"THE EVOLVING ROLE OF INTEGRATED CONTINENTAL ENERGY MARKETS IN CANADA'S FUTURE"

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Check Against Delivery

Thank you and good afternoon.

I'm very pleased to be in Montreal. I've travelled across Canada a great deal and I've always retained a special spot in my heart for this wonderful, vibrant city.

Since I became a first-time grandfather last year, I've accumulated a long list of things I look forward to doing with my grandson when he gets a little older. Showing him around Montreal for the first time is near the very top.

But much as I enjoy this city - and this province - on a personal level, today I'm here to talk business.

Over our 144 years of confederation, Canada's history has frequently been characterized by regional differences, divergent priorities and perspectives. Most often, the political and economic divide has been between eastern and western halves of the country. At times it has seemed as if those differences define us more than what unites us.

In a country as sprawling as ours, that is not surprising. Our relatively isolated geography has blessed us with few physical threats to our borders. And the historic absence of a common enemy has afforded us the luxury of bickering among ourselves. In fact, it's almost become part of our national identity.

But those days have come to an end.

Both eastern and western Canada now face a single challenge so serious, our future as a prosperous country hangs in the balance. There is an urgent need to come together now in common purpose, to focus on what unites rather than divides us.

I'm talking about the increasingly problematic issue of market access for our energy exports. We are rich in resources, but fundamental changes on the global stage are making it increasingly difficult for Canada to develop those assets and get them to market.

This situation will only get more difficult if we don't proactively engage in finding shared solutions. It's important to remember that the scale and scope of the infrastructure that transports our hydroelectricity, our oil and gas to customers, requires decades to construct, billions of dollars in financing and consistent political will.

Without question, the stakes are high.

The steady erosion of Canada's traditional manufacturing base has made our economy progressively dependent on what we earn from our energy exports. Energy is now the single largest category of exports for Canada: sales of oil, natural gas and electricity now bring in over $94 billion a year and account for almost a quarter of all we sell to other countries.

Quebec's export of hydroelectricity already brings in well over a billion a year, and plans to develop the sector's potential could increase that significantly over the next few years.

The Quebec government's vision of "Le Nord Pour Tous" will see an additional 3500 MW added to the province's already-astounding 35,000 MW of existing hydro generating capacity.

By way of context, total electricity generation from all sources – including coal – among the six-state New England region is 32,000 MW. It means Hydro Quebec alone has more installed hydro capacity than New England's total electricity generation from all sources combined.

That represents tremendous economic potential – all the more if you factor in the jobs that are created as a result of this growth.

But whether it's oil, gas, hydro power – or any other commodity for that matter - market access remains the key issue. And in both eastern and western Canada, that reality is complicated by the fact that we have just a single market: Almost 99 per cent of our energy exports are sold into the United States.

Frankly, it's never good business to put all your eggs in one basket –especially when the basket is showing some signs of wear and tear. It's always better to have diversified options, especially in a sector where there can be a political agenda distorting the dynamic.

It's an issue that's equally relevant in eastern and western Canada.

For example, despite NAFTA, Canada's access to the power market in the northeastern U.S. has become increasingly complicated by the implementation of renewable portfolio standards.

These standards are intended to pro-actively nurture the development of homegrown "green" energy options – which is certainly a commendable objective. But the standards also have the effect of limiting imports of lower-cost, clean power from Canada, which drives up long-term prices for American consumers at the same time as it curtails the development of energy export infrastructure that would transport it.

There are also more traditional territorial issues such as the ongoing dispute in New Hampshire over the proposed 290-kilometer Northern Pass power line, a line that would allow an additional 1,200 MW of hydro to move from the Quebec border to Deerfield, Massachusetts. New Hampshire, despite its public commitment to reduce its reliance on coal-fired electricity, isn't all that keen to help out with its neighbor's energy agenda.

Similarly, in recent months there's been a great deal of public attention focused on the proposed construction of two pipeline projects that would respectively increase Canada's capacity to ship crude oil from Alberta to the U.S. and to Asia. The infrastructure investment they represent is crucial to our long-term prosperity because without it, we can't get our product to customers who will buy it.

President Obama has withheld approval of the Keystone XL pipeline into the U.S. and despite hopes that he may relent now that his second term has begun; there are no assurances that will happen – especially given the fact that, according the International Energy Agency, the U.S. will have the capacity to become self-sufficient with respect to oil and gas production.

The other project, the proposed Northern Gateway pipeline which would allow Canadian oil and gas to move to new markets in Asia – especially China - is similarly mired in politics, much of it inter-provincial at this point.

I have said previously that in order for Canada to get its hydrocarbons to growing markets, the federal government, provincial governments and the private sector each need to refocus attention on environmental issues and on the critical matters of aboriginal consultations.

These sorts of obstacles to market access make it imperative that all Canadians acknowledge the need to work together and get on with the work of building new energy trade relationships and looking at existing ones with a fresh, innovative eye.

We must develop the discipline to see beyond short-term markets when assessing long-term opportunities – something that doesn't come naturally to a country of commodity traders and interprovincial challenges.

On top of all that, we also need a healthier sense of urgency: the reconfiguration of the continental energy market upon which Canada has relied so completely for so long is happening fast. Even as we debate the expansion of the power grid from northern Quebec into New England or the upgrade of our pipeline network in the U.S., these arteries are already clogged.

