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The Challenges and Benefits of Moving Canadian Oil

Jim Donihee, OMM CD
March 12th, 2014

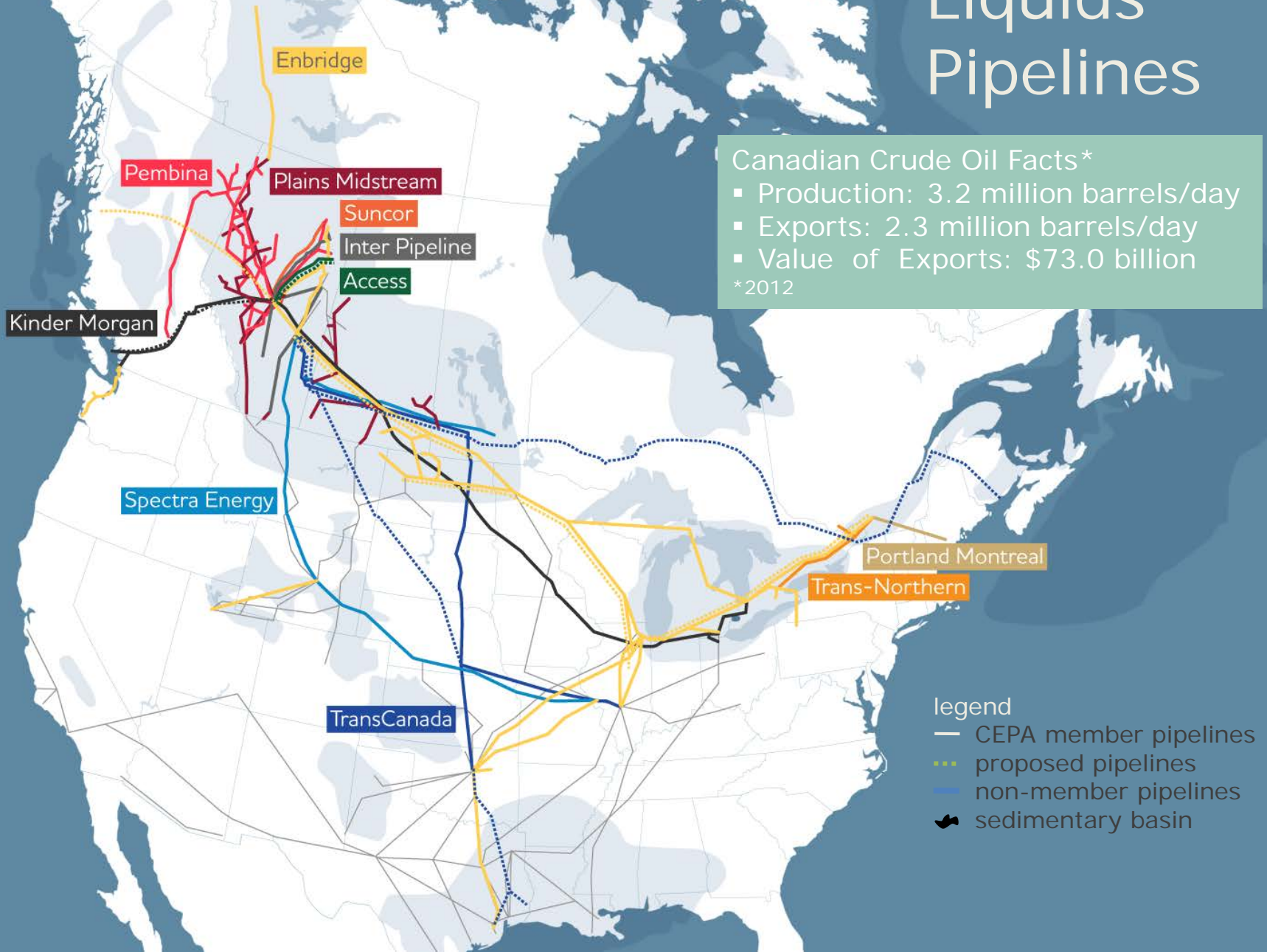
Outline

- ◆ About our Industry
- ◆ Canadian Pipeline Context and it's Challenges
- ◆ Our Response and the Results

Liquids Pipelines

Canadian Crude Oil Facts*

- Production: 3.2 million barrels/day
 - Exports: 2.3 million barrels/day
 - Value of Exports: \$73.0 billion
- *2012



Legend

- CEPA member pipelines
- ... proposed pipelines
- non-member pipelines
- ↖ sedimentary basin

Our Challenges

- ◆ Low energy literacy/understanding among public
- ◆ Low trust and credibility
- ◆ Lack of constructive dialogue and positive engagement

How do we solve these challenges?

