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# **A Value Proposition and Narrative for Energy and Climate in Canada**

by Mike Cleland, Dave Collyer, John Dillon,  
Monica Gattinger and Ken Ogilvie  
December 2017

# POLICY UPDATE

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**W**e are at a crossroads in terms of charting a path forward for our Canadian energy system. The purpose of this discussion paper is to propose a value proposition and narrative for energy and climate in Canada. Getting it right is critically important to achieving our country's environmental, social and economic aspirations.

## ***Setting the Stage***

Climate change is real and must be addressed so as to remain within acceptable global greenhouse gas (GHG) levels informed by science. There is increasing national and global consensus on the need to transition to a low carbon economy. In fact, the necessary changes will be transformative.

Canada has affirmed its commitment to the transition to a low carbon economy via the Paris Accord. It is in Canada's interest to act in accordance with the agreement in light of:

- Our responsibility to contribute to global efforts to mitigate environmental and social impacts of climate change, while ensuring that the economic impacts of addressing climate change do not cause undue economic hardship for Canadians;
- Canada's intention is to be a competitive and responsible global supplier of fossil fuels during the transition to a low carbon economy;
- The economic opportunity, both nationally and globally, that flows from participation in the required technological and business innovation necessary to enable transition;
- Implications for our international reputation, and
- The weight of broad Canadian public opinion.

A robust and competitive Canadian economy, now and in the future, is not at all incompatible with ambition and leadership on the climate file. Canadians should embrace the transition to a low carbon economy with a sense of urgency, but also with a sense of realism and pragmatism and with consideration for the Canadian circumstance. These latter factors are not an excuse for inaction, but rather a call for informed action: Canadian climate policy needs to be framed in a manner that clearly states a commitment to balance social, environmental and economic impacts and benefits.

## ***Broadening the Value Proposition and Supporting Narrative for Canadians***

To date, the value proposition for Canadians on energy and climate has not been compelling; it must be reframed and broadened to provide a distinctive and compelling Canadian energy and climate "brand".



Canadians want a prosperous economic future in which:

- Canada is a credible global citizen in terms of leadership in addressing climate change;
- Energy services are safe, secure, convenient and affordable (and in a world of a more volatile climate, resilient), and
- The supply and delivery of energy services, both domestically and globally, continues as a source of economic opportunity for Canadians.

The case for change for Canadians must be expressed in a manner that matters to them as individuals. It must recognize their fears and concerns and acknowledge the challenges inherent in this transition. Canadians will not fully embrace this transition to a low carbon economy if the case for doing so is founded on fear of negative environmental outcomes or threats to economic prosperity.

To that end, we need a distinct Canadian “brand” as it relates to energy and climate. The new brand needs to place emphasis on specific and credible examples of Canada’s leadership in policy, technology and performance, as well as in facilitative business and organizational models. Leadership must be considered in the context of our economic, physical and social realities (i.e., the Canadian circumstance). The brand should be articulated frequently by the prime minister, with the support of the provinces, Indigenous peoples and key stakeholders/influencers. It should be targeted primarily to Canadians, but with a global view in mind, and will require an integrated and sustained capacity to engage key audiences.



*Figure 1: Justin Trudeau meeting with the Premiers of Canada's 13 provinces and territories at the 2016 Council of the Federation. A Canadian energy and climate 'brand' should be articulated frequently by the prime minister, with the support of the provinces, Indigenous peoples and key stakeholders/influencers. (Sean Kilpatrick/The Canadian Press)*



The supporting narrative should include the following key elements:

- **Confirmation of Canada’s commitment to the transition and to compete and prosper in a carbon-constrained world:**
  - Ensuring realism with respect to the timeframe for transition:
    - An emphasis on action right now – putting in place the economic signals, establishing the institutional infrastructure, laying the foundation for bending the emissions trajectory downward on a sustainable basis;
    - 2030 as a target for having implemented nearer term opportunities and as a benchmark for measurement of progress, and
    - 2050 for substantial de-carbonization of the energy system.
  - Focusing in the first instance on directional change (policies, measures, no-regrets actions, etc.) and creating positive momentum (efficiency, reduced local environmental impacts, new economic opportunities as measures of progress, etc.) toward energy and climate outcomes that may have their full impact several decades out.
  - Continuing with aspirational targets for 2030 and 2050, but shifting toward and increasing the emphasis on policy leadership as a basis for comparison among mid-sized, resource-based and export-oriented economies.
- **Aligning on the longer term outcome and commitment to the journey, while recognizing and acknowledging that the timing and nature of the transition are highly uncertain:**
  - Dual tracks will be required for some period of time:
    - We must de-carbonize our existing energy technology and infrastructure, with the goal of being among the most efficient global producers and users of fossil fuels, and
    - We must also invest in competitive low carbon energy service delivery and related infrastructure and institutions.
  - The energy services provided by our current energy system and the wealth it generates should be leveraged, and will be required to maintain Canada’s high standard of living while helping to finance the emerging low carbon economy.
  - The key elements of the current energy system, including fossil fuels, will play an important role in our energy system for several decades, in part due to very large invested capital in existing energy infrastructure and technology. There should be



more visible and explicit national support for those industries that can compete globally on cost and GHG performance and meet local environmental standards.



Figure 2: A newly-constructed solar farm in front of a Chinese oil refinery. The transition to a low-carbon economy must be done while recognizing the key role fossil fuels will play in our energy mix for the coming decades. (Kevin Frayer/Getty Images)

- **Acknowledgment that there are multiple potential pathways to the low carbon outcome:**
  - We don't know which technologies will win out in terms of cost effectiveness, safety, security and social acceptance; therefore, while recognizing that governments have important roles to play in driving and shaping change, they should exercise great caution in choosing one low carbon energy source or technology over another.
  - Policy should emphasize performance (on multiple dimensions, including carbon), flexibility and adaptability.
  - A positive view is warranted as to how the economy, with robust policy and renewed commitment, can adapt and take advantage of technological opportunities.
- **Understanding that competitiveness and comparative advantage on a global scale are key considerations in assessing Canada's transition opportunities and challenges:**
  - We must recognize the critical role of investor confidence and investment attraction throughout the energy value chain for all forms of energy.



- We must recognize that Canada will be challenged to build comparative advantage at scale in the new energy economy, with less reliance on our natural resource base.
- **Clear recognition that there are tradeoffs and tensions on multiple dimensions inherent to the transition:**
  - The costs of transition are very real and different Canadian regions will face different challenges and opportunities.
  - Economically vulnerable citizens will be made even more disadvantaged by potentially higher energy costs.
- **The importance of giving Canadians confidence that the issues and opportunities arising from this transition are recognized and that trusted people are working on them (i.e., there must be public confidence):**
  - Canadians have many other priorities in their lives and they need to be able to rely on trusted institutions to manage day-to-day decisions.
  - A key focus for governments will be to build and reinforce trust in established institutions, while creating new institutions where there are gaps that need to be filled.

## ***Specific Opportunity Areas***

To this end, the following specific opportunity areas are highlighted under five core themes:

1. Creating the Foundations of Energy and Climate Policy
  - Provide greater clarity on the key attributes of carbon pricing:
    - Recognize that carbon pricing is foundational and that no realistic energy and climate policy can proceed without it in some form;
    - Make the carbon price explicit and visible to purchasers;
    - Recognize that carbon pricing alone will not achieve our objectives and that there are necessary complementary roles that regulation and public investment (most notably infrastructure investment) play to carbon pricing;
    - Further to the above, ensure the coherent integration of policy, pricing and other instruments;
    - Ensure mechanisms exist to support the competitiveness of emissions-intensive, trade-exposed industries;



