



ENERGY SUPPLY AND DEMAND: THE NEED FOR LEADERSHIP AND ACTION

*PATRICK D. DANIEL
PRESIDENT & CHIEF EXECUTIVE OFFICER
ENBRIDGE INC.*

Event: Empire Club Energy Series
Date: March 23, 2006
Noon Eastern time
Location: The Imperial Room
Fairmont Royal York Hotel
Toronto, Ontario

Introductory comments

Good afternoon.

Thank you Bill and thank you to CIBC Mellon for sponsoring today. It's an honour and somewhat daunting to be here and to be speaking at the Empire Club.

I am here today to talk primarily about energy – supply, demand, opportunities and challenges. But I'd like to do so in the context of the need for visionary leadership in this country, as well as for bold action.

You might ask why do we need a “vision” for energy, or bold action, for that matter. Isn't everything rosy in Alberta with regard to energy, and isn't everyone happy, and isn't our future very bright? Well “yes”, “yes” and “yes” to all of those questions. But will this be with us forever? There I'd have to say, “no”, “no”, “no”, it will not!

The hardest time to get people rallied to develop a vision for the future is when things are going very well – but it is the best time to plan.

However, developing a vision and taking bold action are two traits that are not very Canadian. And generally speaking, we don't reward risk takers in this country.

When I think of leaders with vision, and their words of inspiration, I rarely think of Canadians, and that's unfortunate because I do believe that the lack of vision – from political leaders, business leaders and citizens at large – is keeping Canada from realizing its full potential.

Leaders with vision are people like Abraham Lincoln, as evidenced by his Gettysburg address and those famous words: “that government of the people, by the people, for the people, shall not perish from the earth.” I think his vision becomes obvious with these words.

Or Sir Winston Churchill's “We shall fight on the beaches. We shall fight on the landing grounds. We shall fight in the fields, and in the streets, we shall fight in the hills. We shall never surrender!”

Or Martin Luther King's “I have a dream”. Or John F. Kennedy's “Ask not what your country can do for you – ask what you can do for your country.”

These were leaders with vision, who were able to communicate their vision and inspire millions of people to action.

But it has been difficult to find truly inspiring words from our Canadian leaders.

Sir John A. MacDonald was our first Prime Minister and a Father of Confederation. And yet a web search for vision and quotations repeatedly brings up just two. One was about “Never write a letter if you can help it, and never destroy one.” That quote sounds like downside protection rather than upside opportunism!

The other was about “When fortune empties her chamber pot on your head, smile and say we are going to have a summer shower”.

Perhaps, again, words of wisdom, but nothing that speaks to greatness.

It’s also rather sad to think that the best known quote by a Canadian Prime Minister was probably the very succinct “fuddle duddle”. Maybe not a bad call to action, but not exactly visionary.

And how about our approach to hockey? The Canadian men’s hockey team gets beaten by the Swiss, the Finns and the Russians. And what do Canadian hockey commentators and most of us as fans do?

We lament the fact our team had to play on the larger European ice surface, and didn’t have enough time to practice together, and couldn’t adapt to the style of play they encountered. “But those Swedes better watch out – bring them over to Canada and we’ll show them how to play the game.” As Don Cherry would say, there won’t be many of them left at the end of the Stanley Cup grind.

In other words, let’s not acknowledge the excellence of the teams that beat us. Let’s not aspire to be better than them in future and be able to beat them at their game. Let’s just pull them down to “our” game to win.

My point is that Canada and Canadians can and should be leaders in many fields, but we’re not. We lack leaders with vision. And although we do have a prosperous and comfortable lifestyle, for most of us, we also have a number of significant challenges facing us that do require that vision and bold action.

I could cite a long list of areas where vision is required, including health care, where we seem to be more concerned with maintaining universality than in developing leading-edge health services for all Canadians – it is really a rallying cry for mediocrity, not excellence. (I suppose, at least, it is a vision)

But I will stick today with a subject that I know better than health care – and that’s energy.

Why do we need an energy vision?

