THE CANADIAN CHAMBER OF COMMERCE
LA CHAMBRE DE COMMERCE DU CANADA

Energy markets are changing. Will Canadians adapt?

Speaking Notes for The Honourable Perrin Beatty
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Every year the Canadian Chamber identifies the "Top Ten Barriers to Competiveness" in consultation with our local Chambers of Commerce and the Canadian business community at large. These are the self-inflicted wounds that hold us back and prevent us from achieving our full potential. For 2013, we have identified the lack of access to international markets for our energy as a key threat to Canada's overall competitiveness.

Between now and the next Federal election our governments will face a number of key political and regulatory decisions regarding the infrastructure needed to gain access to new markets for Canadian oil and gas. They will include decisions about oil pipelines like Northern Gateway, Line 9B, Trans Mountain, Energy East, and Keystone, as well as LNG export facilities including Douglas Channel LNG, BC LNG, Kitimat LNG, and LNG Canada. Further decisions will be made concerning the transport of energy by rail.

And that's what we are here to discuss today: whether we Canadians, blessed with one of the richest resource endowments on the globe, will secure a better future for our children by responsibly bringing our plentiful oil and gas resources to global markets.

The story is familiar to many in the room. The weight of global natural gas demand is shifting to eastern nations like Japan, Korea, Taiwan, China and India. North America's shale gas revolution is transforming the U.S. from Canada's only natural gas customer into a competitor for Asian markets.

Last week, the Canadian Chamber of Commerce released a report entitled *$50 Million a Day*. It's available on our Web site, along with an infographic that summarises the issues. They tell a story that some of you already know, but which needs to be understood by all Canadians.

We are at a decision point. Within the next two years, Canada will choose whether to keep our energy bottled up in North America, with the United States as essentially our only customer, or to serve a diverse and growing market across the world. In more stark terms, we will decide whether to achieve a new level of prosperity or risk slipping backwards.

$50 Million a Day discusses some facts essential to understanding what the debate over oil and gas exports means for everyone.

Canada has lost billions from its lack of energy transportation infrastructure. Worse, we are at risk of much greater losses in the future.

Most people don't realize that Canadian petroleum sells in the U.S. at a significant discount from the world price. According to CIBC, last winter that discount cost Canadian oil producers as much as fifty million dollars a day, when the spread between the price Canadian oil producers receive and world prices was particularly high. This tremendous loss inspired the name of our report.

Fifty million dollars is a lot of money.

Too often, whether our oil and gas will brought to market is dismissed outside Western Canada as a sectoral issue. Even worse, sometimes it is used to pit region against region: the unlamented National Energy Program and more recent loose talk about "Dutch disease" are two just two examples. The scars from the NEP still run deep.

Almost 150 years after our founding, it is still too easy to divide Canadians and to portray Confederation as a zero-sum game where a region can only get ahead if the others are left behind. The politics of envy drives wedges between us. It is unworthy, but all too often it is also successful.

Today, just like throughout Canada's history , we need visionaries and builders -- whether they're in business, in politics or in our universities -- to offer a more generous and inclusionary view of who we are and who we want to be.

This is where I believe a national organisation like the Canadian Chamber has an obligation. We are strictly non-partisan. Through our network of over 450 Chambers and Boards of Trade, we represent over 200,000 businesses, most of them small- and medium-sized, from every sector and every region. Our mandate is to speak for Canadian business as a whole, and to propose policies that will make our country stronger and more successful.

For example, last week I had to pleasure of participating in the LNG Export Forum in Calgary. I know how important LNG is for your province- it is also important for all of Canada.

Exporting liquefied natural gas means new jobs for Canadians and increased tax revenue for governments, not just in big gas-producing regions like BC, but also in provinces with strong manufacturing and service industries.

Canada has many advantages in the race for LNG markets. But our competitors also have their strengths. Canada is currently the world's third largest producer of natural gas, but the country's resource endowment only earns us a seat at the table. It doesn't ensure that we will play our cards strategically, and it doesn't mean we will win the prize.

This is exactly what I mean when I say we have to fight for our competitiveness.

