



# **Acting globally, acting locally: How Canada and its energy industry can succeed in the 21st century**

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**SUBJECT TO DELIVERY**



Lorraine Mitchelmore was appointed Executive Vice President Heavy Oil effective October 2012, in addition to her role as President and Canada Country Chair.

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 worked with PetroCanada, Chevron, and BHP Petroleum before joining Shell in 2002. Since then she has held various Senior Management positions prior to her appointment as President and Canada Country Chair in 2009.

Lorraine holds a BSc in Geophysics from Memorial University of Newfoundland, a MSc in Geophysics from the University of Melbourne, Australia and a MBA from Kingston Business School in London, England.

Lorraine is a Board Member of the Conference Board of Canada, the Canadian Council of Chief Executives, the Asia Pacific Foundation of Canada, a member of the Catalyst Canada Board of Advisors, and the 2015 chair of the Governor General's Conference.

Good evening everyone.

It's a real pleasure to be here with you.

As you know, I work for a global company headquartered in Holland with a proud hundred-year Anglo-Dutch heritage. But as you can probably tell from my accent, I didn't grow up in The Hague or London.

I'm an Atlantic Canadian, born in small-town Newfoundland and Labrador. Green Island Cove to be exact. The population when I was growing up was 200. Today it's about 100.

When you grow up in a small town like Green Island Cove, your appreciation of local challenges, opportunities, and perceptions never leaves you.

If you've lived or worked away, you know no matter where you go and how far away, you can take the girl from the Rock but you can never take the Rock from the girl!

So when John invited me to come speak with you, he knew he'd hit a soft spot!

It's always very special to come back East.

Today I want to talk about the challenges facing Canada and our energy industry, and how we can turn them into opportunities. I am going to frame my comments in the context of a bold phrase that became part of our pop culture through its use by the environmental movement in the 1970s:

"Think global, act local."

It's about recognizing we are all part of one interconnected world but in order to improve our world we have to focus on taking action in our little corner of it.

Today, at the beginning of the twenty-first century, our global challenges are even greater than they were in the 1970s: increasing signs of climate change; growing concern over the long-term availability of fresh water and food supply; and growing demand for energy to sustain people's lives.

By mid century there will be two billion more of us on the planet. We're going to need more food, energy, and clean water.

As we know, in Canada we have been blessed with great natural resource wealth. We have more resources than we can use ourselves so we're an exporter of them. And energy is one of our major exports.

Canada's oil and gas resources are sometimes economically and environmentally challenging but they represent an historic challenge and opportunity.

How we produce more energy – including oil and gas – to meet the basic needs of a growing world while at the same reducing our environmental footprint is one of the great global challenges of our time.

And all Canadians have a part to play in meeting that challenge.

I firmly believe Canada can develop the expertise and technology to reduce the amount of CO<sub>2</sub> we emit and the amount of water we use to produce oil and gas.

I am confident we can become so good at it that we will be able to export our expertise and technology – along with our oil and gas – around the world. And in so doing create even more prosperity for generations to come.

Norway didn't shrink from developing their challenging North Sea oil and gas resource. They did it in a way that created other industries, like shipbuilding.

But this promise of Canada's potential is not a given. We face real challenges in how we can develop and grow our energy resources. If we're going to succeed, we have to change the way we think and act.

As Canadians we need to think and act more globally. As industry we need to think and act more locally.

We have to do so quickly and we have to be bold and deliberate about it. As Louis Pasteur

said, "Chance favours the prepared mind." Let me explain what I mean.

We're at an inflection point in world history. It took the UK one hundred and fifty years to double its GDP per capita in the industrial revolution. The US needed fifty years in the second industrial revolution. China has done it in fifteen years. My mind boggles at the speed in which our world is changing and growing.

We are very lucky to live in Canada. It is one of the best countries in the world. But as good as we are, and as vast as our country is, Canada is only one small point on the global landscape. We may be the centre of our own universe, but we are not for the rest of the world.

