

WEBVTT

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<v SPEAKER_1>Hello, everyone, and welcome to Energy Security Cubed, one of the world's foremost energy security podcasts presented by the CGAI or Canadian Global Affairs Institute.

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<v SPEAKER_1>I'm Kelly Ogle, Managing Director here at CGAI.

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<v SPEAKER_2>And I'm Joe Calnan, Vice President of Energy and Calgary Operations at the Canadian Global Affairs Institute.

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<v SPEAKER_2>For today's podcast, we're featuring three fireside chat sessions from our recent Energy Security Forum Conference.

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<v SPEAKER_2>The first will feature me in conversation with Hafiz Zubir, CEO of PETRONAS Canada.

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<v SPEAKER_2>The second features Monica Gattinger, CGAI Fellow and Chair of Positive Energy at the University of Ottawa, in conversation with David Nikolejsin, Strategic Advisor at McCarthy Tetrault and former Government of British Columbia Deputy Minister.

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<v SPEAKER_2>And the third features Rory Johnston, CGAI Fellow and Founder of Commodity Context, in conversation with Mark Maki, the CEO of Trans Mountain Corporation.

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<v SPEAKER_2>I hope you enjoy these sessions.

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<v SPEAKER_2>All right, everyone, please return to your seats.

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<v SPEAKER_2>We'll be getting to the first fireside chat here.

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<v SPEAKER_2>And for this session, we will discuss energy in Canada with a focus on the development of energy for export to the Pacific.

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<v SPEAKER_2>And we have the perfect person to talk about this, Hafiz Azad Zubir.

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<v SPEAKER_2>Hafiz is the President and CEO of PETRONAS Energy Canada Limited.

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<v SPEAKER_2>Prior to this role, he served as Chief Operating Officer at PETRONAS Canada, and previously as Senior General Manager and Executive Assistant to the President and CEO of PETRONAS in the Kuala Lumpur.

00:01:56.916 --> 00:01:59.896

<v SPEAKER_2>So thank you so much for joining me up here, Hafiz.

00:01:59.936 --> 00:02:00.196

<v SPEAKER_3>Thank you.

00:02:00.376 --> 00:02:02.456

<v SPEAKER_3>It's a pleasure to have you here.

00:02:02.456 --> 00:02:03.296

<v SPEAKER_2>Absolutely.

00:02:03.296 --> 00:02:08.596

<v SPEAKER_2>So I think we should start with a quick note about your international experience.

00:02:08.596 --> 00:02:30.816

<v SPEAKER_2>So while you've only been in Canada since March 2025, so like many of the diplomats as well, you're a little new here, but your 25 years of experience at PETRONAS have included operations and jurisdictions as diverse as, of course, Malaysia, but also Iraq and Uzbekistan.

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<v SPEAKER_2>So can you unpack for us, what do you think has been the biggest difference between operating in those countries and operating in Canada?

00:02:41.136 --> 00:02:44.476

<v SPEAKER_3>Well, number one, Uzbekistan, I had to learn a new language.

00:02:45.576 --> 00:02:49.756

<v SPEAKER_3>Meetings took three times longer because we had to work through translators.

00:02:49.756 --> 00:02:53.796

<v SPEAKER_3>So I took it upon myself to learn how to speak Russian.

00:02:55.636 --> 00:03:01.556

<v SPEAKER_3>Terrain and weather-wise, I think it's pretty much similar to Canada.

00:03:01.556 --> 00:03:13.296

<v SPEAKER_3>It's cold, minus 40 in winter, but it gets really, really hot in summer, upwards of 50-60 degrees where we operate.

00:03:13.716 --> 00:03:26.396

<v SPEAKER_3>It's a double-landlocked country, and the energy security challenges are real, and exploring into those really tough terrain and conditions.

00:03:26.476 --> 00:03:36.996

<v SPEAKER_3>One of the things I have learned a lot of time, including how to manage environmental catastrophe on the Aral Sea.

00:03:36.996 --> 00:03:46.176

<v SPEAKER_3>You guys, we have the geography of the fourth largest lake all the way back before.

00:03:46.256 --> 00:03:53.596

<v SPEAKER_3>It was a dried up lake, which I had to learn how to build a 200-kilometer gravel road just to get it rigged.

00:03:55.516 --> 00:04:14.136

<v SPEAKER_3>Iraq just ended the war, and we took an opportunity where we were building a relationship with Iraq as far back as 2010 to take the opportunity to rebuild the oil and gas industry in Iraq.

00:04:14.736 --> 00:04:21.616

<v SPEAKER_3>Our relationship with Iraq went as far back as PETRONAS being impoverished.

00:04:21.616 --> 00:04:38.296

<v SPEAKER_3>We looked to two countries in 1974 when we were in poverty in PETRONAS, it was Indonesia for the production and sharing contract structures, and also Iraq in terms of how they were managing their oil and gas resources back then.

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<v SPEAKER_3>Initial days going into Iraq required you to be really fit because you got to wear that 48 kilogram bulletproof vest all the time.

00:04:51.136 --> 00:05:04.336

<v SPEAKER_3>We learned a lot how to work around communities that was rebuilding themselves, our operations in Iraq, at 30 villages around our operations.

00:05:04.336 --> 00:05:17.576

<v SPEAKER_3>And I learned a real big value in building relationships in Iraq, especially for the Middle East region.

00:05:17.576 --> 00:05:21.876

<v SPEAKER_3>So the period was one of the outcomes of building Iraq.

00:05:25.816 --> 00:05:28.296

<v SPEAKER_3>It had to be short to get to Canada.

00:05:33.256 --> 00:05:40.776

<v SPEAKER_3>But I think in the value relationship, the handshake was not good enough in the Middle East.

00:05:40.776 --> 00:05:42.616

<v SPEAKER_3>Shoulder bump is probably okay.

00:05:42.616 --> 00:05:46.296

<v SPEAKER_3>You get to call him out and invite him for a drink.

00:05:46.296 --> 00:05:58.876

<v SPEAKER_3>But those odd number of cheap to cheap kisses, that's the one that gets you in to the real relationship where they invite you to their homes.

00:05:58.876 --> 00:06:04.696

<v SPEAKER_3>A problem is just resolved over coffee and tea.

00:06:04.696 --> 00:06:05.516

<v SPEAKER_3>So that was Iraq.

00:06:05.956 --> 00:06:14.236

<v SPEAKER_3>And I think the biggest achievement that I would say we invested a lot of the human capital development in Iraq.

00:06:14.236 --> 00:06:29.436

<v SPEAKER_3>We built a team of about 700 people, local talents to run today 250,000 barrel facility to the Iraqi Bastar al-Nait.

00:06:30.896 --> 00:06:36.476

<v SPEAKER_2>Now, I may go just a little bit off script here, and really bear with me for a second.

00:06:36.476 --> 00:06:39.476

<v SPEAKER_2>So you said that PETRONAS was established in 1974.

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<v SPEAKER_2>I'm assuming that it was established, in part, in reaction to the first major oil crisis that started in 1973.

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<v SPEAKER_2>And I think that that sort of energy security is in the genetics, I suppose, of PETRONAS.

00:06:54.376 --> 00:06:55.076

<v SPEAKER_2>Is that correct?

00:06:55.076 --> 00:07:01.276

<v SPEAKER_2>And is that kind of why it started off, including with the relationships in Iraq?

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<v SPEAKER_3>Not quite.

00:07:01.956 --> 00:07:07.176

<v SPEAKER_3>I think the oil and gas industry in Malaysia started as early as the 1900s.

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<v SPEAKER_3>It was shut.

00:07:09.876 --> 00:07:11.896

<v SPEAKER_3>And then Exxon came.

00:07:11.896 --> 00:07:18.416

<v SPEAKER_3>But we also realized as a nation that we haven't been getting the best value of that national resource that we had.

00:07:18.416 --> 00:07:20.456

<v SPEAKER_3>So we wanted to take more control.

00:07:20.456 --> 00:07:27.836

<v SPEAKER_3>We wanted to add value to it and use those returns and value to build the nation.

00:07:27.836 --> 00:07:36.996

<v SPEAKER_3>And that's why we went out to seek countries that was more advanced at the time, build up PETRONAS as a corporation.

00:07:36.996 --> 00:07:39.776

<v SPEAKER_3>It is in cooperate in the Companies Act.

00:07:39.776 --> 00:07:42.356

<v SPEAKER_3>And yes, Dr.

00:07:42.356 --> 00:07:44.336

<v SPEAKER_3>Shazina is right.

00:07:44.336 --> 00:07:50.696

<v SPEAKER_3>They hold us accountable to return that 10 million initial investment.

00:07:50.696 --> 00:07:52.556

<v SPEAKER_3>That's all we got from the government.

00:07:52.556 --> 00:07:55.516

<v SPEAKER_3>It's 10 million ringgit.

00:07:55.516 --> 00:07:59.116

<v SPEAKER_3>It's not dollars, it's not euros, it's not Canadian dollars.

00:08:00.736 --> 00:08:10.816

<v SPEAKER_3>And we built a business that continuously returned back to the nation today in the trillions.

00:08:10.816 --> 00:08:16.756

<v SPEAKER_3>That also allowed an industry to flourish for the nation.

00:08:17.936 --> 00:08:23.016

<v SPEAKER_3>And that was probably the first initial 20 years of our existence.

00:08:24.876 --> 00:08:32.916

<v SPEAKER_3>Our forefathers had the foresight to look beyond that 20 years, looking into, I think, as far as 100 years ahead.

00:08:32.916 --> 00:08:34.496

<v SPEAKER_3>We're not a big country.

00:08:34.496 --> 00:08:38.496

<v SPEAKER_3>Our resources are not as big as Canada.

00:08:38.496 --> 00:08:51.216

<v SPEAKER_3>And the partnerships and the relationships that we built around the region, PETRONAS is seen as a reliable partner and energy supplier.

00:08:52.616 --> 00:08:56.156

<v SPEAKER_3>And that's when we built our international footprint.

00:08:56.156 --> 00:09:06.776

<v SPEAKER_3>We're about 30 countries in upstream and 100 countries where we partner in downstream and petrochemical business.

00:09:06.776 --> 00:09:12.056

<v SPEAKER_3>So that we can continue returning back dividends to the government.

00:09:12.056 --> 00:09:21.336

<v SPEAKER_3>And because we are very consistent and reliable in

returning back those dividends to the government, they don't matter with the company decisions.

00:09:23.336 --> 00:09:34.656

<v SPEAKER_3>So we go out there and build a business that is viable, that is sustainable for us to go back and return that to the government.

00:09:34.656 --> 00:09:35.676

<v SPEAKER_2>Yeah, absolutely.

00:09:35.676 --> 00:10:02.096

<v SPEAKER_2>And so when we're talking about Petronas, the global company's involvement in the upstream operations of various different countries, I think one of the big ones of course is Petronas Canada and the major LNG project that you have, that Petronas has decided to partner with other major companies on, and this of course is LNG Canada.

00:10:02.096 --> 00:10:18.796

<v SPEAKER_2>So with the first cargoes from LNG Canada being sent out this year, I think everyone here is interested in Petronas' role in this mega project and where the cargoes have been going so far, because I think that that ties in with what sort of partnerships we can anticipate going forward.

00:10:18.796 --> 00:10:25.676

<v SPEAKER_2>So could you quickly unpack for us the role that Canadian LNG is playing in Petronas' global portfolio?

00:10:27.436 --> 00:10:35.816

<v SPEAKER_3>So we, I mean, the plant in Malaysia, the Dintulu plant produces about 21 MTPA.

