

“Canada’s Energy Future”

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Public Policy Forum Conference: “Rebooting the Economy”

Ottawa

June 1, 2009

(Check against delivery)

- Thank you, Chris and good evening, ladies and gentlemen.
- It is my pleasure to be here tonight and to be able to pass on some of my thoughts relating to rebooting the Canadian economy.
- This discussion could not be more timely. We have already seen a number of stimulus packages announced by federal and provincial governments to shore up ailing sectors, get credit flowing freely and get people back to work.
- Although I will make some comments on general economic conditions and certain do's and don'ts on rebooting the economy, I am going to focus primarily on the energy industry for obvious reasons: that's what I know best.

Short-term-ism:

- I'll just quickly give you my perspective on short-term economic stimulus packages before I get into my formal remarks, which will focus more on the steps we can take to promote long-term economic prosperity.
- Generally I don't like short term-ism. Unfortunately, I recognize this is sometimes unavoidable, but it comes at a cost. I think we should challenge politicians in situations where they place getting elected ahead of long-term policy choices that would be good for our country, instead of just accepting those actions as a necessary evil.
- Just as companies like Enbridge have to look beyond the pressures of investors and financial analysts who only look to quarterly performance, politicians must look beyond the next election. Whether it is a company or a country, we have a responsibility to work towards the best long-term interests of Canadians.
- Enbridge has been in business as a publicly traded company for more than 55 years, and we plan to be going strong for a long time. I want a government that thinks the same way.
- I think that one of the values of Canada's Public servants is that they can help focus the government more on long-term strategy and less on short-term thinking.
- So when it comes to stimulus packages and bailouts, I think they are usually a mistake.

- I have seen, too many times, the distorting and ultimately destabilizing long-term impact of overly enthusiastic government intervention.
- Don't get me wrong. There's a critical role for government in a healthy economy, but I think that role resides in developing long-term policies that will foster long-term prosperity.
- I also feel, more so now than ever, that government is critical in setting regulatory standards that help prevent the kind of economic meltdown that we have recently seen.
- So, rebooting the Canadian economy – how do we do it? I have already made it clear that I don't like bailouts and I don't like short-term-ism. What do I like? And what would I suggest?

Long-term thinking:

- Well, I would like to start by suggesting that we need a long-term vision and strategy for the country: what do we want to be and how do we get there.
- Let's use the simple technique of examining our strengths, weaknesses, opportunities and threats.
- How do we use our strategic advantages most effectively? What are we good at?
- We need a true national strategy, independent of partisan politics and supported by the Canada's Public Servants.
- It would provide an excellent framework for our federal funding initiatives, subsidies as guidance for our corporations, our educators, for our immigration system, for our taxation system, etc.
- Each of these areas seems to be run today by simply hitting the hot button or greasing the squeaky wheel.
- I think that developing a national strategy might put into question some long-held beliefs in Canada. Beliefs like "Canadians don't want to be hewers of wood and drawers of water." Really? Why not?
- We are very good at it. Our resource economy is a huge competitive advantage for Canada. Countries without a lot of "wood to hew and water to draw" – without the natural resources we have been blessed with – are at a huge disadvantage to Canada. They cannot be manufacturers of anything without our raw materials! Let's not knock it. It has made us who we are.

- Should we add more value to our raw materials? Well, maybe – but only if we have a competitive advantage in doing so.
- So let's develop a long-term strategy for this country and when we reboot the economy, let's reboot it in a way that is consistent with where we want to go, rather than where we've been.

The Energy Industry:

- Let me use the energy industry as an example of what I'm talking about.
- First a little background on Enbridge so you know where I am coming from. Enbridge is one of the world's premiere energy transportation companies. The Enbridge pipeline network extends from Norman Wells in the North West Territory through the Prairie Provinces, east to Toronto and Montreal and to the Midwest United States; from the Gulf of Mexico, through the US Gulf Coast states and into the Central US. We have the largest natural gas distribution network in Canada and operate that system in Ontario, Quebec, New Brunswick and New York State.
- That network gives us a deep appreciation of the fundamental role energy has in powering every aspect of our society.
- Energy is essential. Energy heats and powers our homes, hospitals and businesses. Energy moves people, goods and information. It takes your kids to school; it gets you to work and home again.
- And so my remarks this evening will centre on the steps we need to take to create long-term stability and growth for our economy by focusing on issues related to the energy sector, in particular the oil and gas industry. However, my comments are equally applicable to other industries.
- First, I will ask you to consider these facts:
- Canada's oil reserves are the second largest on the planet and represent the world's largest source of secure, reliable energy located in a country with strong democratic institutions, stringent environmental regulations, market-based trade rules and open investment policies. Where better for this resource to be?
- 97% of Canada's oil and gas reserves are in heavy oil.

