“NORTH AMERICAN ENERGY MARKETS, LOWER CHURCHILL AND ENERGY INDEPENDENCE”

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Check Against Delivery

Thank you, and good afternoon. It’s a pleasure to be with you today and to be back in Halifax, where I have always been welcomed very warmly – which makes me exactly like every other person who has ever come to visit.

I’m going to focus my comments today on the North American energy marketplace – specifically, on the prospect for continental energy independence and its implications for the United States, for Canada and for Atlantic Canada.

It is worth reflecting on how abruptly and thoroughly the game has been changed when it comes to the supply of energy on the North American continent.

Only five years ago, Barack Obama stood before the American people and said the math was incontestable: the United States could not expect to drill its way to energy independence. The future president didn’t foresee the shift that lay ahead, and that’s no slight against him. He was far from alone.

Five years later, continental energy independence – the pursuit of which has been a fixture of the American political landscape for more than four decades – is on the verge of being achieved. Extraordinary changes to the North American supply of oil and natural gas have resulted from new technologies and new ways of taking energy from the ground. At the same time, various forces – including new efficiencies – are easing continental demand for energy.

The result is that these are volatile and highly consequential times for everyone with a stake in the energy industry: producers, consumers, policy makers – and those concerned with the environment generally, and climate change specifically.

Canadians and Americans alike have benefited from the largest and most efficient energy marketplace in the world – a market forged in response to the 1973 OPEC oil embargo and later codified in our free trade agreements. As a result, prosperity on both sides of the border has been advanced. Here in Canada, the energy industry has helped drive our financial, capital and labour markets. Our success as a country is very much influenced by and connected to our production of energy and our ability to sell it, primarily to our friends in the United States.

But over the past five years, the United States has seen a 40 per cent increase in domestic oil production. The International Energy Agency now forecasts U.S. production of more than 11 million barrels of oil per day by 2020, up from 5 million barrels in 2008.

Canada, meanwhile, has – year after year – been increasing production of oil by about 200,000 barrels per day. Depending on the assumptions that one is prepared to make about the pace of oil sands expansion, we could be looking at daily domestic production levels of 6 million barrels by 2030.

At the same time, increases in natural gas production – and the expansion of recoverable reserves – have expanded at rates that are virtually exponential. The supply-demand balance for North American energy has been changed in a fundamental manner. There is no longer any need to import natural gas. And the quantum and composition of petroleum imports are changing dramatically. In a time of rising production and easing demand, the North American continent will soon no longer require anyone else's oil.

So that's a broad overview of where we stand and what's in flux. Technology has stood conventional wisdom on its head. Oil and gas production from Canada and the United States will continue to increase for years to come. Consumption of oil in the U.S. will remain static or even decline. And the price of continental natural gas is and for an extended time period will remain as the lowest in the world.

What are we to make of all of this?

Well, to be frank it is profound and, for some, even a little embarrassing. Hardly anyone saw this coming, and that includes a majority of the so-called experts.

But beyond that, what's important is that the ability of the North American marketplace to achieve energy independence will have a lasting and positive influence on both the prosperity and the security of North America.

It will advantage our industrial competitiveness relative to virtually everyone else in the world, primarily due to low natural gas prices that will benefit industries that are heavy users of electricity.

It will drive investment flows, reorient balance of payments and strengthen the U.S. dollar – and it will do so not at some distant point in the future, but over the next five years.

It will free the United States to pursue foreign policy objectives that are not narrowly defined or dictated by the need to access hydrocarbons.

And it will help bring about a greener future – as the U.S. pursues fuel substitution, and as energy consumption continues to decline on a per capita basis.

Taken as a whole, North America stands poised to achieve something that would have been all but unimaginable just three years ago in Copenhagen: the dual advantage of abundant, reasonably priced energy and a natural environment that is improving, rather than deteriorating, in quality.

It is truly an era of remarkable and unexpected change.

So, where does Atlantic Canada fit into this picture?

First, this new era is presenting opportunities that would not have been possible even a few years ago.

The shifting continental marketplace – and the increasingly pressing need for oil sands producers to access new markets – has prompted a proposal for a pipeline that would ship oil from Western Canada to refineries here in the east.

