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A Failure to Cooperate: Why Canada, the United States, and Mexico have not Developed a Regional Energy Strategy

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Abstract:

Given the push from the private sector, as well as the resource complementarities among the three countries of North America, it is somewhat surprising that North America has not developed an integrated energy strategy based on traditional, non-renewable energy (2000-2016). How should we understand this puzzle? The answer lies in domestic forces and the structure of national preferences. Using liberal international relations theory, this thesis presents a two-step argument: first, the election of pro-green political parties has in each country led to a convergence of preferences for climate action. Essentially, as each one came to power, the win-set for a regional strategy on fossil fuel production, energy exports, and energy infrastructure shrunk, while the win-set for clean energy and climate change mitigation increased. Second, key interest groups have acquired sufficient voice and power in each country to persuade the three North American governments that developing a regional strategy based on fossil fuels would undermine their interests. Through behind the door lobbying and public mobilization, the groups have been able to shift the conversation surrounding 'regional energy cooperation' to 'regional clean energy and climate change cooperation.' This thesis uses the method of process tracing to analyze the related events from 2000-2016 and test why certain governments acted the way they did in regards to energy cooperation.

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Chapter One

The Puzzle of North American Energy Cooperation

INTRODUCTION

On August 11, 2014, President Peña Nieto signed into law a set of energy reforms that many had thought were impossible just a few years before. With the stroke of a pen Mr. Nieto ended Petróleos Mexicanos' (PEMEX) 76-year old monopoly on the production and extraction of oil and natural gas in Mexico and ushered in a new era of competition in Mexico's energy sector. Although no Mexican assets will be privatized, the reforms grant foreign companies access to Mexico's extensive oil resources, including its offshore and unconventional fields. Mr. Nieto hopes that by opening Mexico's energy sector to foreign investors, he will bring an end to a decade-long drop in oil production, lower electricity prices across the country, and revitalize Mexico's anemic economic growth. In his 2014 report for Columbia University's Center on Global Energy Policy, Adrian Lajous argues that this set of reforms is a historic opportunity for Mexico that could finally fix the energy industry's stagnation and structural problems.

Travel north from Mexico and another energy revolution is currently underway in the United States. In the past decade, the combination of technological innovation and private sector investment has engendered the necessary conditions for the production of American crude oil and dry natural gas to skyrocket. Between 2005 and 2014, advances in hydraulic fracturing – colloquially known as 'fracking' – and horizontal drilling led to an increase of nearly 65 percent in the production of tight oil and 35 percent in shale gas (Ladislaw et al. 2014, 1). Consequently, as of 2013 the U.S. surpassed Russia and Saudi Arabia to become the world's largest producer of oil and gas. Despite the decline in the price of oil in 2014, the U.S. still produced an average of

9.4 million barrels per day (b/d) in 2015 and is projected to produce an average of 8.7 million b/d in 2016 – a significant increase compared to the 5.2 million b/d it averaged in 2005. Due to this transition, policymakers, private sector leaders, and academics are debating what to make of America’s energy renaissance and how the changing energy landscape will impact the U.S.’ global economic competitiveness, energy security, and geopolitical relations.

Not to be outdone by its southern neighbours, Canada’s energy sector has also undergone a noteworthy change in the past decade and has emerged as an important player in the world of energy politics. The expansion of crude bitumen production in Alberta is significant because with continued investment it is possible for companies to access 166 billion barrels of oil – an amount large enough to make the oil sands the third largest oil reserves in the world, with Saudi Arabia in first and Venezuela in second (“Alberta Energy Facts and Statistics,” 2015). Moreover, with the world’s fifth-largest reserves of shale gas and access to offshore oil fields in the Arctic, Canada has the potential to become an “energy superpower,” as former Prime Minister Stephen Harper once hoped. Even though Canada experienced a recession in early 2015 as a direct result of the collapse of the price of oil, Canadian energy companies continue to produce oil and provide energy for millions of Canadians and Americans.

Blessed with resources and complementary energy sectors, North America seems poised for interstate cooperation on oil and gas development and distribution. Indeed, prominent think tanks, businesses, and individuals have called upon the three federal governments to take advantage of this enormous opportunity by pursuing a regional energy plan. For instance, David Petraeus, retired U.S. Army general and chairman of the KKR Global Institute, and Robert B. Zoellick, former president of the World Bank Group, co-chaired a task force in 2014 for the Council on Foreign Relations (CFR) that argued in favour of deepening North American

integration. The report examines the economic, security, and community dimensions of such a project, but highlights in particular how “energy should become a fundamental pillar of North America’s new partnership...The Task Force recommends that the North American countries *develop a regional energy strategy*, with full respect for sovereignty and national sensitivities” (Petraeus & Zoellick 2014, 65 – emphasis added). Included within this proposed strategy would be “steps to strengthen the continental energy infrastructure (including approval of the Keystone XL pipeline), expand energy exports, support Mexico’s historic reforms, secure safety, and encourage harmonized policies to promote energy conservation and lessen carbon costs” (Petraeus & Zoellick 2014, 4-5).

Perhaps the most interesting example of support for regional energy integration is Goldman Sachs, which hosted a two-day conference in 2014 titled the “North American Energy Summit.” In order to maximize North America’s energy opportunity, Goldman Sachs convened “public and private stakeholders to discuss a strategy for harnessing the continent’s energy resources” (“North American Energy Summit,” 2014). In a video released before the conference, Goldman Sachs executives explained how they felt the time was right to host a conference that would bring together those who will play a central role in the crafting of a common vision for North American energy. Among those that attended were: the U.S. Vice President, Treasury Secretary, and Secretary of State; the Canadian Ministers for Finance, Foreign Affairs, and Natural Resources; Mexico’s Finance Minister; and the CEOs of Pemex, Solar City, NRG Energy Inc., Enbridge, and Duke Energy Corp. Notably absent from the Summit was Prime Minister Stephen Harper, President Barack Obama, and President Peña Nieto.

It is surprising that despite both the calls from powerful groups and individuals for a regional energy strategy and the potential economic benefits from trilateral cooperation, the

simple fact remains that a North American energy strategy still does not exist. As I will describe in this thesis, there have been several attempts at creating such a plan in this millennium, with the Security and Prosperity Partnership coming the closest to finalizing a strategy in the mid to late 2000s. However, with the election of President Obama in 2008, interstate collaboration on energy fell by the wayside. Yes, there has been an uptick in dialogue between the three governments since 2014, but most of the agreements have focused primarily on climate change and green technology – not traditional energy resources.

To be fair, each national leader has a myriad of issues other than energy to manage; however, the seemingly blatant disregard for trilateral energy cooperation in North America at the federal level is surprising and a puzzle worthy of scholarly scrutiny. Hence, this thesis seeks to answer this question: “*Why does North America lack a regional energy strategy?*” The study begins in 2000 with the election of Vicente Fox in Mexico and ends with the 2015 election of the Liberal Party of Canada in 2015. As the reader will soon see, the development of North America’s energy strategy has not been a straight line of increasing cooperation; rather, North America has experienced times of close cooperation, fierce competition, and open disinterest in energy collaboration. By understanding why there has been this ebb and flow of cooperation, we can then examine why leaders in the three countries have been unable or even unwilling to negotiate a regional energy strategy since the turn of the century.

LITERATURE REVIEW

Regional energy cooperation is a relatively new subfield of international relations and thus the amount of academic literature specifically on the topic is fairly sparse. But realist, liberal, and constructivist scholars have previously carried out research on the more general issue of regional cooperation. Their different approaches can be extrapolated and applied to this case,

generating hypotheses about energy cooperation in North America. What are the assumptions behind these theories and how would each of them answer our puzzle?

Energy Security

Realists are primarily concerned with power and sovereignty. They argue that interstate competition defines the international system because states constantly worry about their survival and their power relative to others. As such, states must compete for power and security or else risk falling prey to stronger countries. Over time realism has grown significantly as a theory and now spans a wide range of issues; however, this development has resulted in several variations in realist theory. For instance, classical realists such as E. H. Carr (1939) and Hans Morgenthau (1948) focus on human nature and our drive for power, while neorealists such as Kenneth Waltz (1979) argue that the anarchic characteristic of the international system is the primary determinant of state behavior. Despite these differences, realists share the assumptions that (1) states are the primary actors of international relations; (2) states are rational, unitary actors that seek to maximize their national interests; and (3) interstate cooperation is possible, but only under a relatively rare condition of hegemonic stability.

Realists would argue that the reason why North America lacks a regional energy strategy is in fact rather straightforward: fossil fuels are too strategic for the survival and economic health of a nation to risk allowing another country to have influence over one's national energy policy. Conceptually, this dynamic is known as energy security and it has a long association with realist thought. Starting in the interwar era, academics examined the importance of oil and its relation to national security (see Kenny 1928; Brunner 1930). Morgenthau, in *Politics Among Nations* (1948), briefly focused on natural resources and how control over them has been a central factor

in national power calculations, but energy security did not receive widespread scholarly focus until the 1970s. The 1973 OPEC crisis vividly portrayed the negative repercussions of oil dependency to the world and provided scholars with a new set of questions to ask about the relation between energy policy, state behaviour, and war and peace (see Krasner 1978; Gilpin 1981). Underpinning each argument is the primacy of the state in the design of national energy policies and the belief that they are (and, for classical realists, should be) shaped by the national security implications of resource dependency. Therefore, due to the salience of energy security among North American policymakers, realists would argue that the NAFTA countries do not have a trilateral energy policy for two reasons: (1) implementing one would involve an intolerable loss of sovereignty; and (2) there has not been a national security risk that necessitates the creation of one.

Diverging from the conventional realist approach to energy security is a new school of thought that argues we need to broaden our definition of energy security to include climate change. Traditionally, security has been viewed as a short-term or even one-time condition; as a result, climate change has not been incorporated into energy security calculations because its threat to humanity is often considered too distant and too vague. This approach, however, has started to break down as the general public has begun to embrace environmental protection as a key policy objective. Scholars began to examine the security dimensions of the environment around the OPEC crisis (Falk 1971; Brown 1977), but it wasn't until the publication of *Our Common Future* by the World Commission on Environment and Development (1987) that 'environmental security' began to gain traction as an international relations problem. It has become clear that, through the emergence of proponents (Buzan 1991; Thompson 1999; de Wilde 2001) and opponents (Deudeny 1990; Shiva 1994), the narrow definition of energy

security used by realists has begun to falter. Recently, Bernhard May (2010) and Daniel Yergin (2006) have both argued that the traditional realist definition of energy security is inadequate in the 21st century. A more comprehensive understanding of energy security that includes the negative repercussions of climate change is therefore increasingly becoming necessary.

Beyond the relationship of climate change to energy security, scholars often struggle to analyze energy security because, as a concept, its meaning and policy prescriptions for a nation frequently change from country to country (Luft et al. 2011). For instance, while energy-importing nations are worried about ensuring a constant supply of energy, the primary concern is different for energy-exporting countries, which seek security of demand for their products. But this is not the only difference. Maya Jegen (2011) describes how North America and Europe have two fundamentally different types of energy security, despite both being net-energy-importers. On the one hand is North America, which “is characterized by a hegemonic power approach that ensures security of supply for the US and security of demand for Canada” (Jegen 2011, 74). On the other hand is the EU, which is highly dependent on Russian natural gas and is defined by a more equitable distribution of power among member states. As a result, the EU has a greater incentive to tackle climate change – since developing green and energy efficiency technologies means less dependency on Russia – and it has the institutional means to do so. The NAFTA countries, though, have neither the desire to reduce their carbon emissions nor the institutional mechanisms to coordinate a regional policy.

Therefore, realism is an important theory for understanding regional energy cooperation in North America because of its insights into the importance of (1) power dynamics between states, and (2) the role of energy security for policymakers. This summary also demonstrates that realist scholars currently debate whether or not energy security should be kept to a strict

definition relating to the national security implications of energy resources or if it should expand to include the perceived threat of climate change. In addition, states themselves also perceive energy security differently. Factors that influence a country's energy security include: domestic natural resource endowments and the country's ability to access energy internationally; the extent to which a country has a diverse set of energy sources; the physical security of pipelines and sea-lanes; whether any major-energy producing country is at war or at risk of war; if a country uses energy efficiently; and whether or not reducing carbon emissions is viewed as an important policy objective of the country.

Domestic Interest Groups

In contrast to realists, liberals argue that states are not unitary actors and that their behaviour in the international system is heavily influenced by domestic forces. The two theories share the same belief that actors are rational and seek to maximize their interests, but diverge on the primary level of analysis. Realists assume that states are autonomous or unitary actors that pursue the country's national interest, while liberals assert that states are constrained by the domestic preferences of powerful groups and individuals both within their own country and within others. Over the past couple decades, however, classical liberalism has been on the decline as scholars turned their attention to structural variables within the international system. The rise of neorealism and neoliberalism, while two very different theories, nonetheless converge on the assumption that states are the primary actors within global politics and that domestic variables are insufficient to demonstrate causality (Adler 1997, 319). As a result, the two theories have engendered the rise of a state-centered approach to world politics that largely dismisses liberalism as a major theory.

In light of this development, Princeton professor Andrew Moravcsik has taken upon himself the task of defending classical liberalism by writing several articles on liberal international relations theory (1992; 1997; 2003; 2008; 2012). He asserts that liberalism has not been taken seriously by scholars because several authors have tried to use the theory's insights to promote democracy, human rights, or an idealistic vision of the world – which often leads to failure under scholarly scrutiny and subsequent ridicule from realist scholars. As a result, his formulation of liberal international theory is strictly nonideological and nonutopian. In short, he argues “Liberal theory rests on a ‘bottom-up’ view of politics in which the demands of individuals and societal groups are treated as analytically prior to politics” (1997, 517). From this perspective, state-society relations are crucial to determine why states behave the way they do in the world because “societal ideas, interests, and institutions influence state behavior by shaping state preferences, that is, the fundamental social purposes underlying the strategic calculations of governments” (Moravcsik 1997, 513). Like other theories, classical liberalism has its variations, however each shares the three following assumptions:

1. The fundamental actors in international politics are rational individuals and private groups. Through collective action, they seek to promote their interests within the constraints of scarcity, conflicting values, and variations in societal influence.
2. All states represent some subset of domestic society, on the basis of whose interests state officials define state preferences and act purposively in world politics.
3. The configuration of interdependent state preferences determines state behavior (Moravcsik 1997, 516-520).

Taken together, these three assumptions amount to a pluralist view of politics: domestic and transnational forces shape state preferences and thus state behaviour. Essentially, liberalism

provides a three-step process for understanding world politics. First, various individuals and groups in society compete to advance their interests through collective action and political exchange; second, governments represent the winners of this process and act on the basis of the winners' preferences; and third, states advance these preferences in the international system but are constrained by preferences of powerful groups in other countries. The final step in particular is critically important since it links state preferences and state behaviour. Moravcsik (2008, 239) calls this concept *policy interdependence*, which refers to the "distribution and interaction of preferences – that is, the extent to which the pursuit of state preferences necessarily imposes costs and benefits upon other states." This is fundamental to the understanding of state behaviour. Where preferences of two countries converge, thereby making negative externalities of political cooperation low, the possibility of bilateral or multilateral collaboration is high and conflict is low. However, when they differ, a state will find it difficult to pursue its own interests because they go against the preferences of powerful actors in the other country: cooperation can still occur in this scenario, but it is unlikely. Consequently, for liberals, deciphering the patterns of preferences grants researchers the ability to predict and explain various levels of cooperation (Moravcsik 1997, 521).

In a similar vein, Robert Putnam's two-level game provides a comparable model that emphasizes the importance of pluralism and domestic preferences in the process of international negotiations. Putnam argues that the unitary-actor assumption is misleading but that relying on domestic factors alone is equally myopic; instead, scholars have to decipher how the two interact. He proposes that all international negotiations in fact happen on two levels. The first level is interstate bargaining and occurs when governments attempt to advance their national interests by negotiating policy agreements with other countries; the second level is intrastate

bargaining, and it consists of domestic interest groups competing with one another to have their interests and stances represented within the government (Putnam 1988, 434). The second level is crucial for cooperation because it both affects what the government will pursue abroad in terms of cooperation and dictates whether or not the final agreement is ratified at home. Putnam asserts that international cooperation is dependent on the size of the *win-set*, the set of all possible international level agreements that domestic constituencies in the home country would find acceptable. Hence, the larger the win-sets the more likely it is that the different governments can successfully reach an agreement. Two factors are important for determining the size of the win-set: first, the distribution of power, preference, and possible coalitions; and second, political institutions and the amount of possible vetoes in the ratification process (Putnam 1988, 442-449).

Another theory that is beneficial for examining the role of domestic preferences is a relatively new theory called open economics politics (OEP). Stemming from the field of international political economy (IPE), OEP was created in order to expand the research of IPE and show more explicitly how actors construct international institutions and build cooperation. In essence, OEP contends that international policy develops in a similar method to classical liberalism: (1) rational individual preferences are aggregated in domestic groups, (2) they are channeled into domestic institutions, and (3) states pursue these preferences abroad. Accordingly, OEP theory “proceeds from the most micro- to the most macro-level in a linear and orderly fashion, reflecting an implicit uni-directional conception of politics as flowing up from individuals to interstate bargaining” (Lake 2009, 225).

For the past forty-plus years, realist research on energy security has dominated energy politics and how scholars address its puzzles; however, classical liberalism, the two-level game model, and OEP theory provide an alternative framework for analyzing energy cooperation in

North America. Instead of focusing on security concerns associated with natural resources or national sovereignty, liberals would shift the focus to the configuration of state preferences. In this paradigm, liberal theory posits that the change in North American energy cooperation and the reason why the region still does not have an energy strategy is because of changes in enfranchised domestic groups and the constraints they place on Canada, the U.S., and Mexico.

Framing and the Power of Ideas

Constructivism diverges sharply from realism and liberalism for two reasons – what Alexander Wendt calls the two basic tenets of constructivism. These assumptions are “(1) that the structures of human association are determined primarily by shared ideas rather than material forces, and (2) that the identities and interests of purposive actors are constructed by these shared ideas rather than given by nature” (Wendt 1999, 1). Together, these premises have large ramifications for the study of international relations. In contrast to liberalism and realism, which examine materialistic and interest-maximizing individuals who want security and/or wealth, constructivism does not make any particular claim about the nature of agents or the content of social structures (Finnemore & Sikkink 2001, 393). Instead, constructivists focus on intersubjective beliefs, which are widely shared ideational factors that construct the interest and identities of purposive actors (Adler 1997; Ruggie 1998; Wendt 1999). Important for our discussion is how ideas held by a small number of people in society become intersubjective within a nation and ultimately influence international cooperation.

Fortunately, the “ideas literature” within constructivism focuses exactly on this transition (see Hall 1993; Sikkink 1991; Blyth 1997). To understand how ideas emerge and become widely accepted, these scholars focus on the process of policy learning, which was first advanced by

Hugh Hecló's (1974, 305-306) work on social learning and how "policy-making is a form of collective puzzlement on society's behalf." Thus, rather than concentrating on the ability of powerful political and economic actors to impose their preferences on others, constructivists argue that ideas become intersubjective through a long process of learning – one that is complex, uneven, successful, fruitless, and everything in between. It is only as a result of this procedure, and not the rationalist assumption that preferences are given, that determine the interests of actors. Moreover, Jacobson (1995) contends that people come to embrace some ideas over others not because of the power of an idea, but because of "its ability to clarify uncertainty or reconcile the interests of elites" (Finnemore & Sikkink 2001, 406). Finally, these ideas become institutionalized into government policies when "a team of like-minded people transforms their individual ideas into institutional purpose" (Finnemore & Sikkink 2001, 407). This practice typically occurs in state institutions, but can also happen in political parties, unions, and interest groups (Berman 1998).

One of the authors from the ideas literature group is Kathleen McNamara, who provides an unconventional view of how and why states cooperate. In her 1998 book, *The Currency of Ideas: Monetary Politics in the European Union*, McNamara explains the formation of Europe's monetary union by focusing on the shared experiences of Europe's political elites. She (1998, 17) uses constructivist thinking to define cooperation "in terms of a general trend in regime outcomes, rather than specific episodes of state behaviour or interaction." Since she defines cooperation as something that happens over a long duration of time instead of at one particular moment, McNamara (1998, 18) asserts, "Fundamental domestic-level changes in policy preferences can be considered causal forces producing regime stability or instability... [And] preference convergence as a central and important explanation for cooperation or discord." In the

European context, her argument is that monetary cooperation did not result from private economic actors or the distribution of power in Europe but rather from the convergence of thought around neoliberal economic policy ideas. Hence, three factors explain the emergence of the monetary union: policy failure (shared experiences of stagflation), policy paradigm innovation (rise of monetarist paradigm), and policy emulation (the success of Germany). This argument is important because it demonstrates that preferences and interests are neither given nor static, but rather influenced by politically dominant ideas (McNamara 1998, 8).

Important to this discussion is the idea of framing, which is a technique of policymakers in international relations that gives an idea instrumental power. It occurs when an actor targets another decision-maker and attempts to influence attitudes and behaviour (Mintz and Redd 2003, 194). Of course, there are several types of framing, including purposeful, thematic, productive, unproductive, interactive, and structural. Nonetheless, what is significant about this concept is its usefulness for understanding how “political leaders often use information and rhetoric to induce decision makers (allies, adversaries, the public, the media, constituencies, voters, and third parties) to adopt particular frames” (Mintz and Redd 2003, 194). Some constructivists may view this kind of thinking as too strategic and rational; however, it fits nicely with the ideas literature – in fact, it is crucial to the literature. Persuasion is necessary in order to change social facts, and how a new or old one is framed is a central method for advancing ideas (Payne 2001, 38). Therefore, framing is a device that is used to “fix meanings, organize experience, alert others that their interests and possibly their identities are at stake, and propose solutions to ongoing problems” (Barnett 1999, 25).

Thus constructivism is another useful approach for examining regional energy cooperation because it adds an additional level of analysis to the argument – ideas. While realists

emphasize the state level and liberals concentrate on domestic actors, both are ultimately rationalist theories that assume interests are given. Constructivists diverge from this point of view. They argue that determining the reasons behind why certain ideas become intersubjective is necessary for understanding which policies become institutionalized and how international cooperation emerges. As such, constructivists would argue that the ebb and flow of North American energy cooperation is a result of the change in values or ideas within each society. Moreover, they might focus their attention on the framing of certain ideas such as energy security and climate change and how politicians have used certain frames to advance their policies.

HYPOTHESES

In this thesis I will test three competing explanations for North America's missing regional energy strategy. In each case, the dependent variable will be "no regional energy strategy," for that is the outcome that this thesis seeks to explain. Conceptually, I define a regional energy strategy as a trilateral agreement that focuses on expanding the production of traditional energy resources: (1) conventional hydrocarbons such as natural gas and oil that flow easily from drilling a well; and (2) unconventional resources such as the Albertan oil sands, tight oil (also referred to as shale oil) from hydraulic fracturing, and shale gas that are more difficult to extract and, consequently, more expensive to produce. Such an agreement will also emphasize increasing the efficiency of North American energy markets, expanding energy exports, and, crucially, investing more in energy infrastructure. Climate change mitigation and renewable energy are often included, but by no means the focus: they are often attached as an afterthought. While trilateral cooperation can occur on some of these fronts, this outcome does not mean that

the governments have agreed to a formal regional strategy. Often the case is that these events are merely trilateral dialogues relating to areas in which the governments plan to cooperate sometime in the future.

