

Intelligence MEMOS



From: John Manley
To: Concerned Canadians
Date: June 5, 2024
Re: **CANADIANS NEED TO ACCEPT OUR FOSSIL FUEL REALITIES**

The prevailing discussion about Canadian energy use and production and climate initiatives omits some key considerations.

Canada is energy rich, well-endowed with oil, natural gas, hydro generation capacity, and nuclear technology. Together with our substantial mineral, forestry, agriculture and fishery resources, you could say that natural resources constitute Canada's family business.

For some reason, we seem to have forgotten, never knew, or have become embarrassed by this, despite the fact that natural resources, and energy in particular, anchor our economy, our prosperity, and to some degree, our geopolitical relevance in the world.

The energy sector alone generates as much as 12 percent of GDP and between 2000 and 2021 contributed an average of \$26.3 billion per year to the three levels of government. This is real money!

For three provinces, Alberta, Saskatchewan and Newfoundland and Labrador, the natural resource contribution to GDP is much higher, so it should surprise no one that they resist federal interference in their efforts to exploit their resources. Together with the fact that the many hundreds of thousands of jobs in the sector are largely located in rural areas, or in areas that are not voter-important, this is an important fault line for our federation. It is the responsibility of every Prime Minister to tend to such fault lines and to seek to build a united country.

While it is true that we are approaching an inflection point in energy transition, as investment in renewables grows rapidly, it is also true that fossil fuel demand continues to grow. Cloud-based data storage and management, EVs and other efforts to electrify our energy needs, are already starting to overwhelm our supply. The incremental energy demands to support artificial intelligence alone could swamp it.

We have a resource we need and that is in demand globally, but we also want to meet our international obligations to reduce emissions. Canada, not the provinces, represents us on the world stage, and we have international commitments that need to be honoured – even if many high-emitting countries are not honouring theirs.

Thus, the dilemma.

We need to remember that there is a buyer and a seller in every transaction. The numbers show us that global demand for our resources is strong and accelerating, especially as many countries try to reduce their dependence upon oil and gas from Russia, Iran and Venezuela. Energy security for many is a more immediate concern than the energy transition and Canada should be a reliable source of that security for our friends and allies.

Thus, in simple terms, Canada needs to direct its efforts to its demand side. Let's continue to invest in renewables, technologies to moderate consumption as we seek to heat our homes and buildings and reduce emissions from other sources, and thus move to the forefront of the energy transition.

We do not help our allies' security and we damage ourselves both economically and diplomatically, if we constrain our suppliers who are needed to meet global demand. This does not mean that the supply side should just "let 'er rip" and be oblivious to the need to reduce emissions. But Canada can be positioned as a secure reliable and responsible source of needed energy for like-minded nations around the world.

To be secure and reliable, we have to show that we can get things done in a reasonable time frame and predictable fashion. Twelve or more years to build a pipeline or to open a mine is simply too long. Proponents need to recognize the need to engage Indigenous actors and build social acceptance from the outset. Governments need to make processes that are effective but sensible, with outcomes that are predictable rather than random.

To be responsible, we need to reduce production-related emissions. The [Pathways Alliance](#), is an example of how we can be a supplier of globally needed energy while staying on the right side of the transition debate.

We also need to be practical and results-oriented about our approach. To the extent that we can draw upon our high-quality natural gas reserves to displace coal use elsewhere, we are helping the world to achieve lower emissions. Natural gas needs to be part of the energy transition. We also need to look to nuclear to displace carbon-emitting power generation. Some may resist both of these, but in so doing they make the perfect the enemy of the good. Citizens will embrace carbon neutrality, but not at the expense of staying warm in winter and cool in summer.

Finally, we need to remember that Canada is a climate-taker, not so much a climate-maker. If we achieved net zero domestically tomorrow, we would have a marginal impact on either the planet or our lived experience of climate change impacts.

So let's get on with it. Seek to lead in the energy transition, both by moderating our own demand and investing in technologies to support our objective, while also showing the world that we are a reliable responsible supplier of the energy it needs.

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