

WEBVTT

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<v SPEAKER\_2>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.

00:00:20.916 --> 00:00:24.596

<v SPEAKER\_2>I'm Kelly Ogle, Managing Director here at CGAI.

00:00:24.596 --> 00:00:32.536

<v SPEAKER\_3>And I'm Joe Calnan, Vice President of Energy and Calgary Operations at the Canadian Global Affairs Institute.

00:00:34.096 --> 00:00:42.956

<v SPEAKER\_2>For today's podcast, we're featuring an interview with Jack Mintz to talk about the recently announced Canada-Alberta MOU and the tricky questions about competitiveness.

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<v SPEAKER\_2>Before we go into that, let's quickly talk to Joe about news stories that maybe are affecting global energy security.

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<v SPEAKER\_2>This week, how are things with you, Joe?

00:00:52.996 --> 00:00:54.876

<v SPEAKER\_3>I'm doing well, Kelly.

00:00:54.876 --> 00:00:59.016

<v SPEAKER\_3>I actually got myself stuck in a stone bank in my truck last week on Friday.

00:00:59.016 --> 00:00:59.896

<v SPEAKER\_3>So, you know.

00:00:59.896 --> 00:01:00.156

<v SPEAKER\_2>Yeah.

00:01:00.156 --> 00:01:01.016

<v SPEAKER\_2>City kid, eh?

00:01:01.016 --> 00:01:01.436

<v SPEAKER\_3>Yeah.

00:01:01.816 --> 00:01:03.596

<v SPEAKER\_3>Well, this is the trouble.

00:01:03.596 --> 00:01:04.896

<v SPEAKER\_2>Do you have weight in the back?

00:01:04.896 --> 00:01:07.316

<v SPEAKER\_3>I have four 60-pound sandbags.

00:01:07.396 --> 00:01:07.616

<v SPEAKER\_2>Okay.

00:01:07.616 --> 00:01:09.996

<v SPEAKER\_3>The problem is, they all shifted.

00:01:09.996 --> 00:01:13.736

<v SPEAKER\_3>When I opened up the back of my truck, they all were shifted right to the front.

00:01:13.736 --> 00:01:15.956

<v SPEAKER\_3>It's not very useful when I got stuck there.

00:01:15.956 --> 00:01:18.036

<v SPEAKER\_2>Is your truck parked outside all the time?

00:01:18.036 --> 00:01:18.916

<v SPEAKER\_3>No, no, no.

00:01:19.776 --> 00:01:21.296

<v SPEAKER\_3>It's in an interior garage.

00:01:21.296 --> 00:01:31.036

<v SPEAKER\_3>It was when I was pulling into the garage, someone was parked right in front of the entrance, and I stopped, and then I couldn't get started moving again.

00:01:31.036 --> 00:01:33.296

<v SPEAKER\_3>Thankfully, there was a good smirking there to pull me out.

00:01:34.016 --> 00:01:42.716

<v SPEAKER\_2>On Saturday, go over to your dad's, get a 2x4, and cut it just barely the width of the box.

00:01:42.716 --> 00:01:46.416

<v SPEAKER\_2>You got to drive it in with a hammer.

00:01:46.416 --> 00:01:50.116

<v SPEAKER\_2>It's just barely too long.

00:01:50.116 --> 00:01:58.396

<v SPEAKER\_2>That's just the width of your truck box, and then put it in front of the sandbags, and they won't shift forward because they have to be over the wheels or it won't work.

00:01:58.396 --> 00:01:58.636

<v SPEAKER\_3>Yeah.

00:01:58.636 --> 00:01:59.496

<v SPEAKER\_3>No, that's the plan.

00:01:59.496 --> 00:02:00.216

<v SPEAKER\_3>That's the plan, Kelly.

00:02:00.336 --> 00:02:04.476

<v SPEAKER\_3>But yeah, I'm sure that our listeners don't want to hear all about my weekend trouble.

00:02:04.476 --> 00:02:05.216

<v SPEAKER\_1>Sure, they do.

00:02:05.216 --> 00:02:07.996

<v SPEAKER\_3>Yeah, my girlfriend was awfully embarrassed.

00:02:10.576 --> 00:02:12.936

<v SPEAKER\_3>Anyhow, yeah, that's what's going on.

00:02:12.936 --> 00:02:18.056

<v SPEAKER\_2>I'll tell you what, that's not the first time you've been stuck with your truck and it won't be the last.

00:02:18.056 --> 00:02:20.796

<v SPEAKER\_3>No, it definitely won't be the last.

00:02:20.796 --> 00:02:21.896

<v SPEAKER\_1>What's going on?

00:02:21.896 --> 00:02:32.276

<v SPEAKER\_3>Well, I'd like to start by talking about some factors which are making it more difficult for Russia to sell its oil even as peace talks progress in the war between Russia and Ukraine.

00:02:32.276 --> 00:02:45.616

<v SPEAKER\_3>Although all eyes have been turned toward this peace deal currently in the works between Russia, the United States and Ukraine, the big loser over the past few weeks has been Russia's oil and gas industry and their access to international markets.

00:02:45.616 --> 00:02:59.856

<v SPEAKER\_3>In late October, the US Department of the Treasury's often of foreign assets control announced sanctions on Russia's two biggest oil and gas companies, Rosneft and Luke Oil, as well as a list of their subsidiaries.

00:02:59.856 --> 00:03:03.276

<v SPEAKER\_3>For a while, it seemed that these sanctions could not have much of a bite.

00:03:03.276 --> 00:03:06.936

<v SPEAKER\_3>There was some talk about the taco Trump always chickens out.

00:03:06.936 --> 00:03:21.816

<v SPEAKER\_3>But these have come into force and in the last week or so, we've seen a major shift as countries adapt the reality of having their local energy infrastructure locked out of the US financial system, and they're adapting to it now.

00:03:21.816 --> 00:03:30.976

<v SPEAKER\_3>So on Monday, Iraq announced plans to invite American companies to take over Luke Oil Stake in the West Kourna 2 oil field.

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<v SPEAKER\_3>This enormous asset will likely be sold to US super majors with a few companies in consideration, especially Exxon and Chevron.

00:03:39.236 --> 00:03:48.976

<v SPEAKER\_3>Also on Monday, commodities trader Gunvor announced that its owner and co-founder Torbjorn Tonkvist will be stepping down and selling his stake in the commodities trading firm.

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<v SPEAKER\_3>This follows from the US government blocking Gunvor's acquisition of Luke Oil assets and labeling Tonkvist as a quote unquote puppet of Russia.

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<v SPEAKER\_3>Leadership of Gunvor will instead pass to Gary Peterson, an American and former Koch incorporated veteran.

00:04:07.636 --> 00:04:16.896

<v SPEAKER\_3>On Tuesday, Romania's coalition government approved a decree enabling it to take control of assets owned by companies under international sanctions.

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<v SPEAKER\_3>So this is echoing moves by Bulgaria earlier in November.

00:04:21.436 --> 00:04:30.116

<v SPEAKER\_3>This enables Romania to seize Luke Oil's assets in the country, including its gas stations, refinery and offshore exploration rights in the country.

00:04:30.516 --> 00:04:40.336

<v SPEAKER\_3>As a result of all these sanctions, India's foreign minister Kanwal Sibal said that India may cut imports of Russian Oil by half to avoid US sanctions.

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<v SPEAKER\_3>There's no indication yet that India's refineries have cut their imports of Russian crude, but post-sanctions data from December is expected to show a major drop.

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<v SPEAKER\_2>These sanctions moves are aided by increasing pressures from Ukraine and Europe on Russian energy trade.

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<v SPEAKER\_2>Over the weekend, Ukraine attacked the CPC terminal in Novorossiysk with naval drones severely reducing the port's capacity to export cargoes.

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<v SPEAKER\_2>And on Saturday, November 29th, Ukrainian naval drones hit two sanctioned tankers in the Black Sea as they approached Novorossiysk.

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<v SPEAKER\_2>These attacks are no longer restricted to the Black Sea.

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<v SPEAKER\_2>On November 27th, the Turkish tanker carrying Russian oil was hit with four external explosions off the coast of Dakar, Senegal.

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<v SPEAKER\_2>As a result, the owner is sworn off carrying Russian oil because of the risks of being targeted.

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<v SPEAKER\_2>Ukraine has maintained a high pace of attacks on Russian refining infrastructure as well with 14 Ukrainian drone attacks on Russian refineries just in the past month.

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<v SPEAKER\_2>On top of all this, the European Union seems to be close to a deal to phase out Russian fossil fuels with the United States stepping in to largely fill the gap.

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<v SPEAKER\_2>This agreement reportedly would eventually end the exemption for long-term gas supply contracts to Slovakia and Hungary, a Cree hurdle for the talks.

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<v SPEAKER\_2>The question then becomes whether this economic pressure will hurt Russia enough to force it to end the war in Ukraine.

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<v SPEAKER\_2>So far, the direction of things seems to be that American pressure on Russia is gained for America by asset ownership in markets.

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<v SPEAKER\_2>It's interesting, Joe, that, you know, and I know I sound like a broken record talking about past wars, but it sure seems that energy always plays a factor.

00:06:31.796 --> 00:06:32.596

<v SPEAKER\_3>Yeah, it sure does.

00:06:32.596 --> 00:06:44.976

<v SPEAKER\_3>It's just so crucial to an industrialized country, access to that energy, that it's kind of like the arteries of a society.