In laying out my case for the need for a national vision on energy, I have three main points that I want to make.

The first is that, even though North American energy demand seems to be outstripping supply, we actually do have lots of energy reserves to meet our needs for many years to come.

The second message is that while we have energy reserves, the timely connection of energy supply and the effective delivery to markets are growing problems. And we as consumers are a big part of the problem.

My third message today is that it is time for action – bold action – to ensure that we get maximum value from our energy, that we stabilize prices, and that we adapt for the energy environment of the future. Canada is an energy leader today – let's not lose that leadership position.

So let me begin with message #1 - energy supply.

There is a widely held belief that the world is running out of energy. It's not true, although demand is starting to get ahead of connected supply.

But the fact is that there are plentiful sources of energy in the world – lots of oil if we look past so-called conventional sources, and lots of natural gas and coal. There is also nuclear power, wind, fuel cells and hydrogen – all of these energy forms can have major roles to play in our global energy future.

There is also a widely held concern – that I happen to share – that we use too much energy, that it is contributing to global warming and other environmental problems. I think you only have to look at the brown rings in the air around most of our big cities to realize that there has to be a better way.

Our problem is that we can't seem to decide what we want to do here!

And this is where we need a vision. We need to set energy objectives and develop the tactics and timing for getting there, and then let market forces take over.

Is the vision to move to an environment more focused on renewables? If so, by when, and how do we get there? Can we reduce our dependence on fossil fuels to, say, 50% of our needs by 2050, as BP's Lord John Browne suggested when he spoke to the Empire Club here in 2004? If so, let's target that and go for it.

We do have enough crude oil and natural gas available to act as transition fuels for the next 50 years, and more. They are a major part of the solution to our major energy "problem". If we had a national strategy, maybe we could see and understand that.

In other words, hydrocarbons are our lifeline to solving our short-term energy needs and environmental problems – not our problem.

With a proper vision, maybe we would quit opposing the very projects that are part of the solution, and start encouraging those projects that will lead to that long-term goal.

The point of all this is that there are extensive reserves of oil and natural gas that can fuel North American needs for a long time to come. All we have to do is connect them to the markets.

We are also blessed with energy delivery systems – pipelines, both oil and gas; distribution networks; and power transmission systems – that are among the very best in the world.

Roadblocks and hurdles to our vision

So that leads me to the second issue that I want to discuss, and that relates to the problems of energy delivery. Firstly, the permitting of any new energy delivery infrastructure is a laborious, expensive, adversarial process. We pay people, called intervenors, to come to hearings and oppose the very projects that should be part of our national strategy.

As consumers, we have come to take secure supplies of reasonably priced oil, gas and electricity for granted. Unfortunately, more and more often it seems consumers also take it for granted that they can oppose new energy projects without any consequence.

It's apparently OK in our society, almost fashionable, to criticize and oppose big, bad energy companies. In fact, at a recent American Petroleum Institute meeting I sat through a presentation that indicated that the industry's approval rating is at an all-time low with the general public. When supplies get tight and prices go up, consumers simply blame the industry.

We all are consumers of energy, and we all should have a vested interest in seeing reasonable, timely energy developments take place.

Today's energy industry operates in a different environment than even just a few years ago. There are greater numbers of stakeholder groups than ever before. And environmental protection has become a much greater priority for stakeholders and communities, as has consultation with aboriginal communities.

This is as it should be.

Responsible development of North American energy resources can, and should, take into account legitimate environmental concerns and equally legitimate economic and social concerns.

This should be handled through pragmatic discussions that look for balanced solutions.

At the same time, I'm concerned about the widespread "not in my backyard" syndrome, which has resulted in many energy projects being significantly delayed, or even killed.

Supply solutions that should be part of a national strategy, such as LNG projects and even wind farms, have become highly politicized.

Clearly there's no easy way to balance all the often-conflicting interests that exist today. And I'm certainly not suggesting that we should give industry carte blanche in building new energy infrastructure and developing new energy resources.