00:10:35.816 --> 00:10:39.296

<v SPEAKER_3>But we built a portfolio of 35 MTPA.

00:10:42.176 --> 00:10:54.536

<v SPEAKER_3>And some of the speakers earlier today mentioned that we today supply almost 15 percent of Japan's energy needs, being about 6 percent for Korea.

00:10:54.536 --> 00:10:59.476

<v SPEAKER_3>China is asking to increase from 8 to 10.

00:10:59.476 --> 00:11:07.016

<v SPEAKER_3>Now, these supply relationships that we've had with those countries are not built overnight.

00:11:07.016 --> 00:11:10.236

<v SPEAKER_3>We've built a 40-year relationship with Japan.

00:11:13.756 --> 00:11:23.456

<v SPEAKER_3>They depend on us to supply the reliable energy for their country's needs, we got for the public or the industry.

00:11:24.936 --> 00:11:28.716

<v SPEAKER_3>This is a story, I think Nishizawa-san probably remember this.

00:11:28.716 --> 00:11:33.436

<v SPEAKER_3>He was one of the ones that was very constructive and feedback.

00:11:33.436 --> 00:11:35.916

<v SPEAKER_3>We had a problem in 2017.

00:11:35.916 --> 00:11:40.356

<v SPEAKER_3>One of our pipelines had a catastrophic failure.

00:11:41.556 --> 00:11:49.076

<v SPEAKER_3>We had a challenge in committing that guaranteed supply and we issued a fourth measure.

00:11:50.556 --> 00:11:53.836

<v SPEAKER_3>Japan was really angry with us.

00:11:53.836 --> 00:12:08.736

<v SPEAKER_3>They were really upset because they thought we took for granted the relationship that we had and to them, the relationship was so well established that a fourth measure didn't need to be issued.

00:12:11.536 --> 00:12:21.676

<v SPEAKER_3>A meeting of four-eye meeting explaining our challenge was good enough for them and the assurance that we had in delivering was all they needed.

00:12:23.016 --> 00:12:33.776

<v SPEAKER_3>But we made that mistake and that's when we also learned the value of that relationship that we've had with our foundational pessimism in Japan.

00:12:33.776 --> 00:12:46.176

<v SPEAKER_3>I think when you intend to get into the energy security space, especially in LNG, you've heard the four panel speakers at the top.

00:12:46.176 --> 00:12:51.576

<v SPEAKER_3>There was one word that came up many, many times that was reliable.

00:12:51.576 --> 00:12:58.396

<v SPEAKER_3>You get into the space of supply and it's not one-year contract, three-year contract or a market deal.

00:12:58.396 --> 00:13:13.316

<v SPEAKER_3>It's actually a long-term relationship with a partner, with a country and it's like what our counterpart from, a diplomat from Korea mentioned.

00:13:13.356 --> 00:13:15.636

<v SPEAKER_3>They are manufacturing industry.

00:13:15.636 --> 00:13:25.076

<v SPEAKER_3>They need the energy so that they can return the energy in terms of higher value products for the country that they trade with.

00:13:26.276 --> 00:13:37.136

<v SPEAKER_3>I think that's where PETRONAS has been competitive and in holding that competitive edge, we've been able to bridge those relationships.

00:13:37.136 --> 00:13:49.596

<v SPEAKER_3>We've been able to understand what are those countries' needs as we venture in partnerships with those countries.

00:13:49.776 --> 00:13:56.136

<v SPEAKER_3>And I think we are half the size of Alberta.

00:13:56.136 --> 00:13:58.916

<v SPEAKER_3>Our resource is not infinite.

00:13:58.916 --> 00:14:04.096

<v SPEAKER_3>It is a declining resource for Malaysia.

00:14:04.096 --> 00:14:08.136

<v SPEAKER_3>We value that relationship and the partnership that we've had with our customers.

00:14:08.876 --> 00:14:15.056

<v SPEAKER_3>And hence why we're looking out all over the world to diversify our supply nodes.

00:14:15.056 --> 00:14:20.776

<v SPEAKER_3>And Canada was a supply node that we identified 14 years ago.

00:14:20.816 --> 00:14:34.356

<v SPEAKER_3>We came in and put in an investment in North Portly, took

over Progress Energy because we needed to learn how to operate and develop an unconfined business.

00:14:34.356 --> 00:14:35.576
<v SPEAKER_3>It's very alien to us.

00:14:35.996 --> 00:14:40.596
<v SPEAKER_3>We built a company that was based on conventionals and mostly offshore.

00:14:42.496 --> 00:14:58.496
<v SPEAKER_3>We felt that it was a credible portfolio to have in upstream for us to remain relevant and credible when we want to build a value chain that goes all the way to LNG.

00:15:00.316 --> 00:15:17.076
<v SPEAKER_3>We hit a speed bump on PNW, but we've learned very quickly and we, I believe if my history is right, we leverage on our partnerships with Mitsubishi and they probably pointed us in the right direction.

00:15:17.076 --> 00:15:40.976
<v SPEAKER_3>And within a year prior to LNG CSFID, we got on board and we've been resilient so far to stay through to our intent of being in Canada and build an LNG industry so that the energy from Canada can be an important part of global energy transition need.

00:15:42.196 --> 00:15:51.976
<v SPEAKER_2>Yeah, and the PNW project, the Pacific Northwest project, very, very large planned LNG facility that didn't end up moving forward.

00:15:52.036 --> 00:15:56.936
<v SPEAKER_2>And we appreciate, we deeply appreciate Petronas for sticking around even after that.

00:15:57.396 --> 00:16:01.676
<v SPEAKER_2>I'll speak on speak on my behalf, but I think on behalf of those Canadians.

00:16:01.676 --> 00:16:06.556
<v SPEAKER_2>So the Canadian government is currently looking to move major projects forward.

00:16:06.556 --> 00:16:11.456
<v SPEAKER_2>And this includes the second phase of LNG Canada, phase two.

00:16:11.456 --> 00:16:15.176
<v SPEAKER_2>And so this is a project, of course, it's a brownfield

project.

00:16:15.176 --> 00:16:19.196

<v SPEAKER_2>It's expansion of the current LNG Canada project.

00:16:19.196 --> 00:16:21.496

<v SPEAKER_2>So it would dramatically increase its capacity.

00:16:21.636 --> 00:16:26.256

<v SPEAKER_2>But not quite as big of a risk as the first phase.

00:16:26.256 --> 00:16:30.336

<v SPEAKER_2>But there's still the question of getting major projects built.

00:16:30.336 --> 00:16:35.936

<v SPEAKER_2>And the necessity of big companies with deep capital pools to really bet on Canada.

00:16:35.936 --> 00:16:47.036

<v SPEAKER_2>So Hafiz, drawing on your international experience, what sort of signals would you be looking forward to help make the decision to double down on this investment in Canada?

00:16:49.096 --> 00:16:52.616

<v SPEAKER_3>So again, evolving around the theme reliable.

00:16:52.616 --> 00:16:56.056

<v SPEAKER_3>So you need a stable governance process.

00:16:56.056 --> 00:17:03.836

<v SPEAKER_3>You got to enable investors to come in and move through the process with ease.

00:17:03.836 --> 00:17:07.216

<v SPEAKER_3>Canada has really good governance.

00:17:09.036 --> 00:17:21.076

<v SPEAKER_3>But I think that there are nuances to those governance and there's a lot of maneuvering that needs to be done to get it faster than it is today.

00:17:21.076 --> 00:17:26.396

<v SPEAKER_3>I mean, 16 years to get LNGC's first car go out.

00:17:26.396 --> 00:17:29.396

<v SPEAKER_3>Wow.

00:17:29.396 --> 00:17:34.136

<v SPEAKER_3>The US grew from 14 to 100 MTPA at the same time amount.

00:17:34.176 --> 00:17:35.696
<v SPEAKER_3>That's your neighbor.

00:17:35.696 --> 00:17:43.196
<v SPEAKER_3>And you're selling that cheap gas for them to capitalize on their JKM price for the 100 MTPA.

00:17:43.776 --> 00:17:46.276
<v SPEAKER_3>That's the opportunity lost there.

00:17:47.436 --> 00:18:05.796
<v SPEAKER_3>I think what we're excited about, the involvement and the interest that we're getting from our indigenous partnerships is really, really enabling those opportunities to be realized.

00:18:07.276 --> 00:18:18.076
<v SPEAKER_3>We built our plant in Bintulu, Sarawak, in collaboration with a state that is made up of 80% indigenous people.

00:18:18.076 --> 00:18:28.736
<v SPEAKER_3>The operators and the engineers and specialists that operates that 21 MTPA MLNG plant are made up mostly of our indigenous people in Malaysia.

00:18:29.776 --> 00:18:35.716
<v SPEAKER_3>And I think those are some of the strength that Canada has.

00:18:35.716 --> 00:18:41.216
<v SPEAKER_3>And I think the leveraging of those also move the needle forward.

00:18:43.676 --> 00:18:53.136
<v SPEAKER_3>The last part is, I think, Matt was spoken many times, is the regulatory complexity is huge.

00:18:53.136 --> 00:19:16.836
<v SPEAKER_3>And I think that's something that PETRONAS has been very active in collaborating with many agencies and regulators trying to share our views, our experiences and trying to show what good looks like and where we can move the progress and the pace a lot faster.

00:19:16.836 --> 00:19:18.056
<v SPEAKER_2>Yeah, fantastic.

00:19:18.056 --> 00:19:21.996
<v SPEAKER_2>Now, I'd like to leave off before we get into the Q&A here.

00:19:21.996 --> 00:19:28.276

<v SPEAKER_2>I'd like to talk on a broader discussion of a more integrated Canadian natural gas strategy.

00:19:28.276 --> 00:19:32.036

<v SPEAKER_2>So like you said, Canada has some of the best gas resources in the world.

00:19:32.876 --> 00:19:44.156

<v SPEAKER_2>And in particular, the Amontney Formation, which we've been talking about, how many years of production we can sustain in these natural gas reserves.

00:19:44.276 --> 00:19:46.936

<v SPEAKER_2>But these reserves are very remote.

00:19:46.936 --> 00:19:53.276

<v SPEAKER_2>The Northeastern British Columbia is not very close to major sources of demand.

00:19:53.276 --> 00:19:56.436

<v SPEAKER_2>And you need this sort of infrastructure.

00:19:56.436 --> 00:20:01.036

<v SPEAKER_2>And this infrastructure, of course, is expensive, often politically charged.

00:20:01.036 --> 00:20:06.096

<v SPEAKER_2>But it is necessary to get these reserves to where they're needed.

00:20:06.096 --> 00:20:09.996

<v SPEAKER_2>So do you have any insights for the policymakers in the room?

00:20:10.636 --> 00:20:16.376

<v SPEAKER_2>What really needs to be front of mind in Canada's strategy for natural gas going forward?

00:20:17.516 --> 00:20:18.956

<v SPEAKER_3>Everybody's talking about LNG.

00:20:18.956 --> 00:20:21.676

<v SPEAKER_3>Nobody's talking about upstream.

00:20:21.676 --> 00:20:23.876

<v SPEAKER_3>The gas comes from upstream.

00:20:24.056 --> 00:20:25.556

<v SPEAKER_3>I don't need to say that.

00:20:29.896 --> 00:20:43.776

<v SPEAKER_3>When you do a deal with 15, 20, 40-year deals, your customers want assurance that you have the resource supply.

00:20:44.556 --> 00:20:48.396

<v SPEAKER_3>That's why when we came into Canada, we secured a deal.

00:20:48.916 --> 00:20:57.056

<v SPEAKER_3>We took over a huge part of North Bordnia so that we are credible when we put up a North State agreement with our customers.

