

The Ambassador Bridge connects Detroit and Windsor, Canada.

Keystone Aftermath

Canada Moving Forward After Pipeline Rejection

By Tom Schuman

The January decision by the Obama administration to reject the Keystone XL pipeline drew plenty of criticism in the United States. Canadian officials, while accepting the explanation offered, are concerned, and they are not sitting back and waiting for a potential change of course from their southern neighbors.

Roy Norton, Consul General of Canada, traveled throughout Indiana recently for a series of meetings and events. He is responsible for Canadian interests in trade, investment, the environment and more in Indiana, Michigan, Ohio and Kentucky. Norton provided an analysis of the Washington rejection of the pipeline that would transport oil resources from the tar sands of Alberta province to the U.S. Gulf Coast.

Norton says Canadians are “disposed to take at face value the assurances that President Obama offered Prime Minister (Stephen) Harper that this was a process-related issue, not a substantive decision.” In other words, Obama cited additional environmental review due to Nebraska seeking a rerouting of the pipeline and a deadline set by Congress as the reasons for the rejection at this time.

Although TransCanada, the energy infrastructure company behind the pipeline, has indicated it will reapply for a U.S. permit, Norton described the significance of the relationship between the two countries and the next steps for Canada that are already in progress.

“There is concern. Ever since NAFTA (the North American Free Trade Agreement), our resources have been predicated on the notion that we would develop them to export them to you (the U.S.), and 99% of Canadian oil exports have come to the United States. The entire industry has been organized on a principle that suddenly may seem in question: Does the United States continue to want that oil? And if you don’t, we’re not going to just stop developing it.

“The prime minister made clear, in a little jocular way, that we’re not a northern national park for the United States,” Norton continues. “We’re a G7 country (group of finance ministers from seven industrialized nations) with an industrial economy. We happen to sit on the third largest reserve of oil after Saudi Arabia and Venezuela. Ours, other than the U.S., is the only one (oil supply) not government controlled; it’s total private sector investment.”

Traditional mining operations take place in the Canadian oil sands.



Harper traveled to Asia in February and entered into an agreement on energy cooperation with the Chinese.

“Our objective, very much,” Norton adds, “is to build a pipeline to (our) West Coast and to be able to sell oil to China, Japan, whoever. Two or three years ago, the prime minister said Canada is an emerging energy superpower. Somebody challenged that and said you can’t be a superpower if you have only one market. So, in business terms, it’s probably true that it’s prudent for us to have more than one market. So, we will seek to diversify.”

Norton cites some of the numbers related to Canadian oil production and potential benefits for the U.S. and Indiana from the proposed pipeline:

- Sixty cents of every dollar invested in the Alberta oil sands benefits the United States in the form of consumption. “You benefit more from Canadian resource development than you benefit as a country from resource development (anywhere else).”
- Currently, \$160 billion in private sector investment is underway to take production of the oil sands from two billion barrels a day to three and a half billion barrels a day.
- That increase, with the pipeline, could create “in the order of 343,000 jobs in the United States, 7,500 of those in Indiana” – citing Caterpillar and dozens of other Indiana operations that currently or would supply the oil production and the pipeline.



The in situ form of extracting oil does not involve digging.

Border importance

Indiana was reminded firsthand about the importance of border (in this case state to state) crossings when cracks closed the Sherman-Minton Bridge over the Ohio River for nearly six months last fall and early this year. The single most important span in the world might be the 83-year-old Ambassador Bridge between Detroit and Windsor, which, by itself, carries 25% of the world’s largest two-way trade relationship.

“At least in Louisville, there were alternatives,” offers Norton, who has served in a variety of roles in his home country and Washington, D.C. “There was congestion to be sure, but you didn’t have to go hundreds of miles out of your way to cross the Ohio River. In the case of Detroit, there aren’t any alternatives. You can go 60 miles north to Port Huron, but that bridge is at capacity, or you can go 350 miles east to Buffalo.”

More than 8,500 trucks a day cross the

Ambassador Bridge, including 1,200 from Chrysler alone. Efforts to build a new bridge have stalled.

“This is Canada’s No. 1 national infrastructure priority; it’s so important to us that we’ve offered to backstop the full line of the public-private partnership,” Norton explains. “Michigan’s share would have been to build the connection from the foot of the bridge to I-75. It would have cost as much as \$550 million, no more than that. Canada, recognizing the (financial) situation Michigan is in, will pay for that and will stand in line after the private builder of the bridge to repay ourselves from tolls. This is a project with no liability for Michigan.”

Hoosier interest

The Indiana impact could be tremendous. Ten billion dollars of the state’s \$17 billion in trade with Canada travels by truck with most of that crossing the Ambassador Bridge.