What will change in each hypothesis are the independent and intervening variables. The first is a realist argument about energy security and the three nations' common fear of losing their national prerogative to manage their energy policies. This argument employs a strict definition of energy security (one that does not include the threat of climate change) and proposes that the absence of integration derives from the countries' unwillingness to grant an international institution or their neighbours control over the development and consumption of their natural resources. The second thesis uses classical liberal theory to argue that the only way to explain the ebb and flow of energy cooperation is by examining changes in the region's policy interdependence. Essentially, when preferences converge at the federal level, cooperation is possible and desirable; when they diverge, collaboration is unlikely. Finally, my third hypothesis uses the ideas literature from constructivism to argue that the variation in cooperation can be understood by concentrating on how various actors have been able to frame the debate on energy security. This approach takes a long-term view of the strategy's history and maintains that cooperation has succeeded and failed due to the rise of climate change as an intersubjective belief.

Hypothesis 1

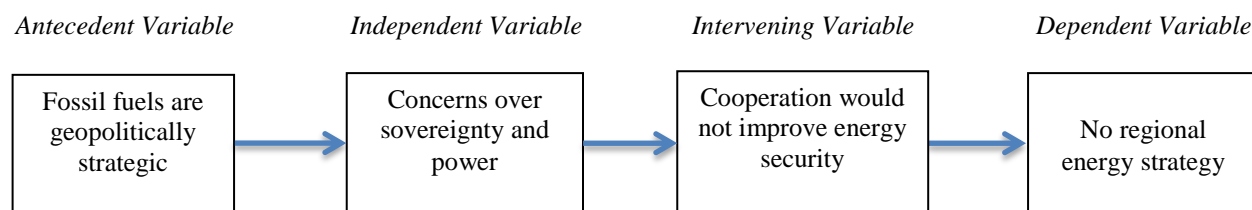
The first hypothesis employs a strict realist definition of energy security and focuses on the traditional security dynamics of natural resources – thus dismissing the security dimension of climate change. Since the discussion over the past sixteen years has largely centered on a

strategy for oil and gas and not climate change alleviation, it follows that the policymakers have been concerned chiefly with accessing a constant and affordable supply of – or demand for – fossil fuels. The argument assumes that the recent inclusion of climate change has not been in order to advance some ideational green agenda, but rather has been a political decision to allow each country to superficially adopt a green image while producing record levels of oil and gas at home. Some observers may see this perspective as a cynical view of today's politics, yet it shows that states are calculated actors that are trying to advance their national interests.

Therefore, we would expect to see energy security implications at the center of each government's decision to accept or reject regional energy coordination. Since fossil fuels hold such geopolitical significance, this hypothesis assumes that the possibility of creating a trilateral strategy on something as sensitive and strategic as energy policy is slim. Hence, the strategic importance of fossil fuels to a government is an antecedent variable that makes the outcome of no regional energy strategy very likely from the beginning. The independent variable in this hypothesis is that states are highly concerned with protecting their national sovereignty and increasing their relative power. As a result, the argument posits that energy cooperation does not happen due to the vast significance of fossil fuels and the three governments' unwillingness to give up their sovereignty over their national energy policies. In addition, there is an intervening variable of whether interstate cooperation would improve a state's energy security. Logically, if a state perceives cooperating on a project or policy as a way to increase its own energy security then it would pursue it. But when the benefits of cooperation are minimal or even negative because cooperating limits a state's sovereign ability to control its energy policy, then cooperation does not materialize. Finally, this hypothesis argues that given the asymmetric power dynamics of the region, there is a point at which cooperation is not possible because no

country – but especially the United States – will ever fully give up its sovereignty on energy. As a result, if an agreement is reached, it will be weakly institutionalized and dominated by the United States’ national security interests. Figure 1 visually illustrates this hypothesis.

Figure 1.1: Energy Security Hypothesis



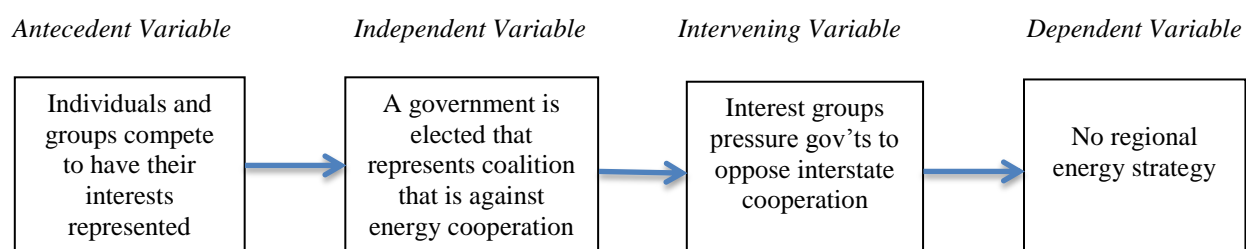
Hypothesis 2

Unlike the previous argument, the second hypothesis shifts the analysis from a strict state level to a multidimensional level that incorporates individual interests, domestic interest groups, and national policymakers. Specifically, by using Putnam’s two-level game model, it emphasizes the second level in which groups and individuals compete to have their preferences represented in the government. The argument does not focus as heavily on the bargaining strategies at the first level primarily because most of this information is secret and inaccessible to the general public. As such, this hypothesis analyzes the role of domestic groups, their ability to expand the win-set and make governments favour one position over another, and the constraining effect their preferences have on cooperation by using Moravcsik’s concept of policy interdependence.

If domestic actors are in fact the key behind understanding the regional energy dynamics in North America, then we would expect to see interest groups play a decisive role in the development and obstruction of North America’s regional energy policy. In this argument, the antecedent variable is that individuals and groups will compete with one another to have their voices heard in society – this is important because it shows how states are not unitary actors.

Second, the independent variable is whether a government is elected that represents a domestic coalition that is against energy cooperation. This is determined by the size of the win-sets and the preferences of enfranchised domestic actors: the influential groups and individuals that each government represents (Moravcsik 1997, 520). The intervening variable is interest group pressure – either through behind the door lobbying or public grassroots mobilization. This variable is important since a government may be elected that is inclined to go one way over the other, but it is often the work of these groups that alters the win-set and ensures that the government takes a certain position. Finally, once again the dependent variable is no regional energy strategy. Important to note is that within this hypothesis, cooperation is possible if the win-set is large enough; however, the win-set still might not be a regional energy strategy. This formulation therefore allows for small, incremental cooperation, even when there is no regional strategy. Figure 2 demonstrates this argument.

Figure 1.2: Domestic Interest Groups Hypothesis



Hypothesis 3

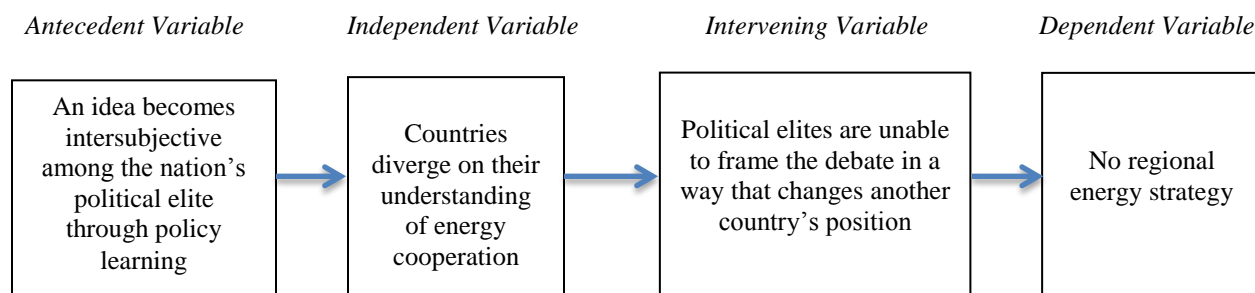
Unlike the previous two hypotheses, which examine the rational actions of interest-maximizing actors, the third hypothesis shifts the focus to a more abstract level consisting of the intersubjectivity of ideas. Similar to Kathleen McNamara's argument, this hypothesis examines the process of policy learning within the political elites of each country. Once a convergence of

thought occurs throughout the region, then interstate cooperation becomes possible. In addition, cooperation develops because politicians are able to successfully frame the debate over energy or the environment to make their neighbours willing to collaborate and harmonize policies. As a result, cooperation is dependent on the capacity of an idea to become intersubjective among the political elites of a country and then the ability of those politicians to frame the idea in a way that makes cooperation desirable in other countries.

Figure 3 demonstrates this constructivist argument. The antecedent variable is the process of policy learning and how an idea becomes intersubjective and accepted by the nation's political elite. Following this, the independent variable is that countries diverge in their understanding of that idea – this is where conflicting interpretations of energy security become important. The intervening variable is the inability of political elites to successfully frame the debate in a way that makes cooperation desirable. Once again, the dependent variables are the same for this hypothesis.

It is important that while both hypothesis 2 and 3 discuss the concept of preference convergence and how this enables cooperation to possibly occur, what differentiates the two are how the convergence materializes. Within the liberal paradigm, convergence is a deliberate effort that derives from the work of rational acting domestic actors who want to maximize their interests. The constructivist framework however depends on a longer process of policy learning; through policy failure, innovation, and emulation, actors will converge around an as it becomes intersubjective. Unlike in the case of liberalism, where the preferences of states can change overnight as a new party is elected, convergence in this case does not happen quickly.

Figure 1.3: Framing Hypothesis



METHODOLOGY

In this thesis I will be undertaking a single case study of North America because of the region's unique characteristics that make the task of case comparison cumbersome and unproductive. First, past scholarship (Dinan 2010; Gilbert 2003; Dedman 2010; Moravcsik 1998; Henig 2002) shows that the creation of the European Coal and Steel Commission (ECSC) was primarily about the reconciliation of France and West Germany after World War II – a dynamic that has not existed in North America since 1848 and the Mexican-American War. Moreover, it is also difficult to compare the current environment of North America to present-day Europe and the creation of the EU's Energy Union because of the high degree of path dependency in the latter case. In addition, two factors differentiate the North American region greatly from its Asian and South American counterparts. First is the respective regional balance of powers: North America is defined by an asymmetric power-dynamic, Latin America by multipolarity, and Asia by the competition of China, Japan, and other rising, yet weaker nations. Second, despite the lack of a regional energy strategy, Mexico, the U.S., and Canada are far more integrated as a result of NAFTA in comparison to ASEAN and MERCOSUR.

By using the method of process tracing – a technique that plots the causal mechanisms put forward by a theory against a case study – this thesis assesses three competing hypotheses that seek to explain why North America lacks a regional energy strategy. To accomplish this

task, I will provide a detailed and objective account of the history of energy cooperation in North America. For the reader's sake, instead of doing this in one mammoth chapter, I have separated the story into two. Chapter Two describes the years during the George W. Bush administration, while Chapter Three recounts what has happened since Barack Obama assumed the U.S. presidency. Using the division between the American presidents, however, does not emphasize the role of the United States over its NAFTA partners; although the change from Bush to Obama is important, dividing the chapters here was simply a narrative decision. Providing this narrative foundation is necessary both for the reader to have a deeper understanding of the region and for the effectiveness of the process tracing in the following chapter.

I will then use four empirical tests in Chapter Four to test my three hypotheses: they are *straw-in-the-wind*, *hoop*, *smoking gun*, and *doubly decisive*, and they come from the work of Van Evera (1997) and Bennett (2010). These tests help to decipher which hypothesis has the best explanatory power because they test for causation. Table 1 illustrates how the four tests work. As the reader can see, passing the doubly decisive test confirms the hypothesis and eliminates the others; however it is also the hardest to provide evidence for (Bennet 2010). As a result, providing evidence that a hypothesis passes both a smoking gun and a hoop test accomplishes the goal of doubly decisive test. Moreover, crucial to process tracing is the ability of a hypothesis to stand up to analytical testing over a period of time. Hence, as the reader will see in Chapter Four, I have chosen five key moments and time periods in the history of energy cooperation in North America. The hypothesis that can best explain each snap shot will be the hypothesis that ultimately has the best explanatory power and is thus the most plausible.

Table 1: Process Tracing, Four Tests for Causation

	Sufficient To Establish Causation	
Necessary to Establish Causation	No	Yes
No	Straw in the Wind <i>Passing</i> affirms relevance of hypothesis but does not confirm it. <i>Failing</i> suggests hypothesis may not be relevant	Smoking Gun <i>Passing</i> confirms hypothesis. <i>Failing</i> does not eliminate it.
Yes	Hoop <i>Passing</i> affirms relevance of hypothesis but does not confirm it. <i>Failing</i> eliminates it.	Doubly Decisive <i>Passing</i> confirms hypothesis and eliminates others. <i>Failing</i> eliminates it.

(Bennet 2010; Van Evera 1997)

THE ARGUMENT IN BRIEF

The key to explaining the lack of a regional strategy based on traditional energy resources lies within the work of domestic interest groups, who have played a pivotal role in both pushing for and rallying against interstate collaboration since the turn of the century. The willingness to coordinate the three countries' energy policies first emerged in the early 2000s when domestic actors in each country began to see the benefits of collaboration for the region's energy security and economic competitiveness. However, it was only through the lobbying efforts of business and industry groups in each country that the three countries agreed to establish the SPP in 2005 and to focus the new partnership on the goal of making a regional energy strategy. The desire to create a plan increased throughout the Bush years, but eventually fell off the map with the election of President Obama. Though the new president had a wide range of issues that he wanted to tackle, one that has been constant throughout his presidency has been the aspiration to make the United States a global leader in the fight against climate change.

For the past eight years, the discussion around North America's energy strategy has transitioned from one centered on fossil fuel production and energy infrastructure to one based

on renewable energy, green jobs, and climate change mitigation. Several factors have caused this to occur: the rise of environmentalism in the United States and the movement's tight relationship with the U.S. Democratic Party; the new generation of PRI leaders under President Nieto who want to confront climate change; and the recent election of Justin Trudeau and the Liberal Party of Canada in the fall of 2015. What is important about this transition is that the convergence of preferences of each country did not result from a long process of policy learning and the ability of political elites to frame the debate in a certain way, but from the fact that pro-green political parties became elected within North America over the years, and the domestic forces they represent were able to influence them to take a certain position. Thus while the constructivist hypothesis rightfully points towards the power of ideas and the convergence of preferences, it wrongly predicts how the convergence occurs.

The primary result of this transition over the past seven years has been the reduction of the win-set for a regional energy strategy based on oil and gas production, energy infrastructure, and energy exports, while simultaneously there has been an increase in the win-set for continental collaboration on clean energy and climate action. Since the United States is vastly more powerful than its neighbours, the pattern of preferences in North America is *asymmetrical interdependence*. This statement may sound like a realist argument, but it is instead an acknowledgement of the current power dynamics of the continent. What it means for our puzzle is that, for regional cooperation on traditional energy to emerge, Canada and Mexico have to match the United States' preferences. They have to not because the U.S. coerces the two smaller countries into an arrangement, but because the actions of Canada and Mexico are greatly constrained by the interests of powerful groups in the United States. Consequently, under President Bush the existing preference structure meant cooperation overwhelmingly focused on

traditional energy security, while under President Obama cooperation emphasized clean energy and climate change. Therefore, though realists argue that the reason why there is still no energy strategy is because the countries are unwilling to concede sovereignty over their energy policies, the actual answer lies in the underlying preference structure of the region and the fact that the three governments represent coalitions that, for environmental reasons, do not want the North American governments to cooperate trilaterally on oil and gas development.

As I will show in this thesis, using the concepts of two-level games and policy interdependence is the most plausible way to explain the lack of a regional energy strategy in North America. From the creation of the SPP to the recent rumours about a possible North American Climate Change Agreement at the 2016 North American Leaders Summit, the hypothesis that consistently demonstrates the strongest causality is the liberal argument.

Chapter Two

Post-NAFTA Cooperation during the Bush Years

Before and especially after the September 11 attacks, President George W. Bush took a particularly keen interest in developing closer relations with the United States' neighbours. Quite remarkably, between February 2001 and April 2008, President Bush met with the Canadian Prime Ministers 21 times, the Mexican Presidents 18 times, and collectively as a group of three 12 times (Pastor 2008, 86). Unsurprisingly, this unprecedented attempt from an U.S. President to deepen regional integration both formally and informally came with its critics: several Republicans argued that the new regional agreements were part of a larger conspiracy to subvert U.S. sovereignty, while the left attacked President Bush's plans because they would lead to a supposed decrease in manufacturing jobs. But despite these opponents, President Bush was able to authorize a host of new intergovernmental institutions, working groups, and trinational committees during his two terms. Among these new programs were border agreements with Mexico (SENTRI) and Canada (NEXUS), and initiatives such as Free and Secure Trade (FAST) and Customs-Trade Partnerships Against Terrorism (C-TPAT) that were designed to make trade "free" and "safe" again after 9/11 (Morales 2008, 4).

It would be incorrect, however, to attribute the large amount of regional cooperation that occurred from 2001-2009 solely to the efforts of the Bush administration: both the Canadian and Mexican governments were receptive to more interstate cooperation because they perceived that working together would help their respective countries' economies. In particular though, Mexico under President Vicente Fox preferred greater collaboration and pushed for a new round of integration in the early 2000s. Hence, in the first section of this chapter I will briefly review President Fox's attempt to create a "NAFTA-plus." This story is important because the rise and

fall of Fox's major initiative marks an important learning experience: further regional integration depends on Canada and Mexico matching the preferences of the United States. Due to the asymmetric power dynamic of the region, the two countries are heavily constrained by the United States' preferences.

Following this section, the chapter turns to the history of energy policy coordination between the NAFTA countries during the George W. Bush era and illustrates how unlike NAFTA-plus, regional energy collaboration was a successful endeavor for the three governments because each federal administration shared the common goal of improving the region's energy security. To chronicle North American energy cooperation from 2001-2009, I will begin by describing the creation of the North American Energy Working Group (NAEWG) and the work it accomplished. After, I will delineate the process leading to the creation of the most important regional agreement since NAFTA: the SPP. Crucial to this story is the role of powerful business groups and the job they played in motivating the three administrations to pursue a continental energy strategy. Finally, I will review the work the SPP undertook on the energy file and how the group worked towards creating a regional energy strategy for North America. As we will see in this chapter, a single hardcopy document describing North America's energy strategy was never produced. The 2006 "North American Energy Security Initiative" was a good attempt, but it was limited in scope and soon forgotten by the three countries. Moreover, throughout the rest of the Bush administration interest groups and individuals continued to work towards the goal of making a regional energy strategy.

The final part of this chapter analyzes the role of two secretive but influential groups in the creation of this framework: the North American Competitiveness Council (NACC) and the North American Forum (NAF). These organizations consist of current and past politicians, as

well as CEOs and Presidents of the largest corporations from each country. While most of their work – especially the NAF – has been conducted behind the scenes and without access to the public, they have nonetheless had a significant role in the development of North America’s regional energy cooperation during the Bush years.

THE FAILURE OF MEXICO’S NAFTA-PLUS MODEL

Mexico surprised the democratic world on July 2, 2000, when its 71-year ruling party, the Institutional Revolutionary Party (PRI), was defeated in the country’s national election. Winning the Presidency, the Senate, and the Chamber of Deputies, the National Action Party (PAN) ended the PRI’s grip on Mexican politics. The new President, Vicente Fox, promised democratic reforms and poverty reduction through economic growth, targeted social-programs, and educational reform (Schedler 2000, 11-12). Though the PAN is a traditional conservative party with roots in Catholicism and historical ties to businesses, President Fox attempted throughout the campaign to cast the PAN as an inclusive liberal-democratic alternative to the PRI’s authoritarianism (Shirk 2000, 27). This campaign was remarkably successful and led to Fox assuming the presidency in December 2000. For observers in Washington, the defeat of the PRI was a watershed moment for U.S.-Mexican relations: political elites in the U.S. were greatly optimistic that the new democratic government under President Fox would be open to greater collaboration (Morales 2008, 123).

Leading up to and during the presidential campaign, Fox spent a significant amount of time campaigning in the U.S. for greater integration beyond NAFTA, so it was to be expected that one of his first initiatives as president was to pursue the NAFTA-plus project. Vicente Fox quickly hired Jorge Castaneda – an influential and major critic of the former PRI regime – to

implement his new proposal as Mexico's new Secretary of Foreign Affairs. In essence, the two hoped to deepen continental integration by developing a new North American framework based on the free mobility of labour, stronger and possibly even supranational institutions, and development-oriented policies. In his biography, *Revolution of Hope*, Fox (& Allyn 2007, 101-102) writes that he believed his plan "would raise incomes in Mexico, making us richer customers for U.S. and Canadian products; boost the standard of living north of the border; and make all three of our nations stronger allies in the fights against crime and terrorism."

However, though Fox's ambitious goals the region embraced the neoliberal consensus championed by North America's corporations and political elite, its emphasis on labour market liberalization ran contrary to the U.S.' opinion on the matter. One could even argue that President Fox's determination for Washington to expand the guest-worker program and to give legal residence to millions of Mexicans living in the U.S. was possible in the early months of 2001. For instance, in an effort to attract Hispanic voters to the Democratic Party, AFL-CIO unanimously passed a resolution in February 2000 that expressed solidarity with immigrant workers and called for new reforms to protect their rights. Having recognized the growing importance of migrants in the U.S. economy, President Bush met with the Fox government several times to iron out a migration deal in his early months as president (Rozenal 2004, 97). Unfortunately, the terrorist attacks on September 11, 2001, ended this progress and solidified the view in the U.S. that increased border protection and restricted immigration were needed. Within this new paradigm, the NAFTA-plus proposal was politically unachievable due to its focus on the free mobility of labour. Again, as Vicente Fox describes it:

Bush shot the idea down. The White House sent word that life would be easier if this Mexican cowboy would stop raising hackles with his talk of a North American Union. Of course, it is a radical notion and now runs completely counter to the wall-building isolationism that swept the U.S. after the tragic events of September 11, 2001 (Fox & Allyn 2007, 102).

The rise and fall of the NAFTA-plus initiative shows that in order to further continental integration, Mexico and Canada must match the policy priorities of Washington. Isidro Morales (2008) argues that President Fox's strategy failed for two reasons: (1) the Bush administration was open to more cooperation, but free labour mobility was not one of those areas – especially after 9/11; and (2) Fox and Castaneda underestimated Mexico's bargaining capabilities vis-à-vis Washington. In other words, the NAFTA-plus example shows that an economically sound idea for regional cooperation can fall flat if it does not accommodate the major priorities of the U.S. As a result of the asymmetric power dynamic that defines the region, each government may and can have its own preferences for North American integration, but in each case the U.S.' opinions will always hold more weight and determine the direction and speed of integration.

Finally, it is also important to highlight that Fox's leverage was weak against the U.S. because he also failed to get Canada on board for NAFTA-plus. The reaction by Prime Minister Chretien and the rest of the Canadian government to the proposal was noticeably cold, despite a serious effort by Fox to gain Canada's approval. At the core of Canada's concerns were the ideas of free labour mobility and a potential common currency – both of which would result in the loss of Canada's economic sovereignty (Wood 2012, 126). Additionally, Chretien wanted to maintain Canada's 'special relationship' with the U.S. and feared that moving integration beyond free trade into issues such as migration, economic development, and drugs would risk harming this partnership (Rozental 2004, 99-100).

