

# TURNING OFF THE POWER OF ENERGY INTEGRATION



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**E**nergy integration with the United States continues to be presented as the panacea for Canada's future.

Energy integration is a nebulous term that captures the drive for liberalization and harmonization of North American policies and trade practices in an effort to create a continental energy market. The ideas behind it are not unique; they reflect the market-based principles packaged and sold on a global scale in the flawed "free trade" model. Adopting this model is a risky business. Access to energy resources has a profound impact on quality of life because everyone needs energy; imagine what it would be like if you were unable to heat your home or turn on your lights.

Canada is at a critical juncture regarding energy policy. Faced with the realities of diminishing energy reserves globally, climate change, and a post-9/11 context of U.S. energy security concerns, we are in desperate need of strong policies to ensure Canadians have access to the energy they need. A free-market approach, however, hands over what little control Canada has left over energy resources to the markets, the whims of the U.S. and big oil companies, putting Canadians' energy security at risk.

## ENERGY INTEGRATION: A LITTLE HISTORY

Canada was put on a path of energy integration by the Progressive Conservative government in 1984. Our country moved from a Canada-first energy policy to one that mirrored the broader neo-liberal revolution spearheaded by Margaret Thatcher and Ronald Reagan, which champions the

role of markets and the private sector. The Free Trade Agreement (FTA, which came into effect in 1989) and then the North American Free Trade Agreement (NAFTA, signed in 1994) helped to set the agenda and policies for energy integration. The Security and Prosperity Partnership of North America (SPP, agreed to in 2005) embodies the latest vision.

## NAFTA

The FTA and NAFTA have gone a long way to opening Canadian energy supplies to the insatiable U.S. market. As Council of Canadians' National Chairperson Maude Barlow wrote in *Parcel of Rogues*, "For the United States, the energy provisions of the agreement were crucial ... Edward Ney, then U.S. ambassador to Canada, said that Canada's energy reserves were a prime motivation for the free-trade agreement: 'The U.S. got access to the great resources which we need.'" To put this "need" in perspective, the U.S. has five per cent of the world's population, but uses 25 per cent of the world's energy.

Over the years oil and gas exports were deregulated, restrictions on American foreign ownership were removed, import or export restrictions were undermined, and the influence of corporations (particularly in relation to NAFTA's chapter 11) was enhanced. At the same time, the National Energy Board, whose purpose includes acting in the public interest, had its power curtailed.

One of the main implications of these actions has been a disconnection of energy production from consumption in Canada. We now import more than half of our crude oil (primarily in eastern Canada). Close to 70 per cent of Canada's crude oil and 60 per cent of its natural gas is exported, increased from 33 per cent and 25 per cent respectively in 1985. 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 United States.

## U.S. ENERGY NEEDS TRUMP ALL

Since the U.S. is Canada's largest export market and NAFTA's proportional sharing clause requires that we maintain the flow of energy to the U.S. at the same proportion (to overall production) exported over the previous three years, there is nothing in the free market to stop our exports from rising even higher. Canadians' energy security could be compromised in a time of crisis or if, for example, we were not able to import what we needed. 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 the lack of west to east pipelines. It could also complicate actions taken to reduce greenhouse gas emissions that involve conserving oil and gas (such as the creation of an oil and gas reserve) by reducing the proportion of exports to the U.S. This is particularly significant in the case of Alberta and Saskatchewan's tar sands, which account for 75 per cent of crude oil exports to the U.S.

## THE SPP'S ENERGY INTEGRATION AGENDA

Often described as "NAFTA-plus," the SPP is a pact between the governments and corporate sectors of Canada, the U.S. and Mexico. The SPP embodies the most recent attempt to expand energy integration. In large part due to the massive mobilization of civil-society, labour and environmental groups



opposed to its objectives, analysts have begun to suggest that the SPP will be abandoned. Professor Robert A. Pastor, a leading proponent of North American integration, wrote in the July/August 2008 issue of *Foreign Affairs* that the next U.S. president will likely "discard the SPP."

While governments could be preparing to abandon the SPP in name, the energy integration agenda it has forged will continue. Why? The corporate lobbyists and U.S. government benefiting from energy integration are not likely to give up the cause. The U.S. has too much at stake when it comes to accessing Canada's energy supplies. Testifying before Congress in 2002, Dick Cheney declared that the "continued development" of Athabasca tar sands in northern Alberta could be a "pillar of sustained North American energy and economic security." This is particularly salient in a post-9/11 era when the U.S. wants to depend less on traditional energy suppliers it considers politically unstable, and in light of the reality of diminishing global oil supplies and skyrocketing global demand. The Alberta and Saskatchewan tar sands will continue to be the easily accessible resource that keeps energy integration moving forward.

## WHAT DOES THIS MEAN FOR CANADIANS?

We're left to deal with the social and environmental consequences of an energy gold rush. As described in a report produced by the SPP Oil Sands Experts Group in 2006, a five-fold expansion

of tar sands production is envisioned. There is general consensus that current rates of tar sands production – the fastest-growing source of greenhouse gases in Canada – will prevent us from meeting our obligations under the Kyoto Protocol. Tar sands production also destroys vast tracts of land, clears forests, and requires the use and subsequent toxic pollution of vast amounts of water.

The corporate proponents of energy integration, as represented in the SPP's vision, also foresee integration in electricity, nuclear power, hydrocarbons, science and technology, and regulatory agencies. This means more policy harmonization, including the watering down of environmental standards, deregulation and privatization. This will have a profound effect on the public systems of many Canadian provinces and could ultimately result in prices and rules for the energy sector that are made south of the border. Look no further than the impacts of deregulating the electricity sector in the U.S., which resulted in price hikes and the Enron scandal, to get a glimpse into the future of energy integration.

Energy integration and an effective Canadian Energy Strategy are mutually exclusive. Canadians need an energy strategy that provides security for our energy supplies, guaranteed access to energy reserves in times of need, and strong policies that protect our environment and focus on finding alternative, less harmful energy solutions. Canada can either continue to integrate energy policies and go forward with a common energy market, or we can demand that our government create a real "made in Canada" renewable energy plan.

Canada's energy future would improve if we – through our government – took back some of the control.

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