



## "Pétrole social": What's That?

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On April 7, 2016, Premier Philippe Couillard and four of his ministers unveiled Quebec's [2030 Energy Policy](#). As discussed in our April 8 overview [post](#), this initiative is a "green" policy that sets ambitious decarbonization goals.

The last chapter of the Policy deals with fossil fuels (pages 57 to 62). Page 58 refers to "social oil". What is social oil? A quick search of the internet does not show prior uses in French or English. The expression appears to be the work of a clever government wordsmith.

The Policy states that about 10% of the world's oil consumption is used to make a multitude of products, e.g., drugs, plastics, automotive parts, textiles, road surfaces. This is oil that government considers useful and beneficial, hence the expression social oil (we will call it "good oil"). The Policy strongly implies that good oil must be distinguished from the other kind of oil, i.e., oil that is burned.

The Policy does not quantify Quebec's consumption of good oil but it does state that the Quebec plastic sector alone employs 20,000 and has a turnover of \$5.3 billion (2013). The inference here is that good oil is necessary both socially and economically.

The fact that the Policy opens the discussion on fossil fuels with social oil is reflective of the need for government at all times (i) to carefully choose its words when speaking about oil in Quebec, and (ii) to ground in fact any discussion about hydrocarbons. In other words, the population's environmental aspirations must be tempered by reality and this requires a didactic effort on the part of government. What may be known and accepted elsewhere is not necessarily known or accepted in Quebec.

The Policy acknowledges in its opening pages that in 2030, despite Quebec setting some of the world's most ambitious GHG reduction targets, 39.1% of Quebec's energy requirements will still come from oil and gas. Hydrocarbons will thus be part of Quebec's energy future for some time to come.

Note that the share held by natural gas in 2030 in the overall mix remains unchanged from 2016. In most jurisdictions natural gas is seen as a beneficial transition fuel whose consumption is expected to rise in the next decades. Government appears to have other objectives. Except in very limited circumstances (e.g., isolated northern communities) Quebec does not seek to replace oil with natural gas. Rather, Quebec aspires to reduce oil consumption primarily with energy efficiency and renewable electricity.

The Policy has been generally well received across the board, including by established environmental groups. The only group openly upset at this time is Quebec's wind power supply chain. It was hoping for

additional wind power projects to provide it with a market in the immediate future. The government's answer at this time is that Hydro-Québec has a surplus and that the industry should look outside Quebec for customers. Needless to say this answer has failed to satisfy the industry and it appears that government will have to do its thinking cap once more.

These green credentials now give government leeway to proceed in a deliberate and surgical manner with hydrocarbons, including their transportation. In other words, project analysis should from now on concentrate on project risks and benefits rather than be distracted by larger societal issues outside of a project's control.

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