



# The Importance of Canada's Energy Sector

Address delivered by

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to the

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Good afternoon. It's a pleasure to be here with you today, at an important time for Alberta and our country.

We live in a nation that has been built on natural resources.

The energy sector, in particular, is a critical aspect of our national economy – and our national identity. It has been for generations.

In many ways, it's our "family business." Even if we don't work in it, we benefit from it, economically and socially. Much of what we do every day requires energy.

Today, we are witnessing a generational opportunity in the family business. But it doesn't feel that way, does it? Particularly now.

Right now, there are crucial projects that need to be built.

Right now, there are regulations that need to be clarified and simplified.

Right now, here in this province, we have arrived at a critical moment:

A chance to make the most of Alberta's resource endowment, even as we begin to plan for the world of tomorrow.

A chance to build on a legacy of success – and do what the people of Alberta do best.

And most of all, a chance to strengthen the economy of this city, this province – and our country.

We already fuel the world with ideas and innovation. With forestry, minerals and agriculture. We fuel the world with energy, too – established and emerging forms of energy.

By rights, Alberta and Canada should be in an enviable position.

We should be on our way to locking-in even greater financial security – for ourselves, and for the next generation when it takes over the family business.

Instead, although national economic numbers are solid, we are living through an extremely challenging period here in Alberta – and across the border in Saskatchewan.

Rather than competing globally for a greater share of the growing energy market, it feels as though we're competing with ourselves – region vs. region, Canadian against Canadian. We are focused on process more than production. We are caught up in regulation – instead of delivering results and demonstrating Canada's environmental and technological leadership.

And because of this, Alberta is hurting.

The unemployment rate here is 25 per cent higher than the national average. There are 50,000 fewer people working in oil and gas than there were five years ago. Housing prices have been affected. Provincial government revenues from the industry fell by more than half between 2013 and 2017.

These are tough times for the family business. As with any family, it's time we came together – and put our backs into finding a solution.

As I see it, the starting point for any discussion about Canada and its energy future is this: The people and business leaders of Alberta want to work. You want to see investment return to Alberta. You want to compete harder than ever. You want to innovate. You want to win new customers in new countries. You want to roll up your sleeves and build the family business to new heights – responsibly.

This means playing a role in addressing climate change. Across the globe, demand for energy continues to grow, driven by consumption. The experts tell us this demand will increase for years to come. Decades, in fact, driven in no small part by rising incomes and improving quality of life around the globe. What the world needs is greater access to responsible energy production – something we do better than most.

To do that – to expand our markets while addressing climate change – we're going to need the support of other Canadians. And we're going to need real leadership in government, and leadership from the industry itself as well as key partners.

Make no mistake: We as a country have a strong foundation, a proud tradition and the resources to build for tomorrow.

But we can't afford to miss any more opportunities.

This is no time to look in the rear view mirror. Together, we must resolve to make smart decisions that allow us to make the most of our strengths.

Building for the future means thinking ambitiously.

It means diversifying our export relationships to gain a foothold in the growth markets of the future. It means committing to economic reconciliation with Indigenous Peoples – so they participate in this new future, rather than stand on the sidelines.

As a country, we need not only to maintain our position as a leader in responsible energy development – we need to strengthen it. We need to support it. And we need to grow it. For the benefit of the people of Alberta and all Canadians. The announcement from Encana yesterday only underscores the urgency we should all feel to take positive, productive action.

Canadian competitiveness in the future economy relies on us getting a number of things right. But none of this will be possible if we don't take care of the energy sector we have today.

### **Fuelling the Canadian economy**

Let's step back for a moment: Why is this industry so important to Canadians?

The energy sector here in Alberta and across the West directly supports more than a quarter of a million jobs. Including direct and indirect jobs across the country, the number is over 800,000. And these are good jobs – the typical hourly wage far surpasses the national average.

In 2018, the energy sector contributed \$167 billion to Canadian GDP. That's more than financial services and insurance combined.

At its peak only a few years ago, the industry bolstered government revenues by more than \$16 billion each year – so that we as citizens can have access to world-leading education, health care, and other services.

Most of that comes from fossil fuels – a historical Canadian strength.

Decades from now, our energy mix is going to be very different. Just like it was different 50 years

ago. Leaders here today understand this – and you can see the investments the sector is making.

The cost of renewable technology has come down dramatically in recent years. And demand is increasing. Renewables are the fastest growing source of energy in the world.

We shouldn't see that as a challenge. We should see it as an opportunity. Our family business is energy – both established and emerging forms of energy.

Today we are leaders in responsible energy production. Tomorrow we can be leaders in renewable energy technology as well. I have every confidence that innovators here in this province – including many in this room, through your own organization's efforts, as well as through organizations like COSIA – will ensure that Alberta remains at the forefront as an energy supplier.

