

**“Dirty Oil,” “Responsible Resource
Development” and Prospects for a
National Conversation about Energy
Sustainability in Canada**

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An Emerging "Conversation"



NDP leader Thomas Mulcair will make his debut as NDP leader in Question Period Monday.

Chris Wattie/Reuters

Energy Sustainability Beyond Brundtland

- Intergenerational and intragenerational justice
- System resilience, adaptive capacity, precaution and avoidance of path dependency
- Economic and resource efficiency
- Sensitivity to Political considerations
 - Democratic governance
 - Geopolitical risks

Underlying Themes

- Energy and Environment Policy on parallel but separate tracks.
- Role of federal government in mediation of regional grievances

Post-NEP Energy Policy

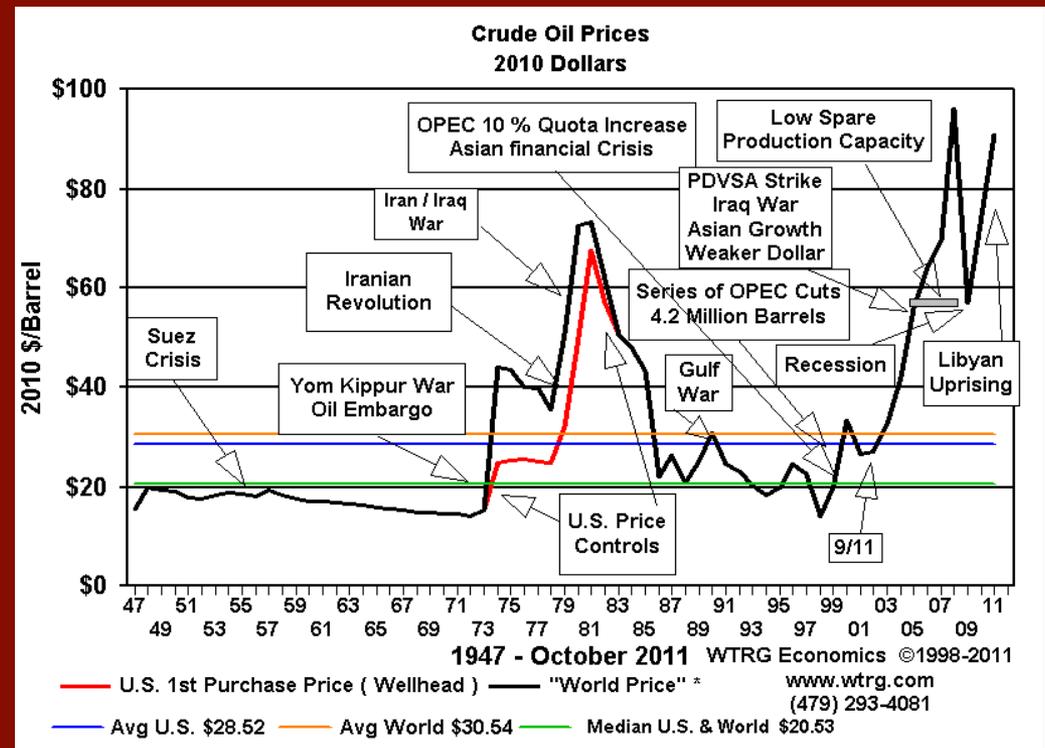
- Market and export orientation re: fossil fuels
- 1988 CUSTA and 1994 NAFTA
- Tax Expenditures for non-renewables
- Trade and diplomatic support for export market development
- Support for nuclear in Eastern Canada
- Weak approach to CC mitigation
- Weak/inconsistent support for 'soft' energy path technologies
- NRCan assaults on CEAA, FA, NWPA

