



CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

Canada's Oil and Natural Gas Producers

April 24, 2015

Mr. Peter Fraser
Vice-President – Industry Operations and Performance
Ontario Energy Board
PO Box 2319 - 2300 Yonge Street
Toronto, Ontario M4P 1E4

Dear Mr. Fraser:

RE: Ontario Energy Board – Energy East consultations

The Canadian Association of Petroleum Producers (CAPP) appreciates the opportunity to provide input to the Ontario Energy Board's review of TransCanada's Energy East project that has been applied for at the National Energy Board, the body that regulates such projects.

CAPP represents about 90 per cent of Canada's natural gas and crude oil production. Members explore for, develop and produce natural gas, natural gas liquids, crude oil and oil sands throughout Canada. Associate members provide a range of services that support the upstream crude oil and natural gas industry.

The position of CAPP is straightforward.

CAPP supports the development of Energy East. Delivering Canadian oil to eastern Canada is in the national interest and pipelines are a safe and efficient means of transportation.

Canada and the world demand for energy:

There is a global demand for energy. As populations grow and standards of living increase, there will be a need for all forms of energy to be developed responsibly and a continued and an ongoing reliance on hydrocarbons as well.

Canada is well suited to be that energy provider. We rank high among the top world crude oil producers and are able to produce utilizing advanced technology as a key lever for constantly improving environmental performance in a cost competitive manner.

Furthermore, Energy East offers an opportunity to have Canadian oil available for use by more Canadians. In 2013, Canada imported 42% of the oil we used. The Energy East

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project promises to replace foreign oil with Canadian oil in Canadian refineries. Even in today's low oil price environment, this translates to over \$10 billion in money that could stay right here in Canada.

Environmental oversight and performance:

Canada has one of the world's most open and transparent systems of regulation and environmental oversight. Canada, and specifically Alberta, consistently lands in the top three in terms of stringency of environmental policies, laws and transparency in a recent worldwide study by WorleyParsons.

Tailings ponds are an operating facility common to all types of surface mining. In the oil sands, tailings consisting of water, sand, clay and residual oil are pumped to these basins – or ponds – where settling occurs and water is recycled for reuse in the process. Where the ponds are no longer required, the land is being reclaimed.

The oil sands environmental performance is one of continuous improvement with 80-95% of the water uses recycled (with the balance lost to wind and sun evaporation) and new 'in situ' projects using 100% saline water.

Any land disturbed by the oil sands is returned to its original condition following its use. To date over 10% of the land area affected has been restored (as the balance remains in production) to its original condition with strict biodiversity monitoring programs in place.

In Alberta, 97% of the total surface area of the oil sands lies deep below the ground, too deep to be mined. These reserves are recovered in situ (in place) by drilling wells. Drilling methods impact a small amount of land and do not require tailings ponds.

The oil sands account for 8.7% of Canada's total emissions and just over 0.13% of global GHG emissions. Greenhouse gas emissions associated with every barrel of oil sands crude produced have been reduced by 28% since 1990.

Canada's Oil Sands Innovation Alliance (COSIA) is an alliance of oil sands producers focused on accelerating the pace of improvement in environmental performance in Canada's oil sands through collaborative action and innovation.

Through COSIA, participating companies (13 oil sands producers) capture, develop and share the most innovative approaches and best thinking to improve environmental performance in oil sands, focusing on priority areas of tailings, water, land and greenhouse gases.

To date, COSIA member companies have shared 777 distinct technologies and innovations that cost over \$950 million to develop. This sharing of innovation and accelerated applications of new technology allows industry to accelerate the pace of environmental improvements.

The National Energy Board, its role and the Ontario natural gas LDCs:

The National Energy Board is the regulatory body assigned by the Parliament of Canada to review proposals like Energy East in great detail. Over 30,000 pages of evidence has been filed to-date by TransCanada in an application that addresses many of the concerns that have been raised in this review process including river crossings, environmental procedures, spill prevention and response, wildlife migration and preservation, First Nation consultations and the like.

The exhaustive list will be included as part of the regulatory process. There will be opportunities to review and test the information provided and submit evidence. The National Energy Board will take all information into account and make a recommendation in the public interest.

