

Glass: 'The negative impact of the current system on children is unconscionable.'

ISSUES & IDEAS

Friedman: 'To fix what ails the most troubled countries in the world of disorder is often beyond our skill set, resources or patience.'



DANIEL ACKER / BLOOMBERG NEWS

Workers remove a large clamp from a section of pipe during the construction of a pipeline in Oklahoma in 2013.

A PIPELINE FOR SUCKERS

BY ADAM LEAMY
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Most people have heard the saying, "if you sit down at a poker game and don't see a sucker, get up — it's you." For Canada, and the issue of the Keystone XL pipeline, all that can be said is, "Stand up, Canada. And fast."

Canada has only one customer for its oil — the United States. So it's no surprise that the Canadian government has been at the table playing every card it can to push for the Keystone pipeline to the U.S. But it's taken time, and as months became years, a funny thing happened: The U.S. became an oil-extraction juggernaut.

The U.S., extracting oil from under its own land, and using less of it each year, is weaning itself off the addiction to foreign oil. This will change everything about our policy dalliance on Canadian pipeline development and the dilettantes who engage in it, something everybody seems to understand, except Canadians.

In a recent *National Post* Q&A, former CIA analyst Helina Croft, now the commodities strategist at Barclays Capital, said, "One of the big arguments I remember while I used to do my old job with the U.S. government was about alternative supply of energy. There was no sense of being energy independent. So Canada was a great story; it's a stable producer. So it's an interesting argument now coming out is how Keystone politics are complicated by the fact that there

American economist Nouriel Roubini. Asked what Canada needs to do with Alberta's oil sands, Roubini replied, "You have to increase export capacity. The question is, can you build pipelines and rail capacity fast enough to meet the increase in supply?" A sobering question from the economist who predicted the 2008 recession.

Our only customer — to whom our product is already sold at a discount — is racing to self-sufficiency in the product we sell only to them. Pipeline development is no longer some no-risk, debate-club exercise. These new pipelines are our best bet to preserve what we currently rely upon as Canadians.

But the new pipelines better bloody well be aimed in the right direction.

The International Energy Agency (IEA) advises indus-

dependence? Who knew they'd extract their own from under their own soil, and so much, so quickly?

Well, they have, and Canadians are ignoring it, or denying it. No matter which, it remains that absent pipelines to new customers, for Ottawa or any Canadian to go all-in on completion of Keystone — or any pipeline — to a country on the verge of petroleum self-sufficiency offers more risk for this Canadian lifeblood to be drained than purchased at a competitive price. Keystone is, and can only be, a vampire pipeline until we can get our petroleum commodities to customers other than Uncle Sam.

Because we don't have the pipelines capable of getting our product to a port for export overseas, we can't sell our commodity at a non-discounted price. In the end, what flows through existing oil pipelines

pipelines. We need to know what we'll lose with a U.S. that's self-sufficient and no longer in need of our product.

Right now, we don't know. And that, in a nutshell, is the folly in the current drive to seek "social licence," i.e., public support, for the Northern Gateway and other pipelines. Failure to educate Canadians in how they benefit from existing pipelines to our one disappearing customer has left us chasing support for new pipelines from the small group of interests least motivated to grant it.

Canadians made aware of the existing benefits of our oil industry — benefits that are increasingly vulnerable due to the dramatic changes in our only customer — will be quick to embrace the urgency to access new markets and customers. They'll do this in order that they, their children, and their children's children can continue to enjoy these benefits.

But right now, at the U.S. table of Keystone pipeline poker, we're the sucker. Time to stand up, time to walk away. No shame in that, given the stakes. In fact, all that need be said to our American friends is that, like them, we're going to start looking after our interests first, too.

And if, after we build access to new customers paying higher prices, the U.S. still seeks our oil product, we'll be in a better position to set prices for the U.S. that aren't discounted, and push for the pipelines that provide a product they want, from the "stable producer" they value.

Much has changed in the world since Keystone was first proposed. Canadians should consider whether we might actually be better off without it

trialized nations on energy policy, and only months ago, was asserting that Saudi Arabia would remain the world's largest petroleum producer until 2035. The IEA has now declared that the U.S. will become the world's largest producer by 2015. This overturns what we thought we knew about petroleum production.

In fairness to Ottawa, its

today to the U.S. provides all of us with a portion of what we do right now to fund, preserve and to care for our lives — payments from the federal government to provincial governments for myriad programs and initiatives, including health care, education and government pensions.

Canadians need information on what the existing export of