

“Energy, Environment and the Economy”

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- Thank you, Carmen and good afternoon James Rajotte, MP for Edmonton Leduc, Mayor Stephen Mandel, ladies and gentlemen.
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- I'm very pleased to be here today to talk about the energy industry and how I think it can be a springboard for Canada's recovery from the economic downturn.
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- Before I get to that, though, some of you may know that 2009 marks the 60th anniversary of the founding of Interprovincial Pipe Line, the company that is now Enbridge.
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- Our history began right here, or about 5 miles east of here to be exact, at our Edmonton terminal, the head of our liquids pipeline network, the longest crude oil pipeline in the world.
- When we were founded in 1949, the Leduc discovery was still front page news and other huge finds had been made. It was clear that Alberta had a lot of oil but the major markets were thousands of miles away.
- What Interprovincial Pipe Lines did then, and what Enbridge still does today, was to hard-wire Western Canada's oil resources to the major markets where the energy was needed.
- In 1949, we had about 20 employees in Edmonton. Today we have nearly 1,100 permanent employees here and nearly 500 contractors.
- I'll return to the topic of Enbridge's 60th anniversary and what we're doing to celebrate that milestone towards the end of my comments today.
- So, let's talk about the economy!
- As we start to pull out of economic downturn, one of the questions that we must explore as a province and as a country is how we best capitalize on our strengths and advantages to help secure a prosperous and sustainable future.

- Canada and Alberta are blessed with many advantages: a strong, healthy democracy, a transparent investment climate that is a model for markets and a magnet for investors around the world, a dynamic, tolerant and diverse culture and a vast wealth of natural and intellectual resources.
- One of those resources is energy in the form of oil and gas.
- There are five things I want to talk about today. They are:
 - The importance of energy,
 - Energy consumption and the environment,
 - The need for a national energy strategy,
 - Diversification of our economy, and
 - Our energy relationship with the U.S. and the rest of the world.

1. **Importance of Energy**

- We all should have a deep appreciation of the fundamental role energy has in powering every aspect of our society.
- Energy is essential. Energy heats and powers our homes, hospitals and businesses. Energy moves people, goods and information. It takes your kids to school; it gets you to the hospital.
- Hydrocarbon energy provides us with incredible benefits. We often forget that when many criticize the long-term environmental implications of its use.

2. **Energy Consumption and the Environment**

- At Enbridge we understand that even with the increasing importance and impact of renewable and alternative energy, as well as a focus on greater efficiency, that fossil fuels will still play an important role in society for decades to come.

- We agree though that increasing consensus is that hydrocarbon use, and the attendant emissions of CO₂, have significant long-term implications for the environment. This has led to increasing public opposition to energy development, particularly in the oil sands. Interestingly though, this has not led to opposition to energy consumption, which is where the vast majority of CO₂ emissions are produced.
- Right now public discussion related to energy development, and in particular oil sands development, seems to have disassociated the benefits of the energy from the downsides associated with its use and its impact on the economy.
- Put simply, consumers today are largely blind to the very real connection that exists between their light switch, thermostat or gas pedal and the coal-fired generation stations, the nuclear plants, the oil sands developments, etc.
- Public discussion about energy development must become more balanced. We must help consumers understand that the benefits of the energy that powers our society are inseparable from the costs. And that even clean energy technologies such as solar and wind will still have local impacts that must be balanced against the overall benefits to the community.

3. **The Need for a National Energy Strategy**

- When we're discussing Canada's energy resources, we need to consider these facts:
- Canada's oil reserves are the second largest on the planet and represent the largest North American source of secure, reliable energy. Those reserves are located in a country with strong democratic institutions, stringent environmental regulations, market-based trade rules and open investment policies.
- Remember, 97% of Canada's oil reserves are in heavy oil.

- The world needs secure and reliable sources of energy, which means the world needs the oil sands. Worldwide, at least 15 million barrels per day of new crude capacity must be added by 2015 to serve a global population that is expected to increase by one billion people.
- With those facts in mind, we must turn to how we can sustainably and responsibly take advantage of our remarkable energy resources to build a stronger Canadian economy coming out of this recession.
- As I mentioned a moment ago, energy empowers virtually all aspects of society.
- And yet, Canada does not have an overall strategy and a coherent and consistent regulatory framework for energy development or use.
- Energy has been presided over by a tentative approach to policy between federal and provincial governments. Policy initiatives have been restricted to areas of clear jurisdictional supremacy such as licensing and regulatory approval. Big picture issues are left orphaned at the table because of constitutional quandaries, old animosities between the provinces and the federal government, and the inertia of a system that, up until now, has worked “okay.”
- So, for Canada, why don't we try to raise our sights? Let's insist on an energy strategy that will trump partisan politics and poll-driven short-termism. Let's make it clear to our political leaders that our nation expects and deserves a strategy for sustainable energy development that extends out to a 10 or 20 year horizon, at minimum. Then let's create the policy and regulatory framework which supports that strategy.
- Such a sustainable energy strategy would have a tangible impact in Alberta and in Edmonton, where the energy industry, rather than working the accelerator and the brake pedal with both feet in response to economic forces and regulatory gridlock, could spend more time on operational efficiency and improved performance.