00:20:57.056 --> 00:21:02.716

<v SPEAKER_3>But part of the industry must be compatible.

00:21:05.056 --> 00:21:09.576

<v SPEAKER_3>It is really challenging for PETRONAS to see.

00:21:10.676 --> 00:21:26.736

<v SPEAKER_3>I mean, when I arrived in March, AECO was doing \$2.31, Station 2 was doing \$0.99, but Henry Hup was doing \$5.94.

00:21:28.636 --> 00:21:42.596

<v SPEAKER_3>So how do you excite investors to come and build a portfolio of gas resource for an LNG market when it's so challenging and upstream to make it work?

00:21:42.596 --> 00:21:44.096

<v SPEAKER_2>Just a step in there for a second.

00:21:44.296 --> 00:21:53.796

<v SPEAKER_2>Just for those who aren't as aware for natural gas in the room, those first two are Canadian natural gas price benchmarks, whereas Henry Hup is the primary American natural gas price benchmark.

00:21:53.796 --> 00:21:54.396

<v SPEAKER_2>But go ahead.

00:21:56.176 --> 00:22:03.116

<v SPEAKER_3>The second challenge is what we learned in Malaysia as well.

00:22:03.116 --> 00:22:11.276

<v SPEAKER_3>I mean, we built that 21 MPPA Bintulu Plan in 1984.

00:22:12.536 --> 00:22:17.496

<v SPEAKER_3>When we FID'd it, there was no gas sales agreement yet.

00:22:17.496 --> 00:22:30.996

<v SPEAKER_3>We built it on a bet that our government's relationship

with Japan at the time would back us up, and those long-term supply relationships would come after that.

00:22:30.996 --> 00:22:32.196

<v SPEAKER_3>And it did.

00:22:34.556 --> 00:22:41.956

<v SPEAKER_3>I mean, I'm alluding to someone needs to take a bite for the midstream infrastructure.

00:22:41.956 --> 00:22:49.436

<v SPEAKER_3>Because every LNG project today in Canada is expected to build its own pipeline.

00:22:49.436 --> 00:22:51.536

<v SPEAKER_3>And that's a huge undertaking.

00:22:52.356 --> 00:22:58.956

<v SPEAKER_3>CGL, FID did it at a certain amount and ended up paying three times more.

00:23:00.316 --> 00:23:09.856

<v SPEAKER_3>There were other ventures in Canada, ventured into those pipelines and also ended up three times more.

00:23:09.856 --> 00:23:21.536

<v SPEAKER_3>But a lot of those costs were evolving around regulations, policies, not really the construction challenges of building those infrastructure.

00:23:21.756 --> 00:23:36.076

<v SPEAKER_3>Those are two things that I would say, we're excited about LNG, we're excited about those JKM prices at 16, 12, whatever it is today.

00:23:36.076 --> 00:23:43.936

<v SPEAKER_3>But there's an enablement that we need to do at the upstream and the midstream to get the gas from point A to point B.

00:23:46.976 --> 00:23:54.236

<v SPEAKER_3>And that's where a collaboration between industry and government is really, really much needed.

00:23:54.236 --> 00:24:00.776

<v SPEAKER_3>And I think I do believe that the government needs to put skin in the game.

00:24:00.776 --> 00:24:10.876

<v SPEAKER_3>And not just hope for industry to respond on something that requires, it is a long game.

00:24:11.116 --> 00:24:15.496

<v SPEAKER_3>It is easy for us in Malaysia to do because we are a national oil company.

00:24:15.496 --> 00:24:29.616

<v SPEAKER_3>This is a free trade market and we have to find that formula or policy that brings industry and government together to enable that competitive market for our human history.

00:24:29.616 --> 00:24:31.376

<v SPEAKER_2>Okay, we'll bring the panel to an end here.

00:24:31.376 --> 00:24:32.956

<v SPEAKER_2>Thank you so much Hafiz.

00:24:32.956 --> 00:24:35.576

<v SPEAKER_2>Let's all give him a round of applause.

00:24:35.616 --> 00:24:37.796

<v SPEAKER_2>We'll be following up our next panelist.

00:24:37.796 --> 00:24:41.216

<v SPEAKER_2>Monica, David, could you please come to the stage?

00:24:42.016 --> 00:24:42.836

<v SPEAKER_4>Thank you, Joe.

00:24:42.836 --> 00:24:45.656

<v SPEAKER_4>You want me to just jump in or do you have some opening words?

00:24:45.656 --> 00:24:48.476

<v SPEAKER_2>You can just jump in, maybe introduce.

00:24:48.476 --> 00:24:49.576

<v SPEAKER_4>Sure.

00:24:49.576 --> 00:25:03.636

<v SPEAKER_4>Yeah, so it's an honour to lead this fireside chat, looking at provincial perspectives on trans-Pacific resources, looking at what some of the past and current opportunities are for Canada.

00:25:04.236 --> 00:25:15.656

<v SPEAKER_4>What is the role of provincial governments in seizing them, and how do we navigate for a little bit about this indirectly, intergovernmental tensions.

00:25:15.656 --> 00:25:28.296

<v SPEAKER_4>We have an ideal leader with us today to help answer

these questions with us is Dave Nikolejsin, strategic advisor at McCarthy Tetrault.

00:25:28.296 --> 00:25:39.036

<v SPEAKER_4>But importantly, I think for this conversation, former British Columbia Deputy Minister for Natural Gas Development and for Energy and Mines.

00:25:39.036 --> 00:25:42.176

<v SPEAKER_4>Dave also head of the province's Environmental Assessment Office.

00:25:42.176 --> 00:25:44.156

<v SPEAKER_4>So he has seen a lot.

00:25:44.156 --> 00:25:50.376

<v SPEAKER_4>He's been directly involved in the BC government's efforts to move projects from ideas to ensue this.

00:25:50.376 --> 00:25:55.096

<v SPEAKER_4>I'm sure, Dave, you have many scars to prove it.

00:25:55.096 --> 00:25:57.236

<v SPEAKER_4>We're delighted to have you with us here today.

00:25:58.336 --> 00:26:18.516

<v SPEAKER_4>What I want to do is kind of start by asking the \$64,000 question that I think many of our esteemed international speakers early this morning raised, which is Canada can be a far larger and a far more relevant player on energy in the Indo-Pacific.

00:26:18.776 --> 00:26:25.196

<v SPEAKER_4>We could be, I think a lot of people are looking at us to be, a go-to place for energy.

00:26:25.196 --> 00:26:26.516

<v SPEAKER_4>Why are we not already?

00:26:27.736 --> 00:26:30.316

<v SPEAKER_5>Yeah, and it's so true.

00:26:30.316 --> 00:26:32.076

<v SPEAKER_5>I mean, the geology is good.

00:26:32.076 --> 00:26:36.016

<v SPEAKER_5>We've got great rocks, lots of resource, and everybody knows it.

00:26:36.016 --> 00:26:39.636

<v SPEAKER_5>So why haven't we brought it to market already?

00:26:39.636 --> 00:26:44.856

<v SPEAKER_5>And there have been notable examples where we have been successful.

00:26:44.916 --> 00:26:52.436

<v SPEAKER_5>But by and large, Canada has a reputation as a very well-in-down country that can't build things.

00:26:52.436 --> 00:26:58.556

<v SPEAKER_5>And I spent a lot of time in market in those roles you talked about earlier, all over Asia.

00:26:58.556 --> 00:27:02.816

<v SPEAKER_5>And yeah, that's what we're constantly battling.

00:27:02.816 --> 00:27:07.336

<v SPEAKER_5>And our Prime Minister is in market again, battling that same perception.

00:27:07.336 --> 00:27:08.276

<v SPEAKER_5>So why is he there?

00:27:08.276 --> 00:27:12.276

<v SPEAKER_5>To convince people that was then and this is now.

00:27:12.476 --> 00:27:19.676

<v SPEAKER_5>But honestly, the challenge we have has held us back is we don't act like a country.

00:27:19.676 --> 00:27:25.316

<v SPEAKER_5>We act more like the Balkans than we do a unified country that has a coherent national policy.

00:27:25.316 --> 00:27:32.776

<v SPEAKER_5>And you look at places like Norway, you know, as a good example, a much, much smaller jurisdiction.

00:27:32.776 --> 00:27:39.776

<v SPEAKER_5>But, you know, they don't have this whipsawing between governments with different agendas, which takes them off their game.

00:27:40.276 --> 00:27:45.696

<v SPEAKER_5>And if you're an investor, you have to have more than a four-year or maybe shorter window.

00:27:45.696 --> 00:27:47.816

<v SPEAKER_5>We talked about how long it takes to get your capital back.

00:27:47.816 --> 00:27:51.496

<v SPEAKER_5>So that stability has been missing and it's really held us back.

00:27:51.496 --> 00:28:00.096

<v SPEAKER_5>And in fact, you know, some of that infighting between provinces was not only allowed to go on, it was sometimes serving a federal agenda.

00:28:00.096 --> 00:28:03.496

<v SPEAKER_5>Let the feds off the hook far too often.

00:28:03.496 --> 00:28:16.056

<v SPEAKER_5>And so now, there's a new sheriff in town, you know, with a different message who is much more assertively trying to get over that and get through that, convince people that was then.

00:28:16.056 --> 00:28:24.556

<v SPEAKER_5>And it'll be really interesting to watch what, you know, what happens next because the rhetoric is good, the tone is good.

00:28:24.556 --> 00:28:27.876

<v SPEAKER_5>We've seen some really important signals happening.

00:28:27.876 --> 00:28:38.336

<v SPEAKER_5>For example, you know, the setting up of the major project, great signal, great example of trying to change the game, but what's going to happen next, right?

00:28:38.836 --> 00:28:42.976

<v SPEAKER_5>And it's a good example of, yeah, that's actually just more process.

00:28:42.976 --> 00:28:47.696

<v SPEAKER_5>Setting up a major projects office, yet another layer of more bureaucracy.

00:28:47.696 --> 00:28:51.816

<v SPEAKER_5>Okay, well, I think everybody's trying to give them the benefit of the doubt.

00:28:51.816 --> 00:28:54.656

<v SPEAKER_5>And Dawn Farrow is an excellent choice.

00:28:54.656 --> 00:29:01.936

<v SPEAKER_5>She'll probably be an irresistible force, but she's about to meet an immovable object called the federal bureaucracy.

00:29:01.936 --> 00:29:04.436

<v SPEAKER_5>And we'll see, like we will all see.

00:29:04.436 --> 00:29:06.756

<v SPEAKER_5>And so capital is still standing on the sidelines.

00:29:06.816 --> 00:29:12.096

<v SPEAKER_5>They're not saying, oh, you established an MPO, where can I sign up to invest?

00:29:12.096 --> 00:29:14.536

<v SPEAKER_5>They want to see results and actions.

00:29:14.536 --> 00:29:17.696

<v SPEAKER_5>And actions always speak louder than words.

00:29:17.696 --> 00:29:25.136

<v SPEAKER_5>And the last decade especially, our actions have been not that welcoming to that investment we're talking about here.

00:29:25.136 --> 00:29:26.976

<v SPEAKER_5>And so what's going to happen next?

00:29:26.976 --> 00:29:35.996

<v SPEAKER_5>We talked about some signals around things like emissions cap as an example of being talking about, well, what's happened?

00:29:35.996 --> 00:29:37.656

<v SPEAKER_5>Things actually need to change.

00:29:37.656 --> 00:29:40.016

<v SPEAKER_5>You need to start sending those signals.

00:29:40.596 --> 00:29:45.116

<v SPEAKER_5>And then people will start to believe the message.

