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Future of the Canada-United States Energy Relationship, The

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THE FUTURE OF THE CANADA-UNITED STATES ENERGY RELATIONSHIP

*Introduction – Hon. James Blanchard
Speaker – Hon. David Jacobson*

MR. UJCZO: Now, without further ado, I introduce our United States Co-Chair, Governor James Blanchard.¹

HON. JAMES BLANCHARD: Thank you, Dan. Thank you, everyone, for being here for the panelists. I am not going to acknowledge many people as we have done that. A special thank you to the Consul General in Detroit, Roy Norton,² and his staff. They have been stalwarts in this program for many, many years, and to Jim Peterson,³ my Co-Chair and dear friend, that was a magnificent introduction to Bill Graham, only exceeded by his eloquence. That was fabulous.

For many, many decades Cathy Graham, Heather Peterson, and Janet Blanchard have supported, strengthened, and enhanced our careers and sat through many, many long and eloquent speeches, and tonight is no different. Thank you. We love you, and we appreciate your patience.

This is an important moment and, as you mentioned, it is about Henry King. I knew Henry and worked with him, and I could never say “no” to him because he was so honorable and so dedicated. That is how I got here. He called me up and insisted that I come and talk, and the rest is history.

But we have a really, really special guest. I must tell you, as you can appreciate, the job of United States Ambassador to Canada is one of the very, very best jobs in all of politics and diplomacy because it combines a lot of domestic issues to both countries, as well as all the international issues, everything from the space station to Great Lakes water quality to NATO issues. You can name any issue and we are working on it with Canada. We send our very best to Ottawa and our special guest is no exception.

¹ *James J. Blanchard—Biography*, DLA PIPER, http://www.dlapiper.com/james_blanchard/ (last visited Nov. 13, 2011).

² *Roy B. Norton—Biography*, GOV'T OF CAN., <http://www.canadainternational.gc.ca/detroit/offices-bureaux/bio.aspx?lang=eng> (last modified Oct. 21, 2010).

³ *Hon. James S. Peterson P.C.—Biography*, FASKEN MARTINEAU, <http://www.fasken.com/lawyers/detail.aspx?professional=8eab55ff-0dc4-4a3f-aff9-bcbe6ec1e89e> (last visited Nov. 13, 2011).

First, to Ambassador Jacobson,⁴ we really appreciate you taking time out of your schedule. I know you have been traveling—you were in Washington, you were down in North Carolina, you are here, and I do not know how many other places you are going, but we really appreciate you taking the time to be with us. We are honored.

Let me say just a little bit about David Jacobson, and I will be brief because we want to hear from David Jacobson. He has all those great credentials: Johns Hopkins, Georgetown Law, and he has been a major player and partner in corporate law at the Sonnenschein Nath & Rosenthal LLP in Chicago for thirty years.⁵ He founded AtomWorks,⁶ an organization to bring together corporate and civic leaders in order to foster nanotechnology. He also served as a member of the CEOs for Cities,⁷ which is a national bipartisan organization to help enhance economic development efforts with about seventy-five mayors in major cities in America.

But what is really interesting about David Jacobson is not only he is a very close friend of President Barack Obama, which is a vital thing when you are serving as Ambassador, but President Obama put him in the Personnel Office to decide who would be the ambassadors to all these different countries. He got to pick who was going to be ambassadors for all these countries, and kind of like Dick Cheney running the search for Vice President for George W. Bush, he finally decided the best person for Canada would be himself, and that is because he and his family know and love Canada.

Ambassador Jacobson has committed to the President, to the future of our relationship, and he knew it was the best job around. And let me just tell you he has pursued this assignment with enormous energy. He and Julie, his wife, have traveled the country. They have been to more places than, I think, any previous ambassador. Their kids are now there. Their daughter is now living with them in Ottawa and their son is at McGill. Ambassador Jacobson is overseeing a lot of different things, including our new bridge between Detroit and Windsor.⁸

He has focused on energy policy and on automobile policy. He is a point man in harmonizing regulations between our two countries as well as working on the whole notion of a security perimeter. There is not an issue that touches Canada and the United States that David Jacobson is not in the middle of and advising our President on.

⁴ *David C. Jacobson—Biography*, U.S. DEP'T OF STATE, <http://www.state.gov/r/pa/ei/biog/130426.htm> (last visited Nov. 13, 2011).

⁵ *Id.*

⁶ *Id.*, and ATOMWORKS, <http://www.atomworks.org> (last visited Nov. 19, 2011).

⁷ CEOs FOR CITIES, <http://www.ceosforcities.org> (last visited Nov. 16, 2011).

⁸ See, e.g., Dave Battagello, *Washington set to act on bridge issue*, THE WINDSOR STAR (Dec. 9, 2011), <http://www.windsorstar.com/news/Washington+bridge+issue/5834457/story.html>.