But in the meantime – for today, for tomorrow, for this generation and the next – oil and gas will continue to be an important source of energy.

We need it – for our economy, for our way of life, for the essential public services that rely on the revenue it brings in.

The world needs it too. The global population is increasing. Access to energy is helping to lift people out of poverty. Living standards are improving. The middle class around the world is growing, and as a result, consumer demand is rising.

The International Energy Agency predicts a 27% increase in global energy demand by 2040, and collectively, we must act now to ensure that Canada plays an important part in meeting that demand.

This should serve as both a wake-up call and a rallying cry. There is a huge opportunity to enhance our prosperity if we harness our energy sustainably and get it to these growth markets.

We all know this is in Alberta's interest. What has been lost in recent years is that it's also in the national interest. It's good for this province – and for our country. Canada can and should be a leader in responsible energy development and environmental sustainability.

## Ensuring energy security and reducing market volatility

Energy producers have long had to accept the hard reality that their business is vulnerable to many factors and forces beyond their control: trade issues, economic downturns, geopolitical tensions, OPEC supply decisions, the rapid growth of U.S. shale oil production, just to name a few.

But there are important elements of the equation that we can control – if not as an industry, then certainly as a country.

First, we can control our national system of regulations and processes.

We need a regulatory environment that is balanced, efficient and effective; one that is apolitical in nature, to ensure the best outcome for the country as a whole.

That doesn't mean that the answer to every project application has to be "Yes." Environmental reviews must accurately assess the full impact of each project. And Indigenous and local consultation must be part of the process.

However, if we as a country want to attract international investment, if we want our homegrown energy companies to make the most of their potential, if we want to compete in the world and win, then we must build a modern regulatory framework. One that allows good projects to be built in good time.

Second, we can as Canadians control the speed and passion with which we pursue innovation.

That means marketing our Canadian advantage more effectively. And continuing to work to make the development process even more efficient and sustainable.

And let me pause here for a moment to talk about the environmental aspect of this – because it's fundamental to both our global reputation and our responsibility to future generations.

As a world leader in responsible energy production, we help neither ourselves – nor the planet – if we undermine our own ability to compete on the world stage.

Instead, we allow other countries to meet the growing demand – delivering oil, gas and coal that's produced with less stringent environmental standards and less responsible governance and regulation.

So, we need to get our energy to market. But we also need to keep building and advancing our reputation as a responsible supplier. That means being recognized as a leader in ESG factors that are increasingly important to the world's largest investors. And it means building on our capacity for innovation that decreases the carbon footprint for both the production and consumption of energy.

## Examples of innovative technology and policy

We are already seeing evidence of this ingenuity. Take Suncor, for example – investing \$1.4 billion to install two cogeneration units at its Oil Sands Base Plant.

That will mean lower operating costs, lower capital costs, a 25 per cent reduction in greenhouse gas emissions and 800 megawatts of power being added to Alberta's electricity grid. Truly a win-win investment – and an example of how technology can help to transform and improve the energy sector.

Or take Cenovus, who led a joint industry project to assess the cost and feasibility of using captured CO<sub>2</sub> from natural gas fired plants to produce electricity using cutting edge technology.

The progress that Canadian Natural Resources is making on carbon capture and storage is also impressive: 2.7 million tonnes of CO<sub>2</sub> captured each and every year – making it a world leader in sequestration. At the Quest facility alone, four million tonnes of CO<sub>2</sub> have been permanently captured and safely stored – the same as the annual emissions of one million cars.

What these firms all have in common is their success in bringing down the carbon intensity of their oil sands oil to where they're now in line with, or better than, other sources of oil.

Make no mistake about it: The International Energy Agency says carbon capture is a critical tool in the fight against climate change.

We can build on this kind of responsible and forward-looking investment. And government can help – by making carbon capture more common and more feasible.

Building on the accelerated capital cost allowance for clean energy equipment that was announced in the 2018 Fall Economic Statement, the federal government should implement a tailored tax credit to encourage both capture and sequestration.

A similar tax credit already exists in the United States – \$35 per tonne of captured CO<sub>2</sub> if it's used for enhanced oil recovery, and \$50 if it's buried.

This would enable companies to both immediately expense the depreciation associated with buying the equipment – and ultimately be rewarded on an ongoing basis for capturing and storing emissions.

Technology is part of the climate change solution. Public policy that encourages responsible behaviour in a more economically viable way must be put forward.

This type of innovation is crucial. We know that international investors are increasingly concerned with GHG emissions and environmental sustainability – as are people across Canada and around the world.

And on the topic, I'd like to take the opportunity to commend Premier Kenney for his government's decision to introduce the technology innovation and emissions reduction system earlier this week. It makes good policy sense, and it's an important signal to international markets that we take climate change seriously.

