



Community and Competitiveness

How Canada can be both a climate change
and energy leader

Speech by Lorraine Mitchelmore

Shell Canada Country Chair and President and EVP Heavy Oil,
at the Pollution Probe Gala, Toronto, Ontario, November 17, 2015



Lorraine Mitchelmore was appointed Executive Vice President Heavy Oil effective October 2012, in addition to her role as President and Canada Country Chair.

Lorraine has over 25 years of experience with 12 years spent overseas in Australia and England, where she worked in various exploration and production roles spanning geographies from Australia, North Sea, Gulf of Mexico, Africa and the Middle East.

Lorraine worked with PetroCanada, Chevron, and BHP Petroleum before joining Shell in 2002. Since then she has held various Senior Management positions prior to her appointment as President and Canada Country Chair in 2009.

Lorraine holds a BSc in Geophysics from Memorial University of Newfoundland, a MSc in Geophysics from the University of Melbourne, Australia and a MBA from Kingston Business School in London, England.

Lorraine is a Board Member of the Conference Board of Canada, the Canadian Council of Chief Executives, the Asia Pacific Foundation of Canada, a member of the Catalyst Canada Board of Advisors, and the 2015 chair of the Governor General's Conference.

Good evening everyone, Lieutenant Governor Elizabeth Dowdeswell and distinguished guests.

It's a pleasure and an honour to be here with you tonight.

When Bob Oliver told me the theme of this year's Gala was "Strong Communities" I was quite intrigued.

Each of us is fortunate to be part of many distinct communities.

Tonight I want to look at the very broad national community we are all part of: Canada.

We all know that one measure of a community's strength is how it handles differences of opinion.

Within Canada we have many debates. When these debates are about energy – where to produce it, where to transport it, how to use it – the two sides often break down along very predictable lines.

One side's arguments are largely economic and the other's are largely environmental: we should do X because it's good for the economy, or we shouldn't do X because it's bad for the environment.

This is what we've been living with for years now.

As a Canadian who supports both more energy production and more action on the environment, I wish we could get beyond this impasse.

In recent years the economy vs. environment debate has not been a particularly fruitful one for Canada. This is because each side is only half right.

The debate we need to be having in this country is not whether we pursue economic or environmental objectives. If any community is going to be strong, it needs to be so both economically and environmentally.

The debate I want to have in this country on energy is how we become the most competitive economically and environmentally. And tonight I want to share my thoughts.

I will frame my remarks by telling you about two announcements I was involved in at Shell over the last three weeks. In many discussions on energy, the economy often comes first. So tonight I will speak about the environmental announcement first.

On November 6, in Alberta, we started up a new environmental facility. Together with our oil sands co-venturers Chevron and Marathon and the strong support of the Governments of Alberta and Canada, we turned the valve on the first carbon capture and storage facility in the oil sands.

We call this project Quest.

Quest will capture over 1 million tonnes of CO₂ from our oil sands upgrader each year. This is equivalent to the CO₂ emissions from about 250,000 cars.

We know carbon capture and storage is not a silver bullet but we also know CCS has a big role to play in combatting climate change.

And don't just take my word for it: the International Energy Agency has stated that CCS has the potential to deliver 17 per cent of the world's CO₂ mitigation by 2050.

There are only a handful of these projects worldwide. As part of our funding arrangement we will share learnings that will help drive down the costs of other CCS projects around the world. This project is helping Canada be a global leader in combatting climate change.

In many ways I don't see Quest as a Shell project. I see it as an Alberta and Canada project in which Shell is playing the role of a technology facilitator.

This is Alberta and Canada leading. And I am proud Shell is playing a role.

In the last century, hydrocarbons transformed our lives. Hydrocarbons continue to improve and enrich our lives in countless ways, from heating our homes to fuelling our cars and planes, to providing some of the raw materials for our cellphones and laptops.

Here in North America we take energy for granted. But we can't forget that in some parts of the world, hydrocarbon energy provides the basics to keep people alive.

Yet at Shell we recognize that simple relationship between hydrocarbons and our way of life is changing.

In this century, we have to figure out how to produce more energy with less carbon. If we don't change how we make and use the energy that underpins our lives, climate change will change how we live.

And when it comes to climate change, we know that if our industry is not part of the solution, the solution will not include our industry.

Lower carbon forms of energy will play a greater role in our lives. But as long as hydrocarbons are demanded we have a responsibility to reduce the CO₂ in hydrocarbons.

This is why we are excited about carbon capture and storage.

Believe it or not, we are also excited about governments putting a price on carbon.

We believe government-based carbon pricing mechanisms are the most efficient way to change behavior. It's just basic economics.

This is why we advocate around the world for governments to put a price on carbon.

Where a carbon price exists we advocate for

governments to make it high enough to make a difference.

As the world looks toward the Paris Conference, we are proud that Alberta was one of the first jurisdictions in North America to impose a price on carbon. We were even prouder when the Government of Alberta increased that price in June.

When the Government of Alberta releases their new climate change policy in the next few weeks, we are confident it will be a leading policy that will help shift behaviour.

We're proud of the world-scale CO₂ policies that are in place in BC and Quebec and coming to Ontario. We look forward to the steps that Prime Minister Trudeau is committed to taking with respect to working with the Provinces to ensure Canada is recognized globally for its environmental leadership.