The stakes if we let this opportunity pass are simply too high, not just for the West, but for all of Canada.

Too often Canadians' attitude towards the important benefits of natural resource development is "out of province, out of mind."
But economies don't end at the border. We seem to understand that all too well when considering developments in our neighbour to the south, and not at all when considering what is happening in a different part of our own country. We address that in issue our *$50 Million a Day* report. This is about Canada as a whole.

When extracting and exporting natural resources in one part of the economy, companies create demand for materials, machinery and services from businesses across Canada. That could mean steel from Hamilton, financial services from Toronto, or engineering services from Montreal.

The Conference Board of Canada examined the impact $386-billion in expected natural gas investment spread out over the next 23 years would have on economies across Canada. LNG exports were one of the driving forces of this new investment.

New natural gas investment mostly taking place in B.C. and Alberta would mean $6 billion in additional tax revenue for Quebecers over the next 23 years, which works out to around $270 million a year.
To put that in perspective, that equals a full three-quarters of the province's expected annual revenues from mining royalties.

Natural gas investment in the West means greater demand for Ontario exports, amounting to roughly 23,000 jobs. By comparison, there are about 23,500 Canadian Auto Workers members currently working in Ontario's major auto sector.

The impacts in terms of tax revenues and jobs are essential, but I don't want to end the discussion here. Natural resources are key to Canada's competitive advantages in global markets in a less quantifiable, but no less important manner.

Extracting solids, liquids and gases from the earth in a responsible manner and transporting them safely is among the most complex, expensive activities undertaken by humanity. Canada has developed an important competitive advantage based not just on our natural resource endowment, but also on the institutions, human capital and policies to extract them efficiently.

Natural resources are a foundation of our competitiveness in finance: almost 60% of the stocks issued on the Toronto Stock Exchange come from natural resource firms, 12% from the oil and gas sector alone.

We are also the fourth-largest exporter of engineering services, and resource development fuels our competitive advantage in science and technology. The Canadian Council of Academies compiled a report to pinpoint the areas in which Canada's science and technology excels. Each and every one of the top ten areas where Canada had global strength in science and technology was related to natural resource development or environmental protection.

The knowledge economy component of natural resource extraction is no less important than the physical resource. Take China, for example. It has the world's largest shale gas resources - as much as Canada and the U.S. combined - but is struggling to meet current production targets for 2015. It currently doesn't have the right people, institutions or regulations to bring these resources online rapidly.

Political and policy stability has been a key Canadian advantage, but it is not one we should take for granted. Canada must maintain a competitive fiscal framework forenergy investment, or we risk losing a key competitive advantage in an increasingly crowded field. Governments should take a cautious approach to placing new burdens on a greenfield industry that has yet to develop a single project.

Preserving political and policy stability also means that governments and industry must ensure that First Nations and local communities are adequately benefitting from resource development opportunities. We need to create an atmosphere of trust for industry to build social license for major projects.

Let me conclude by saying this: Canada must decide how to shepherd its natural resources for the good of Canadians. We need to engage in an in-depth conversation that is based on evidence. Increasing energy literacy among Canadians is one piece of that puzzle. Organizations such as the Senate of Canada, Canada West Foundation, Pollution Probe and the Energy Policy Institute of Canada have all called for heightened energy literacy among the Canadian population. Increasing awareness of the interconnectedness of systems and the potential of conservation to blunt future demand will both buy Canada time to build the required infrastructure as well as enable Canadians to provide clearer guidance to politicians with respect to the future they wish to see for Canada.

Tomorrow’s energy growth lies with the rapidly expanding economies of Asia. Canada already loses millions a day from a lack of diversified oil and gas markets and stands to lose more if infrastructure is not built. Canadian firms have a strong record in transporting oil and gas products safely and should continue to move the frontier for technologies and processes to make the risks of energy transport as low as possible.

Fossil resources abound to satisfy global energy demand, meaning today’s energy companies must be the catalysts to move the global economy forward in a more carbon-constrained energy future. The speed with which we as a country can react to these realities will determine our ability to compete as a nation in the 21st century.