00:06:45.096 --> 00:06:54.016

<v SPEAKER\_3>You can't, like blood only forms what, I don't know how, what percentage of the human body mass is made up of blood, but let me tell you, you really need it.

00:06:54.016 --> 00:06:56.396

<v SPEAKER\_3>Yeah, you can't operate without that blood.

00:06:56.536 --> 00:06:57.616

<v SPEAKER\_2>Six liters, by the way.

00:06:58.056 --> 00:06:58.456

<v SPEAKER\_3>Yeah.

00:06:58.456 --> 00:07:01.196

<v SPEAKER\_3>So probably what, like 5%?

00:07:01.196 --> 00:07:01.936

<v SPEAKER\_2>Five or six.

00:07:01.936 --> 00:07:02.916

<v SPEAKER\_2>Yeah, five or six liters.

00:07:02.916 --> 00:07:03.796

<v SPEAKER\_3>Human body mass?

00:07:03.796 --> 00:07:04.196

<v SPEAKER\_3>Yeah.

00:07:04.196 --> 00:07:04.536

<v SPEAKER\_2>Yeah.

00:07:04.536 --> 00:07:06.456  
<v SPEAKER\_2>So not very much.

00:07:06.456 --> 00:07:06.716  
<v SPEAKER\_3>Yeah.

00:07:06.716 --> 00:07:09.216  
<v SPEAKER\_3>So you need that.

00:07:09.216 --> 00:07:18.816  
<v SPEAKER\_3>And it is also interesting how these moves are largely bolstering American companies and American control over things here.

00:07:18.816 --> 00:07:30.676  
<v SPEAKER\_3>And I guess there's a question of, if the United States keeps winning out on these pressures that are being put on Russia, well, why is the United States trying to bring a quick end to things?

00:07:30.676 --> 00:07:35.696  
<v SPEAKER\_3>And I think that's a question for someone who's smarter than I am.

00:07:36.056 --> 00:07:39.456  
<v SPEAKER\_2>Well, the better angels have to prevail, right?

00:07:40.616 --> 00:07:44.516  
<v SPEAKER\_2>At the end of the day, hopefully, that is the thinking.

00:07:44.516 --> 00:07:46.696  
<v SPEAKER\_2>But great story, Joe.

00:07:46.696 --> 00:07:47.636  
<v SPEAKER\_3>Absolutely.

00:07:47.636 --> 00:07:59.936  
<v SPEAKER\_3>And normally we do our monthly oil price check-in, but I think we'll have to dispense with that this time around, just because there's a little bit of time constraints on me.

00:07:59.936 --> 00:08:01.096  
<v SPEAKER\_3>But we'll do it next week.

00:08:01.096 --> 00:08:04.396  
<v SPEAKER\_2>Well, plus, Joe, our interview with Jack is quite lengthy.

00:08:04.396 --> 00:08:09.296  
<v SPEAKER\_2>So we'll take up enough of people's time here.

00:08:09.796 --> 00:08:11.616  
<v SPEAKER\_2>But let's do that next week.

00:08:12.056 --> 00:08:13.896  
<v SPEAKER\_2>We'll have a look at the...

00:08:13.896 --> 00:08:16.916  
<v SPEAKER\_2>I remain fairly bearish myself.

00:08:16.916 --> 00:08:17.776  
<v SPEAKER\_2>So we'll see.

00:08:18.196 --> 00:08:18.696  
<v SPEAKER\_2>Yeah.

00:08:18.696 --> 00:08:34.956  
<v SPEAKER\_3>It does seem as though low oil prices, low anticipated oil prices and low LNG prices are giving the United States and Europe a little bit more of a free hand dealing with Russia, which is a dangerous position for Putin to be in.

00:08:34.956 --> 00:08:39.936  
<v SPEAKER\_2>It seems to me that in most places of the world, I think, Joe, the economy just is stagnated a bit, right?

00:08:39.936 --> 00:08:42.296  
<v SPEAKER\_2>I think that's maybe the largest reason.

00:08:42.296 --> 00:08:43.616  
<v SPEAKER\_2>There's just not enough demand.

00:08:43.616 --> 00:08:45.916  
<v SPEAKER\_2>There's...

00:08:46.136 --> 00:08:59.216  
<v SPEAKER\_2>It's always a supply-demand calculus, but I think we're still in some stagnant or we're approaching, or possibly heading into a recession.

00:08:59.216 --> 00:09:00.296  
<v SPEAKER\_2>I think that's part of the reason.

00:09:00.296 --> 00:09:02.196  
<v SPEAKER\_4>Could be, could be.

00:09:02.196 --> 00:09:03.936  
<v SPEAKER\_2>Anyways, I know you've got things to do.

00:09:03.936 --> 00:09:05.436

<v SPEAKER\_2>It's coming up at the end of the year.

00:09:06.696 --> 00:09:12.376

<v SPEAKER\_2>We're busily trying to factor in a few things for CGI here at the end of the year, and I'll let you go, Joe.

00:09:12.376 --> 00:09:13.416

<v SPEAKER\_3>Yeah, absolutely, Kelly.

00:09:14.136 --> 00:09:18.616

<v SPEAKER\_3>We'll switch over to our discussion with Jack Mintz.

00:09:18.616 --> 00:09:22.296

<v SPEAKER\_4>Hi, I'm Dave Perry, the President and CEO of the Canadian Global Affairs Institute.

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<v SPEAKER\_4>Reach out to us at contact at [cgai.ca](http://cgai.ca) for options and pricing.

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<v SPEAKER\_4>That's contact at [cgai.ca](http://cgai.ca).

00:09:45.436 --> 00:10:00.676

<v SPEAKER\_2>For today's interview, which Joe and I recorded December 2nd, 2025, we discussed the recent Memorandum of Understanding, or MOU, between the Government of Canada, the Government of Alberta, and whether this is a real plan for a pipeline or just another pipe dream.

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<v SPEAKER\_3>With us to discuss this is Jack Mintz.

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<v SPEAKER\_3>Dr.

00:10:03.836 --> 00:10:16.676

<v SPEAKER\_3>Mintz is a distinguished Canadian economist, the President's Fellow at the University of Calgary's School of Public Policy, a distinguished Fellow at the MacDonalld Laurier Institute, and a Senior Fellow of the CD Howe Institute.

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<v SPEAKER\_3>He has had a long and distinguished career, including previous stints as CEO of CD Howe, and founding Director of the School of Public Policy, as well as numerous other important roles on corporate boards, government committees, and public policy fellowships.

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<v SPEAKER\_2>Jack, it's great to have you on the podcast.

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<v SPEAKER\_2>We've done several webinars and things together, and Jack was part of our Advisory Council for a period of time.

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<v SPEAKER\_2>So it's great to see you again, Jack.

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<v SPEAKER\_1>It's my pleasure, Kelly.

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<v SPEAKER\_1>Joe, thank you for inviting me.

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<v SPEAKER\_3>Of course.

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<v SPEAKER\_2>Jack, to help frame the discussion, we should unpack Canada's current economic context and the strategic implications of the challenges facing our economy.

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<v SPEAKER\_2>Canada is not only suffering from productivity crisis, but the United States has also turned against free trade with Canada, raising the cost of business with our biggest market.

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<v SPEAKER\_2>How can we see these economic headwinds impacting Canada's relative bargaining power, not only with the US, but with the rest of the world?

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<v SPEAKER\_1>Well, I think there's an interesting history here that we should try to remember.

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<v SPEAKER\_1>And that is at one time, Canada, which has always been more of a middle power, we're not really, never been one of the major powers of the world.

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<v SPEAKER\_1>But we've been a middle power that had good relationships with the United States, other countries tended to want to get Canada's help in approaching the United States, which has been a very important function that we had as a country.

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<v SPEAKER\_1>Well, at the same time, we've had good relations with other parts of the world at the same time.

00:11:54.936 --> 00:11:59.796

<v SPEAKER\_1>We're now into a very different world, as you pointed out.

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<v SPEAKER\_1>But I think we have to remember the US has changed in the way that it's going to play its role in the world, at least under the current administration.

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<v SPEAKER\_1>But I suspect that that's going to go on for well past the Trump years.

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<v SPEAKER\_1>And that is the US is looking to, let's say, strengthen its role in trade.

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<v SPEAKER\_1>You know, it's given up on being shut out of some markets and keeping their own open.

00:12:34.576 --> 00:12:36.076

<v SPEAKER\_1>That has not been the case of Canada.

00:12:36.076 --> 00:12:47.876

<v SPEAKER\_1>We've had a good trading relationship with the United States, particularly with our free trade agreement that we've had since Brian Marroney brought it in 1988.

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<v SPEAKER\_1>But we have to remember we've also done certain things that I think have upset the Americans, including our lack of spending on defence, particularly with respect to the North American defence perimeter.

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<v SPEAKER\_1>We've had our own trade violations themselves, particularly the supply management.

00:13:12.676 --> 00:13:14.236

<v SPEAKER\_1>But there's been other ones as well.

00:13:14.516 --> 00:13:17.496

<v SPEAKER\_1>We shut out American banks from coming into Canada.

00:13:17.496 --> 00:13:19.596

<v SPEAKER\_1>We shut out telecommunication companies.

00:13:19.596 --> 00:13:24.396

<v SPEAKER\_1>We do all sorts of other things that are not exactly free trade.

00:13:24.996 --> 00:13:26.656

<v SPEAKER\_1>And so we're not so innocent ourselves.

