

Creating a BIAC Energy Committee

*Speech by Mr. Tom Vant for the 20 November 2002
Chairmen's Roundtable – BIAC Planning Meeting*

Being asked to open up a discussion on Energy, is being asked to explore a very large Topic.

As these comments are really a pre-cursor to the next agenda item I will take a typical Canadian view at the 40,000 foot level, but will do so with care because of the importance of the subject.

The expanding current climate change debate in Canada is bringing an understanding to Canadians that issues such as these cannot live in silos. When you work on the protection of the environment you have to bear in mind the energy and competitive links.

Forecasting our energy future has always required courage. Even a forward thinker as wise as our Secretary General, immersed in the IBM new world of technology, could not have seen that in some regions today computers are viewed as an unexpected, significant and unplanned drain on electrical generation systems, ... albeit on a localized basis.

The power of computers wasn't thought to be quite so literal. But, its clear that if the plug is pulled from the "Mother Server", the world immediately comes to an end.

The concept of energy is mindful of other cross-cutting concepts: such as, a Legal System, or Democracy.

- If you have it, -- you understand its value, know what it can do for you and that (once having it) you simply cannot do without it.
- If you don't have it, -- you are really unclear as to what is missing, -- are not sure how it can improve your circumstances and are therefore unlikely to know where to place it in your current list of priorities.

With this background; we quickly come to recognize the split in viewpoint, on a subject like Energy, between the developed and the developing world.

- In OECD countries, there currently is substantial pressure to reduce the energy inputs into our societies. Where as,

- In Developing countries; there is a growing hunger for access to this very same Energy, -- as there is a greater and greater recognition that quality of life, and at times survival, are often dependent on the capabilities that Energy can provide to a society.

When we talk about Energy, and our two worlds, we really have to break our discussion into at least two sections: resource based fossil fuels; and, Electricity generation:

- The first reason for doing this is that it fits our “two worlds” discussion:
 - By and large; fossil fuel resources are something Developing countries have and OECD countries wish they had. And,
 - By and large; electricity generation plants are something OECD countries have and Developing countries want.

It is an strange disparity, when you think about it. It begs the question: If being naturally endowed with resources isn't a major driver to a successful, modern economy, what is?

- The second reason for breaking discussions initially into two sections is that it starts the discussion of the different circumstances and perspectives between the tremendous mix of energy producers and energy consumers.
 - Electricity production, and it's use; touches almost all parts of society; as individuals; as governments (in all their forms); and as business and industry.
 - Fossil fuel production tends to be more focused. A large portion of it's production goes from field, to refinery and quickly to final consumption as a transportation fuel.

This latter portion (transportation fuel), has become very visible, expansive and contentious between all manner of critics.

Over the last several decades the OECD has found it necessary, often for defensive reasons, to become quite deeply involved in Energy issues: for example; the creation of the IEA (focusing on supply concerns among OECD member nations).

This involvement, by the OECD, in Energy issues is likely to accelerate, -- not diminish, in the coming years:

- As the OECD countries become increasingly concerned about access to

economic, reliable and sustainable energy, -- And,

- At the same time struggle with the need to provide the necessary energy to stimulate economic growth in the developing world, --
- We will find Energy a continual topic on their agenda. They will be looking to business, (through BIAC in the OECD setting), to provide answers to the questions their audiences will be asking of them.
- While governments (in an OECD setting or otherwise), have a legitimate regulatory role *and a more controversial taxing ability* , -- it is business that is the provider of energy. It is business that has the capability to find, develop, refine and utilize energy, -- and it is business that is willing to accept the risks.

Although we are forced into generalizations with a subject such as Energy: it is fair to say that most OECD countries (and their industry), are looking for access to predictable; economic energy; rather than looking to sell energy.

History tells us that one of the quickest ways to curtail economic growth is to create energy input scarcity; either through supply barriers or price constraints.

And the reverse holds true with respect to creating economic growth.

Of course, if the energy story was simply a matter of production and marketing nobody would be talking about it. However, Energy touches all the political buttons to the point that there are very few international topics today (whether they be environmental, developmental, poverty or aggression), that do not bring energy into play.

Electricity generation has not left the front pages since the California de-regulation unwound. (They are pushing the re-play button on this one in Ontario at the moment).

And, oil and gas has become so politicised that we all know the price of Brent or West Texas crude as we drink our morning coffee. Investment decisions in many of our major Energy projects are being impacted by such short term indicators, i.e., these indicators are making long term investment decisions more difficult.

These are relatively new circumstances for both energy policy makers and takers.

The OECD will find energy issues burrowing their way into all other issue silos they are confronted with during the next several decades. BIAC will not want to avoid continuing to play an advisory role, and will be well served, with BIACs broad issue background, to formally establish an Energy interface with the OECD.

BIAC is the logical Party to undertake such a role.