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National Strategies for Energy & Water

The Illusion of Convergence

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The West in Canada

The West in Canada Project is an ongoing initiative of the Canada West Foundation that examines public policy innovation in the West, discusses and recommends ways to improve the Canadian federation, and analyzes regional economic, demographic and public opinion trends. Whether it is calling for democratic reform, providing analysis using western Canadian examples and input from western Canadian stakeholders, surveying the attitudes of western Canadians or participating in national discussions, we are “on the job” arguing that strong regions make for a strong Canada.



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Executive Summary

Over the past few years there has been a striking proliferation of calls for *national* or *Canadian* strategies to deal with everything from pharmaceuticals and energy policy to mental health, homelessness, language education, securities regulation and water policy. The fact that the incumbent Conservative government is less inclined than its predecessors to pursue grand policy initiatives has done little to dampen the enthusiasm for national action, and may even have provided additional fuel for the campaigns.

At first blush, this proliferation of calls for national strategies suggests an underlying conceptual convergence of principles, a common *national impulse* that is being applied, almost as a template, to a wide variety of policy concerns. However, as our examination of calls for both a Canadian energy strategy and national water policy will show, conceptual convergence may be more illusionary than real.

Although debate is currently swirling around the development of both a Canadian energy strategy and a national water policy, the motivations and campaigns for both of these strategies are significantly different in a variety of ways, including global positioning, human rights, First Nations issues, environmentalism, Canada's economic space, jurisdictional issues and conflict, and policy coalitions.

While the two campaigns share few similarities, the interconnected nature of energy and water policy cannot be ignored. Think of some of the major energy developments of recent years and the water management issues they have brought to the fore. Such developments include shale gas and tight oil production and its impacts on water supplies, concerns about impacts the Keystone pipeline could have on Nebraska aquifers, and the proposed Site C hydro development in the Peace River region of British Columbia. It is impossible to look ahead without seeing the ever-increasing entanglement of energy development and water management. It could well be the case that a Canadian energy strategy and national water policy will be two sides of the same policy coin.

It is inconceivable to imagine an effective national water policy or a Canadian energy strategy without the full engagement of the federal government. The challenge, then, is how to best engage the federal government at a time when there is limited enthusiasm for grand national projects or policy visions within the Conservative government of the day. At the same time, provincial powers and responsibilities are also relevant and must be woven into any effective policy framework. This leaves us with a difficult intergovernmental challenge with respect to both strategies. And yet, difficult as the task may be, both energy and water are major factors in the Canadian economy, and for this reason it is hard to see a more important task as Canadians try to unlock the puzzle of sustainable economic prosperity.

Introduction

There has been a striking proliferation in recent years of calls for *national* or *Canadian* strategies to deal with everything from pharmaceuticals and energy policy to mental health, homelessness, language education, securities regulation and water policy. A recent addition to this chorus came with a call from the Canadian Auto Workers (CAW) union for a national auto policy. In language strikingly similar to other calls for national action, CAW president Ken Lewenza lamented that “Canada is one of the only auto-producing jurisdictions in the world that doesn’t have a formal national auto policy” (Tomescio & McClelland 2012). The fact that the incumbent Conservative government is less inclined than its predecessors to pursue grand policy initiatives has done little to dampen the enthusiasm for national action, and may even have provided additional fuel for the campaigns.

In Canada outside Quebec, *national* and *Canadian* tend to be used interchangeably; the same document may call for a *Canadian* energy strategy on one page and a *national* energy strategy on the next. We will follow this practice, and thus no significance should be read into the use of one adjective rather than the other. Although proponents of a Canadian energy strategy initially avoided *national* for fear that it would trigger memories of the 1980 National Energy Program (NEP), this fear is subsiding. Nonetheless, the quite different meaning attached to *national* in Quebec, where the adjective is associated almost exclusively with provincial institutions (e.g., the Quebec National Assembly) is not without consequence for those trying to design trans-Canadian policy or strategic frameworks. But, and to quote Australian outlaw Ned Kelly shortly before his execution, “such is life.”

At first blush, this proliferation of calls for national strategies suggests an underlying conceptual convergence of principles, a common *national impulse* that is being applied, almost as a template, to a wide variety of policy concerns. Indeed, the calls seem ideologically consistent in their appeal for a stronger, more active federal government. However, and as our examination of calls for both a Canadian energy strategy and a national water policy will show, conceptual convergence may be more illusionary than real. Common *national* or *Canadian* labels do not necessarily indicate structural similarity. It may appear that policy birds of a feather are flocking together, but in the two cases examined here, the policy birds are driven by quite different motivations to quite different policy frameworks.

Setting the Stage

Tempting though it may be, it is impossible in a paper of this length to contrast and compare all the campaigns¹ that are underway for national policy strategies and frameworks. Instead, we will focus on two contemporary campaigns pulled from the natural resource sector: the campaigns for a Canadian energy strategy and a national water policy. Although both have particular relevance for western Canada, and thus for the Canada West Foundation, they reach well beyond the West in terms of their implications and political coalitions. They are indeed pan-Canadian campaigns albeit with notable regional strengths and weaknesses.

It should also be noted at the outset that there is a critically important difference between national or Canadian strategies, on the one hand, and Government of Canada strategies on the other. This distinction is often overlooked in policy conversations, leading to the assumption that calls for national action are equivalent to calls for a stronger role by the federal government and therefore the diminution of provincial powers and constitutional responsibilities. While the first part of this assumption generally holds, the second does not or at least need not. We will return to this critically important but slippery distinction in the conclusion.

A Canadian Energy Strategy²

Preliminary discussions about the need for, and potential shape of, a Canadian energy strategy go back at least to the Energy Dialogue discussions in the early 2000s, driven at that time by three energy trade associations: the Canadian Association of Petroleum Producers (CAPP), the Canadian Electricity Association (CEA), and the Canadian Gas Association (CGA). These discussions led to a 2003 meeting with the energy ministers in Halifax that endorsed the idea of working jointly on several strategic issues, although not on a strategy or even a framework. However, the energy conversation did not gain much public or political traction, and largely fell off the table.