00:13:26.656 --> 00:13:36.416

<v SPEAKER\_1>And so the US is looking at all other countries too, including Canada, and saying, look, we want to redo this deal that we feel we've been kind of hard done by.

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<v SPEAKER\_1>The other aspect, of course, of the US terrorist is that it's a source of revenue.

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<v SPEAKER\_1>And I think that's one of the important things, because even after Trump, if you're raising \$200-300 billion a year in revenues, you're not about to give that up easily.

00:13:51.636 --> 00:13:58.516

<v SPEAKER\_1>And especially in the US, I was at a conference last June, and someone raised the question.

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<v SPEAKER\_1>In fact, I was the only Canadian invited.

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<v SPEAKER\_1>It was a conference in Washington, made up of government officials, and including some people from the White House, think tanks and academics.

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<v SPEAKER\_1>It was actually an excellent conference on tariffs and other destination-based taxes.

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<v SPEAKER\_1>And I was on the last panel and somebody asked me the question, do you think it's better to raise corporate income taxes like the Biden government wanted to do, or to raise tariffs?

00:14:24.776 --> 00:14:51.116

<v SPEAKER\_1>And from a public finance perspective, you can actually make an argument that raising tariffs is a better choice from the American perspective right now, compared to raising corporate taxes, which actually makes it more costly to export and also gives an advantage, a further competitive advantage for imports coming into the country over domestic production that is more heavily taxed.

00:14:51.416 --> 00:15:02.796

<v SPEAKER\_1>So you can make actually very strong argument for tariffs over corporate tax increases in the United States, if you juxtaposition these policies together.

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<v SPEAKER\_1>My main point is that the US is also in foreign policy, it's playing a much more aggressive role in some areas.

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<v SPEAKER\_1>It's telling Europe you're going to have to start ponying up and spending money.

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<v SPEAKER\_1>They're telling Canada that as well.

00:15:14.296 --> 00:15:21.756

<v SPEAKER\_1>They're also exerting a lot of influence with respect to trying to stop wars.

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<v SPEAKER\_1>You know, and as we've seen, not just in the Gaza situation, but also playing a role in Ukraine, but also a number of other conflicts that have gone on, such as between Pakistan and India, and also, and, and, and Azerbaijan and Armenia, etc.

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<v SPEAKER\_1>So, you know, we've seen, we've seen a much more, a very different type of US role than we've seen before.

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<v SPEAKER\_1>But part of it is to tell the partners that they have to now pay up.

00:15:50.636 --> 00:15:53.036

<v SPEAKER\_1>And so we're not used to that as a country.

00:15:53.036 --> 00:15:57.316

<v SPEAKER\_1>And so the question is, how are we, how are we going to play our middle power?

00:15:57.316 --> 00:16:11.016

<v SPEAKER\_1>And right now, I think the government's thrust is to try to create relationships with other countries, particularly the European Union, and basically to try to move away from reliance on the United States.

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<v SPEAKER\_1>I'm not sure that's actually the best approach in terms of what we need to do, in terms of establishing our own influence in the world.

00:16:18.396 --> 00:16:23.876

<v SPEAKER\_1>I think we are still going to need the American economy.

00:16:23.876 --> 00:16:26.756

<v SPEAKER\_1>It's the fastest growing economy in the world.

00:16:26.756 --> 00:16:27.736

<v SPEAKER\_1>It is very powerful.

00:16:27.916 --> 00:16:37.156

<v SPEAKER\_1>It has the highest, it has the most important companies that are now operating in the world vis-à-vis digital companies and other high-tech companies.

00:16:37.156 --> 00:16:42.336

<v SPEAKER\_1>We benefit from US economy to a great extent.

00:16:42.336 --> 00:16:45.456

<v SPEAKER\_1>And finding a substitute for that is going to be very difficult.

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<v SPEAKER\_1>And so I think we need to rethink what we're doing right now as a country, because I think thumbing our nose at the United States is not going to work.

00:16:52.856 --> 00:17:01.436

<v SPEAKER\_1>And thinking that trade with Europe and trade with Asia is going to replace the 75% of our current exports to the United States.

00:17:01.436 --> 00:17:01.856

<v SPEAKER\_3>Yeah.

00:17:01.856 --> 00:17:02.656

<v SPEAKER\_3>Yeah.

00:17:02.656 --> 00:17:02.836

<v SPEAKER\_3>Yeah.

00:17:02.896 --> 00:17:06.556

<v SPEAKER\_3>And I'd like to talk a little bit about that trade diversification angle in a moment here.

00:17:06.556 --> 00:17:21.516

<v SPEAKER\_3>But I'm really interested in something that you just said, which is that the tariffs aren't necessarily the worst sort of way to raise money, and how that could be kind of sticky for US government, because they'll get kind of addicted to that revenue.

00:17:21.516 --> 00:17:24.936

<v SPEAKER\_3>They could be even under the Democrat administration maybe in the future.

00:17:26.256 --> 00:17:33.416

<v SPEAKER\_3>And, you know, the way that I've always thought about tariffs, that they're kind of like a very inefficient consumption tax, in a way.

00:17:33.416 --> 00:17:37.716

<v SPEAKER\_3>But, like, do you have any further thoughts along those lines?

00:17:37.716 --> 00:17:40.996

<v SPEAKER\_1>Well, it is an inefficient consumption tax, especially if it gets cascaded.

00:17:40.996 --> 00:17:53.736

<v SPEAKER\_1>And, you know, as things go through the chain of production, you know, a value-added tax is far superior, because what you do in a company, if it has to charge a tax, at least it can recover the taxes on its inputs.

00:17:54.336 --> 00:18:03.436

<v SPEAKER\_1>And so you avoid cascading of taxes as goods move and services move through the different chains of production.

00:18:03.436 --> 00:18:10.876

<v SPEAKER\_1>So I think, you know, which was actually part of my response, is I said, look, the better choice is for the United States to introduce a value-added tax and to bring it in.

00:18:13.936 --> 00:18:30.956

<v SPEAKER\_1>But certainly, I think the main point is that politicians have dumped on free trade and economic experts have dumped on free trade so much over the past 15 years, especially since the financial crisis.

00:18:31.856 --> 00:18:36.296

<v SPEAKER\_1>You have to ask, who speaks for liberal economic policies these days?

00:18:36.656 --> 00:18:54.316

<v SPEAKER\_1>Things like deregulation, tax reform, and free trade and et cetera, like what Thatcher and Reagan used to push for in other countries, including Canada, you had Mulroney and later on, even the Jean-Claude Cr  chin government as well as the Harper government.

00:18:54.316 --> 00:19:06.496

<v SPEAKER\_1>They all supported this standard type of economic policy, and it was pursued by the World Bank and the IMF in reforms for less developed countries, etc.

00:19:06.496 --> 00:19:11.776

<v SPEAKER\_1>Now, we dumped so much over free trade and deregulation, and etc.

00:19:11.776 --> 00:19:13.796

<v SPEAKER\_1>that now we're in a very different world.

00:19:13.876 --> 00:19:19.836

<v SPEAKER\_1>So it's not surprising that all of a sudden, a country may decide, why don't we bring back tariffs?

00:19:19.896 --> 00:19:21.676

<v SPEAKER\_1>In fact, tariffs have existed.

00:19:21.676 --> 00:19:31.416

<v SPEAKER\_1>In fact, I have a neat little chart that actually shows that less developed countries are highly dependent on the tariff revenues because they're easy to collect at the border.

00:19:32.536 --> 00:19:33.796

<v SPEAKER\_1>There are some interesting cases.

00:19:33.976 --> 00:19:41.516

<v SPEAKER\_1>Argentina, for example, one of the G20 countries actually collects almost 15% of their revenues from international trade taxes.

00:19:41.516 --> 00:19:45.596

<v SPEAKER\_1>And India collects over 6%, another G20 country.

00:19:47.416 --> 00:19:58.896

<v SPEAKER\_1>And then there's one country that really sticks out in the sense of it's kind of a middle income country, about \$7,500 per capita incomes, which is the Bahamas.

00:20:00.176 --> 00:20:04.676

<v SPEAKER\_1>And they get about 20% of the revenue from tariffs.

00:20:04.676 --> 00:20:07.616

<v SPEAKER\_1>And so then you may ask, well, isn't that terrible?

00:20:07.616 --> 00:20:11.036

<v SPEAKER\_1>Well, Bahamas says, I'd rather do that than to have an income tax.

00:20:11.036 --> 00:20:13.536

<v SPEAKER\_1>And that gives us a lot of leverage.

00:20:14.036 --> 00:20:18.056

<v SPEAKER\_1>So who's to say what's one tax is better than another?

00:20:18.056 --> 00:20:27.156

<v SPEAKER\_1>And this is why the public finance point of view is so much different than the international trade point of view, because the international trade experts would say get rid of tariffs or bad things.

00:20:27.736 --> 00:20:30.036

<v SPEAKER\_1>You know, there's a lot of value to free trade.

00:20:30.036 --> 00:20:37.316

<v SPEAKER\_1>You know, David Ricardo said that, you know, over 200, you know, around 200 years ago.

00:20:37.316 --> 00:20:40.256

<v SPEAKER\_1>It's been an important lesson, comparative advantage, etc, etc.

00:20:40.256 --> 00:20:41.676

<v SPEAKER\_1>All that is correct.

00:20:41.676 --> 00:20:45.576

<v SPEAKER\_1>But it still doesn't get to the fact that governments need money.