ENERGY SECURITY: A NEW AND SUCCESSFUL AREA OF COOPERATION

Unlike labour mobility, an area of regional cooperation that proved fruitful during the Bush years was energy security. Similar to his predecessors, George W. Bush was highly

concerned with ensuring the security of America's energy supply. Even before the September 11 attacks, Bush made a speech in St. Paul describing "America's energy challenge" and how "if we fail to act [on energy efficiency and diversification measures], our country will become more reliant on foreign crude oil, putting our national energy security into the hands of foreign nations" (CNN 2001). Moreover, in May 2011, President Bush's newly created National Energy Development Group published a report on the U.S.' national energy policy that argued that the U.S. must make energy security a priority of U.S. trade and foreign policy in order to feed the country's voracious appetite for energy. As a result of these developments and the ensuing wars in Iraq and Afghanistan, energy security quickly became a major priority within the Bush administration and a field in which pro-integration groups in each country believed that there was ample room for further trilateral cooperation. In this part of the chapter, I will first describe the steps that led to the creation of the SPP; following this discussion I will then describe the work that the SPP accomplished while it existed.

The Corporate Origins of the SPP

The first time Canada, the United States, and Mexico attempted to coordinate their energy policies occurred in early 2001 with the creation of the North American Energy Working Group (NAEWG), which was organized at the request of the three NAFTA leaders. The NAEWG was an inter-ministerial task force aimed at producing reports and studies on enhancing North America's energy trade and improving the region's policy and regulatory coordination. It consisted of nine Expert Groups, which included regulatory framework, oil sands development, energy efficiency, natural gas interconnections, and science and technology among others. One of the first reports the group published was *North America – The Energy Picture* (2002). The

report is a noteworthy step in the story of North American energy cooperation because it symbolizes the first time the three countries provided side-by-side energy data from their own departments in the same document for stakeholders in the energy sector. Though Duncan Wood (2014, 4) argues that the NAEWG “came to be seen as an integral part of the North American cooperation architecture,” other authors (Hufbauer & Schott 2005, 425) contend that the group’s “high political profile soon faded” as it began to solely focus on sharing technical information instead of championing the construction of big-ticket infrastructure or energy security projects.

In the wake of this decline, the Canadian Council of Chief Executives (CCCE) – Canada’s most powerful interest group, which consists of the top 150 CEOs and most influential entrepreneurs of Canada’s largest corporations – announced a new program in March 2003 called “The North American Security and Prosperity Initiative.” The CCCE argues that Canada “needs an overarching vision and strategy for advancing our interests in North America.” Unlike Fox’s NAFTA-plus, this proposal states clearly that North America should neither copy the supranationalism of the EU nor implement a common currency. Instead, Canada should take the charge in pursuing five interconnected policy goals to increase Canada and the region’s economic and physical security. The recommended issues were: (1) reinventing borders, (2) maximizing economic efficiencies, (3) negotiating a *comprehensive resource security pact*, (4) sharing in continental and global security, and (5) developing 21st century institutions to manage the new partnership – i.e., creating North American specific institutions that help to facilitate trilateral cooperation but respect the national sovereignty of each country. Although the initiative was designed primarily to advance the Canadian-American bilateral relationship, it nonetheless recognized that Mexico will inevitably play a role in developing the new North American relationship. CCCE’s proposal, however, was vague when addressing this issue and merely

mentioned in passing that Mexico will join when it is ready to do so.

The following month, the CCCE established the 30-member *CEO Action Group on North American Security and Prosperity* to promote its initiative in Canada and the United States. CEOs that were part of this committee included those from BMO Financial Group, EnCana Corporation, TransCanada PipeLines Limited, Canadian Aviation Electronics, and General Motors Canada. One of the group's first responsibilities was at the CCCE's Spring Members' Meeting in Washington, D.C. from April 7-8, 2003, where the task force met with senior American policymakers and corporate executives to gauge the U.S.' interest in deeper North American integration. Thomas d'Aquino, President and CEO of CCCE, argued before the meeting that, "Canada and the United States should take the lead, in consultation with Mexico, in developing a new paradigm for North American cooperation" (CCCE April 2003). Among those that the Action Group met with were:

- *Andrew Card Jr.*: Chief of Staff to United States President George W. Bush
- *Hillary Clinton*: Democratic Senator of New York
- *Thomas Ridge*: United States Secretary of Homeland Security
- *Michael Kergin*: Canadian Ambassador to the United States
- *Paul Cellucci*: United States Ambassador to Canada
- *Thomas Niles*: President, United States Council for International Business
- *John Castellani*: President of the United States Business Roundtable
- *Juan Gallardo*: Member of Board of the Mexican Business Council

Later that year in November, CCCE published a press release that urged Paul Martin, then incoming Prime Minister of Canada, to "take the lead in forging a new vision for North American cooperation" (CCCE November 2003). In the press release, d'Aquino stressed that Mr. Martin had already signaled his intention to fix the Canadian-United States relationship¹ and that

¹ President Bush did not make an official bilateral visit to Canada until December 2004 and had already visited Mexico, which was in fact his first foreign visit as President, in February 2001. Commentators view this decision as a deliberate snub of Prime Minister Jean Chretien, who had indirectly supported Al Gore in the 2000 U.S. Presidential Race and voted against joining the U.S. in 2003 in its war against Iraq (Wood 2012, 124).

this determination should extend to developing a “new [institutional] architecture for the continent.” Unlike the beginning of 2003, CCCE now recommended that its Security and Prosperity Initiative should incorporate Mexico. Moreover, d’Aquino also mentioned that all 150 member CEOs of CCCE are now involved in this ambitious two year initiative – not just the 30 members on the action group.

CCCE’s pro-business recommendations mirrored the preferences of incoming Prime Minister Paul Martin: though Jean Chretien presided over a fairly pro-business government that greatly reduced Canada’s federal deficit, it was nonetheless Paul Martin – who was Finance Minister during the Chretien government – that implemented these policies. Mr. Martin is what is known as a “blue liberal” in Canada.² He is socially progressive, but generally more fiscally conservative, pro-trade, and business friendly than the average Liberal (Chase 2013). He derives his “blue” beliefs from his experience running a successful shipping business before entering politics but his more progressive views on the role of the government come from his father, who was Minister of National Health and Welfare from 1946-1957 and who played a significant role in crafting Canada’s welfare system (*The Economist* 2003). Moreover, CCCE’s preferences directly entered Martin’s cabinet when David L. Emerson – former vice chairman of CCCE and CEO of Canfor Corporation – became Martin’s Minister of Industry in July 2004.

CCCE’s efforts to create a new framework for North America took an important step in October 2004 when it replaced its old CEO Action Group with a new trilateral task force called the “Independent Task Force on the Future of North America.” This transformation represents the moment in which CCCE’s – and thus Canada’s – plan for greater North American cooperation went continental: in conjunction with CCCE, the new task force also included the

² Unlike the U.S., blue is the colour of the Conservative Party and red is the colour of the Liberal Party in Canada

U.S.-based CFR and the Consejo Mexicano de Asuntos Internacionales (the Mexican Council on Foreign Relations/COMEXI). In addition, it was co-chaired by a undeniably influential trio: John Manley, the former Canadian Deputy Prime Minister and Minister of Finance; Pedro Aspe, the former Finance Minister of Mexico; and William F. Weld, the former Governor of Massachusetts and Assistant US Attorney General. On March 14, 2005, the trio published a press released titled, “Trinational Call for a North American Economic and Security Community by 2020.” The statement was released in advance of a trilateral summit between President Bush and Fox and Prime Minister Martin the following week and argued in favour of a North American Community that enhances “security, prosperity, and opportunity for all North Americans” and includes a “North American energy and natural resource security strategy” (Manley et al. 2005a).

Just nine days after this statement was released, the three NAFTA leaders announced in Waco, Texas, the creation of the SPP – whose name bears a striking resemble to CCCE’s original plan, the North American Security and Prosperity Initiative. Although the SPP did not address all of the shortcomings of North America’s institutional structure, it was nonetheless a monumental step in North America’s history. As the name suggests, it was primarily created to increase the region’s security and economic competitiveness by facilitating cooperation between the three countries on a wide range of issues (Gluszek 2013, 19). These topics included border security, transnational threats, energy collaboration, financial services, and many others. The SPP was not a signed treaty and thus had no binding authority; however, throughout the years its working groups provided numerous reports that aided the three North American leaders in finding common areas on cooperation. As we will see in the following section, the institution was pivotal in the coordination of energy policy in North America and came close to creating a concrete plan to follow.

The SPP and the Development of a 'Continental Energy Strategy'

The SPP had two fundamental goals: (1) enhance the continent's overall security; and (2) increase economic prosperity for all North Americans. As such, the SPP neatly fitted within Washington's evolving security regime and furthered the perception that the U.S.' national security was dependent on the entire continent's security. However, equally important to the 'Security' side of the SPP was the 'Prosperity' component. As evident by the previous part of this chapter, major business and political interests in each country supported greater economic cooperation over a wide range of issues. As a result, the SPP established a new set of ministerial-level working groups on transportation, technology, and health in order to improve the overall competitiveness of the continent.

But the most important working group of the SPP and the area in which the SPP's creators thought there was the greatest possibility for further integration was energy. With the creation of the SPP's Energy Working Group, the NAEWG essentially became the intellectual capital for the working group and focused in particular on implementing the "North American Energy Security Initiative," which was announced by the three leaders at the 2006 SPP Summit in Cancun, Mexico. The leaders defined energy security as "a secure and sustainable energy supply" for the continent and stated that they agreed to the following to enhance energy security:

1. Increasing collaboration on research, development and commercialization of clean energy-related technologies;
2. Promoting the development of resources and infrastructure; and
3. Increasing cooperation on energy efficiency standards (Gov. of Canada Archives, 2006).

The SPP's work on energy security became a priority for the three countries because of the growing concern of "peak oil" and the challenges the United States faced in its efforts to wean its dependency on Middle Eastern oil. As noted earlier, energy security has long been a priority of U.S. Presidents but a fear began to spread in the mid-2000s that the world would soon reach the point of no return in which no matter how many more oil wells that were drilled, we would soon reach our maximum level of oil production (Maass 2005). Consequently, as the U.S. became embroiled in two wars in the Middle East, U.S. policymakers became determined to wean the country off of unreliable energy sources by both investing in clean technology and energy efficiency initiatives and making Canada and Mexico permanent suppliers of oil to the U.S. This strategy was evident in Bush's 2006 State of the Union Address when he announced new energy incentives and programs to help the U.S. "reach another great goal: to replace more than 75 percent of our oil imports from the Middle East by 2025."

Therefore, in terms of energy security, the major goal of the SPP from 2005-2009 was to keep Canada and Mexico reliable and safe net suppliers of oil to the US (Morales 2008, 173). Over the years the initiative strengthened trilateral cooperation on energy security by working on the harmonization of energy efficiency standards, promoting the sharing of technical information to improve the North American energy market, exploring opportunities to reduce barriers to further continental energy trade, and negotiating new agreements like the Trilateral Agreement for Cooperation in Energy Science and Technology (Villarreal & Lake 2009). *The North American Energy Picture II*, published by NAEWG in 2006, reiterated the position that Canada and Mexico should become the U.S.' new permanent suppliers and provided additional evidence to illustrate that there were still more areas that could benefit from coordinated policymaking. Moreover, when CCCE's Independent Task Force released their final report, *Building a North*

American Community, in 2005, it too included a section on developing a North American energy strategy as a key component for the future of the continent's economic growth.

Therefore, creating a continental energy strategy for the three North American countries was a fundamental pillar of the SPP and was a goal that each leader worked towards from 2005-2009. While said strategy never materialized in the form of one document that delineates the short term and long term aspirations of such a strategy, a framework did begin to shape over the course of the second Bush Administration from the incremental progress that the three energy ministers and their leaders did to improve North America's energy security. In aggregate, the sum of this piecemeal approach added up to a quasi-continental energy strategy, but never at any one point during the Bush years were the NAFTA leaders able to stand in front of the media and announce the creation a single proposal for the future of the region's energy.

Working From Behind the Scenes – The NACC and the NAF

In addition to the SPP, the two other major institutions that were influential during the second Bush Administration were the North American Competitiveness Council (NACC) and the North American Forum (NAF). The NACC and the NAF are important to the story of North America's regional energy cooperation because their work illustrates the continuation of the dominance of business groups and former political elites in the development of North American energy policy. Yet, while the SPP was at least notorious for its secretive behaviour, the work of the NACC and especially the NAF has been so mysterious that little has been written about either group – both in scholarly literature and the press. In this section, I will do my best to reveal the influence of both groups and how they worked behind the scenes to further the creation of a North American energy strategy alongside the SPP.

The NACC was proposed by a report co-authored by the Council of the Americas and the North American Business Council in their January 2006 report, “Findings of the Public/Private Dialogue on the Security and Prosperity Partnership of North America.” It was later officially institutionalized by the three NAFTA leaders at their second annual SPP meeting in March of 2006. The intention of the council was to provide a voice to the private sector in the SPP by creating a committee of 30 North American CEOs – each country had ten members. Unsurprisingly, its creation came with a round of backlash from groups such as the Council of Canadians, who felt left out of the decision making process of the SPP and began to question that organization’s ties to the business communities (Gorman 2007). Included in the NACC were insurance firms, national banks, car companies, energy and electricity producers, big-chain consumer stores, and telecommunications and pharmaceutical corporations. The first meeting was on June 15, 2006, and, despite the presence of major stakeholders from each country, the meeting came and went with virtually no mention in mainstream media.

Before being disbanded in 2009 by President Obama, the NACC published two official reports and an official statement containing recommendations for the three leaders. In their 2007 report, the 30 business leaders expressed their approval of the SPP’s progress in facilitating border crossing, regulatory cooperation, and specific programs relating to food and agriculture, and offered another 51 recommendations to enhance North American economic competitiveness. Important to note is that an entire third of their report focused on energy integration. On this front, the CEOs suggested that the ministers take the following steps: “promote the development of specialized skilled labor, to develop a North American energy outlook, to expand the mandate of the NAEWG, and to identify opportunities for development of biofuels” (NACC 2007, 5). The 2008 document reiterated the primacy of energy cooperation as a crucial component of the

present and future of North America's partnership, while the 2009 statement focused predominately on the global financial crisis; however, their statement differed slightly from their past reports because they emphasized the need to pursue trilateral cooperation on both energy *and* climate-related projects.

The NACC's work largely remained behind closed doors and away from the public ear for most of its existence until Presidential Candidates Barack Obama and Hillary Clinton began to attack NAFTA and question the benefits of free trade. In both their 2008 report and their 2009 statement, the Council cautioned North American policymakers from resorting to isolationist policies. For once, mainstream news sources quoted the NACC's reports during this time and comments made by Prime Minister Stephen Harper, President Bush, and President Calderón in defense of the group's work (Greenaway 2008; Penty 2009). However, aside from this brief moment in time, the NACC – and the business interests it represented – stayed away from the spotlight and worked behind the scene.

Concurrent to the SPP and the NACC, the NAF has also played a central role in the development of North America's regional energy cooperation because every year it hosts an annual summit for the most powerful business and political figures in North America. Unfortunately, analyzing the NAF is difficult since so little information is known about these meetings – despite having met annually for the past 11 years. The main source of information comes from the D.C.-based think tank, the Hoover Institution, which has served as the U.S. secretariat for the NAF since 2014. On their website, they note that the annual meetings encourage community building in North America by encouraging policy makers to envisage regional approaches to public policy problems; identifying steps the private sector and civil society can take to build up North America; and prompting politicians to think imaginatively

about areas for future cooperation. Agendas are shaped by the host country and have ranged from the 2007 meeting that primarily focused on demographic and migration trends to the 2010 summit that analyzed how to best respond to the “drug war” in Mexico and the ongoing global economic crisis. But perhaps most important of all, eight of the eleven summits had continental energy security, energy independence, or energy future as one of their primary focuses.

One of said summits occurred in 2006 in Banff, Alberta, and focused on explorative measures to achieve the goal of greater energy independence. Fortunately, Judicial Watch, a U.S. public watchdog group, obtained documents containing the itinerary of the summit and of who attended and spoke via a Freedom of Information Act request. The 2006 NAF was co-chaired by former U.S. Secretary of State George Shultz, former Finance Minister of Mexico Pedro Aspe, and former Premier of Alberta Peter Lougheed³ and its participants represented major political, military, and economic interests from each country. On opening night, September 12, 2006, Dr. Mario Molina (a 1995 Nobel Laureate in Chemistry from Mexico) gave the keynote address titled “Energy and Environment: A Vision for North America.” The next morning alone featured: a keynote speech from the Hon. Greg Melchin, Minister of Energy, Government of Alberta, on “Alberta’s Role in Continental Energy Security;” a speech by George Shultz titled “Toward a North American Energy Strategy;” and a panel featuring the Vice Chairman of Canadian Natural Resources Limited, the President and CEO of Suncor Energy Inc., the Director of the U.S. Center for Environmental Science & Policy, and the Planning & Evaluation Subdirector of PEMEX.

While it is incredibly difficult to measure the impact of this summit and the subsequent NAF summits on the choice of North American policymakers to pursue a trilateral energy

³ In other words, the NAF was co-chaired by Ronald Reagan’s Secretary of State, a prior co-chair of the Independent Task Force on the Future of North America, and a vocal supporter of Canadian Oil Sands.

strategy during the second Bush Administration, it is clear that there were deep ties between the business community, its allies in major think tanks, and policymakers and politicians in each NAFTA country. Essentially, this 2-day forum gave pro-business individuals and groups ample time to present their views to members of the current governments in each country. It is difficult to judge whether the work of the SPP had an impact on what the NAF participants discussed or if it was the NAF that influenced the work of the SPP, but we can conclude that many individuals interacted with both groups and that the existence of the NAF during the second Bush administration helped to keep the development of a regional energy strategy at the top of the government's priority list. In the same document released by Judicial Watch, the notes on the opening comments by the co-chair said how they already have NAFTA, the SPP (which is "little known by the public"), the NAF, and the CFR Task Force – clearly they see themselves as a collective package.

CONCLUSION

There are several key takeaways from the story outlined in this chapter, but the most important one is that regional energy *cooperation* defined the George W. Bush presidency, not antagonism or competition. Although it was a gradual process, from 2001-2009 collaboration on enhancing regional energy security became not only possible, but also increasingly desired by each government. Due to the efforts of the CCCE in the early 2000s, the three North American governments recognized their shared policy goals and established the SPP in 2005 to facilitate short-term and long-term cooperation. The creation of the NACC and the NAF helped to facilitate this process and gave a permanent role to business and political elites in the development of North America's energy policy.

The other significant trend to note about this half of the story is that the regional integration – including, but not just the energy file – pursued during the Bush era was entirely elite-driven. On the document that Judicial Watch obtained from the 2006 NAF, the official who took the notes wrote down that one of the co-chairs argued for “evolution by stealth” – asserting that regulatory changes, which don’t require parliamentary or congressional approval, could be used to lay the infrastructure for North American integration (Patterson, 2007). While the NAF is just one institution and that this was just one summit, the fact remains that one of the co-chairs argued in favour of behind the scene elite-driven integration instead of an open process. This comment should not be surprising because the creation of the SPP and the NACC were also elite-driven. From 2001-2009, business groups held considerable weight in the North American political arena of ideas and opinions and were able to influence the three NAFTA governments. Whether or not they were able to hold the same power during the Obama years is where we turn to next.

Chapter Three

The Decay and Rebirth of Regional Cooperation under President Obama

In a 2014 op-ed for *The Financial Post*, Thomas D'Aquino – former CEO and President of CCCE and now co-chair of the NAF – asks what happened to North America's bold trilateral innovations. He argues,

NAFTA, once a shining example of leading-edge statecraft, now is tired and unappreciated. The grand design envisioned by the SPP has fallen into oblivion – a victim of partisan politics, bureaucratic overload and leadership neglect. Since the NACC fell by the wayside, the business leadership of the three countries, which played a decisive role in the realization of the NAFTA, now comes in contact only sporadically. While it is true that work on the trilateral agenda continues in areas such as border facilitation, regulatory cooperation, health and emergency management, and security and defence cooperation, this is the stuff of incrementalism – a far cry from the vision and ambition that occupied the continent's political chambers and boardrooms in decades past.

One could point to the North American Leaders' Summit (NALS) – the spiritual successor to the SPP's annual summits – yet even this summit series is weak. While the image of the three leaders standing side by side portrays a sense of solidarity for the region and of hope for further regional cooperation, the days of meaningful trilateral dialogue and policy coordination have long passed. In the 2014 CFR Task Force Report on North America, the co-chairs conclude that North America has become one of the most interdependent regions in the world, but without greater cooperation among the three nations at the federal level, each country will unfortunately fail to tap into the continent's “substantial unfulfilled potential.”

The good news, however, is that shortly after D'Aquino's article, policymakers in each North American country have started to once again coordinate with one another and that this progress has increased rapidly since the election of Justin Trudeau and the Liberal Party of

Canada in October 2015. As it will become clear in this chapter, the pattern that we see during the Obama years is vastly different from that of the Bush years – where the status quo was largely traditional energy cooperation. Rather, a three-step process defines Obama’s presidency: (1) a sharp decline in trilateral energy cooperation; (2) a slow movement towards interstate collaboration; and (3) a significant uptick in trilateral efforts. Explaining why cooperation stopped in 2009 and why it has only recently started to reemerge since the middle of 2015 is the key to the puzzle of North America’s energy policy. As a result, the evidence presented in this chapter is crucial for the subsequent chapter in which I will test my competing hypotheses.

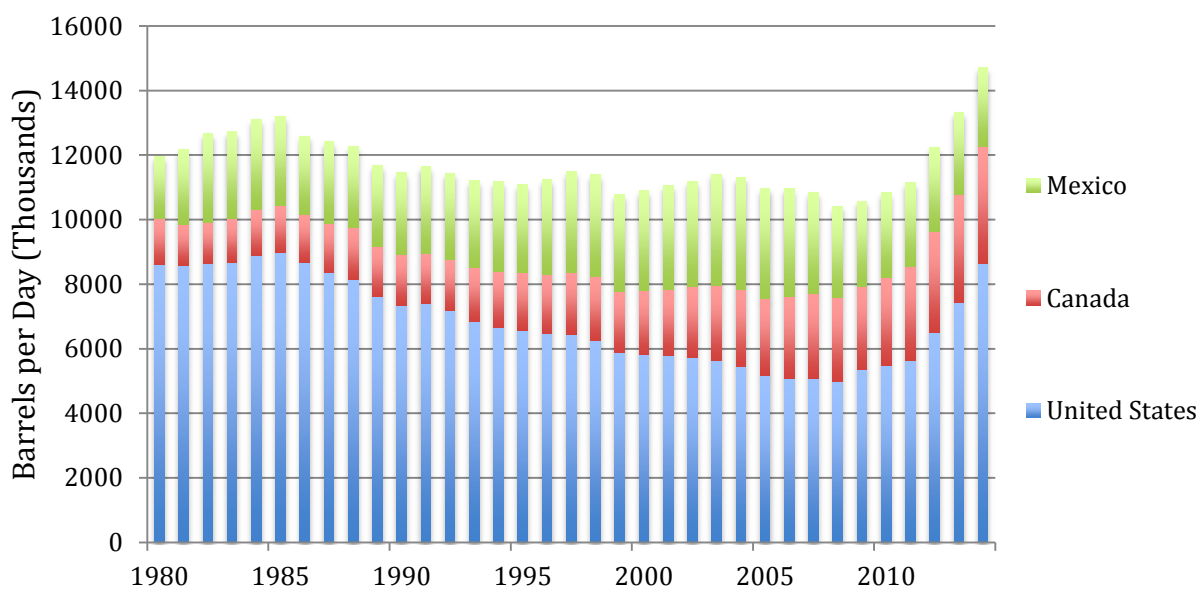
This chapter proceeds as follows. First, it will review the regional and national energy developments of the three countries: outlining the recent boom in oil and gas production in Canada and the U.S., the 2014 energy reforms in Mexico, and how each country has confronted climate change is crucial in order to later analyze the trends in regional cooperation. Second, the chapter delves into the growing strength of the environmental movement in the base of the Democratic Party. The greening of President Obama has had large ramifications for both U.S. policy and North American collaboration. As I will show, Obama has gone to great lengths to distance himself from the pro-business and narrow definition of energy security that was used during the Bush administration and towards one that addresses the challenges of climate change. Within this discussion, the chapter highlights the salience of environmentalism within the Democratic Party and uses the Keystone XL pipeline as a case study to illustrate the growing power of environmental groups and how they can stymie energy cooperation. In the final section I will examine important steps in the decline and revival of cooperation, namely the end of the SPP, the trilateral energy cooperation that began to emerge while Stephen Harper was still Prime Minister of Canada, and the recent activity between the three governments since the election of

Justin Trudeau in Canada. Although most of the recent discussion has been between Canada and the U.S. in the pursuit of a bilateral clean energy and climate change agreement, Mexico has pushed aggressively to be part of these talks.

