



"Nation-building Infrastructure: A Roadmap to Economic Growth"

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Thank you and good afternoon.

I'm delighted to be here in Edmonton. I am very fond of this city. I lived here as a young man and my Bachelor of Commerce degree is from the University of Alberta, which I am proud to say has emerged as Canada's top research university.

Over the last few months I've had the privilege of speaking to audiences in Halifax, Montreal, Toronto, Calgary and Boston. At each event I've focussed on energy infrastructure development, and the tremendous opportunity for jobs, investment and long-term wealth creation that it represents.

In fact, it would not be overstatement to say that the build out of Canada's energy infrastructure could be the main driver of our economic growth. A report released just days ago by CIBC's Institutional Equity Research team concluded that Canada is in the midst of an infrastructure "super-

cycle". In the energy sector alone, the report listed twenty-eight current and proposed projects in Canada, and the total size of the investment is close to \$75 billion. A good portion of that build out will take place right here in Northern Alberta.

Clearly this estimate is based on the assumption that there'll be world market access for our oil and natural gas, and North American access for our hydro. As you all know, market access has been very much in the news lately, and I'll return to the subject later on in my remarks.

But first, let's step back into history for a moment.

"Nation-building" is a term usually associated with our country's past. It evokes a sepia photo of men in stovepipe hats driving in the last spike of the transcontinental railway.

In the last century, projects like the Saint Lawrence Seaway, the TransCanada Highway, the TransCanada Pipeline, James Bay and Churchill Falls, the oil sands, Hibernia... all put their own stamp on Canada's development.

These transformational infrastructure projects have a number of common elements. They took years to build, and created massive employment and spinoff benefits during construction. They were financed with both public and private sector money – and that includes the development of the oil sands. Over the years, both government and the private sector more than recouped their investment as the projects became profitable and stimulated the economies of entire regions. And each in its day was subject to intense scrutiny and stoked public debate, as is the nature of developments that change the fortunes of a nation.

But the era of nation-building is far from over. Canada still has enormous untapped resource wealth, and planned megaprojects across the country hold out the promise of

unlocking that potential and securing new markets for Canadian energy.

In the west, there is TransCanada's Keystone XL, Enbridge's Northern Gateway project and recent purchase of ConocoPhillip's interest in the Seaway pipeline, and Kinder Morgan's proposal to twin its existing Trans Mountain pipeline through BC to move up to 700,000 barrels of Alberta crude a day to the west coast. There are also LNG facilities planned for the west coast, and the long-awaited Mackenzie Valley natural gas pipeline.

And of course there is the NorthWest Upgrader, a transformational project to be built near here in Sturgeon County.

When fully built, this \$15 billion project will be a critical step in the maturing of our oil sands industry. When all three construction phases are completed, the upgrader will refine about 150,000 barrels of bitumen a day, adding significant value to the product before it leaves the province. Phase One alone will create jobs for 8,000 people over 2½ years.

But that's just the beginning. Half the output from the upgrader will be ultra-low sulphur diesel fuel, helping to green up the operations of customers in agriculture, transportation and other industries. The upgrading process itself will be a world first – the first to combine gasification technology with CCS technology to capture 1.2 million tonnes of CO₂ per project phase, or the equivalent of taking 900,000 cars off the roads. And the captured carbon, with its high purity, can be used for enhanced oil recovery of conventional oil. It will be sold and distributed to sites where it is needed through the Alberta Carbon Trunk Line, before being finally sequestered in the ground.

This megaproject adds economic value to one of our most important resources and is a milestone on the road to becoming a clean energy superpower.

Across Canada, a number of exciting hydro projects will add thousands of megawatts of clean energy to the North American power grid. From west to east, there's the Site C project on the Peace River in British Columbia, the Conawapa hydro project in Northern Manitoba, the hydro component of Quebec's massive Plan Nord, and the Lower Churchill River hydro project in Labrador. All told, Canada has an estimated 25,000 MW of hydroelectricity that could be developed over the next 25 years – hydro that will substantially green up North America's electricity system. These projects will move us well along that path.

Let me put this slate of hydro projects into context.

