

Final - Check Against Delivery
Ralph Pentland's (Panel) Speaking Notes
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Water, Energy and North American Integration

I'd like to congratulate Adele and the Munk Centre for taking this initiative. A public conversation on this topic is long overdue. I very much enjoyed Andrew's paper. He has a unique way of reducing a complex story to its essence, and telling it in an interesting and entertaining way. And I would definitely endorse all of his recommendations.

To keep things simple, I'm going to limit my comments to the Canada - U.S. water relationship. Adding Mexico to the mix would take more time than I have available, and wouldn't alter my views. Instead of commenting on the specifics in Andrew's very good paper, I thought it might be more helpful if I were to go beyond it in a couple of ways.

First, the SPP seems to be running into a lot of popular resistance. That raises some obvious questions. At least from a water perspective, could it have been done better? Or could it still be done better? One way of approaching those questions would be to speculate a bit on how the water file might evolve under different SPP scenarios.

I'm going to very briefly consider three scenarios - in the first, I will assume the SPP will continue more or less on its current track; in the second I'll assume growing popular resistance will bring it to a halt; and in the third I'll assume the process will become more respectful of democratic principles.

The other thing I would like to do is to look at the large-scale export issue from a slightly different perspective. Andrew's paper infers what most Canadians believe - that the U.S. would be the winner and Canada would be the loser. The SPP proponents are trying to convince us it would be a win-win situation. I'm personally convinced that it would be a lose-lose proposition, and that there are more constructive things both our countries could be doing. So, I will touch briefly on that topic as well.

So, let's get to my first scenario. Deeper integration will march ahead, mostly behind closed doors. The real action will be based on advice from an inner circle of influential but not always fully-informed think tank and industry representatives. As popular resistance continues to mount, there will be an attempt to co-opt additional "opinion leaders" to improve the optics. But the inner circle of advisors and their advice will remain essentially the same.

Canadian water policy will increasingly be influenced from Washington. Peter Lougheed's prediction of a couple of years ago will come true, and sometime soon the U.S. will apply enough pressure that entrepreneurs in both countries will be given the green light to begin exploring continental replumbing opportunities. A financially overmatched civil society sector and potential victims in donor regions will take up the challenge with a vengeance.

The first serious skirmish will centre on the Great Lakes, simply because that's the most convenient target for the would-be replumbers. The mere fact that the two national governments are naively flirting with the notion of continental replumbing will at least temporarily scuttle the very good agreements reached recently by the Great Lakes governors and premiers. But, eventually, the 30 million basin voters living in U.S. "battleground states" south of the lakes will carry the day, and that threat will be rolled back.

Larger and larger skirmishes will follow, as entrepreneurs successfully extract hundreds of billions of dollars in subsidies from unsuspecting taxpayers in both countries to build north to south pipelines and water diversion projects that make neither economic nor environmental sense. Eventually, common sense will return, but we'll make some very expensive, very damaging and irreversible mistakes along the way.

On water more generally, the skirmishes over water diversion proposals will become a major and continuing distraction, which will impede progress on real water issues. There will also be a tendency under this option for governments to delay progress towards building a much needed national water capacity, because effective water and environmental capabilities might get in the way of the industry-driven SPP agenda.

To me, that's a critically important point. One of my main problems with the SPP as it is currently designed is that it's "put the monkeys in charge of the peanuts". Much of the advice is coming from those who have the most to gain from bad decisions; and governments may not have the capacity to sort out the bad from the good. It's already happened on energy and climate, and may be about to happen with water.

That's most of the bad news out of the way. It gets a bit better from here on. Judging by media reports since the "jellybean" summit last month, it seems to me we may be well on our way towards my second scenario.

If that second scenario comes about, we'll soon experience a "magna carta" moment, and popular resistance in both countries will bring the SPP to a halt, or at least slow it to a harmless crawl. Maybe the latter has already happened. The popular resistance is both emotional and a reaction to what is perceived by many as being a seriously flawed process. In Canada, the emotional issue is sovereignty, and the tipping point may very well be water. In the United States, the emotional issue is also sovereignty, and the tipping point will definitely be some variation of Lou Dobbs "War on the Middle Class".

