

The Empire Club Presents

THE HONOURABLE BRAD WALL PREMIER OF SASKATCHEWAN:

June 14, 2016

Welcome Address by Dr. Gordon McIvor, President, Empire Club of Canada

Good afternoon, ladies and gentlemen. From the Arcadian Court in downtown Toronto, welcome, to this, the continuation of the 112th season of the Empire Club of Canada. For those of you just joining us, either through our webcast, our podcast, or on Rogers TV, welcome, to our meeting today.

Now, before our distinguished speaker is introduced, it gives me great pleasure to introduce you all to our head table guests.

HEAD TABLE:

Distinguished Guest Speaker:

Honourable Brad Wall, Premier of Saskatchewan

Guests:

Ms. Tina Arvanitis, Vice President, Government Relations and Communications, Ontario Energy Association; Director, Empire Club of Canada

Sylvia Jones, the Deputy Leader of the PC Caucus, the Critic for Children/Youth Services, and the MPP for Dufferin-Caledon

Dr. Gordon McIvor, Executive Director, National Executive Forum on Public Property; President, Empire Club of Canada

Mr. Mike Richmond, Co-Chair, Energy Law at McMillan LLP; Member of the

National Energy Board

Mr. Mark Romoff, President and CEO, The Canadian Council for Public-Private Partnerships; Director, Empire Club of Canada

Mr. Ken Seitz, President and CEO, Canpotex

Mr. Hans Soer, District Adviser for Manitoba Pork

Ms. Andrea Wood, SVP, Legal Services, TELUS; Past President, Empire Club of Canada; Past President, Empire Club of Canada

My name is Gordon McIvor. I am the Executive Director of the National Executive Forum on Public Property and the President of the Empire Club of Canada. Ladies and gentlemen, your head table.

I would also be remiss if I did not recognize two very distinguished guests in the audience: Our former Minister of National Defense, Peter MacKay, who is now with Bennett Jones, and the former clerk of the Privy Council of Canada, Wayne Wouters, with McCarthy Tétrault. Mr. Waters, welcome.

We also have a group of students joining us today from Centennial College so students, would you, please, rise and be recognized. Welcome.

Introduction

The name ‘Saskatchewan’ given to the province named after the Saskatchewan River, comes from the Cree language and means ‘swift, flowing river’. It has always been a province that produces surprises for the rest of the nation. Just look at Gordie Howe who we are remembering so fondly this past couple of days. It split off from the Northwest Ter-

ritories and joined the Canadian Confederation in 1905 and quickly became known as a stronghold for Canadian democratic socialism.

Ten years before I was born, in what was then its largest city, Regina, it elected North America's first social democratic government.

When CBC was trying to determine who the greatest Canadian in our history was a couple of years ago it eventually settled on Tommy Douglas, one of the province's most famous and beloved sons who is often credited with bringing us universal healthcare.

Now, while some still view it as a largely agricultural province, this activity combined with forestry, fishing, and hunting actually only makes up about 7% of this highly diversified province's GDP. Only Alberta exceeds Saskatchewan in overall oil production, and its mining sector, known around the world for potash and uranium, is as dynamic as it is sophisticated.

Now, it may only have 14 of the 338 seats in the House of Commons but every politician in the country knows that you ignore Saskatchewan at your own risk. It has become a sophisticated global economy, and Canadians living under its beautiful, big skies have a quality of life that is the envy of many across the country.

To get to where it is today, Saskatchewan went through many ups and downs.

In fact, a few really hard times and a lot of very different

leaders. Some of these leaders had to deal with what was perhaps one of the region's biggest challenges, a challenge that we all face as Canadians but is particularly true in Saskatchewan and, of course, I am referring to the weather. This only Canadian province with manmade borders has the record for the highest ever recorded temperature in this country: 45 degrees Celsius, recorded in July of 1937. But Saskatchewan can see wet winter temperatures dip as low as -45 degrees Celsius. This is a continental climate of extremes and often significantly impacts the life of its residents.

