



EMERGING THEMES AND EXISTING REALITIES: ENERGY POLICY AND CONDITIONS IN ALBERTA

*Speaking Notes in Testimony to the Standing Committee on Finance,
House of Commons, Government of Canada*

February 4, 2020

MAC VAN WIELINGEN
FOUNDER AND PARTNER, ARC FINANCIAL CORP.



MY BACKGROUND

I have spent my career in the investment management business with a focus on both the energy sector in Canada and on global investment opportunities across multiple asset classes, and in the study and practice of business leadership and governance. For a more detailed biography, see page 11.

Relevant Experience:

- Founder and Partner of ARC Financial Corp., the largest energy-focused private equity investment management company in Canada.
- Former Chair and Director of Alberta Investment Management Corporation (AIMCo), one of Canada's largest investment management firms, now managing over \$110 billion.
- Founder and former Chair of ARC Resources Ltd., a leading oil and gas development and production company in Canada.
- Co-Founder and Chair of Viewpoint Investment Partners Corp., a private wealth management firm with a multi-asset global focus.
- Co-Founder and former Chair of Canadian Centre for Advanced Leadership, Haskayne School of Business, University of Calgary.



NEW REALITIES ARE DEMANDING MORE ADVOCACY FOR THE INTERESTS OF THE ENERGY PRODUCING REGION

1. **New era of abundance** of oil and gas, and substitutes, versus prior era of shortages.
2. **New era of extreme concern about carbon** and environmental impacts.
3. **New era of global disintegration of traditional loyalties**, with increasing conflict and fragmentation, (i.e. Brexit).
4. **New era of extreme polarization** within Canada with obvious divided interests, and an evident willingness to exploit polarization in the absence of unifying influences.
5. **New era of an “awakened energy producing region” in Canada** (Western Manitoba, Saskatchewan, Alberta, and Eastern British Columbia) to the vulnerability of being under-represented in national policy and decision making.



DIVISIVENESS, CONFLICT AND POLARIZATION: THE SEARCH FOR A UNIFYING VISION

EMERGING THEMES:

1. A “CUSTOMER FIRST” MINDSET

Our customers want low-carbon energy products and high ESG (Environment, Social, Governance) standards, and we must deliver. The job of industry has changed. Our customers – the public, and our investors and lenders – are no longer preoccupied with the perception of a limited resource. The focus now is on environmental impact, specifically managing into a low-carbon future. For all of us as leaders in the energy sector, we must have a “customer-first” mindset, and be totally attuned to our customers concerns and preferences.

This commitment has taken hold:

- Emission intensities for Canada’s oil sands are down 28% since 2000 and are set to decline a further 20% by 2030.¹
- Emission intensities from new projects are close to, or below, average crude oil refined in the U.S.²
- A number of leading Canadian oil sands companies are committing to ambitious reductions or net zero by 2050.^{3,4}
- Our electricity sector in Canada is among the greenest in the world with 80% coming from non-GHG emitting sources.⁵
- We are a global leader in methane regulations and reductions.⁶
- We are a global leader in carbon capture and storage.⁷
- Our oil and gas sector is the largest investor in clean energy tech in Canada.⁸
- Extensive research, new technologies, and new start-ups are underway.

RESPONSIVENESS, ADAPTATION AND A “CUSTOMER FIRST” MINDSET ARE HAPPENING.

¹ Natural Resources Canada. (2019). *Crude oil facts*. Government of Canada. <https://www.nrcan.gc.ca/energy/facts/crude-oil/20064> (accessed April 9, 2019).

² Suncor. (2018). GHG Performance and Mitigating Emissions. <https://sustainability.suncor.com/en/climate-change/ghg-performance>; Cenovus Energy. (2018). *Cenovus’s carbon disclosure: Managing climate-related risks*. <https://www.cenovus.com/responsibility/docs/cenovus-carbon-disclosure.pdf>

³ Canadian Natural Resources. (2018). *Creating value through technology and innovation: Case studies*. https://www.cnrl.com/upload/media_element/1234/01/1102-tech-and-innovaiton-case-study-booklet.pdf

⁴ Bakx, K. (2019). “It’s not a pipe dream’: Oilsands company developing project to wipe out its emissions.” *CBC News*. <https://www.cbc.ca/news/business/meg-energy-net-zero-oilsands-christina-lake-1.5303409>

⁵ Government of Canada. (2018). *Powering our future with clean electricity*. <https://www.canada.ca/en/services/environment/weather/climatechange/climate-action/powering-future-clean-energy.html>

⁶ Masnadi, M. S., El-Houjeiri, H.M., Schunack, D., Li, Y., Englander, J. G., Badahdah, A., ...& Gordon, D. (2018). “Global carbon intensity of crude oil production.” *Science*, 361(6405).

