

Life as a Clean Energy Superpower

For Canadian Defence and Foreign Affairs Institute

October 29 2007

Mike Cleland

President, Canadian Gas Association

More talked about than thought about

- First used in summer 2006
- More than a slogan?
- If so, then need to parse it
 - “emerging” obvious enough
 - “clean” either controversial or trivial – needs to be taken seriously
 - “energy” may not be as obvious as it seems
- But “power” is the interesting choice of words for today’s purposes (leave super aside for the moment)
- Need to start with what we mean by “power” in a geopolitical sense:
 - Possession of control, authority or influence over other countries
 - Ability to act to produce an effect on global affairs

Four attributes of power

- It would seem that the following four attributes are all necessary conditions to meet the specified definition:
 - A capability that creates the potential to influence other nations and world events
 - The capacity to deploy that capability when and where it matters
 - Articulation of one's national interest and how the capability in question can further it
 - The credibly understood will to use the capability when called upon to do so.

Assessing Canada: Capability

- Long on resources: Canada's Rankings in Global Energy Markets – 2006

	Crude Oil	Natural Gas	Uranium	Electricity
Proven Reserves	2nd	21st	3rd	N/A
Production/Generation	7th	3rd	1st	7th
Exports	17th	2nd	2nd	4th

- But shorter on human and organizational capabilities
 - Educated professionals
 - Visionary thinkers
 - Reputable institutions
 - Technological leadership
 - Leading corporations

Assessing Canada: Capacity to deploy

- Ability to develop and move economic assets to market:
 - Highly developed production assets, pipelines and powerlines, distribution and end market systems
 - But at risk – lack of social consensus, protracted approval processes
- Ability to gain leverage:
 - Monopoly supplier, swing producer, price setter, source of ideological influence?
 - Weak and not highly consistent with Canadian values and interests
 - Source of influence possibly but how and to what end not clear
 - Base for industrial policy?
 - Yes to a degree
 - But increasingly obsolete and advantage largely illusory

Assessing Canada: Interests and policy

- Both are implicit rather than explicitly articulated
 - Canada benefits from strong bilateral US/Canada relationship and strong international commitment to free markets in energy and capital
 - Expressed indirectly in numerous treaties: WTO, NAFTA, IEA founding agreement
- But important pieces missing:
 - Reconciling energy with environmental sustainability – still two policy solitudes
 - Beyond resource capabilities – a policy vacuum
- And successive Canadian governments have treated the words “energy policy” as something to be avoided at all costs due to provincial sensitivities

Assessing Canada: The will to act

- Will to act rests on public support
- Has existed implicitly for 25 years but becoming threadbare:
 - Federal fear and provincial loathing paralyzes federal and national action
 - Worldwide support for free markets steadily eroding – can Canada continue to champion if support slips in Canada?
 - NIMBY could make us a fading power before we ever emerge
 - Public expectations on climate change disconnected from Canadian energy realities

Homework for an aspiring energy power

- More (a lot more) than development of resource base (as important as that is)
- Priority Actions:
 - Diversifying capabilities
 - Protecting capacity to deploy
 - Articulating interests and policies
 - Reinforcing the will to act

Diversifying capabilities

- The future energy service package will come increasingly from capital, technology and know-how
- Canada is no-where near the top rank on these measures
- Canada needs:
 - A more investment friendly tax regime especially for services
 - Investment in people
 - Investment in technology
 - Investment in information

Protecting capacity to deploy

- A capability without the capacity to deploy is of little use
- Canada's capacity to develop energy resources and deliver them to markets is at risk without community support and modern regulatory practices
 - Eroding community support is a complex issue dominated by perceptions of imbalance between local and societal benefits and the consequences of a growing culture of entitlement
 - Regulatory practices suffer from imbalance between duty to protect vs duty to facilitate plus lack of inter-jurisdictional and inter-agency cooperation
- Governments need to take a stronger hand both in mobilizing community support and modernizing regulatory practices

Articulating interests and policies

- Canada needs to more clearly articulate:
 - Why it is in our interest to develop our energy resources
 - Why energy transactions mediated by the market best serve the public interest
 - Why we are the beneficiaries of an open trade and investment regime
- Canada needs to think harder about how we can grow our capabilities in the “smart” part of the energy services package
- Canadians have to start taking climate change seriously
 - Wishful thinking is not enough
 - We have to resolve the energy/climate conundrum
 - We have to get used to paying the real costs of energy

Reinforcing the will to act

- The will to act rests on public legitimacy which flows from public understanding:
 - About the roles of all governments
 - About the necessary limits to government action
 - About the merits of a market based international energy system
 - About the need to sustain our ability to develop resources and move them to markets
 - About the actions needed to become leaders in a smart energy world
 - About the real challenges of meeting our climate change goals
- Put simply, Canada needs an energy policy at the national level