When the province's fourth premier, James Garfield Gardner, stepped before the Empire Club podium for his second address to our Club back in March of 1935, he, in fact, based his entire speech on the weather. It was a speech called "Conditions in the West," and it was basically a speech about how devastating the recent drought had been on the agricultural economy, a problem so severe that many were calling for the resettlement of thousands of people who had just recently moved out to the new province. Here is a brief quote from Gardner's speech:

We have a new worry on our minds. Some of us are asking a question at the present time as to whether or not people should remain in that section of the country that some seven or eight years ago was considered to be flowing with the wealth

that was only suited to a chosen people. Today we are wondering whether we should move people out of the area, whether we should go back to the conditions which existed there before our population was brought in and if, in any remarks I make today, I can inspire confidence in the minds of men who have made investments in that part of the country as to the future, I will consider my time with you here in Toronto to be very well spent.

Today those problems are still periodically very real, of course, but no longer life threatening.

Saskatchewan, under its incumbent leader in fact has received a triple A credit rating from Standard & Poor's for the first time—the highest level possible for a provincial government—and recently had a eight year population growth that was more than the previous 75 years combined, which has brought Saskatchewan's population to up well over 1.1 million inhabitants.

In today's world, Saskatchewan's leader is not a democratic socialist—although, he believes deeply in improving the quality of life of his electorate—but rather one of the leading conservative voices in contemporary Canada. Hailing from Swift Current, the community that he has represented for the past 17 years, he has emerged as a forceful and articulate defender of both his province and country's trade interests, particularly, in the area of energy and ag-

riculture, the two-pronged pillar that set the very base of Saskatchewan's past and present economies. He obviously has his priorities right, as he is being consistently rated as Canada's most popular premier in public opinion polls.

Today, he will address the Empire Club of Canada for the second time and focus on the Energy East Pipeline project, that 4600 km pipeline that will carry 1.1 million barrels of crude oil per day from Alberta and Saskatchewan to refineries in Eastern Canada.

Now, Premier Wall knows that this project is not without its detractors, but he is also deeply convinced that it is a fundamentally important energy investment that will help secure the future economic well being, not only of his home province, but of the entire country. This is an important speech for Canadians regardless of their political affiliations and beliefs and as we continue to think about how to best construct our collective energy future. And once again, Saskatchewan will position itself as a purveyor of issues of national importance where big skies and big ideas are always overcome adversity and help to define our Canadian spirit.

Ladies and gentlemen, it is a great honour and pleasure to introduce back to the Empire Club, for the second time, Premier of Saskatchewan, the Honourable Brad Wall.

Honourable Brad Wall, Premier of Saskatchewan

Thanks, everybody. Grateful for the invitation to be here

today, and thanks for that, it was a wonderful introduction. There is nothing like an Empire Club introduction. Much appreciated.

Minus 45 degrees in Saskatchewan, and you say, “Yeah, but it’s a dry cold.” I have been there all my life, and I still do not know what that means.

It is good to be with you here today. Peter, it is very good to see you, sir. I know that you are thinking about a number of things, and I will not get into what those things might be, but it is just good to reconnect.

Folks in this room should know though that notwithstanding his athletic prowess in addition to his political and business career, Peter MacKay hosts regularly and annually, together with the Grey Cup, a touch football game, and I have had the pleasure in participating in that game on one occasion. It was the Grey Cup in Edmonton where the Eskimos cheated their way past the Saskatchewan Roughriders, and we played a little game. It was sort of Saskatchewan people against Peter and all of his friends, who were from all over the country, and I am not going to give it away, but he lost. Badly.

The first extra provincial trip that I took actually after we were first elected in 2007 was to this great city. We came to the Grey Cup. The Riders were in that one as well against the Winnipeg Blue Bombers who were then in the Eastern division of the CFL, and, for whatever reason, there was no Grey Cup parade planned, that tradition

of Grey Cups in Toronto. And so Rider Nation took it upon themselves—Wayne, you will appreciate this—to organize their own Grey Cup parade, and we went through the streets of Toronto without a permit or without escort. We kind of got a little cold, so we just sort of veered over into the Eaton Centre where we were asked to leave, actually, quite politely. The security people came over, and we said, “Oh, Grey cup. CFL,” and they said, “We don’t care what union you’re with, stop the protest.”