00:29:45.116 --> 00:29:55.136

<v SPEAKER_5>But that's been our problem, is that inconsistency of gravitas around actually wanting to build things in this country.

00:29:55.136 --> 00:29:59.136

<v SPEAKER_4>And you mentioned about investors waiting on the sidelines.

00:29:59.236 --> 00:30:12.316

<v SPEAKER_4>But an observation I would make from listening to some of our potential customers this morning is that they might also be needing a little more persuading, I'll put it that way.

00:30:12.576 --> 00:30:14.976

<v SPEAKER_4>Any thoughts on that?

00:30:16.056 --> 00:30:39.596

<v SPEAKER_5>Yeah, I mean, it's, again, the experience I have had and my experience with investors and major companies like PETRONAS show and all these other folks who are in the market and in the game is they're looking at, you know, where can I get a return on my investment?

00:30:39.596 --> 00:30:42.976

<v SPEAKER_5>Because quite frankly, you know, there's lots of places you can go build things.

00:30:42.976 --> 00:30:44.776

<v SPEAKER_5>Canada is just one of them.

00:30:44.776 --> 00:30:49.216

<v SPEAKER_5>Canada has a lot of advantages that they really, really like, like the rule of law.

00:30:49.276 --> 00:30:51.176

<v SPEAKER_5>You know, you don't have to worry about your project being nationalized.

00:30:51.176 --> 00:30:56.496

<v SPEAKER_5>As long as it takes to build it, you don't have to worry about it being nationalized, you know, someday by a rogue actor.

00:30:56.496 --> 00:30:59.516

<v SPEAKER_5>And so there's all these advantages that they're looking at.

00:30:59.516 --> 00:31:04.876

<v SPEAKER_5>What they actually need to see, I believe, is genuine signals.

00:31:04.876 --> 00:31:13.136

<v SPEAKER_5>I mean, we just heard the CEO of PETRONAS speak in to some real things that are affecting our competitiveness.

00:31:13.136 --> 00:31:17.216

<v SPEAKER_5>And for all the time we spend agonizing about permitting and delays.

00:31:17.356 --> 00:31:20.676

<v SPEAKER_5>And, you know, we'll talk about that a little bit in this conversation.

00:31:21.856 --> 00:31:24.976

<v SPEAKER_5>Competitiveness is, it matters.

00:31:24.976 --> 00:31:36.376

<v SPEAKER_5>And, you know, it's a great question about, you know, what's it like thinking about emissions, for example, in response to how we build these projects?

00:31:36.376 --> 00:31:39.336

<v SPEAKER_5>And of course, there's only one right answer to that.

00:31:39.336 --> 00:31:40.296

<v SPEAKER_5>There's only one right answer.

00:31:40.296 --> 00:31:41.236

<v SPEAKER_5>Of course, we care.

00:31:41.236 --> 00:31:42.456

<v SPEAKER_5>And as Canadians, we care.

00:31:42.456 --> 00:31:43.456

<v SPEAKER_5>And it matters to us.

00:31:43.456 --> 00:31:45.236

<v SPEAKER_5>Like, everybody cares about that.

00:31:46.016 --> 00:31:52.776

<v SPEAKER_5>Right up until it tips you over and you can't have nice things because you can't build projects because you're not competitive.

00:31:52.776 --> 00:31:54.036

<v SPEAKER_5>So finding...

00:31:54.036 --> 00:31:55.936

<v SPEAKER_5>It's not this binary conversation.

00:31:56.576 --> 00:31:59.536

<v SPEAKER_5>We either have to care about the climate or we don't.

00:31:59.536 --> 00:32:02.996

<v SPEAKER_5>There's a reasonable place you can land where you can be competitive.

00:32:03.036 --> 00:32:07.456

<v SPEAKER_5>LNG Canada did not build that project out of charity.

00:32:07.616 --> 00:32:10.596

<v SPEAKER_4>And in fact, that's where I want to go next with the conversation.

00:32:10.596 --> 00:32:16.676

<v SPEAKER_4>So there has been a lot said this morning about the length of time it took to build LNG Canada.

00:32:16.676 --> 00:32:19.856

<v SPEAKER_4>But I would also like to say, it's not all bad news, right?

00:32:19.856 --> 00:32:23.456

<v SPEAKER_4>The project got built, first shipments going out.

00:32:23.456 --> 00:32:26.836

<v SPEAKER_4>This was the first LNG export terminal for Canada.

00:32:26.836 --> 00:32:33.576

<v SPEAKER_4>I think that is something that is a tremendous accomplishment for the country.

00:32:33.576 --> 00:32:38.076

<v SPEAKER_4>Now, you were intimately involved in getting that project past the finish line.

00:32:38.076 --> 00:32:46.976

<v SPEAKER_4>What are some of the things we could learn from that project that we should be either not doing now or replicating now?

00:32:46.976 --> 00:32:47.276

<v SPEAKER_5>Sure.

00:32:47.756 --> 00:32:55.496

<v SPEAKER_5>There's always this talk about, we all wish the system just worked so that you didn't have to do exceptional things.

00:32:55.496 --> 00:32:59.456

<v SPEAKER_5>But yeah, there was a lot of things that happened to get that over the line.

00:32:59.696 --> 00:33:07.476

<v SPEAKER_5>I mean, it was a combination of supportive governments, federally, provincially, supportive First Nations eventually.

00:33:07.876 --> 00:33:15.236

<v SPEAKER_5>We got really supportive companies that wanted to be good actors and do the right thing.

00:33:15.236 --> 00:33:16.596

<v SPEAKER_5>And so that was all part of it.

00:33:16.596 --> 00:33:21.936

<v SPEAKER_5>But to answer the question of how did it actually get over the line, because it was no sure thing.

00:33:24.116 --> 00:33:32.876

<v SPEAKER_5>And it was a long process of, it's been talked about here today about the environmental processes and all of that.

00:33:32.876 --> 00:33:46.656

<v SPEAKER_5>But the much, much quite frankly, more difficult things for the consortium and the project was the economics, the competitiveness, because you can have the best environmental everything in the world.

00:33:46.656 --> 00:33:49.476

<v SPEAKER_5>At some point, you've got to be competitive.

00:33:49.476 --> 00:33:52.516

<v SPEAKER_5>And so how did that all come together?

00:33:52.516 --> 00:34:01.276

<v SPEAKER_5>Well, just to back up the bus a bit, one of the things that the Christy Clark government did, and Christy Clark kicked off this whole conversation.

00:34:01.276 --> 00:34:08.796

<v SPEAKER_5>She ran a campaign to be premier, she said, elect me and we're going to have a debt-free DC, painted it on the side of her bus.

00:34:08.796 --> 00:34:12.556

<v SPEAKER_5>And that was all about the LNG industry that she wanted to build.

00:34:12.896 --> 00:34:18.696

<v SPEAKER_5>Then when she became premier, she created a purpose-built ministry to do natural gas development.

00:34:18.696 --> 00:34:24.116

<v SPEAKER_5>That sent a huge message to the world that says, we're actually serious here.

00:34:24.116 --> 00:34:30.056

<v SPEAKER_5>And it was a well-resourced ministry, and I was fortunate enough to be Deputy Minister of it for quite a long time.

00:34:30.056 --> 00:34:36.256

<v SPEAKER_5>But more than that, then she put one of her most important, most powerful ministers in charge of that ministry.

00:34:36.256 --> 00:34:43.716

<v SPEAKER_5>And then, more than that, the Premier chaired the Steering Committee on LNG and LNG development.

00:34:43.716 --> 00:34:49.796

<v SPEAKER_5>And so, trust me, when I was running the LNG ministry,

you did not want to be on the agenda of that meeting.

00:34:49.796 --> 00:34:53.396

<v SPEAKER_5>So you want to focus the entire bureaucracy.

00:34:53.396 --> 00:35:03.756

<v SPEAKER_5>That's the kind of stuff you do, because my ability to get things done in the ministry of LNG development, you know, I had to deal with the rest of the system.

00:35:03.996 --> 00:35:15.876

<v SPEAKER_5>And like I say, they knew there was a level of seriousness going on there because the Premier and on that Steering Committee was the Minister of Finance, the Minister of Environment, the Minister of Indigenous Affairs.

00:35:15.876 --> 00:35:18.816

<v SPEAKER_5>You did not want to be on that agenda for that meeting.

00:35:18.816 --> 00:35:20.816

<v SPEAKER_5>So stuff got done.

00:35:20.816 --> 00:35:23.116

<v SPEAKER_5>So that that's, you know, what was happening.

00:35:23.116 --> 00:35:31.556

<v SPEAKER_5>But then at the end of the day, there was another election and the NDP formed government.

00:35:31.556 --> 00:35:37.296

<v SPEAKER_5>And you notice I don't say the NDP won the election because they actually won fewer seats.

00:35:37.716 --> 00:35:43.136

<v SPEAKER_5>And the balance of power in BC was held by three Green Party members.

00:35:43.136 --> 00:35:45.696

<v SPEAKER_5>And so Christy Clark was not able to form government.

00:35:45.696 --> 00:35:48.496

<v SPEAKER_5>She tried, couldn't get the confidence of the House.

00:35:48.736 --> 00:35:54.496

<v SPEAKER_5>And so long story short, John Horgan became Premier, held up by three Green members.

00:35:54.956 --> 00:36:01.556

<v SPEAKER_5>And all of the NDP and those Greens ran against LNG.

00:36:01.556 --> 00:36:07.136

<v SPEAKER_5>They ran a campaign that said elect us and we're going to kill all this nonsense because of the environment.

00:36:07.136 --> 00:36:09.136

<v SPEAKER_5>So what happened next was really interesting.

00:36:09.136 --> 00:36:16.256

<v SPEAKER_5>There's, you know, some very intense negotiations around the economics of the deal.

00:36:16.256 --> 00:36:22.096

<v SPEAKER_5>And it was painful for the province to be and the federal government to be in that conversation because we had to give up some things.

00:36:22.256 --> 00:36:25.516

<v SPEAKER_5>Like there was a pretty big dream we're going to have an LNG income tax in BC.

00:36:25.516 --> 00:36:33.916

<v SPEAKER_5>And I talk about the other things, big, big material things, like holding the carbon tax of \$30 for the life of that project.

00:36:33.916 --> 00:36:41.436

<v SPEAKER_5>You know, there's big economic levers got moved to pull the project economically over the line.

00:36:41.436 --> 00:36:53.156

<v SPEAKER_5>But much, much more importantly, John Horgan, you know, looked at his caucus in the eye and looked at the Green Party and said, this is important and we're going to do this.

00:36:53.156 --> 00:36:58.136

<v SPEAKER_5>And dared the Green Party to bring them down basically.

00:36:58.356 --> 00:37:03.416

<v SPEAKER_5>And it could have very easily been the end of his government of the day.

00:37:03.416 --> 00:37:09.396

<v SPEAKER_5>But the reason I tell that story is it's not unlike what's going on federally right now.

00:37:09.396 --> 00:37:19.196

<v SPEAKER_5>Like it's going to take somebody to decide how important this is and decide to be that statesman leader that says, yeah, I know you're going to be mad and you might not like it.

00:37:19.196 --> 00:37:21.636

<v SPEAKER_5>But it's important and we're going to do this.

00:37:22.356 --> 00:37:25.456

<v SPEAKER_5>And that's actually how I like this.

00:37:25.876 --> 00:37:29.776

<v SPEAKER_5>What I like to say is, Christy Clark and that government got it to the one yard line.

00:37:29.776 --> 00:37:34.256

<v SPEAKER_5>And it was actually Horgan and the NDP that punched it into the end zone.