The revival came in 2009 as a reaction to a number of concerns:

- When President Barack Obama and Prime Minister Stephen Harper committed to a Clean Energy Dialogue, it was unclear what position Canadian governments would bring to the table given that there had been so little discussion of Canadian energy interests. There was also concern, perhaps foolish in retrospect, that Canadians could be caught napping if the Obama administration moved quickly, and thus there was a pressing need to get our own national policy house in order.
- There was related unease that the Canadian climate strategy of waiting for the Americans and then aligning our policy with theirs might result in an overarching continental climate policy, and implicitly a continental energy policy, that would not adequately incorporate Canadian energy interests and aspirations.
- More generally, there was concern that the national and international discussions on climate policy failed to recognize the importance of energy systems to the Canadian economy, and thus there was a need to create an energy policy as an essential complement or supplement to emerging climate strategies.

¹ We use the term *campaign* very cautiously, implying no more than a general call for action that extends beyond any one organization or individual.

² Much of this analysis is drawn verbatim from a background paper prepared by Roger Gibbins for the February 2012 Halifax meeting of the Winnipeg Consensus Group. The summary report for the Halifax meeting is forthcoming.

- The creation of fourteen different federal, provincial and territorial climate policy regimes, and the potential creation of an equal number of energy policy regimes, threatened the integrity of the economic union and greatly complicated operations for firms that crossed provincial and territorial borders.

In response to these and other concerns, discussion began to heat up about the need for a Canadian energy strategy that would be distinct from, *but connected to*, climate policy. The initial conversations were orchestrated by the major hydrocarbon energy associations—CAPP, CGA, the Canadian Energy Pipeline Association (CEPA), and the Canadian Petroleum Products Institute (CPPI)—and were augmented by the participation of a number of think tanks, ENGOs and individual industry leaders. Although government officials were often in the room, the discussions were led by the private sector and civil society.

Industry work on this file led to an Ottawa conference in September 2009 where a rough consensus emerged that a Canadian energy strategy had both merit and potential political traction. In October 2009, a Winnipeg meeting of Canadian think tank leaders, spearheaded by the Business Council of Manitoba, the Canada West Foundation and the International Institute for Sustainable Development, led to the creation of the awkwardly named Winnipeg Consensus Group (WCG), dedicated to fostering a Canadian energy conversation and, ultimately, a Canadian energy strategy.³ The WCG, supported financially and organizationally by the Canada School of Energy and Environment at the University of Calgary, helped organize a spring 2010 Banff gathering of approximately 65 industry association and company leaders, ENGOs and think tanks, and informal government observers.

The general conclusion to this point was that we needed a Canadian energy strategy and that we needed it sooner rather than later. However, agreeing on the need for a strategy without sketching in what that strategy might be was at best a modest start. Thus as the energy conversation broadened and deepened over 2010, the focus moved from *why* a Canadian energy strategy would make sense to *what form it might take*. In the early spring of 2011 the WCG and the 2010 Banff participants, supplemented by a number of new faces, reconvened in Winnipeg and agreed that a Canadian energy strategy should:

- embrace Canada's energy diversity as a strength;
- ensure robust environmental management;
- set a price for carbon;
- transform the demand side of the energy system;
- strengthen Canada's position in the world;
- promote energy security in the North American context;
- drive innovation and technological development; and
- understand that strategy is dialogue.⁴

Although these themes stop short of fundamental principles, they do provide a rough framework within which a diverse range of values, interests and objectives could be located.

³ To varying degrees, the Winnipeg Consensus Group has included the Atlantic Provinces Economic Council, the Business Council of Manitoba, the Canada School of Energy and Environment, the Canada West Foundation, the C.D. Howe Institute, the Conference Board of Canada, the Institute for Research on Public Policy, the International Institute for Sustainable Development, the National Roundtable on the Environment and the Economy, the Pembina Institute, and the Public Policy Forum.

⁴ These themes are summarized in "Finding Common Ground: The Next Step in Developing a Canadian Energy Strategy," a report prepared for the 2011 Winnipeg conference by Roger Gibbins and William Kimber.

There was also an immediate consensual understanding that a successful energy strategy must respect provincial ownership of natural resources, and therefore must be built through provincial and territorial engagement. What was needed was a truly national strategy rather than a federal government strategy alone. While this consensus does not preclude a strong federal role, it does preclude a unilateral federal role.

Coincident with the WCG process the energy industry established the Energy Policy Institute of Canada (EPIC), a time-limited organization designed to lobby governments on behalf of a Canadian energy strategy. In the wake of the 2011 Winnipeg meeting and in line with EPIC's orientation, the energy conversation took on a sharper intergovernmental focus culminating in the July 2011 meeting of the energy ministers in Kananaskis at which time the WCG, EPIC and a loosely defined ENGO community made formal presentations to a first-time open dialogue with the ministers. Although ministerial enthusiasm for a Canadian strategy was more apparent in the public session than in the final communiqué, the ministerial meeting was nonetheless a milestone with respect to government engagement. This perception was reinforced when the ministers directed their officials to prepare detailed proposals for the September 2012 ministerial meeting in Charlottetown.

The most recent step in the campaign for a Canadian energy strategy came with the late February 2012 gathering of the WCG, along with participants from the previous meetings in Banff and Winnipeg. The meeting pulled together some loose strategic ends, and discussed the best approach to the upcoming Council of the Federation meeting in Halifax and the following ministerial meeting in Charlottetown. Although no dramatic steps were taken, the momentum has been sustained.

