

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

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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...**

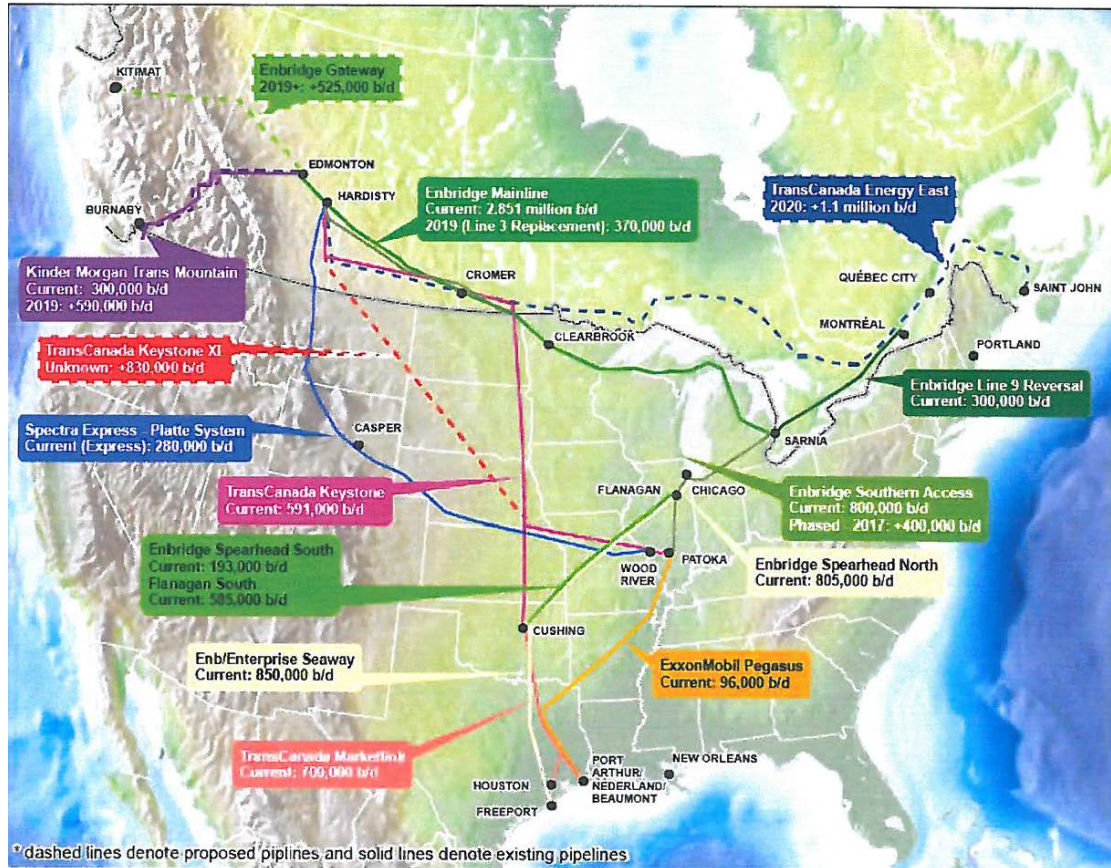
- ***Growth in US crude oil production...***

- 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

Canadian and U.S. Oil Pipelines and Proposals



- **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 [4]

- **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)?

Where Does That Leave Us? [2]

- **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?