can you at least give us the answer in writing, if it is not possible to do so verbally right now? I think it would be beneficial for everyone to know the number of hours worked and average hourly rate.

• (1230)

Mr. Frédéric Duguay: We will send you the answer to this question.

The Chair: We very much appreciate it, Mr. Duguay.

Thank you, Mr. Barsalou-Duval.

[*English*]

Next we have Mr. Bachrach.

The floor is yours, sir.

Mr. Taylor Bachrach: Thank you, Mr. Chair.

I'm looking through the communications that came out around the time the bank approved in principle its participation in this project. I'm not finding any mention of importing power from the United States.

We have a quote from Mr. Corriveau who is with the bank. He said that the "expectation" is that "energy will flow from Ontario to PJM over the long term given that Ontario has a much higher share of the lower marginal cost sources of supply—which is typically non-emitting—compared to PJM."

Again, this is directly contrary to what we heard from Professor Winfield.

In the press release that the CIB put out, there's a quote from you, Mr. Cory:

This project will allow Ontario to export its clean, non-emitting power to one of the largest power markets in the world and, as a result, benefit Canadians economically while also significantly contributing to greenhouse gas emissions reductions in the PJM market.

Let's go down and hear from the then minister, Catherine McKenna. This is what she had to say:

With the U.S. pledging to achieve a carbon-free electrical grid by 2035, Canada has an opportunity to export clean power, helping to reduce emissions, maximizing clean power use and making electricity more affordable for Canadians

It seems like an incredible sales job when the actual rationale that you've explained to us today was that in mid-term you're going to be a net importer of American power and in the long term probably also a net importer of American power, whether clean or otherwise.

Why didn't the bank come clean at the beginning and articulate that this was largely going to be a project that imported American power to Ontario?

Mr. Ehren Cory: I'd love to clarify things. We're using short, middle and long-term in different senses probably, so let's go back to some core facts.

Remembering that the project will both import and export power throughout its life, it's a net question. In the first 10 years there are four million tonnes of GHG reductions, estimated by the IESO and verified by our external adviser in Ontario. That's from importing power instead of turning on a gas plant in Ontario in the first 10 years. There will be seven million tonnes of reduction in the U.S. in that same time frame. If you go out in a longer term, those benefits continue to accrue on both sides of the border at slower rates because all markets become tighter and all markets become cleaner. The amount of GHG emissions savings gets less and less over the 40 years of the life but they continue on both sides of the border. The project, over the 8,760 hours in any given year, will both import and export.

I stand by everything in the quote you read from my quote and all the quotes, but certainly mine remains true. Everything I said is true. It is a great opportunity for all three, grid reliability, economic benefit and the GHG benefit, for Ontario and Ontarians.

The Minister of Energy in Ontario, Minister Smith, in his ministerial directive issued in 2022, thought the same, as does the independent system operator.

Mr. Taylor Bachrach: The thing that stands out to me, Mr. Cory, is the lack of any mention of importing American power. I'm not sure why that is. Maybe it's because it's less palatable to Canadians to invest so heavily in a project that's importing electricity from the United States.

Be that as it may, there's a real question based on what Professor Winfield has said, and he has studied this in great detail, about the core rationale behind the project because Ontario is now awash in fossil gas electricity. Looking forward, as we heard from Professor Winfield, emissions are going to go through the roof, and that is

something that should concern all Canadians and should certainly concern the infrastructure bank.

Given that I only have five minutes left—

The Chair: You have 20 seconds left.

Mr. Taylor Bachrach: Twenty seconds. Mr. Chair, you're so generous.

I would like to move the following motion:

That the committee do order the production of all documents and correspondence related to Canada Infrastructure Bank's modelling and analysis of the greenhouse gas implications of the Lake Erie Connector project, and that such documents be delivered to the committee no later than Wednesday, May 15, 2024.

The Chair: Thank you very much, Mr. Bachrach.

Is there any discussion or comment on that?

Yes, Ms. Koutrakis.

Ms. Annie Koutrakis (Vimy, Lib.): I would like to ask for a suspension, please, to discuss this a bit further.

• (1235)

The Chair: Okay. The committee will suspend for five minutes to allow members to discuss it.

The meeting stands suspended.

• (1235)

(Pause)

• (1250)

The Chair: I call this meeting back to order.

I believe there were discussions while we were suspended whereby the witnesses have agreed to resubmit the information that's already been submitted by the latest date put forward in the motion.

Do you want to withdraw your motion, Mr. Bachrach?

Mr. Taylor Bachrach: Thanks, Mr. Chair.

I understand that the witnesses did provide some information and not everyone on the committee was privy to that, so perhaps something was missed.

If that information indeed answers the questions that we have around the modelling and analysis, it will be very helpful.

