

# Intelligence MEMOS



From: Duncan Munn, John Manley and Dwight Duncan

To: Canada's political leaders

Date: February 12, 2025

Re: **CANADA MUST ACCELERATE PIPELINE DEVELOPMENT FOR NATIONAL SECURITY, ECONOMIC GROWTH, AND NATIONAL UNITY**

Canada is at a critical crossroads. In the face of rising geopolitical tensions, shifting US trade policies, and economic uncertainty, the country must act swiftly to secure its long-term prosperity. And new pipelines are crucial for national security, economic growth, and long-term resilience.

The United States, Canada's largest trading partner, is abandoning free trade and doubling down on protectionism. Canada has won a 30-day reprieve from Donald Trump's tariffs, and we must use this time wisely to address vulnerabilities in Canada's trade position that have been laid bare by the trade frictions.

Pipelines are not simply means of transporting oil and gas – they are the backbone of Canada's energy security and its ability to remain connected to global markets. The United States is heavily reliant on Canadian oil, especially from the Alberta oilsands, and the energy trade between the two nations is a vital source of economic and strategic strength for Canada. However, Canada is also reliant on US energy supplies. Oil and gas both come into eastern Canada from the United States and critical supplies transit Wisconsin and Michigan via Line 5. By developing a more robust pipeline infrastructure, we can reduce our interdependence and ensure a more resilient and self-sufficient energy future.

Moreover, Canada desperately needs to enhance its economic growth and productivity. The Trans Mountain Expansion pipeline, at full capacity, is operated by just 750 people but is estimated to increase Canada's GDP by 0.5 percent, demonstrating clearly the contribution pipelines make to Canada's economic well-being.

As global energy demand remains robust, Canada must position itself to access new markets and reduce its US over-reliance. Having credible alternative markets for our energy exports is key. Yet expanding pipeline infrastructure has become all but impossible as naysayers and activists have used and abused the legitimate consultation process to kill projects, including Energy East. While environmental, Indigenous, and other regional concerns must be addressed, it is vital that they do not stall progress on Canada's productivity and economic growth.

The time has come for Canada to adopt bold, practical solutions.

First, Canada should revisit the Northern Gateway pipeline project, which had gained regulatory approval, only to see that approval revoked by the federal cabinet in 2016.

Second, the regulatory approval process must be immediately streamlined to make it more efficient and predictable for new projects. Delays and uncertainty have long plagued critical infrastructure projects, hindering national progress. To address this, Canada could consider implementing targeted regulatory reforms to expedite approvals, minimizing unnecessary bureaucratic and consultative hurdles. If conventional measures are insufficient, the government could explore declaring a national emergency and invoking the exceptional powers granted to it under the Peace Order and Good Government clause of the constitution. It could also consider invoking the Notwithstanding clause if necessary.

While such powers should be seen as a last resort, they could serve as a decisive tool to move forward without delay. Leaders must be prepared to use them. Signalling the government's intent in this regard would send a clear message to US audiences about Canada's commitment to action and the wisdom of abusing such an important ally.

Third, Canada could offer first-loss capital to attract private sector investment in pipeline development. Pipelines, by their nature, are large-scale, predictable income-generating assets that are highly attractive to institutional investors. By offering first-loss capital – essentially, government-backed insurance on the first portion of potential losses – Canada can help de-risk these projects and encourage significant investment without burdening taxpayers.

Getting real about pipeline development would also ease tensions with Alberta, where the pipeline debate has long been a flashpoint of discontent. By ensuring the involvement of private capital, the federal government can build national unity, showcasing its commitment to both economic growth and environmental responsibility. Providing the framework for Alberta's resources to be brought to market will help repair the rift and send a clear message that Canada is unified in its commitment to growth and energy security.

# *Intelligence* MEMOS



Beyond the economic and regional benefits, pipeline development is also a matter of national security. Canada's energy resources, particularly in the Arctic and northern regions, are increasingly important to US national security. As tensions rise in these critical areas, Canada's ability to supply oil to the US will be not just an economic benefit but a matter of strategic importance.

As global uncertainties increase and trade relations with the US become more volatile, Canada must act decisively to secure its future, and it must use the recent tariff reprieve wisely. By accelerating pipeline development and offering first-loss capital to attract private sector investment, Canada can unlock the necessary infrastructure to compete on the global stage, reduce its reliance on US trade, and strengthen its geopolitical position.

The time to act is now.

*Duncan Munn is CEO of the Elevate Group and former president of the C.D. Howe Institute where John Manley and Dwight Duncan are Senior Fellows.*

To send a comment or leave feedback, email us at [blog@cdhowe.org](mailto:blog@cdhowe.org).

*The views expressed here are those of the authors. The C.D. Howe Institute does not take corporate positions on policy matters.*