Oil could start flowing as early as 2017 and could ultimately reach 850,000 barrels a day. This would mean good, well-paying jobs here in the Maritimes – in pipeline construction and in refinery operation. It would further invigorate the port at Saint John. It would enhance our energy security and our ability to access export markets in Europe and beyond. And it would give a greater national dimension to an industry that for obvious reasons focuses the bulk of its attention on the western region of our country.

Second, this is a critical time to promote and support the development of other opportunities in the east coast energy industry. In a competitive and changing world, we need to fully leverage all aspects of our energy advantage – not just oil and gas, but also the potential inherent in greater hydro production.

Let's take a step back and look at what's happening across our country.

We are witnessing the birth of an array of large-scale energy infrastructure programs designed to capitalize on domestic and external demand – and to fuel the next stage of Canada's economic development. Liquefied natural gas terminals on the B.C coast. The Northern Gateway bringing Alberta oil to western tidewater. And of course, here in the east, among other important projects, the proposed development of the Lower Churchill.

The Lower Churchill Hydroelectric Project would unleash the remaining 35% of the generating capacity of the Churchill River. The first phase, Muskrat Falls, would produce 824 MW of clean, renewal energy. The second, Gull Island, would produce much more: 2250 MW.

The size and scope of the project is worthy of note. Muskrat Falls alone represents a capital cost estimated at $7.7 billion. Let me put this into perspective. Hibernia cost $5.8 billion and the proposed Northern Gateway would cost $5.5 billion. In short, we are talking about one of the largest energy infrastructure projects ever in Canada.

It would create more than 16,000 person years of employment in Atlantic Canada. It would also put in place a critical link in Canada's electricity transmission grid.

Together as a region and a country, we would move closer to an electricity system that is carbon-free – delivering sufficient power not only to meet the needs of the people of Newfoundland and Labrador, but to be made available for sale to this province through the Maritime Link – and to other jurisdictions as well.

When Phase 2 – Gull Island – is completed, the amount of power available for export will increase dramatically. This would reduce carbon emissions by the equivalent of taking 3.2 million cars off the road.

In a volatile energy marketplace, we must seize every advantage – and Lower Churchill represents a significant advantage for Newfoundland and Labrador, for Atlantic Canada and for our country as a whole.

I've spoken before in support of Lower Churchill and I reiterate my view today.

When I was in politics, I had the privilege of serving as both Industry Minister and Environment Minister. These experiences left me with an affinity for the kind of development that helps generate widespread and long-term prosperity – and is, at the same time, environmentally sustainable. In my view, Lower Churchill is all this and more. It is a transformational project for Atlantic Canada that will take the region to a new level of industrial development.

It will also help our country wean itself from power generation that burns coal or oil – and move us closer to becoming a true clean energy superpower and a critical exporter of hydro. The opportunities are there: New England still produces 55% of its electricity from burning fossil fuels and a mere 13% from hydro and renewables.

It's important to learn from what we've seen over the past five years: The danger lies in assuming the way things are today is the way they will always be. Consider just some of the dynamics in play. Right now, natural gas prices are low. But where will they likely be a decade from now? How will the Canadian and U.S. markets for electricity evolve?

Hibernia, the Upper Churchill, James Bay, the oil sands: none of these was a slam dunk. Each of these major infrastructure investments proceeded because smart people had the vision to look toward tomorrow – and the foresight to see the world as it would be.

When completed, the Lower Churchill will ultimately be judged as an investment not over the course of its construction but over the course of its lifetime. It will be judged over decades, through changing times and in the face of evolving demands.

But it's not enough simply to develop power capacity. We must also work to protect the fundamental nature of the energy marketplace that has helped our industries and our country to thrive. And here is where the potential pitfalls of our changing energy marketplace become apparent.

For the first time in 40 years, the energy relationship between Canada and the U.S. is evolving in a deeply significant way. For four decades, it has been defined, on one side, by an insatiable appetite for energy – and on the other, by a single-minded focus on helping to service that need. But that dynamic is changing, as the U.S. increases in own production of energy and Canadian producers look to access growth markets in Asia.