REGIONAL AND NATIONAL ENERGY DEVELOPMENTS

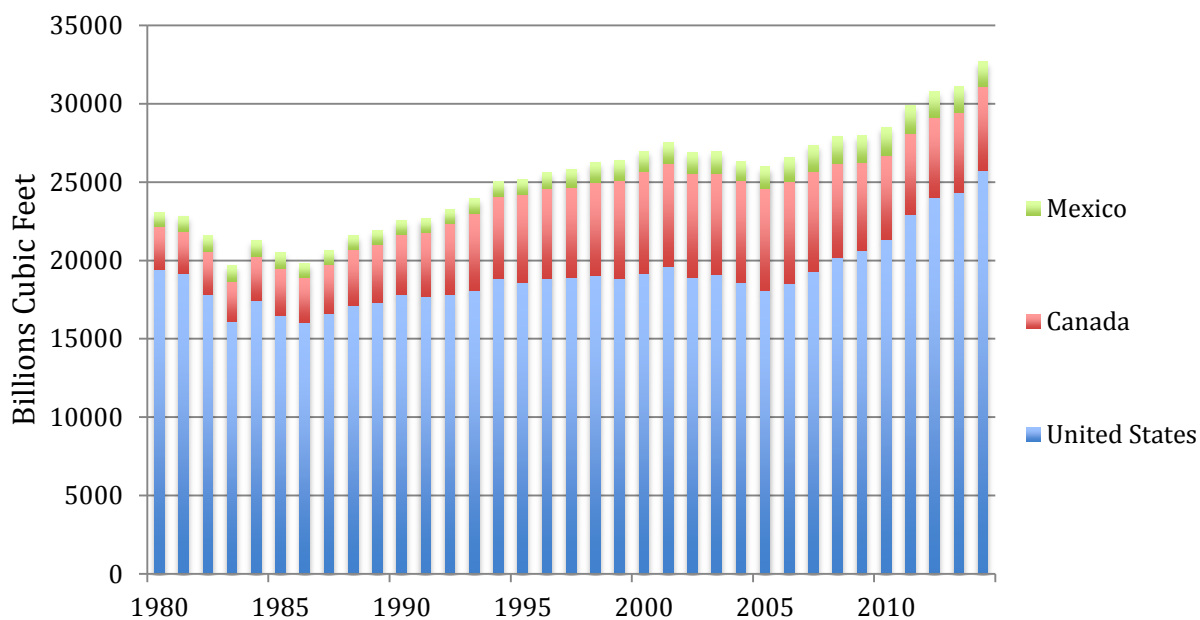
Since 2008, concerns about peak oil and foreign oil dependency have slowly begun to fade as the shale revolution took off in the U.S. For example, when the SPP was created in 2005, imports made up 60 percent of U.S. oil consumption; by 2014, imports accounted for less than 40 percent of total consumption (Petraeus & Zoellick 2014, 15). Moreover, the United States produced over 4 million b/d of crude oil in 2015 than it did in 2008 and Canadian production increased by nearly a million b/d in the same period. While Mexican oil output was in steady decline during the same time period, recent reforms by the Nieto Government has permitted both private sector investment and competition in Mexico's conventional and unconventional resources for the first time since 1938. Collectively, in 2013 North America "spent nearly \$200 billion on producing oil and gas, attracting over 50% of global upstream investment, outspending Russia and Saudi Arabia combined by an astonishing factor of 10-to-1" (Goldman Sachs 2014, 3). As one can see in Figure 3.1 and 3.2 on the next page, both crude oil and dry gas production are at their highest point in over a decade and, despite the recent collapse in the price of oil, analysts project that North American production will continue around this new normal. For policymakers and analysts in each country, this is a significant development for the region – one that can greatly impact North America's economic competitiveness and security. The question that several politicians, industry leaders, and outside groups now face has become how to best take advantage of North America's burgeoning energy renaissance.

Figure 3.1: North American Crude Oil Production
(1980-2014)



Source: U.S. Energy Information Agency (EIA)

Figure 3.2: North American Dry Gas Production
(1980-2014)



Source: U.S. EIA

Taken as a whole, the regional energy outlook for North America has changed dramatically over the course of the past eight years; however, within each country a unique story emerges. In this section I will address their respective national energy developments. As we will see, despite recent discussions on potential energy cooperation to ensure that the region reaps the full benefits of the supply transformation, the fact remains that for the overwhelming majority of North America's energy resurgence, the three countries largely stepped back from regional coordination and pursued independent policies. In retrospect, it is quite ironic that the SPP and the NAEWG disbanded just as the continent's energy sector began to reemerge.

The United States and the Birth of the Energy Revolution

It is evident from the analysis of the previous chapter that ensuring America's energy security was one of the preeminent goals of the Bush administration. The problem that Bush faced, like several presidents before him, was the dual challenge of decreasing domestic production and increasing dependence on foreign oil. As a result, he devoted an extraordinary amount of time towards deepening North America's economic integration and ensuring that Canada and Mexico were reliable suppliers of oil and gas by pursuing a continental energy strategy. While such an agreement never fully materialized in the form of a hardcopy document, the three countries pursued several joint endeavours and agreements that represent an informal North American energy security framework. At home, Bush was also able to pass in his final year as president the "Energy Independence and Security Act" with a bipartisan majority of 314 to 100. After signing the bill, George W. Bush declared the bill to be "a major step toward reducing our dependency on oil, confronting global climate change, expanding production of renewable fuels, and giving future generations a nation that is stronger, cleaner, and secure"

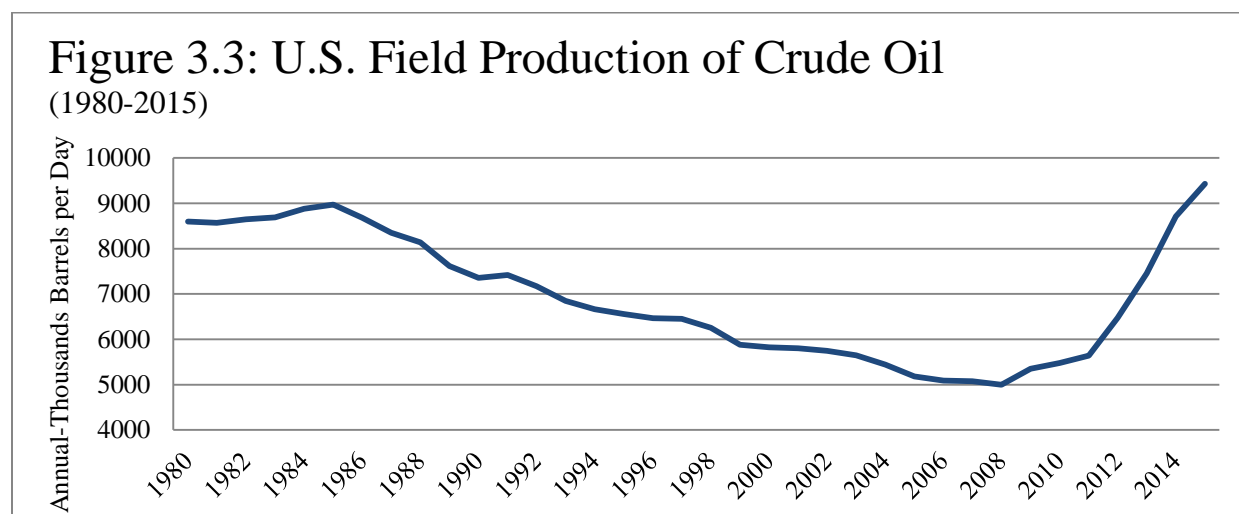
(Broder 2007).

Unfortunately for President Bush, the United States' energy revolution began to soar just as he left office. Due to advances in hydraulic fracturing, seismic technology, and horizontal drilling, U.S. oil and gas companies greatly boosted their productivity and gained access to previously inaccessible hydrocarbons. The shale energy boom resulted in both small and large energy companies gaining the technical abilities to access energy that many thought were economically out of reach in states ranging from Nevada to North Dakota to Louisiana to Pennsylvania. Goldman Sachs estimates that the boom resulted in the creation of 175,000 jobs from 2010-2014, while U.S.-based think tank CSIS argued in 2014 that the U.S.' surge in energy supply and reduction in natural gas prices made the entire North American region among "the most attractive and competitive places in the world to locate energy-intensive endeavors" (Strongin et al. 2014; Ladislaw et al. 2014, 2).

Some observers claimed that shale gas should be used to help the U.S. transition to a carbon-free economy, but U.S. environmental and progressive groups were much more concerned. Although shale gas produces less CO₂ than coal, environmental groups deride it for its danger (both potential earthquakes and gas explosions), heavy reliance on water, and large exhaust of methane gas – which is a more harmful greenhouse gas than CO₂. The negative side effects of hydraulic fracturing were revealed to the public for the first time in 2010 with the release of *Gasland*, a documentary film about the American fracking business. Not long after the film's release, an anti-fracking movement – Americans Against Fracking – quickly developed. *Gasland's* director, Josh Fox, is one of the leaders of the coalition, which describes itself as an alliance of "entities dedicated to banning drilling and fracking for oil and natural gas in order to protect our shared vital resources for future generations" (About the Coalition 2016). The

coalition represents local organizations from 31 states and numerous national interest groups, including 350.org, Greenpeace USA, MoveOn.org, Food & Water Watch, Oil Change International, Friends of the Earth, Breast Cancer Action, and several others.

Despite this opposition, U.S. crude oil output has nonetheless reached its highest level in nearly two decades. From a low point of an average of 5 million b/d in 2008, the U.S. most recently produced 9.4 million b/d in 2015. The rapid expansion is plainly evident in Figure 3.3, where you can see how U.S. oil production was in a steady decline during the mid-1980s but is now in the midst of a roaring return. Production is expected to drop in the short-term because of the glut of oil and lower prices, but it will not return to the low levels of 2007 and 2008. I mentioned it in the first chapter but it bears repeating again here because the development marks such a significant change in the geopolitics of energy – as of 2014, the United States surpassed Saudi Arabia to become the largest producer of oil. Incredibly, 2016 will also be the first time that the U.S. exports oil since the 1973 OPEC crisis. After two years of lobbying by more than a dozen oil companies, Congress voted in December 2015 to end the export ban. This was a massive spending bill that included green energy tax incentives that Democrats had long sought – thus making the bill next to impossible for Obama to veto (Harder and Cook 2015).



Source: U.S. EIA

Equally impressive has been the increase in U.S. natural gas production. From 2005 to 2014, U.S. natural gas production in million cubic feet per day increased from 18 million to 25 million. Similar to the gains in U.S. oil production, the increase in the U.S.' natural gas production is a direct result of the growth in shale gas and has made the U.S. the largest producer of natural gas as well – surpassing Russia in 2014. Advances in the production of liquefied natural gas (LNG) have also occurred during the renaissance. Two LNG export terminals have been built, three more are close to completion, and fifteen are under consideration. As a result, the EIA predicts that the U.S will become a net exporter of natural gas by early 2017.

Throughout this energy revolution, President Obama and his administration have attempted to take credit for the rebirth of U.S. energy but in reality the process has been almost entirely market-driven. Frequently in speeches and on the White House's "Advancing American Energy" webpage, Obama notes how during his administration domestic carbon emissions are at a 20 year low and the U.S.' dependency on foreign oil is at a 40 year low. While these facts are true, they are nonetheless not a result of any White House policy. Instead, they are an outcome of American engineering and innovation – and, unfortunately, one of the worst recessions in decades that led to a sharp decline in demand for oil and gas. Where the president has been successful though has been in increasing fuel efficiency standards, which his administration completed in 2012, and in investing in clean energy firms. From the 465 million dollar investment in Tesla Motors to the 967 million dollar loan to the Agua Caliente Solar Power Project – the largest photovoltaic solar power facility in the world – Obama's 2009 "American Recovery and Reinvestment Act" changed the Energy Policy Act of 2005 to allow for the federal government to take more of the financial risk for renewable energy projects (Biello 2015). Collectively, the loan program financed 30 clean energy programs and has been a crucial

component of Obama's environmental legacy.

Throughout his time as President, Obama has integrated climate change into U.S. foreign policy by labeling it as a threat to national security – up to the point that he argued that it now poses a greater threat to the U.S. than terrorism during a 2015 interview with CBS's Norah O'Donnell. But this was not the first time he took this kind of position. A week after being elected President in 2008, Barack Obama told a crowd of governors and foreign officials at a climate conference that his "presidency will mark a new chapter in America's leadership on climate change" and that "any nation that's willing to join the cause of combating climate change will have an ally in the United States of America" (Broder 2008). While helping America through the financial crisis and championing the Affordable Health Care Act consumed most of Obama's time during his first administration, climate change has become a central component of his second term. For instance, when he announced the Clean Power Plan Act in summer of 2015, he asserted that the need to reduce carbon emissions from coal power was necessary because "no challenge poses a greater threat to our future and future generations than a change in climate" (BBC 2015). Unfortunately for Obama's environmental agenda, the Clean Power Plan Act was recently halted at the Supreme Court when in February 2016 the Court ordered the EPA to stop implementing the plan until a lower court can resolve the legal challenge in the coming months (Adler 2016).

Canada and the Security of Demand

For the most part, the story of Canada's energy development mirrors that of the United States. Thirty years ago the country was abundant in easily accessible conventional oil reserves; however, by 2002 Canada had less than 10 billion barrels in proven oil reserves (EIA Canada

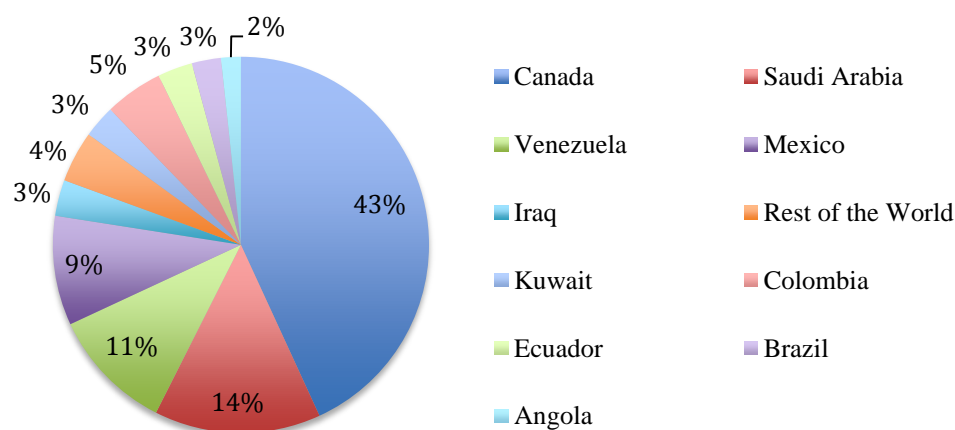
Analysis 2015). Yet, as a result of technological advancements, Canada's energy outlook dramatically improved in 2002 when the Albertan oil sands and its now 166 billion barrels of oil reserves were deemed technically and economically recoverable. This vast amount of oil both places Canada third in the world for proven oil reserves and makes it the only country other than Russia to be a top 10 proved reserve holder that is also not a member of OPEC (EIA Canada Analysis 2015). Consequently, Canadian energy production has doubled since 1980, with Canadian petroleum companies now producing an average of 4.4 million b/d in 2014 (EIA Canada Analysis 2015). Alberta is responsible for roughly 78 percent of Canadian oil production,⁴ while Saskatchewan and the Western Canada Sedimentary Basin (WCSB) accounts for 15 percent (EIA Canada Analysis, 2015).

Unlike the United States, which is concerned with the security of supply, Canada is concerned with security of demand for its natural resources. Together, Canada and the United States form the largest integrated electricity market in the world, with total energy trade consisting of more than 20 percent of the two countries' total trade (Petraeus & Zoellick 2014, 19). Over the years the alliance has greatly benefited both countries, however, it has effectively made Canada's energy sector solely dependent on U.S. demand. For instance, while Canada's energy exports totaled C\$146 billion in 2014, 93 percent of it went to the U.S. market (Canada and the United States "Energy" 2016). This is not to say that the U.S. is not dependent on Canadian oil production as well: despite the United States' increasing energy independence and the decline in its net import of oil, Canada has increased its market share from 16 percent in 2005 to 43 percent in 2014 and the total amount it exports per year by a remarkable 94 percent (EIA "U.S. Imports by Country of Origin 2016). Moreover, Figure 3.4 demonstrates how no other

⁴ Approximately 81 percent of Alberta's total came from its oil sands; the other 19 percent came from conventional fields (EIA Canada Analysis, 2015).

country comes close to the amount of oil Canada supplies to the US – Canadian producers supply *more than triple* that of Saudi Arabia. Also important to note is that as of 2014 the U.S. now receives 54 percent of its foreign oil from its NAFTA partners. However, while Canada has increased its exports, Mexico's share has been in decline as a result of PEMEX's financial and structural problems

Figure 3.4: U.S. Crude Oil Import By Country of Origin (2015)



Source: U.S. EIA

Consequently, it makes sense why the Harper government fought so aggressively on behalf of the construction of oil pipelines: pipelines, either south to the U.S. or to Eastern or Western Canada, greatly enhance Canada's energy security. Although former Prime Minister Paul Martin was known for his pro-business leanings, the election of Stephen Harper and the newly reformed Conservative Party of Canada ushered in a new era of even greater pro-business and free market policies in Canada. First elected in 2006, the Conservatives lowered the federal corporate tax rate to 15% and VAT tax to 5%, signed free trade agreements with 39 countries, and returned the country to a balanced budget after the Great Recession. But most important of all, the Conservative Party has its base in Western Canada – and especially within Alberta.

Therefore, while it is rational that the pro-business Conservatives would pursue pipelines in order to ensure Canada's energy security, it makes even more sense since the party's electoral base is dependent on the success of the oil industry.

President Obama's rejection of Keystone XL in November 2015, which will be examined in greater detail later in this chapter, solidified his support for the growing green movement in the U.S. and reinforced the perception in Canada that it needs to cultivate new energy trading partners. Unfortunately for Canadian energy producers and the federal government, the task of building domestic pipelines has been equally as challenging. Kinder Morgan's Trans Mountain XL pipeline and Enbridge Inc.'s Northern Gateway pipeline would bring Albertan crude oil to the west coast and eventually supply China and other Asian markets with oil, yet both are trapped within Canada's regulatory process. While TransCanada's Energy East would bring Albertan and Saskatchewan oil to refineries in New Brunswick, comments by the Mayor of Montreal in January 2016 has put the project in jeopardy. In each of these three cases, either environmental and aboriginal groups have turned the public against the construction of these pipelines or Liberal provincial governments – i.e., Quebec and Ontario – have been able to effectively block such projects.

Newly elected Prime Minister Justin Trudeau is without a doubt more willing to tackle climate change and plans to introduce a nation-wide carbon tax; however, given the state of the Canadian energy industry at the beginning of 2016, he too hopes to build more pipelines – albeit, in a different fashion than the Conservative Party. Trudeau contends that pipelines such as Trans Mountain were not built in the Harper era because Canadians lost faith in the regulatory system and the National Energy Board, which ultimately approves such projects. Hence, in January 2016 Prime Minister Trudeau, Natural Resource Minister Jim Carr, and Environment and Climate

Change Minister Catherine McKenna jointly announced that pipeline projects would now face a new environmental assessment process to judge them on climate change impacts. Trudeau and his cabinet have not come out in favour of any pipeline – as the Harper government clearly did – and have instead taken a neutral position so that they can restore the confidence of Canadians in the regulatory regime for major energy projects (Tasker 2016). It is unclear at the moment whether the new system will change anything, especially now that Energy East is increasingly driving a wedge between Western and Eastern Canada.

Consequently, the election of Justin Trudeau marks a noticeable shift in Canada's relationship with climate change. While the previous government did not doubt the severity of climate change, the Conservatives were not willing to implement a carbon tax because it would disproportionately hurt their electoral base in Western Canada. The Harper government instead undertook a sector-by-sector regulatory approach to reduce Canada's greenhouse gas emissions. The new Trudeau government, by contrast, seems posed to undertake new green energy initiatives in the coming years. In particular, during the recent Canadian federal election, the Liberal Party of Canada promised in its "A New Plan For Canada's Environment and Economy" to "work with the United States and Mexico to develop an ambitious North American clean energy and environment agreement."

Mexico and the End of PEMEX's Monopoly

In Mexico's 1917 constitution, Article 27 decrees that the Mexican state controls the subsoil and its contents. At first, this article did not pertain to Mexico's oil resources – it was designed to end Mexico's unfair land tenure system. However, in the following two decades Mexico became the world's second largest oil producer, as Mexican Eagle Company (a former

subsidiary of Royal Dutch/Shell Company) and Standard Oil of California (now Chevron) discovered vast quantities of untapped oil. During this time popular resentment against the two companies grew dramatically: very little of the profits stayed in Mexico because Eagle and Standard Oil exported most of the oil out of the country, Mexico's government did not receive a large share of the oil revenue, and – worst of all – the two companies often paid Mexican workers half as much as foreign employees. These developments, and the devastating effects of the Great Depression, led to widespread labour protests and a massive strike by oil workers in 1937 (U.S. State Department “Mexican Expropriation of Foreign Oil” 2016). The Mexican government attempted to draft a new agreement with foreign oil companies but to no avail. On March 18, 1938, President Lazaro Cardenas signed an executive order that asserted Mexico's constitutional right to its natural resources, created PEMEX, and prohibited all foreign oil companies from working in Mexico. The people of Mexico were elated by Cardenas' decision – everyday citizens even sold their silver and gold to the government to help pay for the compensations.

Since that fateful day, PEMEX has developed into a massive state-owned company with political, economic, and cultural significance for all Mexicans. On the one hand, PEMEX and the Mexican federal government have an intricate working relationship. At its height in 2004, PEMEX produced an average of 3.4 million b/d and exported 1.6 million b/d of it to the U.S. (Wood 2014, 9). This vast resource wealth predictably became a constant stream of revenue for the Mexican government. However, each government has increasingly become dependent on PEMEX to finance its expenditures: to the extent that the revenue obtained from taxing PEMEX represented 68.7 percent of the *total* federal tax revenue of Mexico in 2005 (Puyana 2006, 83).