00:37:34.256 --> 00:37:39.556

<v SPEAKER_4>No, I mean, at some level, to the comment you made earlier, a lot of the right things are being said.

00:37:39.556 --> 00:37:44.056

<v SPEAKER_4>But to actually take that to action is, the word that keeps coming in line for me is political resolve.

00:37:44.056 --> 00:37:46.856

<v SPEAKER_4>It's going to take that political resolve.

00:37:46.856 --> 00:37:50.016

<v SPEAKER_4>So governments are focused on how to get things built.

00:37:50.016 --> 00:37:55.716

<v SPEAKER_4>And for somebody like me who's spent a lot of time looking at regulatory frameworks, that's very exciting.

00:37:55.716 --> 00:38:03.296

<v SPEAKER_4>They're putting in lots of place lots of measures in place to try to improve regulatory systems and try to attract investment.

00:38:03.456 --> 00:38:09.076

<v SPEAKER_4>What's your sense, David, of where progress has been made and where progress still needs to be made?

00:38:09.076 --> 00:38:10.796

<v SPEAKER_5>Yeah.

00:38:10.796 --> 00:38:15.356

<v SPEAKER_5>So I talked earlier about that tone from the top, which is good now.

00:38:15.356 --> 00:38:19.436

<v SPEAKER_5>Honestly, that's a huge shift and it's really important.

00:38:21.416 --> 00:38:32.216

<v SPEAKER_5>But where we still need to make a lot of progress, we really need to fix our regulatory and permitting systems across the federal system and provincially.

00:38:32.216 --> 00:38:45.776

<v SPEAKER_5>And there's really two aspects to that, that people don't differentiate enough, because people really work in this system of trying to get permits, tend to fixate totally on things like Bill C-69.

00:38:45.836 --> 00:38:51.356

<v SPEAKER_5>Like it's the rallying cry for, let's fix Bill C-69 and then everything will be okay.

00:38:51.356 --> 00:38:55.656

<v SPEAKER_5>I'm here to tell you, everything won't be okay, because you're still going to need permits.

00:38:55.656 --> 00:39:01.396

<v SPEAKER_5>And so you need to think about those things that you have not, because 69 does need fixing.

00:39:01.396 --> 00:39:13.976

<v SPEAKER_5>But the process of getting permits to do things in this province is crazy hard, crazy expensive, and it's tilted way too far to risk managing.

00:39:14.096 --> 00:39:19.136

<v SPEAKER_5>So we have an entire generation of beergrass that have been trained.

00:39:19.136 --> 00:39:25.496

<v SPEAKER_5>My job is to manage risk to zero on everything all the time.

00:39:25.496 --> 00:39:29.116

<v SPEAKER_5>And then we wonder why things take a long.

00:39:29.116 --> 00:39:35.036

<v SPEAKER_5>And I'm, you know, the example, I just, I can't help it because it's such an overused example.

00:39:35.036 --> 00:39:46.116

<v SPEAKER_5>But the coupling of those two things, the tone from the top is like, you know, Kennedy saying, we want to put a man on the moon and we want to bring him back safe by the end of the decade.

00:39:46.636 --> 00:39:52.356

<v SPEAKER_5>That's the tone from the top and then doing what it takes with the money and the resources and the organizing.

00:39:52.356 --> 00:39:59.476

<v SPEAKER_5>And then down below the story of him touring NASA and, you know, seeing the janitor pushing the boomerang, saying, what's your job here?

00:39:59.476 --> 00:40:00.076

<v SPEAKER_5>What do you do here?

00:40:00.076 --> 00:40:02.256

<v SPEAKER_5>He says, I'm helping put a man on the moon.

00:40:02.256 --> 00:40:09.816

<v SPEAKER_5>Like how many bureaucrats do you think if you walked up to in this town would see the connection between their job and that MPO list over there?

00:40:09.956 --> 00:40:12.796

<v SPEAKER_5>And, you know, whatever it is, Carney's doing in Asia.

00:40:12.796 --> 00:40:15.496

<v SPEAKER_5>So that's what we don't have.

00:40:16.276 --> 00:40:23.556

<v SPEAKER_5>And so, yeah, now let's talk about the bigger thing, like of the regulatory, which is 69, and environmental assessments.

00:40:23.556 --> 00:40:24.816

<v SPEAKER_5>That does need fixing.

00:40:24.816 --> 00:40:36.316

<v SPEAKER_5>And I'll give you a good example of that is, and again, it goes to one of the things I really want to emphasize, which is the importance of partnering with First Nations and Indigenous people.

00:40:37.096 --> 00:40:54.736

<v SPEAKER_5>And right now, McCarthy Tetrault is doing a ton of work on something called the North Coast Transmission Line, which is a \$6 billion project to twin the 500 kilovolt system across Northern BC to support things like LNG and mining and all kinds of these things that are on, want to be major projects.

00:40:55.836 --> 00:41:04.116

<v SPEAKER_5>That project has been exempted by law in BC from needing an environmental assessment certificate.

00:41:05.216 --> 00:41:11.856

<v SPEAKER_5>Who here thinks that could have happened without the

Indigenous First Nations partnerships that are going on there?

00:41:12.756 --> 00:41:17.916

<v SPEAKER_5>What's happening there is not the typical way of working with First Nations.

00:41:17.916 --> 00:41:24.996

<v SPEAKER_5>We've been on this journey of consultant, accommodate to impact benefit agreements, state equity.

00:41:24.996 --> 00:41:33.056

<v SPEAKER_5>This is now the next version of that, which is what I call true equity ownership, not post-COD royalty dress up as equity.

00:41:33.796 --> 00:41:41.756

<v SPEAKER_5>This is actual ownership where they are sitting around the table as co-owners now during project development and they got to be commercial partners.

00:41:41.756 --> 00:41:42.856

<v SPEAKER_5>They got to raise their own equity.

00:41:42.856 --> 00:41:46.656

<v SPEAKER_5>They got to raise their own debt on a \$6 billion project.

00:41:46.656 --> 00:41:47.936

<v SPEAKER_6>But guess what?

00:41:47.936 --> 00:41:49.936

<v SPEAKER_5>They get to design the route.

00:41:49.936 --> 00:41:51.896

<v SPEAKER_5>They get to be in charge of the procurement.

00:41:51.896 --> 00:41:52.996

<v SPEAKER_5>They get to do all these things.

00:41:52.996 --> 00:42:03.736

<v SPEAKER_5>So now when you're sitting around saying, you need an environmental assessment, or you just want to, as the owner, decide things that are important to you guys.

00:42:03.876 --> 00:42:05.616

<v SPEAKER_5>And I'll tell you, it changes everything.

00:42:05.616 --> 00:42:14.816

<v SPEAKER_5>And so that project just saved two years of time and a couple hundred million dollars of process because it doesn't need to go through an environmental assessment.

00:42:15.256 --> 00:42:17.216
<v SPEAKER_4>Lots of nuggets there, Dave.

00:42:17.656 --> 00:42:19.076
<v SPEAKER_4>Thanks very much.

00:42:19.076 --> 00:42:32.636
<v SPEAKER_4>So we want to leave some time for questions, but before we go there, there's no way, I couldn't ask you about emerging tensions between British Columbia and Alberta over an oil pipeline to the Northwest Coast.

00:42:32.636 --> 00:42:43.936
<v SPEAKER_4>So, you know, Dave, you were in government during controversies over Northern Gateway or TMX, and each of which the federal government resolved in very different ways, right?

00:42:43.996 --> 00:42:51.776
<v SPEAKER_4>In effect, not in effect, actually, rejecting Northern Gateway on the one hand, and then purchasing TMX on the other.

00:42:51.776 --> 00:42:58.456
<v SPEAKER_4>So, you know, here we are again, a debate between Alberta and British Columbia on oil pipelines.

00:42:58.456 --> 00:43:00.256
<v SPEAKER_4>How do you see this playing out?

00:43:00.256 --> 00:43:03.276
<v SPEAKER_4>Any advice for those working on these files?

00:43:04.896 --> 00:43:08.896
<v SPEAKER_5>Yeah, so this is kind of back to where we started about not being able to act like a country.

00:43:08.896 --> 00:43:09.976
<v SPEAKER_5>So a good example.

00:43:11.216 --> 00:43:22.356
<v SPEAKER_5>And by the way, I'm very sympathetic to Alberta's dilemma because I don't think any other province would appreciate it if some other province said, you can't export your thing.

00:43:22.356 --> 00:43:25.956
<v SPEAKER_5>And it doesn't matter why I'm not going to let you, but I'm not going to let you.

00:43:25.956 --> 00:43:31.136
<v SPEAKER_5>And, you know, it doesn't matter how virtuous you think your reason for denying them that right that is.

00:43:31.136 --> 00:43:32.476

<v SPEAKER_5>So I'm very sympathetic.

00:43:32.476 --> 00:43:42.156

<v SPEAKER_5>Having said that, reality is it's going to be very, very difficult to get those indigenous organizations I talked about earlier onside.

00:43:42.436 --> 00:43:47.916

<v SPEAKER_5>And so my best advice would be don't start with the hardest thing first.

00:43:48.536 --> 00:43:51.736

<v SPEAKER_5>Like, there's a lot we can do together.

00:43:51.736 --> 00:43:53.416

<v SPEAKER_5>There's a lot of projects out there.

00:43:53.416 --> 00:43:57.876

<v SPEAKER_5>I mean, I talked about North Coast transmission line, you know, electricity infrastructure.

00:43:57.876 --> 00:44:01.356

<v SPEAKER_5>There's pipelines for LNG, gas we could be working together on.

00:44:01.356 --> 00:44:07.696

<v SPEAKER_5>And by the way, those are relatively speaking, nothing's easy, but relatively speaking easy.

00:44:07.696 --> 00:44:09.316

<v SPEAKER_5>And we can build that trust.

00:44:09.316 --> 00:44:11.456

<v SPEAKER_5>And Alberta can be in these projects.

00:44:11.456 --> 00:44:19.336

<v SPEAKER_5>Like, Rocky's LNG, which is a whole community of Alberta producers, is a major player in the Silo Zim's LNG.

00:44:19.336 --> 00:44:29.096

<v SPEAKER_5>So Alberta, the Alberta, you know, business community, everybody can get in the game and build that trust because that's what it's going to take, is trust.

00:44:29.436 --> 00:44:33.636

<v SPEAKER_5>And go back to, hmm, why not let them build the pipeline?

00:44:33.636 --> 00:44:36.696

<v SPEAKER_5>Like they're building the power line and maybe you'll have a different conversation.

00:44:37.136 --> 00:44:40.216

<v SPEAKER_5>And this is where instruments like that the feds have done.

00:44:40.216 --> 00:44:51.396

<v SPEAKER_5>Again, give them credit or credits due federally, the CIB and what they're doing to bootstrap things, the Alberta Indigenous Opportunities Fund.

00:44:51.396 --> 00:44:53.236

<v SPEAKER_5>That's smart.

00:44:53.236 --> 00:44:53.816

<v SPEAKER_5>That's smart.

00:44:53.816 --> 00:45:03.536

<v SPEAKER_5>Like where, because, you know, loan guarantees, those kinds of things that draw in, you know, we heard about pension funds and Lifeco is wanting to come in and invest.

00:45:03.896 --> 00:45:11.556

<v SPEAKER_5>If they see a sovereign guarantee behind these projects, their money will be there at a very advantageous rate.

00:45:11.556 --> 00:45:13.676

<v SPEAKER_5>And so that's that connectivity.

00:45:13.676 --> 00:45:16.276

<v SPEAKER_5>And by the way, you get your money back.

