

# Natural Resource: The Power of Canada

## LNG Export Forum

Speaking Notes for Perrin Beatty

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Please Check Against Delivery

Thank you for that kind introduction Bill. Congratulations to your organization for holding this event, which brings together so many of the key players in the Canadian LNG industry.

I had the pleasure of giving a Keynote speech at last year's Forum as well. I remember being struck by the size of both the challenges and opportunities facing the LNG export sector in Canada.

The basic story I heard in 2013 hasn't changed over the past year.

Canada can no longer assume that our traditional strategy of selling into the US market will be enough to sustain our competitiveness.

The shifting of the global economy towards Asia and other emerging economies presents a tremendous opportunity, but the window to act is limited and competitors are moving fast.

Canada's huge advantages – our abundant natural resources, our skilled labour force, our strong commitment to environmental protection – will count for very little without the infrastructure to extract and move our energy, mineral, forest and agricultural products to the markets that need them the most.

It's a story that is familiar to anyone in this room, but what I've learned over the past year is that it is not a story unique to your sector.

I've heard it from our members in agriculture, forestry and mining who have had trouble finding sufficient rail capacity to move their products.

Our ports, so essential to Canadian trade, have faced stiff opposition to expansions needed to maintain their competitiveness.

Of course, no one needs to be reminded how pipelines have come to dominate news headlines across North America.

Too many of these issues come to public debate in isolation – rail capacity, investments in port facilities, pipelines, reinvestment in our electricity infrastructure, road construction and of course LNG infrastructure - when in fact they are all part of the same national challenge.

In January, the Chamber joined up with a number of like-minded organizations to form the Partnership for Resource Trade.

The mission of the Partnership is to engage Canadians – from all walks of life and all parts of Canada – in a national discussion about the role that our natural resource industries play in our success as a country.

We now have supporters not just from the resource sectors – energy, agriculture, mining and forest product – but also manufacturers, aboriginal and labour organizations.

The breadth of the Partnership's membership illustrates a key point: the resource industries impact the prosperity of all Canadians.

Our particular job for the PRT is to reach out to our network of local chambers to sign them up for the Partnership, and support their efforts to promote resource trade.

So far we've signed up almost 100 local Chambers in every province and Territory. Together, these chambers represent over 60,000 small, medium and large businesses from across the country.

We've been asking these Chambers to get the word out to their communities through op-eds, letters to their members and events.

Some Chambers in more rural and northerly areas instantly understand the Partnership's messages. However, when a community is far from a forest, farm or mine site, their connections to the resource sector are not always obvious.

That's why this Partnership has been so important – we're shedding light on the hidden linkages between these communities and the resource sector.

Just the other day my staff was talking to a Chamber in southern Ontario, near to Toronto. They liked the idea of the Partnership but wasn't sure how the resource industries affected their community.

After about 15 minutes of research our staff was able to pull up the names of ten firms from that Chamber with clients in the mining and energy sector.

These kinds of linkages are at the heart of the Partnership. Resource sector supply chains connect what's happening in our forests, farms, mines and oil and gas fields to the prosperity of people living in Canada's cities and suburbs.

We hear a steady drumbeat of criticism that Canadian resource firms don't process the raw resource sufficiently before export.

We've been driving home the message that getting these products ready for export is already a massive effort that generates enormous value.

There's a Canadian tendency to undervalue the economic benefits that are created by transforming gases, liquids, trees and rocks into useful commodities.

There isn't a single mine, oil rig or paper mill in Toronto, but the city is a global center of finance and professional services for the resource industries, particularly mining.

In 2013, 60 per cent of the issuers on the Toronto Stock Exchange and TSX Venture Exchange belonged to the mining, energy, forest product or clean technology sector.

I often point out to colleagues in Toronto that the single largest employer of securities lawyers in their town is the mining sector. Plenty of beautiful houses in Rosedale were purchased with money earned making Canada a leader in mining finance.

Canada is the fourth-largest exporter of engineering services, an export sector that has in large part grown up around the natural resource industries. Tradable services have been an area of strength for the Canadian economy, growing by 35 per cent between 2001 and 2011.

Producing natural resources is a complex, technologically sophisticated economic activity. In many ways, the resource sector is the high tech sector for Canada.

The Canadian Council of Academies compiled a report in 2006 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 resources or environmental protection.

The pipe manufacturing sector is an excellent example of how resource sector supply chains connect the economy of one side of the country with the other.

Tenaris is a leading supplier of tubes and related services for the world's energy industry. In Canada, they take iron ore mined in Quebec by Rio Tinto Fer et Titane and transformed into a steel bar at their facility in Quebec.

The steel bar is then shipped to the Tenaris pipe manufacturing facility in Sault Ste. Marie, and made into a seamless pipe.

Tenaris then transports this pipe to their sister company in Alberta where a final manufacturing step occurs. The final product is then delivered to a well for either an oil sands or shale gas application.

It starts as ore in the ground in Quebec, with a value of \$100 per tonne. By the time it is ready to be installed in Alberta it's worth \$3,000 per tonne.

