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Notes for a Speech by

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Minister of Natural Resources

Canada's Emergence as a Global Energy Superpower

Research Institute of Economy, Trade and Industry (RIETI)

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Introduction

Thank you, Mr. Nakajima [Chairman of RIETI]. Good afternoon, ladies and gentlemen.

I'm pleased to have this opportunity to address such a distinguished and respected group and thank the Research Institute of Economy, Trade and Industry for inviting me to speak.

The independent research and analysis done by your Institute provides a valuable service in today's complex, interconnected world. Your advice and perspective helps shape public policy decisions.

First, as Japan continues to recover from the tragic earthquake and tsunami that hit Tohoku last year, I want to convey on behalf of all Canadians convey our heartfelt sympathy and admiration for your dignity and resourcefulness. As you may know we stayed and our citizens expressed their solidarity with the Japanese people in tangible ways and in their thoughts and prayers.

In that regard, earlier today I was proud to announce that Canada, the Government of British Columbia and Canada Wood Japan are contributing up to \$4.5 million towards a reconstruction project that will involve Canadian wood products and Canadian wood frame building expertise in partnership with Japan's construction industry.

During the past week, I've been in Beijing, Tianjin, Shanghai and Tokyo to promote Canada, our natural resources, and our engagement with Asian partners.

Today, in keeping with that theme, I would like to talk about three things:

- Open trade and investment;
- Energy diversity and security; and,
- Innovation and technology

Open Trade and Investment

Consider the depth of our involvement in each other's country. Last year, the total value of our bilateral trade approached \$23 billion.¹ Your exports to Canada, for example, totaled \$13.4 billion², making us Japan's fourth-largest export market.³

By 2010, foreign direct investment stocks between Canada and Japan had reached \$16 billion.⁴ That makes Japan the sixth-largest foreign investor in Canada.⁵

It's no wonder there is such strong investments between our two countries. We offer one of the world's most welcoming environments for investment. In fact, Forbes magazine recently named Canada as the best place in the world to do business.

We have an open and transparent regulatory system, the lowest taxes in the G7 and rules that do not discriminate against foreign investors.

We offer stability and predictability – two pillars that underpin a sound and growing economy.

We also have a resilient economy that weathered the global economic recession better than any other G7 country.

The key to our success has been the attention we've paid to the basics – ensuring sound fiscal and economic fundamentals to support a strong and resilient economy.

Thanks to our prudent approach to fiscal management, Canada was in a strong position when the recession hit in 2008, with the lowest net debt-to-GDP in the G7.

The world reinforced Canada's standing last week when Mark Carney, Governor of the Bank of Canada, was appointed chair of the Financial Stability Board by the G8 member countries.

¹ Minister Fast Q and A, \$22.6 billion

² NRCan Country Profile 2011

³ Minister Fast Q and A

⁴ Statistics Canada, Table 376-0051, Foreign Direct Investment in Canada by Country Minister Fast Q and A

⁵ Statistics Canada, Table 376-0051, Foreign Direct Investment in Canada by Country

The Board has been given a broad mandate to promote international financial stability. The Government of Canada believes that Mr. Carney has much to offer, as the world strives to achieve a more stable financial system.

China and Canada have long recognized that our trading relationship benefits both countries, and needs to be deepened.

That's why, last February, we announced we will study the potential for a formal economic partnership agreement.

The study is now nearly complete, and it's my hope it will lead to a formal agreement that will continue our rich history of collaboration.

One key area for collaboration will be in the energy sector.

Energy Diversity and Security

As Japan contemplates its future energy choices, like other nations around the world, energy security will be a critical consideration.

In that critical dimension, Canada can be your partner.

Whether it's natural gas, oil or alternative energy, Canada is emerging as a global energy superpower.

We are the world's third-largest producer of natural gas and hydro-electric power and sixth-largest producer of oil. We rank third in terms of proven oil reserves, right after Saudi Arabia and Venezuela. We have abundant renewable energy resource potential and knowledge, including wind, marine and bio-energy.

Natural Gas

Canada's most important resource for the Japanese market is our natural gas.

