



THE ROLE OF REGULATORY DIPLOMACY

A DISCUSSION WITH JIM ELLIS, PRESIDENT AND
CEO, ALBERTA ENERGY REGULATOR | SUMMARY

DECEMBER 2014



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The Public Policy Forum is an independent, not-for-profit organization dedicated to improving the quality of government in Canada through enhanced dialogue among the public, private and voluntary sectors. The Forum's members, drawn from business, federal, provincial and territorial governments, the voluntary sector and organized labour, share a belief that an efficient and effective public service is important in ensuring Canada's competitiveness abroad and quality of life at home.

Established in 1987, the Forum has earned a reputation as a trusted, nonpartisan facilitator, capable of bringing together a wide range of stakeholders in productive dialogue. Its research program provides a neutral base to inform collective decision making. By promoting information sharing and greater links between governments and other sectors, the Forum helps ensure public policy in our country is dynamic, coordinated and responsive to future challenges and opportunities.

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SUMMARY

On December 3, 2014, the Public Policy Forum brought together 27 business leaders, energy regulators, public servants and other stakeholders as part of the Forum's practice of convening multi-sector leadership dialogue on policy issues of national importance. The event took place in Ottawa in the boardroom of Gowlings LLP, and the Forum acknowledges the law firm's generous support. Moderated by David Mitchell, President and CEO of the Forum, the discussion featured opening remarks by Jim Ellis, President and CEO of the Alberta Energy Regulator (AER) and explored the role of regulatory diplomacy in ensuring responsible energy development. The agenda and participant list are attached to this summary.

Smarter Energy Regulation

Mr. Ellis opened the session by describing the regulatory system that existed prior to the launch of the AER in 2013. A 2010 survey by the International Energy Agency had determined that the Alberta regulatory regime was not as competitive as it could be, and that the province was missing out on valuable opportunities as a result. This motivated the Government of Alberta to consider alternative ways of regulating the energy industry in the province. At the executive level, a government task force was established to look for international examples of regulatory leaders and determine which, if any, models could inform changes to Alberta's system. At its conclusion, the task force recommended that Alberta establish a single regulatory body with unified responsibility for policy assurance (regulatory delivery) of upstream oil and gas development activities.

Described as the largest and most complex regulatory change in the history of the province of Alberta, the merger between the Energy Resources Conservation Board and the regulatory functions of the provincial Departments of Energy and of the Environment began in early 2013. Following this, the AER became responsible for all projects relating to oil and gas development activities in the province, ranging from relatively small projects to those costing tens of billions of dollars. From the point of application, through development to eventual restoration, the AER has responsibility for the full "life-cycle" of energy projects. Employing 1200 staff across multiple offices, the regulator processes 60-65,000 applications each year.

The merger also sought to enhance the connection between policymakers and regulators, by moving several hundred people from jobs with the provincial government to the AER, bringing with them experience and expertise, and helping to build what is described as a "matrix organization."

Guiding the AER is an understanding that the new regulatory body needs to be highly professional and recognized as such. To support this objective, Mr. Ellis outlined the regulator's three-year strategic plan to establish priorities and performance measures along themes of protection, effectiveness, efficiency and credibility.

Building Trust and Public Confidence

The importance of communication and transparency was emphasized throughout the discussion. Responding to a question about public perceptions of regulatory bodies, Mr. Ellis described some of the steps the AER is taking to build trust and increase public confidence in the new regulator, such as countering negative attitudes towards energy development and regulation through disclosure and engagement.

To help increase public confidence, the AER has developed a website where every incident relating to energy development in the province is publicly disclosed within 24 hours. As a result, the AER's policy of disclosure and openness sets a high bar for regulators. Although some companies were initially reluctant to embrace such a level of openness, being transparent actually enhances public confidence in the regulator and the broader energy industry. Given that the national and international media pay close attention to incidents relating to oil and gas development, proactive disclosure of information helps to not only build trust, but also reveals how rarely significant incidents actually occur. After launching the website, some journalists had expressed mild disappointment at the lack of newsworthy incidents that emerged, which seems to illustrate the gap between perception and reality regarding the overall safety of energy development in Alberta.

The AER is also taking steps to engage stakeholders, build trust and establish a meaningful dialogue with the public. The Stakeholder and Government Relations Division was

created with a mandate to enhance the reputation of the AER as a best-in-class regulator by working proactively with stakeholders at the community, provincial, national and international levels. With environmentalists or environmental non-governmental organizations, the goal is not to convince them that they should support energy development, but to make sure that they are as informed as possible about the issues that are important to them.

Becoming a “Best-in-Class” Regulator

The AER represents an ambitious attempt to develop a more coordinated, effective and trusted regulator in a complex area of public policy. During the roundtable discussion, Mr. Ellis told participants that being a top regulatory body is not enough if the organization is first amongst regulators who are mediocre. Instead, the AER seeks to raise the overall standards that regulatory bodies aspire to meet and to establish the AER as a “best-in-class” organization.

In order to measure progress towards becoming a best-in-class regulator, the AER has commissioned the University of Pennsylvania’s Penn Program on Regulation to identify the main qualities of a best-in-class regulator and develop a system for quantifying the extent to which the AER satisfies the criteria. A peer-reviewed framework will be completed by the summer of 2015.

The AER is also focused on ensuring that regulatory compliance does not undermine energy innovation by accepting that risk is necessary for progress. In particular, the AER recognizes the need to support new technology that can improve the environmental standards associated with resource development. All energy stakeholders across sectors must accept that being in the energy business is synonymous with being in the environmental business.