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So I give you the personal representative of the United States to Canada, David Jacobson.

REMARKS OF THE HONORABLE DAVID JACOBSON
UNITED STATES AMBASSADOR TO CANADA

ENERGY SECURITY AND CLIMATE CHANGE: A CANADA-
UNITED STATES COMMON APPROACH?

Hon. David Jacobson

Thank you very much to Jim Blanchard and Jim Peterson for the invitation to join you today and to speak on what I think is a vitally important aspect of our two countries' relationship.

When I arrived in Canada a year and a half ago, I was given a PowerPoint briefing on the state of energy generation and production in Canada. While many of the slides are now a blur, there are two that I can recall in great detail.

The first listed the twelve countries in the world with the largest proven petroleum reserves.⁹ Of the twelve, Canada ranked second.¹⁰

The second slide indicated that of all the oil reserves in the world not owned by a government—fully half of them are in Alberta.¹¹ If energy security is considered a critical element of national security—which it unquestionably is—then here is the stark reality. We use upwards of twenty percent of the world's oil,¹² but control only two percent of the world's oil reserves.¹³ So given that reality, we Americans should place great importance on the fact we share the largest energy trading relationship in the world with our valued and trusted neighbor to the north.¹⁴

⁹ See *Oil – Proved Reserves*, CTR. INTELLIGENCE AGENCY, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2178rank.html> (last visited Jan. 27, 2012) (listing over two hundred countries with stock of proved reserves of crude oil).

¹⁰ See *id.* (showing Canada is now ranked third in the world for domestic petroleum reserves).

¹¹ See generally Matthew Foss, Presentation: Competitiveness in Resource Development: the Alberta Experience, at 3 (Nov. 2011), available at <http://www.akrdc.org/membership/events/conference/2011/presentations/foss.pdf>.

¹² See *Oil – Consumption*, CTR. INTELLIGENCE AGENCY, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2174rank.html> (last visited Nov. 19, 2011) (listing the United States as the primary consumer of oil per day).

¹³ See CTR. INTELLIGENCE AGENCY, *supra* note 9.

¹⁴ *Canada–U.S. Energy Relations*, GOV'T OF CAN.,

Canada is the single largest foreign supplier of energy to the United States.¹⁵ It delivers about twenty percent of our oil imports.¹⁶ More than eighty percent of our natural gas imports.¹⁷ Pretty much all of the electricity we do not produce ourselves.

There is possibly no single issue more important than energy to the long-term strength and prosperity of the United States. And to Canada. And to the relationship between our two countries.

The President recognized this in his remarks last March.¹⁸ More Americans need to become aware of this fact. So I am very happy that the Canada-United States Law Institute has organized this conference to help educate us about the energy relationship between our two countries.

PETROLEUM

Let us start by talking about Canada's petroleum resources; most of that is in the oil sands.¹⁹

Most recent forecasts have projected there are approximately 170 billion barrels of exploitable crude in the oil sands.²⁰ Some are suggesting that the potentially recoverable reserves are perhaps 315 billion barrels.²¹ This actually exceeds estimated Saudi Arabian reserves!

To put it simply . . . this vast petroleum resource is going to be exploited.

You do not have to be a petroleum engineer to understand that global demand for oil is growing, not shrinking. It is being driven largely by emerging economies in Asia and Latin America.²² The International Energy Agency says the world needs to increase oil production by three-and-a-half million barrels every year just to keep up with growing demand.²³

http://www.canadainternational.gc.ca/washington/bilateral_relations_bilaterales/energy-energie.aspx?lang=eng (last modified Dec. 5, 2011).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.* (stating Canada provided eighty-seven percent of all United States natural gas imports).

¹⁸ See President Barack Obama, Remarks by the President on America's Energy Security (Mar. 30, 2011).

¹⁹ See GOV'T OF CAN., *supra* note 14.

²⁰ *Id.*

²¹ See *id.* (stating that the potentially recoverable oil sands reserves may range from 1.7 to 2.5 trillion barrels).

²² See INT'L ENERGY AGENCY, WORLD ENERGY OUTLOOK 2010: EXECUTIVE SUMMARY 5 (2010), available at <http://www.iea.org/Textbase/npsum/weo2010sum.pdf> (discussing China and India's demand for oil driving up the global oil demand); see also *In a first, gas and other fuels are top U.S. export*, USA TODAY (N.Y.) (Dec. 31, 2011, 2:18 AM), <http://www.usatoday.com/money/industries/energy/story/2011-12-31/united-states-export/52298812/1> (explaining Latin America's and Asia's need for more oil).

²³ See INT'L ENERGY AGENCY, *supra* note 22, at 4.

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So to lay out the facts plainly: the oil sands are a vast hydrocarbon resource, that resource can be produced economically at current prices, and there is a market for the product. One way or another, this resource is going to make it into the global oil marketplace.

