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NORTHERN PROMISES

Will Canada Make It as an Energy Superpower?

Jordan Michael Smith

“The nineteenth century was the century of the United States,” Sir Wilfrid Laurier, Canada’s prime minister from 1896 to 1911, stated midway through his term in office. He added his infamous prediction, “I think we can claim that it is Canada that shall fill the twentieth century.”

This great leap forward was not to be. Canada enjoyed security and prosperity during these years, but the international power it projected was at best middling as the United States monopolized the world stage.

But today, politicians and analysts are again making grandiose promises about a Canadian Century. In his first international speech, in 2006, Prime Minister Stephen Harper pronounced Canada an “emerging energy superpower.” He even compared this coming energy boom to “the building of the pyramids or China’s Great Wall. Only bigger.” Expectations since this euphoric prediction have only grown.

Over the past few years, Harper has delivered this pitch to various international audiences, including to the G8 summit in London this April. In Sydney, Australia, Harper began inserting the adjective “clean” into his remarks about Canadian energy: “Our real challenge and our real responsibility is to become a clean energy superpower.” Other cabinet members got in on the act. Ed Fast, Canada’s minister of interna-

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tional trade, echoed the prime minister by declaring in April 2013 that “Canada is an energy superpower.” Meanwhile, the Department of the Environment said that “Canada is seen as one of the few secure places in the world to invest in energy development, and one of a very few energy exporting nations that has reserves sufficiently large to provide a secure long term supply of fossil fuels.”

A report from the Mowat Center, a public policy institute at the University of Toronto, promotes this vision by noting that Canada is one of the largest energy research and development funders in the world. Only Finland spends more among member nations in the International Energy Agency. Energy-related innovation has also become a stated priority in Canada at the provincial level as well as the federal. The country’s geographic scale and diversity create great potential for renewable energy, including hydro, biomass, wind, geothermal, solar, and tidal. According to the Mowat report, “Canadian policymakers seem to be recognizing these opportunities.”

Some outside Canada have noticed as well. *PRI’s The World* ran a segment in March titled “Canada: The Emerging Energy Superpower to the North.”

But while prophecies of wealth and power in Canada’s future are certainly popular, are they accurate? Not according to a number of recent reports from credible sources, which in fact suggest that, despite all the huffer-mugger, Canada is not yet an energy superpower—and may never become one.

This is not to say that the country lacks the resources to play the role Harper and others have envisioned for it. Canada is the second-largest country in the world, trailing only Russia in total land mass. According to the Canada West Foundation, Canada is second in the world for proven oil reserves, third in proven uranium reserves, fourth in economically exploitable hydroelectric capacity, and twelfth in proven coal reserves. Canada already supplies nine percent of the United States’ energy supplies, more than Venezuela and Saudi Arabia combined. Unlike the latter two countries, moreover, Canada is democratic, liberal, wealthy, and stable, making it a safer, more ethical investment for foreign nations looking to meet their energy needs.

The heart of Canada's energy resources is Alberta, site of the largest tar sands in the world. Extracting oil from them is in fact the biggest energy project in the world, currently yielding 1.5 million barrels per day. (1.4 million of those go to the United States.) That figure is expected to rise to 3.3 million barrels per day by 2019. The former CEO of Shell Canada esti-

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imated Canada's reserves to be two trillion barrels or more, while the International Energy Agency lists Canada's reserves, more conservatively, as one hundred and seventy-eight billion barrels.

Leveraging this bounty into international power and prestige will theoretically come through the Keystone XL, a pipeline planned to go from Alberta to US Gulf Coast refineries.

Legislation currently working its way through the US House of Representatives declares that the delivery of oil from Canada's tar sands to refineries in the United States “is in the national interest because of the need to lessen dependence upon insecure foreign sources.” US proponents of the Keystone oil pipeline argue the \$7 billion project will create hundreds of thousands of jobs, boost the economy, lower gasoline prices, and wean the US off oil from the volatile Arab world. Short-term, the construction phase of the project will “create more than fifteen thousand high-wage manufacturing jobs and construction jobs in 2011–2012 across the US, stimulating significant additional economic activity,” according to TransCanada, the Canadian company seeking approval for the pipeline job.

