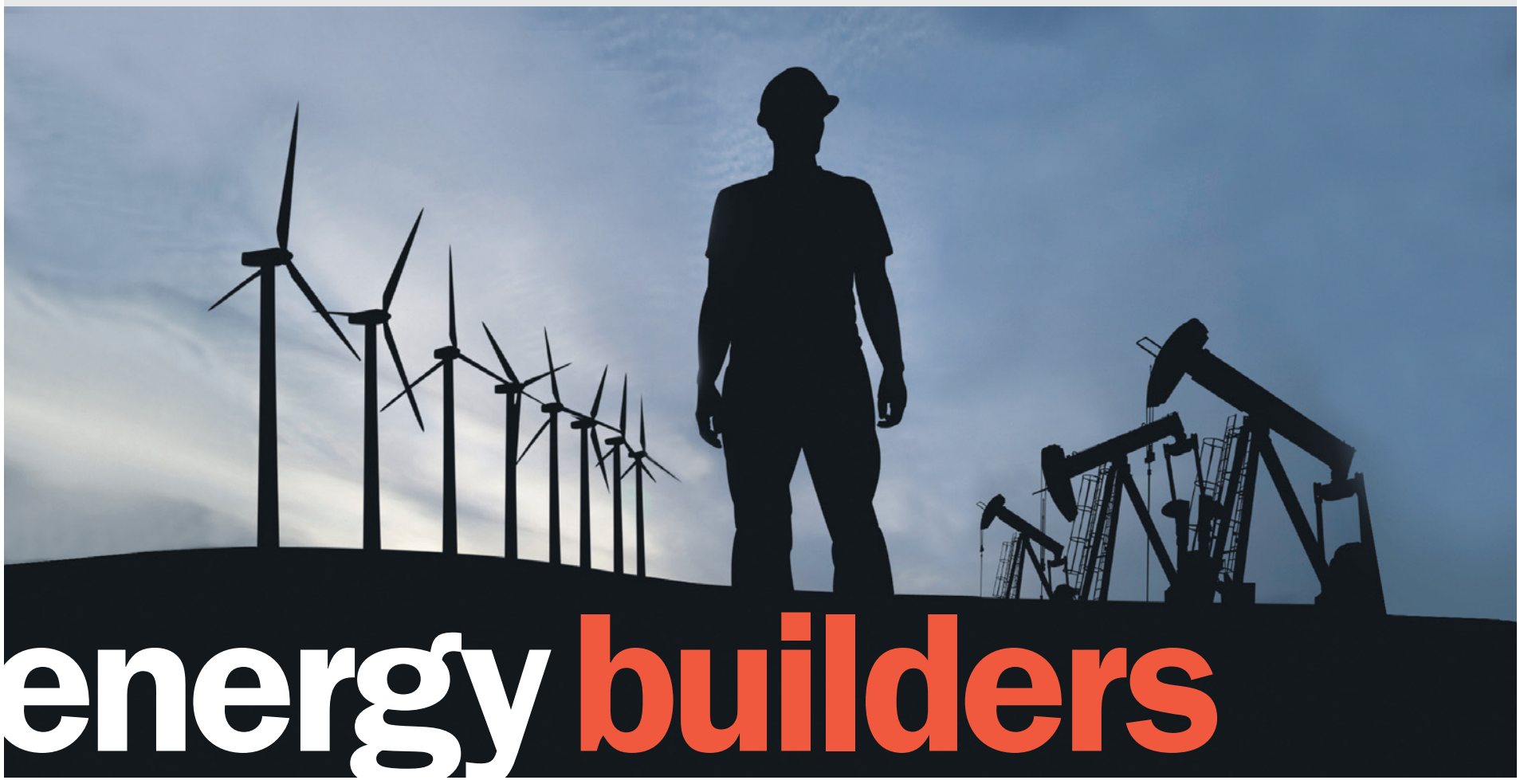

energy builders

While "superpower" and "Canada" are seldom seen as synonymous, the sheer size, value and future potential of the country's energy sector now leaves little doubt about the key role Canada will play in the global energy game for many years to come.

Only Saudi Arabia has more identified crude oil reserves than Canada, and no country has anywhere near Canada's level of reserves outside of government control or ownership. Now, with production from Alberta's oil sands and the Atlantic fields poised to increase steadily for the foreseeable future, Canada represents not only one of the world's safest bets for energy investors, but also a solid partner for oil importing nations that need energy to grow their economies.

Jason Langrish, executive director of the Canada Europe Roundtable for Business, a group focused on fostering trade and investment between Canada and the European Union, says Canada needs a national energy strategy to make the most of the global opportunities that have emerged with the growing demand for energy.

"It doesn't make sense for different jurisdictions to be aggressively competing for the same investors, when collectively they could position themselves better to attract investment," says Mr. Langrish. "Improved co-ordination among the provinces would provide greater scale of opportunities, while allowing each to emphasize its particular strengths in efforts to achieve an optimal energy mix in Canada."

Bruce Carson, executive director of the Calgary-based Canada School of Energy and Environment and vice chair of the Energy Policy Institute of Canada (EPIC), which is working to develop a pan-Canadian approach to energy development, says Canada's energy sector is vital to not only the country's economy, but also to the world's energy supply.