Yes, we have certain advantages – resource wealth, democratic institutions, high regulatory standards, a culture of tolerance, economic prosperity – but they are not guarantees of continued success.

After working internationally for a number of years, I returned to Canada with an even greater passion for what we can offer the world than when I left.

But after being back for a few years I find myself with a greater sense of worry. I worry that our children and our children's children might not have all the opportunities we have had if we don't seize the opportunity in front of us resulting from the next great inflection point: the rise of Asia.

This is especially true in a world where many countries have larger populations and a phenomenal sense of determination and national purpose as they play catch-up on decades, if not centuries, of economic and industrial progress.

They want what we have.

So what do we need to do differently in Canada? How do we act more globally?

First, we need to be greater than the sum of our parts. As someone who has lived in two provinces – Newfoundland and Labrador and Alberta – and who spends time in two others – Nova Scotia and British Columbia – I have a great appreciation for what each of our provinces can offer, for what we might call our provinces' "competitive advantages."

But if we're going to succeed in the big wide world we have to think beyond our narrow provincial interests: we have to put our interests as Canadians first.

If we focus on what is best for Canada, we will live up to our potential. If we focus on our narrow provincial or regional interests we will end up like one of those hockey teams that are never as good on ice as they are on paper. The ones made up of individual all-star players who each want to score all the time but they don't play well together as a team and as a result don't win nearly as often as they should.

Second, we have to collaborate to win and not only in the political sphere. We in industry have to do our part. I'm really proud of the thirteen oil sands companies that are sharing our intellectual capital to speed up the pace of breakthrough environmental technologies and processes to reduce our environmental footprint.

And I feel very good about the work Shell is doing with the governments of Alberta and Canada, and our joint venture partners Chevron and Marathon, on building the first carbon capture and storage project in the oil sands. The challenges and opportunities are too big to go it alone.

Third, while it's essential to honour our heritage and respect our history, we need to ensure we are honouring our full national heritage, and we need to look to the future.

For example, I'm very proud of the twin English and French heritage of our country, and of the many other cultures that are part of Canada. I'm very happy that my children learn French in school. We should never forget and never lose that heritage.

But there is a third foundational pillar of our cultural heritage in Canada, which is much older than the English and the French. And that is the original heritage of our Aboriginal Peoples. We need to honour that heritage – both its past and its future.

Aboriginal Peoples are not just part of our history. They are part of Canada's future.

Looking to the future includes what our children study in school and it includes being more willing to go where the opportunities are, both in Canada and outside it. In Europe we know the norm is often speaking three languages if not more.

Why are our children outside of Quebec still learning only French as a second language – why aren't they also learning Mandarin in school? And why aren't they learning more about the culture of our Aboriginal Peoples, including their traditional knowledge of the land?

It's not only hockey players who have to head to where the puck is going, as Wayne Gretzky so famously described what it takes to win. Countries have to do so too. We have to act on where the future is heading.

We have to honour the past but we must focus on the future.

Fourth, we need to embrace innovation: both our own and what we can learn from others around the world. In Canada we have a proud history of innovation, but a less successful track record at commercializing our ingenuity through creating global companies.

We can no longer afford the mindset that it's okay to change the world but not to make money from it for our children and their children.

We have many homegrown advantages in Canada but we cannot rest on our laurels. In addition to better commercializing our intellectual capital, we need to be willing to also learn from others when it comes to innovation and productivity.

Let me share one example of leveraging global expertise and transferring it from one environment to another. Shell has been a pioneer in safe deepwater exploration and production around the world. Today we are applying the lessons learned from operating in deepwater to a very different but also challenging location in Canada: the oil sands.

Specifically, we are leveraging our knowledge of how to design and build modules that can operate efficiently in confined spaces. What we learned at sea is being applied on land. This helps improve economic performance and reduces the size of our environmental footprint.