Alberta estimates production from the oil sands by 2015 will be three million barrels per day.²⁴ Currently all of Canada's exports of the oil sands are destined for the United States.²⁵ The multi-billion dollar question, therefore, is will that percentage change over time? This is where the questions of energy security and environmental security come together.

From a global perspective, there is no issue more critical to the well-being of the planet we share than climate change. You can no longer talk about energy without talking about the environment. And rightly so.

These issues have always been two sides of the same coin. They are deeply intertwined and interrelated. How we handle both will go a long way toward determining our legacy to our children and to our grandchildren.

In the United States, we are moving away from fossil fuels.²⁶ But it is a *fact* that we are going to have to rely on traditional forms of energy, especially fossil fuels, for a long time to come.²⁷ This has implications for both energy policy and environmental policy in the United States.

First, we need to find ways to increase our supply of fossil-fuel energy in the safest, most responsible way possible. Every form of fossil-fuel extraction creates an environmental impact.²⁸ That risk must be managed effectively. And over time reduced to an absolute minimum.

I have traveled to Fort McMurray²⁹ and seen the oil sands up close. I have met with Canadian federal officials and with Alberta government representatives as well as with many industry representatives. I can tell you I understand the importance of the oil sands, to Canada *and potentially to the* United States. I am also well aware of the significant steps that have been taken by the industry to reduce the effect of their operations on land, water, and air.³⁰ But I am not alone in saying: more must be done.

²⁴ See *Canada–U.S. Energy Relations*, GOV'T OF CAN., *supra* note 14.

²⁵ *Keystone XL delay a blip in Canada/U.S. relations*, CALGARY BEACON (Dec. 6, 2011), <http://beaconnews.ca/calgary/2011/12/keystone-xl-delay-a-blip-in-canada-u-s-relations/>.

²⁶ See Heather Zichal, *Increasing Energy Security*, U.S. DEP'T OF ENERGY (Jan. 20, 2012, 4:01 PM), <http://energy.gov/articles/increasing-energy-security> (discussing the Obama Administration's plan for United States energy independence).

²⁷ *The World Needs Energy*, CAN. ASS'N OF PETROLEUM PRODUCERS, <http://www.capp.ca/environmentCommunity/Climate/Pages/World-Energy.aspx#kmhshl2UDDPF> (last visited Nov. 19, 2011).

²⁸ See Alborz Nowamooz, *Inadequacy of Transmission Lines: A Major Barrier to the Development of Renewable Energy*, 3 ENV'T'L & ENERGY L. & POL'Y J. 176 (Summer 2008).

²⁹ FORT MCMURRAY ONLINE, <http://www.fortmcmurrayonline.com/> (last visited Jan. 29, 2012).

³⁰ See *generally What We're Doing*, CAN. ASS'N OF PETROLEUM PRODUCERS,

Industry leaders have to do everything they can—more than what government mandates—to reduce the carbon footprint of the oil sands. They need to do more to demonstrate how they are meeting the challenges of providing energy security while equally meeting the obligations of environmental stewardship. They need to do this because attitudes about our energy sources, and in particular energy from the oil sands, are evolving.

Today's generation of young people is being raised to understand the dangers to our planet. They learn about it. They talk about it. And they are not afraid to speak up about it. Their values and priorities are different from prior generations. They will bring the kinds of change that is in line with their beliefs.

It makes sense for the rest of us to get ahead of that curve. To set precedents we can be proud of. To understand what it truly means for energy and environment to be linked together.

PIPELINES

That brings me to pipelines.

How much of Canada's oil sands' product will be destined for the American market? And how much for the broader global market?

The United States Department of State (“State Department”) will play a key role in making that determination. The State Department is currently assessing a request for a permit to build a new pipeline, the Keystone XL, to carry oil from Alberta, down to Oklahoma, and on to refineries on the Gulf Coast.³¹ Because this is an active regulatory review I will not address any specifics other than to say that the State Department is considering fully the economic, environmental, safety, and energy security aspects of the project in determining whether the pipeline is in the national interest.

I can say that the intense focus on this process by the United States public, by their representatives in Congress, in the Obama Administration, and by stakeholders on all sides of the issue underscore the significance of the Canada-United States energy relationship and the high stakes involved.

For a long-time, our energy relationship has been a well-functioning but much under-appreciated dimension of our continental partnership. Now, the debate and engagement engendered by the Keystone XL pipeline application has brought the energy relationship *and pipelines* back to the forefront.

<http://www.capp.ca/environmentCommunity/Climate/Pages/What-We-Are-Doing.aspx#axCMLalGURfn> (last visited Nov. 19, 2011).

