



“Nation-building infrastructure: Creating an Environment for Investment”

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Check Against Delivery

I’m pleased to be back in Vancouver again. And I’m honored to be included among the many accomplished individuals who are on the agenda today. Premier Clark, it is a great pleasure to share the podium with you, and with our colleagues this morning.

And I would also like to thank the Business Council of British Columbia for the invitation.

Back in February, I was here in Vancouver speaking to the Board of Trade. It’s not that long ago, I realize. But bear in mind that as a former politician, I get the shakes if I go too long without delivering a speech in a convention center or hotel ballroom.

Furthermore, when it comes to speaking on national issues, one of the particularly enjoyable things about my new incarnation at CIBC, is that I have the luxury of speaking more frankly. It’s fair to say I have accumulated a significant inventory of unexpressed opinions – although my lovely wife, Karen, would probably dispute that assessment.

Those opinions are especially strong when it comes to topics like defining national interest, building strategic energy infrastructure and ensuring west coast access for Canadian oil and gas.

Frankly, the call to action that I made in February bears repeating. If anything, it is becoming more urgent – not less – over time.

In my view, the development of this nation's hydrocarbon deposits - and the construction of the infrastructure required to bring them to new markets - is fundamental to our national interest. These projects are a critical engine of economic renewal and national prosperity at a time of uncertainty.

Furthermore, the time has come to accept the reality that we must diversify away from our traditional energy export markets and seek new ones, specifically those in the Asia Pacific region.

The Prime Minister has made this point time and again, including during his recent trip to China: Canada is committed to ensuring that we have the infrastructure necessary to meet the fastest-growing demand for our products.

Of course the trajectory of Asian growth won't occur in a perfect arc – it never works that way. And sure enough, China's economic momentum has recently shown signs of slowing. But CIBC economists are still looking for GDP growth of 7.8 per cent this year, on the heels of 9 per cent last year. Not too shabby. Especially by comparison with the 2 per cent range forecast for North America.

Casting even further forward, countries like China, India and South Korea – among others – are expected to account for 45 per cent of global GDP by 2050 and 90 per cent of the growth.

Certainly by 2015, it's expected China will rely on foreign imports for about 70 per cent of its oil supply.

Those forecasts are all the more compelling when you contrast them with Canada's domestic trend line – and the one in our traditional energy export market, the U.S. New oil production is coming on stream there from the Bakken fields in North Dakota and, at the same time as significant increases in natural gas production and curtailed demand by the weakened American economy.

According to a recent research report by CIBC oil analyst, Andrew Potter – which he’s rather whimsically entitled “Welcome to the House of Pain” - the benchmark price for North American crude oil is likely to hover around \$70 a barrel going forward.

For capital-intensive projects like the oil sands - which have higher break-even thresholds than the industry average - that’s a real potential problem. To say nothing of North American natural gas markets, an all too familiar issue to British Columbians and Albertans – and one that is at the very root of LNG projects that we hear so much about.

Without a doubt, knowing that they’ve got guaranteed access to market would go a long way toward improving the ability – and willingness – of oil and gas producers to sustain and expand upon their capital investment in these megaprojects.

It might make some happy to put hydrocarbon development permanently on the shelf, but for Canada’s future prosperity that’s just not an option.

We should take pride in who we are and what we do. In Canada, we extract resources from our abundant natural deposits and rely on the proceeds of those sales to help provide an exceptional standard of living. We do it better than anyone in the world, meeting rigorous environmental and productivity standards. We’re blessed in every sense to profit as much as we do.

Consider: Nearly one in every six workers next door in Alberta is employed directly or indirectly in the provinces’ energy sector. British Columbia is heading in that same direction as the shale gas reserves in the northern region of the province are developed, as proposed pipelines and export facilities are constructed.

All of you in this room will have noted last week’s announcement by Apache, the second largest gas producer in the US, of a giant shale gas find in the Laird Basin of northeastern British Columbia. This is only the most recent of what will no doubt be many other gas discoveries in the relatively untapped reaches of this province.

