CCRE Energy Leaders
Invitational Roundtable | Kananaskis, Alberta
Summary of Proceedings

November 13-14, 2018
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The Roundtable was organized to encourage open dialog among informed participants from government, industry and civil society on matters that affect Canada’s energy sector. Its goal was to enhance the shared understanding of both immediate and longer-term issues in support of a consensus for policy improvements by governments and their various regulatory agencies.

The Council for Clean and Reliable Energy (CCRE), which organized the Roundtable, was established in 2006 as a federal non-profit volunteer group that brings together people from industry, academia and organized labour. It provides a non-partisan forum for the free exchange of ideas. It does not advocate for any particular policy but it does encourage good governance both at government agencies and in the way governments formulate and implement energy policies. The Roundtable was attended by approximately 50 invited participants, divided more or less evenly between presenters and others, and was structured to encourage conversation among all participants on all topics. Each topic was introduced by brief presentations from a panel of experts who then participated in a moderated question, answer and comment session with the full roundtable of participants. Time was split evenly between presentations and open discussion, which ensured that conversation dominated rather than podium lectures.

The following summarizes each topic, including both the panel presentations and broader discussions. Acknowledgements for the sponsors and volunteers without which this event would be impossible are provided at the end.

Summary of Proceedings

PANEL ONE: POLICY AND REGULATORY FRUSTRATION

The state of energy regulation and jurisdiction in Canada, and impacts on investment and capital markets

The first panel of the roundtable focused on the significant challenges that the Canadian oil and gas sector is confronting in attracting new investment and in competing in international markets for globally mobile capital. Delegates heard that Canada is viewed internationally as a difficult place to do business for energy projects, and that it is increasingly difficult to secure equity investment, as evidenced by large capital outflows to the U.S., which is perceived as being much more investor-friendly. Major projects that have publicly been abandoned or written-down are a visible indicator of the broader problem in the sector - many more potential projects are either not considered or are quietly dropped by corporate boards. It was reported that capital investment in the Canadian oil and gas sector fell by 44% from 2014-2017, while increasing in the U.S. by 35%. The National Bank reportedly estimated that the WTI oil price discount, which has arisen due to pipeline constraints, was costing the Canadian economy $48 billion per year in lost output. Given the central role the oil and gas sector plays in the domestic economy, living standards for Canadians will ultimately erode if investment in the sector does not recover - while other natural resource-rich countries will expand their share of global energy exports.

New political, regulatory, and judicial risks and hurdles were commonly cited as the primary causes for the deterioration in the investment climate for Canada’s hydrocarbon sector. Historically, Canada has had a world-class regulatory system that was well-regarded for regulating the energy sector in a disciplined, stringent and fact-based manner. International studies have shown that Alberta’s environmental policies and standards are in fact some of the most effective among oil and gas producing jurisdictions. In recent years, however, political interventions and changes in the regulatory approvals process have undermined corporate, investor and public confidence. Specific problems include: politicized federal
government approvals of major projects; heightened sovereign risk arising from changes in government policy, changes in approval processes, inter-government conflicts; judicial activism; weak rule of law when regulatory approvals are not enforced by the government; protracted, complex and uncertain regulatory processes – which can cost proponents more than $1 billion and still result in project permit denial.

Some of these problems began with the 2012 reforms to the NEB Act, which gave more power to the federal Cabinet in major project approvals, undermining the NEB’s role as an independent, expert regulator. It was noted that these changes were made with the involvement and support of the energy sector. Recent proposals to reform the NEB – Bill C-69 – are viewed as creating substantially more uncertainty for the sector, further damaging the investment climate. It was argued that ambiguity and lack of precision in the draft bill language will make it easy for groups ideologically opposed to energy development to use the courts to attack project developers and to mount long legal challenges.

By contrast, in the U.S., reforms to regulatory approvals have sought to streamline the process and to improve predictability and timeliness. It was noted that the World Bank’s Doing Business survey ranked Canada 34th out of 35 countries in the time required to obtain a permit for construction, one illustration of the challenge for oil and gas companies.

PANEL TWO: INTERPROVINCIAL ELECTRICITY AND THE NATIONAL GRID

Realizing economic benefit by evolving historic provincial self-sufficiency

The historical development of Canada’s provincially-oriented electricity system has led to greater trade in power between the provinces and the U.S. than across provincial borders. This panel prompted Roundtable delegates to consider the obstacles that have prevented the domestic trade in electricity and efforts to take advantage of opportunities for trade that may benefit the country.

