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STREAMLINING ENERGY INFRASTRUCTURE DEVELOPMENT: THE CORRIDOR APPROACH

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Canada is a country rich in natural resources, and it needs to transport those resources, both internally and internationally. Yet, the lack of sufficient energy infrastructure is an enduring challenge, despite two-thirds of Canadians being in favour of developing new infrastructure.[1] Such development has been rendered nearly impossible over the past decade due to a regulatory quagmire and policy paralysis that has eroded investor confidence, driving investment away to other countries.[2] Streamlining the regulatory process for energy infrastructure development would ensure that our abundant resources can be transported and exported to where they are needed most. One way to achieve this is through a set of pre-approved rights-of-way in a preferred location, otherwise known as an energy corridor.[3]

REGULATORY QUICKSAND

Canada is increasingly known for its lengthy environmental impact assessments of large infrastructure projects, which for energy projects exceed international benchmarks and reduce Canada's attractiveness for investment.[4] In fact, part of the rationale for the federal *Impact Assessment Act* (IAA), which came into effect in 2019, was to "lead to more timely and predictable project reviews"[5] than its predecessor, the *Canadian Environmental Assessment Act*, 2012 (CEAA, 2012).

Under the CEAA, 2012, the environmental assessment process was initiated for a total of 49 projects. For the 29 projects that have completed the process, it took 4.2 years on average.[6] That leaves 20 projects still undergoing assessment under the CEAA, 2012, and these have been waiting an average of 7.5 years without a resolution.[7] The oldest project in the queue, the Joyce Lake Direct Shipping Iron Ore Project in Newfoundland and Labrador, has now spent 10.8 years (130 months, and counting) embroiled in the process.

Since the passing of the IAA in 2019, only a single project has completed the new assessment process, taking 3.5 years, with other IAA impact

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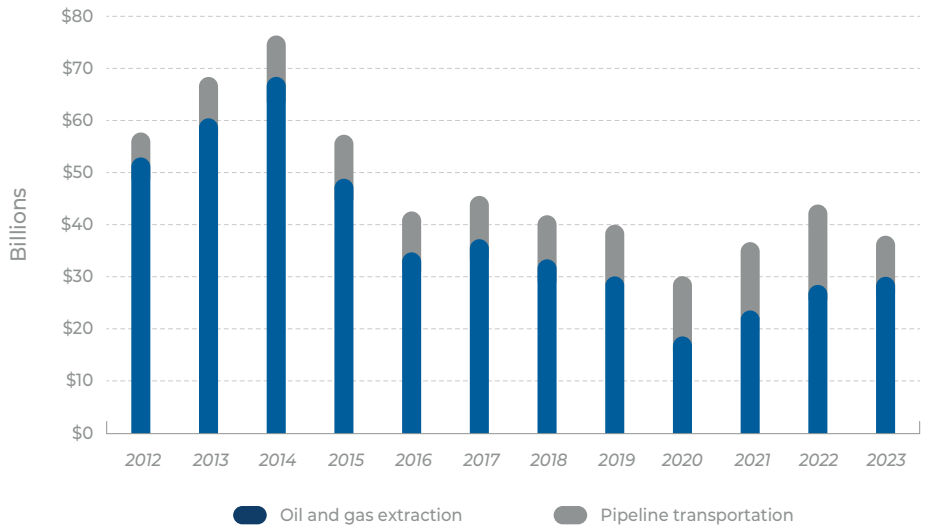
assessments initiated for 13 more projects. Current waits for these range from 0.7 years to 4.2 years (an average of 2.6 years, and counting).[8] Thus, while the IAA promised shorter legislated timelines that would be "rigorously managed to keep the process on track,"[9] long waits continue to impose significant investment uncertainty.

In addition to the lengthy and arduous environmental assessment process, investor uncertainty is increased by the outright obstruction of natural resource development projects by the federal government, even after a favourable environmental assessment.[10] For example, there is the case of the Northern Gateway Project to transport crude oil from Alberta to the B.C. coast via pipeline. Despite approval by the National Energy Board and widespread public and Indigenous support, in 2016, the federal government rejected the project, 6.6 years after it was first proposed.[11]

Figure 1

Capital expenditures on construction, oil and gas extraction and pipeline transportation, Canada, 2012-2023 (billions of $)



Source: Statistics Canada, Table 34-10-0036-01: Capital and repair expenditures, non-residential tangible assets by industry, February 28, 2023.

REDUCED INVESTMENT

This regulatory morass and political obstruction results in an unfavourable business climate for investment and erodes Canadian competitiveness. In fact, according to investors, the uncertainty surrounding regulatory factors is a major area of concern when considering whether to invest in Canada or elsewhere.[12] This is indeed one cause of the reduction of billions of dollars in capital expenditures in the Canadian oil and gas sector over the past decade.

In concrete terms, in 2012, capital expenditures in oil and gas extraction represented 24% of the total for all industries, but by 2023, this proportion had fallen by more than half, to 11%.[13] Focusing on capital expenditures on construction in oil and gas extraction, these represented 31.5% of the all-industry total in 2012, but had fallen to 14.3% by 2023. If we combine oil and gas extraction with pipeline transportation, annual capital expenditures on construction between 2012 and 2022 averaged $48.6 billion, but in 2023, these had fallen to less than $38 billion (see Figure 1).

In addition to the lengthy assessment process, investor uncertainty is increased by the obstruction of projects by the federal government.

