

A Vision for North American Energy

THE POLICY PATH TO SOLVING
NORTH AMERICA'S ENERGY CHALLENGES



THE WORLD IS EXPERIENCING A NEW ERA OF INSTABILITY AND DISRUPTION.

A resurgence of geo-political and energy market uncertainty, ongoing global supply chain disruptions and the actions of adversarial nations are negatively impacting energy security and economic opportunity around the world.

There is a growing tension between the demand for reliable energy supply and efforts to decarbonize the energy sector. The latter are typically driven by regulatory measures that vary in terms of how they prioritize different sources of energy. As a result, many nations worldwide are reconsidering their energy systems and supply chains to best reflect their priorities and improve their energy security and resiliency, all while keeping energy affordable for consumers.

Country-specific goals may be a convenient way to measure outcomes, but regional efforts offer a more practical approach to implementation. North America offers an enduring solution.

Through the turmoil, North America is discovering a common advantage, leveraging our assets for the betterment of the people in our region and then, through our exports, the world. Our region, comprised

of three dynamic energy-producing countries, must work together to solve the complex challenge of delivering cleaner, more affordable and more reliable energy here at home and around the world.

Canada, Mexico and the United States face a pivotal choice: we can continue down individual paths that ignore economies of scale and aligned value chains. Or we can create a policy framework and regional strategy that recognizes and respects each other's national sovereignty while implementing a common vision that leverages resources and prioritizes our regional economic growth. Through sustained and strategic public and private investments, we can build the energy system of the future.

Together, our region can serve as a global powerhouse, setting the gold standard for how the world views the compatibility of energy transition and economic growth. It is time as a region we come together and **(1) identify and focus on a shared alignment toward a partnership for a stronger North American region, (2) build North American energy solutions together and (3) offer North American abundance to a world of scarcity.**

Achieving a secure energy transformation begins first here, at home, in North America. Together, we must **(1) identify and focus on a shared alignment toward a partnership for a stronger North American region, (2) build North American energy solutions together, and (3) offer North American abundance to a world of scarcity.**

ONE PARTNERING FOR A STRONGER NORTH AMERICA



North America's energy transportation network enabled significant growth and reliability. However, the Covid-19 pandemic and subsequent economic disruption highlight the need for stronger, more resilient supply chains.

We must also create a more sustainable energy system by embedding clean energy technologies, while strategically balancing the potential risks they pose to energy resilience and reliability. The fundamental challenge moving forward will be to successfully decarbonize our economies while upholding our obligation to provide abundant, affordable and reliable energy to our communities.

Each country possesses outstanding capabilities; however, recent history has taught us that, in the face of unexpected crises, cooperation – not isolation – is the best path to a more resilient energy system.

Harmonizing North American regulatory policies and enhancing cross-border coordination is critical to overcoming our challenges. Harmonized regulations that leverage our shared and respective experiences, expertise and innovation will be a boon to the 2018 trade agreement between Canada, the United States and Mexico¹ and result in greater cross-border investment and economic opportunity. Regulations can once again be an engine for responsible growth. They must also be designed with people at the forefront and respect for the needs of each country. This can be done by designing or reforming regulations that reflect government policy but recognize the innovative capacity of North American industry. It would be beneficial to establish a framework for public-private partnerships that encourages market participation. This framework should aim to identify and address regulatory hurdles that hinder trade and investment, ultimately fostering a more conducive environment for collaboration between different entities in pursuit of common goals.

■ **Promote coordination between governments and industry to identify barriers to growth and adopt common standards** for safety, environmental protection and community empowerment. In this regard, the circulated Energy Annex of the 2018 trade agreement should be re-engaged, particularly considering recent global energy market disruptions and the reinvigoration of global net-zero ambitions.

■ **Embrace a regional approach to net-zero energy systems that leverages national ambitions** and incentivizes cross-border collaboration. This would maximize the impact of government and industry efforts and build upon existing frameworks like the 2018 trade agreement's Environment pillar (Chapter 24), which address environmental issues that threaten local and international economies, allowing a coordinated approach to carbon-intensive sectors. Such a regional approach would ensure that neither our decarbonization efforts, our energy security, nor will our consumers be casualties of climate ambitions.