In summary, the proponents of a Canadian energy strategy have had considerable success over the past three years. The notion of a Canadian energy strategy has moved from the wings to the centre stage of national policy dialogue, and the debate has moved, albeit not completely, from whether we need a Canadian energy strategy to what form it should take. Although governments, with the exception of the Government of Alberta, are still often restrained in their enthusiasm, the policy discussion rumbles on regardless.

Assertions of a consensus in any policy discussion are bound to understate the durability of opposing points of view. In the case of a Canadian energy strategy, concerns remain that it might lead to the micromanagement of an industrial sector that has done very well in a relatively deregulated environment. Others have expressed concern that the inevitable federal government role may be less constrained than the proponents of a Canadian strategy believe or hope. This concern is linked in turn to residual antipathy to the NEP, and to any use of *national* and *energy* in the same sentence or document. The fear is that the past may indeed be prologue if the door is opened to a significant federal role. In these and other cases, a number of individuals and groups, if not hostile to the notion, remain unconvinced about the need for a Canadian energy strategy.

A National Water Strategy⁵

The push for a national water policy/strategy can be traced back to the mid-1980s when the federal government began to consider creating a national water policy in response to concerns about worsening water quality, increasing water demand in “water deficient” regions, aging municipal infrastructure and the unknown effects of climate change—issues which remain very relevant today. An inquiry (colloquially termed the “Pearse Inquiry” after the name of its main investigator, Dr. Peter Pearse) was commissioned and informed the creation of the *1987 Federal Water Policy*.

The key strategies identified in the *Policy* range from the need for water pricing (including the promotion of the “polluter pays” principle) and a greater commitment to improving scientific data collection to integrated planning (i.e., water decisions should be made in conjunction with other natural resource decisions) and national legislation on water (water quality standards, enforcing these standards, and opposing bulk water exports). The need for increased public awareness on water issues was addressed in small part by the creation of the Interdepartmental Committee on Water (ICW), a body tasked with coordinating water policy among all federal ministries. The *Policy* signaled the strong leadership role on water that the Government of Canada was willing to take, while at the same time acknowledging that provincial jurisdiction over water was not to be diminished.

Although the *Policy* is 25 years old, many of its key tenets still resonate: “...Canada is not a water-rich country,” “...the resource continues to be taken for granted, undervalued and, consequently, overused and abused” and that the best water policy is to develop “...anticipatory and preventative approaches to managing the quality and quantity of Canada’s water resources in a way that acknowledges their value in social, economic and environmental terms” (Environment Canada 2011). At the end of the day, however, very little of the *Federal Water Policy* was implemented, partly due to cuts to environmental programs over the following years. With the slow financial strangulation of the *Water Policy* came a major pause in the push for a national water strategy.

New life was breathed into the campaign in 2005 by the Standing Senate Committee on Energy, the Environment and Natural Resources and its report, “Water in the West: Under Pressure.” In this report, the lack of federal initiatives on water policy was criticized, and strong phrases such as, “it is time for the federal government to step up to the plate,” “a return to federal leadership in the area of water is not only needed, it would be most welcomed...” and “...the resulting continued lack of focus on water issues is lamentable. It is high time for the Government of Canada to provide leadership and focus...” were scattered throughout the document (Senate Standing Committee on Energy, the Environment and Natural Resources 2005).

The campaign for an overarching national water policy was then further revitalized in the late 2000s by the publication of two seminal reports: “Changing the Flow: A Blueprint for Federal Action on Freshwater” (2007) by the Gordon Water Group of Concerned Scientists and Citizens, and “Towards a Canadian Water Strategy” (2008) by Rob de Loë, commissioned by the Canadian Water Resources Association (CWRA). The two papers asserted that Canada’s water resources were facing a series of unresolved challenges:

⁵ Unlike the campaign for a national energy strategy, the Canada West Foundation has not been an instigator of any discussions surrounding a national water policy. This complicates matters: because the Foundation is not a key player in these discussions, it is possible that more groundwork has been done than is outlined here.

- not all Canadians had access to safe drinking water;
- excessive water use;
- untreated waste was being flushed into lakes and rivers;
- aquatic habitats were being destroyed and fish were being poisoned;
- dams and diversions were altering river systems;
- the issue of bulk water exports was still unresolved;
- low lake and river levels were compromising navigation; and
- there were inadequate links between surface and groundwater management.

And because the world had changed significantly since 1987, a set of new problems that required action had emerged:

- climate change and its potential effects on water resources;
- groundwater mining and its irremediable effects;
- energy production and its threat to watercourses;
- new pollutants and problems they posed to national health; and
- invasive species that could overwhelm native fisheries.

The reports concluded that the ability to successfully address and mitigate these threats did not exist. What existed instead were:

- gaps in knowledge related to groundwater and surface water resources, water use patterns and trends and sources of vulnerability;
- poor accountability and inadequate stakeholder involvement;
- a failure to coordinate management and data across jurisdictions;
- gaps in the implementation or enforcement of existing laws, regulations and policies;
- lack of capacity (technical, financial, social) and lack of leadership;
- conflict and inefficiency that compromised economic productivity;
- lack of public awareness of water availability limitations and challenges, and the need for conservation;
- fear of insatiable demands for water from the United States; and
- limited capacity to meet growing international obligation for Canada to be a good water steward.

The renewed push for a national water strategy also stemmed from the concern that, although water is often factored into decision-making, it is not considered to be the main basis upon which those decisions are made. A national policy on water would draw attention toward water first and then to the myriad areas to which water is linked, including energy, health, agriculture and navigation. Thus a national water policy, like a Canadian energy strategy, would play an important agenda-setting role in the political community. It would, at a minimum, address national enforceable drinking water standards, national pollution standards, increased capacity for water science and research, and improvement in the often deplorable water and sewage conditions on First Nations reserves.

