

**Energy Crunch:
More than Ever, North America Should Get Off Oil;
Conserve, Explore, and Downplay Russia/Mexico;
Ontario Should Renew Nuclear Despite Environmental and
Terrorism Risk—Its Premiers Score Badly on Energy
Planning**

**BDO Dunwoody CEO/Business Leader Poll
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1.0 Introduction

With North America facing potential oil shocks, the COMPAS panel of CEOs and business leaders believes more than ever in having the continent use tax and other instruments to get off oil and oil imports. More than ever, panellists want governments to accelerate conservation and exploration. Russia and Mexico are seen as less reliable than in the past.

Ontario should renew its nuclear energy plants despite perceptions of environmental and terrorism risk.

All of Ontario's four recent Premiers get very poor grades for energy planning.

These are the key findings from this past week's survey of the COMPAS panel of CEOs and business leaders undertaken for *The Financial Post* under sponsorship of BDO Dunwoody LLP.

2.0 Get Off Oil

Three major changes have taken place in the panel's attitudes in four years—an enormous jump in commitment to getting off oil, a virtually equal jump in commitment to governments' using tax and other instruments to accelerate conservation, and a collapse in a desire to rely on Mexico and Russia to solve North America's energy problems, as shown in table 2.

Concern about clean air and a desire to cut North America's dependence on the Middle East both account for these changes of priority according to both the quantitative data and the verbatims provided by respondents. A desire to slash the continent's dependence on oil in general and imported oil in particular are nearly consensual. Strong support is expressed for exploration. But panellists are not of one mind on other issues, as shown in the following verbatims:

Central planning by government has always resulted in a disaster for markets and supply. People do not need higher taxes or government imposed rationing to know there is an energy issue. I already bought a high efficiency gas furnace without some politician deciding what is good for me. The less Dalton [McGuinty] interferes the better.

We need more ethanol, bio-diesel production plants and [to] pay the Canadian farmers a fair price for the feed stock for these plants. This



could be achieved through the risk management program proposed to both levels of government.

With big oil drowning in cash...it's hard to see why public money or large sums of public money should be played as an inducement to explore, produce, refine...No new refinery capacity has been built over the last 25 years!

Successive [Ontario] leaders refused to deal with the third rail in their energy policies, hoping the hydro fairy would make everything better, and problems would go away. The current leader is a failed leader, clueless, thoughtless, declaring to close coal fired plants, while at the same looking sideways, as O.P.G. buys dirty power south of the boarder. The quick fix is long gone. There never was a quick fix. The commitment to infrastructure requires leadership.

Ontario Hydro as it was called lost its way...Currently it does not support Ontario's industry. It needs to be either privatized or become a policy instrument, not left to wander in the unknown.

There is a major flaw in the support of ethanol as a viable solution to our energy debate. Ethanol is a short term solution because it is currently the only technology to convert corn to fuel. ...The only thing that sustains ethanol is government subsidies. In the meantime there is some very important research being done on the process of converting non-food agriculture by-products into bio-fuels that within a short period of time will be perfected and commercialized.

Few other countries in the Western world are asking its citizens to turn off the lights. Our government is. This is because of failures within government to efficiently plan for the future energy needs of the province. We are effectively in a panic mode and are pouring billions of dollars into conservation and demand side management programs, which in themselves are good and well meaning, but highlight the ineffectiveness of this and earlier governments in preparing for the energy shortage we have today and will be faced with for many years to come.

Given that most of Canada's energy resources - and values - are coal resources, it should be axiomatic that seeking ways and means to capitalize on that value would be a top priority for Canada's (and Ontario's) planners and politicians.

Wind and solar will be the future with the right investments in technology.



Table 2: The following are some opinions about what North American should be doing to protect its economy from potential oil shocks. Please use a 7-point scale where 7 means agree completely and 1, the opposite to indicate how you feel about each opinion. Canada and the U.S. should...

	Mean	7	6	5	4	3	2	1	DNK
Use tax and other instruments to get consumers and industry off oil and onto other energy sources									
August 2006	5.2	32	20	20	9	9	6	6	0
April 2002	4.6	20	15	19	15	8	6	11	6
Use tax and other instruments to get consumers and industry to accelerate conservation									
August 2006	5.1	27	26	17	12	7	4	7	0
April 2002	4.5	15	19	25	10	8	9	10	5
Use tax and other instruments to reduce dependency on oil imports from unstable parts of the world									
August 2006	4.8	22	21	27	7	5	11	8	0
April 2002	4.5	15	20	17	14	9	9	9	7
Use tax and other instruments to encourage Energy exploration on the continent									
August 2006	4.6	14	20	27	10	8	12	8	1
April 2002	4.5	17	12	22	20	7	9	8	5
Prioritize investments in ethanol									
August 2006	4.5	14	16	25	20	9	6	9	1
April 2002	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Use tax and other instruments to ready some of the more expensive Canadian oil sources so that they can be available in a crisis									
August 2006	4.5	9	22	28	14	10	9	8	1
April 2002	4.2	11	11	20	23	12	9	10	5
Be doing whatever they can to assist Russia and Mexico to get more oil on stream									
August 2006	3.7	6	7	22	20	20	13	11	2
April 2002	4.3	10	16	21	17	10	11	9	5



3.0. Ontario Should Go Nuclear Despite Environmental and Terrorism Risks

As shown in tables 3A-C, panellists recommend re-investment in nuclear power in Ontario despite environmental and terrorism risks, and give recent premiers poor grades for their energy planning.

Table 3A: (Q2) Should Ontario replace aging nuclear energy plans...

	%
With new nuclear energy plants	66
Seek other alternatives	28
[UNPROMPTED] Don't know or no opinion	6

Table 3B: (Q3) To the extent that nuclear energy may have any downsides, do you see the greater downside as... [ROTATE]

	%
Environmental risk	30
Risk of terrorism	9
Both about equally	37
None of the above	25
[UNPROMPTED] Don't know or no opinion	0

Table 3C: (Q6) It is sometimes said that energy policy in Ontario, Canada's manufacturing centre, is vital for the country's future.

On a 100 school report-type scale, what grade would you give each of the following Ontario Premiers for the quality of their energy policy leadership:

	Mean	DNK
Mike Harris	47	15
David Peterson	42	16
Dalton McGuinty	41	16
Ernie Eves	39	16



4.0. Businesses Provide Some Conservation Leadership

As shown in tables 4A-B, businesses have made commitments to cutting energy use for existing purposes but have not encouraged conservation in the private lives of staff. One CFO respondent volunteered concern about some of the provincial hydro companies themselves—“one of the biggest wasters is the hydro companies themselves. It is hard to get others to practice reducing use when they as corporations waste more than anyone.”

Table 4A: (Q4) Is your organization... NO ROTATION FORCED CHOICE

	%
Cutting use of lighting or air conditioning to reduce energy consumption	42
Planning to	6
Discussing the possibility	11
None of the above	41

Table 4B: (Q5) Is your organization asking employees to try to cut energy consumption outside the office?

	%
Yes	14
No	82
Don't know/not sure	4

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted August 9 - 11, 2006. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 128 are deemed accurate to within approximately 8.7 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