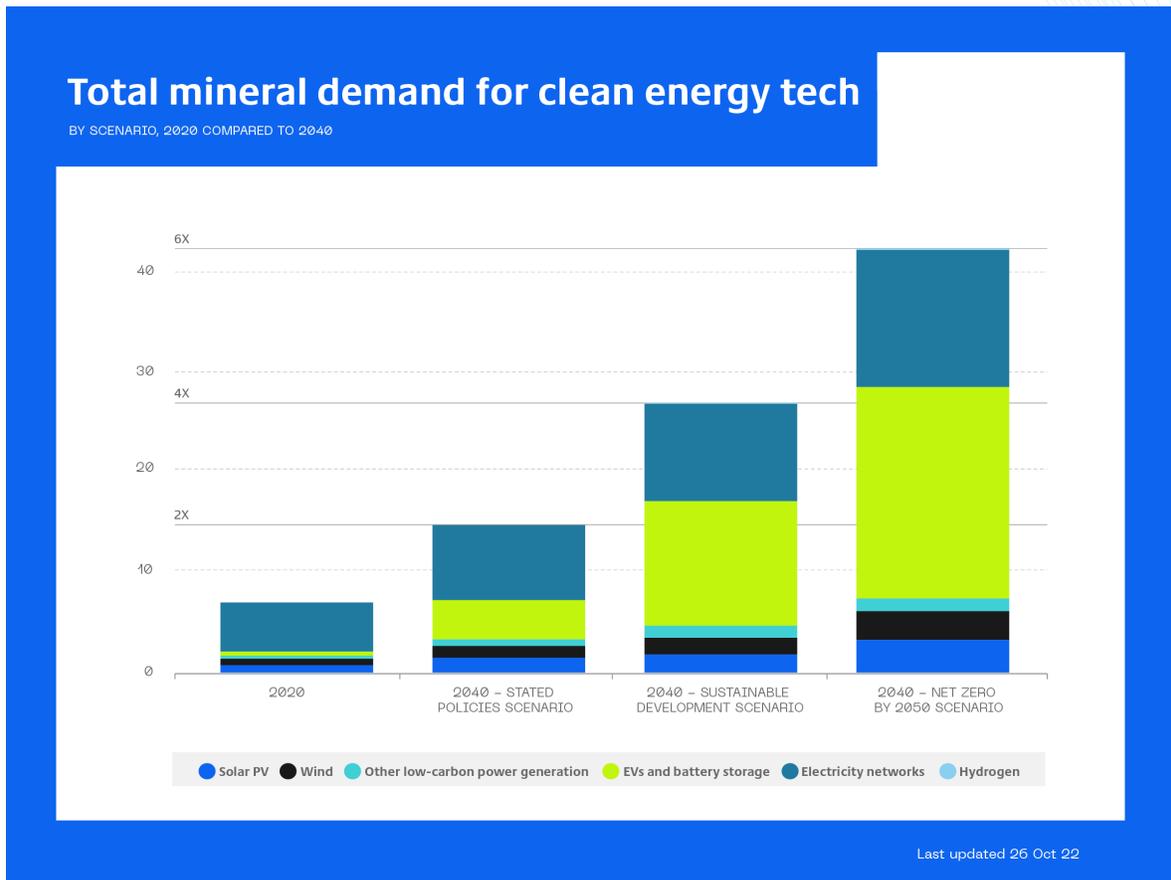


¹ | Referred to in Canada as Canada–United States–Mexico Agreement (CUSMA) or the *Accord Canada–États-Unis–Mexique* (ACEUM); in Mexico, referred to as *Tratado entre México, Estados Unidos y Canadá* (T-MEC) and in the United States, referred to as Agreement between United States, Mexico, Canada (USMCA)

■ **Promote a foundation of good corporate governance, transparency, and accountability.** Each country carries distinct domestic policies, plans and resources, but these distinctions can serve as opportunities rather than barriers. Through greater cooperation, the governments of North America, particularly through public-private partnerships and regional financial institutions, can play a central role in identifying barriers to investment, development and greater economic opportunity. More importantly, greater cooperation offers an opportunity to convey the economic benefits of North American energy integration as we bring about an energy transformation.

