

The West Must Tackle Its Energy Consumption, Says CEO Of Waterous Energy Fund

Concerns over climate change joined by the mounting pressure to abandon oil and gas have brought up existential questions for the oil industry. According to Adam Waterous, the head of Waterous Energy Fund, efforts that promise to tackle greenhouse-gas emissions by eliminating gas and oil are overlooking critical issues.

“One of the reasons why there’s been a global failure in addressing climate change is that the solution has been very western-based,” said Adam Waterous, CEO of the private equity firm Waterous Energy Fund. “The role of the Canadian oil and gas industry is to fulfill two primary initiatives of the United Nations — lower emissions and energy poverty.”

Waterous holds an Honours Business Administration degree from the University of Western Ontario and a MBA from Harvard Business School. Over the years, he has been involved in many community organizations and industries, and worked at the First Boston Corporation in New York, and McKinsey & Company in Toronto. He cofounded Waterous & Co, a leading oil and gas acquisitions and divestitures firm that was acquired by Scotiabank in 2005 which he joined as the global head of investment banking and head of energy and power in North America for three years before founding Waterous Energy Fund in January 2017.

According to him, the common narrative of climate change in the West can be classified into three basic stages.

“The first stage which started about 15 to 20 years ago was quite a simple to follow narrative and said that climate change is bad and caused by fossil fuels, stressing that we need to stop producing fossil fuels,” he said. “That narrative had a number of problems, one of which is it being a very western perspective and ignoring energy poverty.”

The 2021 Tracking SDG7 Report by Sustainable Energy for All (SEforALL) reported that 759 million people lived without access to electricity in 2019, and estimated that 660 million people would still lack access in 2030.

“If the folks in the West ignore energy poverty, then we’re not going to solve the problem,” adds Waterous. “Ignoring the developing world, which is what has gone on, is going to be a formula for failure.”

The West’s second stage narrative for climate change is relatively recent and built on the first by adding the need of reducing oil and gas emissions rather than reducing production. Since the Kyoto Protocol set in 1995, the Canadian oil sands industry has lowered its carbon intensity per barrel by 44% and is expected to drop as much as 30% by 2030 according to research from the Bank of Montreal, said Waterous.

“It’s a much more productive narrative because it speaks less from a position of energy privilege,” he said. “It recognizes that just cutting off fossil fuels to the developing world is not only morally unjust, but also not going to be successful, so let’s focus on reducing carbon intensity.”

According to Waterous, to succeed in fighting climate change, the West must progress to the third stage climate change narrative which stresses meaningful change in consumer behavior by identifying that most fossil fuel emissions are caused by Western consumption — roughly 15% of fossil fuels emissions are emitted during production and 85% during consumption.

“Mass transit is going to play an enormous role in addressing the reduction of consumption of fossil fuels that the West is positioned to really take the leadership on,” he said. “One of the key ways is the electrification of the transportation fleet.”

While electric vehicles are safer, and require lower maintenance, they come with an unforeseen challenge. Because EVs can weigh up to twice as much as the equivalent internal combustion engine vehicle, manufacturing requires a substantial amount of energy.

“When you drive an electric vehicle off the lot, you start with a carbon deficit, meaning you’ve consumed more oil and gas,” explained Waterous. “How fast you get out of that deficit is a function of how clean your electricity supply is.”

In Quebec, a global leader in renewable energy, offsetting that deficit can happen “pretty quickly,” said Waterous. In the United States, however, Waterous cites research from investment bank Jeffries & Co which warns it can take up to 120,000 miles before an electric vehicle breaks even on carbon emissions.

“That’s not going to be a solution in terms of the West reducing its carbon footprint,” he said. “We have to get people out of personal vehicles and into mass transit.”

The CEO helped found BANFF NATIONAL PARK NET ZERO 2035, an initiative to transform Banff into North America’s first net-zero emissions community by 2035. At the root of this green strategy is the redevelopment of the dilapidated train station to create an integrated transit system that would eliminate the need for personal vehicles.

“We have to start looking at system-level changes on a community basis,” he said. “We speak from a position of energy privilege, and we have to think more carefully about how we can change and function in everyday life in a much lower carbon way.”