- Mitigate impacts on low-income households, but don't negate the price effect on consumers or businesses, and
  - Devote a significant portion of the carbon revenue to technology development and energy system transformation.
  - Re-define how we measure “performance”:
    - Re-assess how we measure progress on energy and climate change, maintaining a commitment to science-based global GHG emissions reduction objectives, while developing meaningful measures of GHG performance and energy system transformation, and
    - Get major industries committed to “upping their game” on performance, enabled in part by more comprehensive and transparent international benchmarking.
  - Demonstrate policy leadership through innovative, balanced and effective energy and climate policy:
    - Better inform policy development by enhancing our analytical capability, and
    - Create an effective mix of influential multi-stakeholder voices, to both advise government and lend credibility to the new direction for energy and climate policy.
- ## 2. Engaging and Informing the Canadian Public
- The prime minister should promote a positive energy and climate vision and a “new brand” for Canada, with the support of the provinces, Indigenous peoples and key stakeholders/influencers.
  - Create a much enhanced Canadian energy information capacity (such as the Canadian Energy Information Organization or CEIO) to compile comprehensive data on Canada's energy system, to provide objective benchmarking of Canada's performance relative to other jurisdictions, to standardize data where possible, and to provide quality control. Federal leadership and funding are essential to make this happen. The CEIO would be a key vector through which governments and stakeholders distribute trusted energy information to the public.
  - Leverage our existing analytical capacity in Canada, and if necessary, supplement it through the creation of new institutions, so as to ensure that energy and climate policy and planning are informed by a robust and trusted evidence base. Input and review by expert advisors would further enhance the system's credibility and legitimacy.



- Create an institutional structure/organization that can provide broader public engagement on energy and climate change, and ensure ongoing dialogue with the public on Canada's evolving energy system and the emergence of the low carbon economy. The organization would draw heavily on trusted CEIO data/information.
  - Reach out to communities across Canada (via a range of existing and new organizations) to stimulate more discussion on local energy systems and needs, now and into the future. Trusted local entities/people should be actively recruited and supported to lead these discussions.
3. Strengthening Our Approach to Decision-Making on Energy and Climate
- Canada should continue to build public confidence in energy decision-making through “informed reform” to address key stresses in the energy system: (i) strengthening and clarifying relationships and roles between policy-makers and regulators, (ii) balancing and bridging local community interests with regional, provincial and national interests, and (iii) strengthening engagement, information and capacity in decision-making.
  - Clearly stated, longer term policy on energy and climate is needed to set the stage for predictability and coherence in energy regulation.
  - Canada needs to strengthen the role of Indigenous communities in energy development, with a focus on partnerships and building bridges between local community interests and broader interests, as well as learning from and leveraging best practices.
  - Capacity building is required in both local and Indigenous governments to maximize the opportunity to chart their energy futures and, in so doing, be better positioned to contribute to regional, provincial/territorial and federal decisions on transition issues that transcend their specific community interests.
4. Enhancing the Role of Communities/Local Authorities in Shaping Our Energy Future
- Communities account for over 60 per cent of our energy use and a variety of rapidly unfolding technological changes will make local energy options (efficiency, heat management, waste management, local renewables) among the critical foundations for the low carbon transformation.
  - Local political authorities, including Indigenous governments, have many of the tools needed to shape this change, but there is much work to be done to build skills, capacity and knowledge and to refine the available tools and build new ones.
  - New business models are rapidly emerging, founded on the notion of integrated energy delivery (heat, power, mobility). Canada has several leading companies in



this realm that should be celebrated as part of the narrative on the Canadian energy brand.

- For the future, this will, among other things, require new approaches to regulation to ensure an innovative and adaptable energy delivery system (for example, dealing with how best to finance innovation, experimenting with a new mix of regulated and competitive service delivery entities, and dealing realistically and transparently with issues around stranded assets as new systems evolve).
- Importantly, governments and industry must develop more respectful relationships with Indigenous communities to enable improved benefits and participation related to local energy opportunities, as well as other energy projects.



Figure 3: Indigenous protestors gathering to reject development of the Alberta oil sands. Governments and Industry must strengthen relationships with Indigenous communities to enable improved benefits and participation in energy development. (Wikimedia/Laura Whitney)

## 5. Technology and Innovation Driving Performance Improvement

- Carbon pricing induces technology development and adoption, but to accelerate transformative change we will need to go further. Innovation measures should be targeted across the full energy system and include systems, processes and organizational innovations.
- Governments have a substantive role to play in enabling technology and innovation (e.g., funding sourced from carbon revenue, utilizing government procurement to enable more rapid scale-up and deployment).



