



CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

Canada's Oil and Natural Gas Producers

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SPEAKER Tim McMillian
President and Incoming CEO, CAPP

Good afternoon. Let me begin by thanking the Economic Club of Canada for their kind invitation to have me speak before you this day.

I had the good fortune of being able to speak at your Energy Summit event in Calgary this past Friday, and I also had the pleasure of introducing Alberta's new premier, Jim Prentice. The Economic Club is truly leading the national conversation on energy and your efforts are greatly valued.

I was a little nervous about making this speech, and the closer we got to the date, the more nervous I got. I have only been at CAPP since October 1, and when I was asked to take on the role things looked pretty rosy.

When I was appointed, the price of oil was over \$90 a barrel. Since I started the price has gradually declined and today sits at just over \$75 a barrel.

So coming into Toronto, the investment hub of Canada – and many of you in that trade are present in the room – I worry you may feel my presence at CAPP may be somewhat related to the decline in the price of oil.

Seriously, the changes in the price of oil from day to day do profoundly affect how we view the economy of Canada, as energy is so highly integrated into the basic fabric of the Canadian economy.

There are three things that I wish to speak to you about today:

- 1) The importance of the energy sector to Canada, its growing importance and how that has changed over time.
- 2) The energy sector as part of a discussion that is going on across Canada at this time. Some parts of Canada are very familiar with the energy sector, but not so

2100, 350 – 7 Avenue
S.W.
Calgary, Alberta
Canada T2P 3N9
Tel 403-267-1100
Fax 403-261-4622

1000, 275 Slater
Street
Ottawa, Ontario
Canada K1P 5H9
Tel 613-288-2126
Fax 613- 236-4280

403, 235 Water Street
St. John's, Newfoundland and Labrador
Canada A1C 1B6
Tel 709-724-4200
Fax 709-724-4225

310, 1321 Blanshard
Street
Victoria, British
Columbia
Canada V8W 0B5
Tel 778-410-5000
Fax 778-410-5001

- others. Are we proud of the energy sector and the contributions it makes to the country? Do we know what we produce and how we produce it, as that is equally important? I think we should be proud and I will address that.
- 3) The third is what we can do and whose responsibility is it to advocate for this industry. If we are proud of it we need to stand up and say so. Who needs to lead and participate in this conversation? Groups like the Economic Club of Canada are one of the groups that have been very proactive, but I think the responsibilities are far broader than that, which will be the final point I will address.

Before I start I want to give you a bit of perspective of where I am from and what skills I bring to the position as the incoming president of CAPP. A lot of people have said that I am not your traditional representative of the oil and natural gas industry and that I am an unconventional choice for CAPP, and I think that this is somewhat true. I am neither an Albertan, nor a petroleum engineer or a geologist, and in Alberta I have to qualify that I am not against petroleum engineers or geologists.

I come from a part of our country that has seen the positive impacts the energy sector can have on one's community and one's province. I spent my formative years in Saskatchewan at a time when my province was an economic underachiever. In fact, we had been for most of the last 70 years.

McLean's Magazine ran a story in the late 1990s about the death of the family farm in Saskatchewan and the death of entire communities and a way of life in rural parts of the province.

And I can tell you that living in Saskatchewan through the 1990s that it felt like that. On Friday afternoons and certainly on long weekends you would see the small towns fill up with cars with Alberta license plates. And everyone would know that the kids were home for the weekend and visiting their family, friends and neighbours they grew up with.

They would come on Friday and pack up the cars and head back to their jobs in Alberta on Sunday night, back to where their jobs were in Leduc, or Fort McMurray or Edmonton.

And it was long joked that the secret of Alberta's success was a very simple recipe with two elements. One was capital from the financial markets of Toronto, and two, labour from the small towns of Saskatchewan.

And Alberta did a very good job of blending those two elements together for a prosperous economy. Thankfully that has changed for Saskatchewan. Saskatchewan's young people are now finding jobs and opportunity in the province.

Saskatchewan has the lowest unemployment rate in the country and has for most of the last two years. And we have the highest wages offered in all of Canada. This was unthinkable a decade or more ago. Our population that has been stagnant since the Second World War is experiencing a rapid increase at rates as high as we saw when the province first experienced a population boom.

I recently had a meeting with executives from Conoco-Phillips who as a firm had for decades upon decades go to the University of Saskatchewan for job recruiting and have a flood of young ambitious students seeking opportunities in Alberta. Conoco has stopped going there all together because they no longer could entice these Saskatchewan graduates west, as they all wanted to stay for opportunities at home. That is great for our province and I think that is great for Canada.

That is part of the difference between then and now.
And part of what is different is the energy sector and the new technology that is enabling it, and government's willingness to accept it.

In southern Saskatchewan we have the Bakken oil play, and the use of horizontal drilling and hydraulic fracking have transformed our province by enabling economic growth.

And we are in our province very comfortable with the energy industry, it is something that has grown over time and we recognize its value.