Data sharing is essential for policymakers and industry to successfully meet the needs of North American communities, from grid resilience modeling to resource mapping to technology deployment. It is all the more critical for governments and industry to share data given the immense challenges and opportunities presented by North America’s energy transformation.

Establishing a central hub for industry and governments to assess the North American energy landscape through data sharing, mapping and coordinating energy market outlooks will go far in empowering regional growth and decarbonization goals without sacrificing energy affordability and reliability. These efforts must also include the involvement of stakeholders beyond governments and industry, including academia and the U.S National Laboratories which conduct research and development in the energy and technology space, to maximize future planning and deployment.



- **Reinvigorate the North American Cooperation on Energy Information (NACEI)** which is an energy data sharing platform for the North American Cooperation on Energy Information, to create a North American hub for energy information to assist policymakers, industry and stakeholders with planning, executing and anticipating increased energy access and an eventual energy transformation.
- **Coordinate the mapping of critical minerals, rare earth elements, uranium and other precious metal deposits** within the North American region to provide a navigable landscape for governments and industry to chart a sustainable course through projected clean energy growth.

Realizing North America's potential will be no small undertaking, but the prospect of transforming our regional economies through partnership is essential to manufacturing and industrial repatriation and creating opportunities for future innovation. Whether deploying clean technologies like electric vehicles (EVs), advanced battery and energy storage technologies or next-generation nuclear technologies, North America's energy future requires cooperative partnerships to meet the needs of our people and more fully integrate the North American energy system. Together, our nations can drive economic development and boost regional living standards while guaranteeing sustainable progress toward achieving our net zero goals on a regional basis.



TWO BUILDING NORTH AMERICAN ENERGY SOLUTIONS TOGETHER

Our countries can restore the positive trajectory of our economies by establishing new, resilient and sustainable value chains. These value chains should be built under a new framework for energy security, one capable of addressing our economies' modern needs and challenges. Our countries' efforts to repatriate industrial activity should be empowered by deploying low-and zero-carbon energy technologies that do not sacrifice reliability and affordability. New efforts should be initiated to develop more integrated regional transmission, generation and transportation capacity to support demand growth across various sectors. The most impactful way of ensuring success is to leverage the distinct characteristics of each country.

Driving investment in early-stage research, development and deployment is a proven pathway to successful innovation and decarbonization. Building upon expanded access to data, technologies, best practices and experiences from all three countries will position North America as a hub for innovators and problem-solvers. Public and private capital investments into energy technology, when coordinated and informed, can leverage the assets of each country, including governments, industry, financial institutions, academia, National Laboratories and the resources themselves, to underpin regional decarbonization goals.

- ▣ **Advance new opportunities for North American early-stage research, development and deployment** by leveraging national funding and expanding the dialogue to include financial institutions, academia and National Laboratories.
- ▣ **Support continued efforts at the national level for symbiotic infrastructure deployment**, such as Mexico's Sanora Plan, which looks toward a holistic and integral economic strategy to reduce mobility emissions.

Providing a technology- and resource-neutral policy environment that focuses on innovation and emissions reductions rather than the face value of a resource will ensure North America's abundant natural resources continue to power economic growth and decarbonization. Natural gas will continue to play a critical, if not increased, role in expanding electricity access across our countries. It will underpin our decarbonization efforts, particularly by displacing coal and supporting renewable and hydrogen integration. At the same time, natural gas and hydrogen – critical inputs in producing fertilizers – underpin the viability of global agricultural production. Nuclear energy should increasingly reinforce grid resilience and reliability and power the decarbonization of the transportation, industrial and power generation sectors. Still, it requires the continued and unabashed support of our three governments to ensure that technology is shared responsibly.



- ▣ **Establish new incentives for low-carbon energy resources and technologies**, including coal-to-gas switching, coal displacement through natural gas, nuclear, and renewable energy, and carbon removal and sequestration technologies, such as carbon capture, utilization, and storage (CCUS) and Direct Air Capture.
- ▣ **Reconfigure and properly value environmental, social and governance (ESG) policies** to promote energy systems of scale, rooted in financial pragmatism, including properly considering the decarbonization contributions of natural gas and nuclear power.

