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Come Hell or High Oil Costs

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With more than enough oil in our own backyard, Canada's too dependent on others for energy. But is oil really the answer?

The authors of CIC's recent Open Canada report have aspirations that Canada become "the most open country in the world: open to ideas; open to one another; open to newcomers; open to investment, trade and technology; open to international partnerships … the most global and networked country anywhere."

The Open Canada brand is to be heavily promoted. The only dissonant chord is Canada's "dirty oil moniker," the focus of Open Canada's prescriptions about energy. The basic message is that Canada's oil sands must be cleaned up to appease politicians and customers concerned about carbon emissions. This would occur by way of a national clean energy strategy, funded by a carbon tax, achieved without compromising national unity. Also, "Canada needs to diversify its markets for hydrocarbon."

The last suggestion seems to have been an afterthought, but it could be a key part of an alternative to Open Canada's oil strategy that has two focuses. One would be construction of an oil pipeline from the oil sands to the West Coast, as Open Canada proposes. The other would be construction of an oil pipeline through Canada to serve Ontario and other eastern provinces.

To understand the utility of a trans-Canada pipeline, one needs to review where different parts of Canada get their oil. The Atlantic provinces and Quebec import 90 per cent of the oil they use – nearly half from OPEC countries – with the balance coming from production off Newfoundland and Labrador. Ontario receives three quarters of its oil from Western Canada, with every drop passing through the United States. The remaining oil used in Ontario is imported. Western Canada uses only local oil.

A trans-Canada oil pipeline would serve two purposes. First, it would replace the oil that is currently imported into Eastern Canada. Second, it would secure Ontario's supply, now vulnerable to potential U.S. shortages (the pipeline system that serves Ontario today chiefly supplies U.S. customers).

Replacing Eastern Canada's imports with oil from Western Canada would account for half the crude oil now exported from Western Canada to the United States. Building a pipeline to the West Coast would further reduce dependence on U.S. markets, and thus on U.S. approval. In an increasingly oil-limited world, buyers would surely be found for crude oil or oil products available for export from Prince Rupert or Kitimat.

Open Canada's strategy would continue to expose Canada's major resource to the vagaries of U.S. state and federal politics. It would also leave Eastern Canada without energy security, presently made worse by the lack of a strategic petroleum reserve such as exists in the United States. A trans-Canada oil pipeline plus the pipeline to the West Coast provide an alternative energy strategy with evident nation-building elements.

Open Canada's energy chapter should have also considered natural gas and electricity, both major exports to the United States. The former may be vulnerable to declining Canadian supply and faltering enthusiasm about the economic viability of recovering natural gas from shale. The latter is our trump card. Canada is one of few countries that produce most electricity renewably. This bounty is hardly used to build a nation. Exports – and imports where they occur – are to and from U.S. states rather than Canadian provinces.

Canada's railway formed and unified Canada in the 19th century. There was little that united us in the 20th. The main story of the 21st century could be the management of our energy resources. The survival of Canada may depend on how we share our strengths and weaknesses. We need a national energy policy, but not one concerned mostly with giving the oil sands a pretty face and maintaining its profitability in U.S. markets.

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