

Speaking Notes for Gary Mar

International Association for Energy Economics Conference

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Check against delivery

- Good morning.
- Thank you _____ for that kind introduction...
- ...and thank you to the International Association for Energy Economics for inviting me to be here today and for hosting such a tremendous event.
- It is indeed an honour to speak at your 32nd annual conference.
- As a former politician, cabinet minister and now as a diplomat, I have been very fortunate to give many speeches to many interesting groups over my career...
- ...speeches on important topics such as education, health care and global trade, to name just a few.
- As we close the door on the first decade of the 21st century, I truly believe the greatest challenge and most important policy decision facing the world is how we balance:
 - energy production,
 - environmental responsibility and
 - economic growth.

- Governments, businesses and consumers can no longer look at these in silos...they are, and I believe will be forever, inextricably linked.
- Sir Isaac Newton actually had this figured out back in 1687 with his Third Law of Motion...to every action there is an equal and opposite reaction.
- The challenge for lawmakers and industry is to find balance in the equation.
- The force of developing the energy our economies, our societies require cannot overpower the necessity of ensuring a clean, vibrant planet for generations to come.
- Conversely, we cannot put fences around our energy resources that provide the heat, the cooling, the electricity and the transportation fuel that we use in our daily lives.
- And as we have seen over the last 10 months, the global economy is not immune to adversity...
- ...and any new policy decisions must factor in the effect on wealth generators, consumers and taxpayers.
- Clearly, there will be no simple, magic bullet answer to this equation.

- It is not simple physics where each variable has a value...you put those values in the equation and you come up with an answer.
- How do we put a value on energy, the economy, the environment?
- Which one is more important?
- Alberta believes, as I know many of you here today do, that we can grow our economies and produce the energy we need in an environmentally responsible way.
- My goal is to share with you the actions Alberta is taking and provide a bit of insight to developments in Washington and Ottawa.

Alberta Energy Overview

- Alberta is blessed to have an abundance of natural resources contained in a truly breathtaking backdrop.
- From the Rocky Mountains to the fertile prairies and expansive boreal forest, you can sometimes be overwhelmed by the beauty above the surface, and forget what's underneath...
- ...Oil, natural gas and coal. And plenty of it.

- Alberta is very fortunate to be home to the world's second largest proven oil reserve.
- The Alberta oil sands contain more than 170 billion barrels of recoverable oil.
- In total, Alberta produces around 1.7 million barrels of oil per day...with three-quarters of that production coming from the oil sands.
- By 2018, it is estimated that the oil sands will produce more than three million barrels per day.
- And it should be no surprise that the largest market for our oil is the United States.
- In fact, in 2008, Alberta was tied with Saudi Arabia as the largest exporter of oil to the U.S. with each of us supplying 15 per cent of total U.S. imports.

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- Alberta also has proven reserves of nearly 40 trillion cubic feet of natural gas...that is very important to electricity generation and for heating our homes when the mercury drops below zero.
- Other than Albertans...our largest customer for natural gas is the U.S.

- In fact, Alberta accounts for almost 50 per cent of U.S. natural gas imports, equaling 8 per cent of total U.S. consumption.
- But Albertans' main source of power, like the United States, comes from coal.
- It generates about 60 per cent our province's electricity, and we have estimated reserves in the neighbourhood of 37 billion tons.
- So the challenge we face is finding the right balance to ensure the action of developing our resources is balanced with the reaction on the environment...
- ...and I'm proud to say that we have a done a very good job.
- Alberta was the first jurisdiction in North America to adopt a climate change plan backed by legislation.
- We were the first to legislate mandatory emissions reductions for industry and the first - and only jurisdiction so far - to put a price on carbon for industry.
- Over the past 18 months, Alberta's large GHG emitters...those releasing 100,000 tonnes or greater... have made more than 10 megatonnes of reductions.

- That's equivalent to taking two million vehicles off the road.
- In Alberta, we also are pursuing the science of solutions by unleashing innovation and technology.
- As part of Alberta's climate change plan, we've allocated two billion dollars for steel-in-the-ground carbon capture and storage projects.
- A team of government and external experts are currently assessing 11 proposals from industry to build large, commercial-scale projects.
- Before the end of this summer, we will announce which of those proposals will receive funding.
- We're looking for projects that will be ready to be fully functional by 2015.
- CCS technology will undoubtedly be applied to oil sands and conventional oil production, but it holds tremendous promise in Alberta's coal sector.
- Not too long ago, U.S. Energy Secretary Chu announced plans to restart Future Gen, the U.S.'s first clean coal power project at Mattoon, Illinois using CCS technology.