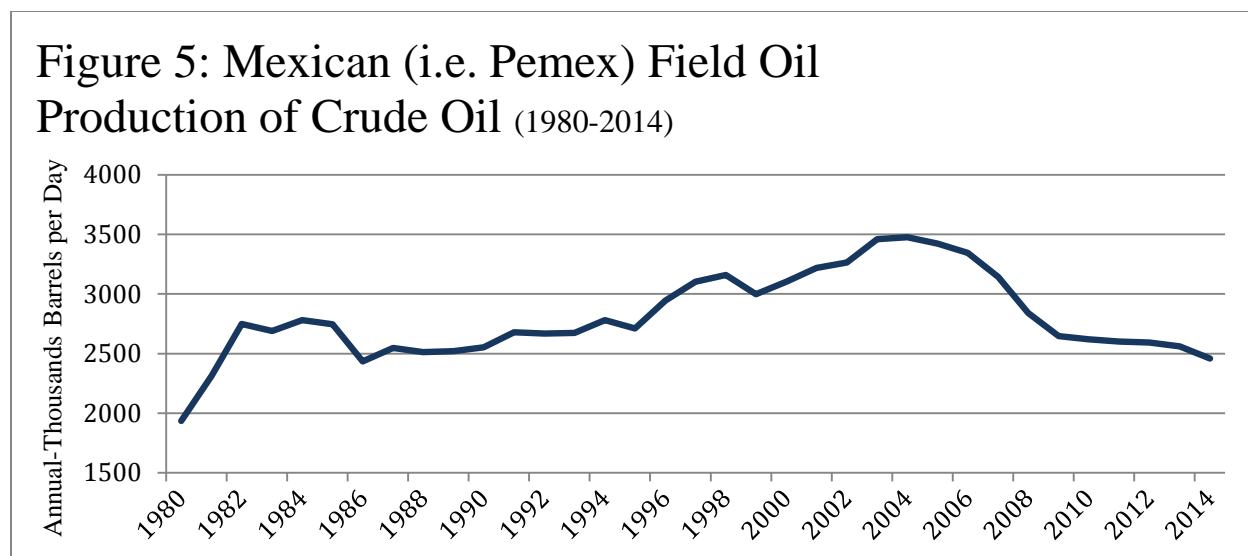
This burden has put a considerable amount of financial stress on PEMEX and is one of the main reasons why reforms had to eventually happen.

On the other hand, since the PRI declared that the oil belongs to the Mexican people in 1938, PEMEX has become intimately connected with Mexican sovereignty – with a populist, even mythological sentiment surrounding its ownership. For instance, in a 2008 poll by División de Estudios Internacionales del Centro de Investigación y Docencia Económicas (CIDE), CIDE asked, “How much would you agree to Mexico and the United States forming a single country, if this meant an improvement in your life quality?” They found that nearly half the country, 45 percent, would support sharing sovereignty in exchange for economic benefits (González et al. 2008, 28). In contrast, when asked, “Do you think that the Mexican government should or should not allow foreigners to invest in oil production, exploration, and distribution,” 70 percent of Mexicans opposed FDI in Mexican oil. Taken together, these two questions suggest that Mexicans would astonishingly rather sell their country’s sovereignty than end their government’s oil monopoly.

Mexico’s protectionism was clear during the NAFTA negotiations when Mexican negotiators were unwavering in their defense of PEMEX. After Canada and the United States completed a free trade agreement in 1987, the PRI under Carlos Salinas de Gortari was afraid that if they did not complete their own free trade agreement with the U.S. then Mexico would be left behind and suffer economically. However, the perception at the time among Mexican officials was that the U.S.’ primary goal behind negotiating NAFTA was to create a common energy market and to gain access to Mexico’s rich resources (Puyana 2006, 86). Consequently, during the NAFTA negotiations, the Mexican strategy essentially boiled down to preserving its sovereignty over its oil resources (Herzog 1994, 29). In the end the PRI was able to keep

PEMEX's monopoly and, by some accounts, the result of NAFTA was actually a more protectionist environment than the previous status quo (Verleger 1993). Chapter VI of NAFTA covers trade in energy but does not include anything on exploration for or the production of oil and natural gas – thus allowing for the continuation of PEMEX's monopoly.

But no matter how many times Mexico defends PEMEX internationally, its efforts have had no effect on the monopoly's internal problems. With most of its profits being taxed to finance the federal government, PEMEX's dysfunctional and corrupt bureaucracy could not sustain the company's growth, and it has been in an ongoing decline since 2004. As Figure 3.5 illustrates, PEMEX's production of crude oil steadily increased from 1980 to 2004 – but what is not shown in this graph is that throughout this time its proven reserves were in decline and the company's technology fell behind other state-owned and private oil companies. However, because of its importance to the Mexican federal budget, little was done to fix its financial problems. In the late 2000s there was hope that Mexico could benefit from the shale energy revolution and possibly have access to ultra-deep water oil in the Gulf of Mexico. Nevertheless, without proper reform, PEMEX was structurally unable to pursue these new ventures and instead continued to rely on its traditional resources in the gigantic Cantarell field – the second largest oil field in the world.



Source: U.S. EIA

The first serious attempt to reform PEMEX occurred in 2008 under President Felipe Calderón. Springing from successful but controversial reforms of the state-pension system and the telecom sector, Calderón and the PAN partnered once again with the PRI to tackle PEMEX's well-established problems. After months of behind the scene negotiations, the government passed reforms that gave PEMEX larger budget authority, updated its corporate structure, and allowed the company to contract with foreign firms to improve production and exploit untapped resources in the depths of the Gulf of Mexico (Camarena 2010). However, the reforms were slowly implemented, and challenged in court. They actually ignored the sources of PEMEX's troubles – namely, the banning of private sector competition and the deep-seated system of corruption.

Despite Calderón's failure to truly reform PEMEX, his attempt opened the door for newly elected President Peña Nieto to succeed where all his predecessors had failed: on August 11, 2014, Nieto signed into law a comprehensive energy reform that ended PEMEX's monopoly by granting foreign competition in the Mexican oil sector for the first time in 76 years. Nieto first

announced his intentions during the 2012 presidential race, calling the reforms his “signature issue.” One day after his inauguration, he announced the *Pact For Mexico*, an agreement by each major party to pursue 95 loosely defined proposals, including education, tax, climate change, and energy. This was a monumental moment that represents a paradigm shift in Mexican policymaking: the willingness to change signifies that a new generation of PRI leaders had taken control of their party after 12 years out of government (Negroponte 2013). Since the PRI did not have a two-thirds majority, what followed was nearly two years of inner- and inter-party negotiations over how far the reforms should go. From the outset it was clear that PAN supported opening the energy industry to competition, the left-wing Party of the Democratic Revolution (PRD) opposed foreign competition,⁵ and the PRI was in favour, but that some members would have to be persuaded.

Nieto successfully passed the reforms for two reasons: (1) a grave economic situation finally trumped history and nationalist interests; and (2) Nieto skillfully developed a broad coalition both inside and outside government that supported the reforms (Yergin 2013). The latter happened because the reforms cleverly allowed for the Mexican government and people to still own the ‘subsoil.’ In short, the Mexican government maintained ownership of subsoil hydrocarbons, but foreign companies could bid for contracts from the Mexican government that allowed them to take ownership of the resources once extracted – thus allowing foreign competition into Mexico’s energy sector. As a result, Nieto received support from the PRI, PAN, and the green party, as well as outside support from the private sector and unions. In particular, the PEMEX union leader, who was elected as a senator in the 2012 election, voiced his support for Nieto, and the nation’s teacher and agriculture unions supported the reforms.

⁵ The PRD supported some of Nieto’s previous reforms but drew the line for PEMEX and became a fierce opponent of Nieto’s plans – denouncing them as treason. Drawing on the economic nationalism surrounding PEMEX, the PRD led demonstrations in the streets protesting Nieto’s actions throughout the negotiations.

While Greenpeace and other environmental groups have come out against Mexico's energy reforms, they should find solace in the fact that Mexico has concurrently pursued an aggressive climate change policy during this transition. Under Calderón, Mexico hosted a UN Summit on Climate Change in 2010 and argued that climate change is a global problem that requires everyone to take action – not just the richer countries (Irfan 2015). Mexico followed up this statement by becoming the first developing country and the second country in the world in February 2012 to pass a climate change law that placed a limit on greenhouse gas emissions and invested in renewable energy. President Nieto has continued this tradition by introducing a carbon tax and by making Mexico the first developing country to submit its plan in advance of the 2015 Paris Summit. In its Paris plan, the government promised to halt the rise of green house gas emissions by 2026 and then lower them by 26 percent by 2030. The Nieto government has also partnered with the United States to combat climate change. Announced in March 2015, the bilateral “Task Force on Clean Energy and Climate Change Policy” strives to increase collaboration on green technology and regulatory coordination. Given these developments, Christina McCain, Senior Manager of the Latin American Climate Initiative, argues, “Mexico is solidifying its legacy as an environmental leader” (EDF 2015).

ENVIRONMENTALISM AND THE DETERIORATION OF COOPERATION

With respect to regional energy cooperation, two factors are critical to understanding the events of the Obama years. First is the energy revolution in North America and how each country reacted to its newfound riches. Second has been the rise of climate change as a legitimate problem that governments have to confront. As we have seen, the Conservatives in Ottawa strongly defended the Albertan oil sands and were largely skeptical of the need to

directly address climate change. Calderón and Nieto's governments took a strong stance on the need to stop global warming, while the latter successfully reformed PEMEX. Although this chapter has already detailed the U.S. energy renaissance, more attention needs to be given to the rise of environmentalism within the Democratic Party and Obama's embrace of the environmental movement.

This part of Chapter Three will first detail the importance of the environmental and climate change campaign to Obama's presidency and then address how this priority has come into conflict with the U.S.' relationship with Canada – namely through the well known Keystone XL saga. Critics may suggest that the president is vainly searching for a lasting legacy by vetoing Keystone and signing international agreements. Nevertheless, Obama's effort to combat climate change has had a significant impact on both U.S. politics and North American cooperation and is thus necessary to examine in greater detail.

The Greening of President Obama

The 2008 presidential election was remarkable for several reasons but one is certainly the prominence of the environment for the first time in U.S. electoral history. After winning the Democratic Party nomination, Barack Obama argued during his victory speech in St. Paul that his election would be a turning point on two issues: health care and climate change (Lizza 2010). Unlike previous presidents, he would often link the need to fight climate change to the U.S.' national energy strategy while on the campaign trail – a noticeable difference from former President Bush. Policy-wise, he argued in favour of a cap-and-trade system to curb carbon emissions, greater investment in green technologies, and improving the fuel standards of cars. But it should not be a surprise that as a candidate in 2008 that Obama would tap into the

environmental movement. Though fighting global warming was still greatly unpopular among Republican voters, Democrats strongly believed in the need for government to intervene. A May 2008 Gallup poll by Riley Dunlap found that 76 percent of Democrats believe that the effects of global warming have already begun, while only 41 percent of Republicans agreed – a noteworthy change from 1998, when the two parties were statistically tied, with 47 percent of Republicans and 46 percent of Democrats agreeing. When asked, “whether global warming will pose a serious threat to them or their way of life in their lifetimes,” the ideological divide is clear: 50 percent of Democrats agreed and only 29 percent of Republicans said yes.

As a result, not only were voters motivated to participate in the 2008 election because of climate change, but so too were environmental and progressive interest groups, who participated for the first time in a big way. What is interesting is that these groups overwhelmingly supported Obama over Hillary Clinton, donating \$1.7 million to him during the primary race on a seven to one ratio (Mackinder 2010). This support continued into the general election, with MoveOn spending \$7 million in the final months on advertisements against GOP candidate John McCain (Bomberg & Super 2009). Bomberg and Schlosberg (2008) found that the groups’ efforts to mobilize voters did not necessarily swing the election for Obama, but that new forms of mobilization on environmental issues are possible. In addition, each major environmental group endorsed Obama early in the campaign, including the Sierra Club, the League of Conservation Voters, and Environment America. Within 24 hours of inauguration, environmental groups quickly reminded Obama of his pledges and pleaded with him to actually take environmentalism and climate change seriously (Bomberg & Super 2009).

Fortunately for these groups, Obama heeded their call, as he made implementing a cap-and-trade system one his new administration’s top priorities; however, over the course of the

next two years, the high hopes of environmentalists soon crashed as both Obama and Congress squandered their best chance to forge a meaningful climate change agreement. Writing in *The New Yorker*, Ryan Lizza (2010) chronicles in great detail the behind the scene negotiations between “K.G.L” (John Kerry, Lindsey Graham, and Joseph Lieberman) and the Obama administration, and their attempts to get a sufficient amount of votes. Lizza identifies increasing partisanship, the rise of the Tea Party, the state of the economy, and special interest groups as possible factors for why the bill failed to pass the Senate. Lizza also notes that former Vice President Al Gore shared the same view, arguing in an interview that the climate legislation failed for several reasons, including:

Republican partisanship, which had prevented moderates from becoming part of the coalition in favor of the bill. The Great Recession made the effort even more, difficult, he added. “The forces wedded to the old patterns still have enough influence that they were able to use fear of the economic downturn as a way of slowing the progress toward this big transition that we have to make” (Lizza 2010).

One of the main reasons for the death of Obama’s climate change bill is that, despite the increased salience of climate policy within the White House, entrenched powers and groups were still not ready for the U.S. to damage its fossil fuel industry. In his assessment of the legislative tug-of-war, Andrew Weiss, the director of climate strategy at American Progress (2010), argues, “There were gale force economic, political, and special interest winds blowing against global warming legislation in 2010 that were beyond the influence of its champions. The question should not be ‘Why did they fail?’ but ‘How did they get so far?’” From this point of view, Obama’s defeat, while disappointing for environmentalists, nevertheless signifies that the growing environmental coalition in the U.S. went further than anyone anticipated. OpenSecrets investigated the push for climate legislation and revealed the asymmetric power relationships underpinning the lobbying efforts. They found that environmental groups spent a record \$22.4

million on federal lobbying in 2009 (the height of the legislative push), which was more than double the average expenditure between 2000 and 2008. The problem for these groups was that ExxonMobil alone spent \$27.4 million in 2009 to lobby senators and congressmen (Mackinder 2010). Therefore, despite the democratic control of the Congress, Senate, and White House, pro cap-and-trade enthusiasts could not get the bill – even a watered down version – passed in 2010.

Although climate change was not a prominent issue in the 2012 campaign, it has become a defining feature of Obama's second term. Erik Smith, an advisor for Obama on environmental issues during his campaigns, argues that Obama recognized early during his second term that working with Congress was futile and that there were several avenues he can take through executive orders (Samuelsohn 2014). The most controversial vehicle was the Clean Power Act, an executive action that empowered the EPA to cut emissions of the nation's coal energy plants. In addition, President Obama also signed two major international agreements: the first with China in 2014 and the second at the Paris Summit on Climate Change in 2015. Both of these agreements only required executive action and allowed for Obama to circumvent the hostile Republican controlled House and Senate. In doing so, he was also able to avoid the nettlesome actions of industry lobbyists, who had previously been able to stop his climate change legislation by swaying moderate Democrats from coal-producing states.

At the moment, gauging whether or not climate change is important to the U.S. is still a partisan issue, but the extent to which it is depends on how you ask. For example, Michigan University's annual National Survey on Energy and Environment from October 2015 (Borick et al.) found that 70 percent of Americans believe that there is solid evidence for climate change occurring over the past four decades, with 79 percent of Democrats and 56 percent of Republicans agreeing that there is solid evidence. However, when you take into account how

important the issue is to a voter, partisanship is noticeably higher. In a January 2015 poll by the New York Times, Stanford University, and Resources for the Future, the group found that 63 percent of Democrats said that climate change is very or extremely important to them personally, while only 18 percent of Republicans said the same (Davenport and Connelly 2015). Finally, a New York Times/CBS News poll from November 2015 discovered that three in four Americans believe that global warming is already having a serious impact on the environment; however, when divided along party lines, 90 percent of Democrats and just 58 percent of Republicans agreed (Russonello 2015).

As a result of these developments, several commentators and pundits argue that Obama has used his second term to cement his legacy as the first president to take climate change seriously. Truth be told, some environmentalists are annoyed by this pronouncement, maintaining that he has by no means gone far enough to honestly fight climate change and has indirectly allowed the fracking industry to flourish during his tenure. Renowned environmental activist Bill McKibben (founder of 350.org) penned a rather scathing article for *Rolling Stone* in 2012 in which he lambastes Obama for being “being a president who got some stuff done” but largely being a president who “had to make the problem worse, which he’s done with stunning regularity.” In fact, McKibben asserts that the best thing president has done is that his “inaction has actually helped to spur a real movement.” As we will turn to next, this movement’s target has for the past seven years been the Keystone XL pipeline, which has had serious negative consequences for the U.S.-Canadian bilateral relationship.

The Keystone XL Saga

On the morning of November 6, 2015, President Obama stepped before his lectern and finally put to rest the battle over the Keystone XL pipeline: a proposed 1,897 km pipeline by TransCanada that would have brought up to 830,000 barrels of Canadian crude oil per day from Hardisty, AL, to Steele City, NB. After seven years of consultations and negotiations, Obama announced that he had decided that the pipeline did not serve the United States' national interests and officially rejected TransCanada's proposal. The president summarized the preposterous level of attention the pipeline received over the years that morning quite well by stating,

Now, for years, the Keystone Pipeline has occupied what I, frankly, consider an overinflated role in our political discourse. It became a symbol too often used as a campaign cudgel by both parties rather than a serious policy matter. And all of this obscured the fact that this pipeline would neither be a silver bullet for the economy, as was promised by some, nor the express lane to climate disaster proclaimed by others (The White House 2015).

But how did a routine regulatory decision engender the largest environmental movement in U.S. history and create a lasting wedge between Prime Minister Harper and President Obama? As Canadian diplomats and industry leaders frequently reminded American officials, the pipeline would have greatly enhanced the U.S.' energy security: the U.S. was already in the process of weaning itself off of OPEC oil and increasingly relying on Canadian, and Mexican, fossil fuels. No matter how much more the U.S. was producing domestically, it would not come remotely close to its domestic needs without receiving oil from Canada and this pipeline would have helped the U.S. in this endeavour. The issue, as *The Economist* (2013) neatly argues in a wonderfully titled article, "It's hard to XL," that if only the Obama administration had stuck to science and facts alone, then Keystone XL could have been approved; however, as the magazine suggested, "Mr. Obama is unlikely to ignore a third element: domestic politics."

When TransCanada first applied for a permit to build Keystone in 2008, environmental groups hoping to stop its construction faced a daunting task – they had to overcome a Canadian government that was univocally in favour of its construction and entrenched powers in Washington D.C., supported by outside groups and the powerful petroleum industry, who wanted the oil to flow. The primary problem was that the U.S. public knew little about the oil sands. Beginning with the Natural Resource Defense Council (NRDC) and Corporate Ethics International (CEI), opponents began to coordinate both a global and an U.S.-centered campaign to turn the public against Albertan oil; within months, they were able to get the Sierra Club, the National Wildlife Federation, Friends of the Earth, the League of Conservation Voters, and Oil Change International to join their cause (Swift 2015). But the growing coalition soon realized they would have to get local groups on their side, since the pipeline went through traditionally oil-friendly states. As a result, they reached out to farmers, ranchers, and tribes along the pipeline’s route who would suffer the most from an oil spill. The effort to build a grassroots movement was incredibly fruitful in the long run because these local players were essential for bringing court cases and hosting local protests.

Out of the initial work of these groups, several national and international coalitions have sprung – the first being The No Tar Sands Oil campaign. Formed in 2010 by leading environmental groups such as 350.org, CEI, NRDC, Sierra Club, and Greenpeace, the group launched a \$500,000 advertisement campaign to educate the public about the dirtiness of Albertan oil and to pressure Obama to veto its construction (O’Meara 2010). Most notably, this campaign marked a shift in strategy. Instead of directing its efforts at Secretary of State Hillary Clinton and the State Department, the coalition decided to make President Obama the face of Keystone’s future and to assure that the development of Albertan oil sands depended on

Obama's approval (Swift 2010). A few months after the coalition's creation, a broad coalition representing 86 national and local interest groups signed a letter urging Obama to veto Keystone before his meeting with Prime Minister Harper (Swift 2010).

The spiritual successor to the movement was Tar Sands Action, which was organized in 2011 and led by Bill McKibben. McKibben sent a letter to coalition members and activists, asking whether they would join him in protest of Keystone in Washington D.C. that summer. Thus from August 20 to September 3, 2011, over 2000 farmers, scientists, indigenous people, celebrities, activists, and faith leaders peacefully protested outside of the White House. The arrest of 1,253 people garnered significant media attention, and put the environmentalists' campaign in the public spotlight for the first time (Meisel and Russell 2011). At the time, McKibben (2011) called the protest the "largest collective act of civil disobedience protest in the history of the American environmental movement." Little did he know that just one month later the group would stage an even larger demonstration. With a massive influx of youth into the coalition, 12,000 people formed a human chain around the White House in protest of Keystone XL. Protestors held a lot signs with climate-related quotes from Obama during the 2008 campaign, and they chanted, "Yes we can, stop the pipeline" (Goldenberg 2011).

From that moment on, the anti-Keystone movement took off and each protest movement got successively larger. Two months into Obama's second term, more than 50,000 people marched on the National Mall for the "Forward on Climate" rally. At this point, Tar Sands Action disbanded and formally joined 350.org's campaign: Stop the Keystone XL Pipeline. In typical 350.org style, the group helped sponsor hundreds of local protests across the country. From 2011 to 2015, over 750 events occurred, ranging from small town halls to massive protests in city centers. In addition to these protests, the Sierra Club helped to organize a series of vigils

after the State Department released its 2014 environmental assessment of Keystone XL in February 2014. The vigils occurred within 72 hours of the report's publication and in 283 locations: it was the largest rapid-response protest during President Obama's tenure (Berman 2015). Other events that illustrate the grassroots opposition include the May 2014 National Day of Action, which was a single day of protest with over 100 local incidents and thousands of participants; the June 2015 Tar Sands Resistance March, where 5,000 people marched in downtown St. Paul, MN; and the fact that the Sierra Club alone submitted 400,000 official comments on Keystone XL and made 22,500 phone calls to members of Congress (Berman 2015).

By maintaining this momentum, environmentalists in the U.S. and Canada were able to raise public awareness about Keystone XL and exert enough pressure to persuade President Obama to veto the pipeline on November 6, 2015. For activists across the continent, this was a huge victory. Despite demands by Republicans, pro-oil Democrats, and the formidable oil industry, environmental groups were able to turn the pipeline into a test of Obama's environmental credentials. Douglas G. Binkley, a historian at Rice University who specializes in presidential environmental legacies, argues that in doing so the anti-Keystone grassroots campaign changed the pipeline from "a routine infrastructure project to a symbol of the era" (Davenport 2015). McKibben was extremely pleased with Obama's decision and noted that his campaign's victory represents "the first time that the power of Big Oil's been broken" and is critical for the trajectory of the environmental movement since it has "launched a thousand other fights [like it] all over the place" (McEvers 2015).

