



Pipeline Politics and the Curse of Interesting Times

Speaking Notes for Perrin Beatty

What's Next For Western Canada's Oil and Gas Industry?

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“May you live in interesting times” is said to be an ancient Chinese curse. Sadly, tens of thousands of families in Canada’s oil and gas industry are living the curse. For them, the times are not just interesting, they are downright cruel.

Technology has transformed Canada’s largest customer of oil- the United States - into the world’s largest producer. If we do not find a way to access new markets, Canadians will not be able to gain full value for their resources.

Au même moment, le monde entier s’est dit prêt à s’attaquer aux changements climatiques lors de la conférence de Paris, à la fin de l’année dernière. Ceci entrainera des changements importants dans le secteur de l’énergie à travers le pays.

No one can doubt the federal government’s commitment to the cause. The Prime Minister featured climate change or clean energy as a priority in no fewer than ten ministerial mandate letters.

All of this is occurring in a context where the Canadian public has lost trust in our institutions, both public and private.

The pipeline debates – Trans Mountain, Energy East, Northern Gateway and Keystone – sit at the center of these issues.

There was a time when building pipelines was to the economy what investing in a new furnace is to a homeowner: a boring, everyday undertaking that was nonetheless vital to making sure your home runs smoothly.

Today, however, pipeline politics is anything but boring, and every Canadian has a stake in how the debate is decided.

There are several reasons why. First, pipelines play a crucial role in today's economy. They foster international trade, generate investment in research and development and create jobs, a fact that is not to be taken lightly in the current economic landscape. Most importantly, they are also part of the jump-start the Canadian economy needs right now.

Last year, the Canadian Chamber identified access to markets, including building trade infrastructure, as one of four key election planks on which we want to see government deliver.

We're very glad to see the priority the federal government has placed on the issue. They absolutely got that right.

Yet, today's debate in Ottawa is seems to be about the amount of money Canada should borrow to invest in infrastructure. What gets lost is the fact that the government has the ability to unlock billions of private sector dollars to build critical, growth-inducing infrastructure without adding a penny to the national debt.

Trans Mountain and Energy East will each require a work force of 14,000 people during construction, employ hundreds of local contractors and get money flowing across the country.

Additionally, these infrastructure projects are trade-enabling, and they will drive economic growth for decades to come. They will create jobs for Canadian families and generate tax revenues for governments confronting massive deficits.

Pipelines matter because they are crucial to the competitiveness of the energy industry, a sector that supports the livelihood of so many Canadians.

When times were good, the energy sector provided opportunity to people across the country. Back in 2014, before the slide in oil prices, Canada's oil and gas industry supported 500,000 jobs across Canada. The sector paid \$17 billion to Canadian governments, supporting essential public programs like health care and equalization.

As job cuts dominate the headlines, it is easy to forget how important the oil patch remains as a source of opportunity to folks not just in Alberta, Saskatchewan and Newfoundland and Labrador, but across the country.

There was a recent article in the Toronto Star that featured a middle-aged oil patch worker who lost his job back in August. He's originally from Ontario, but stayed in Alberta because the industrial plants in Wallaceburg where he used to work have closed down. I'm sure you won't have to look hard to find similar stories from folks from New Brunswick or British Columbia. Solid middle-class jobs are simply not easy to find anymore. We should be fighting to keep the ones we have.

The hidden economy of oil sands suppliers is suffering as well. Firms like Tenaris Algoma Tubes in Sault Ste. Marie, Ontario have had to lay off thousands of workers.

By the way, that company is a great example of maximizing value-added from natural resources right here in Canada. Tenaris takes iron ore from Quebec, transforms it to steel pipes in Ontario's manufacturing heartland and uses the pipes in Alberta's energy fields.

When times were good for the energy industry, the direct and indirect impacts of capital investment and maintenance, repair and operation expenditures contributed 148 million dollars to the GDP of the Atlantic provinces, \$470 million to Quebec, \$717 million to BC and almost \$2 billion to Ontario.

But of course times are not good. And this is a third reason why pipeline politics matter to the country as a whole. The issue is stirring up that a side of Canadian politics that is frankly not pretty.

The noblest impulse of Confederation is the idea that, as Canadians, we all have each other's backs. While each province differs in its geographies, economies, histories and cultures, we have decided to live as one people.

We put in place a system of equalization payments to ensure that all Canadians share a similar level of public services no matter how well or how poorly each individual province is doing. Western Canadians have willingly paid billions of dollars over the years to make sure other Canadians are not left behind. That's what it means to be citizens of one country.

But why shouldn't the same principle apply when it comes to creating the wealth that we are sharing? Why should provinces and municipalities not work together to help Canadian business succeed, instead of standing in the way of their neighbours' ability to do commerce?

This principle is particularly important for provinces that are landlocked, like Alberta and Saskatchewan. They have no choice but to cross provincial boundaries to get their products to global markets.

