

CANADA-US RELATIONS: PERSPECTIVES

CHA – Forum on Hydropower 2010

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Thank you very much for inviting me to participate this morning. I'm not going to make any political predictions today but instead want to talk about the political and public climate for energy and Canada-US energy issues. I won't for a moment claim that I am an expert in either Canada-US relations or energy policy. A long time ago now, while working for the Globe and Mail and the Financial Post I did cover the Canada-US free trade negotiations and before that the oil and gas industry - mostly the downstream end - in the four years after the announcement of the National Energy Program.

That announcement was 30 years ago this coming Thursday -- October 28 -- and amazingly it still casts far too long a shadow over the energy debate in Canada - it is still used as an excuse for the failure to develop a national energy policy even though I would bet in 2010 most Canadians couldn't tell you anything about what the NEP actually said or tried to do.

In fact that Canadians need to know a lot more about energy both in the specifics that I'll talk about in at moment and how it plays into bigger pictures of the economy, Canada-US relations, the environment and climate change.

I say that because I believe any discussion or perspective on Canada-US energy relations has to begin with two fundamental truths.

First Canada has no national energy policy and there is no prospect of there being one any time soon for reasons I will explain in a moment. So the concept of a Canada-US energy relationship really doesn't exist. Instead we have a variety of provincial relationships with the United States or with individual or groups of states and corporate relationships between buyers and sellers. There is no guarantee of national coherence, no incentive for co-operation and co-ordination between provinces and in fact a built-in bias towards competition in search of US buyers.

Second as I mention a minute ago the public is profoundly ignorant about just about everything that relates to energy - where it comes from, how it is produced or generated, how much it costs to produce it, how it is transmitted or shipped, how it is priced and what are the forces that can drive up prices and affect supply.

To them energy is like magic - it appears when you turn the switch on your wall, turn your thermostat up or down or pull into a gas station. All the public knows is that it is produced somewhere - the further away from them the better - and they believe they have a right to it for next to nothing in price.

There could hardly be a worse environment for any discussion of Canada-United States energy relations or any formulation of a co-ordinated approach - a federal government that has no policy and no intention to have a policy and a public that knows only the wrong things about the issue.

Why has that happened and what can be done about it? There has been a failure on the part of the two institutions that normally play a leadership role in educating the population about public policy options - the media and government.

In the media, cutbacks over the past decade in both good times and bad - led to large numbers of layoffs and the elimination of virtually all specialist reporters - everyone is a generalist thrown into whatever is the big story of the day to file as often as you can. If there is any subject that requires research, knowledge, understanding and an ability to explain complex issues in terms non-experts can understand it is energy -- whether it is hydro, solar, wind, oil sands, shale gas, deep-sea drilling, refining, distribution, pricing or federal and provincial regulation.

Today's media is hopelessly ill-equipped in terms of journalistic knowledge and expertise to do this educating. When you consider that most people get their news from television, the prospects for education through the media are dismal - television doesn't try to address the issues involved in energy production, distribution and pricing in part because it is very hard to do in that medium.

There are some positive changes under way in the media as it adapts slowly to the Internet age - some news organizations are rediscovering explanatory and investigative journalism - the Globe and Mail has started an interesting experiment with a very different type of newspaper that creates potential for longer-form discussion of issues - other may follow as the news media realizes that the Internet has forced every news organization to reconsider who they are and what they do - but the changes aren't going to come quickly enough to do the educating on energy that needs to be done just to catch up to what is happening, let alone to prepare the public for the decisions that need to be made in the near future.

At the same time the federal government has no interest in educating the public on these issues. This is largely the result of the fact that this government has eliminated all the distinctions between governing -and election campaigning. Government is now a non-stop election campaign with no interest in or desire for governing in doing the engagement with the public and government through debate and discussion that leads to policy formulation and implementation. Some may try to tell you this is a function of minority government - don't believe them - that is simply not true. The decision to replace governing with perpetual campaigning is a conscious political decision - not the product of any specific election result.

That perpetual election campaign is based on the premise that the public can be polarized into supporters and everyone else. Support is maintained by a steady diet of distortions and misrepresentation supplemented by the occasional lie about any opponents - all of which plays to the existing preconceived notions of supporters. It encourages them to see the world as them against everyone else. It works best when only your supporters are energized to vote while everyone else gets turned off and ignores government and politics completely.

The federal government's current war on information - everything from willfully breaking access to information legislation every day, to refusing to let officials provide any information to anyone, to preventing federal scientists from talking about their work, to eliminating the value of long-form census -- is all part of this strategy as it eliminates the information that can be used to challenge the distortions and misrepresentations needed to maintain core support in the permanent campaign.

That's why any hope that the federal government will help educate the public about energy choices and our energy future is misplaced. It is not going to happen and that's why 30 years

later the National Energy Program is still alive - used a metaphor for how government energy policy screws the west (to loosely borrow the Prime Minister's description of Stephane Dion's carbon tax) and as a rallying tool in the polarizing permanent election campaign.

So where does that leave energy policy and Canada-United States energy relations? Yes it's true that energy is a complicated issue in Canada that creates a potential to set one region against another. But that's not a good enough reason for the national government to abdicate responsibility to develop a national response on an issue that has national and international implications for Canada and its economy.

There is no question that the Canadian public needs a better understanding of energy issues and energy relations between Canada and the United States. By default it is the energy industry that is going to have to do that educating. Building a base of public knowledge is essential to help people understand the trade-offs and the implications both for economic growth, pricing and environmental protection.