Keystone XL represents not only a significant development in the growth of American environmentalism, but also a political flashpoint between the Obama and Harper administrations

– to the point of outright animosity. The wedge between the two governments started in 2009 during President Obama’s first trip abroad, which happened to be to Ottawa. Just a day before Obama’s trip, James Hansen – one of the leading climate scientists in the U.S. – wrote his now famous op-ed in which he argued the oil sands were “one of our planet’s greatest threats.” Obama reiterated the environmentalists’ position by telling Harper that Canada is “our largest energy supplier. But I think that we have to take into account that the issue of climate change and greenhouse gases is something that’s going to have an impact on all of us” (Swift 2015). The moment was awkward, and it was a precursor of the ensuing relationship. As McKibben and his environmental allies increased their public mobilization, the bilateral ties only frayed more.

In the following years, the Harper government spent a substantial amount of political capital to change the president’s opinion. Prime Minister Harper went so far as to say that approval of the pipeline should be a “complete no-brainer” during an address to the United Nations General Assembly in 2011 and later claimed “all the facts are overwhelmingly on the side of approval” to a packed conference at CFR’s headquarters in 2013 (McCarthy 2011; Slater 2013). However, the Canadian position never gained traction and was often dismissed by U.S. officials. On July 24, 2013, in an interview with the *New York Times*, the president mentioned that Keystone would only create 2,000 temporary jobs and 50-100 permanent jobs – far fewer than its proponents had suggested. As *The Economist* (2013) asserts, “in diplomatic terms it amounted to a kick in the teeth. The president then proceeded to hector Canada to do more about climate change as a condition for his thumbs-up.”

Therefore, although Canada was the largest supplier of oil to the U.S. during the Harper era, the rise of environmentalism in the U.S. and the immense emphasis both countries placed on Keystone XL resulted in a growing wedge between the two countries at the federal level.

Fortunately, the two countries still cooperated on other areas – such as the war in Afghanistan and cross-border trade and security. However, for the vast amount of the Harper-Obama era, interstate cooperation on energy or environment was unlikely unless the fight over Keystone XL was first resolved. In the final part of this chapter, I turn to the overall trend in the rise and fall of energy cooperation in North America over the past seven years.

THE EBB AND FLOW OF REGIONAL COOPERATION

Little has been written in either the press or scholarly literature about the sudden end of the SPP in the summer of 2009, aside from the fact that Obama did not wish to continue the policies of the previous George W. Bush administration. As a candidate, Obama strongly condemned the former president's controversial counter-terrorism program, and since the SPP was associated with Bush's larger security program, its days were numbered as soon as Obama assumed office (Johnston & Savage 2009). While it is difficult to definitely say why the SPP was disbanded, its end meant that, for rest of Obama's presidency, the region was without a "mechanism that allowed Canada, the United States, and Mexico to explore and discuss the shared energy policy challenges in North America" (Wood 2014, 5). The 2014 CFR task force also laments the termination of the SPP, despite calling it limited in scope. Consequently, the discontinuation of the SPP and the NAEWG – which also occurred in 2009 – marked a new era in trilateral energy cooperation: ambivalence and, at times, hostility.

Making matters worse, the Canadian-Mexican relationship returned to the historic state of competition and bitterness in 2009. Scholars of North America agree that the history of Canadian-Mexican relations has been conflictual because Canada has sought to defend its special relation with the U.S., as Mexico has developed economically and expanded its ties with the U.S.

However relations improved significantly during the Bush era, as Canadian officials came to recognize Mexico as a key player in North America and advocate for Mexico's inclusion in the SPP. Duncan Wood (2012, 128) asserts that coalition in favour of this change developed from businesses, who wanted to extend their products south of Rio Grande, opinion leaders such as Wendy Dobson from the University of Toronto, and pro-Mexican bureaucrats in the Canadian Department of Foreign Affairs and International Trade. However, the new positive course sharply retreated as pressure mounted on the new Harper government to address the growing problem of Mexican asylum seekers, who were escaping the Mexican drug war.⁶ Then Minister of Immigration Jason Kenney argued, "in addition to creating significant delays and spiraling new costs in our refugee program, the sheer volume of these claims is undermining our ability to help people fleeing real persecution" (Gilbert 2013). To fix the issue, the Harper government decided to impose a new visa requirement on all Mexicans trying to enter Canada – a decision that proved to infuriate Mexican officials, remain unresolved throughout the Harper era, and generate substantial ill-will between the governments. Relations returned to business as usual within the coming years, but the visa requirement was an acute low point that was representative of the large trend: that the NAFTA countries were unenthusiastic about interstate cooperation.

This trajectory changed during the 2014 NALS⁷ in Toluca, Mexico, when the three announced new plans for trilateral cooperation. President Obama and Nieto and Prime Minister Harper announced ideas on education, information sharing, and tourism, but most important of all were their declarations that energy is a "trilateral priority" for the region and that their three energy ministers would meet for the first time in seven years later in 2014 to "define areas for strong trilateral cooperation on energy." Possible opportunities for collaboration were "energy

⁶ Mexicans became the largest group of refugee claimants in 2008, totaling 9,400 applicants.

⁷ The NALS officially replaced the annual SPP leader summit in 2009 after the cessation of the SPP.

efficiency, infrastructure, innovation, renewable energy, unconventional energy sources, energy trade, and responsible resource development, including the development of relevant technical studies” (White House “Joint Statement by North American Leaders” 2014).

Though the first meeting of the three Ministers was light on concrete details, its follow-up meeting in May 2015 marked an important step in establishing a North American energy strategy at the federal level by reviving the NAEWG; however, this time, the three ministers specifically called it the “NAEWG on Climate Change and Energy.” In the December 2014 meeting, the ministers asserted that “now [is] an historic opportunity to reinforce North America’s energy potential,” and that through their combined efforts, they would strive to “promote continental energy security, integration, and collaboration; strengthen government-to-government relationships; and support business-to-business engagement in the energy sector” (Energy.gov “North American Energy Ministers Meeting” 2014). This meeting was a crucial step towards greater North American energy cooperation, as the three ministers discussed making a continental energy market a reality. They announced that they would begin to collaborate on sharing data and statistics, best practices for the development of unconventional oil and gas, and energy infrastructure (Energy.gov “North American Energy Ministers Meeting” 2014). But by May, their rhetoric had changed significantly and highlighted the dangers of climate change much more than ever before. Below is what each minister stated in response to the resurrection of the NAEWG on Climate and Energy:

1. Canada’s Minister of Natural Resources Greg Rickford stated: *“Canada is a secure, reliable and responsible producer and supplier of energy to the world and is firmly committed to a continental approach on energy and the environment. North America has deeply integrated economies, abundant reserves, shared critical infrastructure and common values that underpin our long, productive history of collaboration. The North American Free Trade Agreement is a good example of the integrated nature of our economy. By cooperating with*

our North American partners, we are enhancing energy security and the environment while strengthening jobs and the economy.”

2. Mexico’s Secretary of Energy Pedro Joaquín-Coldwell stated: *“A sustainable energy future for North America will only be possible through enhanced cooperation to expand the development and deployment of innovative clean technologies, energy efficiency and renewable integration. Today, jointly with my colleagues from Canada and the United States, we are agreeing upon a path to achieve deep de-carbonization.”*

3. U.S. Secretary of Energy Ernest Moniz stated: *“Today’s announcement will be absolutely critical in facilitating cooperation to deploy innovative renewable energy technologies, modernize the grid, and increase energy efficiency to combat climate change and reach greenhouse gas targets while growing low-carbon economies in North America. The sense of urgency and spirit of cooperation demonstrated by Canada, Mexico, and the United States serve as an example as the rest of the world takes urgent action on climate”* (Government of Canada 2015).

I should note that of the three ministers, only Canada’s Minister of Natural Resources, Greg Rickford, mentioned “energy security;” the other two almost solely focused on de-carbonization and continental cooperation to fight climate change. In addition, Minister Rickford also made the distinction between “energy” and the “environment” when talking about a continental approach to the two, while his U.S. and Mexican counterparts talked of the two issues as one.

In the background of this newfound cooperation were three important events. First, from the highs of nearly \$110 per barrel two years ago, the price of oil plummeted in the second half of 2014. At the time of writing, it is now hovering around \$40 and most observers do not think it will return to higher prices in the short-term. With uncertainty surrounding future pricing, the crash in the price of oil drove the Canadian economy into a recession and weakened the

economic outlook – though not to the same extent – for the United States and Mexico. In 2015 alone, Alberta lost 19,600 jobs, making it higher than the 2009 recession and the largest annual job loss since the 1982 recession (Parkinson 2016). In the wake of this development, the second event was election of the New Democratic Party (NDP) in Alberta, which ended the Progressive Conservatives 44-year reign and ushered in a new left wing government. To improve the province's environmental standing, the NDP implemented a plan to gradually introduce a new carbon tax in 2017. Remarkably, Premier Notley announced the carbon tax standing next to the CEOs of Suncor and Cenovus Energy, the President of Shell Canada, and the Chairman of the Canadian Natural Resources Ltd. But even more impressive is the fact that on the same stage were representatives from Canadian environmental groups and First Nations. The third development was the rise the Islamic State of Iraq and Syria (ISIS). Although much of the violence occurs in the Middle East, the group quickly alarmed the U.S. and Canada after a series of international attacks by predominately self-radicalized lone wolves. The Harper government in particular was concerned after two attacks in Canada, including one in the Canadian Parliament.

Cooperation stalled through much of the rest of 2015, at least until the fall when the Liberal Party of Canada regained power, ending 9 years in opposition. It is unclear exactly why the Canadian government cancelled the 2015 NALS, but most reports suggest that it was because President Obama was still dragging his feet on Keystone XL and the Conservatives did not want to appear weak before Canada's fall election (Vieira 2015). What is important though is that, without the NALS, the three leaders were unable to deepen the cooperation established by the energy ministers in May that year. Yet tensions between the United States and Canada began to thaw rapidly with the election of Justin Trudeau, who included a North American clean energy

and environment agreement within the Liberal's platform. Within a matter of months, trilateral collaboration resurfaced at a fast pace. First, Jim Carr, the new Minister of Natural Resources, reiterated the Liberals' promise to work trilaterally to fight climate change in advance of the Paris Summit, while Catherine McKenna, Canada's new Minister for the Environment and Climate Change, revealed that she is working with her NAFTA colleagues towards a "North American Strategy" to fight global warming (McCarthy 2015; Elliot 2015). On January 29, 2016, the three foreign ministers met in Ottawa in preparation of the 2016 NALS and their joint press conference marked a noticeable change in tone. While trade, security, and energy were all still on the table, the talk of energy was overwhelmingly about climate change and clean energy – there was not a single mention about shale energy, oil sands, or pipelines. In addition, when discussing how they are renewing their efforts to make North America more integrated and competitive, at the center of their current plan is a continental agreement of climate change and clean energy.

The first step towards making this regional proposal a reality occurred on February 12, 2016, when the three energy ministers signed a Memorandum of Understanding on North American Climate Change and Energy Collaboration (MoU). The agreement launched a new webpage called the North American Cooperation on Energy Information (NACEI), which allows anyone to access for the first time ever the energy data and maps of each country on the same platform – this initiative was originally announced during the December 2014 meeting between the three energy ministers. The NACEI helps policymakers and industry experts by providing data on current and projected continental energy flows, a map detailing the region's infrastructure for energy, and a glossary of terms, which the governments hope will harmonize terminology and definitions. Through the NAEWG for Climate and Energy and the NACEI, the governments will also release a combined North American energy outlook. The MoU also

announced six new areas of collaboration that the NAEWG will focus on including low-carbon electricity grids, carbon capture technology, and possible avenues for trilateral action to fight climate change. The United States' Secretary of Energy, Ernest Moniz, noted that the three countries were able to sign the MoU because of (1) the "tremendous" change in the energy scene in North America, (2) the "revived relationship" between the three governments, and (3) "the change of government here in Canada" (McDiarmid 2016).

The other significant development happened during Trudeau's bilateral visit to the U.S. when he and Obama announced the creation of a continental climate change strategy. In short, the two governments agreed to reduce methane gas emissions and the use of hydrofluorocarbons, create new heavy-duty vehicle gas emission standards, advance clean energy and energy efficiency technologies, and protect certain areas in the Arctic (Wherry 2016a). With this agreement, the U.S. at the moment has a bilateral strategy with both Canada and Mexico. However, instead of falling back on the historical dynamic of dual-bilateralism, the countries seem to be on track to establish a monumental trilateral climate change strategy this summer in Ottawa during the 2016 NALS. At a speech at American University the day after meeting Obama, Trudeau told a crowd of young students that all three countries on the continent have to work together and he hopes to extend the Canada-U.S. agreement to Mexico (Fife 2016). In addition, a senior Trudeau advisor told the *Globe and Mail* (Fife 2016) that Trudeau plans on establishing a regional agreement on clean energy and climate as the centerpiece of the 2016 NALS, making the pursuit of greater cooperation on the environment central to the future of North America.

CONCLUSION

This chapter presented a significant amount of new information. What is important to note is the trend in regional cooperation during the Obama years, and how it has been vastly different from that in the Bush years. As we saw in Chapter Two, cooperation slowly emerged in the early 2000s, reaching its apex in 2005 with the creation of the SPP. Regional energy cooperation then stalled at that level as Canada and Mexico became even larger suppliers of oil to the United States. The trend during the Obama years has been almost the exact opposite. Instead of a gradual increase in cooperation, the sudden termination of the SPP and NAEWG in 2009 led to loss of institutional coordination and started the beginning of competition and antagonism between the Alberta oil industry and the U.S. environmental movement, with defenders in respective governments. Cooperation started anew in 2014, but interstate collaboration on traditional energy remained limited, as the focus of cooperation shifted to green energy and the environment. At the moment, several new agreements have been signed and the governments are on a path towards creating a regional strategy on clean energy and climate change this summer.

Next we turn to the difficult task of explaining why these trends have occurred. Why was the SPP successful when President Fox's NAFTA-plus was not? What explains the nearly seven years of zero trilateral agreements on energy or the environment? What changed in 2014 and 2015 that led to a new round of regional dialogues? Why has the discussion shifted so dramatically from a "regional energy strategy" to a "regional clean energy strategy?" In Chapter Four I turn to these questions and test which theory best explains this trend – realism, liberalism, or constructivism.

Chapter Four

Domestic Politics and the Importance of Preferences in the Development of North American Energy Cooperation

The story thus far has been one about cooperation – both the creation and obstruction of it. As I write this thesis in April 2016, it looks as though North America may finally have a regional energy strategy on its horizon – possibly as early as the summer of 2016 at this year’s North American Leaders Summit in Ottawa. However, the overall pattern that has led to this moment has neither been a steady growth of cooperation nor is the proposed energy strategy remotely what observers thought it would be this time last year or anytime beforehand. As such, this chapter will use international relations theory on interstate cooperation to analyze (1) why the history of North America’s energy collaboration has been rocky, with periods of both close collaboration and fierce competition, and (2) why the dialogue has shifted from a “regional energy strategy” to a “regional clean energy and climate change strategy.” To answer these two questions, I will test three hypotheses: a realist argument centered on state sovereignty and energy security; a liberal argument concentrating on domestic politics and the underlying preference structure of North America; and a constructivist thesis focused on the process of policy learning and the framing of ideas.

To evaluate the causal power of each hypothesis I have chosen five key stages in the history of North America’s energy cooperation to investigate in greater detail: the strongest argument will be the one that can explain each step in the story. The points that have been chosen are (1) the creation of the SPP in 2005; (2) the end of the SPP and the lack of cooperation during the early Obama years; (3) Obama’s veto of Keystone XL; (4) the reemergence of cooperation from 2014 to mid-2015; and (5) the creation of the MoU and the aspiration for a

continental climate change agreement. The goal of this process is to determine whether the events fit what the hypotheses predicted: in some cases multiple hypotheses may be able to explain why an event happened. What is crucial will be deciphering which factors are not only necessary, but also sufficient to establish causation. One of the benefits of process-tracing is the ability to discern causality over time: these five snapshots allow us to test the hypotheses both at a micro level by looking at them in great detail during specific events and at a macro level by analyzing the general trend over time. In this procedure I will use four tests to evaluate causation: straw-in-the-wind, hoop, smoking gun, and doubly decisive tests.

Hence, this chapter will revisit each of these stages from an analytical perspective. As the reader will soon appreciate, the realist and constructivist arguments make several good points: national security implications and how ideas change over time are important. However, they falter in each step because they continuously disregard the central importance of domestic factors – which are crucial to explain why certain governments act as they do in this story. As I will argue in this chapter, the only way to consistently account for the decline and rise of North American cooperation in energy and the environment is by considering the changing preference structure within each country: examining the security calculations or framing of ideas can only get you so far. A reoccurring problem that both the realist and constructivist hypotheses encounter is their inability to explain why certain events happen when they do. Frequently the two arguments appear to explain part of the puzzle, but they ultimately cannot explain why it happened at a certain time and not at another. In contrast, by focusing on the second level of Putnam's two-level game and the ability of domestic actors to expand and contract the win-set, my argument derived from liberalism can explain the overall pattern of North American energy cooperation.

This chapter unfolds in two parts. First, it will turn to each of the five snap shots and determine which hypothesis is the most plausible in explaining why the event occurred as it did. Following this procedure, it turns to the macro trend of cooperation over the past sixteen years and describes in detail why the domestic interest groups hypothesis holds the greatest explanatory power.

THE SPP: DID SECURITY OR PROSPERITY MATTER MORE?

To this day, the SPP represents the gold standard of regional cooperation in North America beyond NAFTA. The initiative certainly came with its critics, who derided it for it for being exceedingly secret, stripping each country of its sovereignty, and providing too much of a voice to the richest segments of society. Nonetheless, it institutionalized cooperation in a wide range of topics for the first time in the history of the three countries. From the name of the partnership, it is obvious that it had two goals: improving the security and prosperity of the North American countries. But was one of these components more important than the other, or were they intrinsically connected? And why did the SPP only form in 2005; why not earlier?

Realists maintain that the three countries agreed to establish the SPP because of the national security calculations of the United States. Given the growing fears of another terrorist attack after 9/11 and peak oil, the hypothesis asserts that the SPP was created because the White House believed that the agreement would allow for the U.S. to expand its control over the continent's security. Isidro Morales (2008, 4) makes the argument that the Bush administration's war on terror and concentration on domestic security "subordinated any advancement of integration commitments in North America to Washington's security concerns." In this view, the impulse to cooperate has to start in the U.S. and focus almost predominately on security because

of the heightened security dynamics of the post 9/11 era. “Prosperity” was only included to get Canada and Mexico to sign the agreement; it was never the focus of the agreement. Specifically with regards to energy, the hypothesis also posits that the SPP was created because it was in the United States’ national interest to cooperate with its NAFTA partners on energy. As Morales (2008, 199) asserts, one of core reasons for the SPP was the “continental security concerns prevailing in the U.S., in which the reliability of continental energy flows became a priority.” Hence, the realist argument passes the straw-in-the-wind test because there is evidence that national security calculations were present in the creation of the SPP. However, the hypothesis does not pass the hoop test because there is no evidence to suggest that the trilateral initiatives derived out of the existing national security challenges of 2005. Though the three leaders referenced the need to enhance the continent’s security in their joint announcement of the SPP, there was not a recent event that warranted the sudden creation of the SPP. If prompted by security calculations alone, the SPP should have been created just after 9/11 or one of the wars in the Middle East – not in 2005. In sum, the realist argument fails the hoop test because it cannot explain why the SPP did not materialize earlier.

In contrast to the realist thesis, the liberal argument places the central causal factor not on security calculations, but on the configuration of state preferences and the influence of interest groups. This argument predicts that the three governments agreed to sign the SPP because domestic interest groups successfully persuaded their own government and the other two that cooperation would be mutually beneficial. Within this framework, the liberal hypothesis easily passes the straw-in-the-wind and the hoop test. As we saw in Chapter Two, the SPP did not appear out of nowhere. While there were certainly behind-the-scene negotiations state officials in the lead-up to the SPP, these talks occurred in the backdrop of two years of lobbying by the

CCCE and a collective effort by CCCE, CFR, and COMEXI – three of the most influential groups in North America. Through their lobbying efforts, these groups were able to expand the win-set for cooperation: to the point that in 2005 the three leaders announced the SPP in Waco, Texas. It is also important to note that the efforts to establish the SPP did not start with the U.S. government but with Canadian businesses. For this reason, the realist hypothesis fails the hoop test because the country driving the negotiations was Canada – not the United States, as the realist hypothesis predicts.

The United States' preference for heightened security measures increased tremendously after 9/11; however, this preference was widespread within the American public and not limited to the U.S. government and President Bush. A Pew Research poll conducted a year after 9/11 found that 62 percent of Americans were either very or somewhat worried of another terrorist attack in the U.S. In 2003, a separate Pew Research poll discovered that 75 percent of Americans believe that the world is more dangerous than it was ten years ago. Interestingly, the same poll also found that 53 percent of respondents thought it was very important and 26 percent said it was somewhat important for U.S. to decrease its dependency on foreign oil – only 13 percent said it was not important. Finally, an August 2004 Pew Research poll found for the first time since the Vietnam War, national security issues were more important than economic issues in a presidential election. This data shows that the U.S. public, in the lead-up to the SPP, was greatly concerned with national security and resource dependency – not just the Bush administration.

The liberal hypothesis also passes the smoking gun test because the SPP not only copied the name of CCCE's 2003 "Security and Prosperity Initiative," but also the ideas and proposals from said plan. CCCE was concerned that the widespread U.S. preference for greater security would negatively impact Canadian businesses. Recognizing the constraints the preference

placed, CCCE made a genuinely smart move in 2003 by linking economic trade to security. Starting in their 2003 initiative and continuing into their 2004 independent task force, CCCE sold their initiative on the assumption that “economic and physical security are indivisible” and that greater North American cooperation can help each country thrive (D’Aquino 2003). Thus, when the SPP embodied the exact same argument by stating, “The SPP is based on the premise that security and our economic prosperity are mutually reinforcing” on their website, it is clear that North American policymakers derived the policies and central theme of the SPP from the CCCE. Although the SPP did not include a “resource security pact” as CCCE proposed, the new Energy Working Group pursued areas of cooperation mentioned in CCCE’s 2003 initiative: this included the suggestions to harmonize regulatory frameworks, expand energy supplies, and increase investment. Significantly, neither global warming nor climate change was mentioned in CCCE’s initiative or the SPP’s agreement, making the drive for a regional energy strategy in this snap shot focused primarily on fossil fuel production and energy infrastructure.

Due to the immense secrecy shrouded the creation and work of the SPP, demonstrating that this hypothesis or any other two pass the doubly decisive test is difficult. Nonetheless, given the close ties between the CCCE and the SPP, there is ample evidence that shows that the liberal hypothesis passes both the hoop test and the smoking gun test, which allows us to conclude that it essentially passes the doubly decisive test. There is necessary and sufficient evidence – the role of CCCE and the convergence of preferences for regional energy security – that reveals causality.

Regarding hypothesis 3, the constructivist argument on the framing of energy security fails the straw-in-the-wind test. The problem with this argument appears in the Mexico case. One could make the argument that Canadian and American officials converged on a similar

understanding of energy security leading up to the creation of the SPP: the U.S. wanted more reliable energy and Canada was happy to provide it because it improved Canadian energy security of demand. However, given Mexico's historic fears of foreign (and especially U.S.) influence in its oil industry, the reason why Mexico signed the SPP could not have been because it held a similar framing of energy security to that of the U.S or Canada. Instead, Mexico's desire to join the SPP comes from the work of COMEXI and President Fox's desire to enhance North American integration. As a result, the constructivist hypothesis fails the straw-in-the-wind test because it too cannot explain why the SPP was created in February 2005 and not earlier: nothing changed in late 2004 or the beginning of 2005 to make Mexico change its understanding of energy security towards one that aligns with Canada and the U.S. Rather, only liberalism demonstrates how the work of domestic groups was able to persuade the three governments to pursue greater regional cooperation by 2005.