Past these points, there is more dissonance than agreement, reflecting in part the variety of groups with differing viewpoints and objectives that have called for a strategy.⁶ Areas of disagreement include whether water should be recognized as a human right within Canada, whether surface and groundwater should be dedicated as a public trust, and whether a national infrastructure fund is needed.

Since the release of de Loë's 2008 paper, very little has been published on the subject of a national water policy. Unlike the energy conversation, there have been no specific conferences or large scale workshops dedicated solely to the details of developing a national strategy. Instead, there have been smaller meetings such as the one held in Toronto in September 2010, where a "working group" of representatives from the University of Waterloo, the Canadian Rivers Institute, Trout Unlimited Canada, the TD Bank, Canadian Aquatic Resources, the Canadian Environmental Network, Fraser Basin Council and the CWRA convened. The purpose of the meeting was to find a way to acquire the necessary financial resources to support the development of a Canadian water strategy (or as the group refers to it, a Canada Wide Water Strategy or CWWS). Part of the reason for such slow progress on a water policy is likely due to a lack of financial backing.

Although at water gatherings (whether they be workshops, conferences or webinars) there is often an underlying current acknowledging the need for a national strategy, this is as far as things progress; there has not appeared to be much discussion of the finer details of what a strategy would look like or how to get there. The issues set out in the 2007 and 2008 reports are still unresolved, and still provide the rationale for a national policy. But unlike the push for a national energy strategy, the water campaign is still mostly contained within small water policy circles; it has not hit mainstream parlance yet.

A significant exception is the focus the Canadian Council of Ministers of the Environment (CCME) has placed on water. In 2009, the Council adopted a national strategic vision for water, and in 2010 a "Water Action Plan" was published. In addition, the Council of the Federation endorsed a very big-picture "Water Charter" in 2010 and established a Water Stewardship Council the following year. The purpose of the Council, which is made up of well-regarded water experts, is to inform the premiers on key trends and issues related to Canada's water. This recognition of the importance of water policy is very much linked to the drive for a strategy, and as outlined in an e-mail message received from David Marshall, CWRA Chair of the Canada Wide Water Strategy on May 22, 2012, the current working group believes that developing a CWSS is "the next logical step in implementing important initiatives such as those taken in 2010 by the Council of the Federation...and the action of the CCME in agreeing on a Water Action Plan". Welcome as these moves are, they are still very much at the macro scale and at this point in time, likely more symbolic than substantive.

⁶ Groups that have advocated for a national water strategy include Canadian Aquatic Resources, Canadian Centre for Policy Alternatives, Canadian Chamber of Commerce, Canadian Environmental Network, Canadian Institute of Planners, Canadian Rivers Institute, Canadian Water Resources Association, Council of Canadians, Forum for Leadership on Water, Fraser Basin Council, POLIS Project on Ecological Governance, Walter and Duncan Gordon Foundation, Program on Water Issues (Munk School of Global Affairs, University of Toronto), Sierra Club Canada, TD Bank, Trout Unlimited Canada, and the University of Waterloo.

In summary, the drive for a national water strategy has slowed considerably, although by no means has it dried up completely. The current federal government has not embraced any shift toward a national water strategy, and instead has invested money into programs that are targeted at specific issues such as water quality on First Nations reserves and the eutrophication of Lake Winnipeg. In the meantime, as it appears that a national water policy is farther off than many originally hoped, researchers, policymakers and advocates seem to be turning their attention to advancing specific issues rather than a broader policy framework, a move that is an echo of the current government's approach.

Yet the pulse for a national water policy still goes on. The CWRA is hoping to conduct additional work on the topic, and will be bringing water experts together for a workshop on the development of a CWWS at its annual conference in June 2012. Whether the meeting will spur a renewed drive in the broader policy community for a national strategy remains to be seen.

Degree of Conceptual Convergence

If we put aside once again the distinction between *Canadian* and *national*, the campaigns for an energy and water policy would appear to occupy similar temporal and substantive space. Both deal with resource management and utilization, and both are directly entangled with the constitutional powers of provincial governments with respect to resource management. Although both would appear to deal primarily with non-urban Canada, they have clear implications for the broader Canadian economy and society. However, a closer comparison reveals significant differences between them, which are perhaps more numerous than their similarities.

Global Positioning

The campaigns for Canadian energy and water strategies both draw extensively from concerns about Canada's global positioning, but do so in quite different ways. In the water debate, international comparisons are frequently used to illustrate how Canadian water management practices, and particularly those relating to conservation, often lag those of other countries. Real and impending global water supply shortages are used as a moral argument for why Canada has to do a better job at managing and conserving a resource that is under growing global pressure. The international community provides a moral benchmark for the Canadian discussion and the moral imperative for Canadian action even though the international community has little direct leverage on Canadian policy, and for that matter little interest, because at the end of the day what we do in Canada has no international effects. Water conservation here, for example, does not “free up” water for use elsewhere.

The energy policy situation is very different in that it can be argued, and has been vociferously argued in international forums, that Canadian energy production—read *oil sands*—does have very real global effects, small though they might be. It is therefore climate policy, which is all about the production and consumption of energy, that brings the international community into the heart of energy policy debates in Canada.⁷ This is not to say that the international community is exerting pressure for the creation of a Canadian energy strategy per se, but it is exerting pressure on Canadian carbon policy, and carbon policy is an inevitable part of a comprehensive energy strategy. Furthermore, international commitments to Greenhouse Gas (GHG) reductions are central to a domestic strategy that must be designed, at least in part, to bring Canadian energy production, transmission and consumption into line with international agreements.

⁷ There is little to no international interest in Canadian patterns of energy consumption given that Canadian consumers are too few to have global effects. This means that the Canadian energy debate is focused much more on patterns of production than it is on patterns of consumption.