So I have some good news about a pipeline that has been approved, a multi-billion dollar pipeline that has been approved in Uganda. According to media reports, the pipelines will run from western Uganda through Tanzania to the port of Tango on the Indian Ocean. Tanzania actively sought to have the pipeline built on its own territory, as did Kenya. All three of these East African countries see oil as a blessing. They saw the pipeline as an opportunity. The President of Uganda said this in a state of the nation speech just two weeks ago, “The 6.5 billion barrels of proven oil reserves, now that we have resolved the issue of the refinery and the pipeline, will now help us more easily fund the roads and the railway and electricity and irrigation and some aspects of education and health as well as the innovation of our long suppressed scientists.” Seems like a little bit of a non sequitur at the end, but you get the picture.

Meanwhile, back in Canada, where there are 170 billion barrels of oil, of proven reserves, we have yet to ap-

prove a major pipeline in the last decade or so, maybe beyond that. We are into this entangled and protracted, interminable process that has caused a lot of debate around the country, caused some concern in my part of the country.

I would like to focus on one of those pipelines proposed, but I will be trying to talk in a more general nature about the energy sector as well. But the pipeline I want to focus on is the Energy East Pipeline.

There are really four questions that I am going to try to answer, try my best to answer today. The first is, “Do we need it? Do we need Energy East Pipeline?” The second is, “Is it safe?” The third: “Who will benefit from the pipeline?” And, finally, “Will this pipeline pose any problem or challenge with respect to the ongoing battle that we face against climate change?”

So first and foremost, “Do we need Energy East?” Well, from a business standpoint, the proponents have answered that question, and their customers have answered that question. In a general market sense, there clearly has been a need for and demand for pipelines over the last little while. Consider, if you will, that from 2010 to 2014 the US crude oil pipeline network increased more than 12,000 miles or 22%. That is according to the Association of Oil Pipelines south of the border. That is roughly the equivalent, by the way, of 12 Keystone Pipelines. I will leave you to ponder the consistency of approvals for those pipelines in the context of Keystone itself, but, clearly, there is a need

for pipelines; there is a need for conveyance, and even in this low price environment we know that is going to continue.

It is true: We also need pipelines and Energy East in part to help reduce our dependency on foreign oil because, in your Canada, which is home to the third greatest reserves of oil on the planet, we need to import oil from other countries. Energy East is not all about that. In part, Energy East is getting our product to tidewater and exporting it, but Irving Oil, has said that, at a minimum, they will replace 50,000 barrels a day of imported oil with oil from the pipeline, so we need it to help at least give ourselves the footing and the chance to reduce the dependency that we have on foreign oil.

We need the pipeline to get a better return for the people that own this resource in the first place and that is not the oil companies; it is not the provincial government; but it is the people of Canada that own the resource. And for years they have been selling it at a discount because we have one customer. For all this great reserve, we have one customer, and it is the United States, and so we get, at best, West Texas—usually something less than West Texas. Meanwhile, the world is paying the Brent price, and now that differential has closed, but, at any given time, it has cost our treasury alone \$200 million and, in the industry, billions of dollars because by and large there is a premium in terms of Brent versus West Texas. So we need the pipeline to help

close that gap. We need that particular pipeline and all pipelines because, while they are imperfect in terms of being a mode of conveyance, they are the safest.

This we can say unequivocally. It is the safest way to move hydrocarbons. Last year, the Fraser Institute examined the federal government data from 2003–2013, and they discovered that when you move oil by rail, you are 4.5 times more likely to have a spill, 4.5 times more likely to have a spill based on moving oil on rail. Consider that fact in this context: In terms of our exports to the United States, they rose 42,000 barrels in 2010 to 42 million barrels in 2014 in terms of the amount of oil that was exported on rail.

A 100,000% increase in terms of our oil exports to the US moving on oil versus a pipeline—remember the facts about the likelihood of a spill with respect to railing oil versus a pipeline. In the United States, rail car shipments of oil soared from 9,500 in 2008 to 493,000—these are rail cars—in 2014, and so therefore the risk of a spill has grown exponentially. Energy East has the potential to remove the equivalent of more than 1,500 oil cars from our rail system. This one pipeline alone will most assuredly move oil off of rail and into a pipeline.