- President Obama has at least been clear about his own energy vision. He has said that, quote, “At a time of great challenge for America, no single issue is as fundamental to our future as energy.”
- What have we seen in Canada that indicates that broad vision? Energy is simply too important to the health of our economy, and our environment, for our country to be without a robust national energy strategy. And without a national “consensus” on major issues, it is much more difficult for Canada to negotiate with the United States or other trading partners.
- A Canadian energy strategy would also help reduce delays resulting from the inefficient and overlapping regulatory processes between jurisdictions.
- So let’s use our resource rich economy to our strategic advantage.
- There are those who suggest that Canada shouldn’t be a nation that hews wood and draws water. Really? Why not?
- Our resource economy is a huge competitive advantage for Canada. Countries without a lot of “wood to hew and water to draw” – without the natural resources we have been blessed with – are at a huge disadvantage to Canada. They cannot be manufacturers of anything without our raw materials! Let’s not knock it. It has made us who we are.
- Should Canada be only a resource economy? Of course not. But that doesn’t mean we should ignore the remarkable wealth of resources with which our nation has been blessed.
- Should we add more value to our raw materials? Well, maybe – but only if we have a competitive advantage in doing so.
- Where it makes economic sense and where supply and demand supports value-added industries, Canada should be and can be a global leader. But if we’re adding value, we must add real value in a way that is supported by the market.

4. Diversification of our Economy

- At the same time that we are developing our energy industry, both hydrocarbon and renewable, we must gradually diversify the economy of Canada. And, I think that governments can do that simply by investing more of their resource tax dollars in education.
- The result would be a comprehensive national economic strategy linking the revenue generated with the future-building potential of our education system.
- Use oil and gas royalties and tax dollars to educate our young people, expose them to the world, keep their taxes low so they want to live here, and give them an environment in which to innovate.
- I have more faith that the young kids of today will be better able to take Canada's economy to new heights than the existing approach of developing policies and politics based on the latest headlines and poll results.
- It is no coincidence that Canada's most successful global company, Research In Motion, was spawned from the computer science and engineering expertise around University of Waterloo.

5. The United States

- Let's talk about the relationship with our friendly neighbour to the south for a moment. The US Administration is focused on energy security and the environment. Some Canadian and American environmental groups have been lobbying hard for an end to the export of so-called "dirty oil" from Alberta.
- Canadians should be proud of their natural resources and of our country's overall track record on how we have developed and managed them, but we have let the world put us on the defensive.

- Tell me, where else in the world could we have more confidence that a resource like the oil sands would be developed appropriately and sustainably with due regard for the environment, human rights and the other myriad concerns associated with such a large undertaking? What other country, anywhere on the globe, is better equipped to successfully meet this remarkable challenge, and even more remarkable opportunity, head on? And yet here we are, shrinking and apologetic. Perhaps it's the Canadian way.
 - As I mentioned a few moments ago, 97% of Canada's proven oil reserves are in the oil sands, and this is the second largest known reserve on the planet. Oil sands developers have made, and continue to make, good progress in reducing the carbon intensity of their product. Oil from the oil sands is currently about 15% more carbon intensive than conventional oil on a full product cycle basis. And the fact remains; conventional oil represents a tiny and dwindling fraction of our energy reserves. So, we must develop the oil sands.
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- We can't talk about the economy and our relationship with the US without recognizing that access to other markets is also important.
- Other countries around the world are justifiably attracted to the stability and reliability of Canada's energy industry and infrastructure. We've seen recent investment from China in the oil sands and I expect more.
- This highlights the need to strengthen our national strategy and also to build Canada's capacity to deliver our energy to broader markets. At Enbridge, we're working on this with our Northern Gateway Pipeline, which will connect Canada's energy reserves to the Asia-Pacific and Far East markets, extending from the oil sands to a world-class tanker terminal at Kitimat BC.

- So, the 5 key messages that I want to leave with you today are that:
 1. Energy is necessary for us to live long, healthy lives,
 2. As we continue to develop and use our energy resources, we must be more attentive to the environment,
 3. We must develop a national energy strategy that balances the urgent need for resource development today and a transition to more renewables in the future,
 4. Canada can diversify its economy by pouring money into education, and
 5. Canada needs to quit apologizing for its resource development and be proud of what we've got!

Working together

- As I wrap up, I'd like to turn back to Enbridge's 60th anniversary and what we're doing to celebrate.
- Here's a little background – firstly, we have traded publicly for 55 years and have provided an average return of 12.4%, more than 3% ahead of all the major indices in North America, and for 11 years longer than Warren Buffet's Berkshire Hathaway!
- Secondly, several years ago, when many were still arguing about the science of global warming, we set a target of reducing Enbridge's Canadian direct greenhouse gas emission to 20% below 1990 levels by 2010. We overshot the target: it's only 2009 and we are already 23% below 1990 levels.
- Enbridge now has an ambitious plan to further reduce our environmental footprint between now and 2015.

- This means:
 - For every acre of wilderness we impact, we will conserve an acre.
 - For every tree that is removed to create our new rights-of-way to deliver your energy, Enbridge will plant a tree.
 - For every kilowatt of power our operations consume, we will generate a kilowatt of renewable power.
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- To celebrate our 60th anniversary we're also getting our hands "green", by planting more than 60,000 trees in 60 communities along our rights of way in Canada and the US.
 - That's what the centrepieces on your tables represent.
 - The seedlings are yours to take and plant.
 - Today Enbridge employees will plant, at Louise McKinney Park, some of the 6,000 trees that we are giving to the city of Edmonton in recognition of our 60-year friendship.
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- After I address your questions, I'll have Mayor Mandel come up and join me, as well as all of the Enbridge Employees in the room, so that I can present a cheque for \$50,000 to the City of Edmonton to fund the planting and care of those 6,000 trees.
- Thank you very much for your attention today.