Even before the ground is broken on any new infrastructure, over 25,000 people are already employed by pipelines alone in western Canada. And thousands more direct and indirect jobs will be created across Canada as various energy megaprojects move forward.

That said, there are three things I've learned in my 18 months at CIBC and in my extensive travels in my role as the bank's vice-chair: First, capital is fungible. Second, both the opportunities and the competition for that capital are truly global. Third, money will always seek and settle in the most favorable circumstances.

That means that we in Canada can never - absolutely never - take it for granted that investment will just flow to our country and our infrastructure projects. We must not fall into the trap of assuming that everyone else thinks we're as tall and as handsome as we think we are. We have to work at it. We have to make it happen.

In short, it's imperative for us to create an investment climate that attracts - and holds - international capital. And a key component of any such strategy is a solid public policy framework that provides consistency and transparency.

Certainly there is no shortage of hurdles to overcome in this endeavor.

I've already mentioned one: Commodity prices, as folks in B.C. know as well as anyone, tend to be volatile. It requires resolute long-term vision and the ability to endure significant long-term risk. The pipes aren't the only things that need to be made of steel.

Just two weeks ago, for example, TransCanada Pipelines committed to build a \$4-billion pipeline facility as a part of Shell's LNG project - to build the Coastal GasLink pipeline to transport natural gas from northern B.C.'s shale gas fields to a proposed LNG export terminal in Kitimat. TransCanada also, at the same time, downgraded its own forecasts for natural gas prices. So you see that these projects are not for the faint of heart when faced with the realities of competitive global markets.

Of course there are political hurdles to face.

Environmental and legal complexities.

Unresolved First Nation land claims.

Strident public protests.

But out of this impressive list of issues, probably the single greatest impediment to upgrading Canada's energy infrastructure and tapping

new markets is our own tried, and on these challenging issues, tired approach to these developments.

Some may call it a lack of leadership. But it's really more akin to wanting transformation – something in the national interest that will change Canada's destiny – but without the complexity of consensus building.

Either way, when the path to change is unclear, but the facts and the determination to bring about change is strong, it almost certainly falls to those inclined to lead, to get out in front. To help define the national interest. To establish a context and a coalition of support.

Success on this front will mean more and matter more than all the fine work, hours of effort and thoughtful reflection of hearings, panels and reports.

It will bring social license.

The federal government has already flagged some clear priorities.

In the 2012 budget, there is provision for responsible resource development which sets aside \$13.6 million over two years for consultations with First Nations to ensure their rights and interests are respected. Another \$35.7 million is allotted for new regulations to enhance the existing tanker inspection regime, to develop and legislative and regulatory framework for oil spills and emergencies, to get an independent international panel to review oil handling protocols, conducting a scientific review of marine pollution risks.

I flagged some of these priorities when I spoke here in February, and the Budget reinforces them....someone was clearly listening!

This is a defining moment for Canada and the federal government has an important role to play. As does the British Columbia government, B.C.'s First Nations and, of course, the private sector.

These are tough issues. Arguably the toughest. The constitutional and legal issues surrounding west coast energy corridors, terminals and shipping are extraordinarily challenging. The way forward hinges upon negotiating through the complex overlay of unresolved First Nation land claims and unresolved environmental and infrastructure questions.

These may well be the most difficult public policy questions in Canada today and to expect that corporations can resolve them through a public hearing is unrealistic.

Firstly, the constitutional obligation to consult with First Nations is not a corporate obligation. It is the federal government's responsibility.

Secondly, the obligation to define an ocean management regime for terminals and shipping on the west coast is not a corporate responsibility. It is the federal government's responsibility.

And thirdly, these issues cannot be resolved by regulatory fiat, they require negotiation. The real risk is not regulatory rejection, by the way. It is actually regulatory approval, undermined by subsequent legal challenges and the absence of 'social license'.