What we cannot afford to do as Canadians is to take our energy relationship with the U.S. for granted. That means being vigilant in watching for and resisting impediments to its function and health.

In particular, we must resist the emergence of sub-national standards that threaten to infringe on both the spirit and the letter of our free trade agreements.

In the renewables sector, a number of U.S. jurisdictions are setting portfolio standards that incentivize investment in renewable forms of energy while excluding the cheapest and most abundant source of renewable electricity: Canadian hydro. Elsewhere in the U.S., we see similar efforts to exclude crude exported from the oil sands.

This has potentially serious implications for our country. Absent these restrictions, it is estimated that over the next 25 years, some 25,000 MW of Canadian hydroelectricity could be developed and used – significantly greening our continental electricity system and bringing further prosperity to regions with the capacity to outsource hydro. It is therefore essential that Canada strive to ensure the U.S. marketplace remains open to our hydro exports.

I've previously spoken with John Kerry, now the U.S. secretary of state, regarding the importance of preserving our shared market and advancing our continental advantage. If we work together and clear away the growing number of irritants, we can use that advantage to produce a cleaner energy system – with Canadian hydro serving as a storehouse of North American energy, available as needed at the flick of a switch.

That, in turn, would free up the growing supply of U.S. natural gas for international sale – or for use by industry – rather than burning it to produce electricity.

A greater reliance on Canadian hydro would also position the North American continent to secure not only an economic but also an environmental advantage – achieving meaningful emission reductions even as our prosperity continues to grow, and enabling our continent to achieve the benefits of a low-carbon future ahead of other jurisdictions.

But if that is to be our future, we must stand against American interests who seek policy outcomes that would game against Canadian energy producers.

The Canada-U.S. energy relationship reflects the reality that it is always the smaller partner that has the most to lose in any arrangement, and as such must invest the most in keeping the relationship healthy and strong.

Over the past year, we've seen provincial and federal government officials visit the U.S. on sales missions to promote and defend the Canadian energy industry. We know the ground is shifting. We know America is ascendant as an energy producer. And so it is incumbent on us as Canadians to remind them of their commitment to a free and open energy marketplace – and of the benefits that this market has brought and will continue to bring.

Canada must continue to fight for a continental energy marketplace that is free of national and subnational impediments – interventions by government, while well meaning, are nevertheless potentially damaging and counter-productive.

Efforts like regional low carbon fuel standards or regional renewable portfolio standards serve only to restrict access to continental resources with consequential impacts on prices and consumers. And even green protectionism, is protectionism nonetheless.

In this volatile era, we must on both sides of the border take the initiative to reinvent and renew our historic partnership – so that it continues to work to the advantage of both countries.

One effective way of beginning that renewal would see our national governments establish working groups with real teeth – to take a measure of the changes underway; to establish bi-national policies and agreements to aid in advancing our shared competitive advantage; and to stamp out discordant regulations that, in the end, will aid in advancing the prosperity of neither country. To undermine the free market is to undermine the benefits it brings and the progress it abets.

All of which is to say that Canada must respond to the continent's new energy reality by pursuing its own geopolitical interests as one of the world's largest energy suppliers. We can press for a continued, open continental market while at the same time moving with purpose to meet the current and future needs of our existing and potential customers.

If we play our cards right, there will be profound opportunities for Atlantic Canada and for our country as a whole.

By way of conclusion, I would acknowledge that it is not always easy to build for the future – to invest in nation-building projects that hold the potential to bring about real and lasting improvements in quality of life. They involve a tremendous amount of work in the present, for a payoff that is far in the future.

But that is the story of Canada.

Ours is a vast country built on dreams of sweeping ambition, massive in scale and scope.

These dreams have taken form in projects like the CPR, James Bay and the Trans Canada highway. Each of these undertakings put its stamp on Canadian growth, progress and opportunity.

In a time of profound change in the world, we need to be developing all our resources. To create jobs. To spur economic development. And to build prosperity for today, tomorrow and for generations of Canadians to come.

Our country remains a work in progress. The job of continuing to build Canada is our task and our trust.

Thank you.