



**ENERGY TOMORROW:  
Canada in the World's Energy Future**

Presented by Jeff Gaulin  
Indian Resources Council

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Good afternoon everyone. Thank you for that kind introduction.

Thanks to the Indian Resource Council for inviting me to share our perspective on the future of Canadian oil and natural gas.

Or as I prefer to say: “How Ontario algae and Alberta oil together could fuel the world’s future.”

But more on that in a few minutes.

Before we discuss our future I would like to acknowledge our past.

Today we gather on Treaty 6 land in the traditional territory of the Enoch Cree Nation.

I was invited to speak on where Canada’s oil and natural gas industry is heading.

Well I can sum it up in three sentences:

**One, Canada is falling behind.**

Canada is losing ground to other energy countries. The U.S. is eating our lunch.

**Two, Canada is attracting more uncertainty, not more capital.**

Government costs and red tape are on the rise, making it hard to grow our industry and create jobs and prosperity for Canadians.

**Three, if we don’t export Canadian energy, we’ll export Canadian jobs.**

More energy jobs and investment will move south unless governments make costs manageable, rules clearer and more efficient, and decisions durable.

The road we’re heading down is only going to make us energy smaller and energy poorer.

But it doesn’t have to be this way.

There is a roadmap to a more prosperous energy future.

Last week we released a report in Ottawa with ideas to show governments and Canadians how oil and natural gas can become part of the world’s energies of tomorrow.

This report had 5 themes, each of which I’ll touch upon today. They are:

- **INTERNATIONAL**

- We need a more realistic view that our growing, urbanizing world will need more energy in every form, including more Canadian oil and natural gas.

- **INFRASTRUCTURE**

- We need to build new pipelines to reach the world.
- **INVESTMENT**
  - We need to make Canada globally competitive on both capital and carbon.
- **INNOVATION**
  - We need to evolve the way we make, move and use Canadian energy to provide the most-sustainable barrel at the lowest cost for the long-term.
- **INDIGENOUS**
  - We need to transform the participation of Indigenous peoples to share in the opportunity for prosperity from expanded energy trade.

Energy trade that will provide more prosperity here at home for future generations of Canadians, so our children can enjoy the best qualities of life in the world.

Energy trade that will provide more security and prosperity abroad to a growing middle class around the world, especially in India and China.

In Canada, we have everything to get the world's energy future right.

Canada can balance the environmental needs of our planet with the energy needs of a growing world.

But we need to compete if we are to become **the world's energy of tomorrow**.

For the international view, let's get real and talk about the world.

We live in a growing, urbanizing world that's going to need more energy – in every form.

More wind, more solar – absolutely.

But more oil and natural gas too.

Even in a world that limits the growth of carbon.

Even in a world where every new car could be an electric car.

World population is expected to grow to 9 billion people by 2040.

That is like adding a second China to the world between now and then.

Imagine adding a city such as Shanghai to the world **every four months** – a massive urban energy centre. Three Shanghais per year, every year, for the next 25 years.

That's the world's appetite for more energy.

The International Energy Agency estimates the world will need about 30% more energy by 2040 than it uses today.

Thankfully, advances in energy efficiency are helping us cut the amount of energy we use – or the real demand growth would be more than 60%.

There's no doubt we are going to see renewables and new sources become a growing part of this energy.

In fact, renewables are expected to grow more than 400% in the coming decades.

But they aren't a **substitute** for the total energy we use – they are an **addition** to it.

There is an abundance of energy sources in the world ... and our growing world is going to need all of them.

And the world wants more Canadian energy.

We know we live in a growing world that is going to need more energy.

And we know that Canada has an abundance of supply – we have the third largest reserve of oil and we're the fifth largest producer of natural gas.

But does the world *want* to buy what Canada has to sell?

The answer is in. The answer is clear.

And the answer is **YES**.

Last summer, we released a report called the **Global Energy Pulse**.

It's the first-ever international research into global perceptions about oil, natural gas, Canada, and our opportunities in the world's energy future.

And the results were perhaps surprising in a number of areas:

We learned:

- Citizens around the world want **more oil and natural gas** in their energy future. They believe it improves their quality of life.

- By a 2:1 margin, citizens around the world would prefer to get their oil and natural gas from countries that have **climate change policies** ... places such as British Columbia, Alberta, Ontario ... countries such as Canada.
- If given the chance, citizens around the world would prefer to buy oil and natural gas **from Canada** more than from any other country in the world.

The message is clear: the world wants more Canada.

So that's good news for all of us in this room.

It's good for **producers**, who wish to develop oil and natural gas responsibly.

It's good for **pipeliners**, who wish to move Canadian energy to new customers.

It's good for **Indigenous entrepreneurs**, who have the people, knowledge and passion to create jobs and sustainable prosperity.