- Funding should be based on objective and transparent criteria related to economic and environmental objectives, be targeted to areas of existing and emerging Canadian competitive advantage, be linked to performance/results, and be deliberately allocated to both the current and future energy systems.

## Summary and Conclusion

As a diverse group of individuals with energy and environmental backgrounds, we set out to develop this paper with one core objective: to propose a value proposition and narrative for energy and climate that could be embraced by a large majority of Canadians. This relatively “centrist” position contrasts with the longstanding and increasingly harmful polarization evident in much of the Canadian dialogue on energy and climate, often reflecting either exaggerated fear or unrealistic hope. Based on our experience and ongoing professional activities, we believe that it is possible for Canada over the next three decades or so to act as a credible global citizen in the transition to a low carbon economy while continuing to provide safe, secure, convenient and affordable energy services to Canadians and to the world and while also ensuring that the supply and delivery of energy services remains an ongoing source of economic opportunity for Canadians.

The time is right for Canadians to embrace the transition to a low carbon economy and coalesce around a positive but realistic view of the future. In this context, Canada has the opportunity to develop a distinctive, positive and compelling energy and climate “brand.” This Canadian brand should be founded on specific and credible examples of our leadership in policy, technology and performance, and ensure that by 2050 Canada will have made great progress in the transformation to a low carbon energy system.

Several ideas underpin the supporting narrative.

- Pace matters. Energy is a long game and the emphasis should be on creating momentum through near-term policy and investor actions, with the understanding that many physical infrastructure and market changes will be more gradual, but that steady progress will occur.
- The timing and nature of the transition to our future energy system is more uncertain than many people believe. Private investors will make bets on specific technologies and business ideas, while governments’ primary role is to establish the prices, regulations and incentives, and to create the institutional and (some of) the physical infrastructure that induces desirable economic, social and environmental outcomes.
- There are multiple potential pathways to a low carbon future. The transition will be heavily influenced by highly uncertain technology developments and innovation by all sectors of society. Policy needs to encourage creativity and experimentation.



- Institutional innovation is fundamental to meaningful change. Given the profound restructuring of our energy systems that we face as we move toward 2050 we will need new business models, new policy and regulatory models, and new communications infrastructure.
- Energy decision-making in the 21<sup>st</sup> century is an open game. Indigenous governments, municipal governments and independent citizens working through a variety of mechanisms will have growing roles.
- The public must support and be fully engaged in this transition. Overcoming resistance to change and bringing people to be constructive participants in developing energy and climate solutions will be hard, but it is the central challenge.

The authors of this paper believe that a new energy and climate dialogue in Canada is necessary, timely and possible. This dialogue must reflect the sense of urgency for fundamental change, but also a sense of pragmatism along with consideration of Canadian circumstances. Our question to readers of this paper is whether there is an appetite to engage in a dialogue centred on the ideas put forth, but by no means limited to or constrained by these ideas alone. Such a dialogue should complement recent ongoing government efforts to create and implement an energy and climate strategy for Canada. It should also build on the many more tightly focused initiatives that already exist, dealing with issues from carbon pricing to community energy planning to building public confidence and engaging citizens.

Canada is at a crossroads charting a path forward for developing its energy systems. The path that engages and aligns the majority of Canadians is the one most likely to ensure prosperity, social harmony and an environmentally sustainable future.