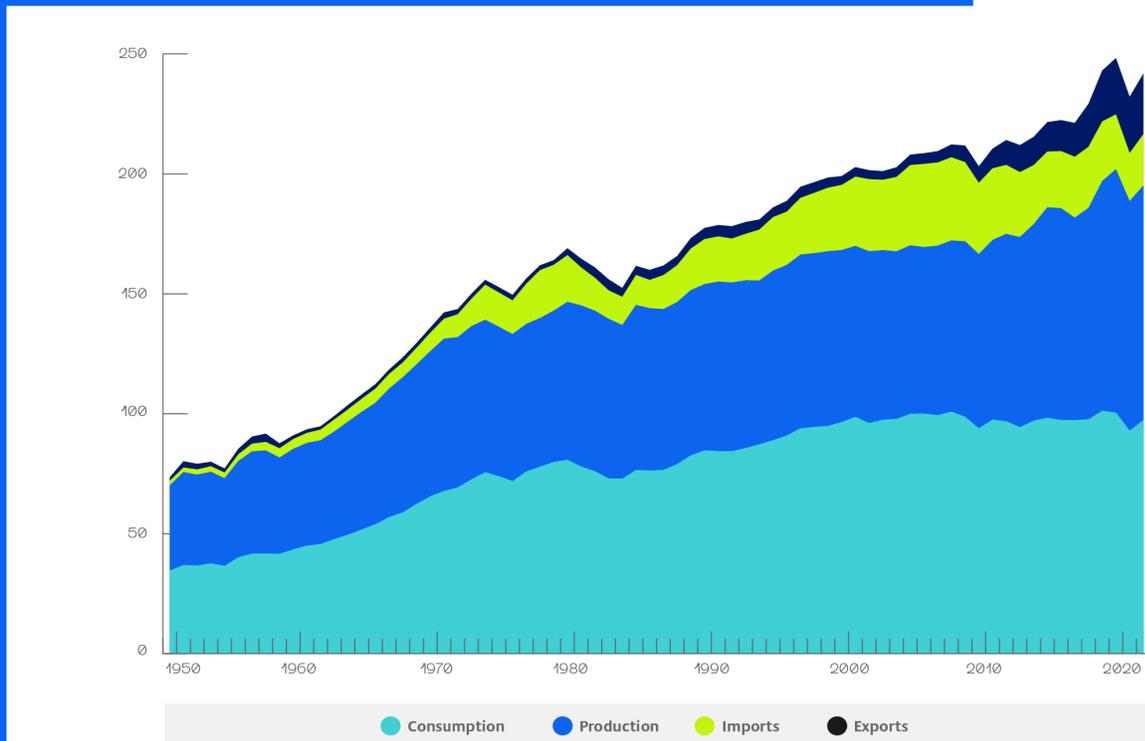
Our countries should **prioritize the responsible and strategic expansion and repatriation of industry, mining, and manufacturing operations** to secure North America's future through sustainable value chains. The shared goal of regional decarbonization and our ability to drive progress under the framework of the Paris Agreement is directly tied to accessible, reliable and resilient value chains. Regarding our energy transformation, North America faces the threat of severe supply chain dependencies for nuclear fuel, critical minerals and rare earth elements. The 2018 North American trade agreement, low-cost labor, energy innovations, geographic and geological characteristics, and the continuing changes in the global political landscape create incentives for greater regional cooperation. Recent national investments, planned and enacted, offer a specific opportunity to drive immediate action in this space. Further public-private collaboration could serve as the hallmark of the future implementation of public funds.

- Coordinate the deployment of recent and pending national clean energy spending programs to create the foundation for modern North American value chains that recognize the unique contributions of each country, including low-cost skilled labor, manufacturing capacity, innovations, and resources.
- Build upon the recent Minerals Security Partnership of 2022 between the United States, Canada, and the European Union in a way that recognizes Mexico's unique strengths to complete the North American clean energy value chain.

The collective resources and innovative capabilities of North America form the bedrock of our common goal to establish a dependable foundation, which can support growing energy demand without compromising the reliability of our regional energy system. Whether our shared focus is the deployment of electric vehicles, integrating renewable energy, decarbonizing agricultural production or building the energy grid of tomorrow, cooperative partnerships that focus on establishing North American value chains will ensure our regional success.

