



## A Political Storm Over Canadian Energy Security

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Gordon Laxer, Professor of political economy at the University of Alberta and Director of the [Parklands Institute](#), created a political storm with his testimony before the International Trade Committee on Thursday. He was conducting a presentation on the energy and climate change implications of the [Security and Prosperity Partnership \(SPP\)](#), an agreement on greater integration between Canada, the US and Mexico. Professor Laxer pointed out that the deal, which refers to North American "energy security" as a priority, commits Canada to maintaining energy exports to the US, in the absence of a national plan or strategic reserve to protect its own security of supply.

According to the [Ottawa Citizen](#),

At that point, Tory MP Leon Benoit, chair of the Commons Standing Committee on International Trade which was holding the SPP hearings, ordered Laxer to halt his testimony, saying it was not relevant.

Opposition MPs called for, and won, a vote to overrule Benoit's ruling.

Benoit then threw down his pen, declaring, "This meeting is adjourned," and stormed out, followed by three of the panel's four Conservative members.

The remaining members voted to finish the meeting, with the Liberal vice-chair presiding.

Benoit's actions are virtually unprecedented, observers say; at press time, parliamentary procedure experts still hadn't figured out whether he had the right to adjourn the meeting unilaterally. Benoit did not respond to calls for comment.

### **Presentation on the SPP to the International Trade Committee**

Gordon Laxer  
Political Economy Professor, and The Director  
Parkland Institute at the University of Alberta  
May 10, 2007

#### **Introduction**

Parkland Institute is an Alberta-wide research network at the University of Alberta in Edmonton.

We are supported by over 600 individual members and dozens of progressive organizations. Parkland Institute conducts research and education for the public good.

My remarks are on the energy and climate change implications of the SPP.

### **Why No Energy Security for Canadians?**

I don't understand why Canada is discussing helping to ensure American energy security when Canada has no energy policy, and no plans or enough pipelines, to get oil to Eastern Canadians during an international supply crisis. Canada is the most vulnerable member of the International Energy Agency - IEA, yet recklessly exports a higher and higher share of its oil and gas to the U.S. This locks Canada into a higher share under NAFTA's proportionality clause. Instead of guaranteeing U.S. energy security, how about a Canadian SPP – **Secure Petroleum Plan** for Canada?

While rising Canadian oil exports help wean America off Middle Eastern oil, Canada is shirking responsibility to Canadians. Rising Canadian exports are perversely leading to greater Middle Eastern imports for Canada.

We import about 40% of our oil - 850,000 barrels per day, to meet 90 per cent of Atlantic Canada's and Quebec's needs, and 40 per cent of Ontario's. A rising share, 45 per cent comes from OPEC countries, primarily Algeria, Saudi Arabia and Iraq. Imports from North Sea suppliers – Norway and Britain – are shrinking (37 per cent).

Many eastern Canadians heat their homes with oil. Yet we have no plan to send domestic supplies to them. Why not? In which NAFTA country are the citizens most likely to freeze in the dark?

The National Energy Board's mandate is to "promote safety and security ... in the Canadian public interest". Yet they wrote me on April 12: "Unfortunately, the NEB has not undertaken any studies on security of supply." This is shocking.

I asked the NEB about whether Canada is considering setting up a Strategic Petroleum Reserve under its membership in the IEA. The NEB replied that Canada "was specifically exempted from establishing a reserve, on the grounds that Canada is a net exporting country whereas the other members are net importers."

The IEA was set up by industrial countries in 1974 to counter OPECs boycotting power. The 24 members must maintain emergency oil reserves equivalent to 90 days of net imports. Only net-exporters are exempt. Canada shares this status with 3 other members.

Britain and Denmark have been net exporters, but set up strategic reserves, as required of European Union members. That leaves Norway and Canada. Norway doesn't need a reserve. Sensibly, it supplies its own citizens, before exporting surpluses.

Western Canada can't supply all of Eastern Canadian needs, because NAFTA reserves Canadian oil for Americans' security of supply. Canada now exports **63 per cent** of our oil and **56 per cent** of our natural gas production. Those export shares are currently locked in place by NAFTA's proportionality clause which requires us not to reduce recent export proportions. Mexico refused proportionality. It applies only to Canada.

As well, we don't have the east-west pipelines to fully meet Eastern needs. Instead, 5 export pipelines are planned.

Although we have more than enough oil and gas to meet Canadians needs, Canada is the most exposed IEA member. Meanwhile, the U.S. is doubling its Strategic Petroleum Reserve.

### **Natural gas**

Nor does Canada have a natural gas plan. At last summer G-8 meetings, Canada began negotiations to send Russian gas to Quebec. It is very risky. Recently, Russia cut natural gas exports to Ukraine and Byelorussia for political reasons.

Why import natural gas, when we could be self-sufficient and energy independent?

## U.S. NEP

Those are official U.S. goals in its 2001 National Energy Policy - NEP. Domestic ownership too – remember Congress blocked a Chinese takeover of Unocal. The US didn't draw up a continental security plan in 2001, but a national one, as Mexico has, like we should. Most countries have similar national policies.

No one is fooled by SPP talk that 'North American energy security' is anything more than US energy security.

I don't advocate copying the U.S. on all energy policies - finding 'their' oil under someone else's sands – Middle Eastern, and Alberta's tarsands.

Strategic petroleum reserves help short-term crunches, but not long-term ones. Eastern Canadians' best insurance is to restore the rule before the Free Trade Agreement - no energy exports before 25 years of 'proven' supply, not 'expected' supply.

The SPP is taking us in the wrong direction:

Quickening environmental approval of tarsands exports  
More LNG terminals in Canada dedicated for U.S. export  
Bringing in temporary Mexican workers without permanent resident rights

## Paradigm Shift

Instead, Canada needs a paradigm shift to face the new realities:

**security trumping trade** – means that energy security for Canadians trumps NAFTA

**climate change** – The production of tarsands oil, ¾ of which is exported, is the single biggest contributor to our rising greenhouse gases. This is the gassy elephant in the living room everyone pretends not to see. Instead, we need a moratorium on new tarsands projects. Then, cut consumption to reduce carbon emissions.

**NAFTA's proportionality clause** – You won't convince Canadians to cut fossil fuel use, as we must, if it means that whatever we save is exported to the U.S., the proportional requirement rises, and tarsands carbon emissions remain unchanged.

## Conclusion

Instead of the SPP Canada needs a new energy security and conservation strategy. Canada has a NEP - **No Energy Plan**. It is not helping Alberta or other producing regions. The people of Alberta, the oil and gas owners, receive pitifully low royalties and other economic rents. Alberta and Norway have similar amounts of oil and gas, yet Alberta's Heritage Fund was started in 1976 and has 12 billion US. Norway started their fund in 1996 and has 250 billion US. Much of tarsands oil is shipped out raw without upgrading in Alberta.

Canada must do a national energy strategy differently – as a partnership with the producing provinces and territories. The 1980 National Energy Program had good goals - energy sufficiency, independence, Canadian ownership and security, but it was unilaterally imposed.

A new federal-provincial plan must raise economic rents in all their forms so producing regions can use the funds to transition to a post-carbon economy. Otherwise, in a generation, Alberta will become, not the rust belt like the U.S mid-west, but the fossil belt.

### **Recommendations**

- No SPP before public hearings, bills before Parliament, the consent of Canadians
- No export of raw bitumen
- No environmental sacrifice zones in northern Alberta
- Higher economic rents
- Get a Mexican exemption on proportionality
- Finally, a new SPP – **Secure Petroleum Plan** for Canadians.



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