Call it 'equalization of opportunity' to go along with our equalization of public services. We need to stop asking "what's in it for me" and start talking about "what's in it for us" if we want to be one country in more than just name.

Unfortunately, this is not the impulse guiding pipeline debates across Canada. Instead, each part of the country, whether it be a province or a city, seems looking out for itself as opposed to focusing on what's good for Canada as a whole. And rather than supporting each other, we're currently competing and watching closely to make sure no project tips the scales and benefits one place more than the others. We seem more worried that someone else may get ahead of us than that someone may fall behind.

It is the case for many important economic sectors, from the pipeline debate to investment in our aeronautics industry. But this type of envy will have consequences much more far-reaching than the direct projects they affect.

These debates, including around pipelines, raise serious questions about Canada's ability to get large projects done. For example, it's very hard to see how we could have undertaken nation-building initiatives like the CPR or the St. Lawrence seaway if these had been the rules of the day.

Unless we unblock this bottleneck, all of us will pay the price, no matter where we live. Global business will simply decide that Canada is not worth the trouble. I've already been hearing these murmurs from my contacts in Canada's diplomatic community and my members in large international companies.

Another factor global businesses look at when they decide where to invest is the uncertainty and overly-politicized nature of Canada's regulatory processes.

The world needs energy and other natural resources, and does not much care whether they come from Canada or somewhere else. So let's make sure we can provide a safe, responsible resource.

For Canadians, prosperity is not the sole objective. We also want to be a force for good in the world. Canadians are rightly concerned about climate change, and they believe profits should not come at the expense of our global environment.

To let you know where we stand, the Canadian Chamber is in favour of strong action to protect the climate. Since 2012 we have had a policy resolution calling for the federal government to put a price on carbon. The lack of clarity on climate policy was included as one of our top ten barriers to competitiveness in 2014, and this year climate has once again made that list.

We're eager to work with the federal government to ensure that Canada pursues smart strategies to move towards a lower carbon economy. For example, the government's current push to strengthen Canadian clean tech both at home and abroad is absolutely a step in the right direction.

What we're not prepared to do is to let largely symbolic actions take the place of smart climate change policy. Stopping pipelines does not amount to significant action on Canada's green house gas emissions. The issue, of course, is how we produce and use the product they transport.

Preventing oil from traveling through a specific pipeline rarely stops the oil from moving, given the fact that alternatives like rail exist.

From an emissions standpoint, it matters very little whether the oil used in the family car or delivery truck arrived by pipeline or if traveled by rail or boat.

Every forecast out there, from the International Energy Agency to the US Department of Energy, predicts that the world will continue to rely on petroleum for decades to come.

It simply does not make sense for Canada to cripple our own industry when other countries, many of which have less stringent environmental regulations or less capacity for innovation, will be willing and able to step into the void. That represents a significant loss for Canada, but no gain whatsoever for the global climate.

When national debates rise to the level of rhetoric that we are seeing in the pipeline discussion, I see the Canadian Chamber's role as being the champion for common sense and fact-based decision-making.

What, then, is the federal government's role in resolving these issues?

Simply put, Ottawa needs to set a clear policy for getting our energy to international markets. We need to be unequivocal in stating that Canada has not just the right, but the responsibility to bring our resources to market in a way that is safe, that respects the environment and that recognizes the rights of our aboriginal people.

It's the government's role to set policy. And it is the role of the regulator to evaluate individual projects within the context of that policy. Of course, the NEB process to approve pipelines should be rigorous. It should absolutely respect the rights of indigenous peoples affected by these projects to be consulted and accommodated. We need to ensure that potential problems are raised and appropriately addressed.

However, it's important to understand the difference between a fair process and one that is uncontroversial.

The loudest opponents to energy exports have little interest in how fair or thorough the NEB process is. Their focus is the outcome of that process. And any process that leads to a pipeline getting built will be deemed unacceptable.

The Chamber network strongly believes that decisions based on the national interest, sound evidence and a practical approach to fighting climate change will support moving ahead with energy pipelines.

These pipelines will provide needed jobs and support the competitiveness of Canada's energy sector. Their construction will reaffirm the fact that Canada is a nation and not a loose collection of warring principalities. And it will signal to the world that Canada is a reliable partner in supplying the energy that hundreds of millions of people around the world need to break free of poverty.

The stakes for Canada are high and the urgency has never been greater. The choice is whether we want to unlock billions of dollars of new private sector investment in growth-producing infrastructure or to allow more companies to close their doors, causing thousands more of our fellow citizens to lose their jobs and homes and straining the threads of our national fabric. To me, the decision is straightforward.

Il faut trouver un terrain d'entente qui permettra le développement et le transport responsable de nos ressources. Après tout, il en va de notre prospérité collective.

If the experts are right, Western Canada will continue to experience interesting times for a good deal longer. The challenge for Canada is to demonstrate the solidarity and the wisdom to make them more hopeful as well. No matter where we live, we have a stake in ensuring a better future for all Canadians.