Calgary Chamber of Commerce
in business together

**2008 ALBERTA CHAMBERS OF COMMERCE RESOLUTION**

# Competitive Energy Policy

Canada's future economic growth and prosperity will depend on our ability to remain competitive in an increasingly global energy marketplace. Canada and the United States have benefited from a long-standing continental approach to resource development and trade. To ensure that this positive and mutually beneficial relationship continues, Canada must ensure its resources are developed in the most competitive manner possible.

Over the past four decades, the energy sector has contributed in the range of six per cent to 10 per cent of Canada's GDP. Currently, it provides a total employment impact of 500,000 jobs (direct, indirect and induced) and produces substantial royalties, taxes and revenues ($27 billion in 2006) across Canada. In addition, the oil and gas industry spent $41 billion in capital investment across the country in 2006 – the highest of any industrial sector, and nearly double that of the next closest sector, manufacturing, at $21 billion.

To ensure that this industry success continues, Canada must be competitive with many other international sources of energy supply. It is clear that the United States, a major importer of Canadian energy, will not be constrained by any single energy form or source, and that each must compete for its place. Consequently, federal and provincial governments must recognize the competitive design of U.S. energy policy and ensure that Canada is appropriately positioned to participate in the U.S. marketplace.

Part of this positioning will require overcoming some perceptions that Canada's overall competitiveness as an energy supplier is declining. Some significant challenges include:

- Changes to Alberta's royalty regime.
- Meeting the requirements of the federal regulatory framework for greenhouse gas emissions and air pollutants, and other provincial climate change regulations.
- Complex regulatory environments that create long lead times for energy projects, mostly caused by multiple regulators, such as federal and provincial departments of environment.
- Increased difficulty in accessing land for petroleum exploration and development, and electricity transmission infrastructure.
- Skilled labour shortages in the energy industry, especially for oilsands projects and in remote areas.

Despite these challenges, Canada has the advantage of being a politically stable energy supply source with geographic proximity to the U.S. market. In 2006, Canada was the largest exporter of petroleum to the United States (17 per cent of U.S. imports, constituting 11 per cent of U.S. supply) and the largest supplier of natural gas (86 per cent of U.S. imports, constituting 16 per cent of U.S. supply), as well as supplying uranium that fuels over 10 per cent of U.S. electrical production. Canada also exports 41 billion kilowatt hours of electricity (one per cent of U.S. supply) to the United States.

Canada's potential for energy exports to the U.S. is enormous: oilsands reserves are estimated to be 175 billion barrels (the second-largest petroleum deposit in the world behind only Saudi Arabia), proven remaining conventional natural gas reserves are just under 60 trillion cubic feet (TCF), coalbed methane gas (recoverable resource) is estimated to be in excess of 167 TCF, and there are more than eight billion tonnes of proven conventional coal reserves. If developed competitively, these resources will maintain Canada's position as a world leader in energy exports.

Strategic in creating this dominant position was the shift away from interventionist government policies in both countries during the mid-1980s to a more market-based approach. The result of this thinking is the North American Free Trade Agreement. Since this agreement was signed, oil and gas activity in Canada has increased significantly. Oil production has risen from 1.6 million barrels a day in 1985, to 2.5 million barrels a day in 2006, making Canada the world's eighth largest producer. Oilsands growth will move the country to the fourth largest producer by 2015. Natural gas production has grown from under six billion cubic feet per day to 18 billion cubic feet per day over this same time period.

Regulatory approvals or cycle times in competing jurisdictions such as Australia, Norway, the United Kingdom, and the Gulf of Mexico are more efficient than in Canada and continue to be streamlined. The single-most important factor in compressing cycle times is the level of parallel or concurrent, rather than sequential processes. Regulators and government must make an unequivocal commitment to concurrency. For example, to improve the process, an environmental impact and facilities design and construction review could be run in parallel, rather than in isolation.

The Mackenzie Gas Project represents one of the most complex regulatory approval processes ever undertaken. The natural gas pipeline, running from the Mackenzie Delta to Northwest Alberta, is estimated to require direct involvement from at least 14 regulators, and the acquisition of more than 4,000 individual permits and approvals.

Clearly stated policy objectives and an efficient regulatory environment are essential to attract investment and stimulate economic growth. To remain competitive, the Alberta Chambers of Commerce urges the Alberta and Canadian governments to maintain the current market-based policy framework, and make adjustments where necessary, to position Alberta and Canada competitively in the global economy.

The Alberta Chambers of Commerce recommends the Government of Alberta:

1. Maximize the efficiency of regulatory processes to approve development of energy projects and infrastructure through strategic regulatory and legislative reform.

2. Eliminate where possible, and coordinate where necessary, any duplicative reviews to ensure that projects are not stalled at any level of government, or between levels of government, and that the review of specific aspects of projects by differing levels of governments are eliminated.

3. Establish co-jurisdictional panels, where appropriate, to rationalize review processes on submitted projects.

4. Maintain a competitive royalty regime that fosters a predictable and stable investment climate and honours existing agreements.

5. Ensure that federal, provincial and territorial jurisdictions are respected in the development and negotiation of international energy policy.

6. Work in collaboration with industry, law enforcement agencies, and all levels of government to maintain the security of Alberta's and Canada's energy industry assets.

7. Continue to support technological innovation and energy efficiency as key pillars in any government plan to address climate change.

8. Work with the federal government to ensure greenhouse gas reduction targets and initiatives are consistent with similar developments in the United States and abroad, recognizing the relatively small size of the Canadian economy and the degree to which the Canadian economy is integrated with the American economy.

9. Harmonize with the federal government the policies, programs, legislation and regulations so that citizens and businesses in all jurisdictions across Canada are treated fairly, can plan effectively, and have a clear and single set of consistent standards and/or targets for compliance.

10. Ensure that the energy industry is treated in a non-discriminatory manner in relation to other industries in the review and formation of provincial and federal government policy.

11. Work with the federal government and industry to ensure an adequate supply of skilled labour to meet the needs of the Alberta and Canadian energy sector.