The procedural resistance has essentially the same roots in both countries - a growing perception that the whole process is disrespectful of the public good, as well as being fundamentally inconsistent with basic democratic principles.

Under this second scenario, on the water export issue, we'll drift back into a pattern that has repeated itself a few times in the past. Every few years, someone will promote another whacky scheme for continental replumbing. A few of our less astute politicians will get caught off base. Experts will explain why it's not such a good idea for either country. The less astute politicians will retreat in panic mode. And Canadian citizens, who have always been wiser than their leaders on this one, will force things back on track.

On water more generally, these periodic distractions will continue to get in the way of developing a respectable national water management capacity, and getting on with dealing with real water issues.

Clearly, neither of these first two scenarios is particularly attractive. But, it may not be too late to salvage some good from the process by "democratizing" it.

Under my third, admittedly over-optimistic scenario, public pressure will force governments to redesign the SPP to make it much more open, transparent and inclusive. It will be founded on the principle of improved cooperation, not integration; and will only move forward after receiving the informed consent of appropriate elected bodies in all three countries.

With much more wisdom and consultation added to the decision process, the two countries will conclude that large scale water imports into the U.S. are just as bad an idea as selling off Canada's aquatic environment. I will come back to that.

Bulk water exports will indefinitely be removed from the table through federal safety net legislation as proposed in Andrew's paper. The two countries will then move forward on the basis of a common policy foundation. That policy foundation will be something like the 15 word policy in Adele's forward to Andrew's paper - "keep water in its natural drainage basins, treat it with respect, and use it efficiently".

Experts in the two countries will exchange experiences on state-of-the-art river basin approaches, like a top-down nested watershed approach, and bottom-up integrated water resource management.

We'll build on good examples like the Great Lakes sustainability agreements, and use the International Joint Commission much more effectively to test out common approaches in other shared basins. Those good examples will then automatically spread to other basins that we don't share.

Beyond watershed approaches, we'll find it helpful to share other ideas. For example, Canadians will adopt something akin to U.S. public trust law. And Americans in the Great Plains Region will follow the example of Alberta and cut their irrigation water use in half.

Under this more constructive scenario, federal-provincial turf wars will continue but at a much diminished level. Canadians will finally get serious about creating a national water policy, and beefing up our water and environmental management capabilities. We'll begin to address all water quantity and quality issues much more effectively, and as a result, our economy, our social fabric and our environment will all benefit.

The specifics in these three scenarios are of course only wild guesses. But, I hope they begin to make a couple of points. First, just as the Pearse Inquiry pointed out over 20 years ago, the water export “bogeyman” is unnecessarily distracting us from dealing with real and pressing water issues. And second, people do matter - and they will be heard.

Now, I would like to take a few minutes to try and look at the large-scale water export issue from an American perspective - where it obviously becomes a water import issue. But, first I have to establish my credentials to do that. Away back in 1970, I spent a bit of time with the Texas Water Board. We were sharing experiences with the modelling of water resource systems.

Before I departed, I was given two choices. I could either become an Honorary Citizen of Texas or an Honorary Admiral in the Texas Navy. Of course I chose the watery option. I was then presented a certificate signed by the Governor appointing me an Honorary Admiral in the Texas Navy. As far as I know, that appointment has never been rescinded. So, for the next few minutes, I'll be speaking from the perspective of a Texan naval officer.

As Andrew points out, the U.S. has many water-stressed areas, just as there are in Canada. But, it's instructive to look carefully at the causes of those stresses. Many of them are in irrigated areas, and in those areas, many the problems can be traced back to a legal regime that has actually discriminated against water use efficiency. Also, very few of the large projects that are now stressing river systems would have been built at all without massive and ill-advised federal subsidies.

Closer to urban settings, there are many drinking water quality problems caused by the overpumping of groundwater to service urban sprawl. And in general, just as is the case in Canada, water services have traditionally been considerably underpriced in the U.S., and as a result many water sources have been unnecessarily overused, and many of the water bodies receiving the return flows unnecessarily abused.