The history of the energy industry is one of continuous innovation. Resources that we thought were impossible to produce for technical or commercial reasons are now available to consumers and are fuelling energy independence and prosperity in North America. After three decades in our industry I believe there is no frontier we cannot reach.

Finally, and perhaps most critically, we have to reach beyond our continent to join the global energy market. We all know we are a country that depends on exports – we are the fourth largest agriculture and agri-food exporter in the world. We're the fifth largest exporter of fish and seafood products. We're the world's largest producer of potash.

As for energy, it is Canada's top export commodity and accounts for 22.5 per cent of exports and 6.8 per cent of our GDP. And yet when it comes to energy we remain dependent on one market – the US – that is becoming less dependent on us. No other energy exporter in the world relies on just a single market.

And while the rest of the world is growing, our share of exports to the world outside our continent is shrinking. We are losing where we should be gaining.

Exports are our history but our share of global trade is in decline. If we want to maintain and grow our standard of living in Canada we must look boldly to regions like Asia, where demand is growing.

Because our energy cannot reach tidal water today, Canada is currently losing \$18 billion a year, almost \$50 million a day. To put those numbers in perspective, \$50 million would fund 23 days of the operating budget of Capital Health, which operates all of Halifax's hospitals and provides specialist healthcare to the rest of Nova Scotia and Atlantic Canada. That loss is nothing compared to the slowing of growth that will happen if we are not able to come together to meet this challenge.

To get our energy products to more markets, including Asia, we need all the transportation options we can get. Not just south, but west and east.

We recognize there is a lot more work to be done and decisions to be made, but we are very excited about the prospects of the Energy East Pipeline that could bring oil resources from the West out to our East Coast.

We have a tremendous industry in Canada. We have managed to find a way to extract a valuable commodity that doesn't just fuel our standard of living in Canada but pulls people out of poverty and keeps them alive around the world.

But we recognize we have work to do. The next frontier is environmental. The world needs more energy at the same time we have to better manage our environmental performance.

The oil sands account for less than 0.2 per cent of global CO<sup>2</sup> emissions. But we have to do our part. I truly believe the oil sands provide the world with the best way to address climate change and water management. It is our opportunity because it is our challenge.

By first meeting our own CO<sup>2</sup> and water challenges here at home, we can develop the expertise and technology to help meet those challenges around the world. I look forward to the day when Canada will export to the world our energy and our environmental expertise.

To find the right balance between meeting the world's growing need for more energy and

reducing the environmental impact of producing and consuming that energy, we all need to be in the solutions space, not the either/or space.

So those are my thoughts on how we have to start acting more globally.

But we also don't want to lose sight of the local angle because that is how our industry sometimes gets into trouble. We can talk about the importance of markets and trade and global demand. But we can fall down if we don't connect early and fully with local communities to build awareness and shared purpose and address local concerns.

We can have the best global or national reasons for doing a project – pipeline, refinery, terminal, take your pick – but if we don't have good local reasons, that project will struggle to go ahead. For a project to succeed globally, we must first succeed locally.

This local work takes time and effort but is essential, and often carries the day. Just like all politics are local, so too is all business, even when that business must be global to survive.

As someone who grew up in a very small town, I feel this in my bones. The last thing any of us growing up in Green Island Cove would have wanted would have been a company from away coming in to impose its grand plan on us without first truly involving us in shaping that plan.

The local angle is something that Atlantic Canadians have always recognized. Here many communities and businesses are still human-scale, founded on relationships, based on knowing each other – who's your father, anyone, and what's his last name? – where deals are still done with a handshake.

So yes, Canada must think and act globally, but industry and governments must be good at thinking and acting locally. I want to share three thoughts.

One, we need to go slow to go fast. We need to balance the need to move quickly to take advantage of global opportunities with the need to genuinely consult local communities.

This is especially true when it comes to new infrastructure or new forms of energy or even technologies that might have been used for decades around the world but which are new to a particular region or community. There can be no shortcuts when it comes to safety and the environment.