Mr. Ellis explained that to incent the good performance of energy developers, the AER seeks to reward good performers by providing those who consistently meet or exceed standards with a more streamlined process. This reduces costs for the regulator, while encouraging companies with strong safety and environmental records to do business in the province.

The discussion with Jim Ellis provided an informative overview of the AER’s ambitious agenda, which will almost certainly be tested in the coming years. Looking ahead, the Public Policy Forum looks forward to exploring opportunities to help advance smarter energy regulation in Canada.





SPEAKER'S BIOGRAPHY

Jim Ellis, President and CEO, Alberta Energy Regulator

Jim Ellis has more than 30 years' experience in the public sector, including seven years with the Government of Alberta.

Mr. Ellis joined the Alberta Public Service in 2006 as the Executive Director of the Alberta Environment Support and Emergency Response Team (ASERT). In 2007, he was appointed Assistant Deputy Minister responsible for environmental regulatory affairs in Alberta.

Mr. Ellis was appointed Deputy Minister of Environment in 2008 and held that position until 2011 when he was named Deputy Minister of Energy. During his tenure with the Department of Environment, he led the development of numerous major environmental policy initiatives including: the environmental frameworks for the Oil Sands Region within the Lower Athabasca Regional Plan; climate change initiatives; and improvements to the environmental regulatory process for the oil and gas sector.

As the Deputy Minister of Energy, Mr. Ellis led the development and implementation of the Oil Market Diversification Strategy, was the lead provincial official for the Canadian Energy Strategy and oversaw implementation of the Regulatory Enhancement Project.

Mr. Ellis has been the president of the Alberta Water Council, chairman of the Alberta Petroleum Marketing Commission, and chair of the Steering Committee of the Regulatory Framework Assessment for Carbon Capture and Storage.

Prior to joining the Alberta Government, Mr. Ellis served 23 years as an officer in the Canadian Army, retiring as a Colonel in 2006. He commanded at various levels including Commanding Officer of the Lord Strathcona's Horse (Royal Canadians), Canada's tank regiment. He served in Germany with the British army, and commanded during the war in Bosnia in 1994 and 1997. Mr. Ellis also commanded in Canadian-based operations including the Winnipeg floods in 1997, the Pine Lake tornado in 2000, the G8 Summit in Kananaskis in 2002, and the Kelowna fires in 2003. His final overseas mission was as the Senior Commander for Canada's mission to Afghanistan in 2004/05.

THE ROLE OF REGULATORY DIPLOMACY

*A discussion with Jim Ellis,
President and CEO, Alberta Energy Regulator*

Wednesday, December 3, 2014
12:00 p.m. – 2:00 p.m.
Gowlings' offices, Henderson boardroom
Suite 2600, 160 Elgin Street

AGENDA

11:45 a.m.	Lunch served
12:00 p.m.	Welcome and tour de table David Mitchell, President and CEO, Public Policy Forum
12:15 p.m.	Opening Remarks Jim Ellis, President and CEO, Alberta Energy Regulator
12:45 p.m.	Roundtable Discussion
2:00 p.m.	Adjourn

LIST OF PARTICIPANTS

Speaker: Jim Ellis
President and CEO
Alberta Energy Regulator

Moderator: David Mitchell
President and CEO
Public Policy Forum

Janet Annesley
Vice President, Ottawa and Eastern/Atlantic Canada
Canadian Association of Petroleum Producers

Bob Bleaney
Vice President, External Relations
Canadian Association of Petroleum Producers

Julie Cafley
Vice-President
Public Policy Forum

Jason Cameron
Vice-President, Regulatory Affairs Branch
Canadian Nuclear Safety Commission

Mike De Souza
Freelance Reporter

John Dillon
Vice President, Policy and Corporate Counsel
Canadian Council of Chief Executives

Peter Dinsdale
Chief Executive Officer
Assembly of First Nations

Stewart Elgie

Professor
University of Ottawa

Nevin French

Deputy Director for EU Commercial Relations
Department of Foreign Affairs, Trade and
Development

Monica Gattinger

Professor
University of Ottawa

Ron Hallman

President
Canadian Environmental Assessment Agency

Stephen Higham

Research Assistant
Public Policy Forum

Michael Horgan

Senior Advisor
Bennet Jones

Brian Jackowich

Senior Director Utilities Service
Alberta Urban Municipalities Association

Jane Kennedy

Executive Director, Partnership for Resource Trade
Power of Canada

Jay Khosla

Assistant Deputy Minister
Natural Resources Canada

Louis LeGault

Avocat
Regie de l'énergie Quebec

Pedro Lopez

Counsellor
Embassy of Columbia

Velma McColl

Principal
Earnscliffe Strategy Group

Barry McKenna

National Business Correspondent
The Globe and Mail

Sheilagh Murphy

Assistant Deputy Minister, Lands and Economic
Development,
Aboriginal Affairs and Northern Development Canada

Cesar Remis

Head of Economic and Tourism Section
Embassy of Mexico

Patrick Robert

Strategic Policy Adviser
Gowlings

Colin Robertson

Senior Strategic Advisor and Independent
McKenna Long & Aldridge

Zeeshan Syed

Director, National/International Stakeholder &
Government Relations
Alberta Energy Regulator

Jean-François Tremblay

Deputy Secretary to the Cabinet (Operations)
Privy Council Office

Sean Webster

Director, Government Affairs & Public Policy
Enbridge

Werner Wnendt

Germany's ambassador to Canada

Winnie Wong

Project Lead
Public Policy Forum



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