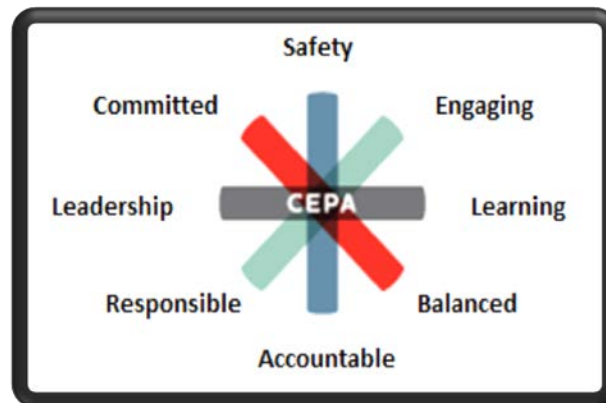
**Performance X (Communications & Engagement) =
Social License**

Performance – Excellent Results

CEPA Integrity First®

Industry-Wide Initiative Focused on Enhanced Performance:

We are committed to advancing a safety culture throughout our industry based on a strong foundation of leadership and continual improvement leading to zero incidents



Performance - Assurance

Strong Regulatory Process – Full Life Cycle

- ◆ Any proposal must first prove itself to be in the public interest including:
 - ◆ Consultation
 - ◆ Safety
 - ◆ Environment
 - ◆ Socio-Economic

- ◆ Regulators assure compliance and continuous improvement through:
 - ◆ Audits
 - ◆ Inspections
 - ◆ Compliance meetings
 - ◆ Emergency response exercise evaluations
 - ◆ Overall management systems and safety culture

Public Sentiment and Concern

Reputational Drivers

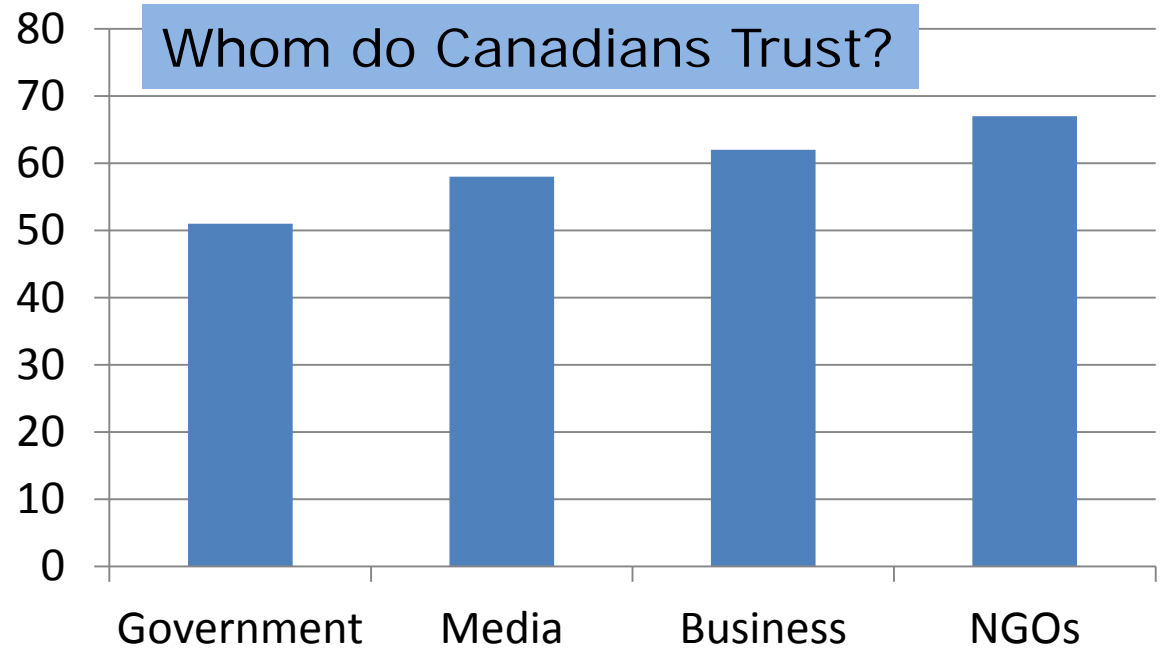
- ◆ There is unprecedented public and stakeholder interest, resistance and mistrust of industrial development
- ◆ Global challenges around climate change, a growing population base and increasing energy needs has lead to frustration and misinformation
- ◆ Heightened public sensitivity