"Conventional wisdom is that the world is not going to wean itself off fossil fuels anytime soon. Demand will grow for the next 20 to 30 years, and Canada is the most stable supplier of fossil fuels in the world," says Mr. Carson, who also serves as an adjunct professor in the University of Calgary's School of Public Policy, and chairs the Federal-Provincial-Oil and Gas Industry Working Group on Climate Change.

Both Mr. Langrish and Mr. Carson see technology innovation and the development of new export markets – particularly in Asia – as crucial to Canada's potential as a global player.

Asia's rising demand for oil – a crucial ingredient needed to fuel growing economies in countries like China and India – provides a potentially lucrative market for Alberta oil. Asia also presents an opportunity to diversify exports, which are currently focused almost exclusively on the United States.

At the same time, pressure to address environmental concerns could be an impetus for innovative companies, particularly in the oil sands, to develop new technologies to reduce the environmental impact of oil sands production and open new export markets for the technology.

Mr. Langrish says Canada lags Europe in technological innovation, but free trade and other policy instruments can introduce new technologies into the Canadian market and encourage collaboration on the development of new products for use at home and for export.

Mr. Carson says Canada is in a strong position to address global energy poverty – an issue that resonated with many delegates at the recent World Energy Congress in Montreal.

"Developing countries in Asia and elsewhere want the same standard of living for their people as we enjoy in the West. Energy is what makes that possible, and Canada can supply that energy," says Mr. Carson.

At the same Canada is looking outward for new markets, global investors are eyeing Canadian energy assets and many have already taken a stake in the sector. Presently, the cost of bringing new projects to production, particularly in the oil sands, means that in most cases only the biggest investors with the deepest pockets can participate.

Making sure that all investors adhere to standards that help, rather than hinder, the further development of the sector is important, say experts.

For example, says Mr. Langrish, there should be strong regulation that encourages investment in environmental improvement. This includes setting a price for carbon and aligning policies with important trading partners.

"This would stimulate investment and joint commercialization projects in the area of low carbon and energy technologies," he says. "The EU's robust approach to addressing climate change has given rise to a number of financial, legislative and technical applications that would be useful in the Canadian context."

The Energy Roundtable

The Energy Roundtable was created in 2004 by the Canada Europe Roundtable for Business, a transatlantic free-trade advocacy group, to host thematic conferences that facilitate investment in the Canadian energy sector.

Leadership in the energy sector is vital in the development of the Canadian economy. Whether it's building out complex oil and gas projects or developing new technologies such as carbon capture and storage, energy companies will be central to achieving real change. As the world strives to reduce carbon emissions and increase energy security, The Energy Roundtable works to determine the future global energy mix and Canada's place in it.

Participants at the Energy Roundtable analyze the impact of economic, social, political and environmental factors on the allocation of capital and resources in the energy sector. This information is then used to determine the exploration, production and implementation of new technologies that can be expected in Canada going forward.

For further information, visit www.energyroundtable.org.

inside:

online? To learn more, visit The Canada Europe Roundtable for Business www.canada-europe.org.

EXPERT OPINION

A national energy strategy would mean more bang for buck, says policy expert

Q&A with Bruce Carson

In addition to serving as executive director of the Calgary-based Canada School of Energy and Environment and as an adjunct professor in the University of Calgary's School of Public Policy, Bruce Carson is also vice chair of the Energy Policy Institute of Canada, which is working to develop a comprehensive, pan-Canadian approach to energy. He is also chair of the Federal-Provincial-Oil and Gas Industry Working Group on Climate Change, and a member of the Thermal Electricity Task Force on Climate Change. We asked Mr. Carson for his views on a national strategy for energy and why Canada needs one.

What does a comprehensive approach to energy look like for Canada, and how will it benefit the energy sector and the country?
A pan-Canadian energy strategy is vital at this point in Canada's history given the crucial importance of all forms of energy to

our economy. A national approach will allow us to manage these resources far more effectively than if we have 14 or 15 different approaches. Of course, we recognize that each province and territory has its own strategy to deal with specific energy issues, but by working together we can achieve far more for the greater good of all of us.

What are the obstacles to the development and implementation of a national energy strategy?
The way in which responsibility for energy is divided between the federal and provincial governments is an obstacle. However, there is sufficient goodwill among all parties, and they realize that the energy sector is a pillar of the national economy and a key element in advancing the standard of living of all Canadians. I'm convinced that we can overcome the constitutional issues by working within the constitutional rubric.

What do you believe should be the key principles of Canada's energy strategy?
The key elements are environmental protection, regulatory reform, the identification and development of new markets, the encouragement of secondary industries and energy efficiency. These are interests common to all jurisdictions, and there is already agreement on many of them. If we can get to a point where we can all agree with 80 per cent of what a pan-Canadian energy strategy should look like, we will be doing very well.

Is the lack of a national energy strategy currently impeding responsible energy development in Canada, and if so, in what way?
Not having a pan-Canadian strategy means we are missing great opportunities to further our national interests. For example, if the federal government or a province makes an announcement about a new energy initiative, it tends to be a one-off event. The impact is diminished because there is no co-ordinated approach to what it really means on a national basis for the energy sector as a whole rather than for just one jurisdiction. A national strategy would allow us to leverage the announcement to show benefits for sub-sectors of the industry across the country and to get far more bang for our buck than we are now getting.