The causes of the problems are similar in both countries. Massive projects to shift water around won't help - they may even make things worse. Both countries simply have to get on with dealing with the root causes of the problems. Water managers in the U.S. southwest understand that, and are already making very good progress.

I'm quite sure there are local and regional solutions to each and every so-called water shortage problem in the United States. But, as Frank Quinn has often pointed out, even if that proves not to be the case in a few decades, there are ample water sources within U.S. territory that could be tapped before looking to Canada. In fact, on a national scale, the United States still only consumes about 10% of its total renewable water supply. (by consuming, I am referring to the difference between the amounts withdrawn and the amounts returned after use)

I suggested earlier that importing large amounts of water over long distances would be detrimental to the public good in the U.S. Last month, I make a presentation on water export to a joint meeting of the Canadian and U.S. Green Parties. During that session, I was asked to elaborate on that assertion. I started by making a distinction between long-distance imports and local cross-boundary arrangements. I noted that we have had a lot of local arrangements between communities on opposite sides of the boundary, and that hasn't posed a problem for anyone.

I then went on to point out five major problems with large-scale, long-distance imports:

First, even if one makes the foolish assumption that the water will never have any value in the area of origin, importation costs would dwarf any possible benefits, which would in turn dwarf what most users would actually be willing to pay.

Second, building a long-term dependency on a very long-distant source of anything where there is no substitute is never a good idea. Unlike oil and gas, where there are many energy options, there is no substitute for life-sustaining water.

Third, the recipient region would only be putting off the inevitable for a decade or two. If there is a local or regional solution that is sustainable, and I would contend there always is, it would be far easier and far cheaper to get on with it now rather than later.

Fourth, large-scale imports would result in substantial environmental costs in donor, intermediate and recipient basins.

And fifth, with megaprojects like these, there is a significant risk of unforeseen consequences. I don't know exactly what they would be, but in my Green Party presentation, I speculated on one possibility. Some oceanographers and climatologists have suggested in the past that very large southward diversions could impact negatively on ocean processes and in turn on climate. I recall back in the 1970s, when both the Soviet Union and North America were toying with the idea of large-scale southward diversions at the same time, several prominent scientists suggested that could lead to an even drier U.S. southwest. The point is, the science simply isn't good enough at this point in time to understand all the possible consequences.

I'll just sum up with my own personal conclusions about water export and North American water management more generally. Large scale continental replumbing would definitely not be in the best interest of either Canada or the United States. Continual toying with the idea is getting in the way of sustainable water resource management in both countries. If we can jointly get those monkeys off our backs, there are a lot of good things we could be doing together in shared basins that would spill over into improved water management right across the continent. And finally, those good things aren't going to happen without much more transparent and inclusive governance .

At the beginning of my water career, nobody would have even imagined that by now we would have virtually destroyed the Aral Sea, Lake Chad, the Ogallala Aquifer, the lower half of the once mighty Yellow River, and the groundwater supplies of hundreds of millions of the world's poorest. If we ever start down the slippery slope of selling off, or more likely giving away our aquatic environment, we'll definitely suffer tragedies on a similar scale here in Canada. But, I trust the good judgement of Canadian voters; and I don't believe they will let that happen.

I haven't spoken about energy and climate. I am not an expert on either of those topics. But, I am quite certain that we are not on a sustainable path on either of those files. From a distance, it seems to me that the root causes are not unlike those in the water area; ill-advised subsidies, perverse laws and pricing policies, and putting the monkeys in charge of the peanuts with no zookeeper on duty. But, I think the energy and climate problems are even more acute and intractable than the water ones.

I might just offer one piece of advice from an energy and climate novice. I see the final resolution requiring the "internalization of externalities" - in other words, incorporating environmental costs into royalty and/or taxation regimes. That would have three advantages - it would slow down development to a pace where environmental impacts could be managed; it would provide the incentive needed to move other technologies forward, leading to a more sensible energy future; and it would create policy space for a more rational climate policy.

But, I will look forward to hearing what the other panelists have to say on these topics.

Thank you.