00:20:45.576 --> 00:20:47.336

<v SPEAKER\_1>And there's different ways of raising revenue.

00:20:47.336 --> 00:21:05.976

<v SPEAKER\_1>And at some point, if you're saying that free trade is a bad thing, and there's real negatives associated with it, it's not surprising that you get someone like Trump coming along saying that I want to put on trade tariffs and use them much more than what's currently being used by the United States and other countries.

00:21:05.976 --> 00:21:08.736

<v SPEAKER\_1>So we're in a different world today.

00:21:08.736 --> 00:21:10.036  
<v SPEAKER\_1>Yeah.

00:21:10.036 --> 00:21:14.996  
<v SPEAKER\_3>So I'd like to turn to that, the trade angle for Canada and access to larger markets.

00:21:14.996 --> 00:21:24.236  
<v SPEAKER\_3>And I think that this is really important for Canada because on our own, we don't have the demand to get to this scale that we need to produce efficiently, in my view.

00:21:24.956 --> 00:21:29.656  
<v SPEAKER\_3>I'm sure that people can have other views about kind of like a more economic nationalist view.

00:21:29.656 --> 00:21:34.356  
<v SPEAKER\_3>There's some people who are saying that we should have a only in Canada made car, things like that.

00:21:34.356 --> 00:21:36.116  
<v SPEAKER\_3>I'm not sure if that's going to happen.

00:21:36.116 --> 00:21:40.616  
<v SPEAKER\_2>Refineries and it goes on and on with the population of 40 million people.

00:21:40.616 --> 00:21:41.696  
<v SPEAKER\_3>Yeah.

00:21:41.696 --> 00:21:45.196  
<v SPEAKER\_1>It's spread over a very big difference in geography.

00:21:45.196 --> 00:21:50.096  
<v SPEAKER\_2>And let's not forget about the weather, even when we believe in climate change.

00:21:50.096 --> 00:21:57.636  
<v SPEAKER\_3>Each Canadian province, as far as I can tell, it's designed to be producing largely for US demand, the exports.

00:21:57.636 --> 00:22:07.136  
<v SPEAKER\_3>But while Hugh was in Asia, Prime Minister Mark Carney made a target for Canada to double exports outside of the United States by 2035.

00:22:07.136 --> 00:22:10.816  
<v SPEAKER\_3>So there still wouldn't be anywhere close to our current exports to the United States.

00:22:10.816 --> 00:22:17.456

<v SPEAKER\_3>So it would be, I believe, \$600 billion is the plan for 2035 compared to, I believe, it's 1.5.

00:22:17.616 --> 00:22:21.316

<v SPEAKER\_3>How much of our GDP is exports to the US?

00:22:22.976 --> 00:22:29.396

<v SPEAKER\_3>Let's just say their exports to the United States will always be massive just because the gravity model of trade, all of that sort of stuff.

00:22:29.516 --> 00:22:43.256

<v SPEAKER\_3>But with recent news, and I'm thinking specifically about the MOU, it seems the boosting of exports of Canadian energy could be a central part of making this doubling of non-US exports happen.

00:22:44.256 --> 00:22:46.796

<v SPEAKER\_3>But Jack, I'd like to pick your brain on this.

00:22:46.796 --> 00:23:02.956

<v SPEAKER\_3>Do you see meeting this target, do you see this having a major impact on Canada's economic challenges, or could this be seen mostly as just a foreign policy goal and not really aligned with what Canada needs economically?

00:23:02.956 --> 00:23:17.856

<v SPEAKER\_1>Well, first of all, Trevor Tome had a neat little piece showing that just through the current growth in trade with Asia, that Canada, it won't be too hard to get to that double number.

00:23:17.856 --> 00:23:25.576

<v SPEAKER\_1>In fact, it will be somewhat of an increase needed in total exports, but we're not really talking about a phenomenal change.

00:23:25.576 --> 00:23:37.276

<v SPEAKER\_1>As you pointed out, even the amount that still would be traded with Asia is going to be small relative to what we're doing with the United States.

00:23:37.396 --> 00:23:43.456

<v SPEAKER\_1>We have to remember, like energy, for example, is our top export, it's about 20 percent of our GDP.

00:23:47.376 --> 00:23:57.516

<v SPEAKER\_1>In terms of our energy exports to the world, over 90 percent of our energy is exported to the United States.

00:23:57.516 --> 00:24:15.236

<v SPEAKER\_1>Even with TMX now coming on stream and selling more to take advantage of Asian pricing, there's still quite a long way to go before we reduce that, that dependency on the US in terms of our energy exports.

00:24:15.236 --> 00:24:24.916

<v SPEAKER\_1>Even now, the federal government in terms of talking about new pipelines has reintroduced the idea of the Keystone XL coming in, and guess where that output is going to go to?

00:24:24.916 --> 00:24:29.056

<v SPEAKER\_1>It's going to go to the Gulf, and so I think in the US.

00:24:29.056 --> 00:24:35.336

<v SPEAKER\_1>So I think again, it's not entirely clear what we're really talking about.

00:24:35.336 --> 00:24:41.616

<v SPEAKER\_1>But there's no question that we've already had some exports going to the United States to Asia.

00:24:42.656 --> 00:24:50.756

<v SPEAKER\_1>Even before TMX, I know that propane has been selling, going to Asia.

00:24:50.756 --> 00:24:53.756

<v SPEAKER\_1>We've had some other exports as well.

00:24:53.756 --> 00:25:03.576

<v SPEAKER\_1>I think the big tricky issue is going to be what's going to be a growing competition between China and the United States.

00:25:03.576 --> 00:25:10.356

<v SPEAKER\_1>As we tried to deal with Asia, the question is, what kind of relationship are we going to have with China?

00:25:10.356 --> 00:25:19.376

<v SPEAKER\_1>It would be one in which can create some problems vis-a-vis pressures getting with respect to the United States.

00:25:19.676 --> 00:25:30.616

<v SPEAKER\_1>A perfect example of that is the fact that we put on basically very high tariffs on Chinese electric vehicles.

00:25:30.656 --> 00:25:47.216

<v SPEAKER\_1>BYD is swamping the great now, the European market in terms of new registrations and in their automobiles that they're selling to Europe.

00:25:47.216 --> 00:25:49.876

<v SPEAKER\_1>That's because they're cheap and very well-made.

00:25:50.336 --> 00:25:58.036

<v SPEAKER\_1>They're partly cheap because they're willing to subsidize European customers with low prices that the Chinese government's doing.

00:25:58.716 --> 00:26:04.656

<v SPEAKER\_1>So the question is, okay, if we put on a tariff on Chinese automobiles, look what happened.

00:26:04.656 --> 00:26:10.036

<v SPEAKER\_1>It ended up leading to us not being able to sell canola to China.

00:26:10.036 --> 00:26:15.236

<v SPEAKER\_1>And so there's going to be these kind of trade conflicts that we're going to have to think about.

00:26:15.456 --> 00:26:19.756

<v SPEAKER\_1>And then it goes back to really who's our allies and who's not our ally.

00:26:20.216 --> 00:26:28.396

<v SPEAKER\_1>And I think it's going to be a real issue in terms of how much we can develop in terms of Asian exports.

00:26:28.396 --> 00:26:34.396

<v SPEAKER\_1>There is Japan, there's Malaysia, there's Indonesia, Korea.

00:26:34.396 --> 00:26:40.156

<v SPEAKER\_1>There's some very large and big markets sitting there that we could take advantage of.

00:26:40.156 --> 00:26:49.296

<v SPEAKER\_1>But again, there's also these countries have their own protective policies as well as subsidies that they give to industries.

00:26:49.356 --> 00:26:57.756

<v SPEAKER\_1>I've done a lot of work in the past with the IMF and World Bank and I worked on Asian countries, Malaysia particularly and Thailand.

00:26:57.756 --> 00:27:12.296

<v SPEAKER\_1>But I could tell you this, there was a whole common thinking in Asia and similar to China actually, about export-led growth and the highly subsidized exports, huge amount of incentives given in order to develop their economies.

00:27:12.296 --> 00:27:18.216

<v SPEAKER\_1>A very different philosophy than what was taken on in Europe and United and North America.

00:27:18.216 --> 00:27:26.496

<v SPEAKER\_1>So I don't think that philosophy has changed at all in Asia, and by many of the countries.

00:27:26.496 --> 00:27:37.716

<v SPEAKER\_1>And so I think it's going to be a challenging set of countries to deal with over time.

00:27:37.716 --> 00:27:42.796

<v SPEAKER\_1>But again, there are some very good growth opportunities, and we can take advantage of them.

00:27:42.796 --> 00:27:58.096

<v SPEAKER\_1>And I think, of course, building pipelines to the West Coast is the smartest way of trying to take advantage, or at least giving us an option to take advantage of the Asian pricing and the markets that are available to us.

00:27:58.236 --> 00:28:00.816

<v SPEAKER\_2>Yeah, that's an optionality, right?

00:28:00.816 --> 00:28:02.256

<v SPEAKER\_2>We need an option.

00:28:05.496 --> 00:28:10.716

<v SPEAKER\_2>I would say that that would be definitely the, if you want to call it a foreign policy growth goal.

00:28:10.716 --> 00:28:17.856

<v SPEAKER\_2>But Jack, let's turn to the MOU between the Canadian and Alberta governments.

00:28:18.596 --> 00:28:28.676

<v SPEAKER\_2>Last week, you wrote an article for the Financial Post, which warned that the devil will be in the details of this particular MOU, especially when it comes to Canadian competitiveness.

