



CANADA'S OPPORTUNITY IN ENERGY LEADERSHIP:

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MAC VAN WIELINGEN | macvw.ca



VIEWPOINT | RESEARCH

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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 (CDL), a Director of the Institute of Corporate Directors (ICD), and the Vice Chair and founding member of the Business Council of Alberta (BCA).

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 \$5 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, where he continues to serve as Chair of the External Advisory Group. 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 investigate the impediments and necessary conditions to sustain 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 Lefavre Award, United Way Calgary
- 2011: Ernst and Young Entrepreneur of the Year Award, Prairies

PUBLICATIONS

- 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*.
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Our oil and gas sector is under siege. There has been enormous damage. Investment is down over 50%.¹ We have lost many major international companies. Investor confidence has collapsed, and international investors are asking, “Why would we invest in your companies if you can’t get the full market value for your commodities?” The Canadian independent sector has been crushed. **Of 129 publicly listed independent oil and gas companies in 2014, about one-half are down 90% or more, and many have gone through an insolvency process.**² We have lost 77,000 jobs,³ and some national political leaders are arguing that we need to shut down the oil sands and phase out all oil and gas activity in order to meet national GHG emission targets.

The confronting question is: What is the future for Canada’s energy sector? **What is our vision?**

How do we participate in a long-term transition to a low-carbon world, where oil and gas is phased out, over 30, 50, 100 or even 150 years – whatever the time frame? The essence of the vision that is now emerging can be encapsulated as follows:

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

Our customers – the public – want affordability, reliability, low carbon, high Environmental, Social and Governance (ESG) standards and an industry that is innovating and advancing to solve problems. This vision of the “best barrel” – the “best energy products” – implicitly embraces the interests of our customers and stakeholders. It acknowledges and builds on our advantages and strengths, and is a commitment to excellence and progress.

We are arguably the best in the world, and as we move forward, we will be believed when we say, we are going to become even better. This vision is powerful and credible as we have all the fundamentals in place to make this happen.

OUR ENERGY SECTOR IS A GLOBAL LEADER.

- On the basis of reserves, we are the **third largest energy producing country in the world.**⁴ Our oil sands and Montney tight-gas resource are extraordinary endowments for Canadians, for all global customers, and everyone around the world.
- These resources exist in one of the **most stable, reliable countries in the world**, with recognized leading environmental, social, and governance standards, as well as a **well-evidenced commitment to improve, advance, and progress... to do better.**^{5,6}
- Our oil sands are arguably the **most reliable source of oil in the world.**
- Our people and our talent are another extraordinary resource. We have **globally recognized engineering, geological, technological, and project management experience and expertise.** Our people have managed over **one trillion of capital expenditures in our upstream industry**⁷ over the past five decades, and have built a depth of capabilities that can **match the best in the world.**

Our energy resource and our talent are the envy of most countries, and our ESG standards and performance are as good as it gets in the world.

- Our electricity sector is among the **greenest in the world.** 80% of our electricity is from non-GHG emitting sources,⁸ which is approximately twice the 40% average for OECD countries.⁹
- We are world leaders in **methane regulations and reduction.**¹⁰ This is a critical competitive differentiator for our natural gas sector and supports the build-out of LNG.
- We are among world leaders in **carbon capture and sequestration**, and research on carbon usage.¹¹
- Our **worker safety is exemplary.**¹²
- We are the largest employer of **Indigenous people, and new participation structures are evolving that will prove transformational for industry**, and our Indigenous communities.¹³
- We have among the best **corporate governance in the world.**¹⁴
- At the national level, our **human rights, transparency, and ethics, are at the highest levels in the world.**^{5,6}

THE GHG EMISSIONS ISSUE IS SERIOUS. WE MUST REDUCE EMISSIONS.

Our customers and stakeholders want lower carbon products. But the issue must be understood in the context of five evidence-based, concrete realities.

1

GLOBAL EMISSIONS IS A GLOBAL PROBLEM, NOT JUST A LOCAL PROBLEM.

Emissions are created throughout the world, and collect in our atmosphere, no matter where we are located. To quote Bill Gates “[Carbon] mixes in the global atmosphere in a matter of days. So it doesn’t really matter whether it is a coal plant in China or in the U.S.”¹⁵

2

IT IS CONSUMPTION, NOT PRODUCTION THAT IS MOST IMPORTANT.

Emissions are roughly **four times greater at end-use consumption versus extraction**. That’s 80% versus 20%. It is 4x more a consumption versus a production problem.¹⁶

These two points explain why, if we shut down our oil sands, or even our entire oil and gas industry, **we may not have any material impact on global emissions.**

In fact, emissions may go up.

The GHGs on the extraction side would **shift to suppliers in other jurisdictions**, as would investment, jobs, and tax base. These other suppliers, like Saudi Arabia, Iraq, Venezuela, Mexico, **would likely have higher emissions and certainly lower ESG standards.**^{5,6} Further, if nothing else changed, **consumption within Canada would be supplied simply through increasing imports.**

The net effect is essentially zero impact on global emissions and a serious loss of prosperity within Canada.

3

OUR OIL AND GAS SECTOR, SPECIFICALLY OUR OIL SANDS INDUSTRY, ARE IMMATERIAL TO THE PROBLEM OF GLOBAL EMISSIONS.

