

Dec. 11, 2019

Dear friends,

On behalf of the Public Policy Forum, I'm delighted you will be able to join us for the launch of the Energy Future Forum on Dec. 16. We are counting on the pan-Canadian and cross-sectoral group of which you are a part to illuminate pathways to a coherent climate-and-energy strategy consistent with the objective of meeting our emissions-reduction targets within a strong economy and united Canada. Only an integrated approach can succeed. We cannot afford for any one goal to trump others.

Canada finds itself wrestling with a generational challenge akin to the national unity struggles and free trade debate of previous decades. Indeed, former Alberta Premier Peter Lougheed predicted in 2007 that the energy-environment equation would cause "significant stress for Canadian unity" - more so than any previous federal-provincial conflicts - and possibly leave Alberta isolated.

That said, we at PPF are incredibly optimistic that the conditions and attitudes are in place to move the yardsticks. Our planning for this initiative began long before the 2019 federal election. PPF had grown concerned that two separate streams of thought and policy had evolved in Canada and were failing to speak with one other. The first recognizes the vital importance of energy development, including oil and gas, to jobs, exports, government revenues, balance of payments etc. At the same time, it was not paying sufficient heed of growing public urgency around climate change, especially among millennials and other post-boomer cohorts.

Then there is the climate policy stream. While justifiably concerned by the worsening risks from climate change, its advocates often neglect to factor in that energy shifts (animal power to water, water to steam, steam to electricity) historically take time and proceed unevenly. One way or another, oil and gas will be with us for quite some time. One quick reality check: there are 23 million registered passenger vehicles in Canada of which just 100,000 are electric; although growing, EVs account for less than two percent of annual sales.

Three things were immediately clear to us: history is moving in a direction; it will take some time to arrive at its destination; public opinion is jumping ahead as climate effects move from the realm of the scientific to lived experience.

PPF embraces the old credo to “never let a good crisis go to waste.” We believe the country and energy industry have arrived at an ideal moment to adjust our trajectory on climate and energy by accelerating the use of policy, investment and innovation in addressing new risks and opportunities. The recent election clarified that Canadians expect action on climate change while concurrently accepting that pipelines and fossil fuels will be part of the journey to a net-zero emissions future.

In November, at PPF’s annual Peter Lougheed Awards Dinner, Alberta Premier Jason Kenney called for a renewed effort at “reconciliation between energy development and the environment, especially in the challenge of dealing with greenhouse gas emissions and of climate change, which we Albertans take very seriously.” The task today in a world in which “the unintended consequences of centuries of fossil fuel combustion” have come home to roost, he explained, is to ensure Alberta’s oil sands go beyond providing energy security to become one of the cleanest sources of energy in the world.

Meanwhile, the Trudeau government’s recent Speech from the Throne said: “And while the Government takes strong action to fight climate change, it will also work just as hard to get Canadian resources to new markets, and offer unwavering support to the hardworking women and men in Canada’s natural resources sectors, many of whom have faced tough times recently.” Exactly what this looks like is yet to take shape, but it is worth noting that Ottawa has deemed Alberta’s carbon tax on large industrial emitters consistent with its framework.

Encouraging advances are also being made on the ground. Suncor recently announced a co-generation facility that will reduce its GHG emissions by 25%. Shell is using solar and thermo-electric to power its well pads. CNRL and MEG have set long-term goals of net-zero emissions from their oil sands operations.

LNG Canada, the largest single investment in the country’s history, is slated to produce the cleanest liquified natural gas in the world in large part by leveraging hydro power. Its exports will displace coal-generated power in Asia, removing something like 50 Mt of global emissions. Forget for a moment who gets credit for those reductions. Article 6 of the Paris Agreement or a similar arrangement is one of the questions we will discuss in this process. The more immediate point is that we are creating a situation that is good for the exporter, good for the importer and, incidentally, good for Indigenous peoples of northwestern B.C., who will be owners, operators and workers in various parts of the supply chain. This win-win-win can become a more common theme.

According to 2017 figures, Canada emitted 716 megatonnes (Mt) of carbon. The Paris target is 513 Mt by 2030. The federal government projects that policies in place will reduce GHG emissions to 592 Mt by 2030, leaving at least another 80 Mt to eliminate – nearly equal to all the emissions from the oil sands. With myriad indications the climate challenge is growing, policymakers could possibly push for deeper cuts, which might necessitate bridging even greater geographic, generational, and sectoral divisions.

