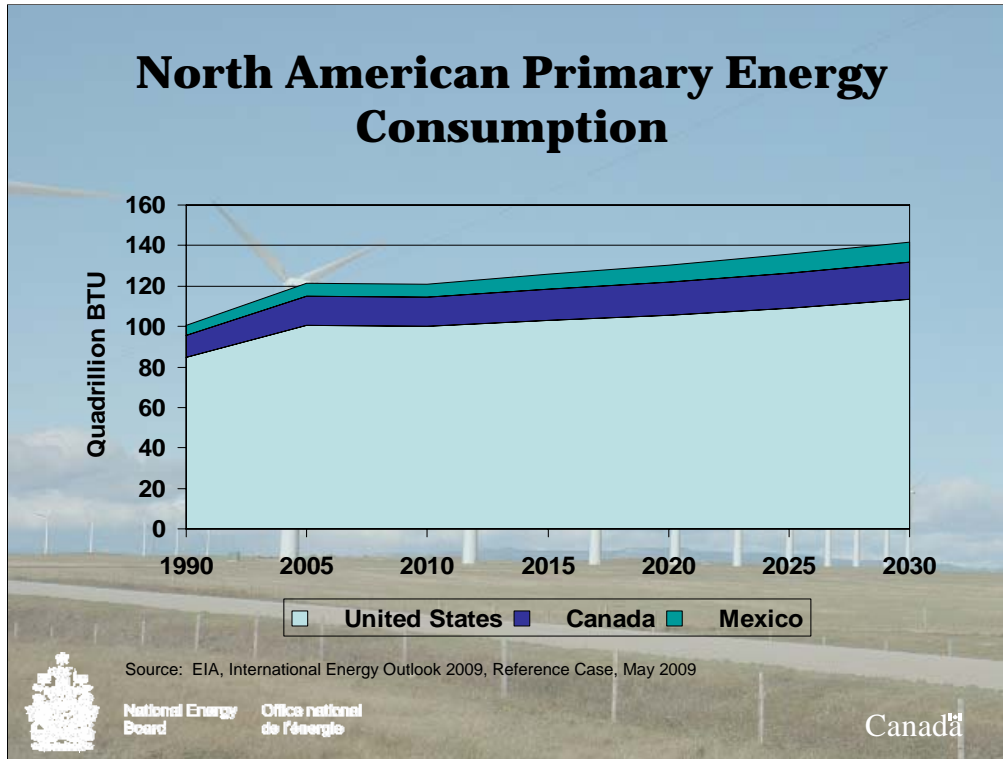


Good morning everyone. I am pleased to be here today, and look forward to this opportunity to exchange our visions for energy in North America at this general session of NARUC's Summer Meetings in beautiful Seattle.



Growth in energy consumption in North America, and in the OECD, has been slowing over the past few years. Consumers in these countries are becoming more climate-change conscious. More and more energy is coming from unconventional sources – oil sands, shale gas, wind, solar, tidal, biomass, to name a few. Conservation and technology are also fundamental to the energy picture on both the demand and the supply side. Technological improvements in Canada’s oil sands industry, for example, have not been praised loud enough, in my mind. So much has been accomplished in the last decade by innovative companies in improving extraction efficiencies, reducing water and natural gas use, reducing the environmental footprint and carbon capture and storage.

These factors (the pace of energy demand growth, unconventional energy supplies, technology) are changing the dynamics of the energy world and energy trade.

Given the values espoused by North Americans, and the market economy that we choose to operate in, consumers will be strongly guided in their energy choices by the price signal. It is clear that, in the future, the price of energy will include two main components:

- The price of the commodity itself, which will seek to recover the cost of finding it, producing it, and transporting it; and
- The price of greenhouse gasses (GHGs) associated with the commodity, although we usually just focus on the carbon component.

The price of carbon, itself, will be shaped by a combination of market forces and policies providing the foundation for the setting of the price. From the point of view of economic theory, this is a very enviable position to be in: we will have managed to internalize one of the principal environmental externalities present in carbon-based energy markets in North America. Other externalities, such as those that create air pollution: particulates, mercury, lead, volatile organic compounds (VOCs) will continue to be addressed through standards and technical regulations.

## North American Regulatory Evolution: Goal-Oriented Regulation



In this context of changing patterns in energy consumption, and the resulting changes in energy production, North American regulatory regimes will continue to evolve in at least two ways:

We will continue to see a growing focus on goal-oriented (known as performance-based in the U.S.), risk informed, full life-cycle regulation, away from prescriptive and fragmented regulation. This will mean that, more and more, regulatory agencies such as the NEB will stipulate, and hold regulated entities accountable for, specific outcomes, in other words the “what”. Regulated entities, engaging meaningfully the broad range of stakeholders they interact with, can then focus on the “how” to achieve these outcomes. It is well documented that goal-oriented regulation produces superior regulatory outcomes than prescriptive, “check-box” type regulation.

