



# How Canada can lead on the Economy and the Environment

Annual Gordon Osbaldeston Lecture, Public Policy Forum  
Ottawa, Ontario

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Nov 27, 2014



Lorraine Mitchelmore was appointed Executive Vice President Heavy Oil effective October 2012, in addition to her role as President and Canada Country Chair.

Lorraine has over 25 years of experience with 12 years spent overseas in Australia and England, where she worked in various exploration and production roles spanning geographies from Australia, North Sea, Gulf of Mexico, Africa and the Middle East.

Lorraine worked with PetroCanada, Chevron, and BHP Petroleum before joining Shell in 2002. Since then she has held various Senior Management positions prior to her appointment as President and Canada Country Chair in 2009.

Lorraine holds a BSc in Geophysics from Memorial University of Newfoundland, a MSc in Geophysics from the University of Melbourne, Australia and a MBA from Kingston Business School in London, England.

Lorraine is a Board Member of the Conference Board of Canada, the Canadian Council of Chief Executives, the Asia Pacific Foundation of Canada, a member of the Catalyst Canada Board of Advisors, and the 2015 chair of the Governor General's Conference.

Good evening.

At Shell we start every meeting with a safety briefing or reflection, and I cannot speak in Ottawa so soon after what happened on October 22nd without first honouring the ultimate sacrifice made by Corporal Nathan Cirillo as well as the risks that many of our Canadian men and women continue to take each day to keep the rest of us safe. We were all watching with great concern and sadness as the events of that day unfolded here in Ottawa.

In Canada we pride ourselves on our openness and acceptance, and I know we all share the hope that any changes to how we protect ourselves as a result of the events of October 22nd will maintain the national values that have made Canada such a special place and for which Corporal Cirillo and Warrant Officer Patrice Vincent two days earlier gave their lives.

One of the major institutions that helps to protect our national values is of course our excellent public service, which is honoured each year in the Gordon Osbaldeston Annual Lecture. I have to tell you that when David first approached me about delivering this lecture, I had a mixed reaction. On the one hand I was flattered that David would think of me and Shell, and I was very pleased that I'd have the opportunity to speak to you about a subject of my choosing and one that I believe is important to all of us Canadians: how Canada can lead on both the economy and the environment.

On the other hand I wasn't sure I was the right person to deliver a lecture of any kind, let alone this one. In university I always found it hard to sit still and listen to someone lecturing – I usually couldn't wait to ask a question or challenge some piece of conventional wisdom, a trait I've carried into my corporate life, as my colleagues know only too well!

In fact, as I joined the oil and gas industry and had the opportunity to work around the globe with people of various backgrounds and very different ways of looking at the world, I became even more convinced that real communication only happens in a two-

way dialogue, not in traditional one-way communication where one person is standing at a podium and everyone else is seated.

The other concern I had with delivering a lecture, particularly here in Ottawa where you have so many smart people wrestling with our country's biggest challenges and opportunities, is that this format assumes the person delivering the lecture has all the answers. I know I certainly don't!

Now don't get me wrong: I'm confident I understand the problem, including the various challenges and opportunities that surround the goal of Canada leading on both the economy and the environment. And I have a pretty good idea of where I think Canada needs to get to and why when it comes to bridging the gap, or at least the perceived gap, between achieving our economic goals and our environmental ones. But I'm not sure I know how we all get there together in the most effective and efficient way.

So, without completely challenging the wonderful Gordon Osbaldeston annual lecture concept that David Mitchell and the Public Policy Forum so thoughtfully bring to us each year, I'd like to do something a little different tonight. I'd like to share my thoughts on the challenge and opportunity of how Canada can lead on the economy and the environment. But I'd also like to get your thoughts, and take at least one small step forward in figuring this out together. This means that while I will be more than happy to answer your questions at the end, I also have a couple of questions that I will ask you.

How does that sound?

### **Our common ground**

But first, let me situate myself, and in particular in relation to those of you in the Public Service. Just as many of us often assume by default that the economy and the environment must be in natural opposition so too we easily assume that the worlds of business and government are poles apart. Yes, there are differences between the Public Service of Canada and Shell, but we have more in common than you might think. We both work in large, complex organizations

that have to continually negotiate between various interests and competing priorities.