Prime Minister Harper, confident in his country's future as an energy superpower, has emphasized Canada's strong role in the Keystone project, even saying the pipeline could be rerouted to ship oil to Asia if Washington continues to drag its feet. Yet this plan is unlikely to materialize for several reasons. One is that to reach the Pacific the pipeline would cross tribal lands controlled by the First Nations peoples—indigenous tribes situated

all along the proposed path, who have been united in their opposition. Second, Harper has suggested that he would look to Asia as a market for Canada's energy policies only if the United States declines to participate in the pipeline. But virtually every Canadian prime minister has promised to diversify the Canadian economy to avoid its dependence on US markets (to little or no avail). In the 1970s, then Prime Minister Pierre Trudeau proposed a "third option" to reduce its vulnerability to fluctuation of the US economy by increasing trade with Europe. The policy was a failure. In 2008, more than seventy-seven percent of Canadian exports were destined for US markets. The US is the primary destination for Canada's largest exporting sectors, including energy and agriculture. The figure in 1991, fifteen years earlier? Seventy-one percent.

In other sectors, Canada is becoming more, not less, entwined with the US. Approximately twenty percent of the uranium used in US nuclear power plants comes from Canada. And of the natural gas that the United States does import, ninety percent of it comes from Canada (thirteen percent of US natural gas consumption). The countries' electricity grids are deeply integrated, with all the US northern border states connected to a Canadian province. Hydroelectric power from Quebec, British Columbia, and Manitoba is already used to power well over a million homes in the United States.

Canada also has a long, bitter national history on energy issues that could drag down its efforts to take flight. In 1980, Trudeau introduced his National Energy Program. It turned out to be a controversial plan engendering passionate responses, second only to separatism in its ability to divide the country along regional lines. The program included added incentives for energy conservation and energy conversion away from oil—policies that were far more applicable to Eastern Canada, including the extension of the natural gas pipeline system from the West to eastern areas like Quebec City and the Maritimes, with the additional transport charges being passed back to the Western producers. The federal government's share of energy income rose, while the provincial and industry share fell.

With natural resources falling constitutionally within the domain of provincial jurisdictions, many Albertans viewed the NEP as a hostile intrusion by the federal government into the province's affairs. Western Canada—and Alberta especially—saw the new policy as a boon to eastern provinces at the expense of western ones. The popular western slogan during the NEP—appearing on many bumper stickers—was "Let the East-

ern bastards freeze in the dark.” During the NEP years, from 1980 to 1985, the province of Alberta was the sole overall net contributor to the federal government, while all other provinces were net recipients.

Exacerbating the regional differences is Prime Minister Stephen Harper himself, who has lived in Calgary, Alberta, for decades, and was by background a conservative economist generally opposed to the federal

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government inserting itself into economic matters. (He was a member of his high school’s Young Liberals Club, but moved to the Progressive Conservatives precisely because of the NEP.) In 2002, Harper made a number of offensive statements about the work ethic of East-Coast Canadians, one of the mildest of which was “I think in Atlantic Canada, because of what happened in the decades following Confederation, there is a culture of defeat that we have to overcome.

Atlantic Canada’s culture of defeat will be hard to overcome as long as Atlantic Canada is actually physically trailing the rest of the country.” Months later, he added, “There’s unfortunately a view of too many people in Atlantic Canada that it’s only through government favors that there’s going to be economic progress, or that’s what you look to. That kind of can’t-do attitude is a problem in this country but it’s obviously more serious in regions that have had have-not status for a long time.” Statements like that make it far more difficult for Canadians from different regions to put the future of their energy policy in his hands.