Trust and Credibility

Public Trust of Industry is Low

- ◆ 54% of Canadians think pipeline companies put a lot of effort into safety (CEPA Polling 2013)

Edelman Trust
Barometer for
**Canada's Energy
Sector 2014**



The Essential Foundation - TRUST

◆ Core Elements of TRUST

- ◆ Performance & Reliability
- ◆ Communications
- ◆ Engagement
- ◆ Transparency
- ◆ Accountability
- ◆ Stakeholder Considerations



Communications & Engagement

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The Canadian Energy Pipeline Association (CEPA) represents Canada's transmission pipeline companies. Our members transport 97% of Canada's daily natural gas and onshore crude oil production from producing regions to markets throughout Canada and the United States.

Pipelines Deliver More Than Energy
Pipelines add more than \$8.8 billion to Canada's GDP

What's new
February 26, 2013: Let's talk about climate change
February 19, 2013: Let's get Canadians talking about energy
February 14, 2014: The energy trilemma: Can you have security, sustainability and prosperity?
view more

Coming down the pipe
February 21-28, 2014: National Let's Talk Energy week (Across Canada)
February 26, 2014: Amanda Affonso speaks at the Association of Importers and Exporters, Western Regional Conference (Calgary, AB)
March 11, 2014: Engineers Without Border's *Mapala 2014* West & Coast: Fundraising for Junior and Professional Fellowship Programs (Calgary, AB)
Learn more

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CEPA Sets The Record Straight: Energy Letter Critic Misses the Point

Posted: 01/29/2013 2:59 pm

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Back in 2011, the Canadian Energy Pipeline Association (CEPA) co-signed a letter to the Government of Canada providing suggestions on regulatory changes based on their experience. If you haven't read it, you can do so [here](#).

Over the past couple weeks much has been made of this letter including a post headlined "A Love Letter to Harper From the Oil Industry" that was published on this site. This post contains information that is just not right.

So - we'd like to set the record straight from CEPA's perspective.

Fact #1: Lobbying is an important part of the democratic process.

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CANADA'S PIPELINE NETWORK

94% of the energy used for transportation in Canada comes from petroleum products.

The Importance of Canada's Pipelines

Oil and gas products are an important part of our daily lives. We use them to heat our homes and fuel our cars. In fact, many consumer goods we use each day are made from petroleum products.

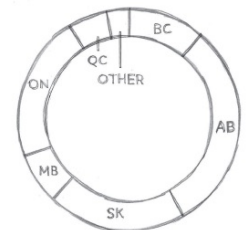
- More than half the homes in Canada are heated by furnaces that burn natural gas.
- Many pharmaceuticals, chemicals, oils, lubricants and plastics incorporate petroleum products.
- Production of many consumer goods including shoes, telephones and tennis racquets requires petroleum products.

Unless otherwise indicated, all photos used in this fact book are courtesy of CEPA member companies.

