Resource Self-Destruct

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The long saga of the Liberal government's Bill C-48, the West Coast oil tanker ban, and Bill C-69, the new project-approval regime, may be coming to an end this month. It will not go well.

The Senate will likely pass Bill C-48 against the recommendations of its own committee that studied the bill. And on Wednesday, the Trudeau government said it is only willing to accept a minority of the more than 180 amendments proposed by the Senate to C-69, euphemistically called the "No Pipelines" Bill by Alberta's Premier Jason Kenney. That is, it will accept only those changes proposed by senators aligned with the Liberal party, while rejecting any suggested amendments backed by the industry and provinces who rely on oil and gas.

Prime Minister Justin Trudeau's government has said it wants to "develop our resources responsibly." Both these bills will almost certainly make resource development more difficult, if not impossible. Add to these Trudeau's carbon taxes aimed at curbing fossil fuels and regulations such as the new clean fuel standard, and it raises a serious question: What is Canada's actual resource plan for the future?

According to polls, most Canadians want mining and fossil fuel development to take place with proper environmental safeguards. But numerous politicians have expressed their desire to stop resource development altogether. Their plan is for no more oilsands projects. No more pipelines. No more natural gas fracking. And no more coal. Some politicians are even going so far as considering putting an end to mining. In other words, no more responsible resource development. No resource development at all.

Quebec's premier wants to reduce his province's oil consumption by 40 per cent by 2030. Elizabeth May, head of the Green party, wants to ban the importation of foreign oil and ban all new development of fossil fuels here in Canada. Plenty of NDPers oppose all fossil fuel development, including LNG plants.

While Canada debates whether to stop using our resources, most countries are eagerly making more use of theirs. Even as the Obama administration in the U.S. tried getting coal-fired electricity replaced by natural gas and renewables, it was not afraid to let U.S. oil production double and even eliminated the ban on U.S. oil exports to enable production growth.

Norway, considered a climate leader *par excellence,* has been busily developing its offshore oil and gas reserves. Whether it is Guyanese, African or Middle Eastern oil, Chinese coal or Australian LNG, resource development is proceeding apace everywhere except in Canada.

Other countries understand that global fossil fuel demand, currently at 100 million barrels per day, will not disappear entirely at least for several decades, if at all. Petrochemicals are critical for many products we consume today and technology is not yet available to provide a substitute for oil as a fuel for industrial uses, long-haul transportation, shipping and aviation.

Perhaps it's possible that electric passenger vehicles could significantly displace gasoline and diesel consumption (cars currently account for 30 per cent of current oil demand), depending on battery and input costs. However, electric vehicles sales currently constitute three per cent of the 80 million autos sold per year. Even an astonishing 400 million electric cars on the road by 2040 would only meet a fifth of world auto demand, and suppress oil demand by about six per cent.

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This is not the end of the story. Proven oil reserves are depleting. Only 20 per cent of existing reserves will be available to satisfy demand for oil by 2040. Even if electric cars help shrink demand somewhat, the world still must invest in developing new reserves to satisfy even a highly unlikely 30-per-cent drop in today's global demand to 70 million barrels a day.

In a recent Manhattan Institute paper, physicist and energy expert Mark Mills offered a sobering wakeup call to those with unrealistic expectations that wind, solar and hydro renewables can fully replace the demand for fossil fuel energy in the next several decades. Physical limitations, he argues, simply make it impossible.

According to Mills, a US$1 million investment in shale gas wells delivers fuel for six times the electricity production of the same investment for wind or solar. To provide the same amount of electricity, the grid will need to be built far larger in countries, costing trillions of dollars. Other hidden costs associated with providing a backup base supply of nuclear, coal or natural gas must be incurred when the wind does not blow or the sun does not shine. The cost of solar and wind power have already dramatically declined by more than 80 per cent, but future cost reductions will be harder to achieve. As for electric storage, the size of the necessary battery facilities required for large-scale renewable power will be immense and yet will still be unable to provide sufficient electricity to replace current demand. Demand for lithium and other required minerals will increase substantially, eventually leading to higher costs.

The point is that we still need continuing investment and development of fossil fuels even if the electrification of vehicles becomes widely accepted (without subsidies that governments would no longer be able to afford).

It would make sense for Canada to have a carbon policy consistent with its major trading partners, most obviously the United States. However, it does not make sense for Canada to impose high-cost policies on our economy that will drive resource businesses to other jurisdictions where development can still take place.

If Canada decides to go it alone in stopping oil and gas developments, resource provinces will get badly hurt — and so will Canada as a whole. We need a resource policy that allows for responsible development, just like other countries have. That's not the direction we appear headed in now.

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