

April 11, 2012

Attention: Joint Review Panel - Enbridge Northern Gateway Project

To Whom It May Concern:

The Calgary Chamber represents more than 3,200 members of the local business community. On critical issues of public policy, the Chamber advocates for constructive solutions to improve the business climate, grounded in fact and reasoned analysis.

On behalf of our members, I am writing to express the very strong support of the Calgary Chamber for Enbridge's Northern Gateway Project currently before the Joint Review Panel. The Northern Gateway Project will bring significant long-term economic benefits to Canada, and is another example of responsible energy development.

While North America has a well-developed and integrated pipeline and rail network that allows Alberta oil producers to sell about 99 per cent of production into the United States, the North American energy market is undergoing a seismic shift.

The U.S. is becoming less dependent on foreign energy sources, as formerly marginal resources have become economically viable with recent technological advancements. The U.S. now produces an extra million barrels per day relative to five years ago.

At the same time, new market opportunities in Asia are opening up, as energy demand continues to increase. The International Energy Agency forecasts global energy use will grow by one-third by 2035, with a large part of this demand met by oil and gas. China and India will account for 50 per cent of that energy growth.

Canada needs to position itself strategically in response. The oil and gas industry is an increasing component of the Canadian economy, and oilsands investment now represents 25 per cent of total private sector investment, and between 5 and 6 per cent of national GDP. The Northern Gateway Project, which will source its feedstock primarily from the oilsands, will provide a new west coast option to access growing Asian markets.

Better access could mean higher prices for producers and greater tax and royalty revenue for government. With the Enbridge Gateway Pipeline construction and operation alone, taxes and royalties would increase by \$11.4 billion in Alberta, \$2.4 billion in British Columbia and \$1.4 billion in Saskatchewan. Over 30 years, there would be a \$270 billion increase to Canada's GDP.

Accessing this new market can be done safely and responsibly. Our country has, and continues to set, the standard in terms of workplace safety and environmental stewardship. Northern Gateway has

already established a training fund of \$1.5 million, which is a demonstration of the project's commitment to creating new opportunities in our communities. Canadian jurisdictions are also leaders in environmental stewardship, with British Columbia levying the first carbon tax in Canada, and Alberta being the first jurisdiction in North America to impose a carbon levy on its large industrial emitters.

The Calgary Chamber's support for the Northern Gateway Project aligns with our accompanying policy position regarding energy transportation corridors, which will lead to strong economic benefits across the entire economy – from the driller to the dry cleaner.

The Calgary Chamber is supportive of the Joint Review Panel process. We are confident that questions and concerns related to the project can be sufficiently addressed and mitigated, and that a decision can be made in a reasonable timeframe.

Sincerely,



Ben Brunnen

Director of Policy and Government Affairs and Chief Economist
Calgary Chamber of Commerce

Enclosure: Developing energy transportation corridors policy position

The Calgary Chamber of Commerce

Developing energy transportation corridors

Market access is fundamental to Alberta's oil and gas producers. Energy transportation infrastructure is a key component to linking buyers and sellers. Current transportation options, both pipeline and rail, give producers flexibility to sell their product to the highest bidder.

North America has a well-developed and integrated pipeline and rail network that allows Alberta oil producers to sell about 99 per cent of production into the U.S. market. This pipeline network also transports all of Alberta's natural gas exports. The U.S. will remain an important and valued customer. Completion of the TransCanada Keystone XL pipeline will only help solidify this mutually beneficial relationship.

However, the energy market in North America is undergoing a seismic shift and at the same time new market opportunities in Asia are opening up. While slowing demand in our largest customer is a worry for Alberta oil and gas producers, it's a different story in the rest of the world. Global demand for energy continues to move endlessly upward, along with population growth and the drive towards better living standards. The International Energy Agency forecasts global energy use will grow by one-third by 2035, with a large part of this demand met by oil and natural gas.¹ China and India will account for 50 per cent of that energy growth.

A Wood Mackenzie study indicates that China will need about 2 million b/d of heavy oil by 2020, making it an ideal market for Alberta's oil sands.² And while the U.S. will always undoubtedly remain a main market for Alberta oil, a supply glut in crude oil in the inland markets could push down prices for producers, leaving China and other Asian nations as important new markets to turn to.

Western Canada is well positioned to meet worldwide energy demand increases with the region's oil production forecast to grow from 2.7 million barrels b/d in 2010 to 5.2 million b/d by 2025. Of this additional growth, 2.4 million b/d, or 96 per cent is expected from the oil sands.³

Right now there are ways Alberta producers can access Asian markets. Kinder Morgan Canada's Trans Mountain pipeline (that is already in service) and oil by rail shipping from CP and CN and then by tanker, provide producers with oil export choice to these higher-value markets. However, current transportation capacity is not sufficient. Hence, Enbridge has proposed the Northern Gateway pipeline, which is currently under review by the National Energy Board (NEB).

¹ International Energy Agency, *World Energy Outlook Presentation*.

² Wood Mackenzie, *A Netback Impact Analysis of West Coast Export Capacity*.

³ Canadian Association of Petroleum Producers. Market access through Canada's west coast for natural gas and crude oil, 2011, (accessed on March 2012) <http://www.capp.ca/getdoc.aspx?DocID=198593>; Internet.

This new west coast option has a lot stake. With the Enbridge Gateway Pipeline construction and operation alone, taxes and royalties in Alberta would increase by \$11.4 billion, \$2.4 billion in British Columbia and \$1.4 billion in Saskatchewan.⁴

For natural gas, the Asia Pacific region looks promising, as well. Demand growth in Japan, South Korea and China presents great opportunities for western producers to obtain higher prices. For gas, with depressed North American prices, export through LNG facilities could be the salvation. Projects have already been approved by the NEB and await the commercial decision to move forward.

The competition is fierce to serve Asia, with the Middle East, Russia and Australia moving quickly to corner these markets.

To seize the opportunity Canada must move quickly. And it must be done strategically, rather than one by one project approvals. It will take leadership from Alberta working with New West Partnership trade partners, such as British Columbia and Saskatchewan, and the federal government to establish west coast energy transportation corridors. This could be a critical component part of a Canadian energy strategy that Alberta is working with other provinces to establish.

The world, in particular Asia, wants Alberta's resources and our only major constraint is transportation. Better access could mean higher prices for producers and greater tax and royalty revenue for government. We have a precedent with provincial and federal governments, as well as Aboriginal groups cooperating to increase port, road and rail capacity to enable trade to the emerging Asia-Pacific region. Why not build on this momentum and turn the focus to energy transportation?

To make a great Alberta even greater, the Calgary Chamber recommends that the Government of Alberta:

- Lead the development of the Canadian energy strategy with the other provinces in consultation with the federal government to ensure the framework respects provincial jurisdictions. Confirm existing energy transportation corridors or develop new ones to enable access across Canada and to the United States.
- Work with the federal government and the government of the United States to ensure sufficient energy corridor infrastructure is in place to meet US energy needs.
- Work with the other provinces, in particular the New West Partnership provinces, and Aboriginal communities, to create west coast energy transportation corridors that give oil and gas producers the flexibility to sell in a worldwide market and potentially secure a higher price for their products.

⁴ Enbridge, Linking Canada's World Class Resource to New, Large & Growing Markets, presentation to the Calgary Chamber of Commerce, December 2, 2011.