



## **CANADA'S ENERGY SECURITY IN THE CONTEXT OF GLOBAL INSTABILITY**

**Date:** August 18, 2022

*Disclaimer: This briefing note contains the encapsulation of views presented by the speaker and does not exclusively represent the views of the Canadian Association for Security and Intelligence Studies.*

### **KEY EVENTS**

On August 18, 2022, the Canadian Association for Security and Intelligence Studies (CASIS)-Vancouver hosted a Digital Roundtable titled *Canada's Energy Security in the Context of Global Instability*. This event was conducted by Peter Tertzakian, Deputy Director of the ARC Energy Research Institute. Mr. Tertzakian's presentation was followed by a moderated question-and-answer period in which the audience was able to deepen their understanding of the topic. The discussion centred around the dependency that societies have on energy, how countries have managed to cover their energy demands, and its effects on the geopolitical landscape.

### **NATURE OF DISCUSSION**

#### **Presentation**

The main points in Mr. Peter Tertzakian's presentation included the intersection between societies, energy supply, economy, and politics; the dependency that we have on fossil fuels; and how not being self-sufficient as countries trigger different issues. Mr. Tertzakian also discussed how the demand for each source of energy has changed as societies evolve and priorities shift, as well as how breakpoints in the energy transition cycle can work towards progressive transitions in the long run.

#### **Question & Answer Period**

During the question-and-answer periods, Mr. Tertzakian emphasised the role that cultural values and social beliefs play on energy supply and demand. For instance, the COVID-19 pandemic evidenced the need to recondition societies not to take clean, cheap, safe, and secure energy for granted. Mr. Tertzakian briefly discussed the political challenges that come along with different energy related projects, such as the development of pipelines in Canada.

## BACKGROUND

### Presentation

Mr. Peter Tertzakian began by highlighting the importance of energy in the geopolitical landscape and said that energy is a military strategic commodity that has been weaponised throughout history, hence its power. Consequently, not being energy-self-sufficient as countries shapes international relations and triggers issues such as potential strategic vulnerabilities and energy insecurities. For example, Mr. Tertzakian said that the Canadian energy situation cannot be understood without studying the broader situation of the world, especially the situation in the United States, since both countries act as "a collective in North American security." Mr. Tertzakian pointed out the irony of Canada being the fourth largest producer of oil and gas in the world because it is not energy secure at all as it depends on imports, mainly from the United States, to cover its demand in central Canada. This, he said, is an issue for which it is urgent to find solutions; however, past efforts have been hindered by political, social, and environmental actors.

Mr. Tertzakian showed how in the past 20 years, there has been a rise of coal, oil, and natural gas consumption, covering almost 85% of the energy demand worldwide. Exposing the effects of COVID-19 on energy supply and demand, Mr. Tertzakian illustrated how difficult it is to get off oil and shift energy sources since, in 2020, the average oil consumption was only down by 6%.

Mr. Tertzakian went on to talk about our dependence on fossil fuels and the risks associated with the fact that most oil production comes from countries with a high perception of corruption, according to the Corruption Perceptions Index (CPI) released by Transparency International. Mr. Tertzakian emphasised the importance of this relationship since corruption is highly correlated to environmental degradation, authoritarianism, and insecurity. In the past years, the excessive attention we have given to the clean aspect of energy has made us forget about the importance of other dimensions (cheap, safe, and secure).

Mr. Tertzakian then moved on to explain the energy transition cycle and its four main stages: growth and dependency; intervening forces, which can be environmental, geopolitical, policy, social, business, and technology; breakpoint; and rebalancing, which is the demand and supply solutions. Mr. Tertzakian pointed out that breakpoints, such as the COVID-19 pandemic, are characterised by chaos with consequences such as supply scramble, demand drop, economic shocks, policy responses, social reckoning, regressive transitions, and risk-off markets. Mr. Tertzakian highlighted that the path that breakpoints follow towards progress starts with chaos, and immediately after,

there are regressive transitions such as reversions to incumbent systems and policy reversions. However, in the medium term, these regressive transitions lead to policy action and end in progressive transitions.

To finalise, Mr. Tertzakian explained that the North Sea provides most of Europe's natural gas; however, the combination of divestment movements in oil and gas companies and the maturity of the geology have led to a decline situation. To fill the gap created by the North Sea, Russia and, in smaller proportions, other countries, started to export more oil to Europe. Mr. Tertzakian noted some of the deep effects that politics have on energy supply and demand, such as the current war between Ukraine and Russia. Some of the concerns to keep in mind, according to Mr. Tertzakian, are the energy instability and unaffordability in Europe, how acute the problem is at the moment, and how this problem is expanding to Canada.

### **Question & Answer Period**

During the question-and-answer period, Mr. Tertzakian illustrated how the COVID-19 pandemic evidenced the need for societies to change their mindsets and stop taking cheap, safe, and secure energy for granted. Prior to the pandemic, people believed that the only aspect to worry about energy was that it was clean because the other aspects (cheap, safe, and secure) were covered, but this is not the case, Mr. Tertzakian emphasised.

Additionally, Mr. Tertzakian stated that nuclear energy and oil are not fungible because nuclear energy makes electricity and oil is mainly used for mobility. Electric vehicles are finally diversifying mobility, but heavy transportation is not easily electrified, so it will take a long time for mobility to become fully electrical. Nuclear energy is a good substitute, but it is still very expensive, and it would take a couple of decades before it becomes economically competitive.

Mr. Tertzakian also discussed how societies as influencers on various decisions are an important aspect in energy-related decisions. For instance, the construction of an East-West pipeline and decarbonization rely a lot on political decisions influenced by cultural, financial, social, and environmental aspects.

In relation to low-cost oil producers, Mr. Tertzakian stated that in the law of economics, "the low-cost producers are the last producer standing". For instance, Saudi Arabia is an example of how important it is for Canada to lower its costs. Nevertheless, it is important to note that the Canadian industry has done very well in lowering the cost of oil in the last decade.

## KEY POINTS OF DISCUSSION

### Presentation

- Energy is a military strategic commodity, and it has been weaponized throughout history. Therefore, being energy dependent raises many issues, such as potential strategic vulnerability and energy insecurity.
- Even though Canada is the fourth largest producer of oil and gas in the world, it is not energy secure because it depends highly on imports to cover its demand in central Canada.
- In 2020, despite the COVID-19 pandemic, the average oil consumption was only down by 6%, which highlights how difficult it is to shift energy sources.
- Breakpoints like the pandemic rebalance the energy transition cycle towards progressive transitions in the long run.
- Although the North Sea provides most of Europe's natural gas, the combination of divestment movements in oil and gas companies and the maturity of the geology have led to a decline situation.

### Question & Answer Period

- The COVID-19 pandemic is evidence that societies need to change their mindsets and stop taking cheap, safe, and secure energy for granted; worrying about clean energy is not enough.
- Nuclear energy and oil are not fungible because nuclear energy makes electricity and oil is mainly used for mobility. Further, nuclear energy is not cheap, and it would take a couple of decades before it becomes economically competitive.
- Cultural values and social beliefs play an important role in energy supply and demand. For instance, technology exists to decarbonize in many dimensions, but the real impediments involve social, cultural, and financial aspects.



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