- Finally, the world needs secure and reliable sources of energy. At least 15 million barrels per day of new crude supply must be added by 2015 to serve a global population that is expected to increase by one billion people. Try as we will, we will not be able to meet that need with renewables alone.
- With those facts in mind, we need to turn our attention to how we can take advantage of our remarkable energy resources to build a stronger Canadian economy coming out of this recession.

A strategy for energy:

- In terms of strategy, I would suggest that Canada does not have one for energy. A key engine of our economic growth – energy – has been presided over by a tentative approach to policy between federal and provincial governments.
- Our public policies provide little direction for business and industry, and also for the public servants who are charged with implementing, interpreting and enforcing them.
- Why don't we try to raise our sights, and extend our strategy out to a five- or ten-year horizon, at least? Then we can create the policy which supports that strategy.
- Our national economic and national energy strategy needs to be flexible enough to adapt in response to significant changes in circumstances; but if it doesn't have a reasonable shelf life it wasn't really strategic in the first place.
- A few minutes ago I suggested Canada undertake a national review of its strengths, weaknesses, opportunities and threats – a SWOT analysis
- And I can tell you right now, what one of the biggest findings of that SWOT analysis will be: for Canada one area of incredible strength and massive opportunity is energy.
- President Obama has been clear about his own Administration's priorities. He has said that, quote, "At a time of great challenge for America, no single issue is as fundamental to our future as energy."

- Where is the sense of urgency and broad vision on this side of the border? Energy is simply too important to the health of our economy for Canada to be without a robust national energy strategy. And without a national consensus on major issues, it is much more difficult for Canada to negotiate with the United States or other trading partners on energy and the environment.
- A Canadian energy strategy would also help reduce delays resulting from inefficient and overlapping regulatory processes. This is of course a major concern to pipeline builders like Enbridge who are investing billions in infrastructure projects that cross both provincial and national boundaries.
- Simply put, regulatory approval processes are getting harder, more difficult and more expensive, to the benefit of very few, at a great cost to many, and to our country's detriment.
- Earlier I touched on the issue of adding value to our raw materials and natural resources.
- Canada needs to strike a balance between producing primary resources for the global market and producing value-added goods.
- Where it makes economic sense and where supply and demand supports value-added industries, Canada can be a global leader. But if we're adding value, we must add real value in a way that is supported by the market. Artificially inserting a so-called value-added component to the supply chain through restrictive policies and regulations will simply push the market out of whack and set up weak industries that will require ongoing government protection and support.
- How do you diversify and support a very long-term strategy under the model I'm proposing? By investing the revenues from oil sands development in the best possible industry to support sustainable long-term growth and prosperity for Canada: education.
- Imagine the impact. A comprehensive national economic strategy linking the revenue generated by the energy sector with the future-building potential of our education system. That's how we can successfully complete the long transition from resource economy to information economy.
- By the way, some of you may be struck by the irony of the CEO of an Alberta-based energy corporation calling for a national energy policy. But the truth is that we can't afford to get stuck in the past. The current economic climate, and the 'changing of the guard' south of the border, may have created just the right conditions for a breakthrough on this policy front.

Canada's energy relationship with the United States:

- Which brings me to what I think is another key area of focus for policy enhancement, and that is Canada's energy relationship with the United States.
- Let me start by scoping out the size of our relationship. Canada is the largest energy supplier to the United States of oil, natural gas, uranium and electricity.
- Americans themselves are active participants in the Canadian oil and gas industry as owners, investors and suppliers, not to mention as consumers. When it comes to energy - and the environmental issues that are so closely linked to energy - the Canada-US relationship is not one of dependency but of interdependency.
- Interdependency also means complexity. The Canada-US energy relationship, while strong, is nonetheless an evolving one. The US Administration is focused on energy security and the environment, and is looking to Canada for support. Much-needed infrastructure projects like the long-delayed Natural Gas Pipeline from Alaska are still on hold. And some Canadian and American environmental groups have been lobbying hard for an end to the export of so-called "dirty oil" from Alberta.
- On that subject, Canadians should be proud of their natural resources and of our country's overall track record on how we have developed and managed them.
- Tell me, where else in the world could we have more confidence that a resource like the oil sands would be developed appropriately and sustainably with due regard for the environment, human rights and the other myriad concerns associated with such a large undertaking? What country, anywhere on the globe, is better equipped to successfully meet this remarkable challenge, and even more remarkable opportunity, head on? And yet here we are, defensive and apologetic. Perhaps it's the Canadian way.
- Should Canadians apologize for our boreal forest, or our water resources? Should we regret the richness of our mineral deposits and the productivity of our agriculture?
- As I mentioned a few moments ago, 97% of Canada's proven reserves are in the oil sands, and this is the second largest known reserve on the planet. Critics say oil produced from the oil

sands is more carbon intensive than conventional oil. Strictly speaking, this may be accurate, but oil sands developers have made and continue to make great progress in reducing the carbon intensity of their product. Let's work together as a country to solve our problems, and not just throw the baby out with the bath water.

- Without a doubt, this commitment would be accompanied by a ramped-up effort to reduce the industry's environmental footprint. But producers and investors would gain that most precious asset of all – greater certainty about the future of the industry.
- The certainty provided by a collaborative and far-reaching North American energy strategy would help to stabilize energy costs and help to insulate our economy from the cycle of boom and bust. It would also accelerate R&D in technologies like carbon capture and storage and in situ oil sands extraction that have the potential to radically improve the industry's environmental performance.

Canada in the Global Energy Market:

- Ultimately, our relationship with the United States will be pivotal in helping to define Canada's role within the global energy market, which is the final topic I'd like to touch on tonight.
- Some have said that Canada is already a global energy superpower, by virtue of our massive reserves and the fact that we are a major energy exporter.
- I say that this gets us part way, but not all the way, to global energy leadership. For that to happen, we need to share our wealth of expertise with countries who are building their own energy future.
- For example, among the leading oil reserve countries, Canada is the only one without massive state ownership of energy resources. We welcome foreign investment and foreign partnerships, and offer a glowing case study on how this open market approach brings tremendous benefits to all stakeholders.

- We need to build our capacity to deliver our energy to broader markets. At Enbridge, we're working on this right now, with our ambitious and strategic Northern Gateway Pipeline, which will connect Canada's energy reserves to Asia-Pacific markets, extending from the oil sands to a world-class tanker terminal on the west coast, at Kitimat BC.
- This is an example of one element of a national energy strategy.
- Any national energy strategy must be integrated with a national environmental strategy, and a national transportation strategy and a national education strategy.
- Did you notice that I used the words "national" and "strategy" five times in the last ten seconds?
- I also used the word "education," and I'd just like to return to that and build on something I mentioned earlier.
- I firmly believe that the way we develop and diversify our economy - and ensure that we don't just hew wood and draw water until it is all gone, and then move south – is through education.
- Use those oil royalties and tax dollars to educate our young people, expose them to the world, keep their taxes low so they want to live here, and give them an environment in which to innovate.
- Research in Motion – RIM – a Canadian company of which I am very proud, is an excellent example of just that. Let's encourage our resource industries to take advantage of our strategic reserves and let's plough the proceeds back into education. I am have more faith that the young kids of today will be better able to take Canada's economy to new heights than the existing approach of developing policies and politics based on the latest headlines and poll results.
- Ladies and gentlemen, I've laid out a rather full agenda for Canada's energy future.
- I've called for Canada to begin in our own back yard by developing a national energy strategy driven by an analysis of our country's strengths, weaknesses, opportunities and threats.
- I've recommended closer cooperation with the US on the environmental and regulatory fronts, and for a joint commitment to the oil sands industry as part of the answer to North America's long-term energy needs.
- And I've suggested that for Canada to truly assume the mantle of global energy leadership, we need to diversify our international customer base.

- If we are committed to ensuring that Canada reboots our economic future successfully, then we have no choice but to get this right
- Thank you very much, ladies and gentlemen, and I wish you great success with your deliberations tomorrow.