How might Canada enhance the openness of world energy markets and strengthen global rules relating to investment, carbon management and energy security?
Canada is already playing a very positive role in a number of different areas and will continue to do so. For example, Environment Minister Jim Prentice has taken a leading position in major forums on clean energy. Canada is also playing a positive role in bringing countries together to debate energy and environmental issues. Canada signed on to the Copenhagen Accord and made financial commitments. There has also been significant investment in efforts to mitigate the impact of fossil fuels, such as research into carbon management and other impacts currently being undertaken in a joint program by scientists at 25 Canadian universities. This is important work because it could lead to not only reduced impacts in Canada, but also the development of new technologies for export to other countries facing similar challenges.

Bruce Carson previously served as director of policy and research for Stephen Harper when he was leader of the Opposition, and as senior policy adviser when Mr. Harper became Prime Minister.

energy builders

"Owning gas assets allows us to have greater control over the risks created by today's volatile energy prices. When we offer our customers price certainty with a five-year contract, they know the supply will be there."

Badar Khan, President, Direct Energy Upstream

Study says Canada lags in attracting foreign investment

research

Canada's foreign direct investment challenge

The following points illuminate energy investment challenges identified in a study by the School of Public Policy at the University of Calgary, co-sponsored by the Canadian Europe Round Table for Business. The study found:

- Canada should be more open to foreign direct investment in the energy sector.
- Canada is in a quandary. Our lacklustre record in attracting FDI reduces competition in Canadian markets for investment and the talent that accompanies with new management.
- Using the study's measure of openness to investment, Canada ranks only 32nd out of 92 countries, behind the United Kingdom, Sweden, Spain and France.
- Significant benefits to FDI include spill-over effects of technological knowledge accompanying investment here by more efficient foreign firms, rather than forcing out domestic firms.
- Canadian provincial governments need to level the playing field between domestic and foreign state-owned concerns, eliminating and/or balancing unfair taxation practices.
- As long as bidders have no subsidy or tax advantages, the takeover market ensures that governments get the most able producers as partners in resource development.

In the face of state-owned enterprise interest in the energy sector, Canada should fearlessly deepen its global attractiveness and enhance the knowledge exchange that naturally accompanies fair international partnerships, says a leading Canadian expert on international public policy.

The caveat, says fiscal and tax policy specialist Jack Mintz, is that government ensure a level playing field for mergers and acquisitions, carefully eyeing outside interests with at-home tax advantages who are drawn to Canadian energy resources.

Government, Dr. Mintz adds, needs to both open its arms in welcome and yet get the best deal for Canada from resource rents.

Dr. Mintz, former director of the C.D. Howe Institute, and Palmer Chair of public policy, School of Public Policy, University of Calgary, says that foreign direct investment (FDI) provides positive benefits to the Canadian economy.

"Those who don't participate in the world can get left behind," he notes.

Dr. Mintz is co-author with Matt Krzepkowski of a new joint School of Public Policy (University of Calgary) co-sponsored by the Canadian Europe Roundtable for Business (CERT) study on challenges and opportunities for foreign direct investment in Canada, *Canada's Foreign Direct Investment Challenge: Reducing Barriers and Ensuring a Level Playing Field in Face of Sovereign Wealth Funds and State-Owned Enterprises.*

Canada is lagging significantly behind other developed and developing nations in foreign direct investment, according to the study, with a slipped ranking of deal inflows as a percentage of GDP, following a temporary spike in 2007, to 46th out of 92 countries for the 2004 to 2008 period, down from 33rd in the 1999 to 2003 period.

Also, the study says, Canada has more going out than coming in – the country is a net capital exporter with successful companies operating at a global scale.

"We should welcome FDI just as we welcome Canadian corporations investing abroad," says Dr. Mintz. "We have some major energy companies abroad – Suncor, Nexen among them. Canadian companies are global players acquiring others around the world. It is not surprising that some of our own might be acquired too."

Dr. Mintz notes that in Canada's energy-rich natural resources sector, resources are owned by the state, so private offshore investors actually come in as partners with the state.

The U of Calgary study proposes solutions to ensure fairness between Canadian-owned companies and foreign state-owned interests: restructure Canadian businesses so that most payments made to the state-owned parent are deductible expenses in Canada.

For foreign state-owned interests hoping to skate around withholding tax to the Canadian parent, Canada should eliminate the negotiation of favourable withholding taxes.

An example of successful FDI in the energy sector, and a model for other possibilities, says Dr. Mintz, is Norwegian-owned Statoil's partnership with Canadian companies in North Atlantic offshore drilling. (Statoil has stakes in Terra Nova, the Hibernia field and Exxon Mobile's Ben Nevis oilfield.)

"The Norwegians have great technology for drilling offshore, and that means there is a transfer of technology to Canadians, so we benefit from their expertise," Dr. Mintz observes.