Concerns about international market access play a very large role in the energy conversation, a role that is entirely absent in the water debate where participants are determined to take even the remotest prospect of international water sales—sales to the United States—off the table. Whereas the water policy debate is shaped by international shortages in *supply*, the energy debate is shaped by concerns about uncertain international *demand* for Canadian energy supplies. The energy participants want open and secure markets; the water participants want no markets at all, although the distinction becomes less clear when we bring virtual water exports through manufactured goods or agricultural production or the export of hydroelectric power into play. In BC, for example, large hydro developments, such as that proposed for Site C in the Peace River region, are thoroughly entangled with debates about the desirability of power exports to the United States. (This linkage will be discussed in more detail below.) It is also worth noting that the international focus for much of the water policy discussion tends to overlook American circumstances, apart from strident opposition to potential bulk water exports to the US, and to focus on pressing water issues in the developing world whereas in energy policy discussions American supply and demand circumstances are front and centre.⁸

Market access concerns ensure that aggressive environmental stewardship, including stewardship of water resources related to oil and gas production, has a central position in the articulation of a Canadian energy strategy. Although strengthened stewardship is not a principal driver of the need for a Canadian energy strategy, it is an essential component if international markets and domestic political support for energy development are to be secured.

Human Rights

The pursuit of a national water strategy connects, at least at the edges, with the broader human rights agenda in Canada. A *right to water*, or more specifically *to clean potable water*, is often framed as a universal human right, albeit one with greater immediacy in countries where water shortages are acute. In the Canadian case, that right is often used rhetorically to repel schemes to sell water, or to treat it as a commodity like coal, oil or timber. As a thought experiment, one could imagine the case being made that any update of the Canadian Charter of Rights and Freedoms should include the basic human right to water. This infusion of rights language into water policy is relevant to the present discussion in that it supports a national role given the common assumption that human rights are best addressed nationally, if not internationally. If rights are involved, then so too is the national government.

In July 2010, the United Nations General Assembly adopted a resolution declaring access to clean water and sanitation to be human rights. Canada, along with many other developed countries, abstained from the vote. Opponents of enshrining water as a human right on an international scale have expressed concern that the adoption of the resolution could open the door to international legal obligations under which relatively water-rich countries would have to supply water, or financial compensation, to water-poor countries. Whether or not this could have been the case was never addressed in the UN Resolution. Within Canada, the overarching goal of making water a legal human right is to enable those who have poor quality water in their communities to seek legal recourse. This would include First Nations communities with inadequate potable water supplies as well as other communities on the receiving end of water that has been polluted by industrial, agricultural or other large-scale water users.

⁸ Potential Asian markets are also coming to play an increasing important role in discussions of Canadian energy policy. For example, see "Securing Canada's Energy Future: Report of the Canada-Asia Energy Futures Task Force," a forthcoming 2012 report by the Asia Pacific Foundation and the Canada West Foundation.

While one might argue that right of access to energy is of similar importance in the Canadian case, at this point the language of human rights has not infused discussions about the need for a Canadian energy strategy. There is no “right to energy security,” for example, and human rights enter the energy strategy discussion only through the entanglement of Aboriginal rights or, potentially, water rights. Energy policy discussions are some of the rare forums in Canada where hours, days and months can pass without any mention of human rights, again with the notable exception of Aboriginal rights.

First Nations

First Nations, and Aboriginal peoples more broadly defined, figure both prominently but differently in the discussions of national water and energy strategies. In the case of water strategies, the often unacceptable state of drinking water and sanitation in First Nation communities coupled with the federal government’s constitutional responsibilities for Aboriginal peoples means that First Nations are unavoidably at the fore in any discussion of a more aggressive federal government water policy role, although it might also be argued that an understandable focus on improving water quality for First Nations distracts the federal government from a broader engagement in water policy discussions. It should also be noted that Aboriginal water rights are just beginning to enter the national policy agenda, although there is no question that this will become an increasingly important issue as we move forward (many have referred to unresolved Aboriginal water rights as the next “sleeping giant”). For example, we have no established policy guidelines, or constitutional law, that defines an appropriate First Nations draw on Bow Valley Basin water in southern Alberta, and that handles potential conflict between, for example, water needed for irrigation and water needed for economic development (e.g., golf courses) in First Nation communities. There is some very heavy lifting to come.

First Nations are inescapably involved in discussions of a Canadian energy strategy given that major linear developments (pipelines and transmission lines) and site developments (e.g., the oil sands, large hydro developments) bring into play a constitutional responsibility to consult. And, it should be stressed, this responsibility extends not only to First Nation communities but also to lands traditionally used by First Nations, which is pretty much everything. However, despite this unavoidable entanglement, Aboriginal leaders and governments have not been at the table in the initial discussions of a Canadian energy strategy. Although there has been a broad rhetorical recognition of Aboriginal interests, there has been little concrete discussion about how best to weave such interests into an overarching national strategy. Although Canada has extensive regulatory experience with Aboriginal interests and participation, engagement in a broad policy architecture is at best unmapped terrain.

Finally, it should be noted that the often high-profile impacts on Aboriginal communities and interests provide an international pressure point for those seeking leverage on Canadian energy policy; energy developments, for example, can be and are criticized for their real or hypothesized impact on Aboriginal communities.⁹ What is less frequently picked up by international commentary is the potentially huge economic development opportunity opened up for Aboriginal communities by resource development.

⁹ At best inconclusive studies of the downstream impact of oil sands development on Aboriginal communities have figured prominently in international criticisms of the oil sands.

Environmentalism

The pursuit of a national water policy is about environmentalism, driven by a broad set of concerns including, but by no means limited to, water conservation, the protection of ground water, the quality of drinking water, and the protection of both aquatic and riparian environments. Although participants in the policy debate note the importance of water management to the Canadian economy, a national water policy would be first and foremost environmental policy. For if water is not managed properly in the first place, the door is left open for many uncertainties related to economic development.

