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Pipeline feud underscores need for evidence-based energy strategy

Canada's long-term energy security needs and climate commitments
cannot be met without major changes: study

VANCOUVER — A new study by veteran earth scientist David Hughes anchors the heated debate about pipelines and energy infrastructure within the realm of science and evidence. The study, which offers a comprehensive review of Canada's energy systems, reveals that Canada's existing plans fall short of meeting energy security and emissions reduction targets.

In contrast to heated rhetoric about Kinder Morgan's proposed Trans Mountain Expansion (TMX) Project, *Canada's Energy Outlook: Current realities and implications for a carbon-constrained future*—published today through the Corporate Mapping Project, the Canadian Centre for Policy Alternatives, and Parkland Institute—provides a detailed evidence-based assessment of Canada's energy system and the options realistically available for an energy-secure, carbon-constrained future.

The study's findings also run counter to key arguments made in favour of the TMX and expanding oil and gas production, including:

- **On emissions-reduction:** Expanding oil and gas production as projected by the National Energy Board (NEB) means that the rest of Canada's economy will have to reduce emissions by 49 per cent by 2030, and 85 per cent by 2040, to meet emissions reduction targets. This is almost certainly impossible in the timeframe available.
- **On available pipeline capacity:** The TMX rhetoric ignores two other approved export pipelines that are likely to be built. Line 3 and Keystone XL would provide more than double the export capacity of the TMX, and meet foreseeable export needs under the Alberta Government oil sands emissions cap.
- **On maximizing profit:** The argument that TMX is necessary to capture an "Asia price premium" is false. Canadian heavy oil is discounted because of its inferior quality and due to the cost of transportation. That quality discount will be the same on the US Gulf Coast as in Asia, and the transport cost is higher to Asia—meaning that exports via TMX will command a lower price than exports to the US via pipeline.
- **On economic activity:** Despite growing production, the proportion of Canadian GDP due to oil and gas production shrank 20% from 1997 to 2015. Returns to the public are also down: corporate taxes paid for extraction and refining are down more than 50 per cent since 2006, and royalty revenue has declined 63 per cent since 2000.
- **On job creation:** Despite production growth, jobs in the extraction and distribution portions of the industry have been relatively flat since 2006 and declined in 2015 with the downturn in oil price. Further, job creation estimates by pipeline proponents are almost entirely short-term construction jobs. Permanent jobs from TMX, for example, amount to 50 in BC and 40 in Alberta, according to the proponent's documentation.
- **On long-term prosperity:** Canadians are likely to require fossil fuels for many years to come, given the daunting scaling issues in replacing them with alternative renewable sources. Canada has no strategy for oil

and gas beyond expanding exports as rapidly as possible. This will deplete the highest quality portion of Canada’s remaining fossil fuel endowment—the portion that is the least costly and emissions-intensive to recover—thereby compromising long-term energy security with minimal economic returns, given the current low price environment.

These points are highlighted in the study, which explores the evolution of Canada’s energy system in comparison to other countries, the relationship of the economy to energy consumption and emissions, revenue generation and jobs from fossil fuel production, and existing government proposals to meet 2030 and 2050 climate commitments. After considering these many factors, the study concludes with recommendations for meeting long-term energy security and climate needs.

“This is a critical moment to develop a viable energy strategy, based on science and evidence, to address our future energy needs and emissions-reduction targets” says report author Hughes.

“We have relied on fossil fuels for more than a century and we’ve had a good run. There is no silver bullet—we will require both non-renewable and renewable energy resources in the future and need to be realistic about what we can expect from various energy options, as well as means to reduce consumption. We need to take steps now or we put our future energy security and emissions-reductions targets at grave risk.”

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The report—including chapter summaries and downloadable PDFs—can be found at energyoutlook.ca.

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