As an aside, NAFTA-plus is an interesting case comparison that illustrates why liberal theory can explain the rise of the SPP. Both NAFTA-plus and the SPP deepen North American cooperation. However, as I mentioned in Chapter 2, President Fox's plan focused primarily on immigration. In the early months of 2001, the win-set for a U.S.-Mexico agreement on immigration was possible, but incredibly small. Bush and Fox – the two cowboys, as the media liked to refer to them as – even met a record amount of times to negotiate an agreement. But on September 11, 2001, American interests in opening its borders with Mexico evaporated. Everyday citizens and politicians wanted to instead close their borders and halt immigration. This new preference constrained Mexico significantly and utterly closed the win-set. In comparison, a more fruitful area for cooperation was energy. Each country has traditionally been defensive of their natural resource sector, yet the events of 9/11 made the possibility of a

regional energy strategy possible. Realists point to this national security implication as the reason for the SPP, but the SPP was created nearly four years after 9/11 – making its causality incredibly weak. The stronger way to view the development of the SPP is to see the terrorist attacks as an exogenous factor that increased the win-set slightly, but not to the extent that cooperation was possible or even desirable. What happened though was that it created room for powerful interest groups to act. Soon realizing the new opportunity, CCCE and other groups expanded the win-set over the next several years by persuading each government that interstate cooperation can increase both security and prosperity, and that the two are mutually reinforcing. As a result of their efforts, the groups paved the way for interstate energy collaboration by 2005.

THE LOST YEARS OF COOPERATION: THE FIRST TERM OF PRESIDENT OBAMA

Of the five periods that this chapter examines, this snap shot is the most difficult one to analyze because very little has been written about the end of the SPP. The most straightforward answer that commentators often provide is that President Obama wanted to continue as few policies and initiatives as possible from the former president. As a progressive who campaigned on “change,” Obama wanted to distance himself from the militaristic and secretive policies of George W. Bush. Duncan Wood (2012, 130) also suggests that the election of Obama caused a reduced interest in North America, as the U.S. began to both question the merits of NAFTA and treat relations with Canada and Mexico as “second-tier issues.” Therefore, the question is not why the SPP, NACC, and NAEWG were discontinued within the first year of the Obama administration. Rather, the more interesting question is why no new agreement, working group, or initiative materialized during the first term of President Obama.

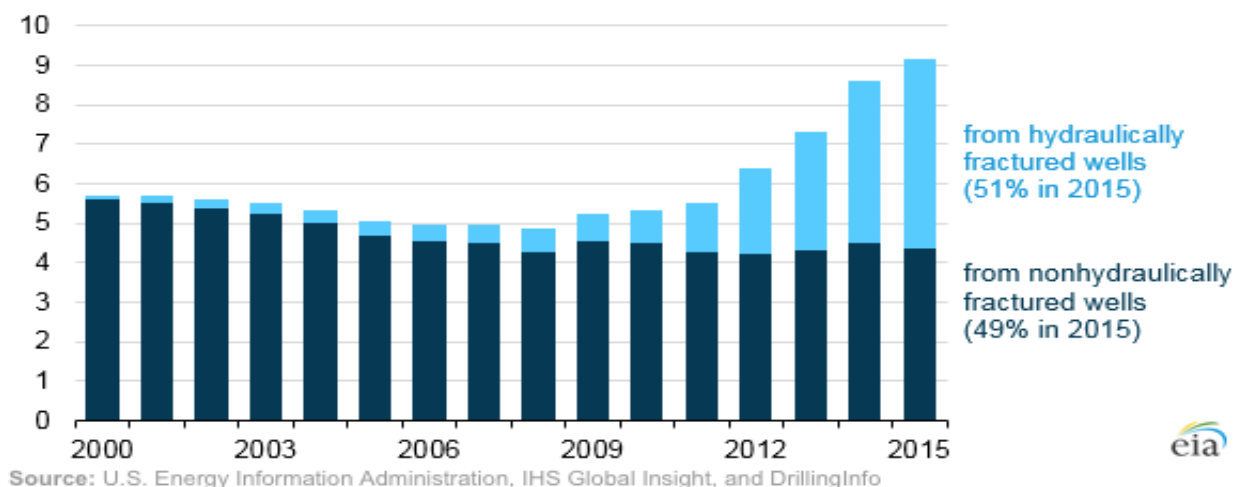
The realist argument hypothesizes that Obama did not pursue a new form of trilateral

cooperation based on fossil fuel development for two reasons: (1) the rise of hydraulic fracturing and the likelihood that the U.S. could become more energy independent than ever before, and (2) the lack of a national security crisis that warranted the creation of a trilateral agreement. In essence, the argument maintains that the Obama administration calculated that the U.S.' energy security would improve the most by allowing the fracking revolution to flourish on its own. With an abundance of domestic oil and gas, the U.S. did not need to develop a new agreement because it was no longer as dependent on foreign energy. Cooperation could even have a negative effect – either by making Canadian companies and PEMEX more competitive, or by adding a bureaucratic component to a process that had so far been predominately market-driven. In addition, realists would indicate that, unlike the dynamic in the lead-up to the SPP, the wars in Iraq and Afghanistan were dwindling down, and that there was no new national security risk that necessitated the need for the U.S. to limit its sovereignty over its energy policy.

Due to these two pieces of evidence, which suggest that the U.S. was uninterested in spearheading or participating in a new round energy cooperation talks, the realist hypothesis passes the hoop test; however, it remains unclear whether or not it passes the smoking gun test. As Figure 4.1 on the next page shows, the shale boom did not take off until well into Obama's presidency. Though companies had discovered vast quantities of shale resources during the early years, it is unclear to what extent the White House predicted that the energy boom would take off as it did in 2012. So it is analytically weak to cite the rise of hydraulic fracturing as the factor for why Obama did not pursue another form of cooperation. For instance, each year the EIA produces an Annual Energy Outlook for the United States, which is the most respected and comprehensive annual analysis of U.S. energy trends. It is revealing that though energy

companies were developing shale oil/tight oil⁸ technologies during Obama’s first four years, neither term is mentioned in the 2009 report; shale oil is referred to only twice in the 2010 report, while tight oil is still not talked of; the 2011 report continues the trend by mentioning shale oil just three times; and then, all of a sudden, the 2012 report mentioned shale oil six times and tight oil *100 times*. Moreover, even in 2011, EIA still predicted that as of 2015 the U.S. would only produce 5.8 million b/d in 2015 –which is a far cry from the 9.4 million b/d that the U.S. actually produced last year. For these reasons, the realist hypothesis neither fails the smoking gun nor passes it. It is unclear to what extent the Obama administration could predict the rise of shale energy and the effect it would have on American energy security.

Figure 4.1: Oil Production in the United States
(2008-2015)



The constructivist hypothesis is in the same boat as the realist hypothesis – evidence indicates that it passes the hoop test but it neither fails nor passes the smoking gun test. Perhaps more than any other time during the history of North America energy cooperation, framing of

⁸ Both terms refer to the same type of crude oil that requires hydraulic fracturing and horizontal drilling. The oil and gas industry uses tight more frequently.

energy security diverged sharply during this snap shot. Canada focused on the material benefits of energy trade, the United States incorporated for the first time climate change impacts in its assessment of energy security, and Mexico continued to define its energy security in cultural terms and the need to maintain the people's sovereignty over the country's natural resources. As a result of these differences, the constructivist hypothesis argues that there was no common ground for cooperation on energy security during these years. From Chapter Three, we know that each country framed its understanding of energy security in this way and thus the hypothesis passes the hoop test; however, the argument lacks a smoking gun to illustrate that it was the idea of energy security itself and how each country framed it that resulted in the sudden cessation of the SPP and the regional disinterest in energy collaboration. The ideas literature predicts that cooperation emerges from a process of policy failure, innovation, and emulation. Perhaps the reason why there is no clear smoking gun is because this snap shot is too short: the region is still in the policy failure section and has not yet moved into the innovation part.

A more plausible explanation as to why cooperation stalled during this time period rests on the election of Barack Obama. On January 20, 2009, the underlying preference structure of North America changed dramatically: the Democratic Party gained control of the presidency, Senate, and House of Representatives for the first time since 1993-1994. In doing so, the U.S. government came to represent a completely different segment of the U.S. public – one that was skeptical of the benefits of NAFTA and wanted the federal government to focus on climate change. This change can explain both the end of the SPP and the pause in regional energy cooperation during Obama's first term. In addition to the Affordable Care Act, Obama's other priority was to pass the cap-and-trade plan that he campaigned for in '08. Once in office, his administration spent a significant amount of time to build a coalition in favour of the bill. As a

result, the construction of a regional energy strategy would have weakened his ability to pass the bill. First, he would not be able to negotiate both a major environmental policy at home and a key energy agreement abroad with Canada and Mexico – one had to be the priority and cap-and-trade easily won. Second, the negotiations of the cap-and-trade system greatly restricted Canadian and Mexican international behaviour: it signaled that the U.S. was serious about climate change and that any form of energy cooperation from then on would have to include climate change considerations. Therefore, the liberal hypothesis passes the straw-in-the-wind test because the election of Obama generated a sudden change in regional cooperation, as evident by the end of the SPP. It also passes the hoop test because the cap-and-trade program was a major plank of Obama’s campaign and was a constraining factor in the development of a regional energy pact during his first term.

Further evidence as to why the liberal hypothesis passes the hoop test exists within the domestic games of Canada and Mexico. In 2011, the Conservatives won a majority government in Canada, ending five years of precarious minority Conservative governments. Observers of Canadian politics already knew that the Harper Conservatives were strident proponents of oil sands, but the 2011 victory awarded them the power to vigorously defend Canada’s oil industry abroad, knowing they had control of Parliament at home. Consequently, in September of 2011 Harper not so subtly jabbed the U.S. when he told the United Nations Assembly in New York that approval of Keystone XL should be a complete “no-brainer” and later in December that he is “very serious about selling our oil off this continent” (Press 2011). As I will discuss in greater detail in the next chapter, approval of Keystone XL became a major deterrent to greater regional energy cooperation in North America. South of the U.S., Mexico was not proposing interstate collaboration on energy because all of its effort internationally was directed at getting more aid

from the U.S. to stop the Mexican drug cartels. Accordingly, the win-set for energy cooperation was very low because powerful domestic forces in Mexico desired instead to work on ending the drug war.

The smoking gun that demonstrates sufficient evidence for a liberal explanation is the fact that the NAF continued to meet and advocate in favour of a regional energy strategy from 2009-2012, but the influence it once enjoyed during the Bush administration no longer held as much weight because it ran counter to the aims of the environmental interests of the governing Democratic Party. Both the 2009 and 2010 Summit focused on two crises: the global recession in 2009 and the ongoing Mexican drug war in 2010. As was mentioned, little is known publically about these meetings except for a two sentence synopsis that the Hoover Institute provides on its website about each summit. From these small abstracts, we know that while these two meetings were not focused primarily on energy cooperation, regional energy security was still a central issue discussed by participants. Interestingly, energy and the environment were lumped into one “critical issue” for the 2009 meeting, which was most likely a result of U.S. demands to talk about climate change. In contrast to the first two summits, the 2011 and 2012 meetings concentrated *solely* on North American energy independence. Below are two synopses for them:

1. 2011 — Washington DC, United States

Discussion focused on the ways in which the countries of North America could focus on building energy independence and capitalize on the important innovations taking place across the energy sector both in terms of fossil fuel production and the development of renewable resources.

2. 2012 — Ottawa, Ontario, Canada

Participants focused on a key challenge—energy security in the context of renewed North American economic competitiveness.

Due to the high level of secrecy surrounding these summits, we do not know who attended the meetings or if anything was agreed at them. However, we know from the 2006 NAF that some of the most important political and industry leaders from each country participated. From the existence of these meetings, we do know that these people attended lectures and panel discussions about the merits of greater regional energy cooperation— but that nothing materialized in the form of a regional energy strategy during these years.

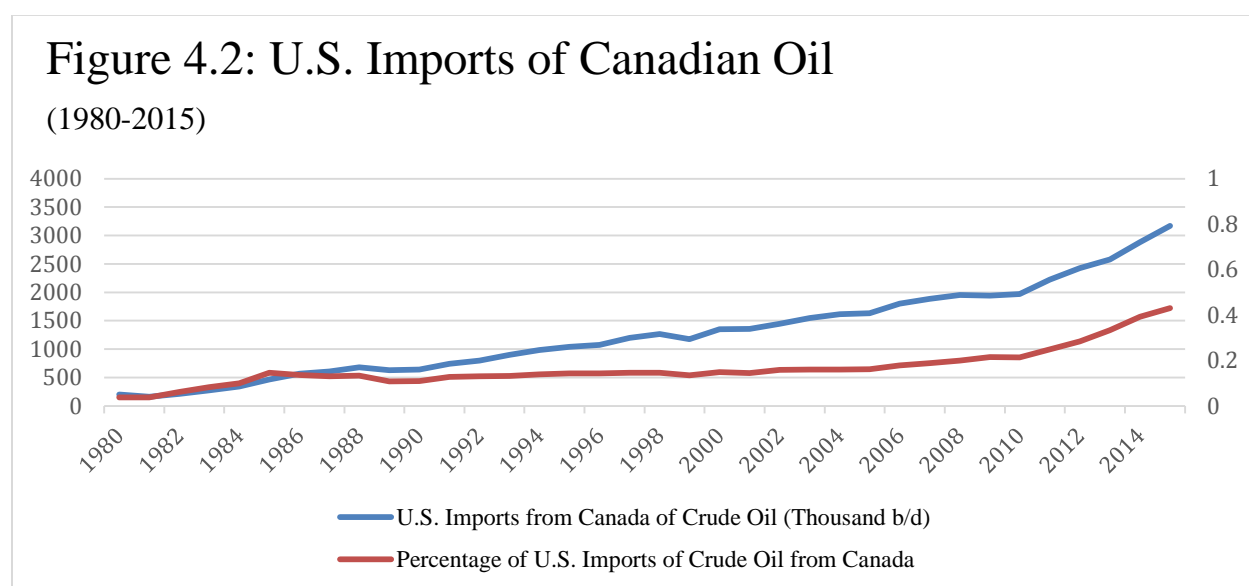
As I will demonstrate in the coming sections, the inability of the NAF to persuade the NAFTA countries to create a regional energy strategy resulted from two factors. First, the rise of environmentalism in the U.S. and the success of environmental interest groups have moved the conversation towards a regional climate change strategy. And second, Nieto's 2013 and 2014 reforms of PEMEX greatly opened the win-set in 2014 to a new round of continental energy cooperation.

KEYSTONE XL: A LESSON IN DOMESTIC POLITICS

While the Keystone XL Pipeline does not involve Mexico, it is worthy of its own section of analysis for three reasons. First, it received an extraordinary amount of attention in Canada and the U.S; second, it had a lasting negative effect on Canadian-U.S. bilateral relations, and third, the example thoroughly discredits the realist hypothesis. Keystone XL began like the other 31 oil pipelines and 39 gas pipelines that currently cross the Canadian-American border: TransCanada submitted a detailed proposal to the State Department, seeking a permit for its construction. But as Chapter Three illustrated, the pipeline would have been built had it not been for the work of environmental and progressive interest groups, who collectively stopped the construction of Keystone by mounting a wide scale campaign on the White House. As a result,

for the first time the liberal hypothesis passes the doubly decisive test since it is definitive that the factor that caused cooperation to flounder was domestic interest groups.

Realists can put forward two arguments to explain why Obama did not approve Keystone XL. The first is that the pipeline was rejected since the U.S. no longer needed Canadian oil due to the shale energy revolution. On paper, this statement sounds true. However, it does not hold up under scrutiny because, while the U.S. has decreased its oil imports over the past couple years, it is also true that it has imported vastly more Canadian oil than ever before. Figure 4.2 reveals this fact. From 1980-2010, the U.S. steadily imported more oil from Canada, but from 2011-2015 – at the height of the Keystone XL debate – the US imported even more oil, and at a faster rate. The graph shows too that Canadian imports as a percentage of total U.S. imports have increased greatly since 2010 – to the point that Canada almost supplies half of the U.S. imported oil. Due to these transitions, one would think that it would be in the U.S.’ interest to build a pipeline to facilitate this process; however, as we know now, President Obama never approved Keystone XL. Instead, he allowed for the oil to come in through rail, which may seem odd considering the crude by rail is less safe and more environmentally unfriendly than pipelines.



Source: U.S. EIA

The other reason why realism is inadequate to explain Obama's veto of Keystone XL is because including climate change as a threat within energy security calculations begins to pull at the theoretical threads of realism. As I outlined in Chapter One, realists apply a strict definition of energy security: one that is only concerned with the security implication of fossil fuel dependency (if one is talking about the supply side of energy security, as it is in the U.S.). Realists conceptualize energy security in this limited fashion not because they are climate change skeptics, but because the perceived threat of climate change is distant and uncertain. Unlike the fear of depending on unstable Middle Eastern regimes for oil, the security risk of climate change is too far in the future to be used by realists in energy security calculations. Granted, some scholars disagree, but there is by no means a consensus on incorporating climate change in energy security. Therefore, the realist hypothesis is unable to explain Obama's actions. Though he cited the threat of climate change in his announcement of the veto, the more plausible factor that led to his decision is the role of environmental groups and the success they had in influencing him to cancel the project. Moreover, even if we accept the premise that energy security includes climate change calculations – in other words, Obama vetoed Keystone because it posed a danger to U.S. security – then how can we explain his approval of offshore oil drilling in the Arctic or the Gulf of Mexico? Or his statement in 2012 that over the past 3 years, “We’ve quadrupled the number of operating rigs to a record high. We’ve added enough new oil and gas pipelines to encircle the Earth and then some” (Romm 2012)? Why was Keystone XL, a pipeline that would greatly help the U.S.’ closest ally, the one pipeline that was targeted?

The answer to these questions is in fact rather straightforward: environmental interest groups successfully changed the underlying preference structure of the U.S., shrunk the size of the win-set, and persuaded the president to veto Keystone XL. Chapter Three already details how

the NRDC, the Sierra Club, Oil Change International, 350.org, and others were able to build a nationwide grassroots campaign against the pipeline *and* the Albertan oil sands. What is crucial to grasp though from the narrative is just how influential the groups were. It is evident that the Canadian government, Albertan oil companies, and a majority of the Canadian public wanted the pipeline built. But no matter how much these actors lobbied the U.S. government, they were unsuccessful since the environmental movement was able to link the pipeline approval directly to President's environmental legacy. The lobbying, public protests, and vilification of oil sands kept Keystone XL in the public's eye and made its approval a litmus test of Obama's environmental credentials. Thus, as a result of these groups' sustained efforts, environmentalists reduced the win-set for pipeline cooperation. In other words, if they had not been involved in the process, the White House likely would have approved Keystone XL like the other 31 oil pipelines that currently cross the Canada-U.S. border. Furthermore, in his 2012 *Rolling Stones* Piece, Bill McKibben admits that the environmental movement essentially fell into a trap: by focusing overwhelmingly on Keystone XL, the coalition was unsuccessful at stopping other domestic pipelines or offshore drilling in the Arctic or the Gulf of Mexico. Therefore, the liberal hypothesis passes the hoop and smoking gun test because there is ample evidence to demonstrate that, were it not for the constraining factor of environmental interest groups, the White House would have approved Keystone XL and maintained friendly relations with the Canadian government.

Finally, the liberal hypothesis passes the doubly decisive test because it also accurately predicts when Obama vetoed the project. During the 2015 Canadian election, Justin Trudeau and the Liberals campaigned on the need to reset the Canadian relationship with the U.S. Deriding the Conservative approach as shortsighted and ineffective, Trudeau (2015) argued that he would fight for Keystone but not allow it to define the entire Canada-U.S. relationship. He maintained

the relationship must change and move beyond the fixation with = one pipeline. Consequently, the reason why Obama vetoed Keystone XL on November 6, 2015, and not on any other day in the previous seven years is simple – just two days before, Justin Trudeau’s government had been sworn into power. Thus, while the rejection of Keystone during the Harper era would have caused a diplomatic uproar, the cancelation of the project at the very beginning of Trudeau’s government was actually a blessing in disguise for the Liberals. Obama’s veto finally put the debacle to rest and allowed for two leaders to discuss new areas of cooperation: chiefly, climate change.

Moreover, it is because of Obama’s November 6, 2015, veto that the Constructivist hypothesis falters. The argument certainly passes the hoop test because diverging understandings of energy security existed between Canada and the United States: both found the other’s framing unacceptable and thus were unwilling to cooperate. However, the hypothesis fails the smoking gun test because it does not have an explanation for why Obama only vetoed the pipeline on November 6, 2015. Granted the time it takes for an idea to become intersubjective is long, but seven years may be too long: from the beginning of the Keystone XL debate, it was clear where the two sides stood. Although Obama did become more ‘green’ throughout his presidency, it is undeniable that the factor that actually caused him to act was not a process of policy learning but the fact that the Liberal Party of Canada had been elected in Canada.

Before moving on to the next snap shot, it is important to emphasize just how damaging the Keystone saga was for Canadian-U.S. bilateral relations. It might be unfair to reduce a \$700 billion annual trade relationship to just one pipeline, yet at the federal level this project became a major barrier to greater energy cooperation while both Harper and Obama were leaders. Over the course of seven years, the two leader’s feud became more visual and bitter. They were still able

to maintain a functional relationship and successfully cooperate on the war in Afghanistan, the Trans Pacific Partnership, and the 2011 Beyond the Border Agreement. Nevertheless, by most estimates, the Harper-Obama era was a cold patch in the history of Canada-U.S. relations. As Andrew Finn of the Canada Institute at the Woodrow Wilson Center in Washington argues, “When there is this much frostiness in the relationship, it becomes hard to set big goals and do big things” (Savage 2015). One consequence of this stained relationship was the inability of the leaders to work on a regional energy strategy. For domestic reasons, the Harper Conservatives had no desire to tackle climate change as aggressively as the U.S. wanted them to, while the Obama administration could not approve Keystone due to the public backlash it would face from environmentalists and activists within the Democratic Party. Without movement on these two issues, the possibility of regional cooperation on traditional energy production was incredibly slim.

DIALOGUE BUT NO STRATEGY: COOPERATION FROM 2014-2015

Observers of the February, 2014, NALS were shocked when the three leaders not only announced that energy would be a trilateral priority for the region, but also directed their energy ministers to meet later in the year *for the first time seven years*. After several years of indifference at the federal level, the announcement that the ministers would meet to “define areas for strong trilateral cooperation on energy” was a sudden change of events that needs to be examined in greater detail. Crucial for the analysis is determining where this new desire to cooperate trilaterally on fossil fuel development came from and why the three states agreed to once again collaborate after disregarding the issue for seven years. Important to note is that ‘cooperation’ does not equal the creation of a regional energy strategy. Rather, the two energy

ministerial meetings (December 2014 and May 2015) and the revival of the NAEWG on Climate Change and Energy are better understood as baby steps in the process of establishing a continental energy strategy – within Putnam’s two-level game models, these meetings are the first level of interstate bargaining. We do not know what was discussed at these meetings, but we know that they too failed to establish a strategy for North American traditional energy. In this snap shot we need to explain why the desire to cooperate reemerged and why progress on traditional energy coordination has remained, for the most part, meager.

