



Leading by example: A strategic approach to energy investment

By Joe Oliver
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It is appropriate that we should meet in this country, in this region, at this moment in time. Asia is transforming the global economic landscape and redrawing the supply and demand equation for energy. The next decade will be the first since the Industrial Revolution when emerging economies will add more to global energy growth than all of the developed countries combined, creating a fundamentally different global landscape for natural resources. And as Africa and South America and other regions join Asia in playing a larger and larger role in the global economy, the demand for energy is expected to rise by more than a third by 2035. And over than 90 per cent increase in demand will come from non-OECD countries. Much is being driven by urbanisation. The World Bank estimates that 180,000 people around the world are moving from rural areas to cities every single day. China, for example, is urbanising 100 times faster today than the United Kingdom did in the 19th century. By 2025, China will have an urban population of almost one billion people, requiring five million new buildings, including a staggering 30,000 new skyscrapers. India's urbanisation requirements are also breathtaking. In the next four years alone, the Indian government projects more than US\$1 trillion in infrastructure spending. In fact,

In good hands: Canada is regarded as a reliable energy supplier



fully 80 per cent of the infrastructure India will have by 2030 hasn't even been built yet.

Significantly, in many of the fastest-growing areas – whether it's China or India, or right here in South Korea – the concern is the same: how to ensure energy security. How to fuel economic growth and meet the demands of a growing middle class. South Korea, for example, is the tenth largest energy consumer in the world and relies on imports for 97 per cent of its energy supply. Japan imports more than 90 per cent of its energy.

At the same time, 1.3 billion people worldwide without access to electricity – a basic condition for alleviating poverty. And, underlying all of this is the imperative to develop the energy the world needs in a way that preserves the environment the world shares. These, then, are the challenges – and the opportunities – before this Congress: meet spiraling global demand, increase access to energy in impoverished regions, and develop energy resources in an environmentally sustainable way.

My message to you today is that Canada is well-positioned to address all of these imperatives. Indeed, expanding and diversifying our energy export markets is a top priority of our government. First of all, Canada has the resources. We have the third-largest oil reserves in the world – larger than those of well-known oil producers such as Iran, Iraq, Kuwait, and the United Arab Emirates. We are also the fifth-largest producer of natural gas, the second-largest producer of uranium and the third-largest producer of hydroelectricity.

In fact, hydropower has made the Canadian electricity grid one of the cleanest in the world, with over 77 per cent of electricity generated from emission-free sources. Our vast natural gas resources – up to 1,300 trillion cubic feet or 37 trillion cubic metres – represent over 200 years of production at current rates. Canada has not yet entered the global LNG market, due to lack of export infrastructure. But that is about to change. Seven LNG export projects on Canada's West Coast have already entered or nearly completed the regulatory process, and more applications are being considered. Three projects already have the required long-term export license. Investors from around the world, including Korea, China, India, Japan, and Malaysia, are realising the potential for LNG in Canada – which is why we are seeing partnerships with companies like Shell, Mitsubishi, Chevron, Apache, Korea Gas Corporation, Petronas, and PetroChina.

In fact, Canada could export about 60 million tonnes

of LNG annually before the decade is out. Shipping LNG from Canada's West Coast to Asia only takes 11 days – significantly less time than shipping from traditional suppliers like the Middle East or Africa, and even from the emerging suppliers in the US Gulf Coast. All of this opens up the possibility of Canada becoming the premier North American platform for LNG exports to Asia. And there is growing interest in exporting LNG from Canada's East Coast to Europe and India. So Canada's emergent LNG industry serves to illustrate my first message to you today – that Canada can be an important, responsible supplier of the energy that this region – and the world – will need for decades to come. And our industries are in the process of building the infrastructure required.

As for nuclear power, we have been engaged in virtually every aspect of the industry – from uranium mining to the construction and operation of CANDU nuclear power plants to nuclear research. We are pleased that CANDU Energy represents a means of generating non-emitting electricity in Asia, including India, South Korea, and China.

You can be a part of the Canadian energy story by investing in the great opportunities just ahead, because Canada is embarking on an unprecedented expansion of its energy infrastructure. About US\$650 billion in new investment is planned or underway over the coming decade, in hundreds of major resource projects. Few countries in the world are bringing on projects of this scale, at this pace. For Canada, this is a clear indication of our commitment to develop our energy resources. For you, it is an opportunity to invest in some of the most important energy projects in the world.

To facilitate this development, our government has made sweeping changes to our regulatory system through its plan for Responsible Resource Development, slashing red tape and streamlining processes to bring greater certainty and predictability for investors. As a result, we can now offer investors clear beginning-to-end time limits

on review periods. This differs from the regulatory review process in the United States which has no set time period for review of major resource projects. At the same time, through Responsible Resource Development, we are strengthening environmental standards with the goal of nothing less than world-class environmental protection: enforced by transparent regulation; grounded in the best science; and supported by cutting-edge technology.