A significant amount of electricity generation in North America still comes from coal-burning power plants. These plants are the single largest contributor to greenhouse gas in North America. In Canada, they are responsible for 13 percent of total GHG emissions. In the US, the figure is more than double – 27 percent. And so reducing the emissions of these plants is a top priority for both countries.

The federal government, the provinces and the industry are engaged in the final phase of a plan to shift Canada away from coal or sequester CO₂ emissions from coal-burning plants over the next few decades. This plan is based upon "capital stock turnover" which the industry requested when I was the Environment Minister.

With 59% of our electricity now coming from hydro, the goal of making Canada the world's cleanest electricity producer is eminently achievable. The hydro developments in the pipeline right across the country will all move us further and faster towards this goal.

Nation-building projects throughout history have all had their share of controversy – and today's projects are no exception. And that brings us back to Keystone XL.

I know there are many Canadians who feel this most recent delay by the US State Department calls into question the US Administration's commitment to free trade in energy, which is a cornerstone of our trading relationship.

The Keystone decision is troubling. In my judgement, the decision is a mistake even from the perspective of the United States, which has long had a policy objective of diversified and dependable sources of oil supply. It is, however, a mistake which is theirs to make.

From our perspective, as a country that prided itself on being dependable, the whole sad Keystone experience has had a transformative effect on Canadian energy policy. Today, no one seriously advocates that Canada should be dependent on a single continental buyer for its oil. Even the Americans don't say that anymore. We have been driven – perhaps by American politics, but driven nonetheless – into the international marketplace.

Andrew Leach, a Business Professor at the University of Alberta, has noted that we have enough existing pipeline capacity for about eight years' worth of continuing oil sands expansion. At the same time, our energy companies have demonstrated a remarkable dexterity in adopting to a dynamic and shifting environment. Enbridge recently announced that it plans to reverse the Seaway pipeline to send oil from Cushing, Oklahoma to the Gulf Coast. TransCanada said it can reroute Keystone XL around the environmentally sensitive Sandhills region and Ogallala Aquifer, and that it could even get started on the southern leg of the pipeline.

All this would indicate that the delay on Keystone is an issue, not a crisis.

My own view is that there are two main lessons arising from the current turn of events.

The first is one that I've repeated a couple of times in Alberta, and I can't say that it's been greeted with standing ovations. But I stand by it.

I've said that in a low-carbon world, energy leadership and environmental leadership are two sides of the same coin. Canada will either be an environmental leader or have other jurisdictions dictate our environmental policies. While the delay on Keystone XL is not precisely an unfolding of this prediction, it's close enough that you can feel the backdraft.

Let me be categorical: neither industry nor the governments of Canada or Alberta can defend themselves in the absence of credible, science-based data that substantiates the fact that we are protecting the environment.

As a country we have not had data of that quality. That is why federal and provincial governments, together with industry leaders like Hal Kvisle, are advocating more robust monitoring systems for the oil sands. This will allow the industry to get out in front of its critics by setting tougher targets and benchmarks with respect to impacts on water, air and land and by making the investments to meet those targets and by having the data to prove success.

Alberta's new Premier, Allison Redford, was in Toronto recently to address the Economic Club of Canada. CIBC's President and CEO, Gerald McCaughey, introduced her to the audience and I had the privilege of formally thanking her.

I would encourage everyone to read this speech for themselves because I believe it signals an important new

direction for the Government of Alberta. But let me single out one area that pleased me in particular – her strong endorsement of the need for renewed effort on the environment.

Allow me to quote a few lines from the speech:

“Environmental sustainability is our most important shared outcome. In expanding our energy sectors, we must avoid compromising the health, safety and competitiveness of our agricultural, fishery and forestry industries.

Greening our energy is also critical of global scale. More than ever, consumers are demanding environmentally responsible products. In refashioning Canada as an energy leader, we must fill their requirements.”

End of quote

Accordingly, we need to see more projects like the NorthWest Upgrader – projects with world-leading technology that are delivering on the promise of a sustainable oil sands industry. The sooner we can bring these projects with their advanced environmental technologies to fruition, the better.

