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Projet d'implantation du terminal méthanier
Rabaska et des infrastructures connexes
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Speaking Notes
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Projet d'implantation du terminal méthanier Rabaska

by
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CHECK AGAINST DELIVERY

NAFTA AND LNG

The proponent has submitted that the North American Free Trade Agreement, to quote Mr. Glenn Kelly, "… would not be a problem." According to the submission from the proponent there is nothing in the trade agreement which would force any Canadian energy supplier to sell, whether Natural Gas or any other energy commodity, to the United States. This proposition is completely true, however it is also completely irrelevant to my argument.

Before I begin I would like to point out a couple of facts. In North America only the United States consumes more energy than it domestically produces. Any discussion of interruption of supply by a Party to the Agreement, while potentially about imports to either Canada or the United States, is really about energy flowing to the United States.

Additionally, none of the energy provisions in the Agreement apply to Mexico so in essence NAFTA's energy provisions are solely about maintaining energy shipments to the United States from Canada.

My argument is that NAFTA plays a role three ways:

Increasing the volume of Natural Gas in Canada

NAFTA deals with volume of exports of energy in Article 605 of the Agreement. In 605 the Agreement posits when a party may impose restrictions upon the export of energy products.

Subsection A of 605 states:

> "(a) the restriction does not reduce the proportion of the total export shipments of the specific energy or basic petrochemical good made available to that other Party relative to the total supply of that good of the Party maintaining the restriction as compared to the proportion prevailing in the most recent 36-month period for which data are available prior to the imposition of the measure, or in such other representative period on which the Parties may agree;"

What this means is whatever percentage of Canada's Natural Gas that we supply to the U.S. cannot be curtailed and that the same proportion of Natural Gas in Canada that is currently shipped to the U.S. must be maintained. By using the words "relative to the total supply of that good of the Party maintaining the restriction…." the drafters intended that as the total amount of an energy good increases then exports must be maintained at the same percentage.

For example, say Canada has a total natural gas supply of 100 kilos and exports 60 per cent (or 60 kilos) of that supply to the United States. Then Canada's Natural Gas supply is increased by 50 kilos to 150 kilos, 60 per cent of this new amount or 90 kilos must be made available for export to the United States.

Imports of Natural Gas, whether as LNG or through some other process, will increase the total amount of Natural Gas in Canada. Should these imports be interrupted Canada would have to continue to make available for export to the United States the same amount of Natural Gas that was available before the imports were interrupted.

This subsection also comes into play if gas from this terminal is sold to the United States to meet their increasing demand. If these new contracts were to increase the proportion of Natural Gas flowing from Canada to the United States (say from 60% to 70%) then Canada would be obligated to continue to supply the United States with this new increased amount of gas, again regardless of our ability to supply it, or the best interests of Canadians.

Either way even if not one particle of Natural Gas from Rabaska is ever shipped to the United States, the simple importation of LNG to Canada, because of the provisions of NAFTA, will have a detrimental impact upon Canada's energy security.

NAFTA prevents Canada from disrupting energy flow to the United States

Subsection C of Article 605 of the North American Free Trade Agreement states:

> "the restriction does not require the disruption of normal channels of supply to that other Party or normal proportions among specific energy or basic petrochemical goods supplied to that other Party, such as, for example, between crude oil and refined products and among different categories of crude oil and of refined products."

While the proponent has argued that the Natural Gas from this proposed terminal would be used to provide energy to the residents of Quebec, this does not seem likely given both the current economic situation and future projections. A better business case would be to ship the Natural Gas to markets in the United States, most likely the New England states.

Should the proponent be allowed to do this the channels used to ship the gas to the United States (via pipelines or other methods) could never be shut down regardless of what is in the best interests of Canadians. In other words once the gas has started to flow to the United States from Rabaska then it can never be stopped for any reason.

In this manner this proposal creates an increased threat to Canada's energy security. Nations must be able to protect the interests of their citizens. To protect the energy interests of Canadians our governments must be able to act to protect our energy supply. Never being able to physically "turn off the taps" means Canada must act to protect the energy security of Americans before it can act in our interests.

NAFTA will not allow a lowering of Natural Gas prices for Canadians

Subsection B of Article 605 states:

> "the Party does not impose a higher price for exports of an energy or basic petrochemical good to that other Party than the price charged for such good when consumed domestically, by means of any measure such as licenses, fees, taxation and minimum price requirements. The foregoing provision does not apply to a higher price that may result from a measure taken pursuant to subparagraph (a) that only restricts the volume of exports;"

The proponent argues that the Natural Gas from this project will be supplied to residents of Quebec and Ontario. This may very well be the case, however how will this LNG benefit these residents compared to Natural Gas from Canadian sources.

There will be no price benefit to these residents from this project. As illustrated above, NAFTA does not allow for preferential pricing. The gas from this project would have to be sold at the world price resulting in no savings for local residents. If the project were to go ahead then I can imagine Quebec City area residents asking the same question Albertans are asking, "Why is the price so high when we are so close to the source?"

While local residents will not see a reduction in their natural gas bills due to this proposal, they will bear other costs. These other costs include: increased danger from explosion due to an accident or deliberate attack, more ships plying an already heavily travelled waterway which increases the likelihood of an collision, and increased green house gas emissions. While natural gas is a cleaner fuel the process of liquefing and gasification are extremely energy intense resulting in increased green house gases not to mention the emissions coming from the transportation of the LNG. To many people LNG is not a clean fuel, particularly when all of the green house gas emissions caused by it are considered.

LNG imports will harm Canada's Energy Security

It is a well known fact that Canada's domestic Natural Gas consumption is well below what we produce and that this excess production flows to the United States. Canada's domestic gas reserves could satisfy our demand for many years except that NAFTA prevents us from reducing our exports, so there is little room for increased Canadian demand. The proponent argues that this is why an LNG terminal is needed, to import Natural Gas to meet the growing Canadian demand since most of our excess capacity is already flowing to the United States.

However, Canada has massive untapped reserves of Natural Gas which could easily meet any future growth in Canadian demand. By satisfying increased Canadian demand for Natural Gas with LNG the proponent is denying Canadians the opportunity to develop our industry in a manner which satisfies Canada's interests first. If this project goes ahead Canada's untapped Natural Gas reserves will still be developed, but rather than to satisfy domestic consumption this development will be to satisfy U.S. demand.

The significant difference between sales to the U.S. and sales to Canada is the role NAFTA plays. The Agreement prevents the reduction of energy imports to the United States while sales to Canadians can be reduced or reallocated according to what is in the best interests of Canada. In other words if this project goes ahead Canadians will be trading a secure source of energy (domestic Natural Gas) for an un-secure source of energy (imported LNG).

Conclusion

I would like to end my submission with a quote from Stephen Letwin, group vice-president of gas strategy at Enbridge Inc., "If we don't bring it in, either we are going to see sustained high prices or we are going to have to find alternate energy sources of energy that will replace it, because we are just not going to have enough energy," While, as I argued above, this project will not see Natural Gas bills go down, I do agree with part of Mr. Letwin's statement. He is absolutely right that we need to find alternative energy sources.

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It is these new alternatives that we need to be exploring not the continued development of more carbon-based energy sources. There are plenty of clean energy possibilities and for the cost of this terminal we could pay for their development and distribution.