U.S. Primary Energy Overview, 1950-2021

MEASURED IN QUADRILLION BRITISH THERMAL UNITS



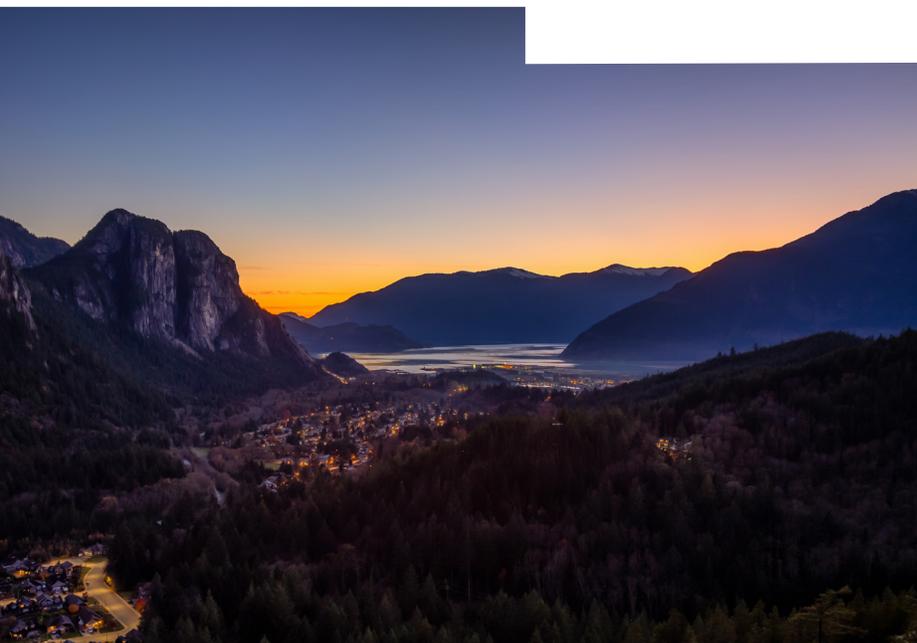
Source: U.S. Energy Information Administration, Monthly Energy Review, Table 1.1, April 2022, preliminary data for 2021

THREE BRINGING NORTH AMERICAN ABUNDANCE TO A WORLD OF SCARCITY

The return of war on the European continent, combined with the global shock of the Covid-19 pandemic, market manipulations of OPEC and actions of adversarial nations, demonstrate the critical importance of North American sustainable valuechains on a global scale. At the same time, these threats, and those posed by climate change, demonstrate the urgency of expanding global access to clean energy at an affordable rate to consumers. This urgency is made even more apparent given the reality that when our partners do not have abundant and affordable clean energy, they will revert to dirtier fuels to sustain their economies. The global resurgence of coal is the principal example of the vulnerable state of global decarbonization and the difficult choices facing many nations as they implement their net zero goals. By leveraging our combined comparative advantage, North America can serve as a global clean energy powerhouse.

Exporting North American abundance requires technology-neutral commercial diplomacy, one that embeds sustainability in our efforts by focusing on innovation and emissions reductions rather than the face value of a resource. Under a neutral framework, North America's resources offer a near-term solution to global challenges and the opportunity to transform the global energy and climate paradigm. Our three countries can, in concert, serve as the most impactful swing producer and exporter of clean energy in the world. Our common purpose should be to expand the reach of our regional value chains rooted in free and fair markets, backed by a unified North America.

