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Highlights:

- Our unique energy advantage, if unleashed, can lower global emissions, increase energy security, enhance Canada's geopolitical strength and drive the economy in the decades ahead.
- There is an international realignment of climate, economic and affordability priorities. Canada has an obligation to play a bigger role as a secure and trusted partner in global energy security.
- To act on our energy advantage, we need a clear, pragmatic and competitive policy environment.

November 15, 2023

UNLEASHING CANADA'S GREATEST COMPETITIVE ADVANTAGE

Speech to the Canadian Club of Toronto, ON, Canada

Good afternoon. Thank you to Amanda and the Canadian Club of Toronto and to Bradley and BMO for hosting this important discussion on Canada's energy future at such a pivotal moment for our country.

I spent over a quarter of a century -- and almost the entirety of my professional career -- here in Toronto. It is a city that I love and it is terrific to be back here and see so many familiar faces.

I took on the helm of the Canadian Association of Petroleum Producers -- or "CAPP" -- just over a year and a half ago, and I seem to recall some of you in this room asking me straight out, "Lisa, are you sure jumping into the oil and gas industry is a smart move?"

For sure, I took over the helm of Canada's largest oil and natural gas industry association in a time of great uncertainty and continuing transition:

- Russia had just begun its invasion of Ukraine.
- Putin was holding Europe hostage over energy, triggering an energy supply crisis and raising energy security concerns amongst the western alliance.
- OPEC is constraining supply to keep prices high.
- Industrial nationalism was a growing feature of energy transitions strategies across the G7, with the USA launching a landmark piece of legislation - the USA Inflation Reduction Act.

- The very real cost-of-living and affordability crisis impacting citizens required governments globally to course-correct their "pace of transition" policies.
- And geopolitical volatility generally was trumping capital market and investment considerations around the world.

The challenges were clear.

I see a number of people in the audience today from Canada's financial and capital markets community, and I want to give a nod to those organizations that have acknowledged that it is possible to have a meaningful net zero 2050 commitment while concurrently acknowledging that global demand for *all* sources of energy will continue for decades to come; that have continued to unapologetically support the entire energy spectrum -- including traditional energy; that recognize the world-class quality of Canada's energy producers and their technical talent that enables Canada to produce some of the highest quality hydrocarbons in the world; that understand the critical role the Canadian oil and gas sector plays, not only to our nation's economy, but as a critical piece of the net zero challenge and the sector's need for capital at scale.

I came to this role after spending a third of my career working for one of the largest institutional investors in the world, and I very much hold those views.

So despite the skeptics, I saw this as the role of a lifetime. An opportunity for me, for sure; but more meaningfully a chance to help realize what I see as **a generational opportunity for Canada.**

“One of Canada’s greatest competitive advantages in the global economy is our energy advantage.”

Canada is blessed with a world-class resources base. We are the fourth largest oil producer and the fifth largest natural gas producer in the world. Our oil reserves are larger than Russia. [1]

Our competitive energy advantage isn’t just about resource wealth. What distinguishes us from some of the larger oil and gas producing countries – like Saudi and Russia – is that Canada produces our resources with among the highest human rights and environmental standards in the world. [2]

Canada has a unique combination of:

- A commitment to climate change action and capital investment in clean technology innovation;
- Workers with the talent to produce our resources cost effectively and responsibly;
- A stable, democratic government;
- And systems in place that ensure financial benefits from the resources Canadians own are shared across the country.

Realizing these advantages, has the potential to position Canada as:

1. A leader on the global path to net zero, providing secure, responsibly-produced oil and natural gas to help lower global emissions.

2. A trusted brand on the world stage, acting as a valued ally and source of energy security.

3. And, an economic powerhouse, investing in the technologies of tomorrow, and benefitting all Canadians along the path to get there.

The imperative to act.

Yet, as we sit here today, it’s hard to see how we realize this opportunity for Canada - and for Canadians.

Canada continues to face significant challenges.

- Productivity is falling and inflation persists.
- Global geopolitics are changing rapidly -- and with them so are Canada’s relationships with long-time allies and trading partners.
- Canada – like other G7 countries – is struggling to find an achievable path to net zero against the realities of growing global energy demand, global security, and affordability implications for individual citizens.

“I would argue the greatest barrier to Canada seizing our energy advantage opportunity is today’s uncompetitive and complex regulatory and policy environment.”

An environment that:

- Sees Canada languishing in an evermore competitive global economy;
- Does not acknowledge the critical importance of the Canadian oil and gas sector to our economy and to our western allies;

- Ignores the time-value-of-money and the need for a critical infrastructure permitting process to move with speed and certainty -- particularly in a capital constrained environment;
- Takes a punitive approach to regulation, when its biggest competitor next door – the USA -- is using market-based incentives to drive investment and create jobs.