In British Columbia, advances in technology are unlocking the potential for developing shale gas, and this had led to major pipeline and project proposals.

Shale gas has been rightly described as a game-changer. Largely due to shale gas, it is estimated that Canada has marketable natural gas resources of 1,300 trillion cubic feet, representing over 100 years of domestic supply.

This resource will continue to grow as more shale gas is discovered, especially in our North.

Understandably, investors are particularly keen on reaching markets in the Asia-Pacific region with liquefied natural gas, or LNG.

Japan has been importing LNG for decades, and will remain the world's largest importer for some time to come.⁶ The Government of Canada encourages Japanese investment in both LNG infrastructure and gas extraction projects.

Last year, Mitsubishi entered into an \$850 million, 50-50 joint venture with Penn West Energy to accelerate the exploration and development of the Cordova shale gas reserves in north-eastern British Columbia. Other Japanese firms are also aggressively exploring opportunities to invest in energy infrastructure.⁷

Several LNG export terminal projects have been proposed for Kitimat British Columbia, and it is poised to become an energy hub for the Province and Canada.

These projects would greatly diversify Canada's export markets for natural gas at a time of declining US demand and depressed North-American price. It would also help meet demand for energy in Japan.

I predict an exciting future for LNG exports from Canada, made possible with large Japanese and other foreign investments.

⁶ Canadian Energy Opportunities in Japan

⁷ Canadian Energy Opportunities in Japan

Oil

Japanese investors have also been very interested in developing Canada's oil reserves.

Canada is blessed with 174 billion barrels of proven oil reserve, more than 97%, or 170 billion barrels, in the oil sands of Western Canada. And as technology advances — the oil sands are essentially a technology project—the recoverable reserves could reach up to 315 billion barrels.

But it's not just the quantity of oil that sets Canada apart: it's also how we manage and develop these resources.

On that note, there are some misconceptions about the environmental issues of the oil sands that I would like to clear up.

First, the impact on land from surface mining. The oil sands affect only one-tenth of one percent of Canada's boreal forests. And companies are required by law to remediate and reclaim 100% of affected land.

In other words, they must leave the land just as it was before—capable of sustaining vegetation and wildlife.

Let me also say a few words about greenhouse gas emissions. Few people know that the oil sands account for only 0.1%, or one thousandth, of global emissions. To put this in context, in 2009, GHG emissions from coal-fired power plants in the US were nearly 40 times higher than emissions from the oil sands.

Even so, our energy policy reflects Canada's commitment to reduce its total GHG emissions by 17% from 2005 levels, by 2020.

A fundamental tenet of our energy policy is rooted in the principles of the open market.

Canada's oil sands are the only large oil reserve in the world that is open to market development. Overall, just 20% of the world's known oil reserves are available for

market-based development – 60% is in Canada’s oil sands. It is the largest industrial development project in the world with over \$130 billion in investments. And that is why we are continuing to attract corporate investors from around the globe, including Asia.

Indeed, Japan has long-standing assets invested in the oil sands, most notably Nippon Oil Exploration’s 5% stake in Syncrude Canada through Mocal Energy, Ltd.⁸ Recently, Japan Canada Oil Sands Limited received approval for a major expansion of a project in Western Canada.⁹

In spite of that investment by Japanese firms, virtually all of Canada’s energy exports currently go to the United States.

This is only natural. The U.S. is Canada’s next-door neighbour, a good friend, and a huge marketplace.

However, we recognize there are other opportunities, and we need to diversify our markets across all resource sectors, especially in the Asia-Pacific region.

Canada’s investment in its Asia-Pacific Gateway is part of an effort to expand commercial ties with Japan and other countries in the region.

In the years to come, our Asia-Pacific Gateway will be the fastest way to ship goods between North America and Japan — including energy.

So investors have come forward with projects that would connect Alberta’s oil sands to the coast of British Columbia, where tankers could transport oil to Japan and other Asian customers. One such project is the proposed Northern Gateway Pipeline, which would deliver 525,000 barrels of oil a day for export.