By contrast, a Canadian energy policy would be first and foremost economic policy, driven by concerns about international market access, the fragmentation of the Canadian economic space, and social license for resource development. However, and the *however* is critically important, proponents of a Canadian energy policy have recognized from the get-go that an energy strategy that did not address the environmental priorities of Canadians, much less those of the international community, would be dead on arrival. Therefore, and again from the get-go, discussions of a potential Canadian energy strategy have placed a high priority on environmental stewardship and have embraced carbon pricing as an inevitable complement to a comprehensive Canadian energy strategy.

All of this might be seen as little more than a tactical embrace of environmental values, but we would argue that it is deeply embedded in the corporate culture and public policy context within which energy policy is discussed. A deep commitment to environmental protection is not the exclusive domain of environmental organizations. With respect to the current discussion, the point to note is that the campaigns for Canadian energy and water strategies share some significant environmental space even though at first glance their priorities may appear to diverge.

Canada's Economic Space

As discussed briefly above, the pursuit of a Canadian energy strategy draws support from those who are concerned about the policy fragmentation of the Canadian economic space, about the chaos that could come from fourteen different federal, provincial and territorial energy policies co-existing and to some degree competing within the boundaries of a mid-sized global economy. This concern is particularly acute among firms that operate across jurisdictional boundaries, which is the case for most big players. Support also comes from those who fear the negative impact on Canada's international reputation and effectiveness if we are unable to clearly identify *national* energy interests, values, objectives and policies.

By contrast, the integrity of Canada's economic space is much less a concern when it comes to the pursuit of a national water policy. And, to be fair, divergent federal, provincial and territorial water policies pose less of a threat to that integrity than do divergent energy and/or climate policies. At the same time, the proponents of a national water policy often advocate the more general use of economic policy instruments (or at the very least, economic principles) for water management, including pricing mechanisms, and some of these could be most effective if applied within common rather than fragmented economic space. However, as Canada, along with the rest of the world, faces increasing extremes in weather, the effects of climate change, and increasing demand for water from a variety of stakeholders—not to mention a shrinking water supply due to pollution and over-use—getting water policy right is not only critical for a healthy environment, but also to ensure that Canada's water resources are able to sustain our economy.

Jurisdictional Issues and Conflict

Any proposals for *national* or *Canadian* policies or strategies inevitably and quickly run into questions about constitutional jurisdiction, about which order of government should be doing what, who should pay for what, and how jurisdictional disputes should be resolved. Proposals for both national energy and water policies are particularly vulnerable to this jurisdictional tension, although it plays out in subtly different ways. They also confront quite different historical precedents. Ottawa's initial foray into the creation of a federal water policy did not leave a legacy of jurisdictional anger whereas the 1980 National Energy Program poisoned the policy well for a generation to come, leaving a great deal of suspicion that is still being cleared away. In the case of water policy, historical precedent provides a foundation upon which to build whereas in the case of energy policy the lessons are all about what not to do when moving forward.

The main objectives of a Canadian water strategy are to ensure that the capacity, tools and governance structures are in place to manage unresolved and emerging threats to Canada's water resources.¹⁰ As these objectives are largely universal in character, they invite policy intervention by the federal government. A Canadian water strategy would look like strategies in other countries, and the unique aspects of the Canadian experience, apart from the federal nature of the country and the interests of Aboriginal communities, do not pose an insurmountable obstacle to national initiatives. In simple terms, the overarching objective of a national water strategy is to bring the federal government into the picture, to ensure that similar standards, guidelines and data are adopted nation-wide for more effective water management and governance, as well as to elevate the importance of water resource management in both the minds of the Canadian public and decision-makers.

The rationale for federal government engagement stems in large part from the fact that water does not respect political boundaries, and its management should not be solely constrained by them.¹¹ A good example of this, although perhaps not a typical example, is Lake Winnipeg—Canada's sixth "Great Lake." The lake's watershed is home to about six and a half million people and encompasses four provinces and four American states, yet because the lake itself lies solely within Manitoba's borders, the province alone is responsible for the lake's health regardless of the fact that many of the pollutants from fertilizers and sewage run-off originate outside the province. In cases where the water resources in question cross provincial and/or international boundaries, the case for federal involvement is strengthened. Going back to the example of Lake Winnipeg, Manitoba can have the best water stewardship practices in the world, but if those outside its borders do not adhere to the same standards, Manitobans will be the ones suffering.

The question for a national water policy is also driven by a recognition that municipal, provincial, First Nation and territorial governments have reached their capacity in terms of funds and ability to pass effective legislation. There is no choice, it is argued, but for the federal government to play a coordinating and financial role in order to get all jurisdictions on the same page when it comes to things like groundwater data, in-stream flow standards, and general water management principles. Currently, water policy is fragmented across the federation as provinces are at different stages of implementing water legislation. For example, BC still has no legislation that regulates the use of groundwater, although this is expected to change within the next year or so when the new *Water Sustainability Act* is introduced.

¹⁰ Although the objectives of a national water strategy are reasonably clear and straightforward, the potential effectiveness of a strategy is less clear-cut. For instance, does its absence pose a risk to the quality of Canadian drinking water? Would a national strategy have prevented Walkerton? Would a national policy be able to address supply concerns on the drought-prone prairies?

¹¹ Resource development usually is seen as site specific. However, development may affect trans-boundary water flows or air sheds (or climate change), and the transportation and transmission systems needed for market access often stretch across jurisdictional boundaries within Canada as well as international boundaries.

Manitoba has its own Ministry of Water Stewardship, while New Brunswick does not have an overarching water conservation plan or strategy. This fragmentation is especially problematic when water crosses through more than one jurisdiction (e.g., the South Saskatchewan River, which flows from Alberta to Saskatchewan and Manitoba).