As a young boy I can remember when an oil and gas company official first came to our farm, knocked on our door, sat down at the kitchen table and had a talk with my mom and dad about drilling a well on our land.

We had a lot of questions but ultimately the project went forward. We had seen how the system operated through our neighbours and their farms, and over the next 35 years that relationship grew to involve several other projects, and we know have a very strong partnership.

I believe this type of relationship can be built across the country and involve all of Canada. That level of trust and familiarity is crucial if we are to build the energy sector in this country. But for that to happen we need to have a serious discussion about the fundamental relationship between our country's economy and the energy industry and the choices we will all need to make if we are to continue to build a bright future for our children and grandchildren.

This conversation is happening right now in Ontario and Quebec. This conversation is happening in Alberta and Saskatchewan, and in Atlantic Canada. In fact, just last week, with the Energy East pipeline project – the governments of Ontario and Quebec signed an MOU outlining how they would like the project to move forward. I think that it is critical to have this conversation simply because we live in a country that has the third largest oil reserves in the world and we need these projects.

We have a large customer south of the border that imports a great deal of oil, and when it comes to Quebec and Eastern Canada, they import 60 per cent of their oil. Something just doesn't seem right with this.

We are blessed with world-class resources, we have an economic opportunity and yet in Eastern Canada we are importing oil from Saudi Arabia, Angola and in the past Azerbaijan and Norway have also been suppliers.

We now have the opportunity to supply Canadians with Canadian oil. This is an important opportunity and an important conversation to be having. One that we can all be very engaged in.

When you stop to think about it – it would be hard to imagine what Canada would be like had it not been for the responsible development of our natural resources. Just consider what the oil and gas industry represents nationally. The oil and gas industry is by far the largest private sector investor in this country. Last year it invested \$74 billion into the Canadian economy.

This is far in excess – over twice the contribution – of the next two sectors combined. The manufacturing sector invested \$19 billion, while the transportation sector invested \$17 billion.

All of these are very impressive numbers and very important numbers. But the overall contribution of the oil and gas sector at \$74 billion tells the story of its importance.

The sector also employs 530,000 women and men, over half a million people in this country. We pay \$18 billion in taxes to the various levels of government that help pay for our essential services that keep our nation running, our social programs, schools and hospitals – to run our key infrastructure that is so important to us.

These numbers are impressive, but if we want to break it down by region, what does this mean to our exports? We are an exporting nation, one fifth of Canada's exports are energy related, oil and gas. Just ten years ago it was only 15 per cent. And it is going to increase again as we continue to move forward.

Oil and gas makes up 20 per cent of the Toronto Stock Exchange and roughly 7.5 per cent of Canada's GDP. It is very meaningful today and will increase in its importance.

In Ontario, just in the last few years millions of dollars of products, goods and services have been sold into the oil sands from over 1,100 suppliers. Recent data from the Canadian Energy Research Institute projects that over the next 25 years about \$1.3 billion of revenue will go to the government of Ontario.

Seventy per cent of Ontario's energy needs today are being met by oil and gas. It is the foundation of the quality of life that we all enjoy.

Still, gaining a consensus on how to build our energy future is not an easy task. What we need is a sense of shared opportunity and shared responsibility, and that begins, I feel, with taking pride in the high quality our products.

So, my second point: can or should Canadians be proud of the energy we produce?

Many part of the world view Canada as a preferred supplier of energy.

But I am not so sure Canadians appreciate this or why this is the case. And I think this reflects back on the Canadian personality. We can be very self-reflective and that is not necessarily a bad thing.

The example I like to use is back in the 1980s and early 1990s, when we had a crisis of confidence in our hockey. The consensus from those in the hockey world is that we were getting beaten by Europeans because they were faster, better, quicker and that if we didn't re-tool we were in big trouble and that our national game was moving to Europe.

I think that self-reflection was something Canada needed to do and in the short term, our performance immediately improved with the country winning many gold medals in the world junior tournament in the 1990s. We re-tooled many hockey programs, we looked at how we played the game and how we wanted to play the game for now and for the next 10 to 15 years. And I think that this self-reflection made us a better hockey nation.

I think that the same level of self-improvement and self-analysis is what drives us in the energy sector. Why can't we say with confidence that we are world leaders?

I know that we are better today than we were five years ago or 10 years ago, and we can articulate all of the reasons why.

We can also say that that same ingenuity and drive for improvement is continuing. You pick the metric, in five years from now we will be better and even more so in 10 years from now than we are today.

Other advantages: we are the third-biggest supplier of oil in the world. We have over 100-years supply of natural gas. Not only are our supplies that big, when you look around the world at who has open access to private-sector investment where individuals or institutions can invest, Canada represents almost 53 per cent of the open market oil in the world.

When we compare ourselves to other energy producing nations like Russia and places within the Middle East, Canada has a stable political climate and an economic platform that encourages investment.

We have strict environmental protection and safety laws and tough regulations that govern the industry. Worley-Parsons recently did a regulatory study comparing jurisdictions around the world. Canada's oil and gas industry was compared to Norway, and the United States. We can be proud of the results. According to the research, Canada takes a leadership position when compared to our peers.

