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**To:** Engages-Mobilisation (WD/DEO) <wd.engages-mobilisation.deo@canada.ca>

**Subject:** CAPP Response to Western Canada Growth Strategy Engagement Questions

Good afternoon,

The Canadian Association of Petroleum Producers (CAPP) appreciates the opportunity to submit the following comments as part of Western Economic Diversification Canada's engagement toward the creation of a Western Canada Growth Strategy. We look forward to engaging with you further, as you advance this important initiative.

CAPP represents companies, large and small, that explore for, develop and produce natural gas and oil throughout Canada. CAPP's member companies produce about 80 per cent of Canada's natural gas and oil. CAPP's associate members provide a wide range of services that support the upstream oil and natural gas industry. Together CAPP's members and associate members are an important part of a national industry with revenues from oil and natural gas production of about \$101 billion a year. CAPP's mission, on behalf of the Canadian upstream oil and natural gas industry, is to advocate for and enable economic competitiveness and safe, environmentally and socially responsible performance. Competitiveness, in North America and globally, is necessary so as to attract the capital necessary to grow production and expand markets to deliver value to the Canadian public and to our investors.

Thank you,

Kory

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Western Canada Growth Strategy  
Questions – CAPP Comments  
November, 2018

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## CAPP Response to Western Canada Growth Strategy Questions

On November 13, 2018 the International Energy Agency released its *World Energy Outlook 2018* where it projects in its “New Policies Scenario” continued growth in global energy demand through 2040, with all of that growth coming from developing economies – and with oil and natural gas composing 53 per cent of the global energy supply in 2040. The projections are a significant shift in energy consumption where Asia makes up half of the global demand growth in natural gas, and more than 80 per cent of the increase in oil. Canada can serve these emerging markets with responsibly produced fuels that displace production from other less regulated sources, if we can get our product to global markets and the government implements policies that allow the oil and natural gas industry in Western Canada to compete on a global scale.

### 1 What does a stronger western Canadian economy look like 10 years from now?

Western Canada must exploit its competitive advantage in natural resources and play a significant role in meeting the world’s future energy demand – be it through oil sands production, conventional or unconventional oil and natural gas production, or exporting LNG. Through innovation and technology, Canada can leverage our leadership in environmental stewardship and responsible energy production to help address growing global carbon emissions. At the same time, ensuring a healthy oil and natural gas industry with access to global markets also ensures ongoing prosperity and economic benefits across our country. But this can only be achieved if Canada’s oil and natural gas industry has the access to tide water needed to reach international markets and we become more competitive and start attracting increased investment and spur innovation.

### 2 What are the best ways to spur new growth in western Canada?

The oil and natural gas industry is implementing innovative technologies to improve efficiency and reduce environmental impacts, demonstrating what it takes to be a responsible energy developer. Through substantial investments in innovation and implementation of new technologies, Canada’s performance will continuously improve. CAPP believes that governments can play a key role in seizing this opportunity by putting competitive and supportive policies into place.

Canada’s policies and environmental regulations must be developed in parallel with attracting investment, spurring innovation, growing jobs and maintaining economic benefits across the country. At present this is not the case and Canada risks falling behind other global energy supply competitors. If Canadian production is constrained due to the cumulative effects of regulatory burden and lack of market access, global energy demand will simply be met from other jurisdictions that have less stringent to no environmental policies. This is effectively a wealth transfer to other countries with poorer environmental standards.

For several years investor confidence in Canada's oil and natural gas industry has eroded and continues to remain low due to a number of factors:

- Market dynamics and commodity price trends;
- Market access challenges;
- Regulatory complexity and uncertainty;
- Fiscal policy, including tax reforms in the U.S.; and,
- The rising cost of doing business in Canada, including regulatory costs.

Increased market access has been key in industry's strategy to close the competitiveness gap, but it is not sufficient in and of itself. There is still a need for improvements to regulatory efficiency and certainty, effective implementation of climate policies that mitigate trade exposure and encourage innovation, strengthened fiscal terms, and a decline in resource access risk. (See response to Question #5.)

CAPP recommends that the federal government take a leadership role in defining Canada's vision for oil and natural gas that positions Canada – especially Western Canada – as the supplier of choice to meet the world's growing oil and natural gas needs.