Yet, the tightening of energy markets in the wake of Russia's invasion of Ukraine has contributed to a global energy crisis that has pushed energy security concerns to the forefront of political agendas around the world. As countries in Europe continue to struggle with these concerns in the coming years, being able to count on Canada for responsibly and reliably produced oil and gas would help improve their energy security.[14] To be able to play this role for our trading partners, however, Canada needs a much less burdensome regulatory approval

process for major energy infrastructure projects.

STREAMLINING INFRASTRUCTURE PROJECTS

The corridor concept allows for multiple infrastructure projects to be located along a single right-of-way: a pathway that has already been rigorously assessed by regulatory authorities and approved by stakeholders.[15] By concentrating transportation on the same parcel of land, the overall planning, development, and organization of projects can be streamlined, while land-use disturbance can be minimized.

An energy corridor connects different regions, facilitating the movement of energy resources, while also improving access to these resources, especially for rural or remote communities. In its most basic sense, an energy corridor is a parcel of land in a preferred location that involves a set of pre-approved rights-of-way that can accommodate multiple pipelines (oil, gas, or hydrogen) and electricity transmission lines, along with related infrastructure, such as roads, compressors, and pumping stations.[16]

An energy corridor involves a set of pre-approved rights-of-way that can accommodate multiple pipelines and electricity transmission lines.

By getting all relevant stakeholders (all levels of government, Indigenous stakeholders, local communities, etc.) on board from the outset, required approvals and environmental and impact assessment processes can be streamlined. Not only does this approach eliminate the need for several (often duplicative) reviews of major projects, but it also ensures the early engagement of Indigenous communities through meaningful consultation and direct involvement up front. This is important not only as a legal requirement (through the duty to consult) but also in ensuring early project benefits for the communities impacted by natural resource development projects.

In a 2021 Impact Assessment Agency of Canada decision *not* to assess a proposed Western Energy Corridor, the Minister of Environment and Climate Change nonetheless stated that there was "certainly merit in continuing to identify and explore such corridors as a means of helping facilitate energy projects and other economic development activities in Canada."[17] Yet, while the idea of a cross-country energy corridor was introduced during the lead-up to the 2019 federal election,[18] there has been no meaningful formal development of such a corridor to date.

CORRIDORS IN PRACTICE

Australia, much like Canada, is rich in natural resources, and the development of these resources is of significant economic importance to certain regions of the country. For the past 60 years, the production of energy and mineral products has driven the development of infrastructure, most notably in the Pilbara region of Western Australia and the Central Queensland coalfields region.[19] In these two parts of the country, a history of duplicative regulatory and environmental assessment and approval processes had previously led to project uncertainty and other damaging consequences for infrastructure development, much like in Canada today.

Over time, in a bid to address this, the Queensland and Western Australia regions adopted a corridor approach to make processes more efficient by facilitating development for multiple users and ensuring coordination and expedited assessment processes. Experience in these two regions had shown that new approaches to decision-making were required not only to take advantage of current opportunities and manage risks, but also to maximize future options for infrastructure development.[20]

Early planning and coordination of infrastructure in the Pilbara region helped minimize costs while maximizing efficiency and utility.[21] In addition, Australia's experience with Indigenous communities and infrastructure development within the corridor context is useful from a Canadian perspective, notably the importance of agreement with the communities whose rights and interests are to be impacted by developments of this nature.[22]

The proposed NeeStaNan Utility Corridor is a First Nations-led initiative that would establish

strategic transportation of bitumen and natural gas—as well as other key commodities such as potash, wheat, and critical minerals—from Fort McMurray, Alberta to the Hudson Bay coast of Manitoba in order to reach international markets (see Figure 2).[23] In addition to enhanced trade opportunities for the Prairie provinces through increased world market access, Canada would be able to provide a more reliable supply of what the world needs.[24] The project, which is currently being assessed for feasibility, has been supported by political decision-makers in the provinces of Alberta, Saskatchewan, and Manitoba.

Figure 2

The proposed NeeStaNan Utility Corridor, spanning Alberta, Saskatchewan, and Manitoba

Source: Personal communication with Blaine Mersereau, advisor to NeeStaNan, December 1st, 2023.

The new road, pipeline, hydroelectric, rail, and seaport infrastructure tendered by the project would provide growth opportunities as well as other economic, environmental, and social benefits to First Nations communities in particular. The objective is to have the corridor pass through First Nations land, with ownership of the right-of-way, as proposed, 100% Indigenous.[25]

In this way, NeeStaNan would leverage the power of First Nations to expedite projects by streamlining complex federal and provincial regulations and processes which otherwise discourage investment in the Prairie provinces. And ensuring that First Nations are key stakeholders in the process has the added benefit of moving the needle on the government's commitment to economic reconciliation.

CONCLUSION

The Standing Senate Committee on Banking, Trade and Commerce acknowledged in a 2017 report that Canadian approval processes impede major transportation infrastructure development, and stressed the crucial importance of minimizing delays by insuring coordination between public entities.[26] Given the lengthy assessment process and the high risk involved, a future-oriented approach to regulatory approvals is needed to reverse the investor uncertainty that has become part and parcel of the Canadian experience.

The proposed First Nations-led initiative would establish strategic transportation to the Hudson Bay coast in order to reach international markets.

Moreover, a strong majority of Canadians (66%) agree that Canada should develop energy corridors.[27] Given such clear benefits and solid public support, federal policymakers should take a page from their Australian counterparts and develop a policy framework favourable to infrastructure development, such as the energy corridor approach. This would encourage capital investment in oil and gas, a sector that desperately needs it if we are to bring our responsibly and reliably produced Canadian energy to the world.

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