00:28:28.676 --> 00:28:35.516

<v SPEAKER\_2>Can you please spell out for us what concerns you have about how this MOU has been structured?

00:28:35.516 --> 00:28:40.076

<v SPEAKER\_1>Well, first of all, let's be honest.

00:28:40.076 --> 00:28:50.636

<v SPEAKER\_1>It's certainly a first step to trying to get a pipeline

built to the West Coast, as opposed to no step at all, or the negative steps that we've had over the past decade.

00:28:52.396 --> 00:28:56.216

<v SPEAKER\_1>I think that's a positive thing that we should keep in mind.

00:28:56.216 --> 00:29:02.656

<v SPEAKER\_1>However, when you read the MOU, there's a lot of unclarity associated with it.

00:29:02.656 --> 00:29:06.376

<v SPEAKER\_1>It's really just a statement about how we're going to negotiate.

00:29:06.376 --> 00:29:10.036

<v SPEAKER\_1>We have to negotiate issues around the industrial carbon price.

00:29:10.636 --> 00:29:29.376

<v SPEAKER\_1>We have to negotiate what Alberta might offer vis-à-vis nuclear energy and the pathways, the construction of the pathways and carbon capture and storage.

00:29:29.376 --> 00:29:36.976

<v SPEAKER\_1>We have to negotiate with the First Nations in BC to make sure that they are going to be on board.

00:29:37.076 --> 00:29:42.316

<v SPEAKER\_1>We have to negotiate with BC to try to get them to be on board.

00:29:42.316 --> 00:29:45.636

<v SPEAKER\_1>There's all sorts of conditions associated with that.

00:29:45.636 --> 00:30:05.756

<v SPEAKER\_1>But when I looked at the overall package, I think the reason why I raised the issue of competitiveness is that if you go ahead and build, let's say you can get the pipeline going, including, by the way, there's another 300,000 to 400,000 barrels with a further expansion of the Trans Mountain pipeline that's mentioned in the agreement.

00:30:06.416 --> 00:30:10.416

<v SPEAKER\_1>But let's say we do, we can build this million barrel.

00:30:10.416 --> 00:30:15.936

<v SPEAKER\_1>The question is, will the invitees come to the party?

00:30:19.816 --> 00:30:34.316

<v SPEAKER\_1>I don't question there isn't going to be demand for the oil internationally, whether it's in Asia or even back into the United States and the Gulf Coast, for example, which I think is well possible.

00:30:34.396 --> 00:30:38.896

<v SPEAKER\_1>And of course, California right now is, all their refineries have been closing down.

00:30:38.896 --> 00:30:45.976

<v SPEAKER\_1>So they have a serious issue of oil shortages now after all their policies in California.

00:30:45.976 --> 00:30:50.016

<v SPEAKER\_1>But there'll be demand, I think, for that oil.

00:30:51.256 --> 00:30:55.956

<v SPEAKER\_1>So long as Venezuela doesn't come back on stream, which is another issue down the road.

00:30:55.956 --> 00:30:58.836

<v SPEAKER\_2>We could talk about that too.

00:30:58.836 --> 00:31:14.216

<v SPEAKER\_1>But anyway, but assuming the demand is there, which I think it will be, the question is, will companies want to invest in Alberta to build more capacity for oil production or not?

00:31:14.216 --> 00:31:16.276

<v SPEAKER\_1>And that's where the competitiveness issue comes in.

00:31:16.276 --> 00:31:31.916

<v SPEAKER\_1>Because if you're a company like Exxon, and you're looking at the world and you could put money into Guyana, you could put money into Nigeria, you could put money into potential new Russian construction, which now people are talking about.

00:31:31.916 --> 00:31:33.776

<v SPEAKER\_1>Or let's say Venezuela does open up.

00:31:34.496 --> 00:31:39.056

<v SPEAKER\_1>You can go back into Venezuela, which they withdrew from.

00:31:39.056 --> 00:31:44.996

<v SPEAKER\_1>Or Chevron can make that decision, whether or not they still have production in Venezuela.

00:31:44.996 --> 00:31:55.956

<v SPEAKER\_1>The main point is that they're going to look at what's happening around the world, they're going to look at their cost of

production, and what their net backs are going to be, ultimately, in their rate of return.

00:31:55.956 --> 00:32:02.376

<v SPEAKER\_1>And we're doing two things that are going to be required that you don't find by many oil producers in the world.

00:32:02.376 --> 00:32:06.676

<v SPEAKER\_1>One of them is decarbonized oil, which has a cost associated with it.

00:32:06.676 --> 00:32:12.236

<v SPEAKER\_1>And yes, that cost will get covered by two things.

00:32:12.236 --> 00:32:22.856

<v SPEAKER\_1>One, the government grants to cover the cost of that construction, which is fairly expensive, by the way, and very expensive on a per barrel basis.

00:32:24.236 --> 00:32:32.796

<v SPEAKER\_1>But also the carbon tax payments that are saved by storing oil will of course help cover the cost of carbon capture and storage.

00:32:32.796 --> 00:32:36.116

<v SPEAKER\_1>However, there's still the carbon tax.

00:32:36.736 --> 00:32:58.736

<v SPEAKER\_1>And the federal government would like a much stronger industrial price currently with the credit market that's available, the carbon price for carbon credits that companies can buy to relieve themselves of the industrial carbon price.

00:32:58.736 --> 00:33:07.996

<v SPEAKER\_1>There's only roughly \$20, \$25 a carbon ton, which is far less than the \$85 a ton that currently exists.

00:33:07.996 --> 00:33:22.996

<v SPEAKER\_1>And so one thing is to tighten up on the amount of credits that are available, but the other major change would be to raise the carbon price, which in the agreement talks about \$130 a carbon ton.

00:33:23.716 --> 00:33:32.956

<v SPEAKER\_1>So I did a calculation to say, okay, what would happen if you had the marginal price is \$130 a carbon price?

00:33:34.016 --> 00:33:36.856

<v SPEAKER\_1>And what would that mean in per barrel cost?

00:33:37.756 --> 00:33:44.256

<v SPEAKER\_1>It's roughly \$6.5 US dollars per barrel as a marginal cost.

00:33:45.256 --> 00:34:01.476

<v SPEAKER\_1>And even if carbon capture and storage, a significant share of that is covered by the government, the grants, there still could be a cost associated with it, although that may be covered by saving some of that carbon tax payments that would otherwise be going.

00:34:02.816 --> 00:34:08.596

<v SPEAKER\_1>But you still have to pay the carbon tax to get the savings.

00:34:08.596 --> 00:34:28.896

<v SPEAKER\_1>And so you could actually end up with a price getting, depending on the projects, reaching \$10 a barrel, and in US dollars, which would put us at a very significant disadvantage on a competitive basis for investment capital to go into the oil sense.

00:34:28.896 --> 00:34:33.036

<v SPEAKER\_1>And right now, any greenfield investments are not taking place.

00:34:33.036 --> 00:34:38.556

<v SPEAKER\_1>They're very marginal at the current prices that are available for oil.

00:34:39.376 --> 00:34:49.936

<v SPEAKER\_1>And so I think it's going to be, we're going to have a real serious competitive issue to deal with if we really want to fill up that pipeline that wants to get built.

00:34:49.936 --> 00:35:06.036

<v SPEAKER\_1>And so obviously proponent of building the pipeline, first of all, has to worry about all the costs incurred of building that pipeline and that could be slowed down by regulatory process if it takes a long time vis-à-vis getting BC impersonations on board.

00:35:06.036 --> 00:35:10.596

<v SPEAKER\_1>Although the federal government can push that through very quickly if they wanted to.

00:35:10.596 --> 00:35:21.096

<v SPEAKER\_1>But it also requires the, it also requires, I think, companies being willing to actually, let's go ahead and produce more oil in Alberta.

00:35:21.796 --> 00:35:29.436

<v SPEAKER\_1>And, you know, if there's sufficient netbacks associated

with it compared to other locations.

00:35:29.436 --> 00:35:55.816

<v SPEAKER\_2>Yeah, we're kind of caught in a spot where at this point in time, you're right, Jack, like if you're only getting \$55, you got costs around \$10, chipping costs around \$10, you know, on a tariff or on a pipeline levy, you know, add another \$6, it's probably marginal, whether you would add a barrel.

00:35:55.816 --> 00:35:56.776

<v SPEAKER\_2>This is a concern.

00:35:56.776 --> 00:36:16.656

<v SPEAKER\_2>I think that my own opinion, I'm fairly bullish on the longer term prices of crude oil, but these are long term decisions about green field or even brown field increases in SAGD production with the big five.

00:36:16.656 --> 00:36:17.396

<v SPEAKER\_2>But yeah, you're right.

00:36:17.396 --> 00:36:43.856

<v SPEAKER\_2>And if I could just stick on that, Jack, as an economist, you know, and I had this argument with Carney personally about that, like the real credit market is in that the bid, I think, is like \$10 and the ask is \$25, like for a ton, like, and, you know, we bandy around this \$130 number and it's kind of a bait and switch the way they said, we're going to increase the carbon tax by six times.

00:36:43.856 --> 00:36:47.876

<v SPEAKER\_2>Well, yeah, that's because the bid is \$15 a ton.

00:36:47.876 --> 00:36:52.416

<v SPEAKER\_2>So how do that, can that circle be squared, Jack?

