

Department of Geography and Environment public lecture

Canada: a reliable, responsible contributor to global energy security and economic stability

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Introduction

Thank you very much, Dr. [Richard] Perkins and good afternoon.

I welcome the opportunity the London School of Economics has provided me with to be part of its Public Lecture Series.

This is one of the most respected institutions of higher learning in the world, so I am honoured to stand at a podium that has been occupied by so many prominent figures of modern history.

A university that can welcome Friedrich Hayek and Paul Krugman is a big tent indeed.

Today, I will be talking about energy.

Specifically, I will be talking about the role energy plays in Canada's economy and the increasingly important contribution it will make to global energy security and economic stability, not only in my country but internationally.

Yesterday in Paris I addressed the International Energy Agency Ministerial Meeting and had a series of bilateral meetings with my international counterparts. My message was clear.

In Canada, energy policy is rooted in the principles of the open market and shaped by a commitment to develop our energy resources in an environmentally and socially responsible way.

This implies doing so in a way that benefits all Canadians, including the Aboriginal people of Canada.

Our government believes that the free market is the most efficient and cost-effective means to ensure the proper allocation of resources for the development and supply of energy.

I say that from the perspective of global leadership in production of energy — including conventional and traditional sources as well as cutting-edge clean energy technologies.

Canada's energy resources

Energy is of considerable economic importance to Canada, accounting for close to seven percent of our gross domestic product.

It is also growing in importance to other countries. In fact, in many respects, Canada is an energy superpower.

Canada is the world's third-largest producer of both hydroelectricity and natural gas. Our natural gas reserves are estimated at more than 700 trillion cubic feet — well over 100 years of domestic supply.

Canada has abundant high-grade uranium resources. We are the world's second-largest producer of uranium and well positioned to increase exports to the European market. We are also one of a handful of countries with its own reactor technology.

We are currently the world's sixth-largest oil producer. Our proven reserves total 174 billion barrels — third-largest in the world.

We are just beginning to tap our vast potential to generate renewable energy from the wind, the sun and the tides.

Wind is the fastest-growing source of electricity in Canada. By the end of this year, we expect to have over 5,300 megawatts of installed wind energy capacity, up from less than 200 megawatts a decade ago.

Canada is also making advancements in marine renewable energy. For example, a partnership established earlier this year between the European Marine Renewable Energy Centre in Scotland

and the Fundy Ocean Research Center for Energy in Nova Scotia brought old and new Scotland to work together.

As announced in the Joint Declaration by Prime Ministers Harper and Cameron in Ottawa last month, Canada and the U.K. “plan to lead the world in moving forward from pilot wave and tidal energy devices to exploring actual power generation stations connected to our respective electricity grids.”

Indeed, Canada is already a leader in clean energy. Fully three quarters of our electricity supply — 75 percent — comes from non-emitting sources, including 60 percent from hydro.

Oil sands

The billions of dollars we are investing in clean energy technologies notwithstanding, it is our oil that attracts the most attention — or perhaps I should say it is the source of our oil that attracts most of the attention.

Of our 174 billion barrel reserve, 170 billion barrels are found in the oil sands in northern Alberta. To put it in perspective, our oil sands are equivalent to EU consumption over the next 34 years. And, as technology evolves, the oil sands could yield as much as 315 billion barrels — which would make them by far the biggest single reserve in the world.

Oil demand

Yes, the movement away from our dependence on oil and other fossil fuels has started, but this is going to be a long period of transformation.

Let's look at the role of renewables in the energy mix. In Canada 3% of our electricity needs are met by non-hydro renewables; for the European Union that figure is 9%, and here in the U.K. it is 5.8%.

In Canada, the amount of electricity provided by fossil fuels is 23%, for the EU it is about 50%, and for the U.K. it is 73%.

Clearly, while non-hydro renewables sources such as wind, solar, tidal and biomass are growing and we need to continue to invest in them, the reality is that, in the intermediate term, they cannot come close to replacing the energy that fossil fuels provide.

Here is what the International Energy Agency has to say about oil: even under the most stringent greenhouse gas policy scenario, oil will remain the dominant source of energy for the next twenty-five years.