The jobs and value added across the country are part of the benefit of developing Canada's energy resources.

So what do LNG developments in remote parts of British Columbia have to do with government services in Montreal, or jobs in Toronto?

As it turns out, quite a lot.

Last year 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.

Canada's natural resource developments like LNG export infrastructure are important to all Canadians. But they are crucial to the prosperity of one group of Canadians: our aboriginal peoples.

Headlines tend to focus on stories of conflict between aboriginal communities and the resource sector. This narrative hides an important evolution that has been happening over the past decades.

Increasingly, Aboriginal communities view the resource industries as a means to create a better future for their people.

The oil and gas, forest product and mining sector currently supports 31,000 Aboriginal jobs – making natural resources the largest employer of Aboriginal people in Canada.

Aboriginal-owned firms are suppliers to the resource sector, and increasingly aboriginal communities are outright investors or owners of resource project.

A prominent example of this approach is BC's Haisla Nation, who have made LNG a focus point of their community's approach to economic development. The Haisla Nation have been involved with several of the LNG projects as landlord, investor and partner and have recently filed applications for export licenses for its own proposed facility, Cedar LNG.

These are the types of messages we're asking our network of 450 Chambers of Commerce across the country to share.

We're asking them to talk about how their community benefits from natural resource development and trade, even when they are thousands of miles away from the well, forest or mine.

We're making the case to our network that the natural resource sectors are a significant source of value added to the Canadian economy. Your industry underpins Canada's competitiveness in science and technology, and provides the basis for jobs in related services and supply industries.

The natural resource industry will play a central role in building the prosperity of Canada's aboriginal peoples. Yes there is conflict, but an environmental sustainable resource industry also offer the best hope for a new era for First Nation, Metis and Inuit peoples.

The Partnership is one of our major initiatives on the natural resource space, but we're not just focused on the home front.

Market diversification for oil and gas resources has been one of our priorities for the last few years. The Chamber has been working to build Canada's profile abroad in two key regions.

In Asia, our focus has been on Japan, the world's third largest economy with growing ties to Canada.

Canada and Japan are natural economic partners with strong complementarities across a variety of sectors. But much of this potential is going unrealized: over the past decade, exports between the two countries have actually fallen by \$6 billion.

However things are changing. Talks towards a Canada-Japan Economic Partnership Agreement are underway. We're very active supporters of this initiative.

Cooperation on natural gas has been a key priority in this bilateral relationship, with the launch of the intergovernmental Canada-Japan Energy Dialogue in 2013.

We have hosted two major conferences – in Tokyo two years ago and last year in Toronto – to build momentum on this initiative.

Now with our partners in the Japanese Chamber of Commerce, we'll establish the Canada-Japan Dialogues as a platform to build relationships, engage officials and formulate and communicate joint positions and priorities.

I will be leading a delegation to our first meeting in this program in Tokyo on November 5 on the heels of the LNG Producer-Consumer Conference.

Our other major effort internationally is in Europe, where we have strong allies working with us.

The Europeans are changing their views about energy as the politics of Russian hegemony creates uncertainty.

With our new Canada/EU Trade Agreement, there is a new opening to explore energy sales to Europe.

Last June I led a small delegation to Brussels to get a first hand appreciation of the possibilities. New Brunswick Energy and Mines Minister Craig Leonard participated in the meetings along with Dave Collyer, President and CEO of the Canadian Association of Petroleum Producers (CAPP).

We met with senior officials at the EU commission, various associations involved in the natural resources sector, diplomats, and major European energy companies.

Of course, Canada still lacks the necessary infrastructure and Europeans are locked into long term contracts that will limit their flexibility in the near term.

But the thing that really surprised me was how many key stakeholders were simply not aware of what Canada has to offer. They simply weren't thinking of Canada as a potential partner in supplying oil or LNG.

Their understanding of Canadian energy had been shaped by the debate around the EU Fuel Quality Directive. Now they are looking again.

We can't expect these types of opportunities to come to us. We have to go and get them.

The Chamber will continue to raise the profile of Canada's energy in Europe through our links with Business Europe and the B20 Coalition. This October one of my staff will be making a presentation at the European Forum for New Ideas about Canadian energy and possibilities for trade.

The Partnership for Resource Trade, the Chamber's domestic lobbying, and our international work are all directed to a core aspect of Canada's competitiveness.

Before I end my talk, I would like to quote Richard Hawkins, Canada Research Chair in Science, Technology and Innovation Policy, who said "Canada's unique advantage is that we are both a resource-based industry and a knowledge-based industry... it is the differences in our industrial composition and orientation compared to other jurisdictions, not the similarities, that are likely to be our greatest source of future advantage in global leadership."

That's really what the Canadian Chamber's natural resource work is all about: getting Canadians to understand our strengths and unique opportunities, in order to preserve our economic competitiveness in the 21<sup>st</sup> Century.

It's a story that you and the millions of other Canadians who work in the resources sector already understand. And it is one that we are determined to tell.