

# Fact Sheet–Energy Sovereignty: Public Investment Needed for Canada’s Electricity Independence

## 1. Power Struggle in a Trade War

Electricity has become a point of contention in the ongoing trade war between the United States and Canada. President Trump issued an [executive order](#) on February 1, imposing a 10% tariff on Canadian energy imports, including electricity, as well as a broader 25% tariff on other Canadian imports. After a 30-day pause, Trump’s tariffs went into effect on March 4. On March 6, Trump amended the order, exempting Canadian imports from these tariffs if the imports meet the Canada-US-Mexico Agreement (CUSMA) rules of origin requirements. According to US Customs data, a large portion of Canada’s energy exports do not currently claim CUSMA compliance, so could be subject to Trump’s tariffs.

Ontario Premier Doug Ford has [repeatedly threatened](#) that Ontario could shut off electricity to the United States. Ontario [introduced](#) a 25% surcharge on electricity exports to the U.S. on March 10, only to temporarily [suspend it](#) a day later.

On April 2, Trump issued another [executive order](#) implementing a minimum 10% tariff for all imports to the United States, with a list of 60 other countries that faced higher tariff rates. These new tariffs are not additional to the tariffs already implemented against Canada.

There is still uncertainty about how Trump’s tariffs will apply to electricity imported into the United States from Canada. This fact sheet will explore the consequences of imposing a tariff on electricity.

## 2. A Deeply Interconnected Electricity Market

The escalating trade war has highlighted the vulnerability of Canada’s deeply interconnected electricity market to trade disputes with the United States. Canada and the United States have traded electricity for over a century. Canada and the U.S. are each other’s largest electricity trading partners.

[Eighty-six international power lines](#) connect the two countries and allow electricity to flow freely in the direction of demand, unaffected by national boundaries. While Canada has historically been a [net exporter](#) in this relationship, both countries have benefited from being able to efficiently and cost-effectively balance electricity supply and demand.

Electricity has historically flowed north-south because of the shorter distance between supply and demand. Provinces have historically turned to U.S. state markets rather than other provinces for dealing with shortages or surpluses due to geographic proximity. This has allowed both Canada and the U.S. to manage regional differences in production and consumption. For example, Canadian provinces typically face higher demand for electricity during the winter due to heating,

and U.S. states typically face higher demand during the summer due to cooling. This helps stabilize prices for energy users, as one country can import electricity in the event of a demand spike, avoiding sharp price hikes caused by supply shortages.

This has been particularly important in managing consequences of extreme weather. In the fall of 2023, drought conditions in Western Canada led to reduced hydroelectric power; Canada's primary source of electricity generation, accounting for more than [60%](#) of total generation. Importing U.S. electricity helped Canada [maintain supply](#) during this drought period.

The integrated electricity market has also given the U.S. greater access to lower-cost power. Hydroelectricity is a low-cost source of electricity, and Canada is the third-largest producer of hydroelectricity in the world. Importing electricity from Canada has supported U.S. states in [achieving their emission reduction targets](#). [Seventy percent](#) of Canada's electricity production comes from renewable sources and [82%](#) from non-greenhouse gas emitting sources, such as hydro, nuclear, wind, and solar. It's a different story in the United States where [60%](#) of electricity generation comes from more expensive and higher emission fossil fuel sources.

This functional integration is difficult to untangle. It is not possible to "shut off" electricity flows to the United States without seriously undermining the stability of power grids. Rapid drops in demand can create oversupply on transmission lines, risking damage to the infrastructure. Conversely, sudden demand spikes can strain capacity and trigger outages.

Ontario Premier Ford acknowledged that to "shut off" electricity exports to the U.S., Ontario would need to [reduce its own hydroelectric generation](#), which could also limit electricity exports to neighbouring provinces like Manitoba and Quebec.

Until we achieve electricity independence, limiting Canada's electricity exports to, or imports from, the United States would be harmful to the residents of both countries.

### **3. Electricity Exports to the U.S.: A Revenue Stream for Provincial Governments**

Most provinces and territories have publicly owned power corporations that generate, transmit and distribute electricity. These publicly owned power corporations serve as major revenue sources for provincial governments. For example, Hydro-Quebec contributed [\\$4 billion](#) to the Quebec government's revenue in 2024.

Every Canadian province that shares a land border with the United States has at least one electricity interconnection with a U.S. state. The [main exporting provinces](#) are Ontario, British Columbia, Manitoba, Quebec, New Brunswick, and Newfoundland and Labrador. Canada has historically been a [net exporter](#) of electricity to the United States, meaning Canada exports more than it imports. In 2024, Canada exported 35.6 terawatt hours (TWh) and imported 23.2 TWh. Canada supplies around [85%](#) of electricity imported by the U.S., but it is important to put this in perspective. Only [1%](#) of total U.S. electricity consumption is supplied by Canada.

