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Highlights:

- Productivity and innovation follow each other in a cycle. This cycle starts with successful and growing businesses.
- Canada's greatest barrier to seizing our energy advantage is today's uncompetitive and complex regulatory environment.
- Canada needs to turn the tide and start attracting investment. Competition for capital extends to investments in innovation, technology and decarbonization
- The oil and natural gas industry is a partner in indigenous reconciliation and is a solution waiting to happen for the economic and geopolitical headwinds facing the country

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Unlocking Canada's Economic Strength and Place in the World:

CREATIVITY AND INNOVATION THROUGH ENERGY, INVESTMENT AND DECARBONIZATION

CAPP President & CEO Keynote Address

Thank you, for that very nice introduction and thank you to the BC Chamber of Commerce for having me here at your Annual General Meeting.

These are interesting times for British Columbia – but it always gets interesting here whenever election season approaches.

The theme for the following panel is about innovation. So, a good place to start would be at a higher level.

I'm talking about Canada's place in the world and where we rank on an international scale when it comes to attracting investment and productivity, which are indicators of not only quality of life, but also our performance in innovation and research and development.

And when you look at where we stand today, **frankly, as a Canadian I'm worried.** We all should be worried.

Canada continues to face significant challenges:

The world is undergoing a rapid and sometimes violent transition in terms of trade, economics, and energy -- with global geopolitics changing rapidly – and with that so are Canada's relationships with long-term trading partners; and Canada's reputation within the western alliance as a G7 member and NATO partner.

And Canada's competitiveness globally is falling far behind on the most meaningful economic indicators.

Let me pause a moment on this last point.

- Looking back over the past five years, **Canada's per capita GDP has flatlined**, with less than one per cent growth. By contrast the average growth for our OECD counterparts over the same period was 5.6 per cent. [1]

“Looking forward, the OECD is projecting Canada to be the worst-performing economy – dead last – out of ALL 38 advanced countries over the next forty years, achieving the lowest real GDP per capita growth.” [2]

- You heard me correctly, Canada is dead last.
- In addition, the OECD tracks investment growth rates across both its 38 member countries and nine others. Over the past 7 years Canada **ranked 44th out of 47.** [3]

It has reached the point where the **Bank of Canada has declared this a “break the glass” moment** in our country's history, warning that weak productivity and low business investment is a national emergency. [4]

Concurrent with stagnant economic growth, Canadians' living standards are falling as is their hope for future opportunities.

A recent Pew Research poll found that 75 per cent of Canadians believe their children will have a lower standard of living than themselves. [5]

So why is this happening? How did we as Canadians lose our way so profoundly?

I represent Canada's upstream oil and natural gas sector, so I will try to provide an answer to that question through our industry lens.



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. [6]

But 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.”**

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 system of 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:

- A leader in developing innovative technology to lower global emissions while exporting secure, responsibly-produced oil and natural gas to offset higher emitting sources.
- As a reliable source of energy security – not just for ourselves but for our allies.
- And, an economic powerhouse, investing in the technologies of tomorrow, and benefitting all Canadians along the path to get there.

And the business fundamentals of the Canadian oil and natural gas industry are strong.

- There is a growing global market for Canada's oil and natural gas resources;
- We are at record levels of oil production and with the Trans Mountain expansion now in service, we are set to hit record levels of oil exports; and
- We are only about one year away from exporting some of the world's lowest emission Liquefied Natural Gas to international markets.

With those two major projects and other LNG facilities potentially on the way, B.C. is positioned to become one of the most significant energy export hubs in the world.

“Yet as we sit here today, it is hard to see how we fully realize this opportunity for British Columbians. And that is because the greatest barrier to Canada seizing our energy advantage potential opportunity is today's uncompetitive and complex regulatory environment.”

It's 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:

- domestic and western alliance energy security;
- as an economic powerhouse for this country;
- as a pathway for meaningful Indigenous economic reconciliation;
- and as a critical player in lowering global emissions.

It's an environment that:

- 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.

“Let me give you just a few examples (of many) of the kind of value-destroying policies impacting our sector that have undermined Canada's economy and our nation's place in the world.”

1. After nearly three years, there still remains a lack of clarity around the **carbon capture, utilization, and storage investment tax credit** and the promised contracts for difference.

2. A lack of vocal support for LNG trading partnership requests from a growing list of countries like Germany, Poland, Japan and Greece – potentially, one of the biggest economic developments in Canadian history.

3. The proposed federal and B.C. emissions cap frameworks, which are an unnecessary policy layer on top of an already unwieldy stack of regulations on the oil and natural gas sector. The cap – if implemented – would lead to production cuts, that would have significant negative impacts on the sector and the Canadian economy. [6]

Part of the justification for the emissions cap is that the oil and natural gas industry is dragging their heels on investing in decarbonization projects and getting in the way of the energy transition.

