

# Council for Clean and Reliable Energy

## Energy Leaders Roundtable Kananaskis

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## U.S. Midterms “Chat”

Hi Janice, I'm Lianne, a volunteer with... Join thousands of your friends... Can we count on you to be a voter for Claire for Senate today?

I got a group together to talk about the election... we've been troubled by some of the things Claire has been supporting

Thanks for discussing the election... so important... What matters to you?

Rabbits.

Hmm I don't know Claire's stance on rabbits but I'm supporting her because she believes... Does that sound like a candidate you could support?

I grew up on a farm and we've seen the damage that rabbit over population has on agriculture. Claire hasn't been willing to meet with a delegation of rabbit control lobbyists to talk about the problem.

Hmm interesting issue! Unfortunately, I don't know the answer... I can't guarantee that I'll be able to find out. I'm going to try... Are there other issues you're concerned about?

We heard that a bunch of Canadians visiting in Camdenton are claiming refugee status in Missouri because of the terrible winters in Canada. What's up with that? Did Claire look into that?

From the US Dept of Homeland Security... So people can't claim refugee status just because of weather! I don't think Canada is that cold... Claire is confident that our refugee screening process is highly controlled!

... homeless people set up tents to stay at the Dickerson zoo...  
someone got hurt in the monkey exhibit. Doesn't seem right...  
Did Claire say anything about what happened?

... Claire announced \$278,626 in funding to provide access to affordable housing...

... family came to the US from Germany 20 years ago (family  
name is Schadenfreude). People have a hard time  
pronouncing the last name. So why don't we teach German in  
schools...?

Hmmm what classes are taught in schools is decided by school boards...  
Claire believes...

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My mom lives in Carthage. There's a park there filled with giant Precious Moments statues... She and a bunch of people have formed a committee to raise funds and push to have Precious Moments park turned into a national park. They named the committee "Missourians Committed to Preserving Show Me State Culture" – the MCPSMSC. Does Claire support developing the national parks system... would she meet with the MCPSMSC?

Claire was part of the effort to... If your mother would like to contact Claire to talk about Precious Moments, you can use this link...

Thanks... will vote...

Thanks!

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# Perseverance

- Unlike Lianne, capital not required to persevere
- Eventually access to capital on reasonable terms and conditions or access at all... ends
- Capital leaves quietly and can leave “in size”
  - Much easier to scare away than it is to attract
- Capital not bound to Canada – can and does invest elsewhere
- Large and growing list of “considerations” associated with investing in Canada infrastructure

Common world view of Canada:

Poor place to undertake large scale energy infrastructure projects

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# Project Development “Considerations”

## Regulation Environment

- Protracted, expensive and complex review processes (federal and provincial)
- Increasingly challenging with growing list of project considerations
- Bill C-69

## Labour / Project Costs

- Small Canadian labour pool
- Substantial project cost overruns are common

## Indigenous Support

- Uncertainty in obtaining support
    - Many representatives with differing objectives and demands
  - May never be able to obtain 100% project support
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# Project Development “Considerations” – Con’t

## Rule of Law

- Government willingness to enforce regulatory approvals, court sanctions, and rule of law
- Who has jurisdiction... legal vs. court of public opinion
  - Provinces, municipalities, NGOs, individuals and others

## Politicized Decision Making

- Federal regulatory approval process politicized by design
  - Regulator recommendation to Federal government
  - Final approval granted (or not) by Cabinet with/without conditions

## Courts & Government

- Unexpected / activist judicial decisions
  - Weak support for or open opposition to projects by key governments
    - Often talk, not concrete action
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# Project Development “Considerations” – Con’t

## Sovereign Risk

- Changes in government policy / changes in government
  - Changes in tax regime (higher / new taxes)
  - Changes in approval processes
  - Intergovernmental (provincial-provincial and provincial-federal) challenges
    - Support at a cost, eg., “share the pie” for approval; or
    - Not about compensation – opposed at all costs
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## Recent Energy Infrastructure Data Points

- Very large project development write-downs/abandonment costs
    - Energy East: ~\$1 billion
    - Prince Rupert Gas Transmission: >\$500 million
    - Northern Gateway: ~375 million (net of shipper recoveries)
  - Costs may be borne by the public
    - Ontario power project cancellations
    - TransMountain
  - Massive stranded investments
    - Petronas et al.: Progress Energy acquisition and follow-on capex well over \$10 billion
  - Tip of the iceberg... many other projects considered and dropped
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# Impacts

- Declining willingness to fund major Canadian energy infrastructure project development
  - Equity market developments:
    - “Canada becoming un-investable”
    - Sell Canada, buy U.S.
    - Material capital outflows occurring
    - Capital attraction:
      - Lower valuations in midstream and upstream sectors
      - Upstream: very challenged/unable to attract equity – can’t get investors interested
      - Midstream: increasingly higher cost of capital
  - Substantial and growing domestic interest in outside-of-Canada investment
    - Less painful/risky project development environments → better risk adjusted returns
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# The Way Forward?

- Improved regulatory approval processes
  - Non-politicized
  - Firm, reasonable timelines
  - Reasonable regulation requirements with predictable outcomes
    - ie., development requirements clear enough that projects can be designed to meet requirements at the outset
- Process decisions respected and enforced
- Stable government policy

**and**

- All combined resulting in a sufficiently reasonable approval paradigm to support major project development

**Balancing act between necessary regulations  
and attracting energy infrastructure capital investment**

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