

➤ Chemistry Industry Association of Canada's Submission TO NATIONAL ENERGY BOARD MODERNIZATION EXPERT PANEL MARCH 30, 2017

The Chemistry Industry Association of Canada (CIAC) provides this submission in response to the Government of Canada's review of the National Energy Board's (NEB) structure, role, and mandate under the *National Energy Board Act*. This review is being undertaken under a broader Government of Canada review of environmental and regulatory processes.

Setting the context for this submission

Canada's chemistry industry is an important contributor to our nation's economy. It converts and adds value to raw resources such as natural gas, crude oil, minerals, and biomass, creating intermediate products that are used as inputs in other areas of the chemistry industry, and by almost all other manufacturing sectors. Shipments were \$53 billion in 2015, making chemicals the fourth largest manufacturing sector in Canada; with exports worth \$38 billion, second only to the automotive sector.

The chemistry industry is the sixth largest manufacturing employer, directly responsible for 87,500 jobs. Chemistry industry employees are highly-skilled and well paid. In addition, the purchasing activity of the industry supports jobs in other sectors. Statistics Canada has estimated that for every job in the industry, another five indirect jobs are created. In total, the industry supports almost 525,000 jobs in Canada.

Finally, it should be stressed that Canada's chemistry industry is also a responsible industry. More than 30 years ago, while facing a crisis in public confidence, Canada's chemistry industry, with the assistance of its toughest critics, developed the Responsible Care® initiative. Born in Sarnia, Ontario, Responsible Care® is now a global success story and is practiced in 62 countries around the world. Since 1992, Responsible Care® has driven significant improvements in the performance of the sector in Canada, including the reduction of absolute GHG emissions by 69 per cent and a decrease in the release of toxic substances by 90 per cent.

In summary, chemistry is a high growth, innovative, highly skilled sector that adds tremendous economic value to Canada's abundant energy and agricultural resources. The sector is consolidated into highly efficient and mutually supporting clusters and contributes

key solutions to Canada and the world's most pressing issues. The sector also has a tremendous track record in terms of providing high wages and consistent environmental performance across the entire business cycle while also having the potential to attract significant investment growth in the future.

The Opportunity for Chemistry Sector Investments in North America

North American development of shale gas resources has resulted in natural gas prices that are among the lowest in the world. This is important to petrochemical companies because natural gas is both a source of energy and, more importantly, a primary source of feedstock. In most other parts of the world, petrochemicals are derived from more carbon-intensive crude oil and coal.

This being said, Canada's chemistry industry comprises only 1 per cent of the U.S. \$5.2 trillion global chemistry industry, and we must work hard to attract international investment. The American Chemistry Council estimates that U.S. \$175 billion in new chemistry industry investments are announced or underway in North America, driven largely by the shale gas phenomenon. Only a small share (perhaps 1 per cent - 3 per cent compared to historical 10 per cent) of this investment is happening in Canada – but we believe there is strong potential to attract a much larger share. But doing so will require that all investment decision factors be made as attractive as possible.

Robust Energy Transportation Infrastructure Key to Chemistry Sector Growth in Canada

In this regard, the Canadian economy generally, and the chemical manufacturing sector specifically, relies on robust energy transportation infrastructure to underpin resource development and production that in turn generates and transports the feedstock required by the chemistry industry to maintain and grow our sector in Canada. There should be no question that Canadians derive significant benefit from the reliable and safe pipeline infrastructure that is in place across this country. There should also be no question about Canada's long-standing record of science-based, objective assessment and decision making under the NEB that has allowed this country to develop our world class energy reserves in the national public interest in a sustainable way.

At a time when our traditional customer for oil and gas exports has become our competitor, it becomes essential that our pipeline networks expand, allowing Canada's resources to reach new markets and new customers in a timely and predictable manner. The goal of this review should be to further enhance the strong regulatory frameworks currently in place in Canada that allow for orderly and sustainable growth of the nation's natural resource endowments in the national public interest – a balance of economic, environmental, and social interests.

CIAC Comments to NEB Modernization Expert PANEL

The following are comments specific to certain discussion papers published on the NEB Modernization website for public consideration and comment and fall under the Expert Panel Terms of Reference.

Governance

- Parliament has the responsibility to develop broad public policy positions for the good of the nation. The NEB, in making its public interest determination, should continue to follow the legislative direction set out by Parliament in the *National Energy Board Act*. The permitting process should not be the forum for public policy debate, and such debates should not be allowed to delay timely adjudication of project applications. Relevant public policy should be known to applicants in advance of filing their applications.

Mandate

- The degree to which decision-making takes account of upstream factors (such as the method of extraction of oil and gas that is subsequently supplied to the pipeline system) needs to be carefully considered. If the approvals process is looking at such factors as oil sands production in considering an application for a pipeline to transport any and all product, why wouldn't the overall benefits to downstream industry and to the social and economic well-being of the broader economy also be considered (e. g., tax revenues, impacts on the viability and future growth of dependent sectors such as petrochemicals)?
- The NEB, along with Statistics Canada, is one of the premier data collection agencies within the federal government. The NEB routinely collects excellent quality data on energy supply and demand and has the unique authority to request data in this very broad subject area. Data collection is an integral part of developing supply and demand forecasts for energy products and can be of significant value to manufacturing sectors like chemical, fertilizer and petrochemical producers who turn Canada's raw resources into value-added products, as well as midstream infrastructure sectors like pipeline and rail companies who transport both raw and finished products to the market, when making investment decisions. CIAC members and CIAC itself routinely participate in the NEB's data collection efforts and comments on preliminary results of specific studies. Through this process, CIAC and its members gain a better understanding of developing trends in Canada's energy sector, information which also informs larger public policy debates that have implications for industrial development and the pace of economic growth for Canada. In CIAC's view, the NEB's data collection and reporting expertise is a positive and necessary contribution to evidence-based public policy development in Canada. With a view to improving transparency and increasing opportunity for

further resource upgrading, in the future, CIAC would like to see this role expanded into reporting natural gas liquids in key gas gathering points.

Decision Making Roles

- As stated above, government policy decisions and directions should influence projects before they get to the application stage at the NEB, not during. Many factors influence investment decisions – social, environmental, and economic. These factors need to be known to project proponents with some degree of certainty prior to confirming their investment decisions and ultimately proceeding with project application before the NEB. We view certainty of public policy and process as key influencers in the sustainable and orderly build out of pipeline infrastructure in Canada.
- In a permitting process that ultimately should be viewed by all as open, fair, and transparent, GIC approval of NEB decisions is troublesome. The element of political interest weighing in once the NEB process has run its course calls in to question the credibility of the regulatory process itself.

Public Participation

- Public Participation expectations should be addressed through improved communication, transparency, and openness of the process, but not at the expense of procedural fairness, science-based objective assessment, and set timelines for reviewing applications.

In closing, we would like to thank the Expert Panel for the opportunity to present in person at your Edmonton engagement session on March 7, 2017, and for the opportunity to make a written submission. We ask the Expert Panel to be focused and balanced in their efforts to address National Energy Board Modernization. We need to develop energy transportation infrastructure to stay globally competitive, not just the Canadian chemistry sector, but the Canadian economy. The role of the NEB is restricted – and in the pipeline business it needs to stay there, focused on the project. It is only when we move natural gas to markets that our sector has the opportunity to bid on the natural gas liquids, to add extra value here and to manufacture the higher value products we need to improve our quality of life.

Submitted by:

David Podruzny

Vice-President, Business and Economics and Board Secretary

Chemistry Industry Association of Canada

Tel: 613-237-6215 ext. 229

Email: dpodruzny@canadianchemistry.ca