It is the overarching objective of the Energy Future Forum to determine how best to close Canada's de-carbonization gaps in a manner favourable to the economy and national unity - and for the world. These objectives will undoubtedly take our conversations into the realms of cleaner energy production systems (well beyond the intensity improvements of past); natural and engineered carbon capture methods; displacement of global emissions through exports of cleaner resources and cleantech; electrification of the transportation and other sectors; the application of AI and big data to resources; greater efficiency in heating and cooling buildings; extracting more economic value-added from our clean energy; how to cope with new projects that will be cleaner than existing ones but add for a time to overall emissions.

A baseline forecast by RBC Economics tells us that the oil sands, even with their steady per barrel improvements, will generate at least an additional 30 Mt of greenhouse gas emissions by 2030. One has to ask whether that's a politically or environmentally sustainable proposition? We will have to find ways to do better and will have to land on measurable performance benchmarks comprehensible to the public at large.

Arc Financial founder Mac Van Wielingen, a member of our group, has said the last barrel in the world has to be the cleanest. Therefore, if Canada is going to prosper from its petroleum deposits for as long as demand persists, the industry will have to radically remove emissions and demonstrate to an often-skeptical public that it is doing so.

The job of the Energy Future Forum is to add knowledge, ideas, momentum and consensus in creating pathways toward an economically beneficial, environmentally sound and publicly acceptable set of climate and energy policies. Of course, this process won't be easy. The issues are tough in and of themselves and members will be working alongside participants with differing viewpoints. Nonetheless, PPF believes collaboration and co-creation among groups with divergent views (yet a common passion for the welfare of Canada and Canadians) is essential to producing meaningful and lasting solutions. Sponsoring civil and purposeful dialogues such as this is core to our mission.

You have signed on to a three-year process. A lasting policy regimen cannot be designed, tested and constructed overnight. It will take time to form common understandings of the problems and potentials and to build trust within the group. In the early stages of the Energy Future Forum we will focus on creating a common fact base and designing a scenarios exercise. The latter, to be led by Boston Consulting Group, is not intended to land on a single picture of the future, but rather help us and the broader public better understand the trade-offs embedded in a range of possible futures. Those insights will inform subsequent debate of one policy choice over another as we seek solutions that can make a difference and attract broad support.

At the same time, there is a growing urgency to demonstrate progress. This may well militate in favour of identifying and pursuing early “No Regrets” wins able to plug policy gaps, for example, between what is technically feasible and what is economically feasible - or what can become technically feasible with some extra support. We plan to discuss some of these options in our first meeting and possibly pursue them in a subsequent workshop early in the new year. If you want to get on the immediate agenda for a very brief pitch of an idea you believe worthy of adoption, please let us know before Monday.

Of course, we are not the first to address the energy-environment nexus. As such, we do not want to waste time reinventing the wheel. We have accepted the suggestion from energy economist Peter Tertzakian, a member of our group, to get out of the starting blocks quickly by embracing the guiding principles and pathways of the Generation Energy Council Report as a basis for the Energy Future Forum’s work.

We have also asked Dale Eisler, a former journalist, federal government official, and Canada’s Consul-General in Denver, to prepare a paper (also included in this package) outlining some of the many past efforts at finding consensus around energy policy. Dale’s research also outlines a sampling of initiatives that should give participants in this process cause for optimism that there is a basis to accelerate the reduction of GHG emissions from oil and gas recovery.

For me personally, energy and environment issues have figured prominently in every step of my career. As many of you know, I began my journalism career at the Lloydminster Times in a period when secondary and tertiary recovery methods were producing significant advances in the recovery of heavy oil. I joined The Financial Post as Prairie bureau chief during the NEP period. Before coming to PPF, I served as global managing editor for energy, environment and commodities at Bloomberg News and watched closely as Canada struggled to make energy and environment policy work.

The PPF board and team are all excited to be involved in this serious and necessary effort to bring our energy and climate goals into harmony while strengthening the economy of the country and protecting the global commons. As a publicly interested organization, we feel a strong commitment to getting this right. Canadians naturally put great stock in the advantages our country has enjoyed due to our resource endowments. Canadians have also always felt a strong desire to make an outsized contribution to our international obligations in creating a better and safer world. In the Second World War, more than 1 million among 11 million Canadians and Newfoundlanders saw service. This sense of a commitment greater than ourselves is engrained in our national character.

Success for the Energy Future Forum will require imagination and will, as was the case in the early 1980s with the “leap of faith” on free trade recommended by Donald Macdonald’s Royal Commission and subsequently pursued by the Mulroney government. Free trade went from contentious to consensus in less than a decade. I hope this kind of track record in forging new and better futures in the interests of all Canadians will animate us on our current journey.

I look forward to seeing you Monday in Toronto.

Ed Greenspon  
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