Now let me talk about economics, and the other announcement.

Exactly three weeks ago, and ten days before we opened Quest, we announced the cancellation of another project, this time for economic reasons.

Our Carmon Creek oil sands expansion project would have added 80,000 barrels per day of oil production to our Canadian portfolio. It would have created over 3,500 construction jobs and 350 permanent jobs.

This project would have lasted for over fifty years in a community. Over its fifty-year plus life, Carmon Creek would have generated approximately between \$200 and \$400 million in taxes and royalties each year, not to mention direct and indirect jobs and spin-offs.

This was a very tough decision. As a businessperson you never want to cancel a project. And as tough as the impact on your bottom line is, those of you in the room who have made similar decisions know that you lose

far more sleep over impacts on people than any financial implications.

Employees, contractors, communities, and suppliers have been affected. Some people have worked on this project for their entire careers.

But at Shell it's not enough that a project looks economic to us in Canada. A global company like Shell has many investment options around the world, and a project in Canada must be able to compete well with those other options.

When it came to Carmon Creek, the project didn't rank in our global portfolio and we couldn't sanction the project due to current uncertainties, including the lack of infrastructure to move Canadian crude oil to global commodity markets. That's business-speak for the lack of pipelines to move oil to either coast.

As an executive for a global company's operations in Canada and as a Canadian, this decision hurt. A lot.

I recognize there are many perceptions about our industry, and about our industry in Canada. But I want you to know we cannot take anything for granted here. Canada is a wonderful country but we have a major challenge when it comes to energy projects.

We are the only major energy producing country in the world that does not have access to global markets.

We have essentially only one customer: the US. Ninety-eight per cent of Canada's oil goes to the US. We all know what happens when you have only one customer. You won't get the best price for your product, and you're vulnerable to the loss of that customer.

And as we have seen with the recent Keystone XL decision, we are vulnerable to the decisions made by that one customer in another country.

If we are not going to build new pipelines to take our oil to market, let us as Canadians make

that decision for ourselves. Let us not have it made for us by another country.

Now this is not just an industry challenge, just as climate change is not just an industry challenge. How well our industry can compete in a global market has many implications for Canadians, from jobs, to taxes, to royalties, to supply chain opportunities.

The energy industry accounts for 25 per cent of Canada's exports and 10 per cent of Canada's GDP.

As a Canadian our lack of access to global markets frustrates me. It frustrates me as a Canadian who happens to work in the oil industry but it frustrates me as a Canadian first and foremost. I hope it frustrates other Canadians.

Canada deserves to be in control of its own destiny.

But you're probably wondering: if I care so much about combatting climate change, how can I also care about wanting to produce and export more oil?

Here's how I believe Canada's role must be both environmental as a global climate change leader and economic as a global hydrocarbon supplier.

We know the world has to move beyond high carbon energy. And I'm confident the world will figure this out. But change won't happen overnight. In any scenario, hydrocarbons will remain an important part of the energy mix for decades.

That is the reality.

Given this, I want Canada to have the chance to compete, not just economically but environmentally for that demand.

Because of Canada's large but higher carbon resource, there are few other countries that have as much incentive and are as well-positioned to become the best in the world at reducing carbon.

I want us to become not just a global energy player but a global player in technology to reduce carbon.

This is where Canada can lead.

Experience around the world shows us that countries need a strong economy to protect the environment. When economies are weak, environmental degradation follows. And fortunately the world is starting to realize that you need a healthy environment to protect the economy.

When it comes to both the environment and the economy, each of us in the room tonight feels a responsibility to the next generation. We want to leave things at least a little better than when we found them.

As I look to the future I see a day when Canadian oil will be economically and environmentally competitive with any oil in the world.

I see a day when Canada will lead the world not only in lower carbon energy but in technology to produce lower carbon energy. We will export that technology and create a new industry.

I see a day when progress on the economy and environment will be a virtuous cycle.

This day will come because Canada is a collaborative, tolerant, and innovative nation.

Canadians care equally about economic prosperity and environmental progress.

To paraphrase a German philosopher, together let us become who we are.

But this will not be easy. A government-led

price on carbon will force us to change behaviours. And when it comes to gaining social acceptance in Canada for new pipelines to be built, I want to let you in on a secret. It may come as a surprise to you considering how big our industry appears to be.

Here it is: Our oil producing industry cannot achieve this alone. The pipeline industry cannot do it alone.

We can certainly do more, including advocating for an increase in the government-set price of carbon; continuing to ensure we have a world-class regulatory system, which we do in many cases; and working more collaboratively with Indigenous Peoples.

But if Canada is going to realize its potential as a global exporter of cleaner energy and clean energy technology, a majority of Canadians will have to want to make it happen.

We don't need you to always agree with our industry. We don't need you to stop challenging us.

We actually enjoy the challenge: it encourages us to do better.

But when you look at the Canadian oil and gas industry, we ask that you don't look at us in isolation. Our industry is but one supplier in a world of mighty competitors. We remain part of a world that still depends on oil, even as we all work to reduce oil's impact and move beyond it.

Canada needs to provide sustainable prosperity for the next generation. All we ask is that you let our industry have the chance to be part of the solution.

We got the oil out of the sands. We'll learn how to get even more carbon out of the oil.

Thank you.