



THE MACDONALD-LAURIER INSTITUTE



COMMENTARY/COMMENTAIRE

Natural Resources: Powering Canada's Economy

by the Honourable Joe Oliver, Minister of Natural Resources

This Commentary is based on a speech presented to the Macdonald-Laurier Institute conference, Moving Canada Ahead: Fuelling Prosperity and Sustainability in our Transport System, in Toronto, Ontario on March 26, 2012.

Introduction

Thank you very much, Peter for your kind introduction.

I am very happy to have this opportunity to meet so many leaders of our transportation and oil and gas sectors. Your businesses and your people literally keep Canada moving. It brings together all aspects of our energy sector value chain, from our vital primary energy production to a vigorous processing and refining industry. Your Conference is tackling a key policy issue for Canada, a nation with an efficient transportations system is crucial to our economic wellbeing.

I also want to tip my hat to the Macdonald-Laurier Institute and its dynamic managing director, Brian Lee Crowley. Chapeau. Under Brian's leadership the Institute has quickly become one of the premier forums for discussing key public policy issues in this country. One reason is that Brian and the Institute don't pull any punches and never shy away from debate or controversy.

And, why would they? Their goal is crystal clear—to make poor public policy unacceptable in this country. Now, that's something I totally support and I imagine you do as well.

I would like to focus my remarks today on a public policy issue that is stirring up a lot of heat, but a lot less light. To be specific, the need to modernize our regulatory system to foster responsible and timely resource development in Canada. Granted the title is bland, but its implications are profound, because what is at stake is the prosperity and security of Canadians for generations to come.

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De temps de temps, nous arrivons à un point tournant de notre vie nationale où s'impose la prise de décisions fondamentales sur la direction qu'il devrait prendre notre pays.

Every now and then in our national life we come to a crossroads where we must make fundamental decisions about the direction our country should take. Think of John A. Macdonald's National Policy in the 19th century or the Canada-U.S. Free Trade Agreement in the 20th century.

Those were moments of truth for our country.

As Canada's Minister of Natural Resources, I believe that, once again, we face that kind of fundamental decision: how to reconcile maximum resources development with our duty to protect the environment.

The choice we make and the path we take will have a huge impact on the jobs, prosperity, security and the quality of life of Canadians for many decades.

Le choix que nous faisons et la voie que nous empruntons auront une influence considérable sur l'emploi, la prospérité et la qualité de vie des Canadiens pendant des décennies.

To quote a favourite American philosopher Yogi Berra, when you come to a fork in the road, take it. To take it we Canadians must answer two basic questions.

Are we prepared to take full advantage of our immense resource endowment, including our oil sands. If yes, are we prepared to do what is needed to attract investments and build the infrastructure to move our resources from where they are, to where they are wanted?

Our government's answer to both questions is a definitive "Yes". I am confident that we can achieve a regulatory system that protects Canadians and the environment and at the same time supports Canada's competitive advantage. We can provide reviews of major projects that are timely and more predictable. We can reduce regulatory duplication. And we can protect the environment and address the legitimate concerns of Canadians, including Aboriginal peoples. We can and we must.

Still, some Canadians are ambivalent, others are skeptical and some are unalterably opposed. We have mountains of minerals and oceans of oil under our feet, still some among us are not sure what to think or what to do about it. For example, the opposition NDP has, without embarrassment, aligned itself with foreign interests in the US and Europe to oppose development of Keystone XL and to support the non-scientific and discriminatory European Fuel Directive. I gather its new leader's position is more nuanced. Thomas Mulcair wants to tax the oil sands to death. Let's see how that works out with his union supporters whose focus, like ours, is on jobs.

For a time natural resources were thought of as the old economy. While we worked hard to

promote high technology and services, there was a sense that reverting to hewers of wood and drawers of water would be an unacceptable move – unworthy of an advanced country such as Canada.

But, let's get real.

Natural resources have been the backbone of our economy and our standard of living from Canada's earliest days, and that is still the case. Furthermore, natural resources are a high tech industry and generate sophisticated services and are crucially dependent on innovation to enhance extraction, improve efficiency and reduce the environmental footprint.

Few countries have a natural resource endowment equal to ours. We should consider it a blessing, not a burden and certainly not a source of shame.

First, it is useful to put this discussion in a broader context. The global energy picture is changing rapidly with large non-conventional sources in the form of shale gas, tight oil, oil shale and yes Canada's own oil sands putting to rest concerns of peak oil, even in the light of relentlessly growing demand for energy. Furthermore, they are more widely dispersed than conventional energy. So these new sources will have geopolitical and economic implications, including reduced dependency on OPEC, that will be positive for western countries, especially Canada. Indeed we are emerging as an energy superpower and mining giant offering prosperity and security for Canadians across the country for generations to come. This century can truly be Canada's if we have the vision, the will and the ability to grasp the extraordinary opportunity our natural resources offer.

The debate about responsible development of our natural resources is truly transformational. It is, without exaggeration, about the future of Canada.