Following this point, there is no national inventory of Canada's water; little is known about the quantity of groundwater, and data about surface water and seasonal patterns vary by province. Unless all of the provinces have the same resources and capacity to work together to create this kind of inventory, water data will remain patchy across the nation. Water policy is very difficult to make with inadequate data—especially when it comes to allocating large quantities of water to municipalities or industry.

When it comes to a potential national water policy, the jurisdictional entanglement of the federal and provincial governments does not impose an insurmountable obstacle. The federal government has clear constitutional underpinnings for its engagement, and the provincial ownership of natural resources provides limited financial payoff for provincial governments. With the very important exception of hydro developments, provincial “ownership” of water brings more costs than revenues. It seems inevitable, therefore, that the development of a national water policy, should such development occur, will rely heavily on the policy leadership of the federal government.

The situation with respect to energy resources is dramatically different for in this case resource development has huge revenue implications for provincial governments, and huge implications for the broader economic development ambitions of those governments. Thus federal “intrusions” into energy policy can be seen as potential revenue grabs by the federal government, as happened with the introduction of National Energy Program in 1980. While discussions about the need for a Canadian energy strategy are constantly grappling with the ghost of the NEP, there are no such skeletons in the water policy closet.

All of this means that jurisdictional issues with respect to a Canadian energy strategy are far more constitutionally and financially charged than are discussions about a national water strategy. Indeed, the potential for jurisdictional conflict in the former case is often seen to be so great that proposals for a Canadian energy strategy are seen as little more than fantasies and daydreams; no government, it is asserted, would want to wade into this jurisdictional swamp. Nonetheless, provincial ownership of natural resources does not negate a wide range of constitutional responsibilities that the federal government unavoidably brings to the energy policy table, including responsibilities for interprovincial and international trade, navigable waters, oceans and fisheries, and Aboriginal affairs, along with shared jurisdiction when it comes to environmental protection. Federal taxation policies can also be a significant factor.

Given these divergent policy trajectories and intergovernmental environments, it is not surprising that policy development has been approached quite differently. While a general consensus on the need for a Canadian energy strategy emerged from the 2010 Banff meeting, there has yet not been a time when the key players advocating for a national water strategy have come together with a clear call for national action. On the energy side, the NEP and its legacy of regional discontent created a deep suspicion about the desirability of any kind of national energy policy whereas with water there has never been a question about whether a national water strategy is needed. This marks a degree of continuity with water policy that has flowed forth from the failed *1987 Federal Water Policy*; water policy on a federal scale was never really seen as negative. The overarching question throughout this process has been: “is the federal government doing enough?” In comparison, the drive for a national energy policy is negatively linked with the 1980 NEP—a policy that seemed to demonstrate why the federal government should never be involved with energy policy. Throughout the energy strategy process, one of the key questions that has been wrestled with has been “should the federal government be involved?”

These differences have meant that the proponents of a Canadian energy strategy have looked for provincial government leadership, and have turned to intergovernmental forums where the federal government is at the most one player among many; in the case of the Council of the Federation the Government of Canada is not even in the room. However, the track record of intergovernmental forums in leading policy development, as opposed to criticizing policy proposals from the federal government, is not encouraging for those seeking quick action. By arguing that federal leadership is not essential, the proponents of a Canadian energy strategy are not playing to institutional strength in the Canadian federal state.

Policy Coalitions

Over the past three to five years the campaign for a national water policy appears to have lost political traction whereas the campaign for a Canadian energy strategy has made considerable headway, albeit still well short of success. These quite different track records can be traced in part to the policy coalitions that have been built, or not, around the two campaigns.

Although water is an integral component of the Canadian economy, it is not seen as such, at least not in the way that the oil sands and potash development are seen to be critical components of the country's economic engine. Water is not seen as a major cog in the national economy; there are no daily reports on the market price of water, no reports of businesses going under because they were not able to access water, and almost no economic commentary on how Canada's water resources might be indispensable to our positioning within an increasingly competitive global economy. As a consequence, there is little industry or private sector backing for the push toward a Canadian water policy, and in the absence of financial backing from industry, it is difficult to make significant and steady progress.

Within the water policy community of researchers, policy-makers and activists, there is a strong consensus that a national policy framework is needed, and sooner rather than later, but this need has not been recognized by the private sector. This may change in the future, as more companies strive to improve their environmental performance while recognizing that natural resources like water will likely be scarcer in the future. A very good example is the Royal Bank of Canada (RBC), which has invested heavily in water research and grassroots projects across the country and, through its Blue Water Project, is committed to searching for and supporting "initiatives geared to business solutions to the world's water challenges" (RBC 2012). At the present time, however, RBC is the exception.

The campaign for a Canadian energy strategy, on the other hand, enjoys a great deal of corporate and organizational support, with associations like CAPP and EPIC providing financial muscle and policy expertise. Apart from RBC, there are no water policy equivalents to the industry associations and individual firms that have been so critical in driving the discussion of a Canadian energy strategy—no equivalent to CAPP, CEPA or Shell Canada. The dialogue on a national water policy is therefore nowhere near as advanced as it is on the need for and shape of a Canadian energy strategy. Nor has it been as well coordinated. While numerous groups have expressed their support, with the Canadian Water Resources Association leading the charge, it is still unclear who the key drivers of the process are, as they appear to continually shift. In fact there may be several groups across the country that are somewhat disjointed but hold the same views. Bringing them under one umbrella is the difficulty.

Interestingly, and somewhat surprisingly, neither the energy nor the water campaigns have attracted much partisan attention. On the water front, the Liberal Party of Canada has been the clearest national political voice on the topic, and pushed for the development of a “Canadian Freshwater Strategy”—meant to address groundwater contamination, droughts, floods and water consumption—in the 2011 election. As the Liberal Party redefines itself and its core issues, it is likely that water will continue to be an area of pressing concern in the future. And, not surprisingly, the Green Party has been a voice for change in water policy; in the 2011 election campaign, the Greens advocated for the strategic implementation of the *1987 Federal Policy*. Yet, water policy is not really considered to be a partisan topic, and is not really presented as such (although this may change as the impacts of the current federal government’s cutbacks to environmental programs across the country are felt). To this point, however, the campaign for a Canadian energy strategy has been neither championed nor opposed by specific political parties. It did not surface during the 2011 general election campaign, and has not yet been the target of partisan debate.