And it's good for **governments** from coast to coast who receive on average \$12 billion a year in public funds that support our communities – funds that help in part to pay for:

- our schools and teachers;
- our hospitals and nurses; and
- our roads, and ports and bridges to build our communities and our economy.

Global energy trade can be good for all Canadians.

But are we competing enough to turn our aspirations into action?

Because we will need to **compete** for Canada to become the world's energy of tomorrow.

No one is going to just give it to us. Not the Saudis. Not Putin's Russia. Not Trump's America. There's no doubt that our oil and natural gas industry has experienced tremendous disruption in the last three years.

Everything from lower commodity prices ...to changing government policies ...to more complex, uncertain regulatory processes ...to increased supply from around the globe.

These are disruptive times.

**Even if prices rise, the industry will never be the same.**

We know our industry has to change if Canada – and the world – is to have a different energy future.

So how does Canada compete to become the energy of tomorrow?

I come back to our vision for energy prosperity.

We need to compete for **INTERNATIONAL** customers ... and build **INFRASTRUCTURE** to reach into new markets such as China and India.

- **That means building pipelines, not barricades.**

We need to compete on **INVESTMENT** ...and build a cost-effective and efficient industry to create jobs for Canadians.

- **That means attracting capital, not uncertainty.**

We need to compete on **INNOVATION** ...and make Canada the world's top energy choice.

- **That means being carbon competitive, not carbon simplistic.**

And we need to compete for **INDIGENOUS** collaboration.

- **That means creating trust, not turmoil.**

The first point is competing for international customers ...driven by our changing relationship with our number one customer – the United States.

For decades now, we've sold our oil and natural gas exclusively to the United States.

Canada produces 4 million barrels of oil a day, but we sell 3 million barrels — or 75 per cent of what we make — to the U.S.

In fact, Canada supplies nearly half of America's oil imports ... more than all the OPEC countries combined.

It's a good partnership for both Canada and America. They have a safe, secure supplier. We have a close, reliable customer. It's fair energy trade that benefits us both.

But at the same time, the Americans are producing more energy themselves and relying less on the oil and natural gas we make.

They're exporting more of their oil and natural gas into Canada.

And they're starting to ship to the very global customers we one day want to supply, sending American oil to Europe and American natural gas to Asia.

**Our number one customer has become our number one competitor.**

Under President Obama, the U.S. became the world's second-largest producer of oil and the largest producer of natural gas. Since 2008, it has:

- Added nearly 4-million barrels of oil per day – more than all we produce.
- Added more than 20 BcF of natural gas per day – more than all we produce.

It took Canada 150 years to make this much energy. It took America only 8 years.

Now it's important we continue to serve our number one customer. As I said, it's a great partnership for both countries.

But at the same time, we shouldn't box ourselves in with just one trading partner.

In a growing, urbanizing world, we need more **international** customers.... Countries who want to open doors of energy trade with Canada, not close them.

Countries such as India and China, where a growing middle class wants to heat their homes, cook their food, connect with iPhones or get a heart valve to extend the life of an aging parent.

By 2030, India will be the number one importer of oil in the world, ahead of China and the U.S. Today India imports 3.8 million barrels a day — or as much as we make in all of Canada. That will only grow.

In fact, the International Energy Agency forecasts the world will need about 11 million more barrels of oil per day by 2040.

India and China alone will account for 10 million of those 11 million barrels.

But how many barrels of oil does Canada send today to India? Or China?

None.

In reality, we live in a growing world that will need more energy ... in all its forms.

If we want Canada to lead the world's energy future, we need to be connected to the world.

And frankly today we are not.

To create our global future, we need more energy **infrastructure** to reach more customers.

That means more pipelines.

That's why expanding the Trans Mountain pipeline ... replacing the Line 3 pipeline ... even building the Keystone XL pipeline ... are all so critical to Canada.

Connecting our energy resources to tidewater to reach more markets – by all means and in all directions – remains important to improve our country's global competitiveness and protect the long-term prosperity of Canadians.

If we don't export Canadian energy, we will just export Canadian jobs.

For the drive for more energy won't stop.

It will just leave Canada.

But once we get connected to the world, we also need to become more attractive for **investment**.

Because the United States is eating our lunch.

So the drive to be cost-competitive has never been greater in Canada's energy industry.

We must adapt – and we are doing our part. We're cutting our costs.

And we're doing this by maintaining the Canadian way of doing things — that is, without sacrificing our high standards for health, safety and the environment.

**But we need government to do its part.**

Because rising government costs and red tape are undermining investor confidence.

Around the world, capital investment in oil and natural gas went up in 2017.

But not in Canada. Here, capital investment was down last year to \$45 billion.

In the United States, it was up 38 per cent, skyrocketing to \$120 billion.