Former C.D. Howe Institute director Jack Mintz is co-author of a recent study exploring challenges affecting foreign direct investment in Canada. Among its findings, the study recommends that Canadian provincial governments level the playing field between domestic and foreign state-owned concerns, eliminating and/or balancing unfair taxation practices. PHOTO: ORCA GRAPHICS

MARKET DIVERSIFICATION

Finding the right energy mix requires tailored solutions

Like other energy and engineering leaders, global giant Siemens AG believes that finding the right energy mix is the key to providing secure, reliable and affordable world energy supplies. The challenge, says Siemens, is there is no definitive optimal mix that can be applied everywhere. Every region has its own unique conditions that must be carefully analyzed in order to develop a sustainable customized solution.

Bill Smith, senior vice president of energy at Siemens Canada Limited, says one of the big challenges in determining the right energy mix is the divergent interpretation of sustainability in different jurisdictions.

"Sustainability is important, but it needs to be defined; it's not just a label that we can slap on everything. We also need to ensure that we do a full cost accounting of whatever measure we implement to advance sustainability and conservation," says Mr. Smith.

Among other things, an optimal energy mix for a region also depends on specific geographical and social characteristics such as wind speed and frequency, availability of hydro, coal or natural gas, and the level of acceptance of nuclear power.

Mr. Smith says the distribution infrastructure needed to change the energy mix and channel electricity from possible sources of sustainable energy to consumers will be a challenge. It may also require a significant change in electricity usage patterns.

Smart electricity grid technologies will play a big role in regulating the flow of electricity from these new sources, he says, but consumers will also need to adapt to a different way of using energy.

For Apache Canada, a subsidiary of Apache Corporation, an independent, U.S.-based energy company with operations around the world, natural gas is a major focus as an alternative to oil and coal in the energy mix.

Apache Canada has a 51 per cent ownership and throughput capacity interest in the proposed liquefied natural gas (LNG) export terminal at Kitimat in northern British Columbia which, if developed, will provide a global outlet for LNG from Apache's Canadian operations.

Tim Wall, president of Apache Canada, says natural gas has the lowest carbon emissions per unit of energy produced by any fossil fuel, and therefore seems to offer the world an important bridge to a lower carbon economy while alternative energy technologies are being developed.

"The substitution of natural gas for coal in electricity generation is one of the most significant global opportunities to reduce greenhouse gas emissions economically," says Mr. Wall.

The company is putting its money where its mouth is. Among other things, it is replacing diesel-burning electrical generators with more efficient, cleaner burning, natural gas electrical generators in its operations in the North Sea, and converting part of its truck fleet in Oklahoma to compressed natural gas to demonstrate the viability of this abundant and cleaner-burning alternative to gasoline.

MERGERS & ACQUISITIONS

Buying opportunities in Canada's energy sector spurring investment activity

In the Great Recession's lingering storm clouds overseas, investors are finding a silver lining in the form of investment opportunities in Canada's energy resource sector, and business is booming, says Mungo Hardwicke-Brown, senior partner, energy group, Blake, Cassels & Graydon LLP of Calgary, Canada's leading law firm in energy sector mergers and acquisitions.

"Challenging access to capital for some energy companies and low commodity prices have created an advantageous environment and market for cash-rich companies to advance their strategic goals and has led to a robust mergers and acquisitions climate in Canada," says Mr. Hardwicke-Brown.

A notable example of one company jumping at the chance is Toronto-based Direct Energy, a subsidiary of U.K.-based Centrica plc, which had 2009 revenues of $11 billion.

Direct Energy, with 6,000 employees in North America, is poised to become one of the continent's leading integrated energy and services companies, says Badar Khan, president of Direct Energy Upstream.

Mr. Khan affirms Mr. Hardwicke-Brown's take on the present buying climate for companies with money in their pockets. "When commodity prices are low, like they are now, we have an environment where well-capitalized companies, like ours, can acquire assets," says Mr. Khan.

And acquire them they did. In August, Direct Energy, a newcomer to North America 10 years ago, moved on its ambitious expansion plans by acquiring Wildcat Hills natural gas assets of $375 million, increasing its North American gas production by approximately 80 per cent. This acquisition builds upon the five natural gas assets Direct Energy has acquired since 2008.

"Owning gas assets allows us to have greater control over the risks created by today's volatile energy prices," says Mr. Khan, a member of the company's North American management team. "When we offer our customers price certainty with a five-year contract, they know the supply will be there."

While declining to identify future merger targets in Canada's energy sector, Mr. Khan acknowledges that Direct Energy is a growing company and will continue to investigate upstream investments in gas, power and shale assets in North America.

Inspired by the successful integrated energy strategy of its U.K. parent, Direct Energy's goal, says Mr. Khan, is to advance further into North American consumer markets. Direct Energy now does business in all 10 provinces, 46 U.S. states, and in D.C.

In June, Direct Energy expanded the home services portion of its unique strategy when it bought Clockwork Homes Services Inc. of Sarasota, Fla., for $183 million (US), leading the company to become the largest provider of heating and cooling, plumbing and electrical services to more than three million households annually in North America.

Mr. Hardwicke-Brown says emerging economies have large demand for natural resources, causing them to see Canada's energy companies as alluring prospects.