00:36:52.416 --> 00:36:53.816

<v SPEAKER\_1>Well, it's going to take some time, right?

00:36:53.816 --> 00:37:00.916

<v SPEAKER\_1>Because there's, you know, under the TEARE program in Alberta, of course, companies can store credits for several years.

00:37:00.916 --> 00:37:08.116

<v SPEAKER\_1>I forget what the limitation, I think it was five years, but I forget the exact time limitation on that.

00:37:08.116 --> 00:37:12.636

<v SPEAKER\_1>But of course, and there are companies that have bought up a lot of credits, which makes sense.

00:37:12.636 --> 00:37:22.376

<v SPEAKER\_1>If you can buy credits at, you know, \$20, \$25, even in 2023, you can save a lot of money when you can apply them in 2028.

00:37:24.996 --> 00:37:27.176

<v SPEAKER\_1>So there are companies that have built up a lot of credits there.

00:37:27.176 --> 00:37:28.556

<v SPEAKER\_1>And so what are you going to say all of a sudden?

00:37:28.556 --> 00:37:31.116

<v SPEAKER\_1>They're not of no value.

00:37:31.116 --> 00:37:36.156

<v SPEAKER\_1>So I think it's going to be, there's a transition issue here that's going to be difficult.

00:37:36.156 --> 00:37:40.336

<v SPEAKER\_1>But also a question of how are you going to tighten up on the credits?

00:37:40.336 --> 00:37:46.656

<v SPEAKER\_1>Well, the one way of doing that is to lower the thresholds, you know, for free allowances.

00:37:46.656 --> 00:38:01.236

<v SPEAKER\_1>In other words, right now, if I recall, I think it's 85% of emissions are not subject to the credit and they're subject to the carbon tax.

00:38:01.236 --> 00:38:09.136

<v SPEAKER\_1>Well, if you start making more emissions subject to tax, that will start using up the credits available quickly.

00:38:09.136 --> 00:38:23.796

<v SPEAKER\_1>And so I suspect that's going to be the biggest issue around the negotiation over the industrial price is not just the level but also the free allowances that are given to companies.

00:38:23.796 --> 00:38:29.296

<v SPEAKER\_1>And as that tightens up, that's going to push up the carbon price quite a bit.

00:38:29.296 --> 00:38:33.396

<v SPEAKER\_1>And those credit prices are going to rise quite quickly as well.

00:38:33.436 --> 00:38:43.876

<v SPEAKER\_3>Yeah, it's very difficult when you have an output-based

pricing system, like the tier system or the federal backstop, to target an actual exact price level.

00:38:43.876 --> 00:38:54.076

<v SPEAKER\_3>Because like you said, it's both the supply, which is that those free credits are given out for getting below a certain emissions target, but also the demand for those credits.

00:38:54.076 --> 00:39:05.876

<v SPEAKER\_3>So if companies aren't investing and aren't exceeding those emissions limits and trying to buy up credits, then you're still not going to get to that price level.

00:39:05.876 --> 00:39:11.116

<v SPEAKER\_3>So you need to make sure that we still have that heavy industry coming in to keep that demand up.

00:39:11.116 --> 00:39:19.556

<v SPEAKER\_3>So yeah, a bunch of issues, I think, around that, and so a lot of that will be up to negotiation between the government of Alberta and the federal government.

00:39:19.556 --> 00:39:46.196

<v SPEAKER\_3>But I think that it's completely true that this will add a big chunk of expenses on to Canadian oil and gas producers, and that has implications for competitiveness, and international competitiveness especially, because we're going to be competing with United States, Qatar, Saudi Arabia for these markets in Asia, and these are not easy places to compete with.

00:39:46.196 --> 00:39:49.436

<v SPEAKER\_3>I think we can do it, but it's not going to be easy.

00:39:51.876 --> 00:39:55.836

<v SPEAKER\_3>I think we should turn to this idea of climate competitiveness here.

00:39:56.476 --> 00:39:59.756

<v SPEAKER\_3>So, the MOU seems to be kind of like the other half.

00:39:59.756 --> 00:40:04.836

<v SPEAKER\_3>Like, when I read the climate competitiveness strategy that was in the budget, it seemed like it was unfinished to me.

00:40:04.836 --> 00:40:06.976

<v SPEAKER\_3>And this MOU seems to kind of like round it out.

00:40:06.976 --> 00:40:10.496

<v SPEAKER\_3>It seems to make a lot more sense after this MOU comes out.

00:40:10.616 --> 00:40:17.176

<v SPEAKER\_3>But the MOU seems to be aligned with a general idea behind the climate competitiveness strategy.

00:40:17.176 --> 00:40:23.716

<v SPEAKER\_3>And this idea is that there will be greater demand for low carbon products in the future, and this will include low carbon oil.

00:40:24.596 --> 00:40:34.476

<v SPEAKER\_3>So the idea would be that Canada can withstand higher production costs if we are hypothetically able to receive a premium on our products.

00:40:34.476 --> 00:40:45.696

<v SPEAKER\_3>So Jack, and you know, this is really a hypothetical question, I suppose, because I don't think we've seen any real indications that were there yet.

00:40:45.696 --> 00:40:52.716

<v SPEAKER\_3>But do you think a low carbon pedigree could be a factor in Canadian competitiveness for international energy trade?

00:40:54.036 --> 00:41:11.556

<v SPEAKER\_1>It may in some markets, like the European Union, which is now going to be putting on a carbon tariff starting, or border adjustments starting in January 1st, actually, 2026, and that in itself is a highly complex thing.

00:41:11.556 --> 00:41:14.776

<v SPEAKER\_1>But of course, Europe doesn't really buy that much can you know what else?

00:41:14.776 --> 00:41:15.896

<v SPEAKER\_1>So I'm not sure.

00:41:15.896 --> 00:41:17.696

<v SPEAKER\_1>That's going to be our major concern.

00:41:17.696 --> 00:41:20.676

<v SPEAKER\_3>Yeah, and this pipeline goes the wrong way if we're going to be trying to supply Europe.

00:41:21.556 --> 00:41:24.496

<v SPEAKER\_1>I don't think there is a premium in the end.

00:41:24.496 --> 00:41:44.396

<v SPEAKER\_1>I know that there was a number of investments that some companies were making in ethanol or biotype gas and things like that,

on the presumption that they could sell it at a higher price.

00:41:44.396 --> 00:41:47.956

<v SPEAKER\_1>That market hasn't I don't think worked as well as they thought it was going to.

00:41:48.796 --> 00:42:04.276

<v SPEAKER\_1>Some of these projects have been now taken off the planning because they really can't command the price because in the end people are, their competition is going to be based on keeping their costs as low as possible.

00:42:05.556 --> 00:42:19.816

<v SPEAKER\_1>Of course, in Europe have very serious issues because of the cost of electricity in various markets like Germany, and France, and others of industrial, and industries that are basically folding up.

00:42:19.816 --> 00:42:24.796

<v SPEAKER\_1>Companies are folding up, going elsewhere because of the high cost of energy there.

00:42:25.996 --> 00:42:39.696

<v SPEAKER\_1>I suspect that's going to be the same thing of if someone tries to be saying, oh, we're going to give a premium for low carbon gas, that will only be true if the government is going to require it through regulation.

00:42:40.316 --> 00:42:43.656

<v SPEAKER\_1>Otherwise, I think companies are going to be saying no.

00:42:43.656 --> 00:42:54.056

<v SPEAKER\_1>Again, given the competitiveness nature of the world, if you're the only jurisdiction that's doing that, you're going to lose out vis-a-vis all the others.

00:42:56.756 --> 00:42:58.036

<v SPEAKER\_1>I think that's a bit pie in the sky.

00:42:58.176 --> 00:43:15.336

<v SPEAKER\_1>It was the thinking about 10 years ago, even before the pandemic, but I think now it's becoming a reversal of that, thinking that somehow you could command a higher price just simply because you have low carbon product.

00:43:15.336 --> 00:43:22.896

<v SPEAKER\_1>I think people are going to still be concerned about the actual cost that they have to pay for things and the competitiveness of that.

00:43:23.156 --> 00:43:29.696

<v SPEAKER\_1>Of course, it's one thing if the whole world was putting a premium on through regulation.

00:43:29.696 --> 00:43:35.856

<v SPEAKER\_1>But if they're not, which they aren't, then of course, you're going to lose to competition.

00:43:35.856 --> 00:43:40.656

<v SPEAKER\_1>So I don't put much premium myself on that argument.

00:43:40.656 --> 00:43:40.916

<v SPEAKER\_3>Yeah.

00:43:40.916 --> 00:43:58.796

<v SPEAKER\_3>It reminds me of with all the climate change concepts, the collective action problem really wins out where if you have a global carbon tax, like you were saying, if you have global incentives to reduce emissions, then I think there would be a huge argument for low-carbon oil and gas.

00:43:58.796 --> 00:44:03.676

<v SPEAKER\_3>But without that, it's a bit sketchier, especially on international markets.

00:44:03.676 --> 00:44:11.456

<v SPEAKER\_3>So yeah, I'm reminded of this article that came out of Bloomberg not that long ago, and I'll have to track it down.

00:44:11.456 --> 00:44:28.136

<v SPEAKER\_3>But it basically said that because the United States is defecting from sticking with climate targets, they're actually going to be able to make a lot of economic growth at other people's expense, with maybe the climate impacts.

00:44:28.136 --> 00:44:31.776

<v SPEAKER\_3>But that's a whole other story.