Undoubtedly the greatest difference between the two campaigns is that the campaign for a Canadian energy strategy has become an integral part of the transformative issues that are reshaping Canada’s economic landscape? Should we be trying to diversify markets beyond our traditional reliance on the United States? How do we develop sustainable linkages with the Asian economies? How do we reconcile our conventional energy resources with the global movement to a low carbon economy? How do we reconcile and accommodate significant regional differences in prosperity and economic opportunities? How do we promote economic diversification and development in the face of global markets that reward hewers of wood and drawers of water? How do we move up the value chain when markets for relatively unprocessed materials are strong? How do we build urban environments that will attract and retain human capital? How do we ensure that Aboriginal peoples will be beneficiaries of resource development?

For all of these big issues of our time, how we produce, consume and export energy is part of the challenge, and part of the solution. The energy debate is inescapable, and thus the pursuit of a Canadian energy strategy becomes part and parcel of a broad swath of the Canadian policy agenda, while at the same time, the campaign for a national water policy is left on the sidelines, always the bridesmaid and never the bride. As we look ahead, however, it may turn out that the pursuit of a Canadian energy strategy may strengthen rather than distract from Canadian interest in a national water policy.

The Linkage Between Energy & Water Policy¹²

To this point we have treated energy and water policy as separate and to some degree competing policy domains, competing for the attention of governments and Canadians within a very crowded policy space. The campaigns for a Canadian energy strategy and a national water policy have been cast as contemporaries but not as integrated soul mates. The reality, however, is that energy and water policy are deeply entangled. Think for a moment of the major energy developments of recent years, and how they have brought water management issues to the fore:

- the dramatic growth of shale gas and tight oil production has sparked a vociferous debate on its effect on water resources.
- Pipeline proposals to move Alberta bitumen to Asian markets have run into a barrage of water concerns ranging from tanker traffic on the west coast to the impact of salmon spawning grounds along the pipeline route.
- Concerns about pipeline effects on Nebraska aquifers have helped cause delays to the proposed Keystone XL pipeline to the United States.
- Criticisms of oil sands development return repeatedly to debates on the downstream effects on such development on the Athabasca river, on Aboriginal communities and the aquatic environment.
- The proposed Site C hydro development in the Peace River region of British Columbia, and competing proposals for run-of-river hydro developments, are all about Canada's energy future.
- Although far more attention is devoted to GHG reductions in energy policy discussions than is devoted to water management, the latter does play a significant role in international perceptions of Canadian energy developments.

Indeed, it is impossible to look ahead without seeing the ever-increasing entanglement of energy development and water management. It could well be the case that a Canadian energy strategy and a national water policy will be two sides of the same policy coin.

¹² For a more detailed examination of this linkage see Larissa Sommerfeld, "Stress Points: An Overview of Water and Economic Growth in Western Canada," Canada West Foundation, March 2012.

Conclusions

Convergence or Not?

We began this discussion by suggesting that the application of a common *national* or *Canadian* label to policy initiatives need not imply a great deal of policy or structural convergence. We then went on to highlight important differences between the campaigns for a Canadian energy strategy and a national water policy. The former was partly reactive to the momentum in global climate change policy, as a response to the Obama and Harper dialogues on clean energy, and to American energy policy (or the lack thereof). The campaign for a national water policy, on the other hand, was not born out of a reaction to American policy (despite the ongoing campaign there for an American Water Policy) or out of a desire to link Canadian and American water policy. Nor is a national water policy primarily about economic development or positioning in the global economy. The push for a national water strategy was a response to an identified gap in policy, governance structures and data shortages, whereas in the case of energy policy, information and data were never in short supply.

In both cases, however, it is impossible to imagine an effective national water policy or a Canadian energy strategy without the full engagement of the federal government. Yes, there is a good deal that could be accomplished through interprovincial negotiations and coordination, but federal constitutional powers and responsibilities are intractably entangled in both water and energy policy. The challenge, then, is to figure out how best to engage a federal government that appears to have limited enthusiasm for grand national projects at a time when revenues to lubricate intergovernmental relations are in particularly short supply. Here the proponents of a Canadian energy policy are working through and with provincial governments, and are adamant in their defense of provincial jurisdictions. Still, at some point the federal government has to be at the table, and likely at the head of the table. Intergovernmental mechanisms such as the Council of the Federation are simply not robust enough to carry the policy weight of either a Canadian energy strategy or a national water policy. The trick, then, is to end up here without conjuring up memories of the National Energy Program.

But, just as the constitutional powers and responsibilities of the federal government make it clear that national or Canadian policy frameworks must include the federal government, neither can they be federal government frameworks alone. Provincial powers and responsibilities are also relevant, and must be woven into any effective policy framework. Ottawa alone will not work, nor will the provincial and territorial governments be successful acting alone.

This conclusion, of course, presents a very difficult intergovernmental challenge with respect to either a Canadian energy strategy or a national water policy. The challenge becomes even more difficult if we are right in asserting that a Canadian energy strategy and a national water policy will—must—be seen as two sides of the same policy coin. One very difficult policy challenge is being tied to another difficult challenge. And yet, difficult as the combined task might be, it is hard to see a more important task as Canadians try to unlock the puzzle of sustainable economic prosperity. Although action in the short-term might be avoided, action in the long-term cannot.

As Canadian governments confront a growing chorus demanding national action and strategies, priorities will have to be established and choices made. In our view, the need for interlocking national strategies on energy and water deserves, even demands, a place at the head of the queue.

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