The cumulative result is that Canada is failing to attract the very large-scale capital investment Canada needs in the push towards a lower-emission, sustainable and prosperous economy.

Capital is global, agile and mobile. It naturally flows to countries where there are predictable regulatory and policy frameworks.

- When investors consider where to place their dollars – particularly in large-scale and long-dated projects and where the outcomes can be binary – they ask how predictable the regulatory and policy frameworks are – especially considering the payback periods for these types of assets is very long, and the forecasting required is far into the future.
- When investors see regulatory uncertainty and risk, that can impede the cost of capital, and eventually the cost of capital can become prohibitive.

This is the issue for Canada. Yet, to be clear, we are *not* the only country struggling with these issues.

“But – what sets Canada apart in addressing them - is our energy advantage. We have a unique combination that is not easily replicated. A combination – that IF unleashed-- can pull us, and our economy, through the decades ahead.”

Namely, our ability to:

1. Lower global emissions, and position Canada as a leader in climate action.
2. Enhance national security for our allies by supporting their energy security.
3. And, while doing so, unleash an economic engine to drive Canadian prosperity.

Let me take a look at each of these three dimensions.

Lowering global emissions.

The first key dimension of Canada's energy advantage is how well Canada's oil and natural gas industry is addressing emissions and positioning our country as a global climate change leader.

The global energy transition – or path to net zero – is a decades-long challenge.

We're in the early stages and the hard realities are already revealing themselves.

More and more, we're seeing countries recognize that traditional fuels, including oil and natural gas, are critical to addressing energy security and affordability challenges and will be needed for decades to come.

Global coal use last year reached historically high levels and with 195 coal plants under construction and a further 320 planned for the near future, that growth is expected to continue.[3]

The problem is emissions do not have boundaries.

To meet the globe's climate challenge, we must find ways to continue to drive global GHG emissions lower.

This is where Canada can make an outsized contribution to help curb the growth of coal – not just by myopically focusing on our domestic usage, but by helping much larger countries wean off their coal use.

Canadian producers are working to successfully drive down their emissions.

- And that is because Canadian upstream oil and gas producers are among the nation's leaders in cleantech investment. [4] Over the past decade, we have grown total production from the conventional sector by 21% while carbon dioxide equivalent emissions went down by 24%; our natural gas production grew by 35 percent while lowering carbon dioxide equivalent emissions by 22 percent and methane emissions by 38 percent. [5]
- Canada's offshore industry produces the lowest-emissions intensive oil in the world. [6]
- And the largest oil sands companies have joined forces through the Pathways Alliance to deliver a credible plan to get to net zero emissions by 2050, with interim targets along the way.
- Canadian producers are proving that growing production and concurrently lowering emissions is possible.

Let me take a minute to specifically talk about LNG. A review by global consultancy Wood Mackenzie found that Canadian LNG exports to Asia could reduce net global emissions by 188 million tonnes of CO2 equivalent per year – the equivalent of removing all of Canada's 41 million cars from the road.

The global LNG market is growing. Shell's 2023 LNG outlook is forecasting LNG demand will outpace LNG supply out to 2040.

This is because countries around the world are turning to natural gas for both energy security and to transition away from coal to lower their emissions.

Germany has rapidly expanded its LNG import capacity, building three such facilities since the beginning of 2022. Japan and Singapore have adopted strategic gas storage reserves and the EU,

which declared natural gas as a green fuel late last year, has mandated minimum gas storage levels to protect the Bloc from global supply disruptions. [7]

Canada's first major LNG export facility [LNG Canada] is set for completion in 2025 and three others [Woodfibre LNG; Cedar LNG; Ksi Lisims LNG] are progressing through the approvals and investment decision phases – and there are others under consideration. Those projects are critical to putting Canada on the map as an LNG supplier to the world.

“The LNG opportunity for Canada is here and now. We can build an entirely new export industry for liquefied natural gas, bringing jobs and billions of dollars in investment to Canada while lowering global emissions. This is simply the right thing to do.”

But there is also an addressable oil and natural gas market for decades to come. Canada's choice is to export our lower-emission oil and natural gas and create wealth in this country to further our social and environmental priorities. OR, have another supplier do it. Full stop.

I'll turn now to the **second key dimension of Canada's energy advantage – energy security.**

Rising energy security concerns in the aftermath of the Russian invasion of Ukraine has led to a realignment of climate, energy security, economic and affordability priorities across the G7.

It has been a wake-up call that countries can not be naive about where their energy comes from.