I'm happy to withdraw my motion for now and we can look at the information that's been provided. If we still have further questions, we can bring back a motion at a future date.

(Motion withdrawn)

The Chair: Thank you, Mr. Bachrach.

I'll work with the clerk to ensure that all of that information is redistributed to all members.

We will now resume the line of questioning.

For that, I'll turn the floor over to you, Dr. Lewis.

You have five minutes, please.

Ms. Leslyn Lewis: Mr. Cory, I understand that Andrée-Lise Méthot was appointed to the Infrastructure Bank board. She previously served on the board of SDTC, which is a billion-dollar green slush fund company that is under multiple investigations.

Ms. Méthot had an interest in companies that received \$42 million while on the SDTC board.

Do you know who appointed Ms. Méthot to the Infrastructure Bank board?

Mr. Ehren Cory: Thank you for the question.

The CIB board is an independent board of directors appointed by the government.

Frédéric can help me here.

Mr. Frédéric Duguay: In accordance with our act, our directors are appointed by the Governor in Council. That follows the open and transparent director selection process that is used across agencies of government and Crown corporations.

Ms. Leslyn Lewis: It was probably suggested by someone in government—by cabinet.

• (1255)

Ms. Annie Koutrakis: On a point of order, Mr. Chair, I'm questioning relevance to the matter at hand.

I want to have a better understanding of the relevance of the member's line of questioning vis-à-vis what we're looking at today.

Ms. Leslyn Lewis: It's on transparency and largely the way taxpayer funds are used, which ties into the wasted funds that we saw on the Lake Erie project. It's all around the issue of transparency.

My next question pertains to that with respect to the apparent conflict of interest that is raised.

Have you raised an apparent conflict of interest with Ms. Méthot?

Mr. Frédéric Duguay: Mr. Chair, our board of directors has adopted a code of conduct for directors that includes our procedures for conflicts of interest. That's also publicly available on our website.

Upon Ms. Méthot's appointment—and I would say upon the appointment of all directors who are appointed to the board of directors—she would have to complete a director and officer questionnaire to disclose material interests. If there is any project that would raise a real, potential or apparent conflict of interest with a director, that is managed appropriately with respect to that director recusing themselves from the meeting and from voting on the matter, as well as excluding materials from the director.

Ms. Leslyn Lewis: Specifically, can Canadians be assured that monies from the Infrastructure Bank did not go to Ms. Méthot's businesses that she has ownership interests in?

Mr. Frédéric Duguay: I think we're speaking about two different things.

There's a conflict of interest on a project where a director may have a conflict. They have a conflict where it's direct because they

sit on the board of directors of an entity that we may provide a loan to. It may be indirect or perceived if they may have a close family member or a close friend that is related to that particular project.

In that situation, the appropriate approach with respect to managing a conflict of interest is through disclosure and recusal. That's how we manage conflicts that may arise on our investments with respect to entities that may be related to our directors or where they may have a conflict.

Ms. Leslyn Lewis: I understand that, but Canadians see an apparent conflict and they want assurances that money from the CIB did not go to her companies when she was sitting on boards that were affiliated with it and then sitting on the CIB's board.

Can Canadians have that assurance? That's what I'm asking you. Do your processes guarantee that assurance?

Mr. Frédéric Duguay: Our processes are robust such that directors are required to disclose all of their interests to boards that they serve on and in respect to their private interests. We are robust in our procedures in managing those conflicts.

Mr. Chris Bittle: I have a point of order, Mr. Chair.

The Chair: There's a point of order.

Go ahead, Mr. Bittle.

Mr. Chris Bittle: I have to agree with Ms. Koutrakis. This is a study with respect to the Lake Erie connector, and I thought there was going to be some tie-in from this individual back to the Lake Erie connector. I know we're talking about Lake Erie and that there's fishing that goes on in Lake Erie, but this is a broad definition of fishing and has seemingly zero connection to what the committee is studying.

The Chair: Thank you, Mr. Bittle.

You have 30 seconds left, Dr. Lewis.

Ms. Leslyn Lewis: Will you be paying bonuses this year from the CIB?

Mr. Ehren Cory: As I mentioned earlier, we publish our balance scorecard that we measure ourselves against. That goes to Parliament. It's part of our disclosure.

For the year just completed on March 31, we are still in the process of tabulating our results for the year, taking those to our board and getting approval, so it's too early to say. However, if you were to look at our balance scorecard, we have met or exceeded many of our objectives and missed on a few. It's at the board's discretion from there.

The Chair: Thank you very much.

Thank you, Dr. Lewis.

We will end today with a line of questioning by Ms. Koutrakis.

[Translation]

You have the floor for five minutes.

Ms. Annie Koutrakis: Thank you very much, Mr. Chair.