00:44:33.396 --> 00:44:36.756

<v SPEAKER\_2>The headwinds against decarbonization are just strong now.

00:44:37.236 --> 00:44:48.956

<v SPEAKER\_2>As Jack said, 10 years ago, as we unfolded the climate emergencies everywhere, in a lot of jurisdictions, other than the big autocratic countries don't really care.

00:44:48.956 --> 00:44:50.316

<v SPEAKER\_2>It comes down to price.

00:44:50.316 --> 00:44:54.816

<v SPEAKER\_2>The market is going to pay what it will pay because of competitiveness and or efficiency.

00:44:55.196 --> 00:44:57.936

<v SPEAKER\_2>I see this as a canard.

00:44:57.936 --> 00:45:01.096

<v SPEAKER\_2>I don't know that we can get by this and it can't be part of the end game.

00:45:01.096 --> 00:45:08.036

<v SPEAKER\_2>But the old saw of what is energy security comes to affordability, availability and sustainability.

00:45:08.036 --> 00:45:08.836

<v SPEAKER\_2>Here we are again.

00:45:10.776 --> 00:45:13.816

<v SPEAKER\_2>We've had lots of people around some of our conferences.

00:45:13.816 --> 00:45:18.956

<v SPEAKER\_2>Jack and Joe will agree that the market will pay the price on the margin.

00:45:18.956 --> 00:45:21.556

<v SPEAKER\_2>That's what they're going to pay.

00:45:21.556 --> 00:45:24.876

<v SPEAKER\_2>If you can't meet that price, you're not going to be a seller.

00:45:26.056 --> 00:45:29.116

<v SPEAKER\_1>Well, can I just add one thing?

00:45:29.116 --> 00:45:50.956

<v SPEAKER\_1>I just read an article this morning about Africa, which we're the head of a major African development bank was talking about how accidentally Trump terror policies are a tremendous help towards Africa and his carbon and his movement away from carbon policies.

00:45:51.636 --> 00:46:09.436

<v SPEAKER\_1>And they're saying that the whole carbon issue is creating a lot of pressure on the African countries about having to use sources of like solar wind and things like that when really they don't have the resources to do that.

00:46:10.196 --> 00:46:18.036

<v SPEAKER\_1>And now they can now start thinking about using gasoline or natural gas and other things to fund their energy.

00:46:19.736 --> 00:46:21.456  
<v SPEAKER\_1>And they've been growing as a result.

00:46:21.456 --> 00:46:30.396  
<v SPEAKER\_1>And in fact, in regard to tariffs, actually, now some of the countries that used to have preferential access to the United States don't have lost it.

00:46:30.396 --> 00:46:37.036  
<v SPEAKER\_1>So now there's more internal trading in Africa as a result, which is kind of an interesting point.

00:46:37.216 --> 00:46:39.156  
<v SPEAKER\_1>Of course, that will be at a higher cost.

00:46:39.356 --> 00:46:42.276  
<v SPEAKER\_1>But we'll leave that aside.

00:46:42.356 --> 00:46:44.136  
<v SPEAKER\_3>A higher cost for now.

00:46:44.136 --> 00:46:53.056  
<v SPEAKER\_2>Joe, why don't you just insert in right here, just make a statement about that lady we had on about a month ago, the African woman who said, you know, they just want what we want.

00:46:53.056 --> 00:46:55.336  
<v SPEAKER\_2>So they're what we have.

00:46:56.216 --> 00:47:02.496  
<v SPEAKER\_2>And they're going to get it with fossil fuels to quit burning dung and wood in their houses.

00:47:03.036 --> 00:47:05.236  
<v SPEAKER\_2>I forget, Joe, you'll remember her.

00:47:05.236 --> 00:47:06.236  
<v SPEAKER\_3>Yeah, yeah, absolutely.

00:47:06.416 --> 00:47:07.536  
<v SPEAKER\_2>It's a Jack.

00:47:07.536 --> 00:47:08.236  
<v SPEAKER\_2>Amen.

00:47:08.236 --> 00:47:11.316  
<v SPEAKER\_3>Yeah, Magatwad, she was from Senegal.

00:47:11.316 --> 00:47:36.576

<v SPEAKER\_3>And she was talking about the absolute energy poverty that exists in Africa and how it would be very beneficial to get the sort of domestic infrastructure that we have, that backbone of natural gas, electricity infrastructure to allow industry to grow, get people employed, and then long term, you know, domestic energy in the home and all that sort of stuff.

00:47:36.576 --> 00:47:40.436

<v SPEAKER\_3>But yeah, no, it's, I think it's very difficult.

00:47:40.436 --> 00:47:54.836

<v SPEAKER\_3>And this is something that I think a lot of development people have been kind of playing fast and loose with the idea that you can just build an entire economy off of microgrids like solar and battery microgrids.

00:47:54.836 --> 00:47:56.556

<v SPEAKER\_3>I don't think that that's true at all.

00:47:56.556 --> 00:48:04.976

<v SPEAKER\_3>I think you need like the big unified grid of big electricity production, major power plants, and all of that sort of stuff.

00:48:06.036 --> 00:48:08.396

<v SPEAKER\_1>Well, I think we're going to need all sources of energy.

00:48:09.436 --> 00:48:12.796

<v SPEAKER\_1>If solar and wind can provide some of it, certainly.

00:48:13.436 --> 00:48:15.656

<v SPEAKER\_1>And certainly, solar works very well in sunny climates.

00:48:16.236 --> 00:48:19.056

<v SPEAKER\_1>It doesn't work as well in places like Canada.

00:48:21.056 --> 00:48:24.156

<v SPEAKER\_1>But certainly, there is.

00:48:24.156 --> 00:48:25.716

<v SPEAKER\_1>But I don't think it's one or the other.

00:48:25.876 --> 00:48:28.136

<v SPEAKER\_1>I think we're going to be needing a lot of energy.

00:48:28.136 --> 00:48:37.376

<v SPEAKER\_1>And as we're seeing this, the technological advancements vis-a-vis the cloud and artificial intelligence, people shouldn't forget about the cloud and the growth of the cloud.

00:48:37.376 --> 00:48:40.836

<v SPEAKER\_1>That requires a lot of energy for data centers, etc.

00:48:40.836 --> 00:48:47.476

<v SPEAKER\_1>So we're in a very different world today than we thought 10 years ago.

00:48:47.476 --> 00:48:55.236

<v SPEAKER\_1>Never mind economic insecurity and military buildup, which is also going to create demand for energy sources as well.

00:48:55.236 --> 00:48:56.436

<v SPEAKER\_3>Absolutely.

00:48:56.436 --> 00:48:58.336

<v SPEAKER\_3>So Kelly, do you want to take the last question?

00:48:58.336 --> 00:48:59.436

<v SPEAKER\_2>Yeah, we'll just get this done.

00:48:59.436 --> 00:49:01.536

<v SPEAKER\_2>I just realized I got another meeting at 10 o'clock.

00:49:01.636 --> 00:49:03.416

<v SPEAKER\_2>I forgot all about it.

00:49:05.056 --> 00:49:14.176

<v SPEAKER\_2>Jack, let's speculate on what private sector players might be thinking about the prospect of investment in a major new pipeline project to a BC deep water port.

00:49:14.176 --> 00:49:24.756

<v SPEAKER\_2>Taking the coastal gas link and trans-mountain pipelines as models for project costs, this pipeline will run into tens of billions.

00:49:24.756 --> 00:49:28.896

<v SPEAKER\_2>Does this cost for building a new pipeline hurt the business case for a private sector player?

00:49:28.956 --> 00:49:31.176

<v SPEAKER\_2>And I just want to add something else.

00:49:31.176 --> 00:49:33.896

<v SPEAKER\_2>Is it possible that there could be a consortium?

00:49:33.896 --> 00:49:43.556

<v SPEAKER\_2>More than one potential shipping agent that could come together as a nation-building project?

00:49:43.556 --> 00:49:46.796

<v SPEAKER\_2>Or is that a wishful chimera?

00:49:47.176 --> 00:49:48.956

<v SPEAKER\_1>I think you could end up with a consortium.

00:49:48.956 --> 00:49:57.556

<v SPEAKER\_1>In fact, part of that consortium might be one of the First Nation corporations that are into these kinds of developments.

00:49:57.616 --> 00:50:02.616

<v SPEAKER\_1>So I think that's another element that might be involved.

00:50:05.336 --> 00:50:09.616

<v SPEAKER\_1>You still need an operator to take charge.

00:50:09.616 --> 00:50:15.776

<v SPEAKER\_1>But certainly, you could get a consortium, including governments putting partners in it.

00:50:16.916 --> 00:50:20.556

<v SPEAKER\_1>TMX happened only because the federal government took it over.

00:50:20.556 --> 00:50:22.996

<v SPEAKER\_1>Because the private producer abandoned it altogether.

00:50:24.736 --> 00:50:38.316

<v SPEAKER\_1>I'm actually a little less concerned about getting a pipeline built, except for the fact that if you had major regulatory delays, then that could kill the project.

00:50:39.436 --> 00:51:00.216

<v SPEAKER\_1>But assuming those things are going to be taken care of by governments, particularly the federal government, I'm a little less concerned about that issue, I'm just simply concerned about how far can we really build up the oil production that would feed new pipelines.

00:51:01.596 --> 00:51:13.016

<v SPEAKER\_1>I think that goes back to my competitiveness argument, that if we price ourselves out of the international market, are we really going to be able to succeed?