1 CEPA | Canada's Pipeline Network

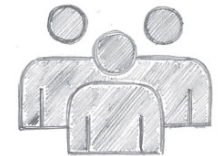


THE ECONOMIC IMPACTS OF CANADA'S TRANSMISSION PIPELINE NETWORK



TOTAL
25,019

NUMBER OF FULL-TIME EQUIVALENT JOBS



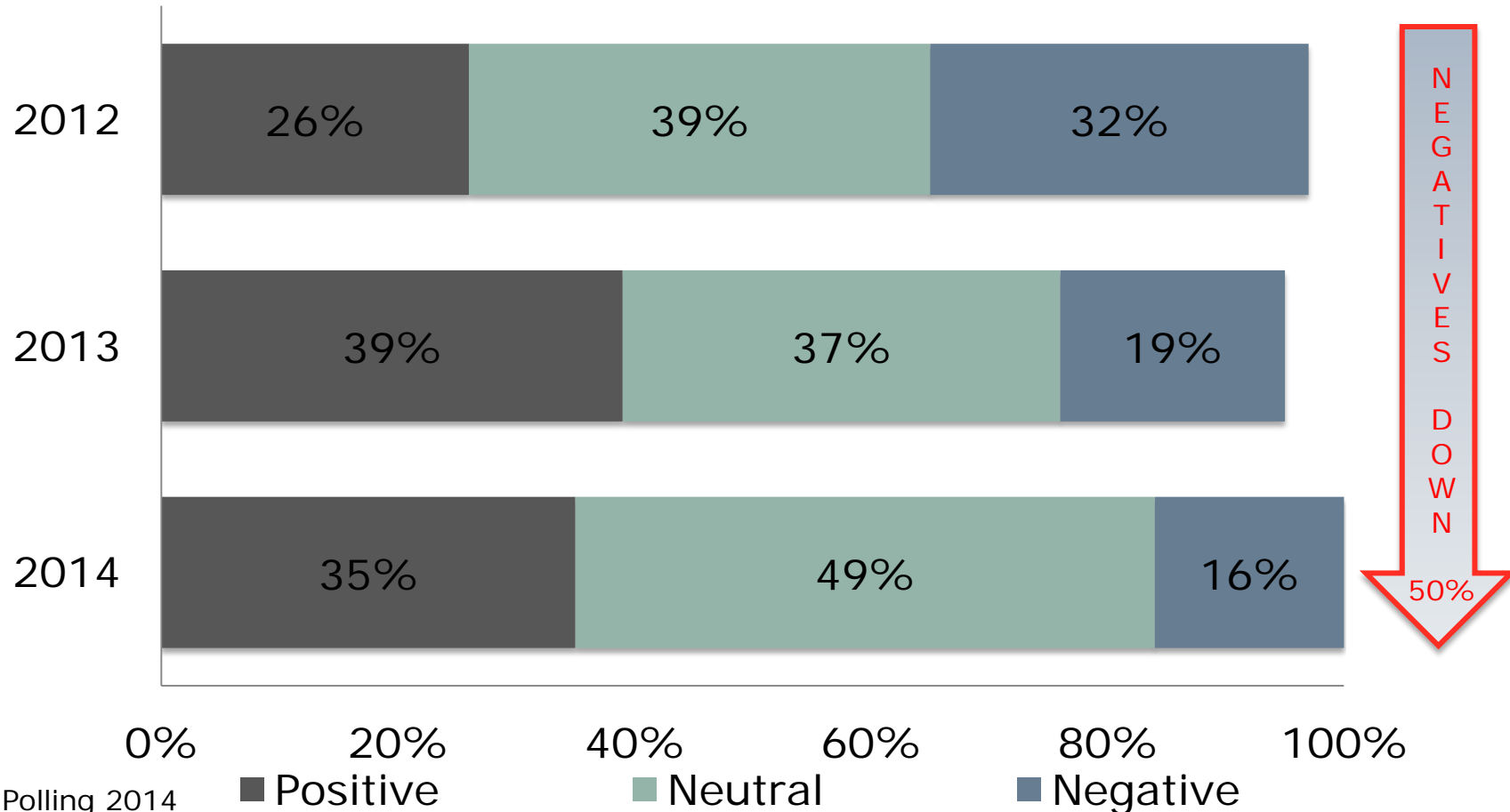
SUPPLIERS SUPPORTED BY CEPA COMPANIES:

2,554

Trends and Results

Based on recent polling, the trend is improving

Q: Generally speaking do you have a positive, neutral or negative impression of the pipelines that move oil and gas across Canada?



Time to be Intentional

We need to make considered decisions

- ◆ Opportunity for global leadership and responsibility
- ◆ We require the national will to make visionary decisions for current and future generations
- ◆ We're economically and socially damaging ourselves
 - ◆ No market access leads to \$50 million a day in lost revenue due to price differential
 - ◆ At least \$11 billion a year in lost tax revenue to our country and communities
- ◆ Industry is focused on excellence and driving performance to zero incidents

Conclusions

To move forward we need to :

- ◆ Demand excellent industry performance founded on industry best practices and programs, such as, CEPA Integrity First®
- ◆ Further enhance communications and strengthen public trust by providing relevant and timely information
- ◆ Improve engagement & outreach with Canadians leading to better market access, fostering long term technical, environmental and economic benefits
- ◆ Be intentional with our policies, decisions and regulation to further develop a first class industry, that benefits all Canadians