[English]

Thank you to all our witnesses for being with us today and for answering all the questions to the best of your ability. It's definitely very helpful to this committee.

Mr. Cory, I want to go back to your testimony before this committee on May 9, 2023. At the time, you said—and you said it again in your comments today—that, due to cost escalations, both the CIB and the private sector operator ITC deemed that, given the cost increases on the Lake Erie connector project, “it was no longer good value for money.”

Do you continue to share that opinion today, having heard that there is a new partner looking at it? Do you still feel the same way?

• (1300)

Mr. Ehren Cory: I would honestly say that it's a bit too early to know for sure. The new proponent, which acquired the rights to their project around the new year, December or January, is doing its own work on a revised cost estimate. As I said, 2022 was particularly challenging from the perspective of the escalation of core inputs.

It's also, as I mentioned earlier, a very specialized kind of construction. There are only a few boats in the world that can do this kind of deep trenching and laying of high-voltage bidirectional cable, so you also have to worry about when you can get a boat that can do this. The new owner, who I think may be appearing before the committee, has been doing some work.

In answer to your question, as investors, it's our job to receive their updated cost estimate. On the other hand of that equation, the Government of Ontario is doing its modelling and updating its modelling. They need to determine their updated view of the value to Ontario ratepayers, because, at the end of the day, this contract is with the IESO, which represents Ontario ratepayers, and they're willing to pay an amount for this line.

That math has to work, so the Province of Ontario has to determine that they want to proceed at a price they're willing to pay, and then we can lend to the project. That's what we'll need to figure out in the months ahead.

As I said earlier, it's about better grid connectivity east and west across our country but also north and south with our neighbours. A more robust grid makes more reliability, it makes lower power prices for everybody, and it makes better GHG outcomes for everybody. In the long run, we hope this project and many like it do proceed, and we'll see.

Ms. Annie Koutrakis: Who was responsible for the decision to suspend the Lake Erie connector project in the first place?

Mr. Ehren Cory: It was the proponent themselves, because, quite simply, at that point they had negotiated a price from Ontario. They had a loan from us; they had their own private financing, and they had their return hurdle rate. Then, once their costs went up, the

project didn't pencil for them anymore, and they couldn't do it, so they decided to suspend.

Ms. Annie Koutrakis: Was the CIB consulted before the cancellation?

Mr. Ehren Cory: We were, as was Ontario. Frankly, the proponent had to do their math with their commercial interest and, at that point, they couldn't make it work. We weren't going to put more money into their project. Ontario wasn't going to increase the price. That left it to the proponent to decide, and they obviously decided they needed to suspend.

Ms. Annie Koutrakis: Do you need to incur additional due diligence costs by going into this next era?

Mr. Ehren Cory: MP Murray was asking this question a little bit earlier. We will build off all the work that has been done to date, and it's extremely useful. However, we will, for sure, want to do an updated look at all three—project costs, GHG impacts, and then the legal documentation in the finalizing of what is a pretty hefty contract. There will be some more due diligence costs. They will all build on what's been done to date.

Ms. Annie Koutrakis: You said in your opening remarks that the due diligence cost for this project represents less than 0.1% of CIB's announced investment of \$655 million. Is that a regular rate? My background was working at CIBC Wood Gundy for many years and then Raymond James, and I remember seeing many IPOs and term sheets. Is that a competitive rate? Would you say it's below? Are fees expected to be higher than that? Where are we in terms of value received for the \$900,000?

Mr. Ehren Cory: That's a great question.

We do benchmark it across projects. The due diligence costs of this project were higher than average. You heard me talk about the other two projects that had been suspended. If you noticed, those numbers are much smaller. This is a more complex project. It would be one of our larger investments. Our largest investment to date is the REM, which was \$1.3 billion. We have other significant investments in the \$500 million to \$1 billion range. This is a big one. The due diligence costs were higher, but as a proportion of the investment they were quite small and highly competitive. We do benchmark it as well. When we talk to other institutional investors, when we talk to the pension fund...they would say that it's actually quite a competitive rate.

The last thing I'll say about that is that one thing at CIB that we've been very focused on is bringing that cost down, thinking about standardized tools and projects. This is a very bespoke project—a one of one. No one else is building wires underneath Lake Erie. However, when we do loans for zero-emission bus fleets, which we've done with the City of Ottawa, the City of Brampton, Durham Region, school bus operators in Quebec, etc., we've tried to create standard documents, standard legal terms, lower due diligence costs. We are trying to do that on every deal where feasible.

Thank you, Chair.

• (1305)

The Chair: Thank you very much, Mr. Cory.

Thank you, Ms. Koutrakis.

I thank all of our witnesses for appearing before us today and for providing their feedback and their testimony for this study.

I will now adjourn the meeting.

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