In short, the answer to this puzzle lies with Mexico and President Nieto’s successful reform of PEMEX. Two months before the 2014 NALS, Nieto signed historic constitutional reforms that enabled foreign competition in Mexico’s energy sector for the first time in 76 years. The specifics of how this process would happen required a second round of negotiations, which were eventually completed in August 2014, but the 2013 reform removed a long-standing barrier to North American cooperation in energy. By changing the constitution, Nieto greatly increased the win-set for regional energy cooperation and thus allowed for fossil fuel energy to be seriously discussed and debated for the first time in North America’s history during the 2014 NALS. If we think of the win-set in terms of supply and demand, the change in Mexico’s domestic energy policy did not necessarily change the demand for regional energy collaboration. Rather, it increased the supply of possible opportunities for cooperation because foreign companies could now operate in Mexico.⁹

The liberal hypothesis passes the doubly decisive test because strong causality exists between Mexico’s energy reforms and the governments’ decision to re-launch trilateral dialogues on potential areas of energy cooperation. No other factor changed during this time period. There

⁹ In fact, before the reforms, Mexico was the only country in the world to still block foreign companies from competing in its oil sector.

was no new national security crisis that realists can use to justify the new collaboration and while the framing of Mexico's energy security did indeed change (from a populist defence of PEMEX's monopoly to the need for reform in order to maintain PEMEX's contribution to the federal budget), the mechanism that ultimately altered this frame was the election of the PRI and the empowerment of a youthful generation of political leaders looking to reform several policy realms in Mexico. In his assessment of the 2014 NALS, Duncan Wood (2014) argues, "With the successful passage of energy reform legislation through Mexico's Congress last December, many of the previously existing barriers to cooperation on oil and gas markets have now disappeared." The reforms therefore sparked the reemergence of cooperation and allowed for businesses, groups, and opinion leaders to debate what the future of North American energy should be in the months leading-up to the December 2014 ministerial meeting. Unsurprisingly, there was a proliferation of reports and studies from CFR, CCCE, Goldman Sachs (including its two-day "North American Energy Summit"), the Wilson Center, the Baker Institute Center for Energy Studies, the Center for Strategic & International Studies, Environmental Defense Fund, Resources for the Future, and the Center for American Progress.

What about the expansion of ISIS and the collapse in the price of oil? Realists could argue that ISIS' rise was further incentive for the U.S. to reduce its reliance on Middle Eastern oil and to focus on strengthening its ties with its North American partners, but the argument is weak for two reasons. First and most damaging to the hypothesis, the threat of ISIS emerged after the 2014 NALS: though the group technically existed before the summit, it was by no means a widespread threat to U.S. security. Second, there is no evidence to suggest that the threat of ISIS significantly changed U.S. energy policy. The U.S. was already in the process of weaning itself off Middle Eastern oil and relying more on its own and its neighbours' oil. Moreover, the

sudden drop in the price oil in the fall of 2014 surprised analysts around the world and had dire economic consequences in Canada and in certain parts of the U.S. and Mexico. However, it did not appear to have a very large effect on interstate collaboration. Despite a near 50 percent drop in the price, neither the 2014 nor the 2015 energy ministerial meeting referenced the change in price. Certainly the ministers discussed it behind closed doors, but it was not mentioned in the official press releases.

This analysis demonstrates that the most plausible explanation for the renewal of interstate energy discussions in 2014-15 has to do with Mexico's energy reforms. Potential for dynamic energy cooperation was always there: the expansion of tight oil, oil sands, and shale gas provided multiple new opportunities for mutually beneficial cooperation. However, there was no regional cooperation for several years – nothing in 2011, 2012, or 2013. The 2014 NALS and subsequent ministerial meetings changed this trend and the only way to explain this turn is to point to Nieto's reforms, which successfully expanded the win-set for trilateral action. Nonetheless, there was still no concrete North American energy strategy during this time period. The revival of the NAEWG on Climate Change and Energy was an important step in this process, but it is still not a regional plan. As we saw in the previous section, the feud between Obama and Harper was a constraining factor: the two leaders represented conflicting societal interests and one would have to leave in order for progress on trilateral cooperation.

A CONTINENTAL CLIMATE CHANGE STRATEGY

From October 2015 to April 2016, regional cooperation proceeded at a surprising rate. From Canadian cabinet ministers openly talking about deepening integration to the countries actually putting forward new proposals with the MoU and the Canada-U.S. climate change

agreement, the past several months have been greatly different than those that proceeded. What is *critical* to note is that the “energy cooperation” that Canada, the United States, and Mexico are currently debating is vastly different than any other period in North American history. The conversation has shifted drastically from a strategy based on oil, natural gas, and pipelines to one that focuses on renewable energy, green jobs, and climate change mitigation. As a result, North America may soon have a clean energy and climate change strategy, but, in April 2016, it still does not have a regional energy strategy, as defined in this thesis. In this final snap shot I will argue that the answer to why this is the case lies with the convergence of preferences in each country for green energy.

The sudden increase in cooperation is a direct result of the Liberal Party gaining control of the Canadian parliament after the 2015 federal election. With the election of the Liberals, the Canadian government came to represent a new segment of the Canadian public: one that for the most part wanted to develop the oil sands, but also wanted Canada to be more involved in – even possibly leading – the global effort to fight climate change. While in opposition, Justin Trudeau made a speech on June 23, 2015, about the need for real change in the Canada-U.S. bilateral relationship. He mentioned different policies that he would pursue as Prime Minister, but the most significant one was his declaration that “we need to push for the next major step in the history of North American partnership: *a clean energy and environment agreement.*” Although he did not go into great detail about it during his speech, Trudeau did mention that it would include all three NAFTA countries and that it would be a “continental coordination of climate mitigation policies and alignment of international negotiating positions.” The Liberals incorporated this policy in their platform during the election, arguing that a central foreign policy goal would be to negotiate a North American clean energy and environment agreement.

Accordingly, the election vastly changed the continental win-set by bringing the new Canadian preferences for climate change mitigation in alignment with American and Mexican preferences. As the reader may remember from Chapter Three, the U.S. and Mexico had already created a bilateral task force to coordinate the two countries' climate change policies. The fact that the U.S. neither negotiated a similar pact with Canada nor expanded the task force to include Canada reveals that the win-set was not large enough to do so when the Conservatives were still in power: they were more interested in cooperating on traditional energy production, infrastructure, and security. From the previous section, we know that the win-set was large enough for some cooperation – just that it remained limited. For instance, the ministers announced that they would start to share energy data (what eventually became the NACEI) and that they aspired to “promote continental energy security, integration, and collaboration; strengthen government-to-government relationships; and support business-to-business engagement in the energy sector” (Energy.gov “North American Energy Ministers Meeting”). Moreover, the new NAEWG included a focus on climate change, but it is clear that the Canadian government was a reluctant partner. In the official statement, the U.S. and Mexican ministers focused solely on climate change, clean energy, and sustainable development, while Canada's Minister of Natural Resources, Greg Rickford, mentioned energy security, jobs and the economy, and how Canada is a “secure, reliable, and responsible producer and supplier of energy.” He offered no mention of renewable energy or climate change. In contrast, the election of the Liberals brought Canada's position in alignment with the other two nations and made cooperation on clean energy and climate change the priorities.

The liberal hypothesis thus passes the doubly decisive test because there is necessary and sufficient evidence to demonstrate the causality between the election of the Liberals and the

deepening of trilateral cooperation around new forms of renewable energy and climate action. The U.S. Secretary of Energy said it best in explaining why it was possible to agree upon the MoU. He attributed the MoU agreement to the (1) the “tremendous” change in the energy scene in North America, (2) the “revived relationship” between the three governments, and (3) “the change of government here in Canada” (McDiarmid 2016). These candid comments from a high-ranking U.S. public official reveal the strength of the causality between the 2015 Canadian election and the new North American cooperation on the environment. Interest groups do not play a large role in the creation of these agreements, but that is because they do not need to. The governments represent the environmental interests so thoroughly that interest groups do not need to intervene to expand the win-set – unlike in the lead-up to the SPP.

Finally, the fact that Canada and the U.S. now share a preference to cooperate on clean energy was made obvious at the state dinner Obama hosted for Justin Trudeau – the first one in 19 years. Both Canadian and American media covered the event widely and focused on the growing ‘bromance’ between Obama and Trudeau. But the importance of their relationship is that it represents something much more than a ‘bromance’ between two leaders. It marks the first time in several years that the preferences of the two governments align and represent similar societal interests and actors. As a result of the current underlying preference structure of the region, Canada and the U.S. agreed to a landmark climate change agreement after the day after the state dinner, and observers predict that the key policy takeaway of the 2016 NALS will be a continental climate change strategy that incorporates all three North American governments. There is one final piece of evidence from the state dinner that is noteworthy. Trudeau invited nine other ministers to join him at the dinner, including the current Minister of the Environment and Climate Change. But one minister who did not receive an invite was Jim Carr, the current

Minister of Natural Resources. The fact that Canada's energy minister was not part of Trudeau's entourage to D.C. reveals whom the Liberal government represents.

The realist hypothesis can be eliminated due to its inability to explain why new cooperation emerged, as well as the resilience of the liberal argument. Realists would argue that the reason the countries are discussing climate change and not nonrenewable energy resources is because the U.S. has become increasingly energy independent and sees no need to limit its sovereignty by establishing a regional energy strategy. However, the problem with this position is that the U.S. would benefit immensely from trilateral energy cooperation. The Goldman Sachs' Summit demonstrates that U.S. elite insiders, including industry insiders, are in favour of a continental strategy. The most plausible explanation for why the U.S. government has disregarded these calls for a pact is not because the Obama administration is concerned with U.S. sovereignty, but because the strong environmental lobby has become powerful within the Democratic Party. That group has been successful at persuading the president to focus on trilateral climate change cooperation instead of an energy strategy based on fossil fuels.

The constructivist hypothesis fares better than the realist hypothesis. However, it too cannot explain the sudden reemergence of trilateral cooperation in late 2015. Constructivists assert that the focus for cooperation has shifted to the environment because cooperation on nonrenewable energy failed. The hypothesis continues to argue that the governments have learned that climate change mitigation is a more fruitful area for cooperation after years of attempting to create a regional energy strategy. In addition, the belief in the need to fight climate change has become increasingly accepted by the public and political elites of each country and, by 2015, reached a point in which trilateral cooperation was desirable. The argument passes the hoop test because of the establishment of the NAEWG on Climate Change and Energy. Since the

Conservatives agreed to establish the working group, one could argue that the idea of climate change mitigation became increasingly intersubjective within the party. However, the argument fails the smoking gun test because it cannot account for the reluctance of the Conservatives to include climate change in the NAEWG, and for the sudden reemergence of cooperation over the past five months. The revival of cooperation, in the constructivist perspective, should come from a process of policy learning within a governing party or the ability of government to frame the debate in such a way to convince another government to change its position. The problem, though, is that evidence indicates that the impulse to cooperate came from the election of the Liberal Party of Canada – not one of the factors that the constructivist argument relies on.

ANALYSIS: THE IMPORTANCE OF DOMESTIC POLITICS

Process-tracing through these five periods reveals that the liberal hypothesis consistently does the best job explaining why events unfolded the way they did. As we see repeatedly throughout each example, the ebb and flow of cooperation depends on the size of the win-set and the extent to which the underlying preference structure of North America is harmonious. The more the preferences converge, the larger the win-set becomes and the more likely it is that the three governments will pursue trilateral cooperation. As a result, analyzing domestic politics and determining which groups a government represents is crucial to deciphering state behaviour. For example, the only way to explain both why Obama did not approve Keystone XL and why he vetoed it on November 6, 2015, is by understanding the significance of environmental activists in the Democratic Party, the ability of environmental groups to pressure Obama into delaying and canceling the project, and the election of the Liberal Party of Canada. In short, environmental groups were able to shrink the win-set to microscopic levels and the election of the Trudeau

Liberals produced the opportunity for Obama to cancel the project without a political backlash from Canada. Similarly, the three governments converged slightly on the desire to cooperate on traditional energy after 9/11, but the SPP only came to fruition after 2 years of lobbying by three of the most influential interest groups on the continent.

The constructivist argument presents several solid arguments about the importance of ideas and framing, but frequently fails to explain the “when” of the events. It should not be surprising that the constructivist hypothesis passes more tests than the realist argument because it emphasizes the causal significance of state preferences like liberals. However, the reason why the liberal hypothesis is more plausible is because liberal argument more accurately predicts the way in which the preferences change. The constructivist hypothesis emphasized the process of policy learning and framing; which, as the analysis demonstrates, does have some causal weight at different points. The problem is that often cooperation ended or began very suddenly, which the hypothesis cannot account for. Instead, the liberal emphasis on domestic interest groups and whom the government represents better explains the five snap shots. For instance, while part of the reason for why cooperation reemerged between October 2015 to April 2016 was because the three countries converged on the same understanding of energy security (one that included the threat of climate change), this convergence occurred because of the election of the Liberal Party of Canada and not due to policy learning and the process of policy failure, innovation, and emulation, as outlined by McNamara (1988).

The realist argument performed the worst out of the three hypotheses because it both underestimates the importance of domestic factors and mischaracterizes the effects of the shale energy revolution. Specifically, it fails to predict why the SPP did not materialize until 2005 and why it disappeared in 2009, why cooperation began to reemerge in 2014, and why it has

accelerated over the past 5 months. In general, the hypothesis assumes that states will be unwilling to develop a regional energy strategy because placing energy policy in the hands of another country is foolish given the security and sovereignty concerns associated with resource dependency. As a result, the governments should have cooperated on energy after 9/11 given the energy security dynamics at the time and have not cooperated since 2009 because of the rise of shale gas and tight oil in the U.S. As the analysis demonstrated, both of these predictions were revealed to be wrong.

Consequently, the ebb and flow of regional energy cooperation is best explained with liberal international relations theory and my second hypothesis. For snap shot 1 and 3, the role of interest groups and their ability to increase and decrease the size of the win-set is fundamentally important to explaining the creation of the SPP and Obama's veto of Keystone XL. For snap shot 2, 4, and 5, a change in government and the consequential alteration of the underlying preference structure of North America is crucial. Democratic Party victory of the House, Senate, and White House prompted the cessation of the SPP and the lull in regional energy cooperation in the first term of President Obama; the election of President Nieto and the PRI in Mexico resulted in the reform of PEMEX and the removal of a long-standing domestic barrier for continental energy cooperation; and the election of the Liberals in Canada triggered a harmonization of the preference structure of the three countries in their fight against climate change.

In sum, there are three reasons for why North America lacks a regional energy strategy. First, domestic interest groups may have been successful during the early 2000s in causing the three governments to establish the SPP, but the same groups have been unsuccessful ever since because of the enfranchisement of environmental groups. These groups have been able to persuade the governments that developing a regional strategy based on traditional energy would

not be in their interests and that they should instead focus on clean energy and climate change. Second, the election of pro-green political parties in each of the three nations has led to a convergence of preferences. Essentially as each one was elected, the constraining factor of environmental interests became stronger and limited – primarily Canadian – state action internationally. Once all three were elected, it is not surprising that trilateral cooperation on the clean energy and the environment accelerated. Finally, the reason why North America does not have a regional energy strategy that emphasizes fossil fuel development and energy infrastructure is because the conversation at the federal level has shifted towards developing a regional climate change strategy. As we will most likely see at this years NALS, the three governments will almost certainly announce a continental climate change plan and not an energy strategy.

Chapter Five

Conclusion: Energy and the Importance of Domestic Politics

On June 2, 2015, Stephen Ewart from the *Calgary Herald* interviewed Robert Zoellick and David Petraeus about their 2014 Task Force Report for CFR. The two were in Calgary to promote their ‘North America Thesis’ that night with Canadian business representatives at an event entitled “A Discussion on The Future of North America.” They discussed with Ewart various components of their vision, but maintained that the three nations should adopt a “unified energy strategy” based on fossil fuel energy production, energy exports, and energy infrastructure, and maintained that doing so would produce widespread benefits for each country. What is interesting about the interview is that both authors cryptically referred to how little has materialized in concrete action since they published their 2014 report: Zoellick stated, “There are many roads to prosperity, but one must be taken. Inaction leads nowhere;” and Petraeus insisted that opportunities for North American prosperity “won’t just happen if you take it for granted.” From their comments it is evident that they are dismayed by the three North American governments’ reluctance to take advantage of the enormous opportunity that the energy revolution offers them. By not acting, Canada, the United States, and Mexico have wasted – and are currently wasting – numerous opportunities for material gain for both their countries and their citizens.

The question that I have sought to answer in this thesis is why, despite several attempts, have the three NAFTA countries struggled to collaborate on trinational energy development and production? Important steps have been taken, but so far they have been timid and small in scope. The most significant of these developments was the SPP. With its focus on improving continental energy flows, the agreement marked the first time the three governments cooperated

on traditional energy. The problem was that the working group, initiatives, and aspirations lacked an overall plan to be considered a regional energy strategy; in fact, throughout this period, the governments themselves still said how they were working towards a true continental energy strategy. This trajectory changed with the election of Barack Obama. With the termination of the SPP, the NAEWG, and the NACC in 2009, the three governments withdrew from trilateral cooperation and transitioned to a period of indifference between one another. It was not until President Nieto successfully reformed Mexico's constitution, and later PEMEX, that the three governments were willing to cooperate again – five years later. Starting in 2014, cooperation reemerged, but once again the countries were unable to negotiate a regional energy strategy. Recently, Trudeau, Obama, and Nieto seem poised to agree on a continental clean energy and climate change agreement – yet such a pact would ignore conventional and nonconventional energy production, infrastructure such as pipelines and ports, and exports of crude oil and LNG.

As this thesis demonstrates, the only way to explain the ebb and flow of regional energy cooperation is by analyzing the underlying preference structure of the continent. In short, domestic politics is crucial for understanding why at times the three NAFTA countries cooperated and at other times they competed or were indifferent to interstate collaboration. This analysis reveals that the distribution of domestic interests and preferences is causally significant for determining when states cooperate on traditional energy resources. When interests of enfranchised groups within the three countries converge, cooperation is possible and often desirable; when they diverge – meaning powerful groups want their governments to do something different than groups in other countries – than the possibility of collaboration is low. This underlying preference structure can change via an exogenous event such as 9/11 or the crash in the price of oil, but it first and foremost stems from a change in government. A

significant intervening variable beyond just the existing preference structure is the ability of interest groups to influence their governments to take a certain position. Through public mobilization and behind the scene lobbying, these enfranchised groups can and often do change the win-set for cooperation. However, this does not necessarily mean expanding it. We saw throughout the Obama administration that environmental groups were able to successfully reduce the win-set for traditional energy cooperation and increase the win-set for clean-energy collaboration.

Both the realist and constructivist hypotheses put forward important ideas and theories about how states act, but they often failed the process-tracing tests because they could not explain the ‘when’ of the equation. The two hypotheses could not explain why the states agreed to establish the SPP in 2005 and not earlier, why Obama vetoed Keystone XL on November 6, 2015, and why cooperation on clean-energy has increased so quickly since the end of 2015. The constructivist argument fared better in the tests than the realist hypothesis since, like the liberal argument, it emphasizes the convergence of societal preferences and the resulting constraining effect on cooperation. However, the hypothesis is not the most plausible because the mechanism in which preferences change is incorrect. Rather than through a process of policy learning, the analysis in Chapter Four demonstrates that the most causally persistent method that makes interests change is my liberal argument based on elections and interest group activity.

There are two key takeaways from this thesis – the first of which being that the concept of energy security has changed significantly in North America. Increasingly over the past sixteen years there has been a shift from a traditional definition of energy security based on oil and gas dependency to one that incorporates climate change. As a result of this new formulation, the NAFTA countries are no longer debating a regional energy strategy based on traditional energy

resources, but one focused on clean energy, green jobs, and climate change mitigation. Crucial to this development is that this change did not derive from the states rationally discerning for themselves that climate change is a threat or through a process of policy learning. Instead, it came from the enfranchisement of influential green groups, individuals, and politicians. Starting with the election of Barack Obama and the Democratic Party in 2009, followed by the 2012 victory of Peña Nieto and the PRI in 2012, and finally with the recent victory of Justin Trudeau and the Liberal Party of Canada in 2015, North America has become increasingly greener with each electoral victory of an environmentally friendly government. But these victories alone are not enough. Environmental interest groups have played a decisive role in assuring that, since the election of Barack Obama, the three governments do not cooperate on traditional energy security and instead on one that encompasses renewable energy and climate action. In fact, with the emerging consensus of the need to fight climate change, we may never again see trilateral cooperation based solely on traditional energy security. Governments, and the people they represent, increasingly are demanding provisions to green their energy. Thus energy security, as realists strictly define it, has indeed begun to break down.

The second takeaway is the robustness of classical liberalism. Despite the decline of the theory in recent years, this thesis demonstrates with resounding evidence that liberal international relations theory provides high value for scholars. Realist research on energy security and its implications for state actions has dominated the academic agenda since the OPEC crisis. But this thesis shows that realism is inadequate for analyzing the recent trends in North America. Primarily, over the past sixteen years the NAFTA governments and their societies have shown that they want to cooperate, but that they have been unable to find common ground for interstate collaboration. This desire to cooperate violates realist expectations from the

start: namely, that states are very unlikely to cooperate, especially on something as geopolitically strategic as natural resources. As a result, this thesis indicates that the most plausible way to account for this aspiration and the pattern of cooperation and competition is by looking at the underlying preference structure of the continent. Constructivism fares better than realism because it too examines societal preferences; however, it did not perform as well in the process tracing tests since it focuses on policy learning, rather than domestic elections and the empowerment of domestic interest groups. Only liberalism, as Andrew Moravcsik has stated for nearly twenty-five years, is able to account for these domestic forces and demonstrate how they are the primary determinants of state behaviour.

Looking forward, there are several possible avenues for future research. One would be to continue the research of this thesis and analyze the future trends in North American energy cooperation. The 2016 NALS appears posed to be a major summit this year, and the 2016 U.S. presidential election will dramatically change the underlying preference structure of the region. Similar to 2008, several candidates have questioned the merits of NAFTA – with two leading Republican candidates even suggesting to build a wall between Mexico and the United States. Moreover, it will be interesting to see the extent to which a Hillary Clinton presidency would change the underlying preference structure of the region. Would her victory bring the U.S. further to the left and possibly lead to a renewed debate on NAFTA or will it actually not cause much of a change, since her presidency would represent the same domestic coalition as Obama's. Remaining in North America, future research can use the same model employed in this thesis and apply it to other issues such as finance, transportation, transnational crime, and many others. As I have demonstrated repeatedly in this paper, domestic forces are key to explaining why states cooperate. Consequently, scholars should expand North American research by using liberal

international relations theory.

Finally, the other area for future research is cross-regional comparison since North America is not the only region in the world that is experimenting with energy cooperation. Europe has a long history with energy collaboration, but South America, East Asia, and South-Eastern Asia have also attempted to coordinate their energy policies to various degrees in recent years. In this thesis I chose to not undertake a case comparison and instead focus on the case of North America. But as time unfolds and regional agreements become increasingly rigorous, comparing why certain regions focus on one component of energy cooperation and not others will be an interesting gap in the literature to investigate. The findings of this thesis suggest that it will be a result of what groups and preferences are represented by the states involved in the negotiations, but a rigorous case comparison of the differences will be necessary to prove this hypothesis.

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