

Energy: Facing the Challenges Ahead

Speaking Notes for the Hon. Perrin Beatty

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Please Check Against Delivery

Good morning and thank you for the warm welcome. I'd like to thank Ken (Kobly) and Don (Oszli) for inviting me to be here today. It's a pleasure to be back in Lethbridge. I was here this past February to discuss the role the Canadian chamber network can play in Canada's economic recovery – Jody (Nilsson) and Paul (Pharo), it's nice to see you again.

Today, we meet in Lethbridge for the ACC's annual conference, which is themed *Winds of Innovation and Change*. A very fitting theme for Lethbridge, as the city is a hive for alternative energy.

It is also a very fitting theme for Canada as change is needed if our country wants to keep our single, biggest competitive advantage in the global marketplace – energy.

My role at the Canadian Chamber takes me across Canada to visit various communities, meet business leaders and exchange ideas on issues of importance to us all and to the wellbeing of our country. I am struck by how diverse our land is, yet how common our concerns

and aspirations are. And nowhere should that be more the case than when we are discussing our energy security and our common environment.

Because the Canadian Chamber of Commerce is the only national organization connecting businesses of all types, from every province and territory, to advocate public policy that will foster a strong, competitive economic environment – policies that benefit businesses, communities and families across Canada, we have a special responsibility.

The energy sector is a cornerstone of our prosperity. It plays a critical role for Canada in serving the energy needs of all Canadians and in generating major income from foreign sales. There is virtually no other country in the world that does not look at our energy inheritance with envy.

The Canadian Chamber has identified the energy industry and its impact on the Canadian economy as one of our priority research areas for this year.

Last October, we released a paper, *Powering up Canadian Prosperity*, which we developed through consultations with our members from across the country. In it, we call for all levels of government to come together with all stakeholders, including the business community, to develop a Canadian Sustainable Energy Strategy to ensure that Canada will continue to have a strong and vibrant energy industry that will help our economy to grow and meet our future energy needs.

I would stress that what we have in mind is not simply a federal government policy to be imposed on the regions, but a truly national strategy in which all regions are full partners. Nor must the purpose be to simply transfer the resource wealth from one region to another, but to respect our constitution and to recognize that rising prosperity in one region will also lead to opportunities in the others.

I can't think of a better example than the manufacturing sector in central Canada, which has suffered serious losses, but which stands to benefit enormously as a supplier to the oil sands in western Canada.

As we prepared our report, we heard, from business, about the current state of the energy sector, about the need to work together to address the many complex energy issues that face our nation and about the core principles that should guide us.

Perhaps most importantly, our members told us of the enormous cost of inaction: the lost opportunities, the lost jobs and the lost prosperity.

Consider the facts. Canada's energy sector accounts for 70 billion dollars of our gross domestic product. It spends 68.9 billion dollars on capital repair and replacement **every year**, which is 35 per cent of the total private-sector investment. In addition, the energy sector

directly employs more than 372,000 people and hundreds of thousands more in related industries.

Unlike the United States and other members of the G8, we're in the enviable position of producing more energy than we consume. It's a blessing, but it comes with responsibilities, too. We need to make sure that we capitalize on our resource-based advantages to the fullest extent in a manner that is sustainable for the future.

Everyone in this room has a stake in ensuring that Canada has a detailed, sustainable and strategic plan for bringing our energy to market in a responsible way.

It's easy for us to become complacent and to take for granted what we have here in Canada. But we do so at great risk. Canada's energy sector faces serious challenges today, and many more are on the horizon.

I'd like to take a few minutes to talk about those challenges and then I'll share with you some thoughts about what the Canadian chamber network can do to help.

The challenges for Canada

The **first challenge** for Canada concerns rising consumer demands for energy efficiency, coupled with the need to respond to climate change and to follow the best possible environmental practices.

People want better and more sustainable choices. Canada's energy-rich economy must be able to develop and implement new technologies and strategies to respond to the challenges of protecting our environment.

Technology is the **second challenge** for Canada. We need to do a better job of leveraging the advantages that our tremendous natural wealth provides. That includes developing and implementing new innovations that both benefit and flow from the energy sector.

Canada is seen as a leader today, especially in the oil sands, but maintaining that leadership won't be easy.

As things stand right now, our overall efforts in energy-related research and development are lagging. One study published by the University of British Columbia found that Canada's public funding of energy research is at a 30-year low. In addition, a 2009 federal study by the Science, Technology and Innovation Council ranked Canada second-last in the amount spent on research and development by companies as a portion of gross domestic product. It cites energy as one of the key areas for research investment in the future.

The **third challenge** I want to draw to your attention concerns growing developing economies, such as China. Are we adapting to the competitive pressures China is forcing onto the global marketplace? Are we making full use of the trade opportunities that are opening up? To answer that, let's consider the current state of trade with China.