- National security, and continental security, and western alliance security all require energy security – the uninterrupted availability of energy sources at an affordable price.

“We cannot underestimate the incredible – and enviable -- advantage Canada has when it comes to energy security – both in terms of securing it for ourselves and providing it for our allies:”

- Canada is one of the few, stable, democratic nations that has capacity to produce significantly more oil and natural gas than we consume. [8]
- Compare this, for instance, to Japan with 72% of their energy coming from imported fossil fuels. [9]
- Canada has a wealth of energy resources that are valued not simply because the world needs oil and natural gas – but also because Canada is a secure and trusted trading partner.

Today we are already seizing on that opportunity to some effect.

Western Alliance countries that produce oil and gas include the United States, Canada, Norway, Australia, and the United Kingdom and account for about 32% of total global production. [10] In that group, Canada is second only to the United States, contributing 17 per cent of the total oil and natural gas production. [11]

The supply from stable, democratic and trusted nations is an important source of energy security at a time when geopolitics – including Russia’s war with Ukraine and the recent Israel-Hamas conflict and related Iranian shadow war, are putting greater volumes of oil and natural gas supply at risk.

In this context, Canada’s oil and natural gas export capacity becomes exceptionally important to ensuring global energy security.

It’s an opportunity for Canada, but it is also an **obligation.**

Today, virtually all of our oil and natural gas exports go to the United States. But we have the opportunity to diversify our markets through the recently completed Coastal Gas Link Pipeline which will supply Canada’s LNG facilities, and the soon to be completed TransMountain Pipeline Expansion which will give our oil exports direct access to tidewater and global markets.

Countries such as Japan, Korea and Malaysia are already invested in our upstream and LNG export industry with the goal of making Canadian natural gas a key part of their energy mix.

Seizing this opportunity has the potential to help Canada claim a powerful voice on the world stage and to also act in lock-step with one of our longest and most valued trading partners – the United States.

Canada’s emerging LNG industry paired with the United States world-leading position in LNG export – means North America is poised to be the most dominant energy bilateral in the world.

We can no longer be naïve about where our energy comes from. – We simply can not take for granted that it will remain available and affordable.

“During this period of geopolitical change and volatility, we must position Canada as a big part of the solution. As a trusted ally and partner – to the benefit of our allies and to every single Canadian.”

Longterm prosperity for Canadians.

And finally, the third dimension is realizing our energy advantage can help Canada address the economic headwinds we face.

“It’s not an exaggeration to say the Canadian oil and gas industry is an economic powerhouse for this country, and its importance should not be taken for granted:”

- This year, following several challenging years for capital investment in the Canadian oil and gas industry, we are expecting that investment in upstream production in Canada will hit 40 billion dollars, supporting hundreds of thousands of jobs and providing new spending towards improving environmental performance and emission-lowering technologies. [12]
- The strength of the Canadian dollar is highly correlated to the price of oil – impacting each and every Canadian’s buying power.
- Canadian oil and gas exports are a critical component of Canada’s balance of trade – making up 20% of the country’s total value of trade. [13]
- Oil and gas producers are among the nation’s leaders in cleantech investment, providing the backbone for this country’s cleantech industry. [14]
- And the industry is an important source of government revenues. Last year oil and natural gas revenues to governments across Canada reached over 45 billion dollars. This amount has increased ten-fold since the historical lows in commodity prices of 2020. [15]

Those revenues enable governments to operate our hospitals, pay our teachers, run critical social programs and support the arts; in turn, contributing to Canadian’s high quality of living.

There is simply nothing else that can replace the national economic benefits that come with producing and exporting oil and natural gas in Canada.

But what’s more important is that realizing this economic benefit is not mutually exclusive with Canada’s and the world’s climate goals.

Canada’s oil and natural gas sector is spending an average of \$1.4 billion annually into emission reductions, and investing in the technologies that will further lower emissions in the future. [16]

And finally, its ALL Canadians who stand to benefit:

- Our supply chain stretches across the country, reaching thousands of businesses located in every province and we support over 400,000 jobs for Canadians. [17]
- Making up a significant part of that supply chain are hundreds of Indigenous-owned businesses and the industry is one of the largest employers of Indigenous peoples in the country. [18]

But we’re also building a deeper level of Indigenous participation. Since 2017, almost 4 billion dollars of Indigenous equity positions have been taken in oil and gas: in pipelines, power plants, LNG terminals and more. Trans Mountain will likely add tens of billions more to that total. [19]

To keep this trend growing, CAPP is supporting organizations like the First Nations Major Projects Coalition and others in calling for a National Indigenous Loan Guarantee Program to be included in the Canadian government’s upcoming National Benefits-Sharing Framework. Importantly, that program must not exclude oil and natural gas projects. Doing so would exclude a significant portion of the project opportunities available to Indigenous investment.