In Canada, we operate in one of the world's most stringent regulatory environments.

It's important that we have robust rules to meet health, safety and environmental goals.

But not ones that create undue costs, delay and inefficiency.

Or extra hurdles that only apply to Canadian energy but not foreign energy.

We don't want to disadvantage Canadians and give favor to our global competitors.

Such rules won't lead to a growing, healthier and cleaner Canadian industry. They will just result in capital and carbon leaking away from Canada to other countries.

So we need to see governments at all levels get serious and take real steps to attract investment back to Canada.

For Canada should be leading the pack, not lagging behind.

We should be growing – not shrinking.

Because think of this ... at the same time our industry is reducing our own costs, we're also reducing our own carbon.

Our industry knows we need to **innovate** be carbon competitive if we are to be the world's energy of tomorrow.

And that's what we're doing.

**It was innovative Canadians who found a way to get the oil out of the sand.**

**It will be innovative Canadians who get the carbon out of the barrel.**

A carbon-neutral barrel of oil sands.

It's not just possible – it's inevitable.

And Canada is showing the world how.

Scientific breakthroughs led by COSIA – Canada's Oil Sands Innovation Alliance — are helping show the world how to break the link between energy growth and emissions growth.

This is a unique, world-class partnership that's committed to improving environmental performance in 4 key areas: water; land; tailings and greenhouse gases.

To do that, COSIA has set aggressive targets. It's working with the world's top scientists.

And it's put its money where its mouth is.

COSIA has already shared and developed more than 930 distinct innovations and technologies worth more than \$1.3 billion.

The work is ongoing – and impressive.

**Imagine** ...combining CO<sub>2</sub>, waste heat and water, adding light and algae to make bio-fuel good enough to fly jets overseas.

In Canada's oil sands, we can.

In suburban Toronto, COSIA is working with biotech innovators at Pond Technologies on algae that can eat carbon and make clean energy.

Remember when I said Ontario algae and Alberta oil could fuel the world's energy future?

Well this project shows that with innovation we can:

- generate primary energy from oil as well as make a secondary clean bio-fuel;
- create valuable byproducts such as fertilizer; and
- substantially cut CO<sub>2</sub> emissions.

This Ontario bio-technology can reduce 1.5 million tonnes of GHGs from just two oil sands sites.

That's like taking 300,000 cars off the road – forever.

Imagine that industry wide. Imagine that in other industries.

Imagine that worldwide.

Canada's oil sands industry is developing bio-tech in Ontario to fight climate change and make Canadian oil a cleaner energy source for tomorrow.

More energy at less cost with less carbon.

That's Canadian energy at work.

That's the world's energy of tomorrow, today.

Canada's success as a nation depends on its broad view of the future, including the growing contribution of Indigenous peoples.

Today we have an opportunity to transform the relationship between Canada's energy sector and its Indigenous peoples.

First, through the work done by the Truth and Reconciliation Commission.

Second, through our country's commitment to implement the United Nations Declaration on the Rights of Indigenous Peoples – or UNDRIP.

Canada's oil and natural gas industry supports the principles outlined in UNDRIP. In fact, we were one of the first sectors to endorse its implementation in a manner consistent with the laws and Constitution of Canada.

So we are committed to open, collaborative dialogue to advance our role in reconciliation.

Indigenous peoples' participation and contribution to the energy economy are valuable and significant – and are aspects of reconciliation.

Responsible energy development can support Indigenous self-determination and prosperity in the same way it supports and benefits the rest of Canada.

Oil and natural gas is one of the biggest economic drivers in Indigenous communities – and represents one of the most significant economic opportunities for its people.

For example in 2013 and 2014, oil sands developers did about \$4 billion in business with 327 Indigenous-owned companies.

During the downturn in 2015 and 2016, that number fell to \$3.3 billion among 396 Indigenous companies. But it didn't fall as much as it did for non-Indigenous suppliers.

Indigenous people represent about six per cent of the oil and natural gas workforce, compared to about half of that in the national workforce.

Our industry has a long history of contributing to the country's economy.

But we look forward to the future, to enrolling more Indigenous participation in the oil and gas sector, to create a better future for all our elders and for all our kids.

So, in conclusion, what does all this mean for Canada?

Canada can be the world's energy for tomorrow – if we compete for it.

There is a long-term future for Canadian oil and natural gas ... if we put our vision into action.

It's an energy future that needs to be more **international**, so we need to build more **infrastructure** such as pipelines.

It's an energy future that is going to be more competitive to attract **investment**.

It's an energy future that will come with more **innovation** – higher tech, lower costs and lower carbon.

It's an energy future that will need more Indigenous participation to be prosperous.

The energy of tomorrow needs more Canada.

Let's generate that future together as Energy Citizens.

Thank you.