



Trans Mountain Ministerial Panel Review

Economic Roundtable – August 16, 2016

Greg D'Avignon for the Business Council of British Columbia

- **Good afternoon, thank you for the opportunity to speak with you today on this major project of national importance.**
- ***I am Greg D'Avignon, President and CEO of the Business Council of BC.***
- **Established in 1966, the Business Council is a non-partisan organization representing over 250 leading companies in every sector of BC's economy, inclusive of post-secondary institutions and other industry organisations.**
- **We are a public policy shop, providing research, analysis and advocacy on issues that are relevant to enhancing Canadian and BC competitiveness and overall prosperity.**
- **This is our first formal presentation to a government entity on the Trans Mountain Pipeline project and its economic significance to BC and Canada. While BCBC applied for intervenor status, like others we were**



not granted that opportunity and therefore did not appear or present evidence in the recent National Energy Board process. However, the public record includes our past writings, advice to government, and research on the importance of Canadian energy assets. We believe it is critical for Canada to have access to global energy markets and that the country must develop and maintain the infrastructure needed to distribute all forms of energy, including oil, safely and efficiently.

- **The primary focus of my remarks this afternoon is to provide you with some context on global energy markets, and the strategic role this project plays in meeting the world-wide demand for energy with resources extracted under Canadian environmental standards – standards that are among the highest in the world. There is a role for Canadian oil and gas in global markets even though the world will continue to shift toward renewable and lower carbon energy forms and clean technology in the coming decades.**

Energy Markets: Context and Trends

- **According to the IEA and the US Energy Department, global primary energy demand is increasing, albeit at a slower rate than the past 10-year average.**



- **Looking ahead, global demand growth will be driven, almost entirely, by the emerging economies of Asia, the Middle East, Africa, and Latin America, which are home to more than four-fifths of the world's population, and a rapidly expanding middle class.**
- **The International Energy Agency's baseline forecast is for primary energy consumption to increase by 1/3 from today's level by 2040.**
- **Absent disruptive technology, by 2040 fossil fuels will still meet 70-75% of global energy demand, with oil, natural gas and coal each at roughly 25%. The remaining one quarter of the world's energy will come from renewables and other low/non carbon energy sources.**
- **Based on a recent country report from the IEA, Canada is one of the world's largest and most secure energy suppliers:**
 - **We produce 172% more energy than is needed to satisfy our domestic requirements.**
 - **We are the 2nd largest hydroelectric electricity and uranium producer in the world.**
 - **We are the 3rd largest producer of coking coal used in steel making, which is of a quality that is higher than most other global suppliers.**



- **Canada is the world's 4th largest natural gas producer, and the 5th largest crude oil producer.**
- **10% of Canada's GDP, and 20-25% of our merchandisable exports, is made up of energy (oil, gas, electricity, uranium, and coal). Oil is the predominant Canadian energy export in value terms, even with the slump in global prices since mid-2014.**
- **In the five years ending in 2014, the energy sector, broadly defined, accounted for 33-35% of total business fixed investment in Canada — spurring growth in production and the energy supply chain, national employment, and new technology development that reduces environmental impacts, while also generating resources to invest in renewable energy technologies.**
- **In the last decade, oil related projects were the largest driver of overall non-residential capital investment in Canada.**
- **Alberta is the richest province in the country, with the highest incomes. Collectively, Canada has relied on Alberta to supply a disproportionate share of the revenues collected by the national government (up to one-fifth of all federal revenues, depending on energy markets, even though Alberta is home to just ~12% of the national population).**



- **Alberta attracted more than 500,000 Canadians from other provinces who relocated there for employment between 1995 and 2014.**
- **Presently, the only foreign market for Canadian oil and gas is the United States.**
- **Unfortunately, it seems we have been out-maneuvered and out-played by our best customer. While we keep talking about pipelines, energy projects and social license, the US has vastly expanded domestic hydrocarbon production in the last decade.**
- **Of interest, on President Obama's watch, America constructed and brought into operation 19,200 km of new crude oil pipelines between 2010 and 2014 – a 22% increase in pipeline capacity.**
- **At the same time, the US has increased oil deliveries by pipeline by ~20% (according to the US Association of Pipelines).**
- **The expansion of the domestic US oil pipeline system in the past 5-6 years is equivalent to building 12 Keystone XL pipelines.**
- **As a result of these developments in the US:**
 - **While Canadian oil shipments to the US have risen with the coming on stream of new Alberta oil-sands projects since 2005,**