The ability of the public to intervene in the regulatory process with legitimate concerns needs to be protected.

Still, we need to be aware of the real costs of quickly making tradeoffs in favour of delayed development. Because the net effect of giving virtually every stakeholder group a veto can be to greatly undermine the "public good" and "public necessity".

As William Campbell wrote in 1906 in a book called, simply, “Canada” and I quote – “The truth is the truth and must be spoken ... the poor man has no more right to act against the good of the whole community than has the rich. When he does so, though unconsciously, he is injuring the poor man more than all others, as he is in the majority, and must feel more than others what injures the whole country.” It has been 100 years and we still don’t have that message through our thick skulls.

Policy-makers and regulators must get back to the job of making some tough decisions on their own. It’s not their job to try to make everyone happy. It is their job to act on behalf of the broadest possible “public good”. And that can only work if we tell our regulators what our vision is.

What’s needed to resolve these issues?

So how do we resolve these problems and ensure continued supplies of energy for all Canadians?

It’s a fact of life that Canadians, whether we like it or not, are competing with countries around the world that do some central planning. For some people, central planning probably conjures up images of socialist states, but it shouldn’t. I think, for example, that Americans are pretty good central planners.

It’s hard for us in Canada to compete with such countries over the longer term because those countries often have a road map for development. We just seem to end up wherever we end up, and hope it’s where we wanted to go in the first place.

Part of the answer is for more Canadian companies to become leading-edge and global.

For example, Canadian companies are leaders in the technologies associated with extracting oil from oil sands, and could use that expertise to become world leaders.

And Canadian pipeline companies are considered leaders, and are already welcomed in many countries around the world to share our expertise and experience.

With leadership and vision, Canada could leverage its resource base and its people to create a true world energy leader of the future.

Right now, we are energy leaders simply because we have been dealt a good hand. And you know what? That is a good description of Canada itself. We have been dealt a good hand. But a bad hand well played can often beat a good hand.

I’d like to see a national energy strategy that sets out where we want to be in 5, 10, 15, 25 years – and a policy framework that encourages the kind of behaviour we want.

Clearly it is essential to continue to develop our conventional sources of energy supply, and to increase the supply of renewable energy and lessen environmental impacts. But there also needs to be an appropriate policy balance to ensure there is investment in our energy future,

utilizing low-impact energy supplies, and advanced energy technologies (such as coal gasification, CO₂ sequestration, and near-zero emission stationary fuel cells).

And if we can see our way clear to encourage Canadian companies to grow globally and think big, all the better.

Without some sort of discussion of national priorities, and some sort of energy policy, we are going to lurch from crisis to crisis.

So, we need an energy strategy – but I have to admit that I'm not optimistic that one will be forthcoming.

I'm afraid I agree with a recent quote in *The Economist* that describes Canada as having "everything, except perhaps ambition".

As I said earlier, too often in this country we try to please everyone, and end up pleasing no one. When an energy infrastructure project is proposed, there is inevitably someone or some group that would prefer to see it not built. So we dither around trying to find a solution that makes everyone happy, and it never exists.

If we're going to prevent energy shortages in this country, decisions are going to have to be made to meet the greatest public good.

Conclusion

But to conclude, I will try to remain optimistic for a while longer, until I have seen what the new minority government in Ottawa can do. I realize that being in a minority position imposes certain limitations, but I call on the Prime Minister and his government to take bold, positive actions to ensure reliable access to energy.

And I challenge the government to take equally bold actions to address Canadians' over-consumption of energy – which will be the only real way to reduce energy demand and thus reduce greenhouse gas emissions.

I would be pleased, as I know my colleagues in the energy industry would be pleased, to work with governments and regulators to create the energy policy framework to make this happen. To create the bold vision that we need.

I believe the benefits of doing so are significant, and self-evident.

And if we don't, I'm afraid future winters are going to be long, cold and expensive for all of us. In the past, we've dodged a number of energy scares in this country – I don't think we'll continue to be so lucky in future unless we act now.

Thank you all very much, I appreciate your time and attention today.