So how should we move forward?

To advance our national interest, the federal government needs to take the lead. They need to consult. They need to negotiate.

First, Ottawa must step up and more actively consult with First Nations on the unresolved land claims that blanket British Columbia. Energy corridors will need to be secured on a non-derogation basis, allowing for development, without forcing First Nations to relinquish unresolved issues. Senior negotiators need to be put in place to assist in those consultations.

Second, Ottawa has sole jurisdiction over our territorial waters. So it must take the lead in developing a management regime that will take into account the rewards as well as the environmental risks of increased west coast tanker traffic. Legislation will be required. So too will contingency plans for unforeseen eventualities.

It will be essential– given the importance of these waters to coastal First Nations – for the government to pursue a co-management regime for those waters, together with the Province of British Columbia and the coastal First Nations.

The bottom line is this: Developing market access and pipeline corridors to the Pacific requires much more than money. Leadership,

patience and time need to be invested. Only then will meaningful dividends derive.

However, we need to be willing to do the hard work. And that's exactly what it will take.

For the private sector, that means finding and deploying new ways to be inclusive. It means listening. It also means finding common ground, delineating mutual benefits, and sticking to the corporate values you've articulated.

This isn't about group hugs and rainbows. It may appear soft around the edges and probably the middle, too. But make no mistake. Social license to operate is what will, in the case of energy infrastructure, make or break the multi-billion dollar developments we're talking about here. It's the vehicle for moving projects forward quickly in a purposeful, strategic and principled way.

All of this is, of course, most effective when companies have the discipline and the foresight to be proactive.

I would submit that we've seen this in efforts by Enbridge, Shell Canada, Kinder Morgan and the many global and other Canadian companies involved in west coast access infrastructure projects. And British Columbia's First Nations have similarly engaged with leading edge thinking, including the Haisla.

But more can, should and will be done, I am certain.

Considerations of traditional knowledge, community consultation, disaster management framework and remediation strategy – and funding – willingly integrated into initial plans, make it a lot easier than trying to bolt them on later.

And it just makes common sense and good business sense to get out in front of these issues. Based on history, it is reasonable to conclude that regulatory approval will come with extensive environmental considerations and conditions.

I know about these matters – about the steep cost of ignoring them but also the benefits of embracing them – first hand.

Early in my career as a lawyer in Calgary, much of my practice was devoted to negotiating land claims between First Nations and oil and gas companies.

Later, as Minister for Indian and Northern Affairs – as it was then – I was directly involved in the development and implementation of a new approach to resolving long-standing First Nations land claims and restoring confidence in the Government and the process. These negotiations had begun under John Diefenbaker’s government and then stalled for decades, punctuated by false starts and dashed hopes. The key was to find a way to the broad agreement on title that allowed us to focus on the mutual benefits of moving forward.

At Environment Canada, we managed to work out the terms for the establishment of the marine conservation park at Gwaii Hannas – the first of it’s kind, with robust mechanisms for shared management and development.

Easy? No.

Achievable? Yes.

Let me close by saying that projects on the scale we’re talking about here, have and always will, face headwinds... often from several directions at the same time.

Strong leadership means setting and staying the course. It is essential to ensuring that these projects go forward and that the benefits that can flow from them for all Canadians do so – however fierce those headwinds may be from time to time.

In such an intensely competitive global market, we all have to constantly challenge received wisdom, to re-evaluate our approach and our methods, to consider new partners, to roll with shifting circumstances.

We must bear two things in mind, however: Money has choice. And money hates uncertainty.

One way to help contain that uncertainty and attract capital is to carefully frame these mega-projects at the outset, to control what can be controlled by proactively adopting innovative approaches that go beyond the minimum requirement.

These are the foundational elements that will manage some of the risks that investors fear and ensure the returns that benefit individuals, communities and, ultimately, Canada's economic future.

Thank you for your attention...and I look forward to my next opportunity to visit Vancouver. Yes, again.