



"The Canadian Opportunity"

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Good afternoon. I am very pleased to be back in Tokyo. Especially to speak with you about a topic that is important to all Canadians *and* one that presents great opportunity for Japanese investors.

Canada has Significant Natural Resources

Canada's prosperity has been closely tied to our ability to create value from our vast natural resources. This was true more than a century ago, and it remains true today.

The economic impact of our natural resources is large. Even coming out of the recent recession, our resources sectors generated approximately 15 per cent of Canada's total nominal gross domestic product of \$1.7 trillion. Together, our three key natural resources sectors – energy, minerals and mining, and forestry – directly employ over three-quarters of a million people. They account for roughly one-half of Canada's exports, and in 2011 attracted over \$105 billion in new capital investment.

For now, and for the future, Canada's success will remain closely tied to the success of our natural resources sector.

A Wealth of Natural Resources from Coast-to-coast

Canada's wealth of natural resources reaches from coast-to-coast-to-coast. For our discussion today, I will focus mostly on energy, but it's worth highlighting the strength of our forest, and minerals and mining sectors.

First, the forest sector. Canada has 10 per cent of the world's forests. In fact, forests cover roughly half our land. And it is remarkable that we harvest less than one per cent of our forests each year, yet we are still the world's largest forest exporter. The forestry industry had a challenging time following the 2008 housing crisis and recession. It has since recovered as US markets have improved and as new markets open in Asia.

Second, the minerals and mining sector. We are one of the world's leading mining countries, with more than 60 minerals and metals. Canada is the leading producer of potash globally and we rank among the top five producers of uranium, nickel and diamonds, among many others. Our 200 plus mines are located across the country, mostly in five provinces, including British Columbia, and Newfoundland and Labrador – our most easterly and westerly provinces.

Given much of the focus of today's session, I would like to put particular emphasis on the energy sector. It is an important time for

the sector, in large part because of the opportunities being created as innovation and new technologies allow us to tap resources that were previously inaccessible.

Canada ranks third in the world in our proven oil reserves, behind Saudi Arabia and Venezuela. Canada's current oil production is about 3.3 million barrels per day. If the existing slate of proposed infrastructure proceeds as planned, this production could increase by a further two million barrels a day within 10 years. And while estimates vary, production from Canada's oil sands could double current oil production to more than six million barrels a day by 2030.

We also have significant natural gas resources. Canada currently ranks third in natural gas production. As advances in shale gas allow us to access significant natural gas reserves, Canada's energy sector will have the opportunity to grow. Natural gas, when converted to liquid form, will provide international energy markets with a source of energy that has been safely used and transported around the world for 50 years.

Looking at renewable energy, Canada is the world's third largest producer of hydroelectricity. We have more than 500 hydroelectric stations across the country that generate approximately 350 million megawatt hours of electricity. The bulk of installed hydroelectric capacity is in Quebec, but given our rich water resources, provinces including British Columbia, Manitoba, Ontario, and Newfoundland and Labrador also play important roles in this sector.

Substantial Investment is Needed

You can see here, just a small number of the planned projects that are needed for Canada to capitalize on its natural resources. The capital investment required to fund each of these projects runs into the billions of dollars.

While investment from within our own borders will be important, investment from foreign companies is equally important. Just as Canada's natural resources have long been critical to our success, so too has foreign investment.

This includes investment from Japan. Last year's acquisition of the Grande Cache Coal Corporation by Marubeni Corporation (Japan) and Winsway Coking Coal Holdings (China) is one recent example.

As you are hearing today, the rules of the road have changed. The review and subsequent approval of both the CNOOC-Nexen and Progress-Petronas deals kicked off a vigorous debate...as well as a new review of the Investment Canada Act.

As Canada's Prime Minister Stephen Harper has said, while "Canada is open for business,...it is not for sale."

It is my belief, that while the types of transactions and deal structures may change, investment will continue, because it must...Canada's future depends on it.

A key challenge we face is our dependence on the US. The vast majority of the natural gas we export goes to the United States. The

same is true for oil. Currently, the US buys 99 per cent of the oil we export. Historically, Canada and the US have reaped significant benefits from this close trading relationship. But as energy production in both countries has increased greatly in recent years, and when Canadian oil is sold at a significant discount to global prices, the time has come for Canada to develop new markets.