Nothing could be further from the truth. **“For well over a decade Canada’s oil and natural gas producers have been investing in innovations and implementing technologies to lower emissions, with tangible and meaningful results.”**

In fact, Canadian upstream oil and gas producers are among the nation’s leaders in cleantech investment.

The federal government just released its updated National Inventory of Greenhouse Gas Emissions and according to that report, emissions from oil and natural gas production peaked in 2015.

The report shows the decade long trend of declining emissions from the conventional upstream sector is continuing – with an over 20 percent reduction in carbon dioxide equivalent emissions since 2012. [7]

So why does policy complexity matter in context of innovation and productivity and how does it impact Canada’s place in the world?

Well, that’s simple.

To develop new technologies, build projects, export goods, create jobs and opportunities for a growing population, we need successful and growing businesses.

“Productivity and innovation go hand-in-hand. One follows the other in a cycle. But importantly my critical point here is that this cycle begins with successful and growing businesses. You must satisfy this condition first.”

To do that, Canada needs to be competitive for investment capital. And to be competitive for investment capital, investors need regulatory and policy certainty – something we do not have in Canada.

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.

The cumulative result is that Canada is **failing to attract** the very large-scale, long-term capital investment Canada needs in the push towards a lower-emission, sustainable and prosperous economy. **“To boost our productivity, we need to innovate, and to innovate we need immense amounts of new capital.”**

The proposed emissions cap I mentioned earlier, both federally and here in B.C., is an example of the type of policy that is driving investment away from Canada and out of B.C.

CAPP just released a report completed by S&P Global Commodity Insights that examined both the opportunity for Canada’s conventional oil and natural gas sector and what would happen if an emissions cap was implemented on the industry.

Under the scenarios, **BC has the potential to attract \$162 billion of investment out to 2035 in production, export and decarbonisation infrastructure.** A gain of over \$40 billion when compared against the baseline reference case. With an emissions cap, instead the province stands to lose nearly \$20 billion of investment over that same period. This would represent a more than \$60 billion swing in private investment – that’s a loss of over \$5 billion each year. [8]

Capital is global, agile and mobile. It naturally flows to countries where there are predictable regulatory and policy frameworks. **This is the issue for Canada.**

So what needs to be done for Canada to get back on track and start attracting the capital needed to revive our economy and build prosperity for Canadians?

We need to start playing to our strengths.

First, we must take a pragmatic approach to the energy transformation that's underway. To meet the targets set by the federal government, investment in technology, facilities, and other major infrastructure must happen at a scale never before seen in Canadian history.

The federal government's own estimates suggest that Canada will have to invest between \$125 to \$140 billion every year between now and 2050. Right now, we are attracting less than one-fifth of that investment amount. [9]

We need a plan with pragmatic timelines that considers what actually can be achieved. Demanding more urgency without creating an environment for success, will only result in disorder and failure.

Second, we need to fix our approach to major projects and ensure approvals and permitting can happen in a reasonable timeframe.

Currently, Canada's timelines for major project approvals trails our peers, including Germany, Australia, the United States, the U.K. and Sweden. [10]

Third, there is no investor certainty unless there is regulatory certainty. We need governments to champion major investment opportunities like they do in every other jurisdiction around the world.

To achieve this, we need joint efforts by governments to remove some of the regulatory layers and policy complexity, to achieve a cohesive national vision that enhances the well being of all Canadians, balancing energy security, the economy, affordability, and environmental protection.

Fourth, we must seize the LNG opportunity.

One of the most exciting opportunities for growth in the oil and natural gas sector – and the whole of the Canadian economy – is the emerging liquefied natural gas export industry – right here in B.C.

There is long-term market opportunity. The global LNG market is growing – Shell's most recent LNG outlook is forecasting LNG demand will outpace LNG supply out to 2040. [11]

Exporting Canadian LNG is also one of the biggest things we can do to lower global emissions.

Just one example is India. COAL is the mainstay of power generation and the backbone of India's economy.

India has communicated its UNABASHED intention to double coal production for electricity generation to 1.5 billion tons by 2030 – which will have an oversized impact on the global environmental balance sheet. [12]

An analysis from the National Bank of Canada found that exporting Canadian LNG to offset India's expected growth in coal consumption could make a bigger impact on lowering global emissions than shutting down Canada's entire economy. [13]

And B.C. natural gas producers are continuing to lower emissions.

“Through years of investing in new technologies and processes, B.C. producers are on track to achieve methane emissions reductions from the oil and gas sector of 45 per cent, relative to 2014 levels, by 2025.” [14]

LNG in B.C. must happen, and it must be championed at the highest levels, politically and by the business community.

The LNG opportunity is here and now. We can build an entirely new export industry for liquefied natural gas, bringing high value, high paying jobs and billions of dollars in investment to Canada while lowering global emissions and helping our trading partners secure their energy needs. If we choose not to, other countries will. And we don't have much time.