"Constrained access to capital has made some Canadian companies more willing to consider strategic mergers and acquisitions alternatives to create value for their shareholders, leading to opportunities for prospective overseas suitors," he says.

Companies with strategic buying in their plans are coming from all over the world – Asia, Japan, the Middle East and Great Britain, Mr. Hardwicke-Brown says.

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energy builders

"While bitumen production continues to increase, the volume of non-saline water used to produce each barrel of bitumen has decreased over the years. This trend is expected to continue as further advances are made in technology."

Tara Payment, Environmental and Regulatory Analyst, Canadian Association of Petroleum Producers

Oil sands innovators tackle water issues

Despite facing a tide of criticism from some groups, energy industry proponents say evidence shows companies operating in the oil sands are striving to implement the principles of Alberta's 'Water for Life' strategy, which seeks to balance the demands of a growing population and increased economic activity with a limited resource.

Water issues are not new to Alberta, where the precious resource has long proven crucial to Alberta's economic development. From agriculture to the oil sands, the wise use of water underpins the region's future prosperity.

Tara Payment, an environmental and regulatory analyst with the Canadian Association of Petroleum Producers (CAPP), says in order to meet the goals and objectives outlined in the Water for Life strategy, the oil and gas industry has collaboratively drafted a Water Conservation, Efficiency and Productivity (CEP) sector plan, now expected to be finalized and publicly available in March 2011.

In the meantime, she says the industry is focused on two key aspects of water management in the oil sands: reducing the volume of non-saline water used per volume of bitumen produced, and tailings management.

"While bitumen production continues to increase, the volume of non-saline water used to produce each barrel of bitumen has decreased over the years. This trend is expected to continue as further advances are made in technology," says Ms. Payment.

To date, most improvements in oil sands water use have been achieved by increasing recycling rates – oil sands projects currently recycle 80 to 95 per cent of the water used – and by using saline groundwater as an alternative to non-saline water in thermal in situ projects. Saline groundwater comes from deep underground aquifers and is not of suitable quality for domestic or agricultural uses.

Noting that oil sands companies are under increasing public and regulatory pressure to decrease the size, number and lifespan of their tailings ponds, Ms. Payment says operators are developing new technologies to recycle more water from tailings ponds, decrease the surface footprint of tailings ponds, and reduce the time it takes to reclaim the ponds.

"For example, a tailings pond management technology being commercialized by Canadian Natural Resources Limited at its Horizon Oil Sands facility involves sequestering and injecting waste carbon dioxide into the tailings slurry, causing a chemical reaction that allows the fine silt and clay particles to settle to the bottom of the tailings pond more quickly," says Ms. Payment.

"This accelerated settling means more water will be available at the top of the pond for recycling and reuse in the bitumen extraction process. Not only does this reduce the footprint of the tailings pond and decrease the amount of water withdrawn from the Athabasca River needed to process bitumen, but it will also significantly reduce the facility's CO_2 emissions," she says.

NEW ENERGY TECHNOLOGIES

Regional demand a driving force in small, clean energy project development

With Western Canada's population expected to surge to 7.5 million people over the next 25 years, demand for electricity needed to support economic development and a high standard of living will require innovative technology that not only keeps costs manageable, but also brings new energy projects on stream far quicker than ever before.

That's the view of energy proponents who say the solution to rising energy demand will entail an increased development of small, rather than large, electricity plants.

Buoyed by the B.C. government's determination to turn the province into a clean energy powerhouse, Vancouver-based Plutonic Power Corporation and its partners are developing and operating clean power projects capable of generating 1.7 million megawatt hours per year of electricity through hydro and wind.