Harper's Departure from the Traditional Path

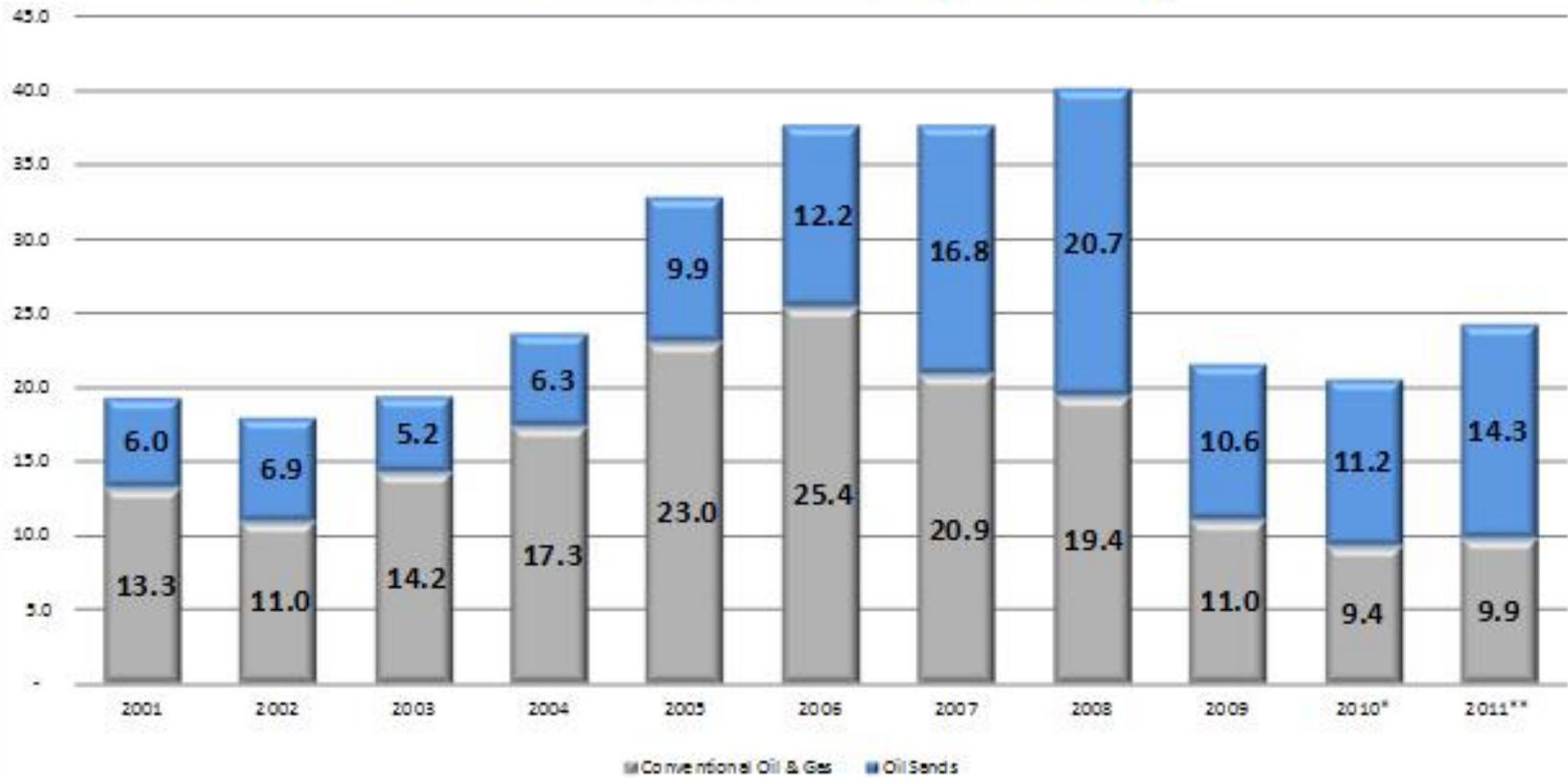
- Withdrawal of environmental constraints
- Search for new markets for petroleum exports
- Withdrawal of federal engagement on energy in Eastern Canada (AECL sale)

'Perfect Storm' for the Oilsands

- World Oil Prices
- Decline of Conventional Oil in North America
- Geopolitical considerations



Oil and Gas Investment in Alberta (Billion Dollars)



Source: Statistics Canada, *Public and Private Investment in Canada* (*2010 data are preliminary actuals, **2011 data are intentions)

Canada's main sources of greenhouse gas emissions.¹

| Source | % of national emissions (1990) | Emissions (Mt CO ₂ e, ² 2008) | % of national emissions (2008) | % change in emissions (1990–2008) |
|--|--------------------------------|---|--------------------------------|-----------------------------------|
| Industrial facilities | 54 | 387 | 53 | +21 |
| <i>Electricity generation</i> | 16 | 120 | 16 | +25 |
| <i>Oil and gas production, transmission and distribution</i> | 17 | 159 | 22 | +58 |
| <i>Oil sands extraction and upgrading</i> | 3 | 37 | 5 | +121 |
| <i>Other industrial facilities</i> | 21 | 109 | 15 | -11 |
| Transportation | 22 | 176 | 24 | +35 |
| <i>Passenger cars and trucks</i> | 11 | 88 | 12 | +31 |
| <i>Freight trucks</i> | 4 | 58 | 8 | +60 |
| <i>Railways</i> | 1 | 7 | 1 | +3 |
| <i>Aviation (domestic)</i> | 1 | 9 | 1 | +37 |
| <i>Other transportation (marine, recreational, buses etc.)</i> | 2 | 14 | 2 | +4 |
| Buildings | 11 | 78 | 11 | +17 |
| <i>Residential buildings</i> | 7 | 43 | 6 | +1 |
| <i>Commercial buildings</i> | 4 | 35 | 5 | +47 |
| Agriculture | 9 | 71 | 10 | +27 |
| Landfills | 3 | 21 | 3 | +16 |
| Other | 0 | 3 | 0 | |
| Total | | 734 | | +24 |