The importance of these facts of course is underscored by our own history, by the tragedy, the horrific tragedy at Lac-Mégantic. How about the question of safety? Today, there are 117,000 km of pipeline moving oil and gas across the country right underneath Naomi Klein’s nose—

117,000 km developed over the last 60 years. And according to the NEB, these pipelines spilled an average of 11—here are the honest facts: These pipelines did spill some oil; they spilled on average 1,100 barrels per year. That is on average from 11–14. That is the equivalent of two rail-cars of oil, and that means that our pipelines in this country, Canada’s pipelines, delivered 99.999% of the oil and gas across our country without incident.

But even with that safety record there is a lot of debate around safety issue in respect to Energy East, and I understand that. I have said publicly, “Look, Energy East is about two-thirds conversion and one-third new construction,” and that part is true, but we need to remember, and I need to remember in this room that that 1/3 that is new is principally in Québec and through some pretty sensitive areas and so that province, quite rightly, has questions that they need answered. I think there are answers to those questions, and I think in this case, we have a proponent that has been earnest.

In Québec, the company deployed nearly 100 environmental specialists, including wildlife biologists and vegetation ecologists. They have collected data from hundreds of waterways, plant ecosystems, wetland locations and animal and bird habitat. It took them three years. They have had community consultations, about 130 open houses across the country for Energy East, talks with 7,000 landowners, 755 municipalities and 150 Aboriginal governments. And it

is not like they were just talking because there has been 700 route changes as a result of that consultation, in response to what the proponent in this case was hearing.

So the system that we have, the NEB system, the regulatory process that we have in this country for this particular pipeline—and I would argue for all of the pipelines—is serious; it is systematic; it is thorough, and it is conscientious, and it requires the diligence of the proponents, as it should. It requires hundreds of millions of dollars to be spent by the proponents, as it should. Because we do have, in this country—and we should be proud of this—stringent environmental regulations. We have a strong regulator, and we have the fact that pipelines, in this country, are safe. Not perfect but they are safe.

That brings us to the third question, who benefits from the construction of Energy East? Well, obviously, you probably know I am going to say, everyone. All of us as Canadians are going to benefit from this pipeline. All of us as Canadians benefit from the energy sector in general, and if you have a doubt of this consider what those terrible and horrific fires in Fort McMurray meant to the economy of the country. The Bank of Canada recently forecast that the Fort McMurray fires will shave 1.25% points off economic growth in the second quarter. Consider that there are 500,000 Canadians directly or indirectly employed in the energy sector in this country. It is the largest private sector investor in Canada. Consider \$17 billion. That is the

amount of direct taxes and royalties paid by the energy sector to governments in our country. That \$17 billion supports the quality of life that we prize in Canada. It is the equivalent of 680 new schools every year or 1.8 million knee replacements—Peter, you were asking how my knees worked in terms of the game coming up for this Grey Cup—or 4.25 million childcare spaces. That is the equivalent of \$17 billion in taxes and royalties, and never mind the indirect taxes that are generated in the sector of the governments as well.

Here in Ontario, by the way, there are 1,100 companies who are direct suppliers to the energy sector, mostly in the oil sands but, generally, to the energy sector. How about Energy East as an infrastructure project? I think we are probably all tired of the term “shovel-ready” but I think the definition is apt here. Energy East is expected to boost Canada’s GDP by \$55 billion over 30 years, the biggest, largest chunk of that is for the province of Ontario, \$24 billion. Ontario would get the most jobs, close to 3,900 in the development and construction phase and 1,500 permanent jobs. There is no question that this project is good for my province, and it is good for the province of Alberta, but it is good for all of Canada. We need Energy East to move our oil to tidewater, and everyone in the country can benefit from that.

Finally, you hear people ask the question, “What about climate change? What about the overarching environmental concerns that we have as Canadians and that we

should have? If we build this pipeline, will it make climate change worse?" I should note that it is a question rarely asked of other major developments in Canada. It is a question rarely asked of other major sectors in Canada. This province, for example, assembles more than 2.2 million vehicles a year. I am proud of that as a Canadian. Our federal government and your provincial government are working to see that number increase, and that would also be good for us in Saskatchewan. It would be good for all of Canada if the auto sector got even stronger in central Canada.

