

Read the Series



SERIES ARTICLES

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Getting to a Canadian energy strategy: why do we need one?

The starting point for our energy conversation is the question of why a Canadian energy strategy is needed. This question is fundamental because the “why” will drive everything else. If Canadian stakeholders and governments can't find consensus on the beasts we wish to tame or the opportunities we wish to pursue, then the prospects for aligning Canadian efforts around something that is worthy of the term “strategy” are very thin.

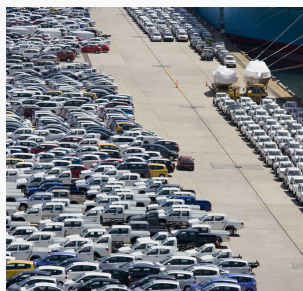
There are arguably three general energy challenges that Canada faces, each of which carries at least some corresponding opportunities. They are characterized here as the three “crunches,” not just to coin a phrase, but to try to catch the sense of urgency around them. All three have been emerging for some years but all appear to be accelerating simultaneously. They interact and share common solutions, and it is becoming increasingly urgent that we deal with them while they remain tractable, and while the potential opportunities continue to weigh at least as heavily as the challenges.

The development crunch

Our ability to develop resources and move them to market in a way that is economically feasible, socially acceptable and environmentally sustainable is increasingly constrained. Much of this is inevitable: we are trying to develop resources in more remote locations; environmental standards are appropriately much more stringent; and affected communities are understandably determined to see benefits commensurate with the costs they are asked to bear. A newer phenomenon is the growing resistance to energy projects in or near our urban communities even when those projects are to the benefit of the communities most directly affected. Together these developments carry several important implications, among them the risk that infrastructure essential to system reliability will not get built and the reduction of economic returns to society from developing our resources. Conversely, if we get this right we will be better able to ensure secure flows of energy from diverse sources and contribute to the betterment of affected communities.

The climate crunch

Twenty years after the emergence of the climate issue Canada has yet to create a way forward that is even close to commensurate with the scale of the challenge. We have made commitments and signed treaties far beyond our ability to implement. Governments have competed with each other for rhetorical points while most have stumbled on economic and political impediments to action. Increasingly governments have turned to intrusive command and control instruments that are unsuited to a challenge that is about economic transformation, not pollution control. In the meantime, many countries are increasingly joining the race to seize the opportunities in cleaner, more efficient energy; Canada can still be one of the winners in that race.



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The cost crunch

A growing body of evidence suggests that the energy services on which we depend will become increasingly expensive. This phenomenon reflects several converging factors:

- increasing dependence on inherently high cost and more remote resources (although natural gas in North America is a perhaps temporary exception to this trend);
- the need for reinvestment in aging energy infrastructure;
- the inevitable costs of higher environmental and social standards; and
- the emerging cost of carbon mitigation.

These growing costs are starting now to arrive on the doorsteps of consumers and businesses, adding burdens that an aging, debt laden and health-cost challenged society can hardly contemplate with equanimity. This issue need not be unmanageable and the search for solutions will be able to generate economic opportunities provided we engender the right policy environment to address the implications.

In sum, an energy strategy can give us a framework and a forum in which:

- We can assess and debate resource development issues, find better ways to share local costs and benefits, and redesign regulatory and approval processes in a way that allows timely development and keeps Canadian energy cost-competitive in both domestic and export markets.
- We can begin to build a realistic, politically and economically rational way forward on climate change that steadily reduces the carbon intensity of our economy, seizes new economic opportunities, and compromises neither our economic health nor the integrity of the energy system.
- We can build innovative means to avoid rising costs by increasing energy productivity or to cope with them by mitigating their worst effects and in the process develop new energy business opportunities.