Shell has 92,000 employees and half a million people when we include the contractors who are a key part of our business, working in 70 countries. We pride ourselves on being technical, progressive, collaborative, and even humanistic when it comes to tackling large and complex challenges.

We do think we're smart when it comes to tackling technical or esoteric problems – our Dutch-Anglo heritage means we're a company of Delft engineers and Scottish accountants – but we also recognize we don't have all the answers. Your Public Service motto of "Fearless advice and loyal implementation" is one we can learn a lot from at Shell. Each of us at Shell has many great ideas we want to see implemented! Under our new global CEO Ben van Beurden we're working hard to get much more focused about the many opportunities we have around the world, including making hard decisions about which ones we will pursue and which ones we won't, and then lining up and delivering day in and day out – which is what you do here.

### **Bridging the gap between the economy and the environment**

When it comes to the economy and environment, just like with business and government, the two are often viewed as being somehow at opposite ends of the spectrum. Tonight I want to argue for bringing them together. But first, let me be specific. For the purposes of our discussion tonight, I'd like to speak about at least preserving and ideally growing the contribution that the energy sector makes not only to the Canadian economy, but also to the world economy. And I'd like to argue we can do so in a way that improves our ability to address the defining environmental issue of our time, which is, beyond a shadow of a doubt, climate change. As an aside, Shell was the first major oil company to acknowledge climate change. We are very committed to being part of the solution.

Let me quickly outline the economic opportunity and challenge in Canada when it comes

to energy. As you already know, energy is important to Canada's economy and our society. Energy is our largest export. Tax and royalty revenues from oil and gas production fund a variety of social programs across Canada, not just in Alberta. I love the way Rex Murphy speaks and writes about how the oil sands saved the livelihoods of many Newfoundlanders. If the oil sands slow down, families across Canada will be affected. And yet our position as a country is vulnerable because we have essentially only one customer: 98 per cent of Canada's oil exports goes to the US.

We've all but lost that customer for our natural gas due to the shale revolution, which is why there are more than fifteen LNG export terminals proposed in BC, and our oil export market is now at risk as the US moves toward energy self-sufficiency in oil as well. At the same time as our market risks are increasing in Canada, our competitiveness risks are increasing for both oil and gas due to a lack of infrastructure to reach new markets.

Shifting from the North American stage to the world, there are equally unmistakable challenges. The global population is growing – there will be two billion more people living with us on the planet by mid-century – and demand for energy to pull billions of people out of poverty is also rising. China is building a new city the size of Ottawa every week. The opportunity for Canada in exporting our energy beyond the shores of North America is two-fold. It's to maintain if not grow our standard of living but it's also to meet a critical economic and social need around the world. I don't think I would be out of line to say that the world needs more Canada.

And yet this opportunity is challenged by a variety of factors. At its most obvious level, Canada's ability to diversify our energy markets is being hindered by our industry's inability to build new pipelines to bring Canadian oil to tidal water. But I see this inability not as a cause but rather a symptom. It's a symptom of our industry's inability to earn the confidence of Canadians that we are doing everything they expect of us on the environmental front.

And Canadians have high expectations of themselves and their industries when it comes to protecting the environment. It's part of our values. Of course I am simplifying for the purposes of this discussion. We know there are also safety concerns and economic concerns around shared benefits for risks undertaken. But I believe environmental concerns are at the root of the challenge, and in particular concerns about the role that the oil sands are playing in climate change.

You all know the stats so I'll review them very briefly. Canada accounts for two per cent of global CO<sub>2</sub> emissions. Oil sands make up about eight per cent of that, so less than .2 per cent of global emissions. Between 1990 and 2011, our industry reduced the CO<sub>2</sub> emissions of a barrel of oil by 26 per cent. Our industry's aspirational goal is for oil sands crude to have the same intensity as the average barrel consumed in North America. Yet overall emissions from the oil sands are increasing in absolute terms because overall production is increasing. And we recognize we still have to do our part. And not just do our part but lead on the environmental front. Because that's what Canadians expect of themselves and us. It's part of who we are, whether we live and work in Ottawa or in Fort MacMurray.