## ► About the Authors

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**Michael Cleland** is a private consultant with extensive experience in energy and environment policy. He is Senior Fellow with the University of Ottawa and a member of uOttawa's Positive Energy research team', Chair of the Board of Directors at the Canadian Energy Research Institute, a member of the Board of Directors of QUEST (Quality Urban Energy Systems of Tomorrow) and Fellow at the Canadian Global Affairs Institute. In 2015, Mr. Cleland was named Canadian Energy Person of the Year by the Energy Council of Canada. He is formerly President and CEO of the Canadian Gas Association, Senior Vice President, Government Affairs for the Canadian Electricity Association, Assistant Deputy Minister, Energy Sector at Natural Resources Canada, and Director General of the Energy Policy Branch. From 1987 to January 1990, he was Assistant Director, Resource Policy Division in the Department of Finance. Before joining the federal government, Mr. Cleland was a private consultant who also lectured in business – government relations at Dalhousie University. Prior to that he worked in various capacities with the Nova Scotia Departments of Development and Municipal Affairs. Mr. Cleland was educated at the University of British Columbia (BA in political science 1972) and Queens (MPL urban and regional planning 1974).

**Dave Collyer** is an experienced strategic and operational leader in the Canadian energy sector, with a strong focus on integration of technical, economic and public policy considerations in business decision-making. He currently provides consulting services to the Canadian energy sector and serves on a number of not-for-profit and corporate boards. Mr. Collyer was President and CEO of the Canadian Association of Petroleum Producers (CAPP) from September 2008 until December 2014. In this capacity, he was responsible for leading CAPP's activities in education, communication and engagement, and policy/regulatory advocacy. Prior to joining CAPP, Dave Collyer was President and Country Chair for Shell in Canada. During his thirty-year career with Shell, Mr. Collyer held a broad range of technical, business, marketing, and senior leadership roles. He also participated in a two-year Executive Exchange assignment with the federal government in Ottawa (1989 to 1991) as Director, Supply Branch at the National Energy Board. Dave Collyer holds a Bachelor of Science in Mineral Engineering specializing in Petroleum Engineering (1977) and a Masters of Business Administration (1978), both from the University of Alberta.

**John Dillon** is the Senior Vice President, Policy and Corporate Counsel, at the Business Council of Canada. His primary responsibility for the Council's policy work is related to energy, the environment and sustainable development, securities regulation, corporate governance, and business-Indigenous relations. Over more than 25 years with the Council, Mr. Dillon has developed an active network of contacts across business, government and the NGO community in the pursuit of sound public policy solutions. One of his current priorities is working with like-minded organizations across the country to advocate for a more coherent national approach to energy and resource policy. He also chairs an informal industry coalition that aims to positively influence government policy related to climate change and air quality. Mr. Dillon holds a Bachelor of Arts degree (Carleton) and a Bachelor of Laws degree (Queen's) and is a member of the Law Society of Upper Canada.

**Dr. Monica Gattinger** is Director of the University of Ottawa's Institute for Science, Society and Policy, Associate Professor at uOttawa's School of Political Studies, and Fellow at the Canadian Global Affairs Institute. She has written widely on Canadian energy policy and regulation, and the country's energy relations with the United States. Monica chairs *Positive Energy*, a multi-year project that uses the convening power of the university to bring together industry, government, Indigenous groups, local communities, environmental NGOs and the academy to identify how to strengthen public confidence in energy decision-making in Canada. She sits on the Editorial Boards of the *University of Ottawa Press* and the journal *Canadian Public Administration*. She is a member of the International Advisory Board for the Center for Policy on Emerging Technologies (Washington, DC) and sits on the Advisory Councils for Pollution Probe's *Energy Exchange* and *Energy Ambassadors*. Her expertise is regularly sought out by parliamentary committees, energy ministers, departments, regulatory agencies, energy companies and industry associations in Canada and abroad. Monica holds a PhD in public policy from Carleton University.

**Ken Ogilvie** has worked in a variety of roles in the environmental field, including holding positions with three governments in Canada (Federal, Manitoba and Ontario) and serving as the Executive Director of Pollution Probe, one of Canada's longest-standing environmental groups. He remains active as a policy consultant on energy and climate change, and sits on the Board of Directors for two nonprofit organizations – *The Pembina Institute* and *QUEST* (Quality Urban Energy Systems of Tomorrow). Ken has been awarded honorary doctorates from the University of Waterloo, Ontario, and Thompson Rivers University, British Columbia.

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