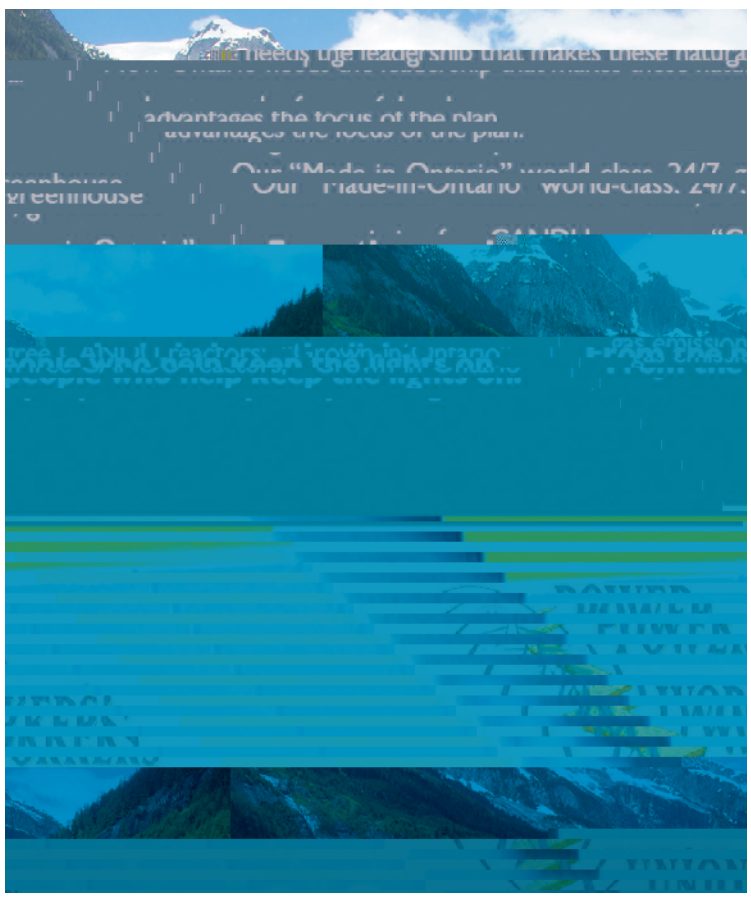


PHOTO: SUPPLIED

Vice-chairman, CEO and founder Donald McInnes says the large-scale electricity generation projects of the past typically took seven to 10 years to get off the ground, a timeframe that's now unrealistic in the face of growing demand.

"British Columbia has built no new power assets since 1984, but consumers still take electricity for granted; they turn on a switch and expect it to be there without having any real idea of where it comes from," says Mr. McInnes.

In reality, however, the province faces a power crunch that needs to be addressed quickly and effectively, which is where companies like Plutonic come in.

"Electricity will be a cornerstone of our economic competitiveness for generations to come, and ensuring that we have enough is a very important strategic decision," says Mr. McInnes. "The correlation between electricity and quality of life not only in Canada, but globally, has been underscored by the World Bank, which now says providing electricity is more important in some cases than its other humanitarian programs."

Those realities suggest encouraging futures at companies such as Plutonic Power that are well underway with efforts to meet demand for clean power.

Plutonic's Toba Montrose run-of-river hydro-electric project became operational in August with an expected long-term average net annual generation of 715,000 megawatt hours. The company's Dokie Wind Project located 1,100 kilometres northeast of Vancouver, near Chetwynd, B.C., is under construction, with an expected long-term average generation of 340,000 MWh of electricity annually. Completion of construction and commencement of electricity sale to BC Hydro is scheduled in early 2011 under a 25-year Electricity Purchase Agreement.

ENERGY LITERACY, REGULATION

To avert energy crunch, regulations must match market realities

There's little doubt that sound regulatory systems contribute to an even playing field for the energy sector, both domestically and internationally. However, there are growing fears within the industry that unless regulation is brought into line with the realities of energy production, the world faces a serious energy crunch.

Pierre Alvarez, vice-president of public affairs for Nexen, a Calgary-based energy company with operations around the world, identifies four major impediments to the public dialogue that is required on the issues of climate change and energy security.

"We need agreement on common sets of data, improved energy literacy for consumers, regulatory certainty about new projects, and more fairness in comparisons among different sources of hydrocarbon supply," says Mr. Alvarez.

Wishart Robson, climate change advisor to Nexen president and CEO Marvin Romanow, agrees.

"For example, data underlies environmental assessment and all other policy and regulatory processes. Yet after decades of discussion of CO_2 emissions from the Canadian oil sands by industry, governments and third parties, there is still no consistent and agreed-upon body of data on which to base discussions on a full-cycle basis," says Mr. Robson.

"In recent years, scores of proposed energy projects, renewable and non-renewable, have not been able to proceed. Some were turned down by regulators, but others were withdrawn because of regulatory delay or policy uncertainty. If this continues, the only possible outcome is higher-than-necessary costs, reduced reliability of supply, and ultimately, energy shortages."

Mr. Robson adds that improved energy literacy is needed for the public to understand the tradeoffs between price and the physical realities involved in finding and producing energy from ever more remote and/or technologically challenging sources.

"It would also help," says Mr. Alvarez, "if other producing nations had as transparent a regulatory system as Canada's. If environmental costs of production in other regions were disclosed, consumers could make their own assessments of relative environmental impacts, and we are confident that Canadian sources would compare very favourably."

"To be clear, we appreciate and share the demand for real and verifiable environmental progress, but industry's ability to provide reliable and cost-effective supply requires more equitable treatment from regulators and better pubic appreciation of the physical realities and challenges of energy supply," concludes Mr. Alvarez.

OIL SANDS FUTURES

In Alberta's tar sands, global energy players see a bright future

Many would say that the future of Alberta's oil sands have never looked brighter. The price of crude has recovered strongly from the recessionary lows of last year, capital is pouring in as domestic and foreign investors jostle for a share of the action, and there are tantalizing prospects of opening new export markets and expanding sales to the U.S.

A recent report by the IHS CERA Canadian Oil Sands Dialogue, an energy sector discussion group set up by the advisory firm IHS CERA, said the oil sands are poised to become the top source of U.S. crude oil imports in 2010. The report estimated that oil sands imports to the U.S. could ultimately increase from eight per cent in 2009 to a range of 20 to 30 per cent of U.S. oil and refined product imports by 2030.

The Suncor-PetroCan merger in 2009 and ConocoPhillips' sale of its nine per cent interest in the Syncrude oil sands joint venture to China Petrochemical Corporation (Sinopec) for $4.64 billion, are just two examples of strategic positioning by major players that see not only the long-term value in the oil sands, but also the need for powerful alliances to help ensure the success of their investments.