So let's talk facts.

The Oil Sands: A Canadian Resource

First our oil sands.

It's time for a serious, reasoned and balanced discussion. We need more science and a lot less science fiction. The stakes are too high for this issue to be hijacked by those who do not have the best interests of Canadians at heart, who are driven by ideology.

For the oil sands are not just an Alberta issue. They are an issue for all Canadians.

The oil sands are responsible for some 400,000 direct and indirect jobs in skilled trades, manufacturing, high technology and the financial services, in every region of our country, including right here in Ontario. According to the Canadian Energy Research Institute, if you include proposed pipeline expansion and projected increases in oil production, the oil sands will support, on average, some 700,000 jobs on average over the next 25 years annually. The Institute also forecasts the oil sands could contribute more than \$3.3 trillion to Canada's GDP during that same period.

The oil sands industry is a tremendous customer for all kinds of businesses right across the country. Many Ontario companies are taking advantage of this opportunity, supplying billions of dollars worth of technologies, products and services. Aecon Industrial in nearby Cambridge, for example, has produced tens of millions of dollars worth of pre-fabricated piping systems, structural and custom steel components for oil sands projects. The company's oil sands work makes up about half its revenues for its Fabrication Unit and employs up to 200 people. And Cancard Inc., located north of here in Markham, has found a new market for its heavy-duty embossed metal identification tags that are readable in the harshest industrial environments.

Earlier today I toured the Automatic Coating Ltd., plant right here in Ontario. It produces high-performance liquids and powder coatings used in Canada's oil and gas industry, including the oil sands pipelines. This innovative company is recognized worldwide as having one of the most technologically advanced powder coating facilities in North America. In fact, they are suppliers to the Keystone XL pipeline.

You may have heard of that pipeline.

If we consider only existing projects, it is expected about 35,000 people will be working in Ontario in jobs supporting Canada's oil sands industry on average every year over the next 25 years. Over the same period, expanded oil sands development could support an additional 17,000 jobs a year in Ontario. Businesses in Ontario have a major stake in the development of the oil sands. And that stake will grow dramatically. By 2035, it's estimated that about 7% of the total jobs related to oil sands will be found right here in Ontario.

Looking ahead, the Canadian Energy Research Institute predicts the oil sands industry will buy some \$65 billion worth of goods and services from companies in Ontario over the next 25 years. This amount is projected to grow to \$95 billion if new oil sands development occurs.

Canadians need to appreciate how fortunate we are to have the oil sands.

Our country has the third largest proven oil reserves in the world--only Saudi Arabia and Venezuela have more. And, almost 170 billion of our 174 billion barrels are in the oil sands. And the oil sands are, at the end of the day, a technology project and with technological improvements that number could increase to over 300 billion barrels, making it the largest oil reserve in the world.

Yet there are those who argue you cannot develop the oil sands without devastating our environment, that it's an either/or proposition, the economy or the environment. And this debate rages on, including with certain Hollywood celebrities who tell us how we should develop our own resources in our own country.

They may talk about balanced and sustainable growth, but their real agenda is to shut down our oil sands. Go ask the tens of thousands of workers whose jobs depend on the oil sands, if they agree. Ask them if they think it's an either/or proposition between well-paying jobs and the environment.

Our government believes we can do both at the same time--take full advantage of our oil sands and take care of our environment. We call that responsible resource development. We believe it can be a win-win situation for today's workers and for future generations of Canadians.

The stakes are high. That's why facts matter in this debate, especially with respect to the environment.

For example, the fact is that the oil sands represent 0.1%, or about one one-thousandth, of global greenhouse gas emissions. Just a few weeks ago, Dr. Andrew Weaver of the University of Victoria, one of the most respected climate scientists in the world, released his analysis of the impact of the oil sands on the global climate. According to Dr. Weaver, if every drop of the current oil sands reserves of almost 170 billion barrels were produced – and at today's rate of production that would take more than 300 years – the total effect would be an increase in global temperature by a grand total of .03 of a degree Celsius.

That is three one-hundredths of a degree. So those who claim that the oil sands will destroy the planet are talking nonsense.

Others have more recently posited there is a trade-off between Ontario manufacturing and western resources--that the success of the latter must necessarily be at the expense of the former.

Not only is that argument divisive, it does not stand up to objective analysis. A recent article by economist Jack Mintz put to rest the so-called Dutch disease thesis that the high Canadian dollar brought on by resource development explains the decline in manufacturing employment in Ontario. He showed that the same decline occurred in U.S. rustbelt, largely due to competition from lower cost producers in Asia.

Ontario's Vast Mineral Wealth

So back to the facts. All told, Ontario's natural resource industries employed some 276,000 people last year. This Province has been Canada's leading metals producer for almost a century, producing more than 30 different metal and non-metal mineral products.