Tomorrow if Ford or GM or Toyota announced a plan to build a brand new assembly plant in Brantford or Oshawa, would we see a protracted, interminable, deeply philosophical debate about the impact of the auto industry on climate change? And what if the federal government said to the auto sector, "We're going to impose some new regulations in terms of the transportation of your product across Canada, and those regulations might be something like 'We're going to measure the source GHG's of manufacturing those cars or maybe the lifecycle GHG implications of those cars in conveyance for fossil fuels. And, if it doesn't measure up, we might not approve those cars to go on a rail to go across the country'." Everyone in this room would think, "That would probably be a pretty wrong-headed policy," to understate the case. People right across this country in western Canada would think, "Well, that just wouldn't make any sense."

What if in 2009 when that same auto sector was reeling and shedding thousands of jobs and requiring direct bailouts from government equity investment from government, what if a federal government had then said, "We need a brand new tax, an auto manufacturing tax for the country that would disproportionately impact on that sector"? That would not make much sense either. You could credibly argue that a national carbon tax at such a time as this is analogous to precisely that. The timing of it is crucial. More on that in a moment, but back to the question, is Energy East going to affect climate change? The answer is no. If anything, it will help with respect to Canadian emissions. You know, the U.S. State Department weighed in a couple of times to the Obama Administration on the Keystone issue. They actually pointed out that if Keystone is built, it should not have a material effect on climate change because that oil would be in a pipeline instead of on rail, and greenhouse gas emissions, when you rail oil and gas or you truck it, are greater than if it is in a pipeline. You could make the same argument for Energy East. If Canada does not happen to supply the oil to either the rest of its own citizens or the world, someone else will.

The United States has already lifted their ban on exports, as you know. There are many other countries with whom we can compete as oil producers in the world who frankly do not give much of a dang about the environment. They care far less than the companies in this country, than

the provincial government in this country, than the federal government in this country. The oil is going to get to those places, anyway.

By 2040, the International Energy Agency predicts fossil fuels will still supply 75% of the world's energy needs, so stopping Energy East will not change any of this. This does not matter to many who believe that really killing the pipeline is necessary as a step in the rapid transition to the "post-carbon economy" that they desire. What if we did that? What would be the impact on the planet? What would be the impact on climate? If we shut down the entire energy sector in this country, you would eliminate 192 megatons of emissions—if you shut it all down. The oil sands are worth about 68 megatons, but if you shut it all down in our province and Newfoundland and all that—right across the country—it is 192 megatons that you would save the planet in terms of CO₂ emissions.

Meanwhile, in China, coal fire power plants emit 4,000 megatons of CO₂ a year.

Meanwhile, in the United States their coal plants emit 1,364 megatons of CO₂ a year. Ladies and gentlemen, do not misunderstand me. We do have to do more in our country in terms of our own domestic emissions, but we do need context, and we need some perspective, I think, especially, if we are going to attach these matters to the debate around pipelines.

It strikes me that there are three things we can do

about climate change: One, we can focus on adaptation, and if you talk to premiers of northern territories, they will tell you that the manifestations of climate change are real; they are happening today, and we as Canada arguably should be doing more to focus on a response to what is happening in those places. The second thing is, a domestic approach. We can reduce our own emissions, and we can have different fiscal instruments; cap and trade in carbon taxes, banning and conservation, and all of that is fine. We need to do more domestically. Thirdly, we can focus on this global situation, and I think Canadians are pragmatic problem solvers. I think Canadians understand that if there are 2,400 coal plants being built right now in the world, mostly in Asia, we should probably be maybe even more concerned about that than the 1.6% of global emissions that come from this country. Not letting anyone here off the hook, in terms of doing more domestically, but, realistically, focusing on technology that can solve those problems.

That is what we have chosen to do in Saskatchewan. We have made, I think, the largest public sector under per capita basis, and the largest public sector investment to fight climate change at Boundary Dam Tree, which is a carbon capture sequestration project unit that is attached to a coal fire plant that is working. We had some commission year challenges last year, and our engineers have made the adjustment, and we are on track to sequester 800,000 tons of CO₂ at this one particular plant, and it will burn that coal two

or three times cleaner than combined cycle natural gas. And people are coming from around the world because that is pretty innovative and maybe transformational, and it speaks to an actual challenge that, were we to meet, we would have real progress in terms of the fight against climate change.