The second lesson is one that was underscored by Premier Redford in Toronto -- we need to open up new markets for Canadian energy. As Patrick Daniel of Enbridge has been saying, we are currently a price-taker rather than a price-maker. Having only one market is simply too risky for the Canadian economy. Last year we exported \$50 billion worth of crude oil, our single most valuable export commodity, and part of a grand total of \$91 billion in energy exports. And right now, both our crude oil and natural gas are selling at a discount to international prices because we have essentially one customer for our exports.

At the same time, our available global market continues to grow. According to projections by the U.S. Energy Agency we will see a 50% increase in consumption of marketed energy between now and 2035 – and the largest projected increases in demand will be from non-OECD economies. China's middle class is expanding so rapidly that it will soon be larger than the population of the United States. And incremental demand is Asian, not American.

Canada will never get full value from its oil and gas resources until we have expanded pipeline capacity to the west coast, until our markets are broadened and our commercial influence expanded.

Having one customer just doesn't cut it anymore. Unless we diversify our energy markets, we will remain a price-taker, and the dream of becoming an energy superpower will remain just that – a dream.

Let's resolve to turn that dream into reality. The opportunity represented by planned energy megaprojects – by the NorthWest Upgrader, Keystone XL , Northern Gateway, Quebec's Plan Nord, Newfoundland's Lower Churchill – is unprecedented in the world today. With our enormous untapped resource wealth, Canada stands uniquely positioned to achieve economic growth and job creation while securing new markets for our resources. And the best news of all is that all this development can be led by the private sector.

I mentioned earlier a CIBC Institutional Equity Research report that lists \$75 billion in energy infrastructure projects either in construction or pending. This is hard on the heels of a report in September by our Economics Group that focussed on job creation. Our economists found that, with the recession-induced burst of government spending on municipal infrastructure projects now winding down, energy

sector infrastructure projects will become a main channel of investment and job creation in coming years. When you tally up the capital investment in oil sands and pipelines, power generation and electricity transmission and distribution, the grand total is more than one million new jobs over 20 years.

We're talking about more than a million jobs when they are most needed... a network of pipelines and ports that will diversify our oil and gas markets beyond the United States... the greening up the North American electricity system... and adding value to our energy exports.

These opportunities are literally staring us in the face.

In this environment, what is the appropriate role for Canada's federal and provincial governments?

First they should, on a case by case basis, support these projects with innovative public policy tools. In the case of Lower Churchill, a federal loan guarantee has been utilized as a wise instrument of industrial policy. In the case of the NorthWest Upgrader, the tolling arrangements and the provincial commitment to process its own royalty share facilitates the project.

Second, governments must continue to work on the diplomatic front to advance our energy relationships with the U.S. and with China, which has become a profoundly important secondary marketplace.

On the near horizon, we need to negotiate a single North American low carbon fuel standard for every barrel of oil landed on our continent. We also need to lobby against growing protectionism in the US renewables sector that threatens to keep out Canadian hydro. Finally, we must do everything we can to make sure Keystone XL eventually gets a green light.

Third, governments must continue to reduce domestic impediments. They need to expedite, streamline and accelerate the regulatory and environmental approval processes for mega-projects. And this includes fulfilling their special relationship with First Nations, for whom jobs and economic opportunities are especially important.

Nation-building is always a bet on the future. It requires courage, commitment and vision, tempered by a clear-eyed assessment of how the future will unfold.

Let's resolve not to look back 20 years from now and chastise ourselves for letting a new era of nation-building slip from our grasp. If we are smart about this, we can unlock Canada's vast untapped resource potential using private capital, strengthen and diversify our energy export markets, create more than a million jobs, and still maintain one of the lowest debt to GDP ratios in the world.

CIBC supports the continued build out of Canada. You might even say it is in our blood. We've been in business since the first great round of nation-building. We opened our doors in the year of Confederation, and our bankers and branches followed the westward path of the Canadian Pacific Railway.

Helping to finance the infrastructure that will bring jobs today and prosperity tomorrow is our legacy and our future.

Thank you very much.