Michael Laffin, an oil and gas specialist and partner in the Calgary office of the law firm Blake, Cassels & Graydon, served as the lead lawyer on the Sinopec deal. He says foreign interest in the oil sands will not diminish in the near future. He acknowledges that the cost of entry in most cases is substantial, but says there's a veritable lineup of companies waiting to get in.

"Rest assured, there are major firms in the world that are and will remain interested in the oil sands. M&A action will continue," says Mr. Laffin.

Shane Fildes, global head of energy with BMO Capital Markets, agrees that the oil sands are an extremely attractive prospect.

"There are very few places in the world to find reserves on this large scale in political jurisdictions that are investible, which raises the value of the oil sands significantly," says Mr. Fildes.

He says cost of production is obviously a deciding factor in who is able to participate in oil sands activity.

"The world is not running out of oil; it's just running out of cheap oil," quips Mr. Fildes.

Nevertheless, both Mr. Fildes and Mr. Laffin believe there are still opportunities in the oil sands for small companies, particularly technology innovators with new ways to address the big environmental challenges such as water use.

Mr. Fildes says while the outlook for the oil sands is generally good, there are some potential threats.

"We can't discount the environmental issue. It is a fact that oil sands production is less environmentally friendly than conventional oil, but in our view, the full story of the difference is not being told, which means the environmentalists are giving the public a skewed picture of what's really happening," says Mr. Fildes.

Mr. Laffin says the perceived threat of foreign control – particularly foreign government control – which was briefly raised in the media at the time the Sinopec deal was announced, is over-blown. He dismisses concerns that the Chinese government is attempting to accumulate oil reserves through state controlled companies.

"Even though China is a potential new market for oil sands production, significant infrastructure must be constructed and additional approvals obtained prior to this occurring, and consequently nothing will be exported to China any time soon. The Sinopec deal was a commercial investment, nothing more," says Mr. Laffin.

Ontario is missing the mark on energy, the economy and the environment

By Don MacKinnon
President
Power Workers' Union

A recent Vancouver conference for the electric vehicle industry brought together auto manufacturers, electric vehicle industry representatives, utilities, environmental technology and service companies and government policymakers from across Canada and the United States. This year's event made it clear that Ontario trails behind provinces like British Columbia (B.C.) and Quebec in linking clean electricity generation to the development and manufacturing of electric vehicles.

In April 2010, B.C. passed the Clean Energy Act to restructure its electricity sector and pursue export sales and the development of the electric vehicle industry. The new legislation rebundles generation and transmission facilities and protects B.C.'s low-carbon heritage assets for the people of the province. This plan clearly focuses on expanding B.C.'s assets and identifying new sources of revenue.

In stark contrast, Ontario is using its low-carbon heritage assets to subsidize expensive, intermittent wind, solar and carbon-emitting, price-volatile natural gas generation. Ontario's uninformed gamble has already led to a dramatic increase in the price of electricity and a growing backlash from Ontario communities forced to host towering wind turbines and natural gas plants.

The Ontario government has used directive powers to reduce Ontario Power Generation's capacity and to restrict or delay investment opportunities. Closing 6,300 MW of coal generation, when viable, cost-effective alternatives exist; failing to refurbish the Pickering A reactors; delaying the decision to build new nuclear reactors; and failing to accelerate the use of biomass are examples of energy policy mistakes. Nor has Ontario articulated the protection and use of its low-carbon heritage assets to ensure the province's future energy self-sufficiency as a policy goal.

Ontario's hydroelectric and nuclear generation already provide one of the lowest cost and lowest carbon-emitting electricity systems in the world. Ontario should be focusing its resources on expanding these ratepayer-owned facilities to continue to provide reliable, competitively priced, low-carbon electricity to our homes and businesses, and to generate revenue from clean energy exports to our fossil fuel-dependent U.S. neighbours.