⁷ Government of Canada. (2019). *Natural Resources Canada: Carbon Capture and Storage: Canada’s Technology Demonstration Leadership*. <https://www.nrcan.gc.ca/energy/publications/16226> (accessed August 8, 2019).

⁸ Morgan, G. (2019). “Innovation Energy: Oilsands step up to take on clean tech challenge.” *Financial Post*. <https://business.financialpost.com/feature/innovation-energy-oilsands-step-up-to-take-on-clean-tech-challenge>

2. MULTIPLE ESSENTIAL DESIRED OUTCOMES

Energy strategy and policy cannot solve for one variable. Inasmuch as reducing emissions is a critical priority, our environmental aspirations and commitments must also take into account our economic and social aspirations, and our need for governance excellence; which includes fairness, ethics, and at the highest level, the functionality of our nation. It is in the interests of all Canadians that our country, in its entirety, across all interests and all regions, is functional.

As energy is so pervasive and interconnected within all that we do as a society, the desired outcomes of energy policy are not singular; they are multiple, overlap, are often in conflict, however, they can potentially operate synergistically.

A compelling vision for Canada's energy sector must align with four essential desired outcomes:

- Our **ECONOMIC ASPIRATIONS**, to create and sustain income for Canadian workers and to contribute to the prosperity of all Canadians;
- Our **ENVIRONMENTAL ASPIRATIONS**, to transition to a low carbon future and to protect all critical aspects of our environment;
- Our **SOCIAL ASPIRATIONS**, to create social value through public services, education, health, safety, and infrastructure, and the inclusivity and well being of our indigenous people; and
- A fourth critical aspiration must be **GOVERNANCE EXCELLENCE**, which implicitly includes inclusivity, fairness and ethics, which underpin the functionality and unity of our nation.



3. BEST BARREL

In a long-term transition to decarbonization ... where oil and gas is phased out over 30, 50, or 100 years ... whatever the timeframe...

“The last barrel to be phased out should be the best barrel, and the best barrel should be Canada’s barrel.”

- This description should be viewed **figuratively, not literally**, there will never be a last barrel!
- It acknowledges the transition to a low-carbon world.
- It defines a long-term role for Canada’s petroleum and natural gas sector.
- It is based on a concept of excellence and competitiveness.
- Different words might be “to be the preferred barrel or MCF (Thousand Cubic Feet) in all markets we serve” or “to be the supplier of choice in all markets,” or to offer “the best energy products in the markets we serve.”
- Other criteria might be affordability, reliability, and “ethically-produced products.”
- Or to meet the needs of a growing global population with clean and ethical energy.

However the path forward is described, we can not sidestep the issue of long-term transition and the extreme concern about emissions and climate risk. We must face this challenge head on and with confidence!

4. GLOBAL-FIRST AND CANADA-FIRST

Compliance with incomplete, inadequate international agreements, which large emitters, India, China, Russia, and U.S. are basically ignoring, should not be our first priority. Our first priority should be reducing global emissions, and reducing our domestic emissions, and meeting Canada's own economic, social, and governance standards.

- The Canadian oil and gas sector was built to export.
- About 75% of our oil and 50% of our natural gas is exported.^{9,10}
- We are the fifth largest exporter of petroleum and natural gas in the world.¹¹
- Energy products and plastics are by far the largest source of Canada's export revenues, about \$146 billion or 25% of \$584 billion.¹²

The Paris Accord set administrative targets that are seriously incomplete relating to the global realities of energy trade, and do not accommodate Canada's interests.

Are we concerned about losing the opportunity to export clean and green LNG (Liquefied Natural Gas) to a growing, global population that needs clean reliable energy?

Are we concerned only about emissions that arise within our borders, and the optics of compliance with administrative targets, or are we concerned about working to solve the fundamental challenge of reducing global emissions?

Are we concerned about policies that might shift investment activities, jobs, and tax base away from Canada, and away from the illumination and influence of our governance oversight, to other high-carbon, low ESG jurisdictions?

