

IPC LUNCHEON SPEECH
Brenda Kenny, CEPA

1 October 2008

(CHECK AGAINST DELIVERY)

Since it is lunchtime, I thought I'd offer you something a bit lighter than the usual fare served up at these industrial-weight conferences. A topic that is not too filling. Easy to digest. Perhaps a little sharp in flavour, but never harsh or bitter. Just a few fresh-made ideas for you to chew on and, hopefully, to savour when the conference is done.

A lot of new stuff is cooking at the Canadian Energy Pipeline Association these days. For those of you not familiar with us, CEPA represents all the major transmission pipeline companies in Canada, and together we transport 97% of all the oil and gas produced in this country. I've been on the job for about four months now, getting my bearings and taking stock of the accomplishments of my predecessor, David MacInnis. I'm just beginning to realize what skill and leadership he brought to the position. I also appreciate more than ever the small but wonderfully capable management team we have in Jeff Angel, Kim McCaig, Ziad Saad, and Amanda Affonso; a truly great group.

As I've thought about the many changes we've experienced at CEPA recently, I've come to realize that, in many ways, our revitalized team is like the pipeline industry as a whole — full of insight, innovation, and an unshakeable sense of public duty.

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Duty — now there's a word you don't usually hear in the same sentence as "industry". Yet that's what I'd like to talk to you about today. The duty of our industry — the collective duty we all share as pipeline engineers — to approach our work in a way that addresses the fundamental issues of our time. The same sense of duty and social obligation, by the way, that we expect of our elected officials. When engineers act from a sense of civic responsibility, we honour the original intent of our profession to serve the greater good. Like many people in the busy world of today, we often lose sight of the basic principles of public service that should underpin our actions. I think we need to get back to them.

In the months ahead, you're going to start seeing what I think of as an upgraded version of CEPA. Same features as before, only better. Of course we'll continue to represent and talk about the interests of our industry. But from now on, CEPA will strive as never before to be a visible, proactive and socially responsible organization that contributes significantly to the solution of some of the most strategic issues of our day. In this way, CEPA will serve the interests of both its members and of Canadians as a whole. They are, after all, the same interests.

The theme of this year's conference is "Pipelines Make a World of Difference". I couldn't agree more. Our nights would be much longer without the pipelines that deliver fuel to natural gas fired electrical generation stations. Makers of everything from soda pop to laundry detergent would have no bottles for their product without the pipelines that convey feedstock to our petro-

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chemical plants. Our schools and hospitals and nursing homes would be cold places in January without the reliable delivery of furnace fuel. The examples go on and on, and they will continue to multiply until our fossil fuel based economy is eventually replaced by one based on alternative energy sources. Even then, our pipelines will be able to transport many resources vital to that new energy economy.

But until that day comes, pipelines will continue to make a world of difference to our everyday lives. Imagine what would happen if the secure, reliable energy system we take for granted ceased to function.

(Lights dim.)

Now there's a good example of what I'm talking about.

The irony is that our essential industry has a devil of a time growing to meet consumer demand. Right now our total network of pipe is about 100,000 kilometres in length. The best minds in our business say that simply to keep pace with demand we will need to double the value of those assets in the next 15 years. For CEPA member companies, plans are in place to invest over \$40 Billion in new infrastructure; that number jumps to \$80 Billion when you include the northern gas projects, Mackenzie and Alaska. In the absence of a viable alternative for

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supplying the continent's growing energy needs, and given the excellent track record in safety and environmental performance, common sense would say that permitting and building new pipe would be a no-brainer. Yet that is not the case. In fact, the opposite is true: with each passing year it gets harder for our industry to make the investment we all know is needed.

As a result, the North American economy is needlessly hamstrung by concerns of energy insecurity. Drivers curse at the gas pumps every week. Lights flicker on and off across the continent. The price of groceries goes up in lock-step with rising fuel costs. Seniors on fixed incomes aren't sure how they will pay their heating bills this winter. Some Canadians — those in Atlantic Canada, Quebec and Ontario — wonder why they must rely on offshore oil imports to drive their economies and heat their homes and businesses, when at the same time Canada produces 40 per cent more crude than it consumes. Right now, the energy needs of people in those regions is at least partly met by importing fuel from abroad, but as markets shift, new infrastructure can create new choices, and choice equals security. A great example is the addition of the Maritimes and Northeast pipeline system in Nova Scotia and New Brunswick that enables new energy supplies and new options for home heating and industrial energy needs.