This proposed pipeline is undergoing a joint environmental assessment and regulatory review. A decision whether the project proceeds will be made after the review is completed. But make no mistake, while we will continue to seek to expand our share of

⁸ Canadian Energy Opportunities in Japan

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the US market, we are determined to diversify our customer base, these two goals are not mutually exclusive because we will have the supply.

Nuclear

Like Japan, a key part of our energy portfolio is also nuclear energy. In 2010, nuclear power generated 15% of all electricity in Canada and 58% in Canada's largest province, Ontario.

Canada is the second largest producer of uranium in the world. Japan has been an important partner in our uranium industry with a number of investments by Japanese firms. We welcome further investment in this important industry.

I appreciate that the accident at the Fukushima nuclear plant has caused Japan to reassess its nuclear plans. All nations understand that safety and security are paramount in the development of their energy supply infrastructure.

For its part, the Government of Canada believes that nuclear energy can play an important role in achieving global energy security and sustainable development goals. Of course, it must be developed within a robust regulatory framework that adequately addresses security, non-proliferation, safety and waste management.

As a source of energy that produces no greenhouse gas emissions, nuclear can help meet our climate change goals.

Innovation and Technology

I've spoken about how our hydrocarbons and nuclear power, which have been such a huge factor in Canada's prosperity, can contribute to energy security.

But we are also investing in energy efficiency, innovation, clean technologies and alternative energy sources for the future.

I'm pleased to note that Japan continues to be, an important partner in this enterprise. 2011 marks the 25th anniversary of an agreement between Canada and Japan to cooperate in science and technology. There are several areas where our collaboration on clean energy is generating results.

Carbon capture and storage is a technology that holds great promise to significantly reduce greenhouse gas emissions from large industrial facilities.

Canada and Japan are already partners in carbon capture and storage research on several levels. We are both active members of the Carbon Sequestration Leadership Forum and other initiatives.

Of note, Japan's Research Institute of Innovative Technology for the Earth (RITE) is one of the sponsors for a cutting edge monitoring and storage project in Western Canada.

The Weyburn-Midale CO₂ Monitoring and Verification project is one of the world's largest international CO₂ measuring, monitoring and verification research projects. The commercial enhanced oil recovery operations that are being monitored under this project have to date injected and stored over 20 million tonnes of CO₂ – the equivalent to taking almost 4.5 million cars off the road for one year.

Yesterday, my department and the Japan Coal Energy Center signed a declaration of intent to encourage cooperation on the development of clean coal and carbon capture and storage technologies. We will finalize the details of this cooperation in the coming months.

In speaking about clean energy technology, I should note the importance of minerals and metals; in particular, the rare earth elements integral to the production of many clean energy products. It is a strategic goal of both Canada and Japan to secure stable and diversified global supply channels.

Japan has already made investments in Canada to secure potential supplies of rare earth resources. Canadian exploration companies are currently working on advanced projects that have significant concentrations of rare earth elements in their ore bodies.

These companies may be able to begin rare earth elements production by 2015–2016. We hope to build on this relationship in the future, not only with rare earths but with all of Canada's diverse mineral supply.

Canada is one of the largest mining nations in the world producing more than 60 minerals and metals.

We are the world's number-one producer of potash.

We're in the top five for the production of aluminum, cadmium, cobalt, diamonds, nickel, platinum-group metals, salt, titanium concentrate, tungsten and zinc.

The value of Canada's mineral production in 2010 exceeded \$41 billion and contributed \$35 billion to Canada's gross domestic product and \$18 billion to our trade surplus.

We remain open to continued investment by Japan in our mineral sector.

Conclusion

Ladies and gentlemen, the message I've brought to Japan this week, is that Canada is open for business as a reliable, secure and socially and environmentally responsible resource nation.

Our abundant resources in energy, forestry and mining offer trade and investment opportunities that can generate economic growth in both our countries to build on our many decades of strong collaboration.

Canada and Japan already enjoy a thriving partnership on many levels, but I'm convinced—and I hope that you are too—that together we can achieve so much more.

Arigatoh gozaimasu [Thank you].