⁹ Natural Resources Canada. 2020. *Oil Supply and Demand*. <https://www.nrcan.gc.ca/our-natural-resources/energy-sources-distribution/clean-fossil-fuels/crude-oil/oil-supply-demand/18086>

¹⁰ Statistics Canada. 2019. *Supply and disposition of natural gas, monthly*. Table 25-10-0055-01 Supply and disposition of natural gas, monthly (data in thousands) (x 1,000).

¹¹ ARC Financial Research Institute; EIA; BP Statistical Review, 2018.

¹² Analysis by Viewpoint Research; Source: Government of Canada. 2018. *Highlights of Canada's 2018 Merchandise Trade Performance*. https://www.international.gc.ca/gac-amc/publications/economist-economiste/highlights_trade-2018-faits_saillants_commerce.aspx?lang=eng

5. GLOBAL LEADERSHIP IN CLEAN ENERGY

The Canadian energy sector is a global leader in scale and capabilities. Our oil sands and Montney resource are extraordinary endowments for Canadians, for our global customers, and for everyone in the world. These resources exist in one of the most stable, reliable countries in the world with recognized leading ESG standards and a well-evidenced commitment to improve, advance, and “do better.”

When challenged, our industry adapts and performs. Technological advancement and innovation is integral to conservation, efficiency, and the “greening” of our energy systems. Given our national ambitions to reduce climate risk, it’s difficult to understand why the federal government previously rejected proposals to make the energy clean-tech sector in Canada a supercluster. We have the “*mass of large and small companies and post-secondary and other research institutions.*”¹³ We have the “related companies, organizations, and talent pools ... located in close proximity to each other, sometimes competing, sometimes collaborating”, which experts suggest, can often improve competitiveness.¹⁴

Canada’s energy tech and energy clean-tech are arguably already a supercluster in substance. There is, however, an opportunity to expand the concept and create a “megacluster,” building on the extraordinary existing strengths of the Canadian energy sector as a global energy clean-tech leader.

This megacluster could include the greening of existing petroleum systems, renewables, and new ventures relating to creating emission-free energy such as hydrogen. Existing petroleum and clean-tech sectors are collaborating to create solutions. Talking about them and treating them as separate is another example of polarization and thwarts much needed collaboration and possible synergies.

¹³ Government of Canada, 2020. *Supercluster in Canada*. <http://www.ic.gc.ca/eic/site/093.nsf/eng/00017.html>

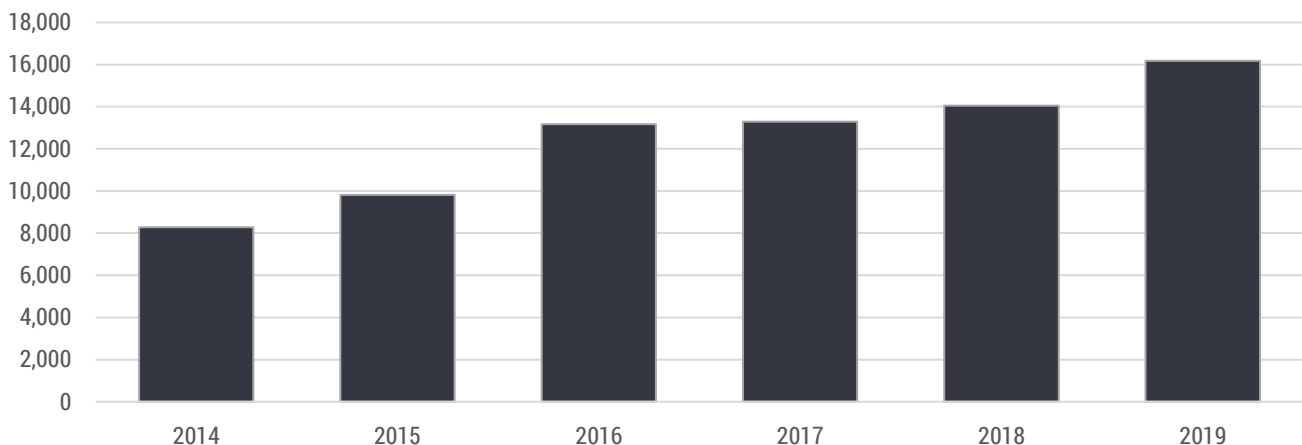
¹⁴ Paul Gallant. (2018). *What are superclusters and how can they help small businesses?*. <https://www.cbc.ca/dragonsden/blog/Canada-superclusters-and-how-can-they-help-small-businesses>