- This vision should be supported through a coordinated effort with industry, provincial and territorial governments, and individual Canadians to create an effective policy and regulatory environment that encourages investment in Canada's oil and natural gas resources, ensuring those resources are produced the Canadian way – with environmental and social responsibility.
- This vision must include a focus on accessing world markets (particularly lower- to middle-income countries), a commitment to innovation, and global environmental stewardship.
- This vision must also seek action on the part of the federal government to undertake efforts that enhance energy awareness and actively cultivate and grow support from Canadians for the responsible development of Canada's resources.
- Finally, the vision must encourage governments to align costs associated with environmental policies in other jurisdictions, to support industry competitiveness and technological advancements that allow for continued innovation in the sector.

### 3 What will help the Indigenous economy continue to grow?

The oil and natural gas sector is a major economic driver and important local employer for many Indigenous communities. Growth in the upstream sector offers significant partnership opportunities with Indigenous communities.

- Indigenous peoples represent six per cent of the oil and natural gas industry's labour force, compared to a total of four per cent in all industries.
- Participation of Indigenous people in the trades accounts for about six per cent of apprentices in Canada.
- Internship programs have been created to bridge Indigenous youth interested in working toward a career in the oil and natural gas industry. Recruitment strategies

have been structured to include special efforts to reach out and attract a full range of qualified and diverse individuals – including those who might not have been reached through traditional methods and those who might not have previously considered a career in the energy sector.

- Total funding for Indigenous consultation capacity from oil sands producers for 2015-16 was \$40.79 million. In addition, preliminary analysis of reports under *Natural Resources Canada's Extractive Sector Transparency Measures Act (ESTMA)* indicates that oil and natural gas companies reported an estimated \$55 million from conventional oil and natural gas in reportable payments to Indigenous governments in Canada for the period from June 1 to Dec. 31, 2017.

CAPP believes that continued shared economic opportunities for Indigenous peoples in the oil and natural gas industry is a critical way to help the Indigenous economy continue to grow. Engagement opportunities with Indigenous communities exist, which can build on the industry's past contributions to these communities and are consistent with the Government of Canada's reconciliation agenda. While gaps remain, this is an opportunity for both government and industry to enable inclusive growth and provide strong employment opportunities by building on existing government and industry programs.

There is a trend within Canada's oil and natural gas industry to work more closely with Indigenous communities; to grow energy development in a sustainable and mutually beneficial manner. Where it's feasible, companies have been engaging with communities, looking for ways to build positive relationships that help create opportunities for communities and companies. Building on efforts within the oil sands industry, new ways of doing business have been and continue to be developed, and are being adapted elsewhere throughout Canada's oil and natural gas industry.

The growing trend toward deeper engagement, and the experience of individual First Nations that have engaged in economic partnerships and other programs in collaboration with industry, prove that the economic participation of Indigenous peoples in resource development is desirable. These opportunities help Indigenous communities to build pathways into prosperity, and are tangible, positive steps toward overall reconciliation. How industry does business continues to evolve as we recognize sustainable Indigenous economic futures are critical to building a stronger industry and a stronger Canada.

#### Indigenous Procurement

Over the past few years, procurement has become a priority for companies, Indigenous communities, and a focus for organizations such as the Canadian Council for Aboriginal Business (CCAB). Indigenous communities have come to recognize the significant role their own people play in the overall supply chain. With one of the fastest growing demographics in Canada, Indigenous peoples can generate wealth for their communities by leveraging their own knowledge, experience, and assets.

For the oil sands industry, it benefits from its relationship with Indigenous communities and sees value going forward. Between 2013 and 2016, oil sands operators procured goods and services valued at a total of \$7.3 billion (an average of about \$1.8 billion per year) from Indigenous businesses. Furthermore, industry engagement with Indigenous businesses is becoming more prevalent. Despite the economic downturn that began in 2014, the proportion of activity with Indigenous businesses as a proportion of total capital expenditures has grown by 2.5 per cent.

Likewise, the oil and gas industry views the procurement of goods and services from Indigenous businesses as a contributor to economic reconciliation. As Canada's energy sector has grown, so has the number of Indigenous companies providing services, from road maintenance to site services and beyond. Between 2015 and 2016, oil sands operators spent about \$3.3 billion on Indigenous procurement alone, and worked with 399 Indigenous companies in 65 Alberta communities. For comparison, between 1997 and 2014, the Government of Canada procured an average annual spend of \$290 million from Indigenous businesses. (CAPP notes that these figures for federal procurement represent all sectors of the economy, not just oil and natural gas.)