The review also will take into consideration impacts on shippers using the TransCanada Mainline natural gas system.

We certainly note that Ontario's natural gas companies have been vocal in their concerns regarding a possible price impact on consumers of natural gas in Ontario. Those parties can take comfort in the fact that the National Energy Board has specifically identified ***“the commercial, economic, supply and market impacts of the Asset Transfer”*** as one of the issues it will address in the application.

The oil sands and its economic contribution to the country and Ontario:

The oil and natural gas industry is a key driver in the Canadian economy, accountable for the largest source of private sector investment at \$73 billion in 2014. Oil and gas accounts for 12% of the value on the Toronto Stock Exchange, down from 20% six months ago.

Payments to governments across the country average about \$18 billion per year as a result of this sector which accounts for more than 20% of Canada's merchandise exports and employs more than 550,000 in Canada – both direct and indirect.

Approximately 2,400 Canadian companies outside of Alberta provide goods and services to the oil sands sector including over 1100 companies in Ontario of which over 300 are in the greater Toronto area. Companies such as Berg Chilling in Scarborough provide both technology and manufactured goods to the oil sands and have now branched off with exports throughout the United States and into Asia.

Energy East and the Ontario Economy:

An analysis of the economic impact of Energy East was completed by CERI, Deloitte as well as the Conference Board of Canada. All three respected and highly credible organizations specialize in this type of review and gave a strong and positive response to the Energy East project; forecasting it to deliver significant economic benefits to Canada.

More specifically, CERI reports that along with providing access to tidewater for western Canadian crude, and a decreased dependence on foreign oil, the Energy East project is expected to deliver:

- An additional \$33.9 billion in GDP to the Canadian economy.
- Ontario benefiting with \$11.9 billion in GDP.

- An additional \$7.6 billion in total tax revenue to Canada, with 36% of this figure in corporate, personal and indirect taxation revenue for Ontario.
- An additional 321,000 one-year full-time equivalent jobs across Canada during the construction and operational phases, including 114,000 for Ontario.

These economic impacts are substantial. The Ontario economy stands to gain much from this project, however in keeping with the national nature of Energy East the entire country will benefit.

A word on the Mowat Centre review:

The Mowat Centre is an energy related think tank but does not specialize in economics or economic analysis.

Its review of the Energy East project is therefore disappointing. The review is in essence a critique of input/output (I/O) models submitted by others while failing to indicate any preference or better tool for performing economic impact analysis.

I/O models are the gold standard for such work and are employed by Governments and organizations across the country including the Ontario Ministry of Finance, the Government of Canada, Stats Canada, banks and financial institutions, economic think tanks.

The Mowat's opinion is a noted outlier and their review and critique should be treated accordingly.

Local Support:

Energy East finds support among those that are closest to the issue. TransCanada has worked extensively with municipalities and communities along its transmission line in relation to the Energy East project. These municipalities (over 22 of them) and their organizations like NOMA (Northern Ontario Municipal Association) and FONOM (Federation of Northern Ontario Municipalities) have all passed resolutions supporting Energy East.

Strong support also comes from Chambers of Commerce, labour unions and labour council's province wide including the national Building Trades Union, manufacturers and their trade associations like the Canadian Manufacturing and Exporters Association and individual businesses that see the economic opportunity and high-tech export potential from both the oil sands and Energy East.

As both neighbours and building partners, all the above mentioned groups have confidence in TransCanada and have first-hand knowledge of the kind of strong and positive benefits this project can and will provide to their communities, their businesses and their families.

Conclusion:

CAPP is supportive of the Energy East project and in this support it is not alone. CAPP is joined by the above noted economic assessments, municipalities, communities, councils, chambers and unions.

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Ontario Energy Board
Re: Energy East Consultations

While some groups have expressed concerns over certain aspects of the Energy East project it is clear that the National Energy Board will both address and rule on these concerns in an open, transparent and fair process.

Sincerely,

A handwritten signature in black ink that reads "David Sword". The signature is written in a cursive, slightly slanted style.

David Sword
Ontario Advisor