EXISTING REALITIES: DISTRESS, TENSION, AND EMERGING ACTION

6. SOCIAL WELL-BEING IN ALBERTA IS IN SERIOUS DECLINE¹⁵

- The **subgroup of unemployed** who do not have employment insurance support has risen 53% since 2014, from 75,000 to 115,000.
- **Food bank usage** is up 80% since 2014.
- **Suicide rate hotline** calls are up about 50% from 1,400 to 2,600.
- **Suicide rate in Alberta** is 30% higher than the national average (2017 data).
- Individuals seeking **counselling support** in Calgary has increased by 46% since 2014.
- **Domestic violence** incidents in 2018 in Calgary has increased by 150% since 2014.
- **Non-violent crime** is up 34% (controlled for population) since 2014.
- **Business insolvencies** have increased by 57% since 2014.
- **Consumer insolvencies** are up 95% since 2014.

Consumer Insolvencies From 2014 - 2019



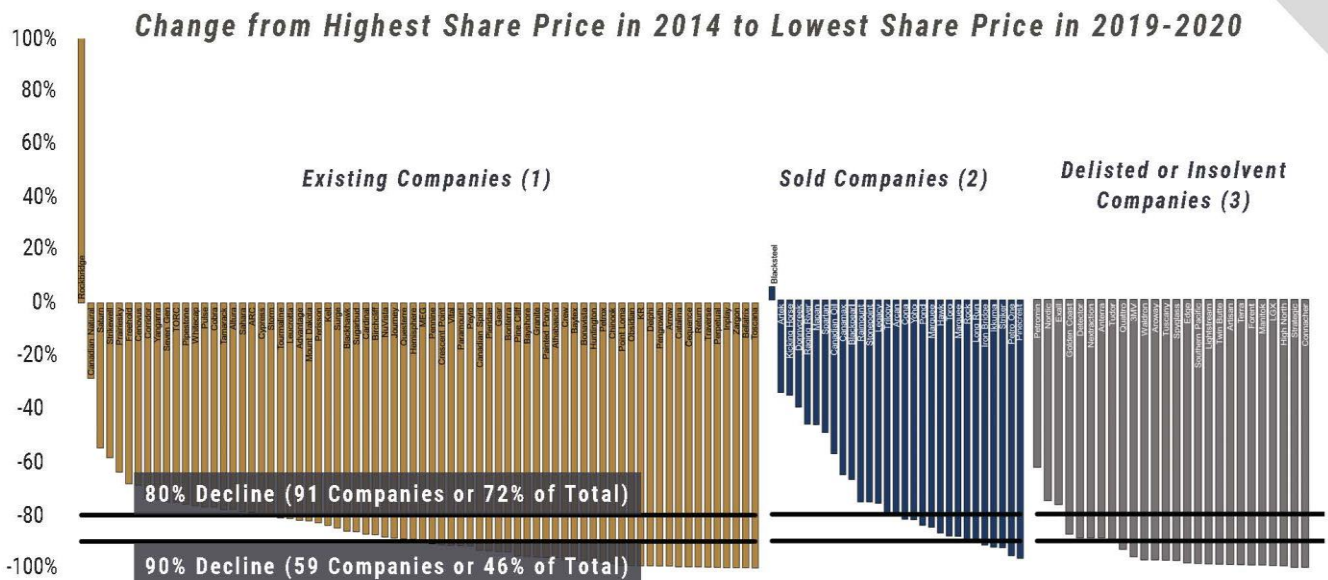
¹⁵ Analysis by Viewpoint Research; Sources: Stats Canada, Office of the Superintendent of Bankruptcy Canada, ATB Financial, Calgary Police Services, Hungercount Canada, and Calgary Counselling Center.

7. THE CANADIAN ENTREPRENEURIAL AND INDEPENDENT SECTOR HAS BEEN CRUSHED

There has been a \$100 billion loss of value in publicly listed oil and gas companies since 2014.¹⁶ Of 129 listed companies in 2014, almost one-half have declined by 90% or more, and most of these have gone through some form of an insolvency event.¹⁷

SHARE PRICE PERFORMANCE AND VALUE DESTRUCTION

STRICTLY CONFIDENTIAL | 03



Source: ARC Financial, Bloomberg, CanOils. Note: Chart includes all publicly traded Canadian listed independent E&P companies with operations focused in Canada, including companies that were acquired during this period. Change in share price calculated as the change from maximum share price in 2014 to the lowest share price achieved in 2019-2020 as of January 24th 2020. (1) Companies that have remained active from 2014-2020 year-to-date. (2) Companies acquired between 2014-2020 and did not have an insolvency event. Share price change for acquired companies calculated until the last trading price before it was acquired. (3) Delisted companies include companies that have ceased operations, experienced an insolvency event, or did not meet listing requirements.

