

Why it's time to renegotiate NAFTA

Energy and trade agreements



61% of Canadians agree that NAFTA should be renegotiated to include enforceable labour and environmental standards.

(EnviroNics, September 2008)

United States President Barack Obama has helped renew debate over the North American Free Trade Agreement (NAFTA) with his election promise to renegotiate the trade agreement to include enforceable labour and environmental standards. Rather than use this opportunity to improve NAFTA for Canadians, the Harper government has responded with threats that a move to renegotiate the deal could risk U.S. energy security by changing the U.S.'s privileged access to Canadian energy resources. Ironically, its U.S. energy demands and NAFTA that threaten Canadians' own energy and environmental security.

NAFTA significantly weakens our government's authority over energy resources, acting in the public interest, and undermines Canadian's energy and environmental security. NAFTA signed away significant control of our energy resources to the market and big oil companies, helping to set the agenda and policies for energy integration with the U.S. where Canadian resources are increasingly seen as North American resources. An agenda of more policy harmonization and investor rights driven by big business lobby groups like the Canadian Council of Chief Executives through the Security and Prosperity Partnership of North America (SPP) and regional trade agreements (such as TILMA), are helping to pave the way for even greater energy integration.

NAFTA and energy

Under NAFTA, market forces drive Canada-U.S. energy trade with NAFTA limiting the ability of the Canadian government intervene except in extraordinary circumstances. In line with free market ideals as well as directed by NAFTA provisions, oil and gas exports have been deregulated, restrictions on American foreign ownership of energy resources removed, import or export restrictions undermined, and the influence of energy corporations has been enhanced.

One of the main implications of these actions has been a discon-

nection of energy production from consumption in Canada. We now import more than half of our crude oil (primarily in Eastern Canada). We export two-thirds of Canada's oil and close to 60 per cent of natural gas to the U.S. At the same time, a Canadian energy distribution system has been abandoned for extensive pipelines – the plumbing of energy integration – to bring energy resources south to the U.S.

Energy and environmental security at risk

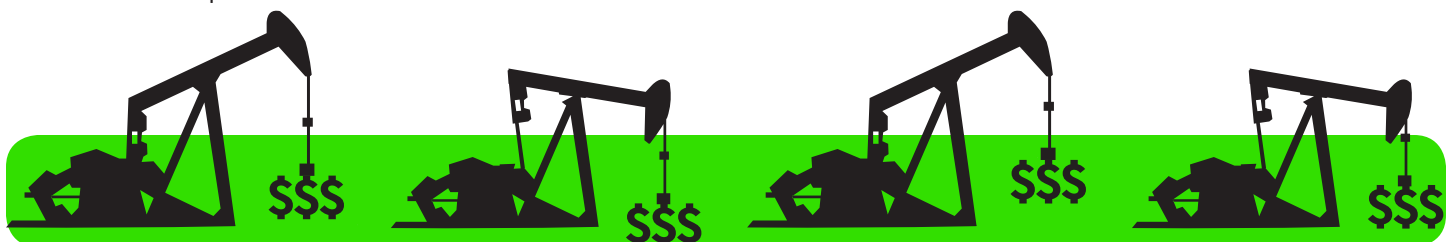
NAFTA's proportional sharing clause (Article 605) obliges Canada to continue exporting non-renewable hydrocarbons to the U.S. in the same proportion of total supply as were sold to the U.S. over the three previous years. Since the U.S. is our largest export market, this means there is nothing in the free market to stop our exports from going higher. Meanwhile, Quebec and Atlantic Canada rely on imports to meet 90 per cent of their oil needs.

Canadian's energy security could become compromised if, for example, energy imports are reduced, or if we are faced with the reality of an energy crisis. We could not prioritize the use of Canadian supplies if this required reducing the proportion of our supplies that get exported to the U.S. Complicating this scenario is the reality of diminishing energy resources, the lack of a Canadian strategic petroleum reserve, and west-east Canadian energy sharing strategy.

The proportional sharing clause could also frustrate measures that set strict targets for reducing greenhouse gas emissions. This is particularly significant in the case of Alberta's tar sands, which is Canada's fastest growing source of greenhouse gas emissions. A high proportion of tar sands oil heads south to the U.S.

Chapter 11

The investor-state provisions in NAFTA act both preventively as well as punitively in undermining strong environmental and labour standards. These provisions allow corporations to sue member governments for compensation in secretive NAFTA trade tribu-



nals, not state courts, over almost any state measure that impacts predicted profits. As reported by the CBC, at least 42 cases have been filed since Chapter 11 came into effect, and more than half of the complaints lodged are because of environmental laws. This is particularly significant at a time when our governments must take immediate action to address climate change.

Case in point:

Two U.S. oil companies, Mobil Investments and Murphy Oil Corporation, are suing Canada for \$60 million under Chapter 11, because the Newfoundland government is demanding that part of their research and development budget be spent in the province. As this case shows, Chapter 11 can be used to undermine provincial or local governments that try to maximize the benefits of economic development for people in their jurisdictions. The oil companies have recorded billions in profits in recent years. Canadians should have the right to force these companies to spend a few million dollars in Newfoundland before taking their substantial profits back to the U.S.

Canadian Energy Strategy

Faced with climate change and diminishing resources globally, we are at a critical juncture for energy policy. Our government is gambling with our future, allowing flawed free trade agreements, free market rules and big oil to set the agenda with serious social and environmental consequences. The stakes are high. Now, more than ever, we need a Canadian Energy Strategy that ensures energy security and helps transition to sustainable energy production and consumption.



Take action!

Send a message to Prime Minister Stephen Harper saying you want NAFTA renegotiated in the interests of the public and the environment. Go to www.canadians.org and sign our Renegotiate NAFTA NOW! action alert.

Join the Council of Canadians

The strength of the Council is in its membership. The Council does not accept funding from corporations or from governments, so membership donations are vital to our activities. We work with community groups, seniors, students, unions and other organizations across the country to promote progressive policies on public health care, fair trade, secure energy, clean water and other issues of social and economic concern to Canadians. Visit www.canadians.org or call us at 1-800-387-7177 to become a member today.

For more information about our Energy Campaign visit www.canadians.org or call us toll free at 1-800-387-7177.