To the south, the United States continues to import 60 per cent of its oil from offshore sources, often hostile, when the second largest petroleum reserve in the world lies just a seven hour drive northeast of this convention hall. In 2006, when crude was only \$60 a barrel, those

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American imports cost the U.S. economy \$320 billion. Now, with oil at around double the price — well, you're engineers, you do the math. That's a huge economic advantage for Canada with benefits that touch every part of this country. Yet, when new infrastructure options are proposed to deliver on public policy objectives, we often find that the way forward is uncertain, time consuming and very costly.

This infrastructure crisis — and the right word is crisis — should not exist. Yet it does, and we are all the worse off for it; homeowner and school board and factory owner and healthcare administrator and small business owner alike. This is occurring not because we are politically unstable. Not because we are short on reserves. And certainly not because our industry is unable or unwilling to deliver those reserves to market safely, economically and responsibly. No, we are living on a continent at risk of energy insecurity mainly because of a disconnect between overall need and public interest, and accountable government systems that can respond decisively to major pipeline projects.

Why is that?

In the interests of time, let me focus on a single example, one that sums up the most pressing issues we face today. I am referring to our industry's efforts to build a much-needed pipeline in the north.

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As you know, our conventional reserves of natural gas are declining — North America needs new sources of supply. The best prospects lie in the far north, in the Mackenzie Basin of the Northwest Territories and in Alaska. The Mackenzie Gas Project being proposed by a consortium of highly experienced industry players would extend more than 1,200 kilometres along the Mackenzie River Valley to connect northern gas fields with North American markets via an existing northern Alberta pipeline.

The consortium began its regulatory approval process in 2004, with the intention of spending around \$7 billion for construction and starting operations in 2010. So far, we've seen years of work and, I'm told, more than \$500 million has been invested with no certainty of an end point or ability to proceed. Escalating costs and labour shortages have driven the overall project budget past \$16 billion.. This is the situation despite repeated, unequivocal declarations for governments, both in the north and the south, that the project is in the public interest.

How can that be?

Many explanations have been offered for the delay. Not all Aboriginal land claims have been settled. Negotiations over the equity participation of an Aboriginal Pipeline Group, which wants to maximize Aboriginal benefits from the project, took too long. An unwieldy and

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overlapping regulatory regime meant that literally hundreds of different permits were required even before field data could be collected. And various administrations have been less than forthright about their position on crucial issues like taxes, royalties and infrastructure. Then, on top of everything else, the Joint Review Panel which examines the environmental and socio-economic impacts of the proposed development announced it would be unable to release its report before 2009; adding to mounting delays and further uncertainty.

Bear in mind that no pipeline has ever been found to have a significant environmental effect. And an existing pipeline, the Norman Wells Pipeline, has operated half way up the valley safely for over 20 years. While northern terrain presents some unique design challenges, there is nothing magical about the proposed pipeline, no show-stoppers.

So, while a full and open assessment is critically important, and one should not pre-judge a regulatory review, it does seem reasonable to agree with all the leaders who've already expressed the view that this project is needed and will create a lot more good than any potential risks of impacts. The Mackenzie Gas project would not only ensure secure gas supplies, it would also stimulate economic development across a wide area, enable and encourage further resource exploration, make a genuine difference in the lives of all northern residents, add considerably to Ottawa's coffers, and strengthen both inter-regional and international relations.

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And then there's the increasingly important issue of Canada's sovereignty in the North. As the global contest for non-renewable natural resources has intensified, Canada's previously undisputed sovereignty over much of the polar region has been assailed. Recently, our Prime Minister said that "Use it or lose it is the first principle of Arctic sovereignty." He added that we cannot accomplish our northern goals without a northern presence. In light of that, what better way is there to demonstrate our active occupation and use of the North than by constructing and operating the Mackenzie gas pipeline? In terms of project scope and wide-ranging impact, nothing else comes close.