¹⁶ ARC Financial Research; Bloomberg; CanOils.

¹⁷ Note: Includes all publicly traded Canadian listed independent E&P companies with operations focused in Canada, including companies that were acquired. Sources: Bloomberg, CanOils.

8. ALIENATION AND ANGER, TURNING INTO ACTION

Wexit now has been granted eligibility by Elections Canada to become an official registered party, subject to running a candidate, and plans to nominate a candidate for each federal riding in the four western provinces and compete in every by-election and the next general election. This creates serious risk of further hostile rhetoric and actions within Canada, particularly given the rise of the Bloc in Quebec.

“[T]he party plans to run 104 candidates; one in each of the federal ridings in British Columbia, Alberta, Saskatchewan and Manitoba.”¹⁸

9. NUMEROUS ACTION COMMITTEES AND INITIATIVES ARE POPPING UP TO PURSUE THE INDEPENDENT INTERESTS OF ALBERTA AND SASKATCHEWAN

A “Value of Alberta” conference, held on January 18, 2020 was organized in less than three weeks and sold out almost threefold from a 250 person target, to 700 attendees, from 48 communities across Alberta.¹⁹

10. A FORMAL INITIATIVE TO EXIT FROM THE CANADIAN PENSION PLAN IS LIKELY

Interest and momentum is building for Alberta to create its own self-managed pension fund, thereby exiting from CPP. This will mean higher contributions for all other Canadians (except Quebec as it has its own pension plan) to maintain the same level of pension benefits.

¹⁸ Adam Macvicar: Global News. (January 10, 2020). *Wexit political party can now run candidates in Canadian federal elections.*
<https://globalnews.ca/news/6395322/wexit-political-party-canadian-federal-party-status/>

¹⁹ Caroline Kury De Castillo: Global News. (January 18, 2020). *‘You are the victims but we are all the losers’: Calgary conference discusses Alberta’s place in Confederation.*
<https://globalnews.ca/news/6432131/calgary-conference-alberta-confederation/>

MULTIPLE ELEPHANTS IN THE ROOM

When I said we are in a new era of an awakened energy producing region in Canada, to what have we awakened?

1. THE EXTENT TO WHICH POLITICIZATION OF REGIONAL INTERESTS DOMINATES NATIONAL POLICY.

- IF CANADA'S ENERGY SECTOR STRADDLED ONTARIO AND QUEBEC, WOULD ENERGY POLICY IN CANADA LOOK DIFFERENT?
- IF THE THE OIL SANDS WERE IN QUEBEC, WOULD WE HAVE HAD A NATIONAL CAMPAIGN WHERE IT WAS DEBATED WHETHER THEY SHOULD BE PHASED OUT?
- WOULD WE HAVE SEEN A MORATORIUM ON TANKERS GOING UP THE SAINT LAWRENCE OR ON THE EAST COAST?

2. DIVISIVENESS AND POLARIZATION MAY GET WORSE ... NOT BETTER.

- WILL THE LEADERS OF NATIONAL PARTIES BE ABLE TO RESIST THE TEMPTATION TO CREATE AND FAN THE FLAMES OF POLARIZATION IN THE NEXT FEDERAL CAMPAIGN?
- WILL IT HAPPEN AGAIN, WHERE THE ENERGY PRODUCING REGION AND ITS LEADERS ARE CALLED OUT, CRITICIZED, LUMPED TOGETHER WITH POLITICAL OPPONENTS AND EFFECTIVELY DEMONIZED?
- IN THE NEXT ELECTION CAMPAIGN, IF THE LEADERS OF OUR NATIONAL PARTIES REIGNITE THE INTENSE ANTI-OIL AND GAS, AND PERCEIVED ANTI-WEST REHTORIC, HOW WILL WESTERN CANADIAN VOTES RESPOND TO THE CHOICE OF A WEXIT CANDIDATE? WHAT WOULD THE NATIONAL FABRIC OF OUR COUNTRY LOOK LIKE THEN WITH A SEPARATIST PARTY IN THE WEST AND A SEPARATIST PARTY IN QUEBEC?