Industry recognizes the importance of ensuring Indigenous businesses are considered for, and awarded, contract opportunities, so communities can grow their capacity and business knowledge to be competitive on their own terms. Procuring goods and services locally helps achieve that goal by providing income and keeping talent in the community. Procurement presents a significant opportunity for engagement with Indigenous communities regardless of project scale. Small or short-term projects may have less funding than large, long life cycle projects but can still find opportunities for engagement, procurement and participation that help meet the needs of companies and communities.

#### Training, Skills Development and Employment

The Northeast Alberta Apprenticeship Initiative (NEAAI) – a partnership between industry, First Nations, post-secondary institutions and the Alberta and federal governments – is an example of a successful program addressing Alberta's skilled labour needs. Co-ordinated by the Tribal Chiefs Employment and Training Services Association, NEAAI provides a blended distance-learning and support system based on trades' apprenticeships for both Indigenous and non-Indigenous workers.

It's also noteworthy that CAPP has identified the opportunity for mentorship programs as a strategic priority. CAPP is exploring the potential for developing or partnering in the development of such programs within the oil and natural gas industry.

#### Recommendations

CAPP recognizes that the work of economic reconciliation and Indigenous engagement continues to evolve. CAPP member companies acknowledge that while much good work and positive outcomes have been achieved, more needs to be done. CAPP believes steps

can be taken to facilitate improvements in the evolving relationship between the upstream industry and Indigenous peoples.

CAPP recommends that the Government of Canada (with provincial governments where appropriate) take the following actions:

- Focus on initiatives that will produce positive, tangible results for Indigenous communities by resolving long-standing reconciliation issues.
- Recognize the advantages the oil and natural gas industry provides in support of Indigenous self-determination and reconciliation through economic opportunities. A competitive industry results in positive benefits to Indigenous communities.
  - Involve the resource sector in public policy dialogue in relation to Indigenous policy.
  - Establish consultation processes that create durable decisions on linear and complex projects.
  - Establish clear guidelines on consultation goals and objectives, and appropriate boundaries on scope and timelines for consultation.
  - Recognize that fiscal and regulatory barriers that result in decreased competitiveness and investment harm not only the oil and natural gas industry, but can also negatively affect Indigenous communities.
- Explore opportunities to enhance Indigenous economic participation, such as procurement.
- Accelerate the growth of Indigenous entrepreneurs and partnerships by removing barriers such as access to capital markets, identifying and using the best practices being applied in private sector relationships, and supporting the creation of mentorship programs.
- Develop greater collaboration with Indigenous peoples and industry on education and skills development training.

#### 4 How can we improve economic participation in the west of underrepresented groups, including women, youth and new immigrants?

Between 2006 and 2016, Canada's oil and natural gas workforce became more highly educated, showcasing industry's ability to continue to evolve and develop talent to compete in an increasingly skilled economy. To a greater extent than Canada's total workforce, the proportion of oil and natural gas workers lacking a high school diploma declined from 16 to eight per cent, while workers with a university degree increased from 19 to 26 per cent. While the oil and natural gas industry creates many middle-class jobs, systemic barriers inhibit inclusive employment in the sector.

There is an opportunity for federal and provincial governments to promote inclusive growth for the upstream oil and natural gas sector, specifically building on/developing targeted programs to increase participation of under-represented groups in the sector. A collaborative effort will be required to design programs to increase the overall participation of under-represented groups in the sector's workforce.



CAPP has worked with the Government of Canada toward an inclusiveness assessment to examine the potential impacts that addressing competitiveness and enabling growth of the oil and natural gas sector could have on various under-represented groups of the Canadian population, including women, Indigenous peoples (See response to Question #3 above.), visible minorities, and immigrants. The analysis was designed with the goal of aligning with the government's approach in this area, which involves conducting a gender-based analysis (GBA+) at the development stage of any new government program, policy or initiative.

Improving the oil and natural gas industry's competitiveness, coupled with industry initiatives to promote diversity in the workforce, offers significant opportunities for economic prosperity and middle-class job growth. With an aging population and a sector anticipated to experience labour shortages, women and men, new immigrants, people with disabilities, Indigenous people, youth, experienced workers and others are all important talent markets. The oil and natural gas industry recognizes that it can gain immensely from addressing current disparities in its labour force. Company initiatives to improve the lives of communities where they operate, and to address inequality, will help leverage a potentially sizable and critical pool of talent.