Here's how the *Financial Post* summed up the problem in an article from the fall of 2009: "China seems to have made significant oil and gas investments everywhere but Canada, while Canada seems to have seen an influx of significant foreign investment in energy from everywhere but China in recent years." In April, this may have turned with Sinopec, China's second-largest oil producer and top refiner, buying ConocoPhillip's stake in Syncrude for over four billion dollars. Foreign investment that lives by Canadian rules should be encouraged.

China is a growing country – an emerging superpower – and it's expected to have a growing demand for energy. Equally important, it is a fierce competitor with an abundance of low-cost labor that is making giant strides in developing new environmental and energy technologies. We cannot afford to underestimate the challenges and opportunities that are at hand with this trading partner, among other developing economies.

The **fourth challenge** is the need to find the money to implement a national strategy for energy and the environment. Developing new sources of energy and bringing them to market will be extremely expensive and the costs of dealing with climate change will be staggering. Without a doubt, it will be the single biggest investment we, as a country, have ever made, but it is clear that both citizens and governments around the world are insisting on action.

Last July I spent a week in Britain to study that country's approach to climate change. It was a fascinating experience – both encouraging and in some ways worrying. Here is some of what I learned:

- First, the degree of consensus that action on climate change is urgent is striking. Support for acting has become more of a value than an issue. The business community is focused not on whether action will be taken, but on the form it should take, and the Conservative Party, which is well ahead in the polls, criticizes the Labour government for not having done enough. There is no reason to believe that a change in government would result in any decline in Britain's commitment to act.

- Second, the debate on climate change in Britain is probably at least three years ahead of where we are here in Canada. The British have concluded that climate change must be framed as an economic issue – that, whatever the costs of acting, the cost of inaction would be much higher. As one non-governmental representative said, pictures of polar bears aren't enough to persuade people to make major changes; it is important to demonstrate how individual communities and families stand to be affected.
- Third, British governments are well-advanced in developing their strategies. When I was there, the government had just released what amounted to an industrial strategy for climate change that identified where the national government would make investments, how it hopes to leverage private sector resources and where British companies have the best opportunity to beat foreign competitors as other countries act on the issue. It has also set out a plan for ensuring that the lights stay on during this process. The element that will leave them dependent on natural gas from Russia is, to say the least, worrisome, given the Russians'

willingness to open and close the tap based on how happy they are with their customers' policies. Another major part of the strategy is their commitment to nuclear energy. What interested me when I met with NGOs is that, unlike many of their Canadian counterparts, they accepted nuclear power as an important part of the equation, or at least said that they had decided not to oppose the government on the issue.

- Fourth, I was struck that, even with its extremely ambitious plans, it is hard to see how Britain can hit its targets without a run of sustained good luck. What's more, I'm still not satisfied that governments have leveled with the public about how expensive the process will be. You still hear people saying that more jobs will be created over the next several years than will be lost and that the actions required will pay for themselves. I don't dispute that there will be business opportunities, including in the development and deployment of new technologies and in the efficiencies that come from businesses learning to become less carbon-intensive, but it is hard to see the actions that will be needed except as a major inter-generational transfer. If people conclude that their leaders have

misled them, support for dealing with climate change will melt more quickly than the arctic ice cover.

What are the implications for Canada? The most obvious to me is that to deal effectively with environmental and climate change issues and to develop our energy resources and bring them to market, progress in one area is essential for progress in the other.

Simply put, both the Canadian public and our customers will expect us to be responsible stewards of the environment, but support for making major environmental strides will require a strategy that provides for our economic and energy security, both now and in the future.

I agree that, with our economies so deeply integrated, we must work very closely with the United States, but we don't have the luxury of simply deferring drawing up our strategies until they have theirs in place. We will either be in the room as negotiators when the rules are set, or we will learn about them when the others come out and tell us

what has been decided. And we should not think for a moment that other countries will not attempt to write the rules to their own advantage or to be the first ones to benefit from any benefits that may be created.

It's not enough to just wish for changes. Our response to these issues must rely heavily on technology and, in many cases, on technologies that do not exist today. We need to find new ways to invest wisely in the energy sector, and to do so in a manner that does not adversely affect the significant tax revenues that it currently generates or the tens of thousands of jobs it produces.

As you can see, each of these challenges is daunting. Despite that, today Canada lacks a coherent strategy. What's worse, some of our political leaders have taken actions that pit one region of Canada against another. Some of the statements made by Canadians in Copenhagen that targeted this province can only exacerbate the regional strains that so often pull at the fabric of our country.

When I was in Cabinet, the Prime Minister once commented that the easiest thing to do in Canada is to get the agreement of nine provinces on a policy that came at the expense of the tenth, but the toughest thing was to get all provinces to agree. Achieving a national energy strategy for which there is truly national support may be difficult, but a strategy that does not reflect the needs and aspirations of every region will fail.

I agree with Prime Minister Harper when he refers to Canada's potential to be an "energy super power," but our research suggests this is still more of an aspiration than a reality. What **is** Canada's plan? What **are** its goals for energy? The challenges and opportunities we face today are too great for us to not have a clear answer to those questions.