International Challenges

- Weakening US market
- XL delays
- Low-Carbon Fuel Standards
- Trade-Related measures in Congressional proposals and international initiatives

Domestic Challenges

- Traditional producer/consumer conflicts

- Distribution of Benefits

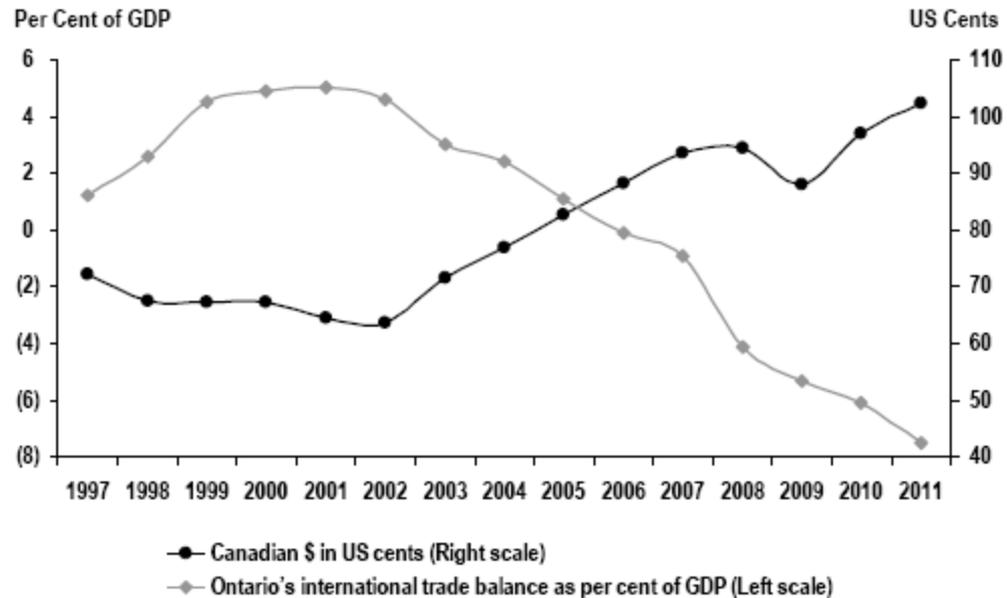
“There’s two realities in Canada; there are the economies of oil, gas and potash and others. That’s the reality of Canada and once we know that we need, I think, to be able to make decisions accordingly and that’s the financial situation of the country and we need to take that into account as we move ahead.”

- Impact on the dollar/“Dutch disease”

“... if I had my preferences as to whether we had a rapidly growing oil and gas sector in the west or a lower dollar, I’ll tell you where I stand: with the lower dollar.”

Domestic Challenges

CHART 1.1 Ontario's Foreign Trade Balance and the Dollar



Note: 2011 figures reflect data available for the first three quarters.

Source: Bank of Canada, Provincial Economic Accounts.

Domestic Challenges

- Low-Carbon economic strategies (BC, Manitoba, Ontario, Quebec)
 - Lack of federal support/engagement
 - AECL Sale
- BC/First Nations opposition to pipelines
- Next federal election likely to be decided in BC, Quebec and Ontario

A Path Forward?

- Moderating upwards pressure on the dollar
 - Pace of development
 - Role of Heritage/Stabilization fund
 - Royalty regime
 - Federal tax treatment of non-renewable resource development

A Path Forward?

- Energy Security
 - CUSTA/NAFTA Constraints
 - Federal support for post-carbon strategies
 - National Grid
 - Smart Grids, Storage, large scale integration of renewables

A Path Forward?

- Carbon pricing
- Strengthen, not weaken environmental law and regulation

Conclusions

■ Harper

- Acceleration of post-NEP energy policy path
- Search for New markets
- Alberta desire for support from other provinces

Regional Cleavages

- Distribution of benefits
- Impact on dollar
- Impact on post-carbon energy strategies
- Distribution of infrastructure risks and benefits
- No federal engagement on non-petroleum energy policy

Federal responses

- Traditional federal role in mediating regional disputes
 - NEP Last effort in terms of energy
- Harper reluctant to embrace but has to if wants to maintain market access and own political survival