We are truly facing a dilemma: the world needs more energy, not just to fuel our lifestyles in developed economies but to pull people out of poverty and to be so basic as to keep them alive in developing ones. At the same time we all need to reduce our CO<sub>2</sub> emissions. And there are no easy fixes: fossil fuels will still be needed for decades. To put even more pressure on us in Canada, at the same time as we face this tremendous global challenge and require all the innovative thinking we can muster, Canada's relative international standing on innovation has been decreasing.

In the latest Boston Consulting Group ranking of the top 50 innovative companies in the world, Canada is absent. We have no companies on the list. We used to have one, BlackBerry – and as a customer and a Canadian I hope it regains its place – but it dropped out of the rankings in 2010. Since then, no other

Canadian company has landed on the list. Incidentally Royal Dutch Shell is ranked 27th,, ahead of other oil and gas companies. The usual suspects are at the top: Apple is #1, Google is #2. I love both companies but can't help thinking their products wouldn't be possible without petrochemicals! But that's a whole other speech...

So how do we solve this dilemma?

My suggestion is that we take our apparent weakness and flip it on its head. Innovation often comes from reframing problems into opportunities and looking at the world in a different way. Let me explain.

### **How Canada can lead environmentally and economically**

It is precisely because of the very real environmental challenges that Canada faces with our major energy resource, coupled with our tremendous advantages – a stable political and financial system – and because of our values, that I believe Canada is best positioned to be an environmental leader.

Norway is my inspiration. When Norway developed its challenging North Sea oil and gas resource in the 1970s and 1980s, they didn't just focus on drilling: they deliberately worked to create competitive advantage in related areas, such as shipbuilding. Our equivalent of the North Sea in Canada is our oil sands, and I believe Canada can develop expertise in environmental technologies which can then be exported, along with cleaner oil and gas, to help the world manage carbon emissions. Canada can be both an economic and an environmental leader. We shouldn't have to choose one or the other. What country in the world, other than Canada, is so well positioned, and should have the greatest environmental and economic incentive, to become the best in the world at managing CO<sub>2</sub>?

We are already taking steps in this direction.

Shell is building, with our partners Chevron and Marathon, and with support from the federal and Alberta governments, the first carbon capture and storage facility in the oil sands.

We call it Quest. When it starts operation next year it will capture 30 per cent of the emission from our oil sands upgrader. It's still early days but we believe this technology will eventually be part of the solution for a lower carbon future.

Currently Canada is home to one CCS plant in Saskatchewan and will soon have two when Quest comes online in 2015. The Government of Canada, Alberta and Saskatchewan have been key to making these investments happen. There are only a handful of commercial scale carbon capture and storage plants worldwide. I can count them on one hand and Canada has two of them. Canada is already a global leader in CCS, and we should feel proud of this fact.

Shell was one of the founding partners in the Canadian Oil Sands Innovation Alliance (COSIA). COSIA brings together 13 oil companies with a single purpose: to share intellectual capital to accelerate the pace and results of environmental performance. One of COSIA's aspirations is to "produce oil with lower greenhouse gas emissions than other sources of oil." This level of collaboration on an issue among highly competitive companies is unprecedented. And again, it's in Canada.

These are just two examples, and they represent only the first few baby steps in the type of innovation that we collectively need to bring to bear on turning Canada into an environmental technology powerhouse. We need to apply the same level of passionate innovation that spurred geologists to get oil out of the oil sands

in the first place.

I would like to see Canada exporting environmental technology within the next decade as much I'd like to see us exporting our energy overseas. I'd like Canada to be a clean technology powerhouse within the next ten years. I'd like to see Canadians bring the same level of excitement and idealism to changing the world through energy that teenage pioneers brought to the computer revolution they created in their parents' garages in the 1970s and which carries on today with companies like Apple and Google continuing to push the boundaries of what is possible.

Which brings me to the two questions I mentioned that I would ask you.

I have to say it's always very tempting for a businessperson when they come to Ottawa to ask for something: a shift in policy, a change in legislation or regulation, a budget ask. I'm not here to ask for any of those things. But I am here to get your thoughts on two questions:

- Does what I've quickly outlined here make sense as a goal and an approach?
- If so, how do we go about it together?

Now, these aren't rhetorical questions: I'd like to hear from you!

And with that I'll turn the floor over to you.

Thank you.