

Notes for opening remarks by

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***Cross-Border Issues Facing
the Canadian and U.S. Energy Industries***

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Introduction:

- Thank you and welcome to today's forum on cross-border energy issues. I appreciate everyone's attendance here today, and I look forward to everyone's participation. The topic is an admittedly complex one, but a critical one if North America is going to be able to have timely energy supply solutions in place to meet ever-increasing demand.
- This forum is a follow-up to an awards dinner and forum held last March in Calgary, as an initiative of the Canada Institute of the Woodrow Wilson International Center for Scholars. As you know, the Center brings together academics, policymakers and business leaders to address public policy challenges.
- I was pleased to be co-chair of the Calgary forum, which was held to underscore the need for continued cross-border collaboration and to promote a vision of North America as an integrated business community. That forum focused on business in general, and the many issues and opportunities the United States and Canada need to work on together to ensure mutual benefit.

- A key part of those issues and opportunities is, of course, energy and energy infrastructure, which is the focus for today's forum. The emphasis will be on natural gas, but the major issues are pretty much the same for all forms of energy.
- We have a very distinguished panel, who will be introduced shortly. And to spur discussion we have had papers written by two well-known and well-respected energy analysts: Daniel Yergin, of Cambridge Energy Research Associates, and Paul Ziff of the Ziff Energy Group. Daniel has done a paper from a U.S. perspective, and Paul from a Canadian one.
- While they have addressed the topic in somewhat different ways, there is considerable common ground in their papers. Which should not really be surprising: I believe most observers of the energy situation in North America understand how critical continued security of supply of energy, particularly natural gas, is to the economies of both our countries. Most observers also look to the same sources of supply as being the solution to the problem – continued development of the Gulf Coast and conventional gas sources from Western Canada, plus new volumes from LNG, coalbed methane, and the Canadian and U.S. North.

- Unfortunately, most observers also agree on the basic roadblocks – without cross-border cooperation, streamlining of approvals, and a genuine commitment to develop those energy resources, additional supply is not going to be available in time to prevent shortages, perhaps severe ones, which will create higher prices and increased price volatility.
- So when we discuss the topic of cross-border energy needs today, I hope we can do more than simply agree on the problems. I hope we can come forward with some recommended actions to help governments, regulators, industry, and communities to work together to provide the energy we all need – to heat and power our homes and hospitals and businesses, and to fuel industrial and economic development for both of our countries.
- The company I represent, Enbridge Inc., is a major transporter of crude oil and natural gas throughout North America. We know first-hand that cross-border energy delivery can be done to everyone's benefit – we have been the major transporter of Canadian crude oil cross-border for 55 years.

- As a company with a keen interest in northern gas pipelines, LNG development, and gas pipelines from the Rocky Mountain region we also know, however, that approvals processes are getting harder, and longer, and costlier. To the benefit of very few, and at a cost to very many.
- It's because of my Enbridge experience, and because I believe North America is heading for some real energy problems unless we find solutions, that I have been speaking for some time now on the need for leadership and cooperation to streamline regulatory processes. I also believe strongly that a North American perspective needs to be adopted by more people, rather than just a "what's in it for me" attitude.
- Daniel Yergin has quite rightly pointed out that the North American natural gas industry has delivered gas reliably and at relatively stable and low prices for many years. The integration of the natural gas industries in both countries has been one of the great success stories between Canada and the U.S. But the shortages of supply the continent is now facing are due to the limitations of the North American resource base, and the time lag before frontier and international supplies can get to market. The problem demands policy-making and strategy development in a market unlike the one of the past two decades.

- And what are the implications of delay in addressing this problem? An INGAA study that concludes that a delay of just two years in the totality of gas projects would cost U.S. consumers \$200 billion by 2020 – not to mention the risk to the economy and the loss of jobs due to higher energy prices.
- That's why streamlined regulatory and approvals processes are so important. And there have been some steps taken in that direction, as Paul Ziff has pointed out – steps such as the Memorandum of Understanding signed in May of this year by the Chairs of Canada's National Energy Board and the U.S. Federal Energy Regulatory Commission. It sets the stage for those two organizations to work collaboratively for regulatory review of new projects.
- However, in both countries there are many more agencies and boards, at the federal, state, provincial and local levels, whose consent is required for projects. To date, cooperation has not been the hallmark of many project reviews or approval processes.
- Nor is there political consensus on how to provide relief to natural gas markets, as some of the supply solutions have become highly politicized – LNG projects, for example.

- The result, too often, is that very little gets accomplished and project approvals drag on indefinitely. Or worse, projects that are urgently needed get derailed completely.
- For example, much-needed energy infrastructure, such as new pipeline capacity into the U.S. Northeast, has been dragged out and stopped in its track by regional and local opposition.
- It seems the concepts of “public necessity” and “national good” have gone by the wayside. But isn’t that what regulators and governments are supposed to be there for? To provide the leadership that ensures NIMBY objections don’t consistently over-ride genuine need in other jurisdictions?
- Clearly there is no easy way to balance all the often-conflicting interests that exist today: the balance between local concerns and broader regional needs; the balance between land access restrictions and regulatory delay with the inevitable consequences of higher natural gas prices if no further lands are made available for gas production; and the balance between legitimate environmental concerns and equally legitimate economic and societal concerns.

- I'm a believer in the power of markets. Shortages can be resolved by markets – over time – but only in an environment of cooperation and reasonable project approvals processes.
- All of us in industry, policy-makers, regulators and elected officials need to work quickly to address the current natural gas situation in North America. We can avoid severe supply shortages, but only if there is a will and an agreed upon way.
- I fully expect that as a result of today's deliberations, we can assist governments to continue what they've started in setting the kind of policy framework that will allow industry to act in the interests of continued economic health and energy security for both our countries. At least I hope so. The prize is too great to let slip away.
- Thank you.