So, ladies and gentlemen, those are the four questions that I wanted to canvass and, hopefully, try to answer today. Do we need the pipeline? Respectfully, yes. Will energy East operate safely? Yes. That is how pipelines operate in our country. Who will benefit? All of Canada will benefit. And will Energy East make the problem of climate change worse? The answer is no. In fact, there may be a salutatory impact because of the oil moving to the pipeline from rail. I know these answers will not satisfy everyone. There is a character on *The Simpsons* that once said that he was not interested in the ends of any more sentences. I think that in this debate, on both sides perhaps, we are not as interested in the end of each other's sentences as we should be. But I am optimistic. I am hopeful because, you know, Canadians, at the end of the day, we are pragmatic. By and large, we are strangers to dogma, and we are also problem solvers.

I like what the mayor of Québec City said earlier this year. Régis Labeaume said in an interview that he was not happy with Trans Canada, to be fair. He wanted more information from the company, but, on the topic of building pipelines, this is what he said: "I think that in a normal

country, all organizations that want to build infrastructure for transporting energy should be able to do it. I wonder how I would feel if a province or a region in a province prevented Hydro Québec from building its transmission line." Remember, this is the mayor of Québec City: "I would feel exactly like the people in the west do now," he said. "I understand them." Let us all strive for that understanding. Let us understand in the importance of this particular project, but, in a general sense, let us understand the importance of the energy sector to *all* of Canada. Let us be proud of it. Let us understand the national interest, the shared interest that is at stake with the Energy East pipeline. It is a nation-building opportunity to be sure. Thanks for your time today.

Note of Appreciation by Ken Seitz, President and CEO, Canpotex

Hello, everyone. And, yes, it is actually easy to express appreciation for our premier in Saskatchewan. I myself am actually from Saskatchewan. I work in Saskatchewan. Our head office is there, and I must say that we, in the province, and the vast majority of us are quite proud of our premier from that part of the world. He tours around the world making us proud all the time, and, of course, today is no exception. So thank you, thank you, Mr. Premier, for your insights, and I always appreciate the very clear and consistent message that comes from our premier on these matters.

I will say that no one understands the challenges associated with moving commodities out of western Canada more than we do at Canpotex. For those of you who do not know us, we are Canada's largest mineral exporter. We move about 10–12 million tons of potash from the landlocked Canadian Prairies to over 40 countries worldwide. We do so with our vast supply chain, our network of rail, and, for many of you who have been in our part of the country, you have had to sit and wait for a Canpotex train for, you know, often many, many, well, certainly minutes and hours, and it is very difficult if you are trying to get to a hockey game and you know you are late. We always ask for, you know, forgiveness. So vast supply chain of trains, port facilities on both coasts, and ocean-going vessels, of

course, and so we are really, really thrilled to be here with the premier and thrilled to hear about the priority that is being set around moving commodities, moving commodities off our Canadian Prairies. We know that our premier, the premier takes that very seriously, so I will just say again, thank you, Mr. Premier, for the keen insights.

I am quite certain that everyone in this room would love to come back and hear you speak again in the future. And to our friends and colleagues in the room, thank you for joining us. It is our pleasure to sponsor today's event. Please, come see us in Saskatchewan anytime, whether it is minus 45 or plus 45, we will always welcome you there, and, you know, maybe, I am just saying, perhaps, you could even come—we have a brand new stadium in Regina. It will be ready in 2017. You can see the Argonauts get whooped by the Roughriders so that would be fun, too. Please, enjoy the rest of your day. Thank you, and thank you, Mr. Premier.

Concluding Remarks by Dr. Gordon McIvor

Thank you very much, Ken, and thanks again to Canpotex for sponsoring today's event. And we would also like to thank Manitoba Pork for being our student table sponsor and our VIP sponsor as well and also to TELUS. Thank you, Andrea, for sponsoring another student table as well.

We would also like to thank the *National Post*, which is our print media sponsor, and Rogers TV, our local broadcaster. Also, a special call out to Mediaevents.ca, Canada's only online event space. They cover us on website webcasting and podcasting, which, as you know, is the way most people now actually view Empire Club events. Follow us on Twitter at @Empire_Club and, please, visit us online at empireclub.org. You can also follow us on Facebook, LinkedIn and Instagram.

Ladies and gentlemen, thank you so much for your attendance today, and this meeting is now adjourned.