Trade Flows to Expand East-West

Looking to the future, proposed energy infrastructure projects will enable Canada to build on our traditional north-south trading flows.

Going forward, oil will flow south through the Keystone XL Pipeline, and east to Quebec and other markets through existing infrastructure. In the mid- to longer-term, oil will also flow from Alberta's oil sands to the west; and, there is the possibility of oil flowing north for export.

Today, gas flows to Eastern Canada and the United States. The future of Canada's natural gas industry will centre on liquefied natural gas on our Pacific coast.

As these realities shape our operating environment, Canada is looking beyond its borders to expand its relationships with other trading partners.

The opportunities and challenges that the energy sector presents is a topic that my colleague, the Honourable Jim Prentice speaks about frequently. Jim is currently Vice Chairman of CIBC, and he was formerly one of the most senior Ministers in the Canadian government.

As Jim noted earlier this year, Japan and Canada have an important relationship. Japan has imported coal and other commodities from Canada for decades without disruption. Canada's stability is one of our great strengths in the energy market.

As well, Japan's proximity to Canada's west coast is advantageous at a time when Japan is looking for new sources of energy. As new liquefied natural gas plants and proposed pipelines come online, additional oil and gas will be available for transport from Canada's west coast.

Foreign Investment in Canada's Resources

Foreign direct investment in publicly listed Canadian resource companies is at an all time high. For more than a decade, oil and gas has seen a steady rise in investment. And while mining and forestry saw volatility through the financial crisis, investment has rebounded in recent years.

In addition to the public markets, joint ventures remain a popular investment avenue for foreign companies. Joint ventures allow companies to leverage their financial capital with the intellectual capital of Canadian partners.

Examples of this can be seen in:

- INPEX Corporation's of Japan and its 40% interest in shale gas formations in British Columbia

- Also, Petronas' 50% stake in shale gas formations and the building of a liquefied natural gas export terminal in the same province; as well as the
- \$2.1 billion joint venture between Encana and PetroChina to develop properties in Alberta's Duvernay region.

So, how should market participants move forward to invest in Canada?

I would suggest that working with strong local partners will be essential to getting deals done. You are hearing from many of the types of partners you will need to engage today – law firms, public affairs experts, and bankers.

Choosing the right partner is important because they can give you:

- Access to local capital markets and shareholder base
- Understanding and knowledge of counterparties and potential interlopers
- Local market valuation experience
- Familiarity with local laws and regulations; and importantly
- The right partner can give you credibility with local counterparties, governments and regulators.

Look at CIBC as a prospective partner. We have a long-term commitment to Japan, having established an office here in 1970, and we are the only Canadian bank that has an investment banking team here. We have worked with many Japanese companies, including Mitsubishi Corporation on its purchase of a 24.5 per cent interest in Anglo American Sur in Chile. And back at home, we are one of the

strongest investment banks in Canada, with particular strength in energy, mining and infrastructure.

Earlier, I mentioned my colleague Jim Prentice. While in government, he served as the Minister of Industry as well as the Minister of the Environment, among other posts. It's worth noting that the previous review and modernization of the Investment Canada Act and guidelines governing foreign investment in Canada were done under Jim's leadership.

We are glad to have Jim at CIBC. He provides tremendous value to our clients, and also advocates on important issues that face the energy sector. And it's fair to say, there are important decisions that need to be made in the near future.

I would like to leave you with a few thoughts.

1. Canada has vast natural resources that will continue to play a central role in Canadians' future growth and prosperity. For Canada to achieve this success, foreign investment will be essential.
2. In addition, Canada is a stable, safe and secure country that has a proven track record as an exporter of natural resources. This is an important factor in markets like energy where instability is not uncommon.
3. And finally, given the regulatory and competitive landscape, working with strong local partners is essential for future foreign investment in Canada.

Today and in the future, there will be many opportunities to invest in Canada and access our rich natural resources. As Japanese market participants assess their options going forward and make strategic investments in Canada, we can create substantial economic gains for both our countries.

Thank you.