Now, I wouldn't want to leave you with the impression that CEPA doesn't appreciate the many long hours spent by dedicated federal representatives or the complexity of the issues they face or the good work they have done on many difficult files. We do. I can't think of anyone in our industry who isn't grateful, for instance, for the federal decision to establish a Major Projects Management Office, or MPMO, to co-ordinate and streamline Canada's varied regulatory regimes in the south. And add to that recent announcements to deliver coordinated consultation; we see real efforts to make real change.

While still new, that initiative alone may have an important impact on the efficiency with which large-scale projects are reviewed and approved. We need that certainty. It would reduce both the direct costs and the financial risks associated with big projects, ultimately allowing

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those benefits to flow through to consumers. We wholeheartedly applaud initiatives like the MPMO because they are in the interests of all Canadians.

Similarly, the recent McCrank Report on northern Canada's regulatory systems, which was undertaken at the request of the Minister of Indian Affairs and Northern Development, is a model of objective scrutiny and judicious reasoning. McCrank recommended many immediate improvements to the regulatory regime, while finding that a complete overhaul is needed if Canadians wish to ensure what he calls "orderly and responsible development" of our northern resources.

Or consider the broad perspective of the National Energy Board. The NEB has prepared an outstanding analysis of energy supply and demand in Canada to the year 2030. Among its conclusions was the fact that consumption of fossil fuels will continue to increase despite greater energy efficiency and the development of alternative fuel sources. As a result, states the report, "a long-term energy vision and strategy for Canada is needed to balance multiple objectives. This plan must be well integrated at the regional level, consider environmental issues and economic growth, and be developed with input from Canadians." CEPA agrees with this realistic and balanced approach to choosing our energy future.

It is *balance* that is missing in our national debates about energy. One result is that both

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government and regulators fail to give our industry sufficient credit for its historical track record, its innovation, and its commitment to social and environmental responsibility. We have a safety record that is second to none when it comes to moving bulk products. Accidents seldom happen, and serious accidents are extremely rare. Your diligence as technical leaders in a world-class industry accounts for that. I invite anyone to contrast our record with that of any other industry — you'll see how well we stack up. Or look at the way we have embraced issues of environmental management and sustainability in the last couple of decades. Our record on environmental performance is excellent. Again, it is largely your work that has turned the tide.

Sceptics may say this is just industry puffing itself up. To them, I say look at the results of a new third-party survey of right-of-way landowners across this country who live day-in and day-out, year after year, with our major transmission pipelines. Ninety-one per cent of them are convinced that pipelines are essential to our national energy security. Eighty-one per cent say we can be trusted to transport petroleum safely. The vast majority of those directly-affected Canadians — three-quarters of them — think we do an excellent job of protecting the environment. They also think we're good corporate citizens. In fact, their only real criticism is that the industry doesn't talk enough about itself. We can fix that.

Make no mistake about your own role as engineers in this positive assessment of our industry. As the people who plan, design and oversee the entire life cycle of our pipeline

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networks, you're always testing our assumptions, devising and implementing better practices, and continually driving our industry to new heights of achievement and responsibility. Frankly, I think that you deserve to take a bow.

It is that drive to make pipelines even safer, even more environmentally sound, even more reliable, that is at its core the sense of duty I talked about at the beginning. We are called upon to both deliver energy and to continually earn public trust. Those two things together are what will meet the needs of our citizens, and will make it possible to move toward better decisions to enable this infrastructure deficit to be overcome.

Let me leave you to finish your dessert with a clear sense of what can you expect from CEPA as a revitalized major player in our national energy debate.

As I hope I've made clear, the pipeline industry is convinced that stronger leadership is needed in government circles to ensure our continental energy security. Important decisions about the infrastructure deficit need to be made, and they need to be made now. But more than that, those decisions need to be made with the greater public good in mind. The infrastructure crisis is not a local or regional issue; it is a national concern with international ramifications. Its seriousness demands firm decisions and immediate action, not waffling.

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For our part, CEPA intends to press forward on these important matters with integrity, with honesty, and with a commitment to ensuring that pipelines continue to make a world of difference.

Thank you.