Oil sands are 0.15% (1/7 of 1%) of global emissions.¹⁷ The total absolute level of GHGs from China and India in 2018 was about 12,000 MT, which is roughly equivalent to **150 Canadian oil sands**.¹⁸ We must strive to reduce emissions, but the reality is we are an **insignificant part of the global problem. At best, our relevance is symbolic.**

4

THE TRANSITION TO A LOW-CARBON FUTURE IS LONG-TERM. MULTIPLE DECADES – NOT YEARS.

Global demand for both oil and gas is still growing and will likely **not peak for at least 10 years for oil and 15 years for gas**.¹⁹ There are parts of the world that are **energy starved**. But the demand will peak and roll over. **We are in a transition to a low-carbon world, but it will not happen overnight. This is a reality.**

5

THE CANADIAN OIL AND GAS SECTOR IS COMMITTED TO REDUCING OUR EMISSIONS.

Emissions intensity of Canada's oil sands is **down 29% since 2000**.²⁰ Emissions from **new oil sands developments are now below average in U.S. and world markets**.²¹ As an example of our commitment, Canadian Natural, Canada's largest oil and gas producer and one of the largest in the world, has committed to a *"long-term journey to net zero emissions"*.²² Another company that is committed to be a net zero emitter is **MEG Energy**.

How can a leading major oil and gas company with extensive oil sands operations become a net zero emitter of GHGs? **They are not doing it by shutting down.**

It is through ingenuity, innovation, commitment, and the application of advanced technologies.

INNOVATION AND TECHNOLOGY IS A STRENGTH OF THE CANADIAN INDUSTRY.

We have had, and we are having a **transformational impact through innovation and technology.**

Remember peak oil? The risk of imminent terminal decline and shortages.

There was an article published less than nine years ago (January 24, 2011) titled *"The peak oil catastrophe-in-waiting."* The first sentence reads, *"the United States continues to slumber while a catastrophe lies in wait."*²³ At the time when this was written, the United States and Canada were on the verge of a supply side revolution. **We disrupted ourselves with advanced technology and resolved what many viewed as an irresolvable problem, conferring enormous benefits to society.**

We have gone from shortage to abundance, at least in North America.

Innovation, initiative, and advancing technology is critical to our future. Combined with other strengths, it offers leverage to make a real difference in reducing global emissions.

Other Examples of Innovation:

1. LNG Canada will be the lowest emission LNG plant in the world.

- It is estimated to **reduce emissions by 60 to 90 MT** through the replacement of coal in China.²⁴
- This is roughly equivalent to **removing 80% of the cars on Canada's roads.**
- This also roughly offsets the **emissions from our entire oil sands sector.**
- Further, we have other LNG projects on the drawing board that cumulatively could make a major impact in reducing global emissions.

2. We are a leader in methane regulations and reductions.

- Recent research found that *"if Canada's methane regulations were applied globally, the amount of greenhouse gases emitted from producing the average barrel of oil would fall by 23%."*²⁵
- We are also a **leader in methane detection and mitigation technologies.**
- **Methane reductions in Canada are happening.** CNRL have reduced methane emissions by 78% since 2012.²⁶

3. Few appreciate that the oil and gas sector is the largest investor in clean tech in Canada.²⁷

- Integrated within the industry, it does not have the “pop and sizzle” of venture capital, but it has long time frames, large balance sheets, access to a unique depth of scientists and engineers, and readily available real-world applications.
- You can expect to see real advancements in carbon capture, sequestration, and usage, with the possibility of turning carbon into useful products.

We have a **world-class industry** that can compete on the basis of **costs, carbon, all environmental, social, and governance fundamentals and innovation.** **And, we are highly important to the Canadian economy.**

THE OIL AND GAS EXTRACTION AND PIPELINE BUSINESS IN CANADA IS...



Slightly larger than the Combined Banking, Investment Management and Insurance Sector

1.7 X Entire Transportation Sector (including air, rail, water, trucking, and related warehousing)

4.0 X Telecommunications Sector

5.6 X Combined Forestry, Logging Wood Product, and Paper Manufacturing Sectors

8.2 X larger than Canada's Auto Parts Manufacturing sector.

These numbers include **upstream and pipeline only** which represents **\$132 billion of GDP**. This increases to **\$200 billion** if you add related downstream activities and power generation.²⁸

My read of the data is that “energy” is the **largest sector of the Canadian economy.**

**WE HAVE ALL THE
FUNDAMENTALS
TO MAKE A
POSITIVE IMPACT,
BUT WE LACK
SUPPORTIVE
POLICY.**

We can be the best in the world and make a material, positive impact within our own country and globally, providing the best energy products in all markets we serve. **The last barrel to be phased out should be the best barrel, and the best barrel should be Canada's barrel.** This encapsulates a vision for us to be the best in the world. We have all the fundamentals in place to make this a reality.

But there is a major spoiler to all of this. We lack supportive policy. Policy at the national level has been seriously adverse and hostile towards the energy sector. We lack leadership.

Government officials and political leaders need to stand in front of Canada's energy sector and face outwards to Canadians and the whole world, and tell our story based on evidence and facts.

Our oil and gas sector is extraordinarily successful on all key measures that our customers and stakeholders want and need.

We still have problems, but we will make more progress. Many of our investors are observing that the energy sector in Canada has a **structural risk**. It needs **support of national policy and decision making, and but that's not happening** and worse, the national government has been hostile to the interests of energy producing regions. Energy producing regions are underrepresented in national policy and political decision making. **This explains why alienation is widespread and has erupted as anger, now attempting to take form in action.**

"When I speak about the interests of our energy sector, I truly feel that I'm arguing for a healthy, functioning, and cohesive Canada."

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