00:45:16.276 --> 00:45:23.816

<v SPEAKER_5>If you're CIB, you actually, like building these infrastructure things we're talking about are going to make money.

00:45:23.816 --> 00:45:25.296

<v SPEAKER_5>Look at TMX.

00:45:25.296 --> 00:45:26.976

<v SPEAKER_5>I mean, it's going to make money.

00:45:26.976 --> 00:45:28.456

<v SPEAKER_5>And so you'll get your money back.

00:45:28.636 --> 00:45:32.796

<v SPEAKER_5>And this is a virtuous way to get that community onside.

00:45:32.936 --> 00:45:36.436

<v SPEAKER_5>So when they stop and say, why do I want that pipeline?

00:45:36.436 --> 00:45:39.356

<v SPEAKER_5>One of the things they're asking is what's in it for me?

00:45:39.356 --> 00:45:46.656

<v SPEAKER_4>So in other words, don't give up on the objective of egress to the Northwest, but approach it in a different fashion.

00:45:46.656 --> 00:45:50.556

<v SPEAKER_5>Don't make it such a high-stakes win-lose thing.

00:45:50.556 --> 00:45:53.076

<v SPEAKER_5>Like I said, don't start with the hardest thing first.

00:45:53.236 --> 00:46:10.656

<v SPEAKER_5>And by the way, there's other oil infrastructure things we can also do in the meantime to build that trust and build that capacity and convince the producer community that we're serious this time, because those comments about engaging the producer community are hugely important.

00:46:10.656 --> 00:46:19.456

<v SPEAKER_5>And not only on will they invest the capital to build the upstream out, but also this thing I keep hearing about, this grand bargain on emissions.

00:46:19.456 --> 00:46:30.616

<v SPEAKER_5>Like I have never heard, and I've been around Calgary a lot for a lot of years, the companies there aren't rebelling against having an agenda around climate and being a good actor.

00:46:31.596 --> 00:46:32.776

<v SPEAKER_5>You never hear that.

00:46:32.776 --> 00:46:42.216

<v SPEAKER_5>Where they tip over is, wait a minute, this is so outsized relative to my peer group in the world.

00:46:42.216 --> 00:46:47.516

<v SPEAKER_5>Like it's okay to be a leader, but you can't put me out of business.

00:46:47.516 --> 00:46:48.336

<v SPEAKER_4>Gotcha.

00:46:48.336 --> 00:46:54.136

<v SPEAKER_4>Dave, I feel like we only barely scratched the surface of the insights that you can share with us.

00:46:54.136 --> 00:46:58.756

<v SPEAKER_4>Thank you so much for sharing your time and expertise and experience with us today.

00:46:58.756 --> 00:46:59.616

<v SPEAKER_4>Greatly appreciated.

00:46:59.716 --> 00:47:03.316

<v SPEAKER_4>So please join me in thanking them.

00:47:03.316 --> 00:47:10.876

<v SPEAKER_2>I also want to thank our excellent moderator, Monica Gattinger for her human service to CGAI.

00:47:10.876 --> 00:47:14.156

<v SPEAKER_2>He's one of our fellows, one of our oldest energy-focused fellow.

00:47:14.676 --> 00:47:19.136

<v SPEAKER_2>So not one of our longest-standing energy fellows.

00:47:19.836 --> 00:47:21.116

<v SPEAKER_2>Sorry.

00:47:21.116 --> 00:47:24.136

<v SPEAKER_2>But yeah, thank you all.

00:47:24.916 --> 00:47:26.016

<v SPEAKER_5>Joe, one last thing.

00:47:26.036 --> 00:47:29.196

<v SPEAKER_5>Sorry, I forgot to plug another thing.

00:47:29.196 --> 00:47:34.696

<v SPEAKER_5>So Peter Gershackian and Jackie Farr started a thing called Studio Energy.

00:47:34.696 --> 00:47:42.736

<v SPEAKER_5>They have a series, so there's been all this talk about LNG and it's called, Now You're Thinking, LNG, Canada's Energy Ambition mini-series.

00:47:42.796 --> 00:47:48.656

<v SPEAKER_5>I would encourage people to read that because it's so topical for the conversation we've been having today.

00:47:48.656 --> 00:47:50.236

<v SPEAKER_5>So give it a read.

00:47:50.236 --> 00:47:53.576

<v SPEAKER_4>Well, and Dave appeared on the Arc Energy Podcast.

00:47:53.576 --> 00:47:57.056

<v SPEAKER_4>I would highly recommend listening to that episode.

00:47:57.056 --> 00:47:58.136

<v SPEAKER_6>Thanks.

00:47:58.136 --> 00:47:58.556

<v SPEAKER_6>Okay.

00:47:58.556 --> 00:47:59.356

<v SPEAKER_2>Fantastic.

00:47:59.356 --> 00:48:00.876

<v SPEAKER_2>Well, thank you, everyone.

00:48:00.876 --> 00:48:11.656

<v SPEAKER_2>We'll now be taking a recess for lunch and we'll be back here for the panel with Trans Mountain CEO Mark Maki and it's actually 12.45.

00:48:12.096 --> 00:48:13.336

<v SPEAKER_2>So please come back for that.

00:48:13.336 --> 00:48:18.136

<v SPEAKER_2>But thank you all and another round of applause to our speakers this morning.

00:48:19.456 --> 00:48:23.136

<v SPEAKER_7>Hi, I'm Dave Perry, the President and CEO of the Canadian Global Affairs Institute.

00:48:23.136 --> 00:48:27.636

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00:48:27.636 --> 00:48:36.716

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00:48:37.276 --> 00:48:42.856

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00:48:42.856 --> 00:48:45.336

<v SPEAKER_7>That's contact at cgai.ca.

00:48:46.436 --> 00:48:48.976

<v SPEAKER_2>I would like to introduce the next panel.

00:48:48.976 --> 00:49:03.776

<v SPEAKER_2>And this panel will discuss one of the most important recent projects for the Canadian economy, one of the most important pieces of infrastructure that Canada has built over the last, I'd say, 50 years, and that's the Trans Mountain pipeline.

00:49:04.776 --> 00:49:09.216

<v SPEAKER_2>Mark Maki is the Chief Executive Officer of the Trans Mountain Pipeline.

00:49:09.216 --> 00:49:29.796

<v SPEAKER_2>Previously, Mark spent nearly 34 years at Enbridge, where he held several executive roles both in Canada and the US, including President of Enbridge Energy Partners, LP, in Houston, Chief Accounting Officer and Senior Vice President of Finance, and Senior Vice President of Corporate Planning and Sponsored Vehicles, all at Enbridge.

00:49:29.796 --> 00:49:33.036

<v SPEAKER_2>And I would also like to introduce Rory Johnston.

00:49:33.156 --> 00:49:39.876

<v SPEAKER_2>He's a fellow with us at CGAI, also the founder of the Commodity Context Market Research Platform.

00:49:39.876 --> 00:49:43.316

<v SPEAKER_2>So please join me in welcoming Mark and Rory.

00:49:44.756 --> 00:49:46.236

<v SPEAKER_8>Thank you, Joe.

00:49:46.256 --> 00:49:49.096

<v SPEAKER_8>An early apology for my voice.

00:49:49.096 --> 00:49:54.836

<v SPEAKER_8>I have three small school-age children and I'm unfortunately catching the other side of that right now.

00:49:54.836 --> 00:50:00.856

<v SPEAKER_8>So without further ado, it took a long time to build Trans Mountain.

00:50:01.016 --> 00:50:05.976

<v SPEAKER_8>The entire time I've been in this industry, Trans Mountain has been something we've been trying to get done.

00:50:05.976 --> 00:50:20.236

<v SPEAKER_8>After 16 years of trying, finally last spring and the summer, finally got to pull the trigger on first shipments to Asia out of the Trans Mountain expansion pipeline.

00:50:20.236 --> 00:50:35.856

<v SPEAKER_8>So the Trans Mountain expansion has facilitated for the first time, really, Asian market access for Canadian crude marketers, putting Canadian heavy barrels in direct competition with heavy Middle Eastern grades, like the Rocky Boss or Heavy, for the first time in their home markets in Asia.

00:50:35.856 --> 00:50:44.936

<v SPEAKER_8>So what can you tell me about how you see the changing role of the brand of Canadian crude, of brand Canada, if you will, in the oil market in Asia?

00:50:44.936 --> 00:51:00.216

<v SPEAKER_6>Well, I think the startup of Trans Mountain has very much changed the access of Canadian oil to the global market and heavy oil, particularly as it relates to Asian demand and especially in the petrochemical sector.

00:51:00.216 --> 00:51:03.156

<v SPEAKER_6>I'll get into that a little bit in some of my comments.

00:51:03.156 --> 00:51:07.816

<v SPEAKER_6>It is one of the great advantages I think Canada has.

00:51:07.856 --> 00:51:16.856

<v SPEAKER_6>Then mentioned by many other panelists today, Canada is a rule of law, well understood, a great trading partner, all of these things.

00:51:16.936 --> 00:51:19.836

<v SPEAKER_6>For Canada, it's diversification of market.

00:51:19.836 --> 00:51:23.576

<v SPEAKER_6>I go back to my earlier history with the other companies to work for.

00:51:24.076 --> 00:51:37.636

<v SPEAKER_6>Part of the story I used to tell in meeting in New York and other places was, we talk about Canada and supply and what a reliable partner it was, and the United States was all over that, and loved Canada as a partner.

00:51:38.536 --> 00:51:43.676

<v SPEAKER_6>Enter Donald Trump and all that history blows up.

00:51:43.956 --> 00:51:47.436

<v SPEAKER_6>For Canada, it's critically important.

00:51:47.436 --> 00:51:52.816

<v SPEAKER_6>One of the real promises of the Trans Mountain Project was diversification of markets.

00:51:52.816 --> 00:51:56.776

<v SPEAKER_6>Part of that messaging when I was speaking to people in New York was, why are you trying to build Gateway?

00:51:56.916 --> 00:51:58.856

<v SPEAKER_6>I'm happy it would have come our way.

00:51:58.856 --> 00:52:03.056

<v SPEAKER_6>It was, well, it's really important for Canada to diversify markets.

00:52:03.056 --> 00:52:05.556

<v SPEAKER_6>TMX did that.

00:52:05.556 --> 00:52:11.756

<v SPEAKER_6>It took a while, cost a lot of money, and there's things we have to do to make that change in the future.

00:52:11.756 --> 00:52:14.796

<v SPEAKER_6>We'll get into that too in our back and forth here.

00:52:14.796 --> 00:52:20.636

<v SPEAKER_6>But the importance, this couldn't have been at a better time.

00:52:20.676 --> 00:52:30.536

<v SPEAKER_6>If you find any silver lining of how long it took, it's the start of the Trans Mountain basically coincided with Trump coming in and talking about tariffs and the rest.

00:52:30.536 --> 00:52:40.276

<v SPEAKER_6>And it really showed its importance in the first quarter of this year, as he came into office, our utilization peaked, and everyone was scared of that.

00:52:40.276 --> 00:52:43.276

<v SPEAKER_6>Then it came back down to get to more or less contract levels.

00:52:43.276 --> 00:52:46.316

<v SPEAKER_6>But as supply has grown, the oil has moved into Asia.

00:52:46.316 --> 00:52:52.036

<v SPEAKER_6>As soon as the market's understood what the product is,

what it can do, there is tremendous interest in Canada.

00:52:52.516 --> 00:52:54.876

<v SPEAKER_6>You heard a little bit of that today on the cast side.