- I have to say Alberta is very pleased to see that CCS is an important piece of the Obama administration's clean energy strategy.
- In fact, as part of the stimulus package the Administration has allocated 3.4 billion dollars to CCS.

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- That said, for a province with a population half the size of the Bay Area, Alberta's two billion dollar investment shows we are very serious about reducing our emissions.
- We also have the geology, buy-in from industry and political determination to see the technology succeed.
- CCS has an important role in our action plan to cut projected greenhouse gas emissions in half by 2050.
- We also believe the work we are doing will be transferrable to other jurisdictions.
- Along with CCS, Alberta is also using other technologies, such as various in-situ processes, to reduce our environmental footprint of oil sands production.

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- It is also important to know that Alberta strongly agrees with those who say that conservation and renewable energy are critical to our long-term energy future.
- In fact, the expanded use of renewable and alternative sources of energy has been a key component of Alberta climate change efforts.
- Alberta is developing wind and biomass energy and we are consulting with Albertans on the possibility of nuclear energy development.
- In fact, renewable and alternative energy projects are eligible to generate offsets as part of Alberta's Greenhouse Gas Regulatory Framework.
- We have made significant investment in alternative energy through a 239 million dollar bioenergy initiative.
- This has led to more than 850 million dollars in additional private investment, to date, in renewable fuels.
- And our provincial renewable fuel standard will require five per cent ethanol content in gasoline and two per cent renewable content in diesel by next year.

- Make no mistake, we know we can...and must do more.
- And I believe governments across the globe understand that as well.
- Each province, state, or country has its own experiences and expertise and is making inroads in finding a solution to the greatest challenge in 21st century.
- But no one government, organization or industry can do it alone.
- Climate change is a global problem and will require a global solution.
- It is critical that ideas are brought forward and knowledge is shared.
- Economies, and more importantly, the welfare of the world's citizens are depending on finding the balance.

Economy

- In Alberta, our economy, our way of life are reliant on our energy development.
- The importance of a strong economy in Alberta is also imperative for a strong Canada.

- The Canadian Energy Research Institute will soon be releasing an updated economic analysis of Alberta's energy sector.
- Our government had an opportunity to look at the preliminary results.
- Even taking into account the current global recession, CERI estimates that **oil sands** capital investment will exceed 218 billion dollars over the next 10-12 years.
 - This is a conservative estimate based on the new economic realities we are seeing today.
- If oil prices continue to rise, more investment will follow.
- CERI also estimates the real GDP effect of oil sands construction investment on Alberta will exceed 125 billion dollars over the next 25 years.
- In fact, Canada's overall GDP will benefit to the tune of almost 165 billion dollars....just on construction alone.
- The sustained GDP results from oil sands operation over the next 25 years will exceed one trillion dollars across the country.

- And over the next 25 years, it is estimated that the oil sands will create more than 206 billion dollars in tax revenue for Canada...helping to pay for hospitals, schools and roads.
- But the importance of the oil sands stretches beyond our borders.
- It is a safe, secure source of oil for the United States.
- It also creates jobs.
- Steel from Oregon is used to build oil sands infrastructure in Alberta.
- The 400 ton giant trucks used to mine the oil sands are built in Illinois – and the tires on those giant trucks are made in South Carolina...
- And the list goes on.
- The oil sands are a strategic resource for North America that create good jobs, help power our economies and deliver the energy we all require to go about our daily lives.

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- As I have mentioned before, balance is key.

- Alberta has always maintained that we cannot develop our resources at the expense of the environment, no matter how impressive the economic gains are.
- That is why we are:
 - investing in carbon capture and storage,
 - expanding our bio fuel and renewable energy sources, and
 - strictly monitoring and enforcing air, land and water quality...all in an effort to balance energy production, environmental responsibility and economic growth.
- So there is a glimpse at what Alberta is doing right now, but as I mentioned earlier, no one jurisdiction has all the answers, and it will take a global effort to solve Sir Newton's equation in a 21st century context.
- That is where I will spend the rest of my time today.

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Global Policy

- Looking at the national and international level...

