Canadian Energy Policy and Politics in a North American Context: A Partial View

André Plourde
Faculty of Public Affairs
Carleton University, Ottawa, Canada

34th USAEE/IAEE North American Conference
Tulsa OK, 23-26 October 2016
Roadmap

• A Bit of Context

• State of Play in 2010

• State of Play in 2016
  • The Politics of Oil Sands Exports

• Where Does That Leave Us?
  • A Partial Look Ahead
A Bit of Context...

• **Canada as a federal state**
  - Energy – oil / gas / electricity
  - Environment

• **1973-1983: a decade of heavy-handed federal intervention in energy**
  - Liberal Party in power throughout period...PM Trudeau

• **1985: federal government withdraws from energy policy scene**
  - FTAs essentially confirm market-driven approach to Canada-US energy relations embedded in Canadian (federal + provincial) policy
State of Play in 2010

• **Huge, sustained increases in Canada-US energy trade volumes** – one-way flows: from Canada to USA
  
  - More than 50% of Canadian oil & gas production exported
  - More than 99% of Canadian export volumes reach US markets
  - Canada largest source of US crude oil imports & natural gas imports
  - Imports from Canada account for ≈15% of US natural gas consumption
  - Needed pipeline capacity added, but concerns about potential shortages getting more acute
  - Electricity trade important in some sub-national regions...not very important at national level

• From Canadian perspective, Mexico not a big factor in North American energy relations

• **Canada has not had & still does not have a “credible” climate policy**
  
  - Neither do USA and Mexico, for that matter
  - Lots of words / good intentions, subsidy programs, some investment support programs
    - A patchwork of approaches at the provincial level, some more serious than others
    - Some success on de-carbonizing electricity supply (e.g., off-coal in Ontario; wind power)
State of Play in 2016 [1]

- **Some things have not changed…**
  - Canada-US electricity trade continues to be important in some regional contexts, but not nationally
  - From Canadian perspective, Mexico still not a big factor in North American energy relations

- **Some things have changed…A LOT…**
  - **Growth in US crude oil production…**
    - Mostly at lighter end – not direct competition for heavy crude imports from Canada (at least in short-to-medium term)
    - Canadian perspective: Canada would continue to be a preferred source of US crude oil imports & work with US firms to expand market opportunities

- **And then...the “K” word...**
The Politics of Oil Sands Exports

• **Dilemma evident from map**
  - Three all-Canadian pipeline proposals

• **Did it all begin with the K word?**
  - Not really...but it “changed” things
  - Dynamics of opposition to Keystone XL has carried over in Canadian context & combined with an existing (now enhanced) concern...

• **Coalition – politically powerful**
  - Concerned about environ’l impact of:
    - Proposed pipelines projects
    - Oil sands production
    - End-use of oil products
  - Concerned about impact on Indigenous peoples
State of Play in 2016 [2]

• **Some things have changed...A LOT...**
  • Growth in US crude oil production...
    • Mostly at lighter end – not direct competition for heavy crude imports from Canada
    • Canadian perspective: Canada would continue to a preferred source of US crude oil imports & work with US firms to expand market opportunities
  • And then...the “K” word...
    • In North American context...
    • In Canadian, domestic context...

• **Canada-US natural gas trade pattern quite different**
  • In 2015, ≈48% of Canadian production exported, all of which to USA...still
  • **BUT...≈28% of Canadian consumption needs met by imports from USA**
    • Link to Energy East crude oil pipeline proposal
    • Any implications for proposed LNG projects?
State of Play in 2016 [3]

• Some things have changed...A LOT...

• The state of climate policy in Canada
  
  • Continued provincial presence – a patchwork of efforts...examples
    • Western Climate Initiative: California, BC, Québec, and now Ontario
    • Carbon taxes / levies: BC, Alberta (large industrial emitters; expanded on 1 January 2017)
    • Continued efforts to de-carbonize electricity supply: many provinces, especially Ontario (green electricity - problems) & Alberta (recent off-coal announcement)
    • Lots of investments in “green” energy supply & technology
  
  • Specific to Alberta oil sands: cap on emissions from the sector
    • Cap of 100Mt (2014 emissions: ≈70Mt)
State of Play in 2016

• Some things have changed...A LOT...

• The state of climate policy in Canada...continued

  • (Much) Increased federal presence
    • Canada signed Paris Agreement in 2015
      • Federal government has indicated intention to ratify, possibly before end of 2016
    • Canadian commitment: by 2030, reduce GHG emissions by 30% below 2005 levels
      • At a minimum...
    • 2005 emissions: 747Mt => target of 523Mt
    • 2014 emissions: 732Mt => needed reduction of 209Mt
    • [Many observers feel this is not credible – target will not be reached...again]

  • What policy approach?
    • Canada-wide carbon pricing – proposed tax / levy
      • If necessary, but not necessarily...
State of Play in 2016 [5]

• Some things have changed...A LOT...

• The state of climate policy in Canada...continued
  
  • (Much) Increased federal presence...continued
    • What policy approach?
      • Canada-wide carbon pricing – proposed tax / levy
        • 2018: $10/t; rising by $10/t every year until 2022 (when it reaches $50/t)
      • If necessary, but not necessarily...
        • Each province has about two years to align & if not, federal plan comes into effect
        • Provinces split on reaction to federal announcement
          • BC, Québec, Ontario – support
          • Alberta, Saskatchewan, Newfoundland & Labrador (oil & gas producers), Nova Scotia – oppose
          • Liberal Party again in power federally...PM Trudeau v2
Where Does That Leave Us? [1]

• **Mexico**
  - A number of “false starts”...will it be different this time?

• **Electricity**
  - Continued efforts to de-carbonize supply
  - Trade likely to remain important in some regions, not so internationally / continent-wide

• **Natural gas**
  - New reality of Canada-US natural gas trade pattern: here to stay?
  - If so, implications for planned (& approved) LNG export projects off Canada’s West Coast?

• **Oil sands**
  - Will Alberta’s oil sands remain landlocked?
  - Hard to see how all of the proposed pipelines to “salt water” will proceed...
    - Key question: will at least one proceed? If so, which one(s)?

**Climate policy**
- Elements of a credible “Canadian” climate policy are (finally) emerging
- Federal gov’t getting back into energy policy through climate policy
  - Will this be controversial in Canada?
    - Recall...Liberal Party back in power...PM Trudeau v2
  - Role of Alberta (government & public) will be critically important here
  - Possible approach: Alberta emissions cap PLUS federal carbon price PLUS approval for one pipeline to “salt water “?
  - A likely consequence of un-coordinated federal / provincial action: policy patchwork & different carbon prices across the country
  - BUT...will federal presence now make some element of Canada-US / North American climate policy harmonization more likely?