Equally problematic is the damage becoming an energy superpower could do to Canada’s environment—its other great natural asset, along with its energy reserves. A massive campaign to oppose the Keystone pipeline has emerged throughout the country, spearheaded by noted environmentalist Bill McKibben. This movement has found allies south

of the border. In June 2010, fifty Democrats in the US Congress wrote a letter to then Secretary of State Hillary Clinton, warning that “building this pipeline has the potential to undermine America’s clean energy future and international leadership on climate change.” A little more than a year later, in November 2011, several thousand environmentalists, some shouldering a long, black, ominous inflatable replica of a pipeline, formed a human chain around the White House to try to convince President Obama to block the controversial Keystone XL project. McKibben said at the time, “This has become not only the biggest environmental flash point in many, many years, but maybe the issue in recent times in the Obama administration when he’s been most directly confronted by people in the street.”

The pipeline has become an even more contentious issue in the US than in Canada itself. In February 2013, approximately thirty-five to fifty thousand protestors attended a rally in Washington organized by the Sierra Club, 350.org, and the Hip Hop Caucus, in what McKibben described as “the biggest climate rally by far, by far, by far, in US history.” In March 2013, the *New York Times* editorialized that Obama “should say no, and for one overriding reason: A president who has repeatedly identified climate change as one of humanity’s most pressing dangers cannot in good conscience approve a project that—even by the State Department’s most cautious calculations—can only add to the problem.”

Despite such exhortations, the president may be leaning toward approving the pipeline, according to some reports. But while some specific concerns about Keystone may be overcome (or ignored), larger reservations about a crash program to build Canada’s energy capacity likely will not.

Perhaps the greatest factor inhibiting Canada’s progress on energy is that all stakeholders, except for the Canadian government itself, believe Canada has virtually no long-term planning to achieve the goal of transforming Canada into an energy superpower. The widely cited report from the University of Toronto’s Mowat Center suggests that current policy is greatly inhibiting the country’s opportunities to take advantage of its energy assets. “The transition from resource-driven prosperity to a modern energy superpower is not simple,” the report states bluntly. Simply put, while Canada seems to have the resources, it does not have the tech-

nology to bring them to market. Critics believe that the country's current approach to energy technology is halfhearted and based on the short term.

The problem is political as well as technological. The required investments in energy technology would benefit Ontario and, especially, Alberta, with other provinces and territories lagging far behind in benefits received. Considering that Alberta is already by far the wealthiest area in the country, other regions in the country are reluctant to see more financial resources concentrated on Central and Western Canada.

It gets worse. "Development of a national energy strategy is of course a challenge, given provincial ownership of natural resources and a lack of alignment of regional interests on many energy issues," reads the Mowat report. As it stands now, "governments rely on a mix of short-term and overlapping boutique energy research and development (ER&D) programs. These have a mediocre track record when assessed on the basis of measurable outputs, such as Canada's (poor) performance in developing new energy technologies." Simply put, "the current suite of ER&D policies and programs is not designed to meet the needs of an emerging energy superpower."

The Mowat report followed a similarly pessimistic assessment by the Canada West Foundation called "Finding Common Ground." After discussions with a wide variety of stakeholders, from environmental groups to the Canadian Chamber of Commerce, this report stated: "There are concerns that Canada is not moving fast enough on innovative performance and investment levels when compared internationally." David Suzuki, Canada's best-known environmentalist, is quoted in the report as saying: "Canada is now one of the only developed nations without a coordinated energy plan. That doesn't bode well for us in light of the numerous energy challenges we face."

According to the Mowat Report, Canada can significantly improve its energy performance by implementing a series of reforms. It needs to create an official Department of Energy that would merge the suite of current energy-related programs, which are run through various departments. Most importantly, Canada needs to create a pan-Canadian energy policy, with energy technology as its centerpiece, as opposed to just repeating slogans that don't match practices.

The Canada West Foundation makes similar critiques and recommendations. The country should set a price for carbon, a proposal unlikely to be adopted by a Conservative government. Perhaps most importantly,

Canada needs to invest in infrastructure, science, research and development, and commercialization.

It may be that Canada can answer these questions and overcome the significant challenges it faces in achieving the status of energy superpower its government wants to claim for it. But the challenges are many, and the solutions are unclear. If the United States is depending on Canada increasingly to provide its energy needs, it may find its neighbor to the north is not up to the job. ❶