Global oil consumption is expected to rise from today's 87 million barrels a day to 105 million barrels a day by 2030 — an increase of nearly 20 percent.

That is the reality.

We cannot just turn off the tap. That would create economic chaos and relegate more than a billion people around the world to further decades of energy poverty.

The IEA also predicts that, as conventional supplies are depleted, so-called unconventional sources — like Canada's oil sands — will be an increasingly important part of the global supply and an ever-greater contributor to global energy security.

Strategic importance

In other words, Canada's oil sands are more than an energy resource, they are a strategic resource.

Consider this: Canada is the biggest single supplier of crude oil and petroleum products to the United States — 2.5 million barrels a day, more than 20 percent of total U.S. oil imports.

Increasingly, the oil that flows from Canada to the U.S. flows from the oil sands. In other words, the oil sands are a major contributor to U.S. energy security and, by extension, to U.S. economic stability.

Keep in mind that when we talk about Canada's position as a contributor to global energy security, it's not just volume that's important, it's reliability.

80 percent of known oil reserves around the world are either controlled by the state or managed by national oil companies.

That's not the case in Canada.

Our oil sector is not run by the state, but rather is open to market-based development with investment from around the world. Canada is not a member of OPEC. Of the 20 percent of world oil reserves available for market-based development — 60 percent is Canada's oil sands.

Investment and expansion

So it is no surprise that Canada's energy sector in general — and the oil sands in particular — are becoming increasingly popular destinations for investment by E.U.-based energy companies.

European companies already make up some 10 percent of the stock of foreign direct investment in Canada's oil and gas sector. An additional \$1.8 billion was invested between 2009 and 2010, raising the stock of European foreign direct investment by 36 percent.

For example, Shell is active in Northern Alberta's oil sands, with a controlling interest in the Athabasca Oil Sands Project.

Shell is also continuing to work at limiting the environmental impact of its operations and has partnered with the Government of Canada and Alberta on the \$1.35-billion Quest carbon capture and storage project at its bitumen upgrader.

BP is currently involved in three joint venture opportunities in the oil sands using Steam Assisted Gravity Drainage technology.

Last October, Total S.A. of France acquired UTS Energy Corporation Canada — a significant player in the oil sands for \$1.2 billion. In March of this year, Total completed a \$1.8-billion agreement to develop three other large properties in the oil sands in a joint venture with Suncor Energy.

And this interest is not limited to just Europe. Over the last decade, the stock of foreign direct investment in Canada's oil and gas sector from Asian companies has grown from \$2 billion to \$19 billion.

We welcome these investments, just as we welcome opportunities to increase and diversify our oil exports.

As I am sure you are aware, the United States is expected to decide very soon whether to approve a new pipeline — Keystone XL — to carry more oil from Canada's oil sands to refineries

in the southern U.S. Our government supports that project and believes it is in the national interest of both Canada and the U.S.

There are other proposals for pipelines — Northern Gateway and expansion of TransMountain — to carry crude from the oil sands to ports on our west coast for export by tanker to Asia-Pacific markets.

Since all of our oil exports currently go to the United States, these are welcome initiatives. To know that putting all your eggs in one basket is not good business does not require a degree from the London School of Economics. But it might help.

Responsible development

It is also not good business to ignore our environmental responsibilities. Nor is it the right thing to do. That is why Canada is committed to developing its oil sands in a way that is both socially and environmentally sustainable.

Since 2006, the Government of Canada has invested more than \$10 billion to reduce greenhouse gas emissions and build a more sustainable energy sector through investments in green infrastructure, energy efficiency, clean energy technologies and the production of cleaner energy.

We hear a lot of criticism from some people about the oil sands, but those criticisms are often exaggerated, to the point where they have taken on near-mythological proportions. Let me run through them and counter with the facts.

Land

Consider the impact of oil sands development on land.

The impact is not permanent. Companies are required by law to remediate and reclaim 100 percent of affected land.

Oil sands companies must file a Conservation and Reclamation Plan as part of their initial project application, keep it current and post financial security bonds for reclamation.

Furthermore, the impact is not as extensive as critics would have you believe.