Also, by regulating in a risk-informed way, regulatory agencies will continue to dedicate their limited resources to those areas most likely to contribute significantly to the public interest.

Finally, facilities we regulate, such as pipelines and electric power lines, must be viewed throughout their entire life cycle. A regulatory agency need not sweat all of the details at the pre-approval stage. Regulatory solutions can also be implemented during the construction phase, the operation phase, or the abandonment phase of the life span of regulated facilities. This enables industry to focus its time and money on technical, environmental and economic feasibility at the front end of the process, leaving to other pre-construction regulatory phases, assuming a project has been approved, the resolution of the more detailed engineering and environmental issues for which we know very well there is known technology available. Sorting out technical details can be a real burden in terms of people and economic resources, and investing a great deal on them before the “go-no go” decision has been made can erode investment climate and affect the feasibility of a project

I can say with pride that Canada, its provinces and its territories have in place modern regulatory systems that focus on outcomes, protect the environment and hold regulated entities accountable for results. You see this active regulatory regime in action every day, for instance, in the development of the oil sands, the search for and development of energy resources in the Canadian North, the construction and operation of gas and oil pipelines through the Canadian Prairies, and in many other places. Day after day, the desired outcomes of public interest, notably, safety, environmental protection, and economic efficiency, are being achieved in the public interest. I see a future which is a continually improving version of what we have already.

## **North American Regulatory Evolution: Collaboration and Coordination**

- **National Association of Regulatory Utility Commissioners (NARUC)**
- **Canadian Association of Members of Public Utilities Tribunals (CAMPUT)**
- **FERC-NEB-CRE Tri-lateral meetings**
- **Major Projects Management Office**



National Energy  
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The second main trend I see in energy regulation is the growing collaboration and coordination among regulatory and government agencies. NARUC is a great example of how an ongoing dialogue among agencies and their stakeholders contribute to continually improving regulatory outcomes. The same holds true in Canada with the work of the Canadian Association of Members of Public Utilities tribunals (CAMPUT). Another example is the tri-lateral collaboration which takes place between the U.S. Federal Energy Regulatory Commission (FERC), the Mexico Comisión Reguladora de Energía (CRE) and the NEB. Three times a year, our executive staff meet to compare notes on what is going on in energy and in regulation, so we all see what's coming in terms of applications, supply and markets. We remain independent and sovereign for sure, but with a common base of knowledge on what is going on and what is coming, we are well prepared when things do happen, so that our regulatory processes are mutually informed, leading to comparable timeframes for regulatory action. We also learn from each other on leading regulatory philosophies and share best practices.

Another great example of regulatory collaboration is the work of Canada's Major Projects Management Office (MPMO). The MPMO was set up in 2007 to improve coordination within Canada's regulatory system. Its goal is to provide industry with a single, efficient point of entry into federal processes while ensuring that projects which are approved are built in a safe manner and the environment is protected.

Every month, all the Deputy Ministers and Agency heads involved in natural resources projects meet in Ottawa to monitor the progress of major projects where the federal government has a major role to play. The key tool we use to hold each other accountable is the Project Agreement. The signatories to the agreement commit to top quality project assessments and to the meeting of specific timeframes to do this top quality regulatory review work. This is more than a process improvement – this is a cultural change.

All of that is happening without new legislation. The philosophy of the NEB in this regard is that we need not wait for legislative change to improve the way energy is regulated. The NEB prefers to be neutral as to the need for legislative changes in respect of its mandate. We are prepared of course to make suggestions, and advise on proposals in terms of pros and cons, but we regard, in our context, a decision to propose an amendment to the *National Energy Board Act* to the Canadian Parliament as a policy choice best made by the Department of Natural Resources.

## Pursuing a Sustainable Future in North America



The final element of my vision of the future is my belief that, as a North American society, we are ready to proceed and engage constructively in making informed environmental choices, in particular with respect the greenhouse gases produced by the consumption and production of energy. We have been talking a lot about the best means to set the price for carbon/GHG, notably in terms of cap and trade or carbon tax. If there is any disagreement, it is in terms of method, not in terms of desired end result, or goal. Several jurisdictions already have clear goals. For instance, in Canada, our goal is to reduce GHG emissions by 20 per cent by 2020, and by 60 to 70 per cent by 2050. I understand you have comparable goals at the federal level in the US. Once methods and goals have been sorted out, and I believe this will happen soon, society can then focus on the concrete action we must take, individually and collectively, to bring about concrete solutions to the GHG challenge. I look forward to that day, in the foreseeable future, when the “blame game” of calling the consumption or production of certain energy sources as “dirty”, semi-dirty” or “not so clean” is over, when the blame game of saying “you are not doing enough” is over, and when we can all benefit from an enlightened regulatory system, supported by well-understood and implemented pricing mechanisms for carbon/GHG, as an essential component of pursuing a sustainable future together in North America and the world.

## Thank You!



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Thank you for allowing me to express my vision of the future for regulations, markets, and the environment and I look forward to continuing this dialogue with you.