Common to the challenges for interprovincial electricity trade is the patchwork of regulated market designs, organizational modes, and technologies that vary across Canadian provinces. This leaves the costs and benefits to be asymmetrically distributed between potential trading partners. Some of Canada’s provinces, such as Alberta, maintain a provincial market that is oriented around meeting the province’s own needs with the participation of private domestic firms. This setting does not lend itself to trade with neighboring provinces that are dominated by large vertically-integrated crown-owned utilities. Limited interties between Canada’s largest provinces also make it difficult to support trade when it may even be desired. Together this has led to greater North-South trade as these provinces find international challenges easier to overcome.

There have been, however, some efforts at regional cooperation with the support of the Federal Government that have led to growing interprovincial electricity trade. For instance, the Maritime Link underwater transmission line between Newfoundland and Nova Scotia has benefited from the support of the Federal Government to allow Newfoundland and Labrador to construct new generation and decarbonize its electricity system. To this end, the Federal Government maintains a “Pan-Canadian” perspective on trade across provinces rather a national plan. This implies that it will seek to support cooperative efforts for reliable, affordable and clean energy that promotes trade across jurisdictions. However, these initiatives need to be driven by the provinces and not imposed by the Federal Government given its jurisdictional limitations in these matters. Consequently, efforts to enhance interprovincial electricity trade would continue to rely on the spirit of cooperative federalism with potentially a role for the Federal Government to ease the asymmetrical distribution of costs and benefits.
Panel Three: Getting to Yes - Enabling Energy Infrastructure in the Public Interest

Aligning public and private interests for rational development of energy infrastructure

The development of major infrastructure projects in Canada has slowed to a halt over the past decades and this Panel offered the Roundtable delegates options for a path forward for future development that would best align policy, legislation and regulation with the public interest. As opposed to a pathology of the past, the panel sparked a spirited discussion on solutions-oriented, forward looking possibilities for new, major infrastructure development in Canada.

A common theme throughout the panel was how ambiguity and policy fragmentation have contributed to a lack of trust that has resulted in the much-maligned standstill. These problems, however, are not new to the Canadian context and have been longstanding in natural resource development, which has historically faced contestation from indigenous communities and environmentalists. In particular, the mining and pulp and paper sectors each faced similar obstacles in their development. These sectors successfully prevailed by addressing the core concerns through improved practices that ultimately led firms in these sectors to become recognized as world leaders.

Solutions discussed to “Getting to Yes” involved a reconceptualization for how large-scale infrastructure projects are devised by proponents and sanctioned by regulators. Collaboration and partnering with indigenous communities in an effort to further their development objectives was recognized as a prerequisite for rational development. Crafting agreements that would enable a prosperous future for indigenous communities would help ensure legal certainty for proponents and diminish the risk associated with leaving such matters to the courts.

There was a common understanding that solutions would need to “de-risk” the regulatory process by addressing policy issues outside of project-based regulatory approvals. Adopting a strategic approach to land use planning was seen as one means to this end. For instance, the creation of development corridors in Northern Canada that offered multi-modal rights of way that are agnostic to the type of infrastructure could provide greater certainty for developers and lift the burden on local communities and policymakers. While pre-planning is not a panacea and entails the same risks of uncooperative federalism that has undermined infrastructure projects in Canada, it is recognized as an area deserving of further study.

Panel Four: Meeting Canada’s Climate Change Commitment

Do federal and provincial climate policies achieve a reasonable balance between economic and environmental objectives?

Roundtable delegates heard that Canadian climate policy has changed significantly in the past three years. Despite that, the current policy toolkit is not stringent enough to meet Canada’s emissions reduction targets. Meeting Canada’s targets is feasible and can occur without crippling the Canadian economy — but this depends crucially on how policy is implemented.