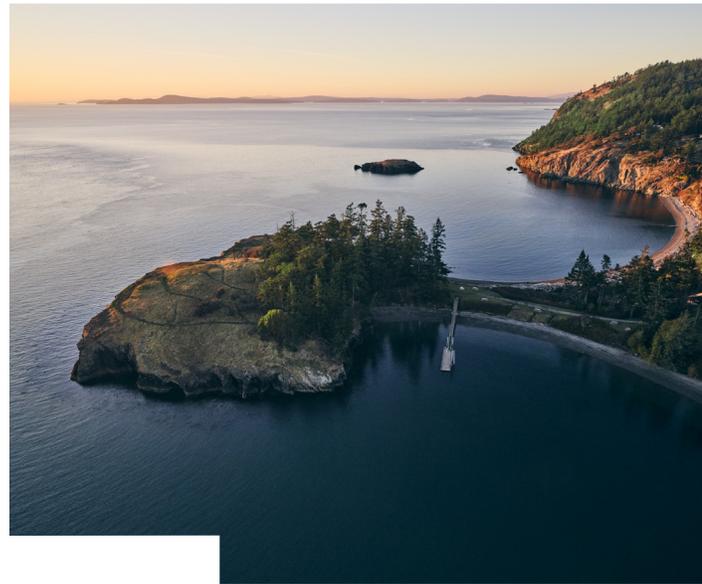
This also requires diplomatic efforts to align international organizations and multilateral development banks with the value of innovation over a one-size-fits-all approach to build new energy systems of scale for energy-impooverished regions and secure energy systems for our global partners.



- **Reorient commercial diplomacy to recognize the contributions of North American innovations** by cooperating with international organizations. This can be achieved by financial institutions deploying energy sources and technologies that provide emissions reductions and energy security tailored to each country's needs. Governments could also direct public finance organizations to support overseas market development, thereby expanding the reach and positive impact of North American value chains and limiting the reach of countries seeking to manipulate markets to their advantage.
- **Coordinate and develop a common North American position on international climate policy**, including a unified response to the European Union's Carbon Border Adjustment Mechanism. This EU policy requires imported carbon-intensive goods to pay fees comparable to those domestic manufacturers are faced with under the EU's Emissions Trading System.

Leveraging North America's strategic position and comparative advantage offers global reach and a proven pathway for global decarbonization and energy security. The geography of our countries offers unique flexibility and scope of reach. Production and export operations ranging from the Gulf of Mexico to the Eastern seaboard of the United States and Canada offer access to European and African markets, while the Western seaboard of Canada, Mexico, and the United States promise to open markets in the rapidly developing Indo-Pacific region. Similarly, North America's proximity to the developing countries within our hemisphere presents a pathway for mutually beneficial growth with the power to stabilize a region experiencing chronic economic and political instability.

- **Maintain and increase support for energy infrastructure that leverages North America's strategic geographic position.** Specifically expand liquefied natural gas (LNG) export operations and supporting transportation infrastructure, such as Mexico's Trans-Isthmus Corridor, a commercial bridge linking the Atlantic and Pacific Oceans.
- **Expand regional hub-and-spoke trade through the utilization and deployment of small-scale LNG** operations that ensure the successful decarbonization of power and industrial sectors in small and island economies.



Nuclear energy represents the largest reservoir of North America's untapped clean energy potential, capable of ensuring long-term energy security and independence for ourselves and our partners worldwide. Leveraging Canadian fuel supplies, innovation in the United States, and Mexico's manufacturing capacity could provide a resilient zero-carbon value chain. However, there are still barriers to expanding this opportunity. Requirements under current technology transfer regimes of nuclear technology impede its deployment, while barriers to mining and processing operations discourage investment in the technology and fuel supplies necessary to secure the value chain. A unified approach to reducing barriers to production and deployment will position North America at the leading edge of the energy transformation.

- ▣ **Coordinate and streamline the transfer of nuclear technology for global deployment** in partner countries to promote energy security and decarbonization goals in a way that positions North America as the leader in nuclear energy deployment.
- ▣ **Cooperate with partner countries to integrate nuclear power into their decarbonization goals**, including by sharing best practices, demonstrating the safety and benefits, and promoting workforce development.

THE PATH FORWARD

Our respective resources, capabilities and infrastructure, when leveraged to complement each other, will comprise the totality of North America’s comparative advantage. Still, much must be done to ensure North America can meet the rising global demand for clean energy resources and technologies. Building upon our efforts to establish sustainable and resilient value chains, our three countries must deploy partnerships that leverage the distinct assets and characteristics of each country with an eye toward countering the efforts of adversarial actors seeking to exploit global instability for their gain. In an era of regionalization and global instability, North America can—and should—serve as the gold standard for energy security and decarbonization with far-reaching impact.