These are megaprojects, but the total oil sands area would impact only 0.1% of Canada's total boreal forest and, even then, 100% of this would need to be reclaimed.

Stated differently, that is 4,800 square kilometres. Compare that with the 224,000 square kilometres of land protected by Canada's national parks. One national park, Wood Buffalo in northern Alberta alone covers nearly 45,000 square kilometres — one-and-a-half times the area of Belgium.

Water

Most of the water used in oil sands development — as much as 90 percent in some instances — is now being recycled.

All existing projects withdraw less than one percent of the average annual flow of the Athabasca River.

Greenhouse gas emissions

We are also working to address greenhouse gas emissions associated with oil sands development — and again, it is important to put this concern in context. The oil sands account for one-tenth of one percent — or one-thousandth — of global GHG emissions.

GHG emissions from European electricity generation, which make up about a quarter of EU GHG emissions, were nearly 30 times greater than GHG emissions from the oil sands. Germany generates nearly seven times, while GHG emissions from the U.K. are three times.

Studies have shown that life-cycle GHG emissions from the oil sands — a well-to-wheels calculation — are similar to, and in some cases lower than, several of the heavy crude oils currently being imported to the EU and even some lighter crude oils that it relies on.

That is why Canada strongly objects to the discriminatory treatment of oil sands proposed in the Fuel Quality Directive. While we do not object to the directive's goal of reducing GHG emissions from transportation fuels, we do object to the discriminatory treatment currently contemplated in the FQD, singling out oil sands-derived fuels without sound scientific justification.

Studies have shown that the life-cycle GHG emissions of oil sands crude are similar to or lower than several heavy crude oils that the EU imports from countries such as Russia and Nigeria. The

fact that the EU is not proposing to discriminate against oil from these countries — yet focuses on Canada's oil sands crude which they do not import — is odd, to use a non-normative word.

The EU needs to do its homework before it finalizes the FQD. We await scientifically sound, objective analysis comparing all crude oils.

We believe the European Commission's current approach is unfounded, could set a precedent, and damage Canada's reputation. If unjustified and discriminatory measures to implement the FQD are put in, let me be clear, Canada will not hesitate to defend its interests, be it in Europe or elsewhere.

This is not to suggest we are prepared to live with the status quo with regard to GHG emissions from the oil sands.

Canada submitted a target under the Copenhagen Accord to reduce our total GHG emissions by 17 percent from 2005 to 2020, in line with the U.S. target. We are one of the very few major oil exporting nations to have such a commitment.

Between 1990 and 2009, GHG emissions per barrel from the oil sands were reduced by 29 percent. Together with the industry, we continue to invest in new technologies to make those numbers even better — from carbon capture and storage to new ways to reduce the energy required to extract and process the oil.

Aboriginal people

We remain committed to ensuring our resource benefits all Canadians, including the Aboriginal people of Canada.

The Government of Canada is working directly with First Nation and Métis communities to address and manage the impact of the oil sands on their communities also.

Our investigations also benefit from the traditional knowledge of Aboriginal elders — elders who are providing valuable information about weather patterns, the land, plants and animals and how these things have changed over time.

In the meantime, the oil sands are advancing the efforts of Aboriginal peoples to improve their social and economic well-being.

Aboriginal business owners and skilled workers make a significant contribution to the oil sands industry and realize significant benefits. In 2009, over 1,600 Aboriginal people were directly employed in oil sands operations.

Over the past 11 years, Aboriginal-owned companies have secured over \$3.7-billion worth of contracts from oil sands companies in the region.

Conclusion

Our energy industry is among the most stringently regulated in the world — I would challenge anyone to name an energy project anywhere in the world that is subject to greater and more kinds of oversight than Canada's oil sands, and we are committed to getting even better.

We are strengthening this world class regulatory regime, and we are supporting innovation and ensuring greater certainty for investors. We are committed to developing more meaningful Aboriginal consultations and to delivering even better environmental outcomes.

The oil sands are a major, strategic, global resource — a resource that will make an increasingly important contribution to energy security and economic stability.

Canada is committed to developing this crucial resource in a socially and environmentally responsible manner, but develop it we will.

Thank you.

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