If we **ONE** – start to meaningfully decrease global emissions by exporting more of our lower emission oil and natural gas and **TWO** – grow our role and influence on the global stage by being a trusted source of secure energy – then we can **THREE** – strengthen Canada’s economy and bring all the benefits of a thriving oil and gas industry to Canadians.

In conclusion,

I started my remarks talking about my time in Toronto and the financial industry. Permit me just an observation on my new province Alberta and city of Calgary.

At a time of increasingly polarized debates and more divisive rhetoric – I can say definitively that the people I have met and worked with over the last year and a half are intensely proud Canadians -- hardworking, entrepreneurial, and committed to doing better all of the time.

They will continue to be a key pillar of national prosperity and future success -- not a sunset economy to be transitioned away from. Our greatest successes as a nation will be unlocked when we have pan Canadian strategies rather than regional factionalism.

To conclude, there are a lot of questions asked about Canada's future.

The question we should be asking is:
why are we not seizing one of Canada's strongest competitive advantages to be a leader in the global economy today?

One of our greatest attributes as Canadians is our humility. We say "I'm sorry" a lot. Much has changed in the world and so must our course.

We don't need to apologize for our energy advantage, we should be proud of it and what it can do for Canadian and for the world.

"Canada's economy needs future drivers of prosperity – ones that can pragmatically propel us through the energy transition and set Canada up for future economic success."

The world needs oil and natural gas.

The world also needs to decarbonize.

We can be a leader in both.

There is a vision -- within our reach -- in which after 2050 Canada has the lowest-emitting oil and natural gas products for as long as there is demand.

A world where Canada is positioned competitively as the most-favoured producing nation. As a nation with a credible track-record of building – not just one or two projects – but multiple nation-building projects that will ensure Canadians receive full value for our valuable natural resources and continue to grow and export our supply of responsibly produced oil and natural gas. In doing this, attracting investment into the emissions-reducing major projects that will allow Canadians to prosper in a lower-carbon world.

To achieve this vision, we must get the policy environment right.

It needs to be clear, pragmatic and competitive with other nations.

It needs to align across provinces and federally, which means we need to collaborate across political lines and across industries.

If we get that right – we can ensure that billions of dollars in investment comes to Canada – **creating jobs, opportunities and prosperity for all Canadians for the decades to follow.**



Lisa Baiton
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Producers (CAPP)

LISA BAITON is the 6th CEO of the Canadian Association of Petroleum Producers (CAPP). CAPP represents the Canadian upstream oil and natural gas industry, and CAPP's member companies operate from coast-to-coast and are responsible for nearly three quarters of Canada's annual oil and natural gas production and more than 400,000 jobs in nearly all regions of Canada. Since her appointment in 2022, Lisa has overseen the strategic realignment of CAPP's priorities and advocacy efforts, re-establishing CAPP as a non-partisan evidence-based research advocacy organization and authoritative resource on energy industrial policy.

Prior to joining CAPP, Lisa spent a third of her career through three CEO tenures on the global leadership team of one of the ten largest retirement funds in the world (CPP Investments) as Managing Director & Head of Global Public Affairs where she had responsibility for strategy development and program execution covering 56 countries. Lisa has held other leadership roles including as Vice President & Practice Lead at a North American public affairs firm, and within three federal and provincial governments in Canada.

She has a BA in Political Science from the University of Saskatchewan, a MBA from the Kellogg Graduate School of Management (Northwestern University) and Schulich School of Business (York University), with global electives completed at the Hong Kong University of Science & Technology. Lisa has an Institute of Corporate Directors ICD.D certification (University of Toronto, Rotman School of Management) and has served 20+ years on various boards of directors.

About CAPP

The Canadian Association of Petroleum Producers (CAPP) is a non-partisan, research-based industry association that advocates on behalf of our member companies, large and small, that explore for, develop, and produce oil and natural gas throughout Canada. Our associate members provide a wide range of services that support the upstream industry. CAPP's members produce nearly three quarters of Canada's annual oil and natural gas production and provides more than 400,000 jobs in nearly all regions of Canada. In 2022 across Canada, our industry contributed \$111 billion to the Gross Domestic Product (GDP) and paid \$45 billion in taxes and royalty payments.

CAPP is a solution-oriented partner and works with all levels of government to ensure a thriving Canadian oil and natural gas industry. We strive to meet the need for safe, reliable, affordable, and responsibly produced energy, for Canada and the world. We are proud to amplify industry efforts to reduce GHG emissions from oil and gas production and support Indigenous participation and prosperity.

Source Notes

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