“Business plans are predicated, in part, on being able to move things to and from Canada. If you can’t get the stuff there and a firm finds that 25% or 40% of its market dries up, this is going to create unemployment,” Norton details. “Our modeling says 162,300 folks in Indiana depend on trade with Canada for their jobs; inasmuch as more than half of Indiana’s trade with Canada crosses the Ambassador Bridge, you could argue that 80,000, maybe as many as 100,000 folks in this state, depend on reliable transportation infrastructure at Detroit-Windsor.

“Ohio does twice as much trade with Canada as Indiana,” he continues. “Each of the last two years their state Senate

unanimously passed a resolution endorsing the construction of the new bridge. It’s risk-free for them, but what they’re signaling to Michigan is that this is about more than just you guys. You happen to control the geography, but this has regional impact and this will affect jobs everywhere in the region.”

Before the 2012 Indiana General Assembly session closed on March 10, both the House and Senate unanimously passed resolutions supporting the new bridge, officially known as the New International Trade Crossing. The Ohio House did the same in late March.

This is an instance, Norton

Indiana-Canada Partnership

- Fifty-four Canadian-owned companies in Indiana employ 5,360 Hoosiers
- Indiana sells more to Canada than the state’s next seven largest export markets combined
- Indiana exports to Canada: \$10.4 billion
- Indiana imports from Canada: \$6.4 billion
- Top exports: Motor vehicle parts, except engine, \$2.2 billion; trucks, \$1 billion; automobiles, \$704 million
- Top imports: Motor vehicle parts, except engines, \$1.2 billion; crude petroleum, \$554 million; copper and alloys, \$420 million
- Indiana visits by Canadians: 213,200 (\$60 million spent)
- Indiana visits to Canada: 158,100 (\$102 million spent)

Source: Consulate General of Canada

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– Roy Norton



maintains, in which the interests of one private business should take a back seat to the greater good.

“There was, regrettably, a multimillion dollar advertising campaign waged in Michigan by the (private sector) owners of the existing bridge which conveyed, to put it mildly, factual untruths; to be less mild, a lot of lies,” Norton asserts. “There was really nobody fighting back in the public domain and attitudes seemed to be profoundly influenced by that campaign.

“They have a really good thing going; they have a monopoly. They charge the highest tolls of any crossing between the United States and Canada. You can do that when you have a monopoly,” he adds. “The existing bridge would continue to be operational; it would continue to be profitable; it wouldn’t be as profitable. But it can’t just be the profitability of the owners of the Ambassador Bridge. It has to be about transportation security for tens of millions of people in this region.”

The new bridge would create an estimated 13,000 construction jobs over the course of four to five years, with 20,000 to 25,000 spinoff jobs. While those jobs would overwhelmingly be in southeast Michigan, Norton notes that “a rising tide lifts all boats” and that Indiana would also benefit from its steel and other resources used in the project.

Indiana opportunities

Today’s trade between Indiana and Canada is dominated by automotive parts. Norton sees additional opportunities as the industry continues its revival, with strong potential also in agricultural products. Nowhere, however, is there greater promise than in energy.



Roy Norton is quick to emphasize the important trade relationship between Indiana and Canada.

Norton describes Canadian oil as the “biggest play in North America. There’s no other element in any sector that’s remotely as intensive and rich in dollar terms as what’s happening in the Alberta oil sands – that has to generate opportunity for Indiana.” He notes the support of nearly all Indiana political leaders but also singles out Sen. Richard Lugar.

“You can safely say that if there is one person in the United States Congress who gets the geopolitical importance and relevance of achieving North American energy self-sufficiency and what that could mean for North America in unburdening us, making us less susceptible to Iranian adventurism and Venezuelan adventurism, it’s your senior senator from Indiana.”

Current role

The 6.5 million people in Indiana matches the population of the three Canadian prairie provinces (Alberta, Saskatchewan and Manitoba) plus Newfoundland. The total population of the four states Norton represents is 33 million, just less than Canada’s 34 million.

Asked what he likes about his current role, Norton quickly responds:

“Getting out and meeting real people. I shouldn’t be disparaging about Washington. I liked my time there, but I don’t know how many real people I necessarily met in Washington. There’s a bit of a sincerity deficit sometimes in Washington as in people are perhaps interested in you if it suits their purposes but not genuinely interested in learning sometimes.

“I find folks here to be very natural and welcoming. Maybe like us, if I can modestly say, as Canadians have a reputation for being interested, and I think people in the heartland are an awful lot like that. It’s like being home,” he says. “This area (Indiana, Michigan, Ohio, Kentucky) consumes more than 17% of all Canadian exports to the world; that’s how important this territory is to us. In other words, it dwarfs any other part of the United States in terms of relevance and importance.

“Most people join the foreign service with some notion of serving in exotic places and there are lots of places in the world that would be wonderful to live in, but I’ve only ever served in places I could drive to. The reason for doing that is quite deliberate – everything that happens here matters to us. Every day, decisions taken in the United States have an impact on the livelihoods of families in Canada. It’s great fun.”

INFORMATION LINK

Resource: Consulate General of Canada at www.canadainternational.gc.ca/detroit