00:51:13.016 --> 00:51:43.716

<v SPEAKER\_1>Is there going to be the output that the companies will want to commit to a new pipeline that has very high toll charges and things like that, and they have to produce decarbonized oil, and with this new higher industrial carbon price, will they really be willing to invest in Alberta and Saskatchewan to develop the industry as they

would like?

00:51:43.796 --> 00:51:47.976

<v SPEAKER\_1>And I think time will tell, I think, what will happen.

00:51:49.536 --> 00:51:50.556

<v SPEAKER\_3>Well, fantastic.

00:51:50.696 --> 00:51:54.276

<v SPEAKER\_3>I think that we could talk about these sorts of things all day here, Jack.

00:51:54.276 --> 00:52:00.996

<v SPEAKER\_3>This is, I have so many other thoughts on taxes and tariffs and carbon taxes.

00:52:00.996 --> 00:52:07.176

<v SPEAKER\_3>You know, like all of this comes together in like a mix that companies add up, and then they figure out if it makes sense to invest.

00:52:07.176 --> 00:52:18.216

<v SPEAKER\_3>So it's important for Canadian policy makers to be thinking about the, I think it's the combined effect of all of these policies on the investment climate.

00:52:18.216 --> 00:52:19.936

<v SPEAKER\_3>So thanks so much for coming on.

00:52:19.936 --> 00:52:23.876

<v SPEAKER\_3>But we have one last question for you before we leave things off here.

00:52:23.876 --> 00:52:27.396

<v SPEAKER\_3>And this is something our listeners are always interested in.

00:52:27.396 --> 00:52:28.936

<v SPEAKER\_3>What are you reading these days?

00:52:28.936 --> 00:52:34.216

<v SPEAKER\_3>Ideally for pleasure, but we'll take, you know, a thick technical tome as well as that's all you have time for.

00:52:34.216 --> 00:52:36.556

<v SPEAKER\_1>Well, actually, I'm a big reader of history.

00:52:36.556 --> 00:52:38.696

<v SPEAKER\_1>I've always been throughout my life.

00:52:38.816 --> 00:52:42.956

<v SPEAKER\_1>Part of it, in fact, I started off in history and university and so on.

00:52:42.956 --> 00:52:44.716

<v SPEAKER\_1>And then I switched over to economics.

00:52:46.256 --> 00:52:48.316

<v SPEAKER\_1>But history is still a love of mine.

00:52:48.316 --> 00:53:01.516

<v SPEAKER\_1>So right now, actually, I'm reading a really interesting book by Sir Richard Evans, a very distinguished historian on the Nazi period in Germany, and it's called Hitler's People.

00:53:01.516 --> 00:53:03.856

<v SPEAKER\_1>And it's a fascinating book.

00:53:03.856 --> 00:53:05.736

<v SPEAKER\_1>The first 100 pages is on Hitler himself.

00:53:05.876 --> 00:53:10.476

<v SPEAKER\_1>That's just kind of repetitious of many things I've read in the past.

00:53:10.476 --> 00:53:23.856

<v SPEAKER\_1>But the really interesting parts is how he goes through these various people that supported the Nazi regime, including the major ones like Göring and Alfred Rosenberg and Himmler, et cetera.

00:53:23.856 --> 00:53:41.996

<v SPEAKER\_1>But then going, he ends up even looking at some less minor people, but kind of like their views and how they grew up, and how they got connected to the Nazi party and became very, it's amazing actually how anti-Semitic all these people became.

00:53:43.576 --> 00:53:49.676

<v SPEAKER\_1>So it's a fascinating read when you start reading about the individuals that are part of that book.

00:53:49.676 --> 00:53:50.856

<v SPEAKER\_2>It sounds interesting.

00:53:50.856 --> 00:53:52.096

<v SPEAKER\_2>Look forward to it.

00:53:52.096 --> 00:53:53.016

<v SPEAKER\_3>Yeah.

00:53:53.016 --> 00:53:54.316  
<v SPEAKER\_3>No, that's very interesting.

00:53:54.496 --> 00:53:58.836  
<v SPEAKER\_3>Is there any common link between them, Jack?

00:53:58.836 --> 00:53:59.176  
<v SPEAKER\_1>Yeah.

00:53:59.176 --> 00:54:20.476  
<v SPEAKER\_1>No, I think his main point that Richard Evans is saying is that, there was always this argument that partly goes back to Hannan Arendt, that these were people following the orders, or engaged in doing what they did.

00:54:20.476 --> 00:54:31.436  
<v SPEAKER\_1>I think what he is making the point is that these people really had, they could have had a choice, not be involved, and they got extremely involved with the Nazi Party.

00:54:33.876 --> 00:54:39.836  
<v SPEAKER\_1>And took on a lot of the characteristics of the Nazi Party at that time, including the anti-Semitism.

00:54:41.416 --> 00:54:43.496  
<v SPEAKER\_1>That was just a huge part of it.

00:54:43.496 --> 00:54:44.436  
<v SPEAKER\_3>Yeah.

00:54:44.436 --> 00:54:49.896  
<v SPEAKER\_3>So not so much the banality of evil, but very much active evil for these guys.

00:54:49.896 --> 00:54:50.156  
<v SPEAKER\_1>Yeah.

00:54:50.156 --> 00:54:51.796  
<v SPEAKER\_1>And actually, that's what...

00:54:51.796 --> 00:54:59.796  
<v SPEAKER\_1>He has an excellent discussion about that, actually, including discussion of Hannan Arendt and why some people felt she was wrong in what she argued.

00:55:00.416 --> 00:55:00.956  
<v SPEAKER\_3>Yeah.

00:55:00.956 --> 00:55:01.376  
<v SPEAKER\_3>Yeah.

00:55:01.376 --> 00:55:02.236  
<v SPEAKER\_3>For sure.

00:55:02.236 --> 00:55:04.036  
<v SPEAKER\_1>But very fair to her, by the way.

00:55:04.036 --> 00:55:04.356  
<v SPEAKER\_3>Yeah.

00:55:04.356 --> 00:55:04.776  
<v SPEAKER\_3>Yeah.

00:55:04.776 --> 00:55:15.316  
<v SPEAKER\_3>And I think that you always need the people, the regular bureaucrats who are just trying to get through the day, who do evil things just to make their money as well.

00:55:15.316 --> 00:55:16.396  
<v SPEAKER\_1>They really participate.

00:55:16.396 --> 00:55:16.996  
<v SPEAKER\_1>I mean, they just...

00:55:16.996 --> 00:55:17.756  
<v SPEAKER\_3>Oh, okay.

00:55:17.756 --> 00:55:18.616  
<v SPEAKER\_1>I think that's the point.

00:55:18.616 --> 00:55:20.696  
<v SPEAKER\_1>They just weren't just bureaucrats.

00:55:21.776 --> 00:55:24.836  
<v SPEAKER\_1>They really carried out actions.

00:55:24.896 --> 00:55:26.116  
<v SPEAKER\_1>Anyway, so it's fascinating.

00:55:26.116 --> 00:55:27.596  
<v SPEAKER\_3>They're proud of their jobs, I guess.

00:55:27.596 --> 00:55:28.376  
<v SPEAKER\_3>God.

00:55:28.376 --> 00:55:29.496  
<v SPEAKER\_3>Anyways.

00:55:29.496 --> 00:55:30.076  
<v SPEAKER\_3>Yeah.

00:55:30.076 --> 00:55:31.716  
<v SPEAKER\_3>That's interesting.

00:55:31.716 --> 00:55:34.976  
<v SPEAKER\_3>Yeah, they're definitely very dark-weight in this podcast.

00:55:35.336 --> 00:55:36.536  
<v SPEAKER\_2>No, it's all right, though.

00:55:36.536 --> 00:55:37.176  
<v SPEAKER\_2>You know what?

00:55:37.176 --> 00:55:40.576  
<v SPEAKER\_2>Hey, we've got a lot of stuff going on today.

00:55:40.996 --> 00:55:41.356  
<v SPEAKER\_3>Yeah.

00:55:41.376 --> 00:55:46.516  
<v SPEAKER\_2>You know, these kind of reads are important because history does repeat.

00:55:46.516 --> 00:55:48.376  
<v SPEAKER\_2>And thanks for that, Jack.

00:55:48.376 --> 00:55:50.396  
<v SPEAKER\_2>And thanks so much for coming on the podcast.

00:55:50.996 --> 00:55:57.656  
<v SPEAKER\_2>This is a feather in our cap, and we'll look forward to putting it out in the next couple of days.

00:55:57.916 --> 00:55:59.296  
<v SPEAKER\_3>Yeah, absolutely.

00:56:00.676 --> 00:56:06.836  
<v SPEAKER\_2>Thanks, everyone, for listening to this episode of Energy Security Cubed on the Canadian Global Affairs Podcast Network.

00:56:06.836 --> 00:56:11.336  
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00:56:11.336 --> 00:56:13.516  
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00:56:18.816 --> 00:56:26.416

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00:56:26.416 --> 00:56:30.036

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00:56:30.036 --> 00:56:35.096

<v SPEAKER\_2>Thanks go out to our producer, Joe Calnan and to Drew Phillips for providing our music.

00:56:35.096 --> 00:56:36.016

<v SPEAKER\_2>I'm Kelly Ogle.

00:56:36.016 --> 00:56:38.096

<v SPEAKER\_2>Thanks for joining us on Energy Security Cubed.