The term "nation building" may be unfashionable in an age of glitzy information technology, but the need to propel this sprawling country forward through vision, commitment and determination is unchanged since Confederation. In fact, it was shared the construction of the first national infrastructure project – the Canadian Pacific Railway - that initially transformed Canada from an idea into a nation. And it is shared infrastructure that will ensure its prosperous future.

At the most basic level, the issues and intricacies inherent in shifting continental energy markets are highly relevant to electricity exporters in eastern Canada, the largest of which, of course, is Quebec.

The energy component of “Le Nord Pour Tous” combined with the development of the Lower Churchill River in Labrador will generate about 6500 MW of renewable energy – more than a quarter of the 25,000 MW of hydroelectricity that could be developed in Canada over the next 25 years.

A customized Canadian hydro plan would not just serve the best interests of regional hydro producers in this country; it would also serve consumers throughout North America. With 59 per cent of our electricity now coming from hydro, it’s well within our grasp to become a world leader in clean energy – Quebec already is.

Given that more than half of Canada’s hydro power is generated in this province and it has considerable expertise in executing – and financing – complex energy projects, Quebec is certainly a leading voice in the national conversation we need to have about our approach to changing energy markets. It is also particularly well-positioned to take advantage of the changes in the continental game.

In the aftermath of the American presidential election, the focus of our southern neighbors will, at least for the next 18 months or so, be focused internally. Even if Congress can find a way to come together and avoid the much-discussed “fiscal cliff,” the economic salvage work will be absorbing.

What is quite certain, however, is that there will be renewed emphasis on environmental issues. President Obama has consistently encouraged the development and use of alternative and clean energy sources. The devastation caused by Hurricane Sandy has renewed America’s public and political attention on the issue of climate change and the reduction of greenhouse gas emissions.

As we speak, the United Nations’ annual climate change summit is taking place in Doha. It’s an issue that remains very difficult to frame on a broad international scale, and the divergent agendas of developed and developing nations continues to challenge a meaningful outcome.

That said, heightened awareness of the need to address climate change on a more manageable, continental scale is good news for Canada’s clean energy sector.

The hydro projects currently under development have the potential to contribute substantially to the “greening” of the North American electricity system – something that fits with this resurgent political focus on GHG reductions.

Currently, the U.S. still depends significantly on coal for electricity and these plants are the single largest contributors to greenhouse gases in North America. This past summer Canada passed legislation that will see the use of coal phased out as older power plants are retired over time. But south of the border, a full 27 per cent of GHG emissions are from coal-fired power generators.

The high-demand, high-population region of New England is a prime example of the huge potential for Canada that still exists in the continental electricity market. Today, 55 per cent of New England’s electricity comes from burning fossil fuels, with just 13 per cent coming from hydro and renewables. The grid for distributing that power also needs to be upgraded.

If Canadian provinces – Quebec, Ontario, Newfoundland - develop a cooperative strategy, this is precisely the sort of opportunity from which they could all benefit. It would be all the more beneficial if they could find a way to agree on a long-term pricing structure for their customers as well.

The evidence of that is powerful: research conducted by CIBC and published in a report entitled “Energizing Infrastructure” quantifies the economic ripple effect from the billions of dollars that are earmarked for capital investment in Canada’s hydroelectricity sector over the next 20 years.

Including the $50 billion in projects by the end of this decade, current expansion plans for capacity, transmission and distribution in Canada ring in at close to $295 billion. CIBC economists calculate that for every $1 billion investment in the sector, 1,100 jobs are created. If you do the math, we’re talking about 320,000 jobs building electricity infrastructure over the next two decades. It’s hard to imagine a more compelling case for working together – especially when the current unemployment rate is stuck at over seven per cent.

Factoring in the jobs that would be created by pipeline and oil-sands related infrastructure, we’re talking about a real economic renaissance for this country.

As abundant, affordable, clean and reliable hydroelectricity become an increasingly dominant source of supply, it will in turn foster the competitive advantage of lower operating costs for a range of businesses. That drives further growth, further demand and markets robust and broad enough to support both shared and individual plans.

Furthermore, Canada benefits to no small extent from the increased export of hydroelectricity on a strictly environmental basis: given that air-borne pollutants don’t stop at the border, reducing the use of coal and reducing GHG emissions would be improve North American air quality.

Few countries are within reach of such immense economic or environmental opportunity. If we recognize this, if we’re smart about it, we can build our country, create new jobs, and sustain a long-term economic stimulus that will help ensure prosperity for future generations.

That’s not to say that projects on the scale required, are without setbacks or risk. That’s all the more true at a time when international markets create unforeseeable variables and volatility.

To be successful, Canada needs to control what it can – that means domestic agreement on common purpose, commitment to a shared vision of what this country can be.

Quebecers already understand this process. In the early 1970s, the government of Quebec and business leaders identified the massive potential of the untapped energy resources in the north of the province – and they took a bet on their ability to develop it.

James Bay is a testament to the fact that vision and determination can prevail. The hard work done on that project served as a template for future development and helped to frame the negotiations required to get resource development in northern Quebec off the ground.

It’s not easy and it’s not fast – of course it isn’t. Without question, the process is further complicated by the imperative of consulting with a broad community of stakeholders.

Canada is exceptionally well-equipped to face the challenges - and capitalize on the opportunities - that lie ahead. One of the resources we sometimes forget to fully value is the ingenuity and determination of Canadians.

That, reinforced by a shared vision, will ensure a prosperous future for my grandson – and yours.

Thank you.