While we are on the subject of LNG, I need to talk about B.C.'s natural gas industry as being a leader in Indigenous economic reconciliation.

One of the most encouraging developments in Canada's oil and gas sector has been the emergence of Indigenous leadership and rapid growth of Indigenous participation the oil and natural gas projects.

The industry has long been a major employer of indigenous people – in part due to the fact resource development in B.C. within indigenous territories. The development of oil and gas facilities within these territories has created opportunities for Indigenous-owned businesses in the industry.

Here in B.C., from 2018 to 2021 the natural gas industry spent \$540 million with Indigenous-affiliated businesses. [15]

With experience in the industry, Indigenous communities are also taking a role in ownership. **Since 2017, almost 4 billion dollars of Indigenous equity positions have been taken in oil and gas projects: in pipelines, power plants, LNG terminals and more.**

“The oil and natural gas sector is currently the largest source of Indigenous equity ownership in Canada and offers significant opportunities for the future.”

British Columbia is setting the bar for Indigenous ownership in energy projects. Examples in this province include:

- A 10 percent equity stake in Coastal Gas Link was purchased by Indigenous communities across the project corridor.
- The Cedar LNG and Ksi Lisim's LNG export facilities are both being led by Indigenous ownership.
- The Nisga'a Nation has taken a lead role in purchasing the "ready to be built" Prince Rupert Gas Transmission project which will potentially supply some of the proposed west coast LNG facilities.

Three of those major projects have yet to be built. They need to happen for B.C. to reach its full potential as a global energy export player while also creating billions of dollars in value for Indigenous communities over generations.

In order to make all of this happen, and to seize our energy advantage, Canada needs to turn the tide and start attracting investment.

Competition for capital extends to investments in innovation, technology and decarbonization.

Companies will invest their decarbonization dollars where they get the best return.

This is another area where Canada has a great opportunity but is at risk of losing its leadership position.

The oil and natural gas industry is among the largest investors in emissions reduction technologies in Canada.

Investment into emissions reductions is expected to continue growing in Canada's oil and natural gas sector. The expertise and technologies we develop here can be exported to help other industries and countries to lower emissions while creating jobs for Canadians here at home.

For example, Germany recently changed its laws to allow carbon sequestration and storage within its borders and cited Canada as a leader and a possible partner in helping to get CCS started in that country. [16]

The B.C. government recognizes carbon capture can play a key role in mitigating emissions.

The geology of the Western Canada Sedimentary Basin in Northeast B.C. has great potential for carbon sequestration while being ideally located near natural gas production. [17]

To attract investment into this proven technology, the federal government needs to fix and finalize its proposed CCUS investment tax credit — so companies can access its full value and make investment decisions based on the complete fiscal picture.

Electrification is another opportunity to decarbonize natural gas production — and is incredibly important to British Columbia. Currently, this province is a leader in this area with a number of gas processing plants powered by hydro which are contributing to making B.C.'s natural gas and LNG some of the lowest emission on the planet.

To achieve wider scale electrification, we need to fix the permitting process. The average time to plan, permit, construct and energize projects in Canada is currently between 8 to 16 years.

With the US election this year, there is potential for the US IRA to be scaled back or impacted by a new President. [18]

Canada must position itself to take advantage of any uncertainty created by the United States and put into place competitive incentives to ensure large scale and long-dated decarbonization projects, like electrification CCUS, get built here — for the benefit of Canadians.

Let me conclude with where I started.

There is a **vision for Canada** — the one the OECD predicts — that Canada is the worst-performing economy — dead last — out of ALL 38 advanced countries over the next forty years — and with a host of follow-on devastating consequences.

I don't know about you, but I don't like that vision and I want to do everything as part of my role as CEO of CAPP and within my sphere of influence to change that.

Industry and government share similar ambitions. The oil and natural gas sector is investing in decarbonization alongside growth investments. **"The industry is a partner in indigenous reconciliation and is a solution waiting to happen for the economic and geopolitical headwinds facing the country today."**

But there is an alternative vision — one very much 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.

And British Columbia will play a key role in this reaching this goal. With some of the lowest emission natural gas and LNG production, this province can become a premier global energy hub exporting some of the most responsibly produced natural gas in the 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 all provinces and federally, which means we need to collaborate across political lines and across industries.

To build an environment that encourages rapid innovation and progress and attracts investment, the speed of permitting needs to match the ambition.

If we get that right, we can:

- **Ensure billions of dollars in investment comes to Canada** – unlocking decades of value to help Canada's economy grow and prosper: creating high value, high paying jobs, opportunities, and prosperity for all Canadians for the decades to follow.
- **Take our place as a leader** in providing secure, responsibly produced oil and natural gas to help lower global emissions.
- **Enhance our geopolitical influence** while ensuring our own energy and national security in an increasingly unstable world, and
- **Recapture Canada's position of economic strength.**

Thank you for having me here today.

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