



**CANADIAN GLOBAL AFFAIRS INSTITUTE**  
**INSTITUT CANADIEN DES AFFAIRES MONDIALES**

# **Trading for Energy Security: A Canada-U.S. Partnership**

by Megan Martins Da Ponte  
May 2021

# CONFERENCE REPORT

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**Maryscott Greenwood** – CEO, Canadian American Business Council

**Bob Larocque** –President and CEO, Canadian Fuels Association

***QUESTION:** Energy trade between the U.S. and Canada is no doubt a vital and beneficial, part of the U.S.-Canada relationship. But when it comes to cross-border energy trade and infrastructure, there seems to be some concern that the relationship is breaking down. Does the Biden Administration’s cancellation of Keystone XL and the ongoing disputes regarding Line 5 signal a breakdown of cross-border energy trade and infrastructure building between the two countries? Is this an omen of disputes to come?*

*Maryscott Greenwood*

- It is important not to overgeneralize based on these 2 examples; the answer is more nuanced. We do not know the outcome of Line 5 yet, and Keystone XL was less about the fact that it was a Canadian project, and more of a question about big infrastructure projects and the associated challenges.
- It is not about Canada or the U.S.; it is about how we understand the transition to a low carbon future and the energy/electricity needs we presently have.
- The U.S. and Canada share a concern about our supply chains and how reliant we are on places like China. A common adversary makes it easier to find ways to collaborate.

*Bob Larocque*

- Line 5 is extremely important, and its potential shut down is very concerning. The 540k barrels it can transport daily represents 25 per cent of Canada’s daily production.
- It should be looked at as an individual decision that began before the Biden administration.
- It is uncertain that this is the end of the collaboration. Line 5 has been operating for over 65 years without major spills; one would think that the energy importance between the U.S. and Canada would win.

*Maryscott Greenwood:*

- Line 5 energy pipeline supplies a lot of fuel to Canada. Dependencies on the U.S. side are also very relevant (e.g., propane that is supplied to Michigan to heat homes and jet fuel supplied to Detroit airport)



- Line 5 is currently before the courts: this argument should be had at the federal level, since the issue is both international and interstate. Canada can discuss the importance of the treaty to give a jurisdictional argument to the federal government.
- Hopefully this can be resolved; closing Line 5 would be catastrophic to the economies (not just Alberta, Ontario, and Quebec, but also Michigan and surrounding states)

**QUESTION:** *What would this mean for the respective energy markets in each country?*

*Bob Larocque*

- Companies in Canada have begun looking at contingency plans.
- We have two governments that are very serious about climate change. In switching to alternative modes, you are increasing carbon emissions anywhere from 2-3 megatons. There needs to be a conversation about the climate versus the costs/risks linked to these contingency plans (economic, societal and environmental costs).

**QUESTION:** *The American component of Canadian oil imports is over 70 per cent, 20 years ago it was 10 per cent. Line 5 must transport some crude oil and products that come from American producers to Quebec, is that correct?*

*Bob Larocque*

- Yes, that is correct. One of the options is to bring in American crude, instead of what we are getting from Midwestern Canada. We might be importing more American crude to meet our needs.
- From a transition perspective, we are counting a lot on renewables from the U.S. and just now building the infrastructure in Canada.
- Concerning Line 5, if the tunnel happens and we have to wait 3-4 years, this transition will really distort the U.S.-Canada energy import/export market.

*Maryscott Greenwood*

- There are a lot of exciting things happening with technology and innovation, and renewables. But it is important not to demonize a particular source; it would be better to figure out how to get the most out of it.



- For example, Capital Power (Canadian company) made a large investment in U.S. innovation, especially around carbon capture utilization (i.e., takes carbon out of the air and can be mixed into cement, meaning we could build infrastructure that can reduce carbon)
- It is important to figure out how industry can help solve problems and how the government can lead with clear guidelines, so that everyone is rowing in the same direction.
- The innovation that we will see is what will save the day, both in renewables and in traditional fossil fuels.

**QUESTION:** *Is there a discussion of Energy East opening up again?*

*Bob Larocque*

- Energy East does not seem to be front of mind; the focus is more on climate and renewables.
- Hydrogen is being brought up all the time as a new solution. Transporting it cross-border would require U.S.-Canada collaboration.

*MaryScott Greenwood*

- When thinking about transitioning fuel sources, electric vehicles (EV) are often brought up. The U.S. government is pushing very hard on it, but it is more complex than it appears.
- For example, The State of Georgia has invested in EV battery manufacturing plant. There was a trade dispute between two South Korean companies (SKI vs. LG). The International Trade Court sided with LG, and the Biden administration has to decide whether they will hold up the decision (and risk jobs in Georgia) or go against the ruling. If a settlement is reached, a plant will be built and will supply a lot of EV, but it is not a simple decision.

**QUESTION:** *What are your viewpoints on the future collaborative efforts that can be taken between Canada and the U.S.?*

*Bob Larocque*

- Collaboration needed across the entire supply chain on the transportation sector. A critical part of it is how the vehicles and batteries are built, and how the fuels are being brought.