3. DO WE HAVE A UNIFYING VOICE THAT CAN BE RELIED UPON TO REPRESENT THE NATIONAL INTEREST OF ALL CANADIANS?

- ANY NATIONAL GOVERNMENT THAT IS BIASED AGAINST OR ATTACKS THE INTERESTS OF ANY REGION OF CANADA, WHATEVER THAT REGION MIGHT BE, IS ARGUABLY NOT RESPONSIBLY MANAGING THE NATIONAL INTEREST OF THIS COUNTRY.



MAC VAN WIELINGEN

FINANCIAL & ENERGY EXECUTIVE INVESTMENT MANAGER PHILANTHROPIST

Past director of
15
Boards

Founder of
3
Companies

Speaker in
80+
Engagements



Mac Van Wielingen has been called “Calgary’s corporate radical” for his progressive thinking and unique grasp of corporate leadership, strategy, and governance. Mac’s knowledge and expertise is the product of over 35 years in the financial and energy sectors. He is a founder, Director (1989 - 2018), and Partner (Present) of ARC Financial Corp. ARC Financial is the largest private equity investment management company in Canada focused on the energy sector with approximately \$6 billion of capital under management. He joined the inaugural Board of Directors of Alberta Investment Management Corporation (AIMCo) in 2007 and served as Chair from 2014-2017. AIMCo manages over \$100 billion on behalf of The Province of Alberta. Mac is also a founding partner of the Creative Destructive Lab - Rockies (CDL-R), a Director of the Institute of Corporate Directors (ICD), and the Vice-Chair and founding member of the Business Council of Alberta (BCA). Most recently, he was appointed to serve on the advisory committee that created the Alberta Indigenous Opportunities Corporation (AIOC).

Mac is a founder and former Chair (1996-2016) of ARC Resources Ltd., a leading Canadian oil and gas company with a current market capitalization of approximately \$3 billion. In 2015 and 2016, while Mac was Chairman of the Board, ARC Resources was ranked #1 in Brendan Wood International’s Shareholder Confidence Index in the Energy and Power Group and was selected as the TopGun Board of the Year. ARC Resources remains recognized as a top Board, ranking among the top 1% of 1,400 companies surveyed globally by Brendan Wood International in 2017.

In 2012, Mac co-founded the Canadian Centre for Advanced Leadership (CCAL) at the Haskayne School of Business at the University of Calgary, and served as Chair of the External Advisory Group from 2012-2020. His lifelong passion for learning and sharing keeps him actively involved in speaking engagements, writing pursuits and community events, with the goal of advancing positive change in corporate ethics, governance, and business leadership.

Currently, he is founder and Chair of Viewpoint Group, a private family-owned group of companies which includes Viewpoint Foundation through which the Van Wielingen family have invested in over 100 charitable organizations since 2001, and Viewpoint Investment Partners Corp., a private wealth management firm with a multi-asset global focus. Viewpoint Group also includes Viewpoint Research, established in 2010 to explore the conditions of sustaining superior business performance, and the role of business in society.

AWARDS & RECOGNITION

- 2017: Fraser Institute Founders’ Award
- 2016: Calgary Business Hall of Fame Laureate
- 2016: Fellow of the Institute of Corporate Directors
- 2015: Chairman of the Year, Alberta Oil
- 2014: Distinguished Business Leader Award
- 2014: Honorary Doctor of Laws, University of Calgary
- 2013: Ivey School of Business Alumni Award – “Global Ivey Day”
- 2012: Francis Lefaivre Award, United Way Calgary
- 2011: Ernst and Young Entrepreneur of the Year Award, Prairies

PUBLICATIONS

Van Wielingen, M. (2019). “Perception is not reality: Canada’s energy sector is the best in the world.” Calgary Herald, Opinion.

Van Wielingen, M. (2019). “Canada’s energy policy, and its increasingly fact-free discourse, demands a rethink.” Globe and Mail, Opinion.

Van Wielingen, M. (2017). “Culture as governance and the link with performance: The evolving role of the corporate board.” Conference Board of Canada, Briefing.

Van Wielingen, M. (2015). “The evolving role of the corporate board: Governance, strategy and the imperative of performance.” Conference Board of Canada, Stewardship Review, 2-21.

Van Wielingen, M. (2012). “Ethical Leadership: It sustains performance over time.” Leadership Excellence, GILD, 2012.