

# No easy fixes for energy policy in Canada

If we are to improve the way we regulate energy, we must change the system for doing so from top to bottom.



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*Natural resources*

As the federal government's expert panels on environmental assessment and National Energy Board modernization wrap up their reviews, it's tempting to think Canada's energy challenges can be "fixed" by regulatory reform alone. If only it were that easy.

Canada's energy decision-making machinery—federal and

provincial from policy through to regulation—was largely built between the 1950s and the 1980s. But much has changed since then and the machinery is not well suited to the challenges ahead.

People have far less trust in elites, be they governments, industry or experts, and deference to authority has declined correspondingly since the 1950s. Tolerance for risk—especially human-induced risk—has declined, even though understanding of risk has not increased proportionately. At the same time, people want more say in decisions that affect them. Centralized decision-making systems and limited public input just don't cut it anymore—especially for issues like energy that involve risk, uncertainty, and perceptions of cost to one community with benefits for another.

Energy issues have also changed. In the late decades of the 20th century, the priority was to grow Canada's energy industry through domestic and international trade. Climate change was yet to come on the scene, and for the most part, indigenous Canadians were recipients of the consequences of energy decisions taken elsewhere. Most importantly, there was consensus that energy decision-making should

be market-based. The idea of a deliberate policy-driven transformation of the entire energy system to address climate change was nowhere near on the radar.

Research by the University of Ottawa's Positive Energy project underscores that Canada's energy decision-making machinery clearly needs reform—but we can't approach it as "fixes" to a few energy regulators. It has to be about the whole system—from the biggest policy questions all the way through to the regulatory bodies that make decisions on projects, protect the environment, create the incentive structure for investment and innovation, and ensure fair prices and adequate returns for natural monopolies like power systems and pipelines.

In other words, we need informed reform. The most urgent priorities lie in three areas.

First is the basic question of the relationship between policy-makers and regulators, particularly when it comes to big policy questions like climate change, the cumulative effects of multiple energy projects, and the role of indigenous peoples in energy decisions. On climate, for example, policymakers need to reconcile their greenhouse gas reduction aspirations with numerous energy

realities, and create a stable context for energy regulators to take decisions on individual projects without political interference.

Second is to think differently about the role of local authorities in energy decisions. This starts with indigenous communities who are often not opposed to energy development, but want it done sustainably and with real inclusion in decision-making. It also includes municipal governments, which are increasingly focusing on community energy planning: how best to meet local energy needs with both local and imported resources.

Third is how we think about the role of citizens in energy decisions. How and when do decision-makers—governments and regulators—reach out to people? How do we ensure people have access to the information needed to make informed judgements about energy resources, energy infrastructure, and matters such as energy efficiency that will shape their communities'—and Canada's—future?

These pivotal questions will not be answered by tweaks or even fundamental reforms to a few regulatory agencies. Many of them are outside the scope of individual regulators. And virtually all of them

involve multiple agencies, governments, and communities, each operating within their respective mandates, sight-lines, and interests.

It is the entire system that needs rethinking: Canada needs informed reform. This might sound idealistic. But a more systematic, comprehensive approach is possible. If our energy decision systems are to come even close to meeting the challenges of the decades ahead, it is essential.

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