- This type of collaboration is not one to carry as a discussion that will occur three times a year. Rather, it is about making sure that the regulations, policies and incentives coming out are aligned. If they are not, the North American approach will be distorted.
- Collaboration on energy/fuel productions is also needed. The integration of fuel transition to 2050 is important to the U.S. and Canadian governments. It will depend on the alignment of three key points: regulations, policies, and incentives.

***QUESTION:** From a collaborative perspective, the new NAFTA still has an energy chapter in it – I think that if there were new things to be happening, I would suggest that there would be less pitfalls or hurdles to jump over for collaborative efforts for U.S. and Canada energy relations and strategies for the future.*

*Maryscott Greenwood:*

- New NAFTA agreement has cleared away so much of the ‘underbrush’ that is barriers to trade. There are a lot of opportunities in terms of tariff free access to each other’s markets. Many of the challenges in this new agreement are coming from Mexico; U.S. and Canada will likely spend time trying to figure out how to bring Mexico along.
- Businesses are taking the initiative to figure out ways to deal with their own carbon footprint. But there is a debate over emissions reporting: will companies have to report? How will they measure it? How will it be enforced?

***QUESTION:** How can we also elevate and celebrate our areas of positive energy collaboration? I’m thinking about the Manitoba-Minnesota -Wisconsin-North Dakota-Canada hydro power wind cooperation potential transmission across Lake Erie.*

*Maryscott Greenwood*

- Clean, green, renewable hydro power coming from Canada is a huge part of the positive solution to energy needs.
- Another aspect are the investments in satellite technology for climate mapping, which can provide a clearer picture of emissions.

*Bob Larocque*

- There are a lot of positive going on right now: transportation, renewables and the electrification/battery... the U.S.-Canada supply chain partnership is promising.



*Maryscott Greenwood*

- It does not make sense to do this separately; U.S./Canada are so integrated at every level that collaboration is more efficient.

*Bob Larocque*

- It is cheaper and more efficient to use the relationships and infrastructure that we already have.

**QUESTION:** *What are you seeing on the innovation side of things?*

*Maryscott Greenwood*

- There are so many areas for innovation: water, small modular nuclear reactors, mapping from space, wider broadband access (which is part of the Biden administration's infrastructure plan and which will enable connected, high-tech agriculture, robots working the fields that rely on mapping via satellite).
- Government investment will be a large part of this; it will help keep the economy going post-pandemic.

**QUESTION:** *There are growing discussions about how the move towards electrification might be dominated by China – what are the opportunities for Canada and the U.S. to collaborate on strategic minerals?*

*Maryscott Greenwood*

- Critical minerals and rare earths are found all over the planet; the issue is not mining them, but that China owns about 80 per cent of the processing (and does it in unsustainable ways).
- Canada has the engineering talent combined with the necessary infrastructure and a regulatory landscape that is respectful of the environment; Canada should be capital of processing. A Canada-U.S. agreement exists, but it is moving at a slow pace.
- Processing is very expensive, bringing the question of attracting private capital. The solution might be to bring in the U.S. for a guaranteed market, Canada provides processing, and private capital then comes in.



**QUESTION:** *What are the continental aspects of this issue?*

*Bob Larocque*

- There is a new, innovative technology called co-processing, which puts renewable directly at the refinery.
- An energy strategy is necessary to accomplish climate goals.

*Maryscott Greenwood*

- The answer has to be a continental approach. The challenge is a divided partisan government in the U.S. and provincial/ federal divide in Canada.

**QUESTION:** *How can we deal with the unintended consequences of policies across the spectrum?*

*Bob Larocque*

- Implementation is going to be key to address critical concerns such as the rural-urban divide, investment flows, and infrastructure being lost. We need to ensure we have a clear plan to limit unintended consequences; collaborating with other sectors or partners is essential.

*Maryscott Greenwood*

- There needs to find a way for different groups to communicate productively; different parts of the debate aren't talking to each other - serious societal issue about trust and authenticity.

*Bob Larocque*

- There needs to be more clarity around implementing strategies; the conversation should focus more on the "how".

**QUESTION:** *What are your feelings on Environmental, Social, and Governance (ESG)?*

*Maryscott Greenwood*

- ESG becomes a challenge if international competitors do not comply with environmental/sustainability regulations. A global consensus on how we are going to meet these goals is necessary.





*Bob Larocque*

- There needs to be some work done on standardization so we can all compete and perform at the same level.

*Maryscott Greenwood*

- Related to ESG is the Clean Energy Standard. Industry call for flexibility on reaching it, and there are questions surrounding incentivization.

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## ► About the Author

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***Megan Martins Da Ponte** is a MA candidate at the Centre for Military, Security, and Strategic Studies through the University of Calgary. Megan's research interests include sea power, Arctic security, and the military applications of emerging technology. Her MA thesis analyzes the ability of medium power navies to manage technological change in an increasingly high-tech maritime domain. Megan has received the Arthur J.E Child Master's Scholarship, and the Centre for Military, Security and Strategic Studies Graduate Research Scholarship. She has recently published a digital research poster through Women in International Security Canada entitled "Maritime Strategy in the Age of 'Smart' Sea Power". Previously, Megan graduated with a B.A. Honours in Political Studies from the University of Manitoba and is an alumnus of the 2018 NATO Field School and Simulation Program at Simon Fraser University.*

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