Recognizing that oil and natural gas companies are missing out on the higher quality of teamwork, diversity of perspectives, and creativity in the solving of technical and business problems that characterize those with diverse workforces, has led to commitments and initiatives to promote inclusive growth.

Inclusive growth initiatives by CAPP members look to:

- Increase the representation of women.
- Engage and inspire young women into trade professions and careers in science, technology, engineering and math (STEM).
- Develop skills through community outreach.
- Partner with Indigenous youth and continue to expand the Indigenous workforce development through focused efforts on hiring, retention and advancement of Indigenous employees.
- Ensure appropriate representation of women, visible minorities, Indigenous peoples and persons with disabilities while eliminating barriers to employment and advancement.

Women:

- Women make up almost half of the total national workforce today (48 per cent), however, at 22-per-cent-share of the workforce, their representation in the upstream oil and natural gas sector is significantly lower.
- The majority of the occupations in the sector require STEM training. Women currently make up 21 per cent of those in STEM programs and 11 per cent of new registrants in interprovincially recognized Red Seal skilled trades.
- Efforts are underway to improve these participation rates.

Upstream oil and natural gas firms have committed millions of dollars to programs and organizations such as the Canadian Centre for Women in Science, Engineering, Trades and Technology (WinSETT Centre), Young Women in Energy (YWE), Women Building Futures (WBF), and Girls in Science.

Many companies have also established internal workplace groups to support the goal of creating a respectful and inclusive work environment. Industry's support of Women Building Futures (WBF) includes support for Indigenous women, as 35 per cent of WBF graduates are Indigenous women.

#### Other Under-represented Groups:

- Between 2006 and 2016, the visible minority share of employees nearly doubled in the upstream oil and natural gas workforce, from seven to 13 per cent.
- The share of immigrants in the oil and natural gas workforce increased four percentage points to 16 per cent between 2006 and 2016 — a faster increase than in the overall workforce.

## 5 How can governments, industry and western Canadians work together to grow the regional economy?

Oil and natural gas resources boosts Canada's gross domestic product (GDP) and financially contributes to the costs associated with providing goods and services to communities. The Government of Canada should work with its provincial and municipal counterparts and Indigenous peoples to ensure an effective policy and regulatory environment that encourages investment in, and the development of, Western Canada's oil and natural gas resources, and ensures resources are produced in an environmentally responsible and sustainable manner.

Improved market access for both oil sands and unconventional oil and natural gas is a key contributor to industry competitiveness. We have an opportunity to supply the world with sustainably produced energy, but first we must find a way to get our resources to the coast for global export.

Western Canada can and should be a global energy supplier of choice – generating economic benefits across the country, and minimizing the environmental impacts at home and around the world. Some specific policies all levels of government should be looking to address include:

- Market Access
  - Work to ensure Western Canada is able to attract full market price for its oil and natural gas exports by increasing and diversifying access to markets.
  - Support market driven diversification of energy products.

- Work to ensure all Canadian oil and natural gas demand can be met by Canadian production.
- Regulatory
  - Enable a more predictable regulatory process; help achieve industry competitiveness while maintaining environmental and regulatory outcomes.
  - An optimal regulatory system will be efficient and effective at achieving outcomes, and appropriately and effectively engage Canadians in the process.
  - Set and achieve targets for application timelines for oil and natural gas projects, and infrastructure, that beats competing jurisdictions.
  - Improve regulatory efficiency, certainty and stability.
- Climate
  - Enable climate policies that are efficient and effective, and take into account cumulative impacts.
  - Enable a climate policy that ensures flexibility, encourages innovation, doesn't impede investor confidence, and allows for the growth of GHG efficient operations.
  - The exclusion of the upstream oil and natural gas from the federal Clean Fuels Standard.
  - Ensure any large emitter framework prioritizes investment in technology and emissions reduction.
  - Any climate policy needs to ensure competitiveness and create protection mechanisms for emissions-intensive, trade-exposed sectors that include small and large producers.
- Fiscal & Economic
  - Enable a fiscal framework that is globally competitive, market-driven, encourages innovation, and positions Western Canada's oil and natural gas as the energy investment of choice.