00:52:56.416 --> 00:53:04.236

<v SPEAKER_8>Before actually moving on to my next scheduled question, just to pick up on that a little bit and to talk about where we are right now, before talking about the future.

00:53:04.596 --> 00:53:16.436

<v SPEAKER_8>As you noted, I think that as the Trump administration came into the second term, you had the threat at least, and I think we had one day, maybe two days of technical tariffs on Canadian sanctions.

00:53:16.436 --> 00:53:19.696

<v SPEAKER_8>I think the lawyers are still dealing with whether or not that actually happened.

00:53:21.396 --> 00:53:27.596

<v SPEAKER_8>But during that period, we had those bloats in Canadian deferentials to reflect those tariff costs.

00:53:27.596 --> 00:53:38.156

<v SPEAKER_8>As you said, we had that rise in utilization on the underneath capacity in line, because all of a sudden, that was your only way around these potentially disastrous level tariffs.

00:53:38.156 --> 00:53:53.996

<v SPEAKER_8>Could you just talk a little bit about, we've talked a little bit about this before, but the concentration in the US market, more than 90 percent of Canadian oil goes to the United States before Trans Mountain Expansion came in line, it was more like 97, 98 percent.

00:53:53.996 --> 00:53:57.556

<v SPEAKER_8>That concentration makes a lot of sense from a commercial perspective.

00:53:57.556 --> 00:54:06.756

<v SPEAKER_8>As you were saying, you're having conversations with people down state side, Senator oil, we want it, give us as much as you can, and that's worked really well for us.

00:54:06.756 --> 00:54:13.656

<v SPEAKER_8>But it created this overarching dependence on that market, particularly in the Midwest, a monopsony for Canadian crude.

00:54:14.976 --> 00:54:27.996

<v SPEAKER_8>When you look now, and now you are at the helm of really Canada's gateway to Asia, can you talk a little bit about how you view, not just the commerciality, but the strategic importance of it to Canada as well?

00:54:27.996 --> 00:54:36.956

<v SPEAKER_6>The strategic nature of this asset is it showed up in technical or in January, and it has remained that throughout the year.

00:54:37.016 --> 00:54:43.016

<v SPEAKER_6>And I, you know, in comments I made to the Developmentary Committee last year, it was, don't be in a big hurry to sell Trans Mountain.

00:54:43.016 --> 00:54:44.516

<v SPEAKER_6>There's lots of reasons for it.

00:54:44.536 --> 00:54:47.416

<v SPEAKER_6>We need to go into a mall here, but it was hold this thing.

00:54:47.416 --> 00:54:48.376

<v SPEAKER_6>It's very strategic.

00:54:48.376 --> 00:54:49.896

<v SPEAKER_6>There's nothing else like it.

00:54:49.896 --> 00:54:52.236

<v SPEAKER_6>You have a great customer base.

00:54:52.436 --> 00:54:56.436

<v SPEAKER_6>It gives you kind of leverage that you otherwise wouldn't have had.

00:54:56.436 --> 00:55:00.896

<v SPEAKER_6>So this business, make no mistake about it, there's nothing like it anyway.

00:55:00.896 --> 00:55:08.716

<v SPEAKER_6>The closest thing I can think of in the pipeline sector that looks like this is a system called Colonial, which comes out of Houston, it goes up to the East Coast of the US.

00:55:08.716 --> 00:55:11.136

<v SPEAKER_6>Big, huge, refined product system.

00:55:11.596 --> 00:55:16.876

<v SPEAKER_6>This is a very unique business, and it is an all-Canada route.

00:55:16.876 --> 00:55:26.536

<v SPEAKER_6>And so we have a little spur that goes up into Washington state, I'm not ignoring that, but the core of the system is, starts in Canada, ends in Canada, ends in the Canadian port.

00:55:26.536 --> 00:55:29.196

<v SPEAKER_6>So we control the whole path as a country.

00:55:29.256 --> 00:55:31.456

<v SPEAKER_6>It's for great customers.

00:55:31.456 --> 00:55:35.456

<v SPEAKER_6>Largely, the system is underpinned by Canadian producers.

00:55:35.456 --> 00:55:39.436

<v SPEAKER_6>And so this is, you can't ask for more strategic asset than this one.

00:55:40.836 --> 00:55:54.916

<v SPEAKER_8>To talk about the future of this asset, while the electric and manual industry is experiencing its first stretch of sufficient egress capacity in more than a decade, this is only a temporary reprieve, and attention is rightly shifting back to the prospect of further takeaway growth.

00:55:55.516 --> 00:56:06.636

<v SPEAKER_8>Whether that be a new green fill pipeline, or something more incremental, be it further bottle necking of the Enbridge main line system, or additional optimizations of the Trans Mountain system.

00:56:06.636 --> 00:56:21.796

<v SPEAKER_8>Can you talk to us about how you see the relative attractiveness of the different optimization options on the Trans Mountain system between drag reduction agents, additional pumping stations, dredging around Westridge, and the other previously proposed northern leg of the pipeline?

00:56:21.796 --> 00:56:22.056

<v SPEAKER_6>Okay.

00:56:22.336 --> 00:56:25.596

<v SPEAKER_6>There's two things that get done in my time at Trans Mountain.

00:56:25.596 --> 00:56:27.616

<v SPEAKER_6>There's two that I really want to see completed.

00:56:27.616 --> 00:56:29.996

<v SPEAKER_6>One is the dredging.

00:56:30.656 --> 00:56:32.436

<v SPEAKER_6>It's really a support project.

00:56:32.436 --> 00:56:35.216

<v SPEAKER_6>It's not Trans Mountain's project, but we are a big beneficiary of that.

00:56:35.216 --> 00:56:38.116

<v SPEAKER_6>The reason for that is one of the ships lead the dock.

00:56:38.116 --> 00:56:41.996

<v SPEAKER_6>They're about 70-80 percent loaded, so 75 on average.

00:56:42.836 --> 00:56:51.956

<v SPEAKER_6>That 25 percent difference, which are fully loaded, so just to put it in a cargo perspective, the ship leaves, it's about 565,000 barrels on that boat.

00:56:51.956 --> 00:56:59.216

<v SPEAKER_6>If it's fully loaded, up to close to 800,000 on the ship, depends on the cargo.

00:56:59.216 --> 00:57:09.316

<v SPEAKER_6>That's a huge difference in the competitiveness perspective, and basic unit cost to go across the ocean, about 20-25 percent less.

00:57:09.316 --> 00:57:10.916

<v SPEAKER_6>That's a big competitive advantage.

00:57:11.836 --> 00:57:15.716

<v SPEAKER_6>And say to a market like India, it makes a big difference to that market.

00:57:15.716 --> 00:57:24.916

<v SPEAKER_6>We're already very competitive to China, and the other guys will go to the Gulf Coast, and then go from there.

00:57:24.916 --> 00:57:26.396

<v SPEAKER_6>But that project is critical.

00:57:26.396 --> 00:57:31.536

<v SPEAKER_6>Next one I would say you got to do is mainline optimization, and that really is a thing in stages.

00:57:31.536 --> 00:57:35.056

<v SPEAKER_6>Drag reducing agent is the first really easy thing to do.

00:57:35.056 --> 00:57:37.576

<v SPEAKER_6>We could probably gather the money in this room and get

that one done.

00:57:37.576 --> 00:57:38.736
<v SPEAKER_6>It's not expensive.

00:57:38.736 --> 00:57:43.116
<v SPEAKER_6>There's permitting and regulatory, and customer's got to be good and cruel with it.

00:57:43.116 --> 00:57:47.536
<v SPEAKER_6>Basically, it's a chemical additive you eject in the system at pump station locations.

00:57:47.536 --> 00:57:51.476
<v SPEAKER_6>It lowers the viscosity of the oil, and so you can get more through the pipe.

00:57:51.636 --> 00:57:54.856
<v SPEAKER_6>That's the kind of simplistic way of thinking about it.

00:57:54.856 --> 00:57:59.296
<v SPEAKER_6>It doesn't take a lot of money, \$25 million, something like that.

00:58:00.536 --> 00:58:08.076
<v SPEAKER_6>Then you're into a little bit more difficult stuff, pumps, horsepower, electricity, to move more through the existing pipeline.

00:58:08.856 --> 00:58:11.776
<v SPEAKER_6>That's a few billion dollars.

00:58:11.776 --> 00:58:16.856
<v SPEAKER_6>But again, very cost effective, and that's something we want to get after.

00:58:16.856 --> 00:58:23.136
<v SPEAKER_6>One thing I will lament on that one is the regulatory process is painful, and the time it takes is painful.

00:58:23.436 --> 00:58:28.776
<v SPEAKER_6>Our in-service date for that would be somewhere in 29, and we're working on that now.

00:58:28.776 --> 00:58:32.016
<v SPEAKER_6>At some point, we'll come to open season, say next year on that.

00:58:32.016 --> 00:58:33.036
<v SPEAKER_6>That's still too long.

00:58:33.036 --> 00:58:35.436

<v SPEAKER_6>We have to find a way to do that faster.

00:58:35.596 --> 00:58:40.656

<v SPEAKER_6>That's engagement with regulators, and that gets to one of the core things we have here in this country we've got to fix.

00:58:40.656 --> 00:58:44.036

<v SPEAKER_6>It shouldn't take this long to do so.

00:58:44.036 --> 00:58:44.936

<v SPEAKER_6>We'll go to an example.

00:58:44.936 --> 00:58:50.536

<v SPEAKER_6>The US has recently announced an NGL pipeline from the Midland Basin across to Houston.

00:58:50.536 --> 00:58:57.576

<v SPEAKER_6>30-inch diameter moves natural gas liquids from announcement to in-service in two years.

00:58:57.576 --> 00:59:03.176

<v SPEAKER_6>They'll spend a year permitting land acquisition and so forth in one year of construction.

00:59:03.176 --> 00:59:04.716

<v SPEAKER_6>They blow and they go and they're done.

00:59:06.216 --> 00:59:10.356

<v SPEAKER_6>It's not a decade-long process and that is what we're up against.

00:59:10.356 --> 00:59:13.556

<v SPEAKER_6>So when money is looking for a place to go, they go.

00:59:13.556 --> 00:59:15.316

<v SPEAKER_6>They've announced it and they'll be down to years.

00:59:15.316 --> 00:59:17.516

<v SPEAKER_6>The capital carry is short.

00:59:17.516 --> 00:59:21.496

<v SPEAKER_6>Canada, it's four, five, six longer.

00:59:21.856 --> 00:59:23.676

<v SPEAKER_6>So that's the thing we have to get after.

00:59:23.676 --> 00:59:25.356

<v SPEAKER_8>So just to follow on to that question.

00:59:25.356 --> 00:59:38.336

<v SPEAKER_8>So of the current system's capacity of around 900,000 barrels a day, what would these different enhancements kind of look, what would the ultimate target capacity of the system be under your kind of dream scenario?

00:59:38.336 --> 00:59:43.096

<v SPEAKER_6>Yeah, up to like say 1.25 would be possible, 1.25 million barrels a day.

00:59:43.176 --> 00:59:44.896

<v SPEAKER_8>And that's with the DRA and pumping, right?

00:59:44.896 --> 00:59:47.876

<v SPEAKER_6>DRA and pumping and a little bit of hype.

00:59:49.176 --> 00:59:53.916

<v SPEAKER_6>So we probably might margin down a little bit from that.

00:59:53.916 --> 00:59:56.536

<v SPEAKER_6>I think probably 1.2 is a good working number.

00:59:58.736 --> 01:00:00.036

<v SPEAKER_6>But all very, very doable.