³¹ See, e.g., *Keystone Pipeline Project*, TRANSCANADA, <http://www.transcanada.com/keystone.html> (last visited Nov. 19, 2011). *But see* Media Note, U.S. Dep't of State, Denial of the Keystone XL Pipeline Application (Jan. 18, 2012) (declaring the Department of State's recommendation to President Obama to deny the Keystone XL application permit as not being in the national interest).

HYDROPOWER

That brings me to hydropower.

The fuel is free and there are essentially no greenhouse gas (“GHG”) emissions.³² Canadian exports of hydroelectricity are already important in the northeast United States and in the Pacific Northwest.³³ And Canada has an additional 160 gigawatts of generating potential that could be tapped.³⁴ To put that number in perspective, it is equivalent to about sixteen percent of the total United States generating capacity today. That is a lot of juice.

This is clean energy that could be supplied to American consumers economically. And it could help us to transition, for example, from older GHG-intensive sources of electricity. The real challenge to fully taking advantage of Canada’s hydroelectricity potential is the same challenge faced by producers of the oil sands. How to get it to the consumers who need it? How to build the necessary new electric transmission lines?

Across North America, transmission capacity has not kept pace with electricity demand. A big part of the problem is due to the difficulty in obtaining rights-of-way and state and local permits.³⁵ To get power from Québec to Boston you have to erect transmission lines across Vermont and New Hampshire.

Decisions in the United States about where to site electricity transmission facilities have historically been made almost exclusively by state regulatory agencies with an understandably local view.³⁶ This is because when the laws were originally passed, the electric grid was inherently local.³⁷ You built a power plant and ran wires from the plant to surrounding neighborhoods. Obviously that situation has changed.

In order for Americans to get access to clean and reasonably priced Canadian hydropower, we need to have a serious discussion: between our federal governments, among the states and provinces, and among affected communities.

We need a discussion to lay the groundwork for acquiring the requisite “social permit” to erect an electric grid that meets the demands of the twenty-first century.

³² *Hydropower: Quick Facts*, CTR. FOR CLIMATE AND ENERGY SOLUTIONS, <http://www.c2es.org/technology/factsheet/hydropower> (last visited Jan. 29, 2012).

³³ *Id.*

³⁴ Russell Ray, *2011 Hydro Outlook*, RENEWABLEENERGYWORLD.COM (Jan. 3, 2011), <http://www.renewableenergyworld.com/rea/news/article/2011/01/2011-hydropower-outlook>.

³⁵ See generally STAN MARK KAPLAN, CONG. RESEARCH SERV., R40511, *ELECTRIC POWER TRANSMISSION: BACKGROUND AND POLICY ISSUES* (2009) (discussing power transmission policy in the United States and various state and regional issues).

³⁶ See generally *id.*

³⁷ See generally *id.*

CONCLUSION

A year and a half ago, as those PowerPoint slides about energy flashed across my brain, I suddenly thought of a little bit of trivia I had read about Ronald Reagan. When Reagan was President, there was a golden rule that was followed by his speechwriters. At all times, the President wanted to be perceived as positive and optimistic.³⁸ He went to extraordinary lengths to promote this idea of himself.

It extended to the way he would phrase his sentiments. He refused to say the words, “We must *never forget* . . .” because that sounded negative. Instead, he would say the words, “We must *always remember* . . .” because it sounded more positive.

Energy and the environment can seem like overwhelming issues. What a challenge it will be to meet our energy needs in a reliable and responsible way. What a challenge it will be to reduce emissions and protect our planet. But these issues can be approached from a more *positive* perspective. What opportunities they are.

The opportunity for global leadership in developing new energy and environmental solutions that help us power our world without polluting it.

The opportunity to strengthen our economies through innovation, ingenuity, and the creation of good jobs in entirely new industries.

The opportunity to more fully protect and preserve our environment for future generations.

It is true we are going to need traditional forms of energy for decades to come.³⁹ But that does not mean we have to be stuck with old ways of thinking. We can pursue the energy solutions of the future even as we work to make old forms of energy safer, to make their use more efficient, and their extraction more responsible.

Thank you very much for inviting me here today.

And congratulations again for holding this Conference to discuss the most important energy trading relationship in the world.

MR. UJCZO: Thank you again, Ambassador Jacobson and The Honorable Bill Graham. With that, that concludes this evening's and today's proceedings. So again, we thank you. It was a wonderful day and evening, and we look forward to tomorrow as well.

Thank you.

³⁸ See KURT RITTLER, *PRESIDENTIAL SPEECHWRITING: FROM THE NEW DEAL TO THE REAGAN REVOLUTION AND BEYOND 195* (2003) (stating that Reagan sought to bring optimism to “the confusion and pessimism prevailing among Americans after the turbulent 1960s and 1970s.”).

³⁹ See CAN. ASS'N OF PETROLEUM PRODUCERS, *supra* note 27.