A current challenge for Canada is the polarized nature of debate are energy use, energy systems, emissions, climate, innovation and competitiveness. This lack of consensus hampers effective policy action, as it is easier to build consensus around what isn’t liked about Canadian climate policy. A more constructive conversation is to move away from “what are the targets?” and “what are the GHGs and where do they come from” to “what is the policy that allows Canada to achieve its goals?”.
Roundtable delegates discussed the current lack of consensus on climate policy in Canada. Like many Canadian policy issues, the reasons are complex and numerous. Failure to advance energy development — particularly pipelines — has undermined quid pro quo aspects of economic development and action on climate. There is also the problem of governments’ inability to commit to achieving stated goals. There has been a rise in anti-carbon-pricing populism which has led to politicians polarizing themselves instead of building bridges, lowering trust amongst Canadians which hampers effective policy action.

A key theme from this session was the need for a more collaborative approach, focusing on policy action rather than blame. It was suggested that action is urgently needed, but political will is lacking, as climate policy is polarizing and negatively framed. The current environment may mean Canada ends up tackling emissions reductions the hard way instead of the easy way, which means higher costs for Canadians and the Canadian economy.

The rise of populism in Western democracies is reflected in increased political polarization at a time when reconciliation and consensus building are needed. The challenge for Canadians is to make the structural changes necessary to address climate change without sacrificing the economic prosperity that allows social cohesion.

ACKNOWLEDGEMENTS
The Roundtable would not have been possible without the support of several sponsors and many volunteers. Many of the sponsors have provided sustained support over many years which has been essential to CCRE’s ability to exist and function at all. Likewise many volunteers have contributed over many years.

This event was chaired by Glen Wright, CCRE’s founder and chair, and organized under the guidance of conference co-chairs Gerry Protti and Jan Carr. CCRE’s vice chair Karen Taylor and Executive Director Laura Rees were personally responsible for most of the arrangements and more importantly making sure all the pieces were integrated into something that worked.

Thanks are due to the special efforts of each of the presenters and also to the moderators who did all the work of inviting speakers and coordinating presentations. The conference program lists and provides full CVs of all these people as well as statements by the CCRE chair and conference co-chairs.

This summary was prepared by Guy Holburn and Adam Fremeth, both with the Ivey Energy Policy and Management Centre at Ivey Business School, Western University, and by Jennifer Winter with the School of Public Policy at the University of Calgary.

And thank you too to all those who attended and contributed to the discussions. The event respected key provisions of the Chatham House Rule that provides anonymity to encourage the free and open flow of conversation.
The Council for Clean & Reliable Energy (CCRE) is a federally incorporated non-profit organization that provides a platform for dialogue and analysis on subjects related to energy policy. The CCRE was formed by a group representing academia, public and private sector business leaders, and labour.

The Council understands the value of creating a broader and more inclusive public discourse. During the last decade the Council has facilitated conferences, thought leader's roundtables, distributed opinioned publications and shared knowledge and expertise. Its efforts have been recognized and appreciated by decision-makers in government and the energy business as providing a neutral forum for the free exchange of ideas and opinions. The Council remains committed to continuing to facilitate debate on the generation, transmission and distribution of clean, affordable and reliable energy with a clear focus on finding effective solutions for Canada and abroad.

The Ivey Energy Policy and Management Centre is the centre of expertise at the Ivey Business School focused on national energy business issues and public policies. It contributes to energy policy by conducting and disseminating evidence-based research on major issues affecting the electricity, gas, oil, and pipeline sectors in Canada, by providing an open, transparent forum for industry, government, academia and interested stakeholders to discuss and exchange ideas on energy sector development, and, by educating students, executives and government officials on national and global energy sector issues.

The School of Public Policy was founded in 2008 by renowned economist Jack Mintz with a vision to drive policy discourse with relevant research, outreach and teaching. Its faculty is composed of scholars with exceptional academic credentials and experienced practitioners in business, government and the non-profit sector. The School’s research is respected because it is independent, credible, and based on hard data. Its influence is reflected by its wide dissemination among policy makers, business leaders, and the media.

The Power Workers’ Union (PWU) is Ontario’s largest electricity sector union representing over 16,000 highly-skilled men and women who help generate and deliver electricity to Ontario’s homes and businesses. For over seven decades, the PWU has successfully influenced and adapted to the continually evolving electricity sector challenges creating the most opportunities for sustainable, high-value jobs, safe working conditions, decent benefits and retirement security, and better energy policies for all Ontarians. As one of Canada’s strongest and most progressive unions, the PWU remains committed to using its knowledge, experience and expertise to secure a promising future for its membership while helping to keep the lights on for all Ontarians.

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