- US oil sales to Canada have also increased tenfold (US IEA), to 422,000 barrels per day.**
- **US natural gas sales to eastern Canada have grown steadily and now total 2 billion cubic feet per day.**
- **Natural gas exports from Canada to the US are now running at 7 billion cubic feet per day (down from 10 bcf/d in 2007).**
- **Pipeline bottlenecks mean Canadian oil is often sold in the US at a sizable discount.**
- **Canada has lost out on global opportunities to develop markets for our energy resources, to the detriment of our economic prosperity.**
- **While we have some of the strongest and world leading environmental regulations, vast energy reserves, great technology, and a stable legal and political system ...**
- **... public dialogue around energy and related infrastructure development in this country is now heavily influenced by those who want to block development of energy infrastructure, not improve how Canada can take advantage of its energy assets and continue to be a responsible participant in the global energy system.**



- **Trans Mountain is an existing pipeline that has provided safe and reliable access to markets for Canadian energy products since 1953 (63 years).**
- **This is an important point.**
- **Most opponents of the project, including outside non-governmental organizations, paid no attention to this pipeline until just a few years ago, when a number of largely US-funded organizations decided to try to shut down the Canadian oil industry.**
- **For example, my family has been in the Fraser Valley since the 1890s. The Trans Mountain pipeline right of way goes through the entire community. Not once in my life, or that of my mother, her brothers, my grandfather or great grandfather, had we ever heard one whisper of concern about the pipeline in our community. It was never mentioned at a church picnic, hockey game, a neighbour's house, Rotary, or Fish and Game club meeting, nor during civic, provincial, or federal elections. We just continued to use the by-product of the line from the Chevron refinery for one in every three litres of gas we purchased for our cars, tractors and other transportation fuel needs.**



- **So when the original application for Trans Mountain was tabled I googled “pipeline Chilliwack” and there were 6,000 hits. As of this morning, there are 99,400, despite there only being 78,000 people that live in Chilliwack ...**
- **Canadians have let emotion and the views of single issue interest groups get in the way of objective consideration of the facts. The review process for projects is not “broken” just because those who want to stymie the growth of Canada’s energy industry do not get the answer they want - no. Neither are these processes consensus oriented. The NEB is an administrative tribunal — adjudicatory, advisory, and regulatory in nature — designed to make regulatory decisions and recommendations to the Government of Canada. Consideration of the evidence, not of people’s subjective opinions, is and should remain of primary importance in the work the NEB does on behalf of Canadians.**
- **The difficulty is that, increasingly, these types of review processes (NEB, CEAA, etc.) are used by opponents and certain members of the public to have values conversations when the purpose is to complete a factual review of a specific project. Proponents of new projects should be asked to meet the technical, economic, social and environmental**



requirements and to mitigate the impacts of the project. But they should not have to pay for a broader policy and values debate; this can only be done in Parliament.

- **The facts are as follows:**
 - **BC has over 33,000 kms of energy pipelines that serve us well and meet world-class standards for safety and reliability today.**
 - **Thirty percent of the fuel for the vehicles, transit, and other modes of transportation in BC comes from a refinery in Burnaby that depends on oil shipped in by the TM pipeline.**
 - **There are 1,400 oil tankers annually coming down BC's coast from Alaska to the refinery complex in northern Washington State (about 15 kms from the US/Canada border).**
 - **Vancouver Island would soon shut down if not for weekly fuel barges that supply Island residents and businesses with refined petroleum products.**
- **The evidence is clear: we will continue to need oil and petroleum-based products for decades to come, even as the world transitions to less carbon-based energy sources. This discussion is not an either/or**



decision, but one based on recognizing that the world will for some time rely on a mix of energy products, including renewable sources of energy as well as hydrocarbons.

- We know climate change is real. BC and Canada are world leaders in taking steps to address this challenge; however, what is also clear is the rising overall global demand for energy.**
- If Canada does not play a role in filling this global demand, other suppliers will – potentially without the adoption of innovations created here in Canada. These innovations can have a real impact on the environmental footprint of the oil and gas industry, over time and globally.**
- It is time to put the wider Canadian public interest first, as the NEB did in approving this project with 157 conditions.**
- Our main customer pays less than the world market price for oil and benefits from the self-imposed handicaps that are preventing Canada from developing the infrastructure needed to access global markets for our energy resources.**



- **Absent expanded market access, Canadians will continue to forego economic and social benefits. This includes the ability for First Nations to benefit through new economic development and financial and economic reconciliation.**
- **We must diversify our markets, for energy and other products, to assure our country's future prosperity, in a world hungry for resources and other goods.**
- **Unlike many other energy supplying jurisdictions, Canada is a democracy ruled by law, endowed with high quality public and legal institutions, and benefitting from well-developed environmental standards.**
- **The same cannot be said for many other jurisdictions that are involved in the business of exporting hydrocarbons, especially oil. One need only look at UN assessments for environmental protection by many competitor oil exporting countries, or in Brazil where there are allegations of corruption at the state-owned national oil company, Petrobras.**
- **Let's be honest: saying no to pipelines in Canada, including the proposed expansion of TM, means ceding market share for oil to**



Russia, Iran, Saudi Arabia and other Middle Eastern, African, and Latin American producers. These market participants will be happy to take business that otherwise might have been directed Canada's way. If they gain market share at our expense, the result is likely to be greater harm to the environment, indigenous peoples, and the climate.