01:00:00.176 --> 01:00:04.496

<v SPEAKER_6>This is not, we're not building a space shuttle here with this one.

01:00:04.496 --> 01:00:10.116

<v SPEAKER_6>This is pretty straightforward stuff and very, very doable.

01:00:10.116 --> 01:00:33.076

<v SPEAKER_8>And more generally, given Western Canada's long history, arduous history, arguably, of insufficient pipeline capacity, sometimes disastrously so for accrued price differentials, how do you think about the balance between needing to line up shipping commitments on fast expansions from uncertain producers, and the forward guidance value of reassuring them that that will be there when they need them?

01:00:33.076 --> 01:00:37.576

<v SPEAKER_6>Well, we're no different, even though we're government owned, we're no different than any other pipeline company.

01:00:37.576 --> 01:00:40.716

<v SPEAKER_6>We're not going to put a whole bunch of capital at risk without a contract.

01:00:40.716 --> 01:00:52.796

<v SPEAKER_6>And so the producers, I think, would be backfueling, and we certainly get a lot of inbound interest from other customers than the ones we currently have of all capacity on Trans Mountain.

01:00:52.796 --> 01:00:54.856

<v SPEAKER_6>And I'm sure it's the same situation on the other pipelines.

01:00:56.096 --> 01:00:58.716

<v SPEAKER_6>And what you're really doing there is that you're incrementing.

01:00:58.716 --> 01:01:02.996

<v SPEAKER_6>Where people get puckered up is the next big thing.

01:01:02.996 --> 01:01:11.156

<v SPEAKER_6>And there it's, okay, I need more clarity around, you know, framework and what was the environment I'm going to produce.

01:01:11.156 --> 01:01:17.656

<v SPEAKER_6>And there's others in the room here who could comment a lot more about what the producers need to see in terms of signals.

01:01:18.116 --> 01:01:28.196

<v SPEAKER_6>But that next big thing, whether it's pointed south or west or wherever, no pipeline company is going to do it without commitments.

01:01:28.196 --> 01:01:32.676

<v SPEAKER_6>And no producer is going to do it unless they're sure they're going to be able to produce for 20 years.

01:01:32.676 --> 01:01:34.996

<v SPEAKER_6>So they have to see that.

01:01:34.996 --> 01:01:36.516

<v SPEAKER_6>So you have the classic chicken egg problem.

01:01:36.516 --> 01:01:37.636

<v SPEAKER_3>Yeah.

01:01:37.636 --> 01:01:39.776

<v SPEAKER_6>And so that has to be solved.

01:01:40.556 --> 01:01:43.736

<v SPEAKER_6>And then you can see the, you know, you'll have capital come to the country.

01:01:43.736 --> 01:01:45.456

<v SPEAKER_6>Okay, I'm sure this is going to get done.

01:01:45.456 --> 01:01:47.916

<v SPEAKER_6>I'm sure the producers are going to be able to produce.

01:01:47.916 --> 01:01:48.856

<v SPEAKER_6>I can see a return.

01:01:50.756 --> 01:01:52.896

<v SPEAKER_6>But there's work to be done.

01:01:54.036 --> 01:01:58.236

<v SPEAKER_8>So at this moment, I'd like to turn it to the audience to see if there are any questions.

01:01:58.236 --> 01:02:00.496

<v SPEAKER_8>This section of the conversation is going better.

01:02:00.496 --> 01:02:01.616

<v SPEAKER_8>Chatham has ruled.

01:02:01.616 --> 01:02:05.916

<v SPEAKER_8>Before I go there, I want to share one more public comment.

01:02:06.736 --> 01:02:07.636

<v SPEAKER_6>I just want to make a point.

01:02:07.876 --> 01:02:10.296

<v SPEAKER_6>This one, because it drives me fast.

01:02:10.296 --> 01:02:12.496

<v SPEAKER_6>Sorry.

01:02:13.556 --> 01:02:24.056

<v SPEAKER_6>It's the occasional, we get companies that are going to make any money, it's not going to return money to the tax creditors, so I want to flip through the couple of seconds really, really fast.

01:02:24.236 --> 01:02:34.616

<v SPEAKER_6>What this does, by the way, is just highlight in the far left-hand side, you see this is a heavy oil market in China as it is today, about two and a half, 2.6 million barrels a day.

01:02:34.616 --> 01:02:38.176

<v SPEAKER_6>And about half of it is local production, the other half effectively is imports.

01:02:38.176 --> 01:02:42.016

<v SPEAKER_6>And so Canada is starting to fill into that market.

01:02:42.076 --> 01:02:51.716

<v SPEAKER_6>And you see India is going to grow significantly from this level, as vehicles and infrastructure and so forth are enhanced in the country.

01:02:51.716 --> 01:02:55.696

<v SPEAKER_6>But those are really two really huge markets, but also Korea, Japan and others.

01:02:55.696 --> 01:03:05.796

<v SPEAKER_6>This talks about tying the market, and this was mentioned earlier, ship-ship tying to Japan or Korea, China much shorter than going out of the US, all the next stuff.

01:03:06.396 --> 01:03:08.876

<v SPEAKER_6>This is what I want to alter.

01:03:08.876 --> 01:03:17.376

<v SPEAKER_6>So far, this is nine months into the year, we basically paid into the owner a little bit over a billion dollars in interest and dividends.

01:03:18.476 --> 01:03:23.956

<v SPEAKER_6>When we go out at the end of the year, we bought 1.35 is our plan, maybe a little bit more.

01:03:23.956 --> 01:03:29.076

<v SPEAKER_6>This is consistent with what we talked about in the public domain, nothing new here other than we're on track.

01:03:29.596 --> 01:03:30.936

<v SPEAKER_6>Next year, this will grow.

01:03:32.116 --> 01:03:41.596

<v SPEAKER_6>And so the narrative that this thing will never pay as a boondoggle, that's not true.

01:03:41.596 --> 01:03:43.436

<v SPEAKER_6>This system is paying back the owner.

01:03:43.436 --> 01:03:45.616

<v SPEAKER_6>It will continue to do that.

01:03:45.616 --> 01:03:47.656

<v SPEAKER_6>Owner is a disciplined owner.

01:03:47.656 --> 01:03:51.776

<v SPEAKER_6>Eventually, if they're a disciplined seller, they'll get

all their money back on this.

01:03:51.776 --> 01:03:53.636
<v SPEAKER_6>But you have to hold it.

01:03:53.636 --> 01:03:59.756
<v SPEAKER_6>You've got to take some of the uncertainties that are still there out of the equation, and then it becomes much easier for a buyer to value.

01:04:00.536 --> 01:04:03.576
<v SPEAKER_6>Including indigenous economic participation in the system.

01:04:03.576 --> 01:04:05.736
<v SPEAKER_6>And again, this is a really strategic asset.

01:04:05.736 --> 01:04:09.756
<v SPEAKER_6>This will be very attractive to any number of investors.

01:04:09.756 --> 01:04:12.556
<v SPEAKER_6>This is the optimization stuff, and I'll talk about that in comments.

01:04:12.556 --> 01:04:19.316
<v SPEAKER_6>So we mentioned de-bottling, mainline optimization, and Puget Sound is part of that, which is the system that goes into Washington.

01:04:19.316 --> 01:04:25.536
<v SPEAKER_6>Adding a little bit of capacity there to enhance access of Canadian barrels to the refining complex in Washington State.

01:04:25.536 --> 01:04:30.836
<v SPEAKER_6>There's four direct connected refineries to us, there's a fifth that's further down in Puget Sound.

01:04:30.836 --> 01:04:33.176
<v SPEAKER_6>Then next, this is the picture I want to share.

01:04:33.176 --> 01:04:40.516
<v SPEAKER_6>This is July 4 of 2024, and this is the first time there were three ships at DOC at the same time.

01:04:40.716 --> 01:04:47.856
<v SPEAKER_6>Two AfriMax and one Panamax, but July 4, 24, three at DOC.

01:04:47.876 --> 01:04:49.816
<v SPEAKER_6>This is not an uncommon thing, though.

01:04:49.816 --> 01:04:52.656

<v SPEAKER_6>We will see three at three at DOC at the same time.

01:04:52.656 --> 01:04:59.676

<v SPEAKER_6>And one of the things that people really do enjoy is if you go out and see the facility, this is a really cool facility.

01:04:59.676 --> 01:05:10.156

<v SPEAKER_6>And opposite of this, since we have our old DOC from 1950s, and you kind of go, that was the country's access to global markets up until 2024.

01:05:10.156 --> 01:05:12.636

<v SPEAKER_6>It's an epic difference.

01:05:12.636 --> 01:05:32.096

<v SPEAKER_6>And the other thing that really is powerful is when indigenous nations who are very, you know, can rightfully high touch, care for the environment, when they walk away from this facility after seeing it, they leave it with a different impression than they might have when they walked in.

01:05:32.096 --> 01:05:37.056

<v SPEAKER_6>This is a really high quality operation, high quality people running it.

01:05:37.056 --> 01:05:40.676

<v SPEAKER_6>And it shows when you walk around, private ownership.

01:05:40.736 --> 01:05:43.296

<v SPEAKER_6>And yes, Canada can do big, complicated things.

01:05:43.296 --> 01:05:44.976

<v SPEAKER_6>This is an example of it.

01:05:44.976 --> 01:05:47.176

<v SPEAKER_6>It just took a long time and it costs a lot of money.

01:05:47.176 --> 01:05:49.296

<v SPEAKER_6>So you have to fix that.

01:05:49.296 --> 01:05:51.036

<v SPEAKER_6>No, now I can go to the audience.

01:05:51.116 --> 01:05:51.816

<v SPEAKER_6>I wanted to share this.

01:05:52.196 --> 01:05:56.976

<v SPEAKER_6>This one really, it's because it's for life or especially

in the state of the US.

01:05:56.976 --> 01:06:03.216

<v SPEAKER_6>This is large, you know, ships are headed either to China.

01:06:03.216 --> 01:06:04.756

<v SPEAKER_6>Some go to the States.

01:06:04.756 --> 01:06:07.776

<v SPEAKER_6>Roughly the split today, it's about 60-40.

01:06:08.016 --> 01:06:14.356

<v SPEAKER_6>When a boat leaves the dock, six times the TANS go to Asia, four TANS go to the US.

01:06:14.836 --> 01:06:28.476

<v SPEAKER_8>On the next slide here actually was the juxtaposition, the comparison between the original Trans Mountain Line was built in 53, which I think what took 18 months, I think was the initial timeline that got built in here, versus the kind of completely different.

01:06:28.496 --> 01:06:32.556

<v SPEAKER_8>I just, I remember seeing this slide somewhere else and I just thought it was a fascinating juxtaposition.

01:06:32.576 --> 01:06:34.756

<v SPEAKER_6>There's about 20 safety violations in that picture.

01:06:38.276 --> 01:06:40.356

<v SPEAKER_8>We're getting better at this.

01:06:40.356 --> 01:06:43.276

<v SPEAKER_8>And with that, I want to thank Mark for his time.

01:06:43.276 --> 01:06:43.836

<v SPEAKER_8>Thank you so much.

01:06:43.836 --> 01:06:45.036

<v SPEAKER_8>That was fantastic.

01:06:46.456 --> 01:06:53.036

<v SPEAKER_2>Big thanks to both Mark and Rory for that fantastic conversation about the Trans Mountain Line.

01:06:54.156 --> 01:07:00.316

<v SPEAKER_1>Thanks everyone for listening to this episode of Energy Security Cubed on the Canadian Global Affairs Podcast Network.

01:07:00.316 --> 01:07:04.836

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01:07:04.836 --> 01:07:07.016