Getting the right regulatory regime in place is important, but when you add to that Canada's economic strength, you have a truly compelling opportunity for investors. Canada has some of the strongest economic fundamentals anywhere in the world. We have lowered taxes, reduced red tape and continue to promote free trade. Our national credit rating continues to be a solid "Triple A," due in no small part to a financial system that is among the best anywhere. Not a single Canadian bank had to be bailed out during the credit crisis and, for the fifth straight year, the World Economic Forum ranked Canadian banks the soundest in the world. Furthermore, Canada has by far the best fiscal position among the G7 nations. And we're on track to balance our budget by 2015.

Canada is leading by example when it comes to fiscal

Joe Oliver and Russian Energy Minister Alexander Novak on the podium in Daegu



responsibility. At the recent G20 Summit in St Petersburg, Prime Minister Stephen Harper announced Canada's commitment to achieve a federal debt-to-GDP target of 25 per cent by 2021. Add it all up and you have an economically sound, politically stable, free-enterprise country that is welcoming to investors. Now, when it comes to international investment in Canada's energy resources, I want to clarify Canada's position, particularly as it relates to state-owned enterprises. Canada's guiding principle is straightforward: we welcome foreign investment that provides a likely net benefit to Canada. Last December, our government clarified how investments by state-owned enterprises or SOEs are evaluated. This is crucial to ensuring a stable and predictable environment for both foreign investors and domestic companies. We announced that acquisition of control of Canadian oil sands businesses – by SOEs – will only be found to be of net benefit on an exceptional basis.

As many of you already know, only 20 per cent of the world's proven oil reserves are currently on the free market. Of that one-fifth, 80 per cent is located in Canada. The Minister of Industry will consider the following factors when it pertains to investments by SOEs: one, the degree of control or influence a state-owned enterprise would likely exert on the Canadian business that is being acquired; two, the degree of control or influence that a state-owned enterprise would likely exert on the industry in which the Canadian business operates; and three, the extent to which the government in question is likely to exert control or influence over state-owned enterprise acquiring the Canadian business.

In respect to other non-controlling investments, such as minority or joint ventures in the oil sands, or investments in other sectors, Canada will continue to welcome SOE investment that meet our net benefit test. Furthermore, these changes have no impact on private sector investment in Canada. In fact, Canada is liberalising the review threshold under the Investment in Canada Act from US\$344 million to US\$1 billion in enterprise value over four years only for private sector transactions. The review threshold for foreign SOEs will remain at US\$344 million.

Canada continues to welcome investment that benefits our economy. To investors, we represent stability, predictability, and a transparent operating environment. Investors have already successfully partnered with Canadian firms to enjoy profitable business relationships in Canada. Our strategic approach promotes the free market and complements our aggressive efforts to reach new markets by offering a

very attractive environment for investment.

Let me turn for a moment to renewables – the fastest growing sources of energy in Canada and around the world. Canada is a global leader in developing and deploying renewable and other clean energy technologies – from hydro to carbon capture and storage, from biomass to wind. As I mentioned, fully 77 per cent of our electricity generation is already entirely emission-free, and we are dramatically curbing our use of coal. We are bringing in new regulations for our oil and gas sector and, similar to our partners in the United States, we have introduced tough new emissions standards for our cars and trucks.

In the oil sands, strict environmental regulations have been introduced and new technologies have led to greenhouse gas emissions per barrel falling by 26 per cent between 1990 and 2011. And there is something remarkable going on in the oil sands. Fourteen Canadian companies have come together in an innovation alliance to share intellectual property. So far, 446 distinct technologies and innovations, representing more than US\$700 million in innovative technologies, have been shared – an approach unparalleled anywhere in the world.

All of these measures have led to real progress. In 2011, GHG emissions per capita in Canada were at their lowest level since tracking began in 1990. And we continue to make progress in delinking emissions from the growth of our economy. Since 2005, Canadian greenhouse gas emissions have decreased by 4.8 per cent while the economy has grown by 8.4 per cent. So that's the Canadian energy story – abundant energy resources, a once-in-a-generation expansion of energy infrastructure, a streamlined regulatory regime, world-class environmental standards, strong economic fundamentals, a welcoming environment for investment, and world-leading clean energy technologies. Add it all up and you can see why Canada is well-positioned to playing a leading role in addressing the challenges – and capturing the opportunities – under discussion at this Congress.

I began by saying that we meet at an important moment. A time when energy has become, as United Nations Secretary General Ban Ki-moon said, “the golden thread” running through so many of the issues defining our present and shaping our future. That is why the theme of this Congress is so apt – we must secure tomorrow's energy today. Not next week or next year. Not at some time in the distant future. The issue of energy security must be faced today. And in those efforts, you will find in Canada a trusted partner. □