



CANADIAN ENERGY SECURITY

Date: November 21, 2022

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KEY EVENTS

On November 21, 2022, Jackie Forrest, Vice President of Energy Research at ARC Financial Corp., presented on *Canadian Energy Security*. The key issues were the worrying mismatch between common, ambitious expectations of global and Canadian energy transition and the most likely current trajectories given lacking investment; the security implications of this discrepancy and the energy transition generally; threats from adversarial states; the enduring cheap energy versus secure energy challenge; and Canada's slow and precarious project approval apparatus.

NATURE OF DISCUSSION

Presentation

Ms. Forrest surveyed the current global and Canadian energy mixes while summarizing Canada's past, present, and future trajectories through the global energy transition, highlighting energy security risks and how Canada is positioned to address them. Energy security in Canada's context was unique given Canada's progressive energy mix, and its large reliance on the U.S. market and pipelines. Ms. Forrest also looked at the Ukraine war as an early warning for Canadian energy security policy, as well as threats from China's control over critical minerals and clean technologies. Further, Ms. Forrest looked at recent developments for North American liquefied natural gas (LNG) exports and how this may increase Canadian energy security concerns.

Question & Answer Period

Questions for Ms. Forrest probed the pieces required for Canada's energy transition (e.g., the role of hydrocarbons), and how invested professionals can work across disciplines to ensure policy speeds up rather than impedes this

transition. Ms. Forrest observed that going forward, Canada's transition plan will need to become more holistic (e.g., realizing where we need hydrocarbons, and how to make them cleaner) if it is to be energy secure and on-time.

BACKGROUND

Presentation

Ms. Forrest stated that a failure to transition with a diversity and security of supply will put Canada at risk. With the Ukraine war, Europe shows the economic and political danger of reducing investment in hydrocarbons (e.g., LNG contracts) without addressing energy demand. Further, Ms. Forrest clarified the global context of energy transition, stating that it is going to take longer than most people think, in Canada and abroad, and will require an energy mix of clean and green and fossil fuels—which industry must continue to make cleaner. Canada's progressive energy mix gives it a head start (high relative levels of hydro, and nuclear with 60% of energy consumption from fossil fuels). That said, Ms. Forrest pointed out that Canada lacks adequate investment in fossil fuels and clean energy supply chains.

Whereas Canada is a large exporter of oil and gas, it is internally energy insecure, especially in eastern Canada. Ms. Forrest noted that Canada is highly dependent on the U.S. in exports and imports, although at present, Canada is less dependent on overseas imports of crude oil.

Ms. Forrest noted that recent developments for North American LNG exports may increase Canadian energy security concerns by increasing competition with overseas markets, subsequently raising consumer prices, and potentially causing shortages of gas through LNG exports. Ms. Forrest prefixed this concern with context from historical Canadian debates on energy security, and how these led to Canada's pipeline network and reliance on the U.S. today.

Moving ahead, Canada should be careful to create security in its fossil fuel base system while moving as quickly as possible to clean energy. Without this clear-eyed assessment and plan, goals such as reducing Canadian emissions in half by 2030 do not seem practical given the slow speed and uncertainty around Canadian energy projects.

Question & Answer Period

Regarding Canada's transition period, Ms. Forrest foresees great difficulty reducing the use of natural gas, specifically in Western Canada, although this is not necessarily a negative. She highlighted the B.C. utility company FortisBC's work, which supports an increase of clean natural gasses (e.g., hydrogen, and cleaner natural gas) given its energy efficiency in the cold versus electricity and the billions of dollars in costs associated with electrification in this case. Given the pace of projects in Canada, if speed is desired, the existing infrastructure must be utilised.

Ms. Forrest also mentioned positive policy developments through the focus of government and industry on reducing Canada's emissions, such as the tax credit for carbon capture storage (CCS), policy news that addressed uncertainty about the price of carbon, the large emitter program, and the clean fuel standard. Here, she is optimistic that the right first steps have been taken for the hydrocarbon industry to become a much cleaner source of supply than it is today.

Discussing the ability of policy-makers, industry, and other invested professionals to collaborate on compromises and solutions, Ms. Forrest acknowledged the perennial challenge that fellow panelist Dr. Ryan Prox also discussed, which is how economics seems to trump all other concerns in the private sector. She asserted that policy plays a vital balancing role, which ultimately is what makes Canada's economy strong. Energy transition is a perfect case, given it will affect all Canadians, the price of energy, the jobs they work, and the Canadian climate.

To address this, policy must accelerate and not impede the process. For example, Bill C-69 (resulting in the Impact Assessment Act) slowed the more holistic transition process down by creating uncertainty for investors of large projects (e.g., hydrogen, CO2 pipelines). Ms. Forrest stated she offers no catch-all solution, but with unprecedented goals such as halving emissions by 2030, it doesn't seem Canada has the pieces for success currently.

KEY POINTS OF DISCUSSION

Presentation

- The energy transition is going to take much longer than popularly thought. Nor will it be from dirty to clean and green; rather a shifting of the portfolio and a cleaning of hydrocarbons.

- Canada is a large exporter of oil and gas, but it is not very energy secure internally, especially in eastern Canada. This is partly because Canada is dependent on the U.S. for exports and imports.
- Economics has always trumped energy security in Canada and elsewhere, and that is a force that decision-makers need to work against.
- Canada's energy transition is going to be difficult, likely to include periods of energy shortage and political pressure as the nation is not investing enough in both the supply chain for clean energy nor oil and gas.
- Canada must figure out policies to get projects done quicker if it wants to meet its ambitious emissions goals and become less externally dependent when it comes to clean energy.

Question & Answer Period

- Given the pace of projects in Canada, if speed is desired, the existing infrastructure must be utilised.
- Policy must accelerate not impede a holistic energy transition process. With unprecedented goals, such as halving emissions by 2030, it doesn't seem Canada has the policy pieces for success currently.
- The right first steps have been taken for the hydrocarbon industry to become a much cleaner source of supply, given it will be a vital part of any future Canadian energy mix.



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Published by the Journal of Intelligence, Conflict, and Warfare and Simon Fraser University

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