It is important for the industry to demonstrate a meaningful commitment to reducing per-barrel emissions. We must also share facts about efficiency improvements more broadly – and demonstrate both an interest and a skill at using technology to reduce impact on the environment.

As Tiff Macklem said in his recent report on sustainable finance, a failure to do so could lead to Canadian energy assets being devalued. In his words, better data management and reporting mechanisms are "critical if we are to continue prospering from our natural wealth."

The government can also help the oil and gas industry to operate more cost effectively.

There is an opportunity for government to better support exploration and development by using innovative financing techniques and taxation frameworks. An example of this was flow through shares, which once played an important role in spurring along exploration in the sector. Similar creative thinking is now needed to help support the industry today.

Finally, there is something else we can control: We can as a country control the approval and construction of pipelines.

As a nation, we can resolve to ensure that our oil can get to markets where it is needed – and where it will fetch the highest price.

No company and no Canadian benefits when our producers are forced to sell their crude at a differential of as much as \$40 a barrel. This hurts producers and governments, families and communities alike – which means it hurts all of us.

In a volatile industry where we control so little, we have to make smart, swift and far-sighted decisions that allow us to make the most of what we do control. The shortage of pipeline capacity represents a critical threat to our economy.

I'll put it plainly: The importance of building the Trans Mountain Expansion and getting it back in private hands cannot be overstated...ideally with the Indigenous community playing an important role in the ownership structure. TMX is a crucial project to the industry's prosperity, to Alberta's prosperity and to the prosperity of Canada as a whole. It is nation building, pure and simple.

Let's be absolutely clear: The controversy over resource development is not a new phenomenon. As far back as the 1970s, your former Premier, Ernest Manning, was calling for what he described as an "intelligent balance between demonstrable public need and legitimate environmental concerns."

Canada's response to the climate challenge should be to seek and to achieve that intelligent balance.

We should be encouraged by the progress that's finally underway in Kitimat – the construction of an

LNG terminal that will ultimately allow Canadian natural gas to displace coal as an energy source in overseas markets like China, which burns four times more coal than any other country on earth. The LNG produced in BC will have some of the lowest carbon dioxide per tonne compared with any other LNG produced on the planet.

This will be an important step forward in the fight against climate change. Thanks to Canada, global emissions will be reduced – because of the hard work and dedication of producers here in Alberta, and in BC.

At the same time, the West – and Canada as a whole – will benefit economically. The ultimate win-win. And another example of how tackling these issues is in the national interest.

As a country, we must continue leading the world both in traditional resource production and in the innovative development of the technology that will drive next-generation renewables.

That is the path to economic success in the present – and in the future.

We can't expect to improve our position globally if we don't have our house in order nationally. We need to demonstrate to the world that we can get big projects done. We need to continue showing that we can balance our economic and environmental priorities.

I understand the contentious nature of the TMX project, but this is a project that we can get done without further debate in Parliament – or in Cabinet.

This is a project that will carry almost a million barrels a day of oil to tidewater – and to markets where demand is high.

This is a project that is unambiguously in the national interest – and government should do everything in its power to get it done, and get it done quickly.

I'd like to end here and emphasize an essential truth: Our country should not shy away from its strengths – nor turn away from our history.

We have a bounty of natural resources – and an economy that relies on their development and sale. We have an expertise at developing these

resources responsibly. We do it better than anyone.

We have the potential to help sustainably fuel the world – if we invest in making our established industry as efficient, responsible and modern as possible.

At the same time, we understand that the world is changing. New forms of energy are being developed and adapted. The door is open to a leadership role in this new industry. It's Canada's to claim.

That's part of the reason that CIBC has committed to \$150 billion in sustainable financing by 2027. This commitment will enable the development and implementation of new and innovative solutions for our clients to address critical environmental challenges including climate change.

Without a doubt, Canada as a country – and Alberta as a province – needs to focus on what's next. But we cannot afford to lose sight of what's now.

Together as Canadians, we need to make the most of our resource wealth – selling in as many markets as possible, to get the highest price possible.

And we need to innovate for tomorrow to become world leaders in clean energy and responsible energy development – so we can help combat climate change. By harnessing the power of technology and innovation, we can have both: economic growth and environmental sustainability.

I know that some financial institutions are turning away from traditional energy markets.

CIBC was the first chartered bank to open a branch in Calgary – more than a hundred years ago. In the 1950s, we were the first bank to create a resource development department to help support the emerging oil patch.

We were here from the start. We've been here through good times and bad.

We know your industry, your business, and will be here to help address the challenges and opportunities that lay ahead.

Let's grow the family business and strengthen our country, together.

Thank you.