

## Policy Briefing Natural Resources

# Canadian oil and gas: where in the world are we going?

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Monica Gattinger

*Oil and gas*

One of the most contentious issues in Canadian politics is squaring oil and gas development with the country's climate commitments.

Can the two be aligned? It's a very open question.

A sober look at global energy demand offers a way to think through the challenge.

The International Energy Agency published its 2019 World Energy Outlook last month. The IEA prepares three scenarios of future demand, supply, and emissions: one based on current government policies, another on stated (new) policies, and a sustainable development scenario that meets emissions reductions targets in the Paris accord.

In the first two scenarios, global energy demand is slated to grow between now and 2040. It will decline slightly in the third. In all three, renewable energy will make up an increasing proportion of supply. Oil demand will peak in the 2030s in the latter two scenarios.

Does this mean the end of fossil fuels? Not even close. In all three scenarios, fossil fuels will continue to make up the majority of energy supply in 2040—anywhere from 78 per cent (current policies) to 74 per cent (stated policies) to 58 per cent (meeting Paris targets).

Oil and gas demand will decline in the scenario to meet Paris targets, but it will still be robust: 65 million barrels of oil per day in 2040, 130 trillion cubic feet per day of natural gas.

That's a lot of oil and gas.

While the business of predicting the future is inherently fraught, these projections raise important questions for Canada. If oil and gas will continue to be an important part of the world's

energy mix—even under Paris targets—where and how does the country want to position itself in that marketplace? And if Canada expands oil and gas exports, how does it align them with domestic climate action?

Debates on these questions tend to be polarized. One side argues for the aggressive phase out of oil and gas production to meet domestic emissions reductions targets. The other argues that Canadian oil and gas can help reduce emissions globally if they are produced with lower GHG emissions than the global average and if they displace higher emitting energy in foreign markets.

Should Canada explore the latter vision more seriously? Definitely.

At a minimum, this would involve building a narrative to unify the country. Polling by the University of Ottawa's Positive Energy and Nanos Research reveals that a majority of Canadians support the idea that Canada can contribute to combatting global climate change with oil and gas exports that displace higher emitting energy. They also want ambitious climate action at home.

A narrative could extend beyond oil and gas to encompass opportunities for Canadian energy at home and abroad in areas like renewable power, nuclear, and carbon capture.



Over the last decade, the United States has massively expanded oil and gas production, constructed multiple LNG export facilities and is exporting oil in increasing volumes. Meanwhile, Canada hasn't built a single LNG export terminal or gotten oil to tidewater for export to markets beyond North America, writes Monica Gattinger. *Photograph courtesy of Pixabay*

But a narrative is not enough. It needs to be grounded in credible action and robust performance indicators. Metrics for economic, social, and environmental impacts of energy development need to be clear, credible, and broadly communicated. Claims that Canada has "world-class" regulation, safety, or industry performance need to be substantiated and communicated in trustworthy ways.

Canada would also need to achieve meaningful climate action at home, bending the emissions curve downward as quickly as possible.

Finally, it would need to pursue international emissions credits to formally recognize exports' contributions to global emissions reductions.

No Canadian government has yet found an effective path to pursue meaningful action on climate change while capitalizing on the country's vast energy resources. Other western energy producers

like Norway have managed to align energy and climate policies to pursue exports while taking action domestically to reduce emissions.

There is no guarantee that this approach would work for Canada. But one thing is sure, if Canada does not sell into international markets, others will. Over the last decade, the United States has massively expanded oil and gas production, constructed multiple LNG export facilities and is exporting oil in increasing volumes. Meanwhile, Canada hasn't built a single LNG export terminal or gotten oil to tidewater for export to markets beyond North America.

Maybe it's time for Canada to explore a different approach and figure out where in the world it is going on energy.

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