

Intelligence MEMOS



From: The Hon. Frank McKenna
To: Canadians from coast-to-coast
Date: May 26, 2016
Re: PIPELINES TO PROSPERITY

Some 60 years ago, Minister CD Howe was tasked to link the oil and natural gas reserves of western Canada to the markets of central Canada. At the time, the proposed pipelines were politically contentious. But, in hindsight, no one doubts their role in growing our economy and raising our standard of living.

Now, as a major energy exporter, pipelines have re-emerged as an issue of national importance. Washington's rejection of Keystone XL in 2015 made it abundantly clear that Canada is too dependent on one market, the mid-western United States.

This seriously comprises our ability to extract the best prices for our resources and, in turn, derive the greatest public benefit. Indeed, Canada could forego more than \$630 billion in incremental GDP over the next two decades according to one estimate. This means significantly fewer dollars invested in existing public programs, as well as new priorities, including our shift towards a low-carbon economy.

Canada can do better by broadening its customer base. In response, there is a recognition that new pipeline, which can access tidewater and, therefore, enable us to ship oil anywhere in the world, represents the most logical option.

It is a far more efficient and safer way to transport oil and gas compared to rail or road. The construction and ongoing maintenance of pipeline represents billions of dollars in new investments, and the creation of thousands of good paying jobs – representing much needed stimulus at a time when the global economy is slow.

What's more, even in this low price environment, western Canadian oil production is expected to expand roughly 700,000 barrels per day over the next five years. To accommodate production growth, greater pipeline capacity will be required.

There are proposed routes to both west and east coasts – although a concerted effort on the part of government, **First Nations, environmentalists** and other interested stakeholders is required to address concerns, resolve issues and develop sound policy.

Diversification also requires Canadian industry to process our raw products into synthetic crude, as it has greater distribution options and provide greater returns to the national economy. Refineries in Eastern Canada could be upgraded in this regard, thus creating even more valuable jobs.

Equally important, it would finally integrate all of Eastern Canada into our national energy infrastructure. It is both ironic and tragic that energy-abundant Canada imports oil to supply refineries in eastern Canada. Last year it amounted to 550,000 barrels per day, at a cost of \$15 billion. If those barrels were shipped from western Canada, the revenues would stay in the domestic economy to a greater extent.

A national endeavor such as this is ambitious – it is also complex. But many of Canada's greatest achievements are found in large scale aspirations that strengthen the bonds between such diverse people and distinct regions. Today's proposed pipeline developments must be viewed in the same way as CD Howe did: vital infrastructure for a more prosperous future.

Frank McKenna is Deputy Chair at TD Bank, and served as Premier of New Brunswick from 1987 to 1997.