The oil and gas sector has a strong record of investing in technology and delivering technological innovations, and has a track record of continuous improvement on the environment and environmental performance.

Most people may not know that we have reduced the GHG emissions associated with every barrel of oil sands crude produced by 28% over the past two and a half decades.

A decade ago we were using mainly fresh water to separate the sands from the oil. Today we are using 80 to 95 per cent recycled water to do that same process.

These were not easy challenges but they were challenges that we take head on.

The leaders in the oil sands have done something leaders almost never do. They have become partners but did so with a clear line in the sand: we will compete on projects, for capital, for employees, for lowering our costs, but when it comes to the environment, why don't we co-operate?

If one has an environmental solution on how to meet a challenge that is facing the others, they share it openly. If one tries something and it doesn't work, they share that openly too so that the competitors can invest the capital more effectively elsewhere.

Now none of these items I have outlined as to why Canada should be proud of our energy sector is any cause or reason that we should rest on our laurels. That is just not the Canadian way. We need to strive to continue to provide more protection, more environmental safety, more commitment to continuous improvement, and continue to provide more benefits to the communities in which we operate.

As an industry we are always polling. We are always working to communicate with Canadians, to better understand their issues and their concerns.

And what we have found is that Canadians are very open-minded about our industry. A recent poll of Canadians found that 70 per cent believe that the oil sands are important to the Canadian economy.

There is a majority of support for this proposition in every province in this country, and another poll showed attitudes towards the oil sands have improved significantly over the past three years.

It is clear that the majority of Canadians support safe and responsible development, but it is also clear we still have a lot of work to do.

It is telling that the highest levels of support we receive are in the communities in which we operate. These are communities that know how industry operates and that know what our values are.

We have polled in communities like Estevan, Sask, which is at the heart of the Bakken oil play and where fracking is very active in unlocking that oil potential.

The numbers indicate 90 per cent support to strong support, and if you were to go to Tim Hortons and to sit down with folks having a cup and were to say, "Do you know that 90 per cent of the people in this community are very supportive of the oil and gas industry?", they would get mad and ask, "Who are the 10% that don't?"

I think this is great – we are building support as those that know our values most appreciate those most.

And I think that is important as we move forward when it comes to determining our national energy future. We need to encourage Canadians to engage in a fact-based dialogue about the choices that we have and that we face.

Getting involved in this national energy dialogue was a reason why I was so eager to join CAPP and to bring whatever skills I possess to the discussions.

When I was a politician in Saskatchewan I quickly learned the importance of being accessible, and able to listen and communicate with my constituents.

And now I think that the skill is important as we communicate about the energy sector. But this is a collective effort. Within our workforces we have half a million people who can and should be advocates about the benefits this sector brings to their families and their communities and their country.

Canadians need to hear these stories. CAPP can't do this alone. This is a discussion for Canadians.

When a political campaign begins, everyone comes into the campaign office and talks about the campaign, where we should focus and where we need to put up signs and share the messages, about how the debate should work, etc.

But the difference between a really good campaign and campaigns that don't win are this; the campaigns that win are when the people finish their donut and get out on the street. They pound in signs and talk to their neighbours and engage their workforces and they talk to other colleagues through work. They talk about the issues that are important and they make sure that their point is heard and that their support is known....and that is what I think we need to do here.

And this is happening organically across the country. There are two examples that I would like to raise.

The first, there is a young man in Calgary named Cody Battershill. He was in Vancouver on a holiday and there was a protest. The protestors were saying a lot about his province of Alberta, and he went back home to see if what the protestors were saying was true. And he found it wasn't.

So he started a movement called Canada Action. He has quite a following – more than 10,000 followers. He writes letters to the editor, writes for the Huffington Post, he is helping to lead this discussion.

Right here in Toronto, just last week out of the blue I got a call from a mutual friend who wanted to introduce me to a gentleman named Harvey Lamb. He is a young

professional, he is an IT professional, and about six months ago we started a group called FOCOS, which stands for the Future of Canada's Oil Sands.

They have already hosted an event here in Toronto to engage fellow Canadians, fellow professionals and people in their peer group about the energy sector and the oil sands.

It is these types of grassroots efforts that we need to foster and support.

Similarly you and your networks are a critical part of the conversation and support this sector needs going forward. We need you and your families and neighbours to be proud of our sector and to speak out about it. It might be a letter to the editor, a workplace conversation, any avenue to communicate how important the energy sector is to your business and to Canada.

Energy has an important role in the prosperity of everyone in this room. And your voice can play a major role in fueling this conversation about our common future.

If you don't know where to start, we can help.

I want to move you from being an energy consumer and endorser to becoming an energy advocate, an energy citizen.

We all can play a greater role in building this industry in Canada.

Let's take pride in what we have already accomplished, but like true Canadians let's never rest on our laurels, let's never rest on what we have already done.

Let's build a better industry going forward.

Thank you very much.