In addition to balancing the grids, public utility companies pursue export sales because it brings in revenue and keeps rates low. Across all provinces, Canada's revenue from electricity exports to the United States reached a record high of [\\$5.8 billion](#) in 2022. Money made from export sales is reinvested to keep electricity rates low for energy users in Canada. According to Manitoba Hydro, without its export sales (to Ontario, Saskatchewan, and the U.S.), Manitobans' electricity rates would be [20% higher](#). Power corporations sell wholesale electricity to the U.S. in

two primary ways. The first is through long-term contracts (“firm sales”), which provide a stable and predictable revenue stream. The second is by selling surplus electricity on a short-term basis through the spot market. For instance, provinces often generate excess electricity at night when demand is lower, allowing them to sell the surplus to U.S. buyers.

A tariff has never been imposed on electricity trade between Canada and the United States. For physical goods, when a product crosses the border, the importing country’s government collects the tariff from the importing company. This increases costs for importing companies, which are often passed on to consumers through higher prices. However, it remains [unclear](#) how the U.S. will implement and collect tariffs on electricity imports. The likely outcome is that Canadian electricity will become more expensive for U.S. buyers. U.S. states have relied on Canadian hydroelectric power as a cheaper and cleaner alternative to its own fossil fuel generation, such as coal and natural gas. The more hydroelectric power U.S. states import from Canada, the less they need to rely on these costly and higher-emission electricity sources.

Trump’s tariffs could undermine Canada’s competitive advantage in exporting low-cost electricity. At the same time, the Trump administration is [rolling back domestic regulations](#) that limit emissions from fossil-fuel power plants. As a result, U.S. states may increase domestic electricity generation from coal and natural gas, reducing their reliance on Canadian imports.

A drop in demand for Canadian electricity exports would reduce revenues for publicly owned utilities. This could drive up electricity rates for Canadian energy users and lower revenue for provincial governments. In turn, reduced provincial revenue could impact provincial governments’ willingness to invest in public services, directly affecting CUPE members.

One hundred per cent of Canada’s international electricity trade is with the United States.

Establishing alternative international markets for Canadian electricity is not a real solution because the United States is the only country Canada shares a land border with.

## 4. Public Solutions for Electricity Independence

### → Invest in East-West Electricity Connections

To ensure electric independence, we must shift from the north-south electrical market by establishing interprovincial electricity trade. Establishing a national energy grid with new East-West transmission lines cannot happen overnight because the necessary infrastructure is not yet in place. Canada currently operates multiple regional grids designed to meet local demand rather than a single national grid. Progress on an E-W grid could begin by investing in new or expanding existing connections at provincial borders to support greater interprovincial electricity trade.

### → Support Publicly Owned Power Corporations in Diversifying Revenue Streams

Developing East-West transmission infrastructure would help power corporations generate additional revenue by helping provinces with surplus power sell to those with higher demand.

Expanding publicly owned electric vehicle (EV) charging infrastructure could provide another valuable source of revenue. Many publicly owned power corporations already operate EV charging subsidiaries, and governments should invest in the development and expansion of these charging stations, rather than using [public dollars to finance foreign-owned EV charging companies](#) that further fragment the charging system.

Directing public investment to support the development and expansion of industries with high demand for electricity will also create new revenue opportunities for power corporations.

→ **Protect Public Electricity Infrastructure, Stop Privatization**

We need to stop the creeping privatization of Canada's energy sector. Achieving true electricity independence requires a publicly owned and centrally managed system in all provinces. This means halting the fragmentation of existing public power corporations into separate generation and transmission companies, rejecting the sale of local public distribution utilities, and ensuring that new renewable energy projects—like wind and solar—remain under public ownership. Provinces who don't have public power corporations must rip up contracts with private companies, especially those with ties to the U.S., and focus efforts on building internal capacity. We cannot afford to surrender control over critical infrastructure or allow private interests to siphon off public revenues. Also, the public development of this industry can act as a lever for broader economic growth. Decisions and investments in our energy system must be driven by the public interest, not private profit.

Public ownership and control are essential to establish environmental standards that are compatible with the path of development required to move closer to environmental sustainability. CUPE advocates for public sector projects in wind power and other green energy sources, instead of the current path of privatizing these projects, which undermines publicly owned and provincially managed electricity generation.

April 3, 2025  
mcmd/cope491