Bennett Jones Lake Louise World Cup Business Forum

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Lorraine Mitchelmore was appointed Canada Country Chair on November 1, 2009, in addition to her role as VP Onshore Exploration & Appraisal for Upstream Americas.

Lorraine has over 25 years of experience with 12 years spent overseas in Australia and England, where she worked in various exploration and production roles spanning geographies from Australia, North Sea, Gulf of Mexico, Africa and the Middle East.

Lorraine joined Shell in 2002, as the Southern Foothills Exploration and Development Manager. In 2005 she became General Manager of the newly created Unconventional Gas business unit. After RDS integration in mid-2007, Lorraine took on a number of senior roles in North America before her current roles.

A native of Newfoundland, Lorraine graduated with a BSc in Geophysics in 1985. She holds two other degrees, completed while working with BHP: MSc (Geophysics) from the University of Melbourne in Australia and a MBA from Kingston Business School in London, England. Lorraine and her husband Kevin have two young daughters and enjoy travel and the outdoor activities.

Lorraine is a Board Member of the Canadian Association of Petroleum Producers, the Conference Board of Canada and a member of the Catalyst Canada Board of Advisors. She is also a member of the Canadian Council of Chief Executives.
It’s an honour to be here in such distinguished company.

It’s also a pleasure to be in such a beautiful part of Canada.

2011 is an important milestone for Shell.

It marks 100 years since the founding of the company that was to become Shell Canada.

In those 100 years we have grown into a strong and proud Canadian company. We are one of the country’s largest integrated oil and gas firms and we employ more than 8,200 people.

Shell is committed to Canada and to the rest of the Americas.

We plan to invest around ten billion dollars a year in the Americas region over the next four years, and we expect oil and gas production over that period to reach one million barrels of oil equivalent a day – an increase of 40 per cent over current levels.

Globally, Shell operates in more than 90 countries and in 2010 we produced 3.3 million barrels of oil equivalent a day.

Shell is the leading IOC for integrated gas – that’s Liquefied Natural Gas and Gas to Liquids. Almost half of our production is natural gas and in 2010 we sold just over 2 billion cubic feet a day of LNG.

We are at the forefront of technology development both on land and off shore, including emerging technologies like Carbon Capture and Sequestration and next generation biofuels.

With our local knowledge and global connections through the Royal Dutch Shell Group, we are well positioned to help Canada grow its share of the global energy market and emerge as an energy superpower – and that brings me to the subject of my talk today.


Six years ago, in two thousand and five, the theme for this forum was:

Energy, Canada’s Role in the 21st Century.

The headline on the Calgary Herald’s report on the forum read:

“Energy industry warned of major issues on horizon: Problems may hinder growth of sector.”

The report went on to say that Canada’s potential as a source of reliable and secure energy in the 21st century is unrivalled on the global stage, but the country and the industry must overcome substantial issues to adequately prosper.

So what’s changed over the past six years?

In Canada, not much has changed.

We still face many obstacles in our quest to become an energy super power.

We are the only major oil and gas exporting country in the world that does not have access to global markets.
And the level of opposition to TransCanada’s Keystone XL pipeline shows that increased access to our next door neighbour, the US, is not a given.

Outside of North America the global landscape continues to evolve rapidly.

We are at the nexus of significant change in the geopolitical landscape where rapid economic growth is in Asia.

These economies need energy to grow – and Canada can provide much of that energy.

However, Canada is hampered by a regulatory system that is blocking our access to this window of opportunity and letting other resource countries get in ahead of us.

Canada needs to adapt to this new reality by urgently creating the bridge to the Asian and other global economies on our doorstep.

We need to do that by building relationships and infrastructure.

We at Shell can help.

We have been committed to Canada for 100 years and we have the global expertise with both technology and relationships to assist Canada in succeeding.

But we must also accept that effective regulation is front and centre to the competitiveness and sustainability of Canada’s largest revenue generating industry.

If the Canadian government fails to address this issue, it risks failing in securing access to global markets – and the stakes are too high to fail.

Shell forecasts that by 2050, the world energy demand could increase by two thirds.

By 2020, it is estimated that the world will need to produce an additional 40 million barrels of oil a day to compensate for declining production of existing fields and meet increased world demand.

That’s about four times what Saudi Arabia produces today.

I think most of you are aware of the increasingly important role that emerging markets are playing in the global economy.

But not everyone fully understands the scale of these economies and the speed at which they are growing.

As an example, within our lifetimes Asia will be home to half the world’s middle class.

Over the past decade, Chinese energy consumption has more than doubled.

And by 2020 it is expected to increase by a further 50%.

Last year, Chinese consumption surpassed total US energy use. China is now the world’s largest energy consumer.
These dynamics have changed the global energy landscape and introduced new customers with new ways of doing business.

Asian countries in particular tend to have a longer term focus and place high value on government to government relationships as a platform for developing economic opportunities.

Chinese investment in energy assets shows the importance of political relationships.