Comments on the NEB Process

- **The facts show the NEB, in assessing the TMX proposal, did all of the things that opponents want and say are important in good regulatory decision-making. It managed a transparent process with procedural rigour, undertook extensive impact analysis, enabled participation and feedback (including by altering deadlines for input and commentary), and provided oversight as an independent body created by the federal government to undertake an arm's length assessment.**
- **Therefore, the NEB's conclusion is not unexpected. The TM project is safe, and implementation of the conditions attached to the approval will ensure a robust spills risk management response, minimal land impacts, and respect for Canada's Indigenous peoples and communities.**



- **Some have raised the question about whether the public should have had an opportunity to cross-examine the proponent. In fact, the NEB process accommodated this. The NEB commissioners submitted 507 information requests. Intervenors submitted another 17,000 requests for information. (NEB Final Report on the Trams Mountain Expansion Project; By the Numbers, May 19, 2016). Clearly, the cross-examination process was fulsome.**
- **Despite this rigorous process for pipelines as well as many other types of projects, confidence among investors and companies in Canada's ability to make timely decisions is waning, owing to long delays and continued efforts to block projects that are in the national interest.**
- **One characteristic of a healthy business climate is a reasonable degree of regulatory certainty and clarity for investors. Canada has work to do to meet this test.**
- **Existing review processes in Canada for energy and many other infrastructure projects are uncertain and take too long.**
- **Second-guessing independent agency decisions further erodes confidence. Canadians must stand firm against those who seek to**



undermine the authority provided by Parliament to arms-length regulatory agencies that operate under the law.

- **It is not surprising that capital investment intentions in BC and Canada are negative, a worrisome sign for the future (Statistics Canada, Investment Intentions Survey, 2016).**
- **By any reasonable standard, Canada is a responsible energy supplier with sound independent public policy and regulatory frameworks to manage the development and use of our energy resources.**
- **It is challenging to understand why we would sabotage our capacity to help meet the world's growing demand for energy, including oil and gas, on this or other projects that meet tough Canadian standards under CEAA, the NEB or other regulatory review legislation.**
- **If Canada is unable to provide timely environmental assessment processes, or to advance high-quality projects, we risk acquiring a reputation as a jurisdiction that does not welcome large-scale industrial investment, regardless of the sector. We fear that Canada may be on the cusp of falling in to this trap today.**



- **Above all, the key issues facing the NEB, as indicated by most project opponents, seem to be greenhouse gas emissions, mainly associated with the downstream use (not the upstream production) of hydrocarbons, along with concerns over marine protection. These are legitimate concerns.**
- **But it is critical to maintain a sense of perspective.**
- **Canada generates just 1.6% of global greenhouse gas emissions, a share that has been dwindling over time and will continue to decline going forward.**
- **BC and Alberta have carbon taxes — among the highest in the world — that will and are changing decision making to reduce carbon impacts.**
- **Experts from the OECD to the United Nations say carbon taxes are important in helping to move over time to a lower-carbon economy. The Business Council of BC supports a national carbon pricing framework to apply across the country.**
- **We now have carbon pricing in BC and Alberta, unlike our competitors, including the United States. Why isn't this seen as a world-leading and**

positive contribution by environmental groups seeking to stop this project?

- **Finally, we agree that Kinder Morgan and other pipeline operators and energy producers in Canada must be held to high account, much of which is chronicled in the NEB conditions.**
- **They need to operate safely, protect the marine environment, and provide benefits to communities, governments, and First Nations.**
- **This is an opportunity to set BC and Canada further apart from others in how we protect our land and oceans, and how we engage our indigenous peoples, while still being a competitive and innovative jurisdiction that can help to meet the world's demand for oil and petroleum-based products in a responsible manner.**
- **First Nations along our coast can and should play a key role in protecting our marine environment and having capacity to respond to any spill. This not only will address any Trans Mountain specific risks, but also address risks along our coast associated with cruise ships, Alaska crude tankers, or general cargo vessels as trade with Asia continues to grow.**

- **Trans Mountain should not be held to ransom through campaigns fed by misinformation, and rooted in the fantasy that shutting down oil production and pipelines in Canada will be good for the world, the global environment or our future prosperity. These claims fall away when one looks closely at the facts and considers the wider global energy context. Canada’s national and collective interest deserves more.**
- **Thank you for your time today.**