The federal government is paralyzed on energy issues - largely for the reasons I note above - and simply won't do it. Yet the United States is moving ahead and many of the decisions it is taking or going to take will have a major impact on us.

What I am saying is that the energy industry itself has to get organized, drop whatever tensions exist between the groups involved in each type of energy production and start explaining to the public in more details how Canada's energy industry works. Spend less time talking to government and each other and more time talking to Canadians hoping that by educating them, they will start to demand action, decisions and a policy from government that deals with everything from energy production to pricing in a comprehensive fashion.

So where would that education process start?

First the public needs to know and understand what is in place at the moment and why.

Canadians know almost nothing about the degree to which Canada and the United States is now one integrated energy market. The extent of the network that exists today should be explained as well as preparing Canadians for the decisions of the future.

It starts with the basics - how much oil, natural gas and electricity and coal do we sell to the United States - how much do we buy and why? The public has no sense of the degree to which our energy links are north-south but not east-west. The industry needs to explain to the public why it has happened then we can start to talk about what is the proper balance between north-south and east-west in our energy future.

Then we can move to educating Canadians about more complicated issues such as how are we going to be affected by the US Federal Energy Regulatory Commission definition of renewable energy standards. How will FERC categorize Canadian hydro electricity?

Second there needs to be a lot more talk about the links between energy, the environment, and climate change. No one disputes that climate change is happening and there will be a price put on carbon - whether it comes through a tax or a version of cap and trade. Canadians need to be talking about how that will have an impact on them and the energy industry should be playing a much bigger role in promoting that discussion than it does at the moment.

For example there is growing questioning of the benefits of harmonizing our emission reductions targets and allowance trading systems with that of the United States. As Dave Sawyer and Carolyn Fischer argue persuasively in a recent CD Howe study “at these targets Canada’s

abatement costs are likely to be significantly higher than those in the US and Canada's emissions are growing faster, making the costs of harmonized targets yet more expensive in Canada.”

Can we afford to continue to wait? Do the advantages of proceeding with our own approach now outweigh the drawbacks of waiting for something to happen in the US to which we can attach ourselves?

I don't know the answer to that question but I do know it is a debate worth having. Based on its past record, I don't think the federal government will never instigate or participate in it, yet it needs to take place. The energy sector should be leading that debate even if it means exposing differences of opinion within the sector.

Related to this is a serious discussion about environmental impacts of energy development, what damage has been and is being done, what can be done to correct that and prevent it in the future. Equally important what are the alternatives and what do they cost.

It shouldn't be opposition to oil sands development in the United States that is forcing us to have this debate. We should be doing it ourselves - again here government won't do it - so the energy industry should be talking a lot more, acknowledging problems and highlighting what can and should be but perhaps isn't being done now.

As David McLaughlin and Bob Page argue in the latest of Policy Options Canada needs a clean energy strategy “that will integrate economic, environmental, social and regional factors.”

Third is pricing. The public has no idea what makes up energy costs now, where energy pricing is going to go in the future and why. What is the impact of smart grids on pricing and

consumption? Will there be enough transmission capacity to handle future growth and how reliable is that transmission system?

In Ontario does the growing introduction and distribution of alternate but intermittent sources of electricity generated by wind and solar at high cost mean at some points we will be dumping surplus electricity into the United States at prices significantly less than Canadians are paying? If it happens, how will the public respond when they learn that? All these issues need a public airing.

I think it is fair to say there is support for alternate forms of generating electricity but there is no understanding of the costs and implications for consumers of doing that. Again it is an example where government had a chance to take the lead and chose not to do it. So someone else has to step in. The energy sector itself is in the best position to do that.

Canada needs the public discussion about our energy future that considers how much energy we produce and will need, how we produce it, what we sell to whom and at what price and what consumers of energy pay and are going to pay in the years ahead. None of this is a secret, most of it is predictable yet there isn't enough being done to educate the public about it.

There are lots of opportunities and tools available. Canadians need a reliable source for basic facts about energy production, consumption, pricing and exports - a single web presence can do that if it is well publicized and if the public trusts it as being a source for reliable and independent information. Some old fashioned tools might work too. Community meetings and discussions, attempts to put together people with similar energy interests on Facebook to meet and talk. Using Twitter to tip people off to good, factual reports, stories and articles to read.

Using those social media tools to generate debate about choices and options and to understand what has been done to date.

Get interested and involved in the open data movement. It is gaining support in the United States and the US government is playing a major role in making information available. The energy sector can make information available as well - talk to open data advocates and find out what interests them, what apps they want to build to analyze what about our energy production, consumption, imports and exports, performance of generating stations and so on.

As I said at the start of my remarks, I believe the biggest impediment in Canada-US energy relations is that the Canadian public knows virtually nothing about energy. They don't understand the options, tradeoffs or decisions that have been made or need to be made in the future. It's not in the interest of a government that governs by perpetual election campaign to enlighten them.

But the public will learn, just as residents of Ontario are learning as they open their electricity bills. They are and are going to be angry and upset and I would say there is a better than even chance they will blame it on the energy industry. That's going to make both discussion about future energy options and about closer energy links with the United States much more complicated.

When that public backlash occurs I think the industry will be much better off if it has taken the time to try to educate Canadians about their energy present and future and how that is linked to the energy policies of the United States. Thank you.