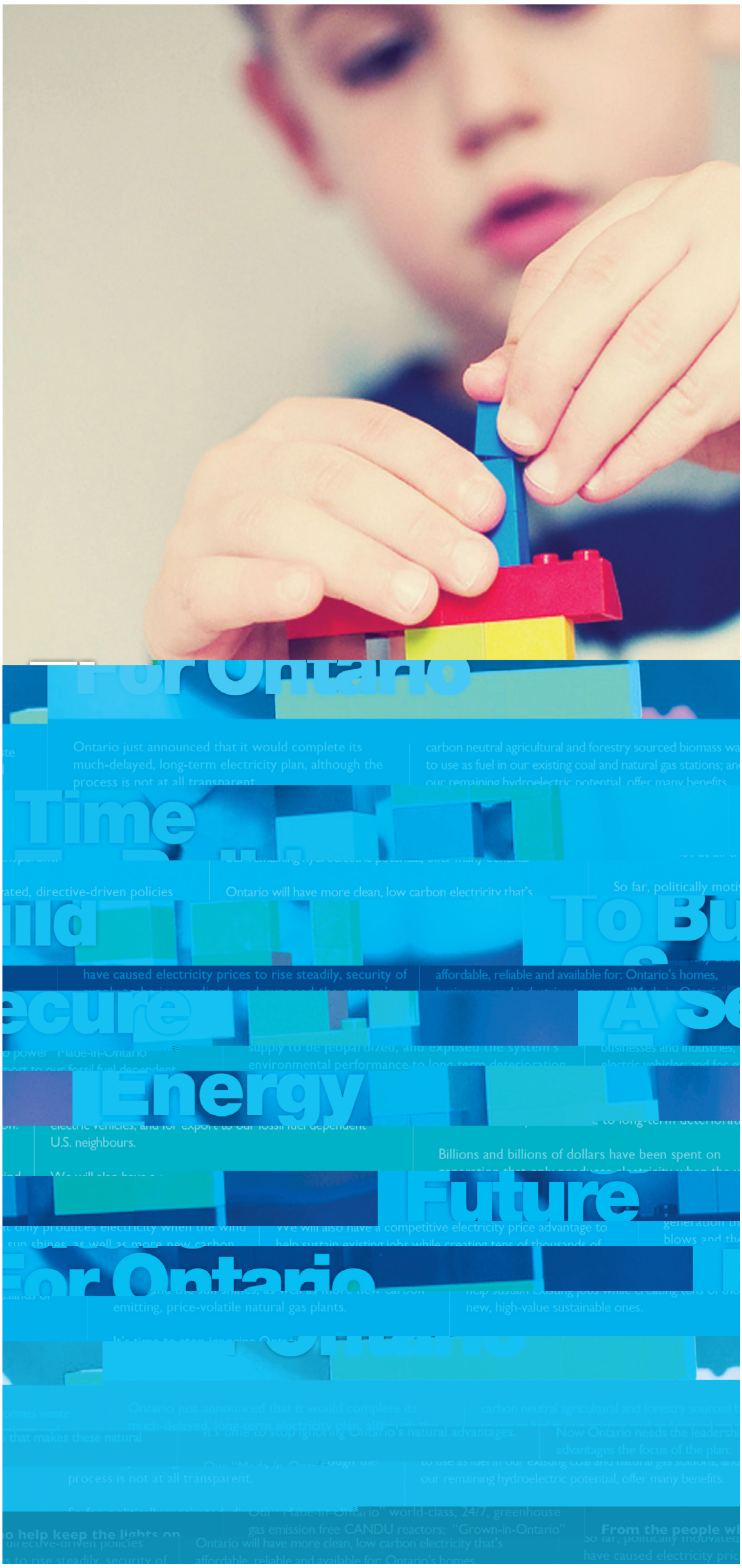
B.C. and Quebec will use their low-carbon electricity to reduce their largest source of greenhouse gas emissions – the transportation sector. BC Hydro and Hydro Québec, with the full support of their respective provincial governments, are aggressively pursuing research and development into electric vehicles and associated infrastructure. Undoubtedly, both provinces want to be big players in the plug-in and fuel cell-powered electric vehicle industries.

Ontario can reap even more benefits than other provinces by taking a similar approach – linking its reliable, clean electricity generation to electric vehicle manufacturing and operation. According to Industry Canada, Ontario has roughly 135,000 skilled autoworkers and annual capital investments in automotive manufacturing averaging $3.5 billion over the past 10 years. Ontario's transportation sector also happens to be the largest source of greenhouse gas emissions in the province.

Also, Ontario hosts the majority of Canada's $6.7-billion-a-year nuclear industry, including more than 150 supply chain companies and approximately 70,000 high-value jobs. Independent assessments show that tens of thousands of new jobs can be created by refurbishing existing greenhouse gas emission-free reactors and building new ones.

"Grown-in-Ontario" agricultural- and forestry-sourced carbon neutral biomass waste provides another opportunity for more low-carbon electricity and job creation. Converting Ontario's existing coal stations to natural gas and biomass is the most cost-effective option for providing new dispatchable, low-carbon generation.

Ontario needs a better energy plan that integrates our economic, environmental and social needs; focuses on Ontario's existing advantages and assets; and prioritizes investments accordingly. Other provinces are moving forward with substantive long-term plans that make sense and build on existing strengths. Our political leaders need to embrace the same approach.



Direct Energy 10 Year Anniversary

Celebrating 10 years of growth in Canada's energy sector

At Direct Energy, we generate and produce electricity and natural gas, sell energy and service the energy needs of Canadian homes and businesses. We also help our customers save on their monthly energy bills through energy efficiency.

Direct Energy has grown into North America's largest competitive energy and services company. We're proud of our accomplishments and thank our customers, employees and partners for helping us to achieve this success:

- We have grown from 500 to 6,000 employees with headquarters in Toronto and Calgary
- We are the 10th largest private company in Canada
- We own and operate over 4,500 natural gas wells in Canada, representing an investment of $2.2 billion dollars
- Our team of Home Services employees helps to make Canadian homes and businesses more efficient: In 2010, we expect to conduct more than 3,000 energy audits and install 4,000 high-efficiency furnaces, over 3,500 high-efficiency air conditioners and over 75,000 ENERGY STAR-rated water heaters
- We invest in innovative energy efficiency technologies that are the future of our industry, including Direct Energy HomeConnect™
- We are one of Canada's Top 50 Socially Responsible Corporations with donations of $1.8 million to charities and community organizations, such as Raising the Roof, Scientists in the Schools, the Association of Ontario Food Banks and many more

www.directenergy.com

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