We need a plan. It has to be a flexible, market-based approach that encourages both conventional and alternative energies. It has to provide Canada with stable, secure and affordable energy. It is essential that this plan be supported by regulations that allow energy

projects to proceed in a timely and predictable manner while ensuring a level playing field for all sources. This requires clear coordination and cooperation between the federal and provincial governments as well as our First Nations.

We need a plan that can take a balanced approach to development, one that ensures good projects proceed in a timely and predictable manner and also considers environmental protection and helps address climate change.

Furthermore, it is critical that we make large investments in research and development and pilot projects for new technologies to address our unique challenges of being a large and growing producer of energy. We must also leverage our energy endowment to exploit every opportunity for secondary processing, spin-off technologies and value-added manufacturing. This topic is the subject of a Canadian Chamber paper that will be released in the coming months.

Our plan has to include steps to modernize and expand Canada's energy infrastructure, including electricity grids, oil and natural gas pipelines and port facilities. It must ensure that we continue to be seen by the U.S. as a highly valued, trusted source of secure energy. At the same time, we need to expand our horizons by opening up new markets for our energy exports.

Finally, we need to stop the drift and confusion about whether the Canadian nuclear industry will survive. This is an area in which we have massive investments, on which we rely today for much of our electricity, and which will be critical to our energy security in the future.

The time is right to do the right thing. We should be ideally positioned to respond to the challenges I've outlined, but it is not possible to deal with this lengthy list of complex challenges without a comprehensive strategy.

Now, I'd like to tell you about the tremendous benefits to taking action now – and the serious risks associated with doing nothing.

As with all matters involving public policy, what we're talking about here involves making choices. And where there are choices to be made, you can be sure that there will also be differences of opinion among citizens. So it's going to be important to ensure we have fair and honest debate about what we want our Canadian Sustainable Energy Strategy to look like. Having an open and transparent process will be essential to the success of the policy itself.

There are important benefits to be gained by adopting a national strategy and by investing in innovation, in human resources, in the way we manage our trade relationships and in the way we market our exports. Each offers opportunities to develop spin-off technologies.

It also will help ensure that Canada has an improved competitive position. We must do more to make certain we're no longer thought

of strictly as a country where raw resources come from. It's time to establish a reputation in the global marketplace as a knowledge-based society with an economy driven by ideas.

So let's take full advantage of every opportunity to leverage the advantage that Canada was given, so we can make it easier than ever before to develop and market new products for new and emerging markets.

But let's also consider the risks of not acting now.

We're already falling behind and the problem will get worse until we have a well-thought-out, multi-partner plan. Complacency has led to our not doing enough to further transform our raw materials into value-added jobs here in Canada. We have assumed that the U.S. would buy everything we wanted to sell to them and have been caught off guard, unable to adequately address such allegations that the oil sands produce "dirty oil." We need to act responsibly in

developing our resources and we need to do a much better job of telling our story both at home and abroad.

The world is hungry for secure, reliable sources of energy, and we simply haven't done what is needed to ensure our infrastructure can get Canadian energy to world markets.

This is also a matter of global security. As the developed world becomes increasingly dependent on supply lines stretching around the world into areas that are politically unstable, the secure and dependable supplies of energy that Canada can offer are more valuable than ever before, not just to keep industry in the developed world functioning, but also to protect our security.

And as I've stressed before, this is about more than the energy industry. It is simply unacceptable that in a country with such energy abundance, far too many of our job producers are questioning the long-term viability of their Canadian operations because of concerns about whether they will continue to have an assured supply of

affordable energy. And it is also unacceptable that we are seeing energy producers in western Canada questioning whether they are wanted or needed in this country.

All of these shortcomings put in jeopardy tens of thousands of jobs today and many more in the future. These are not just theoretical concepts. The risks are real to business owners, professionals, workers and citizens across this country. Our entire economy is at stake.

To be successful, a comprehensive energy policy needs to take root in conversations in the boardrooms and on the shop floors of businesses across Canada, as well as in our country's kitchens, schools and stores. All of you, as members of the Canadian chamber network, can ensure that those conversations take place.

We are encouraging all businesses to look at their own energy needs and ask themselves how they can contribute to the strategy,

including by working together on innovations that benefit both Canada's energy producers and its users.

We're also calling on governments at the federal, provincial and territorial levels in Canada to work as partners with industry, business, consumers, and community groups and First Nations in developing and implementing a Canadian Sustainable Energy Strategy that benefits all Canadians.

Canada's energy future is in our hands and the time for action is now.

I wish you a successful conference and a productive policy debate. I look forward to your participation in the Canadian Chamber's AGM, where some of your discussions will move to the federal arena for more fulsome advocacy work through the efforts of the entire network of chambers. Together, we can affect change to benefit all businesses from coast to coast.