But the world can change literally overnight and opportunities that are here today may not be there tomorrow. So we need genuine consultation in which everybody has a voice and a chance to shape outcomes.

And we also need predictable and effective time frames for making regulatory decisions on projects. Capital flows globally, and if it can't find certainty in one jurisdiction it will quickly go to where it can.

Two, we have to listen carefully to the needs and concerns of local communities and the public. And we have to do more than just listen: we have to act.

As individuals we all know there is nothing worse than being asked for input and then being ignored. We need to find ways not just to listen carefully but to make changes to our plans so the needs of both the project and the local community can be met.

Three, we need to recognize the unique and very special position that Aboriginal Peoples occupy in Canada and the essential role they play in Canada. We have to view Aboriginal Peoples as true partners, which means involving them from the beginning.

And we have to challenge and often change our own ways of thinking when it comes to making project decisions. I often refer to this as the need to reframe our thinking. We can sometimes assume we're working on solving a problem when it's just our problem or it's the wrong problem.

There is perhaps no greater illustration of the need to reframe our thinking than how we relate to Aboriginal Peoples.

When I came back to Canada to join Shell over ten years ago, I started working with a local Aboriginal family, the Snows. They owned the land on which one of our gas production facilities was located.

I learned a lot from the Snows about the very different ways we see the world. As Peter Snow explained to me: when the non-Aboriginal person wants a place to worship, he builds a church. But for the Aboriginal person, putting walls around a church makes no sense. The Earth itself is the real place of worship.

Those of us who come from the European tradition feel a need to build a fence to set out the boundaries of our property. From the Aboriginal person's point of view, we don't own the earth: we are caretakers who borrow it and keep it safe for our children.

You can imagine how these different ways of understanding the world come into play when we are evaluating the potential impacts of a major energy project on land, air, water, and animal life.

Working with Aboriginal Peoples is a tremendous opportunity for Canada and energy companies; it's not an obstacle to overcome.

Aboriginal Peoples make up the youngest, fastest-growing segment of the population in Canada. They are the group whose rates of pursuing higher education and creating new businesses are higher than any other demographic group in Canada. That human capital is one of Canada's greatest sources of potential wealth.

Over the last decade we have worked closely with Aboriginal-owned businesses in our oil sands operations to help them build their capability so they could successfully compete to win our contracts and those of other companies. We've spent over \$1.5 billion with Aboriginal-owned businesses in the last decade.

Creating jobs and making community donations related to energy development are still important but they are no longer enough.

The real value that energy companies and Aboriginal Peoples can create comes from working together. Together we can build capacity in Aboriginal communities and develop career and business opportunities that are not dependent on any one company or project but are truly sustainable.

In the oil and gas industry, we often pride ourselves on taking a long-term view that comes from the development and operational cycle of our projects.

It often takes more than a decade for a project to go from conception to operation. And our projects run for decades, sometimes up to fifty years.

We like to think we make decisions for the long-term, that we're beyond the four to five-year horizons of election cycles. But the fact is our project horizons are a split second in time compared to the generational thinking inherent in Aboriginal culture.

Aboriginal Peoples think in multiple generations, from grandchild to grandchild. They need to see the short-term, medium-term and, more importantly, the long term-vision. They live through their ancestors and for future generations, for their children's children and their children.

That is a way of thinking we all need to adopt as we position Canada for generations to come.

So it's not enough to think globally and act locally. We have to act both globally and locally.

Canada has tremendous natural advantages, but we are competing in a large and complex world, and we can take nothing for granted. The world does not owe Canada a certain standard of living.

In all our actions to be more global and local, we must be confident.

- We must be bold.
- We must be deliberate.
- We must respect our past but look to the future.
- We must turn our environmental challenges into economic opportunities.
- We must genuinely listen.
- We must work with Aboriginal Peoples and local communities.
- We must act quickly and predictably.
- We must collaborate at home to win around the world.
- We must make our own luck, for our children and our children's children.

Thank you.

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