Ontario now leads all Canadian provinces in mineral exploration, and Ontario's minerals sector last year accounted for 21% of the entire country's mineral production, worth more than \$10 billion. A single new mine in this province can generate between 2,000 to 2,500 jobs and pump up to \$300 million into the economy. When we talk about responsible resource development, this is what we are talking about.

There are currently more than 600 active mining exploration projects throughout the province. And, the Ring of Fire in northern Ontario offers huge potential for even greater prosperity, with estimates that the chromite deposits in the Ring of Fire could be worth as much as \$50 billion and deposits of base metals and platinum-group metals worth as much as \$10 billion.

Clearly, rather than it being a case of western resources versus Ontario manufacturing, resources are at the heart of Ontario's economic present and future. And, they are a key to Canada's economic agenda.

We should be taking immense pride in what we have and what it can mean to our country's future. Energy, mining, and forestry account for over 10% of Canada's GDP and growing, and are directly responsible for the jobs of more than three-quarters of a million Canadians. According to Statistics Canada, our natural resource sectors intend to make some \$125 billion in new capital investments this year. This represents nearly one third of all business investment intentions across the broader economy.

Creating Conditions for Success

Canada is ranked by Forbes magazine as the best country in the world in which to do business, and we certainly want to keep it that way.

Both the IMF and the OECD predict Canada's economic growth will be among the best in the G7 this year and next. There's no question the resource sector will play a significant part in that growth. In fact, over the next 10 years we could see as much as \$500 billion in new energy and mining investments in major projects across Canada.

But, those are potential investments. They are not guaranteed. We have to recognize the global economic balance is shifting and we must adapt to these changes.

I was in China with the Prime Minister last month, and I can tell you there's an immense

demand there for the kinds of natural resources we have in abundance. My visit with the Prime Minister was my second in four months, and I expect I'll be back talking about Canada's resources.

Regulatory Modernization

To truly take full advantage of the tremendous new opportunities for our resources in China and other fast-growing global markets we need to do a lot more. We need to untangle our outdated and complex web of rules and regulations for environmental assessments. We need to attract capital to develop our natural resources and build up our infrastructure. That is why modernizing and streamlining our review process for projects is an economic fundamental we have to get right.

Currently, major projects in Canada are subject to a needlessly complex, duplicative regulatory system--a system developed and added to over many years without much consideration for the overall effect. That can mean expensive delays and unpredictable timelines. Delays that can compromise the viability of major projects, while doing little to improve the environment. We have been spending time and money reviewing literally thousands of small projects every year, projects that even the Canadian Environmental Assessment Agency says has virtually no impact on the environment.

There are numerous examples of projects in this province getting caught in the regulatory net. For example, Parks Canada had to complete an environmental assessment for the removal of dead and damaged trees next to office property which were deemed a public safety hazard, and National Defence had to do the same to build an outdoor swimming pool at CFB Trenton.

This is a huge disincentive to investment in a highly competitive market for capital.

That is why we need to focus our attention and assessments where they really matter--on big projects with real potential consequences for the environment. That's why smart regulation is a key priority for our government. We want a regulatory system that protects Canadians and promotes environmental stewardship, while, at the same time, supporting Canada's competitive advantage.

One that provides more timely and predictable reviews. One that reduces duplication between jurisdictions, while still protecting the environment and addressing the legitimate concerns of all Canadians, including Aboriginal peoples.

Our ultimate goal? One project, one review, completed in a clearly defined time period.

And I am pleased to note that responsible resource development and the streamlining of the

approval process for major economic projects across the country will be a key focus of Canada's Economic Action Plan 2012, which, as you know, Minister Flaherty will introduce on Thursday.

Conclusion

Today, we have a tremendous opportunity to capitalize on our resource development potential, foster diversification and stimulate jobs and growth in a period of global economic uncertainty.

And, nowhere is this clearer than right here in Ontario. This province contains all the ingredients necessary for prosperity and success: a highly diversified economy, abundant natural resources, high quality public services and hardworking, innovative and ambitious citizens.

The time to act is now.

This country's natural resources have been a cornerstone of our prosperity from our earliest days.

Les ressources naturelles de notre pays ont été une pierre angulaire de notre prospérité depuis les tous débuts.

This truly is a transformational moment for Canada. By acting now to modernize our regulatory regime, we can help ensure that our natural resource abundance will be a cornerstone of our prosperity for generations into the future.

Thank you.



THE MACDONALD-LAURIER INSTITUTE



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The notion that a new think-tank in Ottawa is unnecessary because it would duplicate existing institutions is completely mistaken. The truth is there is a deep dearth of independent think-tanks in our nation's capital.

- Allan Gotlieb, former Deput Minister of External Affairs and Ambassador to Washington

To surmount the enormous challenges of getting Canada's place in the world right and taking advantage of changing opportunities, we need more ideas, input, discussion and debate in Ottawa - that is where the crucial decisions about our future are made.

That's why MLI is so vital to Canada today.

- Hon. James S. Peterson, former Minister of International Trade and Member of Parliament for 23 years

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