China has invested heavily in countries such as Australia, Brazil, Russia and Africa.

But Chinese investment in Canadian energy assets was largely absent until 2009.

This coincided with the period when Canada-China political relations were at a very low point.

In the energy industry, National Oil Companies are also playing a larger role.

In 1994, the largest publicly listed companies were all International Oil Companies.

By 2010, half of the largest publicly listed companies were National Oil Companies.

These state run companies also value government to government relationships and are important partners in developing Canadian resources.

Evidence suggests that countries with an open doors attitude to NOC-IOC partnership obtain more foreign direct investment into their energy sector.

In practice, this means more exploration wells are drilled, more energy products are available, more revenue is generated for the government which can support programs and more jobs are created.

Canada should be a major supplying country and investment opportunity of choice, not only because of our vast resources, but also because Canada is one of the most stable, most reliable and most democratic of the world’s top 10 oil and gas producing countries.

Capturing these opportunities requires a longer term vision for Canada; a vision that leverages government as a key enabler to sustainable and competitive development.

Competition for these opportunities is global; other resource based nations are already actively pursuing emerging markets.

For example, Australia has a target to become the largest LNG exporting country by 2020.

And the Russian government plans to increase its crude oil exports to the Asia-Pacific region from three per cent in 2000 to 30 per cent by 2020.

These are just two examples, but they show clearly that Canada is behind the game.
Canada needs to get into the game in this decade while there is still a strong demand for our energy products.

Missing the opportunity today may mean missing it forever.

In March this year, Shell called for a national energy framework, a long-term strategy for Canada developed through collaboration with all stakeholders – government, energy companies, first nations communities and NGOs.

I want to focus today on how government can enable two key elements of a national energy framework – market access and regulatory efficiency.

We believe that government can play a strong role in securing access to new markets through trade missions and greater government-to-government collaboration.

I want to use Australia again as an example of what is possible.

Twenty years ago the Australian government initiated a major economic and political study of Asia’s economic prospects.

Policy recommendations were taken up at the highest level of government and have been sustained by successive governments of both parties.

The Australian government has also invested in maintaining personal relationships with Asian leaders at the highest level.

The result – Australia plays an influential role in Asia.

Australia now has LNG projects worth 250 billion dollars under construction or in the pipeline.

By comparison, Oil Sands projects under construction or in the pipeline would be half of that.

Canada needs to catch up.

BC Premier Christy Clarke’s joint trade mission with industry leaders to China and India this month is a good start.

As is the continued role that Minister Oliver and Minister Baird have been playing in the US and overseas to promote Canada’s energy industry.

Clearly, the Government has a vital role to play in maintaining and further strengthening political ties with existing and emerging markets to pave the way for market access and Canada’s economic growth.

But a national energy framework also needs to include regulatory measures that promote international competitiveness.

In the absence of a long-term strategy Canada’s international competitiveness is decreasing.

This year we dropped out of the top 10 most competitive countries in the World Economic Forum’s Global Competitiveness Review.
Inefficient government bureaucracy was cited as the single biggest barrier to doing business in Canada.

The world views Canada’s regulatory system as complex, opaque and untimely.

An extreme example is the Mackenzie Gas Project which still requires some regulatory approvals seven years after the application was filed.

Shell supports Minister Joe Oliver’s plans to simplify the process with “one project, one review” while respecting the amount of time required to do robust environmental assessment and consultation.

In addition to “one project, one review” industry and investors need regulatory certainty. A way to achieve this is by creating a process that is time-bound, avoids duplication and has a clear regulatory leader – either the province or the federal government.

These are important steps toward a national, collaborative approach to energy.

Canada’s current regionalized approach limits the ability to make full use of our energy resources.

If Canada wants to be a global energy superpower it must think globally. Customers don’t see us as Alberta, they don’t see us as British Columbia – they see us as Canada.

That’s why a national energy framework is critical, it gives Canadian government one voice.

We have all the ingredients to become an energy superpower we just need to overcome the current regulatory obstacles.

And the governments need to do this quickly - the energy markets around us have evolved rapidly, and will continue to.

We do not have the luxury of spending the next 6 years as we spent the last 6 years. Canada must show the world it’s serious about being a global energy player.

That means paving the way for access to markets – both by building infrastructure that allows access to global markets and by government playing a stronger role in maintaining political partnerships with emerging economies.

And it means improvements to our regulatory process – demonstrating that Canada’s regulatory system is efficient and transparent while being at the forefront of environmental stewardship.

Shell believes the benefits of a national energy framework as opposed to the current reionalized approach are quite clear.

I recognize that it is difficult given the jurisdictional issues, however, we need a national framework uninhibited by bureaucracy and redundancy.
A framework that strengthens the economy, gives greater certainty to investors, supports expanded market access and improves environmental protection – turning stewardship into an economic advantage.

In conclusion, I want to say that there has never been a better time to exert Canada’s international influence in energy.

At Shell, we are ready to support that effort in whatever way we can.

Thank you.