

Canadian Energy Pipeline Association

Responses

1. Economic Recovery and Growth

Given the current climate of federal and global fiscal restraint, what specific federal measures do you feel are needed for a sustained economic recovery and enhanced economic growth in Canada?

CEPA member companies transport 97% of the oil and natural gas produced in Canada to domestic and foreign markets. Members operate more than 105,000 kilometres of transmission pipelines within Canada. Pipelines facilitate Canadian oil and gas trade, and enable investments and resources to be monetized. In 2011, CEPA members shipped about 1.2-billion barrels of oil and 5.3-trillion cubic feet of natural gas. Responsible Resource Development provisions of Budget 2012 to improve the regulatory system for resource development projects was a positive step for the pipeline industry, for the environment and for the recovering Canadian economy. CEPA strongly supports this ongoing commitment to a more effective, efficient and timely regulatory process, which allows government, industry and stakeholders to focus assessments on major environmental concerns and avoid significant adverse environmental effects. This will allow the pipeline industry to do what it does best - build and operate safe and reliable energy highways across North America and create export outlets to meet growing international demand for Canadian oil and gas products. Given that pipelines currently transport approximately \$127.5-billion in oil and gas at a cost of \$5-billion a year, pipeline transportation provides a value-add of approximately \$122.5-billion to the Canadian economy. Given current plans for expansion, the industry is in a position to add even more value, provided it can get the planned-for infrastructure built. Regulatory improvement is an ongoing process, of which legislative change is the first step. To realize the improvements initiated with Budget 2012, it is important that the federal government commit sufficient resources to implement the changes, as well as monitor their success. Continuing the regulatory reform process will ensure that through timely, efficient and predictable processes, investments can be made with confidence and that strategic scrutiny and clear outcomes will ensure environmental protection. CEPA members propose to invest more than \$22-billion in pipeline projects over the next five years, continuing regulatory reform efforts are certain to have impact on Canada's economic recovery. These effects are not only limited to the construction of pipeline infrastructure, but also include the impacts of the increased capacity for Canadian energy exports.

2. Job Creation

As Canadian companies face pressures resulting from such factors as uncertainty about the U.S. economic recovery, a sovereign debt crisis in Europe, and competition from a number of developed and developing countries, what specific federal actions do you believe should be taken to promote job creation in Canada, including that which occurs as a result of enhanced internal and international trade?

In 2011, CEPA member companies employed 8,000 Canadians on a full-time basis. The pipeline industry created opportunities in BC, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, Yukon and the NWT. This figure grew by almost 1,000 positions between 2009 and 2011, and continued job creation can be expected given member companies' plans for expansions over the next five years. This job creation can be facilitated by continuing efforts on regulatory reform. Additionally, pipelines create jobs through their role in facilitating and monetizing the oil and gas industry. The Canadian Energy Research Institute has forecast cross-country job creation driven by the oil sands over the next 10-15

years, including 65,520 positions in Ontario, 31,500 in British Columbia, and 16,380 in Quebec. These forecasts are all driven by the increased production capacity that is supported by increased pipeline investments, which allows oil and gas to be delivered to Canadian and international markets. CEPA members also spent upwards of \$292 million on local procurement contracts and \$17 million on community investment. These expenditures also improve spin-off employment opportunities in the communities in which they operate. Continued support for the implementation of regulatory reform will also lead to increased investment in these communities.

3. Demographic Change

What specific federal measures do you think should be implemented to help the country address the consequences of, and challenges associated with, the aging of the Canadian population and of skills shortages?

The aging of the Canadian population is likely to have a significant impact on federal coffers, as baby boomers continue to retire and have more demands on Canada's social safety net. Simultaneously, as Canadians begin to retire in greater numbers, and are no longer contributing as much through income taxes, the government may find itself with less income to distribute. However, there are opportunities to counteract these trends if the government can successfully promote economic development. Over the past few years, government and industry have effectively worked together to ensure Canadians are given the first chance to benefit from job opportunities. These initiatives include: 1) Supporting training and outreach initiatives such as apprenticeship, 2) Actively recruiting workers across Canada, seeking to employ Canadians who have the necessary skills and who are prepared to work where the opportunities are; and 3) Pursuing continuous improvement and maximizing the productivity of business operations to make the best use of existing staff. Despite these ongoing efforts, there remains a shortfall of available workers domestically to fill the needs of a growing economy. Governments and industry need to improve temporary worker and permanent immigration programs to meet the needs of a growing economy. We need to recognize that we must aggressively recruit in international labour markets. Currently, there are various natural resource projects with capital costs approaching \$100 billion undergoing review. With the increased efficiencies promised by regulatory reform, these projects will get off the ground more quickly. With less red tape, one can also expect increased investments in new projects that were not yet viable. By focusing on efficiency, but retaining capacity to move private sector projects forward through the regulatory process, the government can incent job creation and economic development to the benefit of all Canadians. Among these economic benefits is the positive impact on government revenues, facilitating government expenditures on an aging population. Finally, active projects provide new opportunities for apprentices to learn from experienced workers before that skill and knowledge retires from the workforce.

4. Productivity

With labour market challenges arising in part as a result of the aging of Canada's population and an ongoing focus on the actions needed for competitiveness, what specific federal initiatives are needed in order to increase productivity in Canada?

Market diversity is one of the key aspects of competitiveness, and competitiveness in the energy industry is not possible without pipelines. Linking energy producing regions to markets in a safe, efficient, environmental and socially responsible manner has never been so important if Canada wants to achieve its energy superpower ambitions. Pipelines are critical in connecting oil and gas producing regions to eastern and western markets, as well as providing links to US and Asian markets. Without the opportunity to link these products to diverse markets, Canadian competitiveness may suffer. Historically speaking, the pipeline industry has been responsive to changing market conditions around supply and demand. More recently, delays in getting infrastructure built in a timely matter have created

challenges for the industry and negative impacts on Canadian prosperity. However, ongoing regulatory reform efforts should improve industry responsiveness. Thus, ensuring sufficient resources and capacity to execute on regulatory reform that enables responsible pipeline development will increase productivity in Canada. Not only will this increase in the competitiveness of Canadian oil and gas products, but development will also lead to more competition within the pipeline industry. This will have a number of positive effects on the pipeline industry, including: more timely infrastructure investments; protection from adverse turns in market circumstances; assurance that rates are just, reasonable and not unduly discriminatory.

5. Other Challenges

With some Canadian individuals, businesses and communities facing particular challenges at this time, in your view, who is facing the most challenges, what are the challenges that are being faced and what specific federal actions are needed to address these challenges?

Safety is the top priority for pipeline companies in all aspects of pipeline development and operation, and industry is taking a leadership role in these efforts. CEPA has been encouraged that Budget 2012 committed the government to “ensur[ing] the safety and security of Canadians and the environment.” Improved environmental outcomes are an important element of effective regulatory reform, and we are committed to do our part in enhancing environmental accountability. Extensive regulatory tools exist today to support and address pipeline integrity, including construction standards, maintenance, audits and regulatory powers for shut down and investigation. However, Canada does not currently have the means to require and enforce the physical protection of pipelines from the activities of others. Damage to pipelines from third parties is on the rise, and experience in other countries shows that lives are saved where laws and enforcement are in place, including requirements for “call before you dig” and administrative penalties for the enforcement of rules. CEPA welcomes recent changes to the NEB Act providing new powers related to administrative monetary penalties. To address this important issue, the NEB requires enforcement tools and the capacity necessary to safeguard communities from unauthorized activities on pipeline rights-of-way. NEB funding for safety experts to develop and implement transparent enforcement tools, including escalating fines, is a key part of the solution.