- ...both Canada and the United States are moving forward with new climate change legislation and the world will be gathering in December to replace the Kyoto Protocol.
- We have nations like India and China that are constantly building new power plants to meet the energy demands of their growing economies...
- And according to the International Energy Agency's 2008 outlook, world-wide energy demand is expected to grow by 45 percent between 2006 and 2030...
- ...and the agency projects that fossil fuels will still account for 80 per cent of the world's primary energy mix in 2030.
- We know that we are still in the midst of the worst global recession in decades...
- And we know there could be catastrophic implications if we do not combat global climate change.
- Couple all of that with differences of opinion on these matters at the international, national, state and local level...and this is indeed the challenge of the 21st century.

Canadian Policy

- Let me start with a look at Canada.
- Just this month our federal government announced a plan to set up a carbon market in Canada by moving forward with an Offset System for greenhouse gases.
- Companies subject to the greenhouse gas emissions regulations will be able to purchase offset credits on the carbon market and use these credits for compliance with their regulated targets.
- In addition, other parties, such as small businesses, individuals and travellers, will be able to acquire and use these credits to voluntarily offset the greenhouse gas emissions from their activities.
- Draft guidelines have been released and the federal government will be taking feedback until August...with a final document expected in the fall.
- As you can imagine, this approach is drawing the ire of some and praise from others.
- Putting a price on carbon is one way to help the environment.
- The questions becomes, at what cost?

- How will this affect Canadian taxpayers, business and industry?
- How much will it reduce emissions?
- All very important questions and ones that need to be answered.
- The action of placing a price on carbon at a national level will inevitably have an opposite reaction on hydrocarbon energy production and the economy.
- The effects and implications of the reaction are uncertain...and there is nothing more unnerving for business than uncertainty.
- The Canadian energy industry has said it will provide input before August but it needs more details.
- Alberta's premier has said a federal plan must provide certainty so companies can plan for necessary, long-term investments in technology that will result in meaningful emissions reductions.
- A plan must also be transparent and effectively communicated so Canadians have a clear understanding of the costs associated with any carbon policy.

- Taxpayers have a right to know how much a government policy is going to take from their pockets.
- It is up to the taxpayer to decide if they are comfortable with the cost.
- At the end of the day, the way in which Canada chooses to respond to climate change will shape the future of our country.

U.S. Policy

- And like good neighbours, Canada is closely watching what the U.S. is doing.
- Our economies are so closely integrated that the implications of any new climate change policy south of the 49th parallel will ripple through Canada.
- And we are watching nothing more closely than the *American Clean Energy and Security Act of 2009*.
- Congressmen Henry Waxman and Ed Markey have produced the energy and climate change legislation and the latest news out of D.C. is there will be a vote on the House floor by July fourth.
- As the legislation is hundreds of pages, I could spend the rest of the conference discussing the ins and outs of each line...but the bill is fluid.

- Changes continue to be proposed and some will be made.
- The reason for all the changes fits with what I have been talking about – balancing environmental responsibility, energy production and economic growth.
- This bill takes a bold step toward reducing greenhouse gas emissions, but at what cost for energy producers, consumers and the economy, and will it actually deliver on the emission reductions it targets?
- And is it palatable during these difficult economic times?
- Also, will it be ready for the upcoming world climate change meeting in Copenhagen?
- Copenhagen will be the platform for the global community to replace the Kyoto Protocol, which because of unrealistic targets and timelines, has not had the effect many were hoping for.
- With something so important and with such wide-ranging implications, it is imperative that Canada, the United States and the world get a new agreement right.

- I truly hope that we can find a solution...and reach a balance between economic growth, energy production and environmental responsibility by December.
- That would be a profound moment for all countries.
- But if we are not ready...and if the plan is not realistic, we will not be making any headway on meeting GHG emission reduction targets.

Conclusion

- So in conclusion, I would encourage us all to be open, transparent and frank in considering policy decisions involving energy, the environment and the economy...
- ...remembering they are inextricably linked.
- Let's keep reminding ourselves of Newton's law.
- Every action on energy production, environmental responsibility or economic growth will have a reaction on the others.
- The task for us all is to find harmony and balance...
- ...and there is no doubt in my mind that we can meet this challenge, sustain our economies, produce the energy we need and address climate change.

- It will take innovation, commitment and, most importantly, working together.
- This conference will undoubtedly shed new light and open new doors for many of us in attendance.
- Let us use the knowledge we gain and contacts we make to further build the foundation from which we can all move forward.
- Thank you, and I hope you all enjoy the conference.

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