The World Needs to Know: Canada can lead on responsible energy

Speaking Notes for Perrin Beatty

Palm Beach Strategic Forum
April 9, 2013
Palm Beach, Florida

Please Check Against Delivery

Thank you, John, for your kind introduction. It's a real pleasure to be here in Palm Beach. Actually, as a Canadian, I always like an excuse to come to Florida, especially when there still snow on the ground in Ottawa.

Today I'd like to focus on one of the key policy issues facing both Canada and the world in the 21st century: **energy**.

Canada has been blessed with a natural resource endowment that is second to none. We are the world's second largest producer of uranium and second largest forest product exporter. We are the third largest producer of natural gas and hydro electricity and sixth largest producer of crude oil.[1]

However, Canada's role as an energy leader is not based on geological accident alone. Of the countries with the world's five largest oil reserves— Saudi Arabia, Venezuela, Canada, Iran and Iraq — Canada is the only one that does not have a state-owned oil company, the only one that is freely "open for business" for domestic and international investors alike. Our stable political environment, independent regulators and our openness to trade and foreign investment are key components of Canada's status as an energy superpower.

Canada's unique partnership with you- our southern neighbor - on energy is a cornerstone of this success. Canada is the single largest supplier of oil, gas and electricity to the United States. We provide 87% of your natural gas imports, and export more crude oil to the U.S. than the entire Persian Gulf region.[2]

The United States is Canada's most important energy partner and this will continue to be true in the future. However, this relationship isn't static.

The International Energy Agency turned heads last fall when it announced its revised projections for U.S. oil production. This year, domestic crude oil production in the United States should rise by ten percent, and within five years the U.S. is likely to break its record for production. Horizontal drilling and hydraulic fracturing techniques have moved your country towards greater energy independence at a pace no one could have predicted even five short years ago.

This shift has profound implications for North American energy dynamics. The shale revolution is transforming our energy landscape: freshly abundant natural gas is displacing coal as an electricity source in the Northeast and driving down GHG emissions; LNG terminals such as Sabine Pass in Louisiana are being retrofitted to handle exports instead of imports; and the Bakken shale is moving in excess of 700,000 barrels per day, driving unemployment in North Dakota down below 3% and swelling the storage tanks in Cushing, Oklahoma.

The implications of this transformation for Canada are no less profound.

The energy sector is one of the largest components of our economy, representing in excess of 20% of our GDP.

As with many other Canadian commodities, we have focused on the development of north-south transportation infrastructure and shipped the lion's share – in this case, 98% - of our oil and gas exports to the United States.

---

[1] All figures from the U.S. Energy Information Administration's website. They are identical to the ones used in a September 14 2011 speech from Minister Oliver (www.nrcan.gc.ca/media-room/speeches/85/3042).

[2] U.S. Energy Information Administration. In 2011 Canada accounted for 29% of U.S. crude oil imports, Persian gulf countries accounted for 22%. www.eia.gov/energy_in_brief/foreign_oil_dependence.cfm

Flat demand and increasing supply are having a predictable effect on prices, and the spread that has opened up between Brent, WTI, and the grades that are produced in Western Canada is having a troubling effect on the Canadian economy.

But if the U.S. doesn't need our energy as much as it did, the rest of the world certainly does. Global energy demand is set to rise by one third by 2035, with as much as 90% of this new demand being driven by non-OECD nations, particularly in Asia.[3] For the Canadian energy sector, being a supplier to Asia is a national priority.

Now, as you know, the overwhelming majority of Canada's oil reserves lie in the interior provinces of Alberta and Saskatchewan. And while ours is a fairly prodigious land mass criss-crossed by over 110,000km of oil and gas pipelines, very little of that capacity makes its way to tidewater on the Canadian coast.

This inability to service overseas markets, while steadfastly remaining the primary supplier to the United States, is slowing investment and development in our resource sectors.

The counterpoint to that development, and something that will not come as a surprise to anyone in the room here today, is the ever-present notion of social license to operate.
It is true that the environmental impact of our energy operations have never faced closer scrutiny than today. Stakeholders on this file have never been better coordinated, and are dominating the airwaves and winning the hearts and minds of undecided North Americans: day by day, and one by one.

The hard fact is that energy production in all forms - renewable energy included - has some impact on the environment. In energy, as in life, there is no such thing as a free lunch.

Biofuels displace food crops. And you burn fossil fuels to grow and fertilize them. Wind farms are built with steel, a green house gas intensive material, and can impact on local communities and bird populations.

The oil sands are not appreciably different from other energy sources. The benefits of their use must be weighed against their costs, including their environmental impacts. This is certainly not to dismiss concerns about greenhouse gas emissions and other environmental impacts of oil sands production, which is a rightly a major concern. The Canadian Chamber of Commerce supports policy to reduce GHG emissions and other environmental impacts.

The world will need to rely on fossil fuels for the foreseeable future. That's the conclusion of the IEA, the U.S. Energy Information Administration and many more credible forecasters that have modeled the world's energy future.[4]

The only realistic path to a sustainable energy future will be to use the full basket of our energy resources more efficiently while continually finding new ways to reduce their environmental impact.

Canada's record on taking action on climate change is stronger than many people realize. In 2007, Alberta became the first jurisdiction in North America to legislate greenhouse gas (GHG)

---

[3] International Energy Agency. World Energy Outlook 2011 Factbook
www.worldenergyoutlook.org/media/weowebsite/2011/factsheets.pdf

[4] Ibid

reductions on large industrial facilities, including oil sands.[5] That same year, Quebec instituted the continent's first carbon tax. In 2008, British Columbia followed with the world's first broad-based, revenue-neutral carbon tax.[6] In 2009 Ontario enacted North America's first feed-in tariff for renewable energy. Quebec is on track to begin trading carbon with California in 2013.[7]

These policies and programs cover provinces that represent 86% of the Canadian population and account for 86% of national GDP.

The more I work with the energy sector, the more encouraged I am by its incredible accomplishments. All of us- business, government and civil society need to work together in ensuring the social license to operate becomes a reality.

Most Canadians know that it is possible to achieve a balance between prosperity and the environment. An April 2012 poll commissioned by the Chamber found that almost two thirds of Canadians believe that it is possible to increase our production of oil and gas while respecting the environment.

Canadians have a great opportunity to leverage our energy endowment, but it is an opportunity that won't last forever

Canada has rich energy resources, but we are not the only one. For example, countries like Russia, Qatar and Australia are moving to compete with Canadian firms for natural gas contracts with Asian countries. They have already taken steps to build the requisite infrastructure – Australia alone has $170 billion in LNG projects under construction.[8]

Canada can lead the world to a more environmentally responsible future, not by avoiding resource development but by using our country's know-how and drive to do it in the best way possible.

It is certainly not the easiest path, but I believe it is the right one.

---

[5]Government of Alberta. www.landuse.alberta.ca/ManagingOurLands/EnvironmentEcosystems/ClimateChange/Pages/default.aspx

[6] Government of British Columbia. www.env.gov.bc.ca/cas/pdfs/climate_action_21st_century.pdf

[7] Quebec Budget 2012/2013. www.budget.finances.gouv.qc.ca/Budget/2012-2013/en/documents/climate.pdf

[8] Financial Post. May 14 http://business.financialpost.com/2012/05/14/australia-says-shale-could-double-its-gas-resources/?__lsa=fe9dc974