

Becoming an Energy Superpower:

A New Leadership Playbook for Canada's Energy CEOs

The Canadian energy sector is accustomed to volatility, cyclicalities and turbulent times. However, one could argue that never has there been a time of more possibilities and challenges for the energy sector in Canada than today. The sector faces multiple simultaneous global shocks: geopolitical, economic and technological.

On one hand, energy demand is growing rapidly, driven by the need to power data centers for the massive investments in AI. There are encouraging signals from Ottawa and provincial governments about the willingness to support new clean and conventional Canadian energy projects. And generative AI, machine learning and other technologies promise to help energy companies to increase productivity and efficiency. Yet taking advantage of these opportunities will be complex, and success is not a given amid so many geopolitical, economic and regulatory uncertainties.

To better understand the future of the energy industry in Canada and the implications for CEOs, we spoke with 20 CEOs and board directors of a range of Canadian energy businesses — encompassing oil and gas exploration, production, refining, transportation, electric power generation and distribution. They spoke about the forces that are most affecting their businesses, what they mean for CEOs today and in the future, and how they are developing CEOs for the future of Canada's energy industry.

A promising but challenging picture for the future

Energy leaders are optimistic about Canada's potential as an energy superpower, given growing energy demand globally and signals that government leaders may be more open to supporting increased investment in carbon-based energy sources.

"Many companies are in a better position to compete today, thanks to their financial and operational discipline over the past several years," observed John Dielwart, chair of TransAlta and founder of ARC Resources. "Consolidation is leaving fewer, larger, more competitive and better capitalized companies. The industry has probably never been in a stronger place."

CEOs and their teams will need to navigate many challenges — geopolitical, economic and regulatory uncertainty among them — if Canadian energy companies are going to achieve the lofty expectations for it. Yes, demand for energy is growing, but decisions about where to invest are risky and complex. Here are some of the challenges CEOs are facing:

- » **Regulatory uncertainty.** While the current government has articulated more of a "pro-build" philosophy, it's unclear what actual regulatory and policy changes will come to pass and at what pace. For now, regulations aimed at limiting the production and transport of oil and gas are still in place, and energy companies are looking for concrete signs of change. All the while, uncertainty about regulatory policy can paralyze long-term planning and investments that can take decades to pay off.
- » **Geopolitical shocks.** This includes the U.S. tariffs and trade tensions, and the wars in Ukraine and the Middle East are amplifying market volatility and risk for the energy sector.
- » **Technology shocks.** GenAI, machine learning and other technology advancements promise to transform operations, improve efficiency and enable predictive maintenance and real-time monitoring of energy systems, but require leaders to make big bets for the future, bring their organizations along and protect energy systems and networks from cyber threats.
- » **Demand for unique skills.** Energy companies face increased competition for "rare-bird skills," as one director explained, and that's just one challenge on the talent front. Potentially most challenging for future talent pools is the decline in people qualified for top leadership roles, as companies have dialed back formal development programs over the years and younger leaders make different career choices.

Drivers of CEO performance

The job of CEO isn't fundamentally changing from the past, but the industry's changing context means that the job is getting more complex, and successful CEOs will have to lean into different areas. Here are seven things energy CEOs in Canada will have to get right.

Focus on longer-term planning horizons with disciplined cost management today

In response to regulatory and market ambiguity for the long term, energy organizations have taken various approaches to generate returns with less risk, for example investing in projects with short-term delivery cycles or increasing their investments in regulated businesses that provide more predictable returns with less exposure to potential shifts in regulatory and policy decisions.

But robust future growth for Canada's energy industry requires long-term investments, with time horizons of five, 10 or more years. Operational discipline enables energy companies to ride out uncertainties and take advantage of opportunities that arise amid change. This involves protecting the balance sheet and keeping a sharp eye on costs and risks.

Leaders must make smart bets for the future, planning for a range of scenarios and taking a disciplined approach to investing. "In uncertain times, discipline and strategic decision-making matter more than ever. When the environment is stable and opportunities are clear, decisions can sometimes be more forgiving. But in periods of uncertainty, any lack of discipline only adds risk," said Mark Poweska, CEO, ENMAX Corporation.

Being clear about the company's strategy amid all the "shiny pennies" is essential, as is staying aligned with the risk profile of the company and its shareholders.

"I emphasize to CEOs that the stock price is the least relevant indicator of anything that they have to do in their daily work life," said Dielwart. "The stock price is an outcome, not an input. Have a good strategy and execute. Have a better cost structure, be more efficient because, particularly in oil and gas, we're all producing the same thing. So, the standard of outperformance is going to be a longer-term thing."

Communicate a clearer vision and direction to the organization, at all levels

It's not enough for CEOs and their teams to articulate strategy, they need to communicate effectively so people throughout the organization understand the priorities and their role in bringing the strategy to life. This is especially true for CEOs in the energy sector, given increased demands from a younger workforce at lower levels seeking clarity of direction amid an uncertain business environment. "Communications skills are critical — the ability to connect with people, clearly articulate what you're collectively trying to achieve on an ongoing basis, not just with your direct leadership team but also with the entire organization," said Chris Seasons, director, Suncor Energy and partner, ARC Financial.

CEOs who excel at communication articulate the company vision and purpose with realistic optimism. They motivate from up close and afar, in small or large groups, virtually or in person, in the boardroom or on a factory floor, with or without prepared scripts. Interactions with them are uplifting. The most effective energy CEOs are visible in the organization and make sure the strategy resonates with people throughout the company.

Make the hard choices to build a team around you that can shape strategy and set direction

A high-performing top team serves as a partner to the CEO, not just in executing strategy but in scanning the environment for new risks and opportunities and adapting plans and operations in response. CEOs need smart, capable people around them to serve as strategic partners and to amplify their leadership, support their success and address gaps in their skills or knowledge. CEOs should be confident in their team so that they're not tempted to micromanage.

As CEOs increasingly need to lean on their team people to get to high-quality decisions and accomplish ambitious goals, it is becoming more important that CEOs have a well-developed "team muscle," setting clear direction and aligning the team to empower decision-making throughout the organization. One challenge for CEOs is that energy companies have traditionally focused on developing operational strength rather than strategic thinking. When building their teams, CEOs will want to select people with both operational experience and adaptability. They need to both leverage diverse thinking from the team and have the courage to make tough decisions.

"In the business we're in, job Number 1 for a great CEO is building a strong team and developing a strong sense of team alignment, with the whole team pulling in the right direction," said Hal Kvisle, chair of South Bow and ARC Resources. "Leadership teams need to do many things very well, but the process by which major decisions are made is particularly important. Decision quality is not just about making the right call when something's on your desk, it's about the process that the CEO and leadership team follow in identifying the alternatives, evaluating them, understanding the risks and making the final decision. The process itself is an important driver of decision quality."

Make bolder decisions and course-correct as new information arises

In times of uncertainty, it can be tempting to hunker down and avoid risk-taking. But as volatility and unpredictability increasingly appear to be permanent fixtures for the energy sector, standing still is no longer an option. At the same time, leaders need to manage risks to avoid fatal missteps.

“We’re going to have to live with uncertainty and develop processes that help us move forward in spite of the uncertainties that we face,” says Charles Ruigrok, chair of Finning International and ENMAX Corporation. His recommendation: identify the “no regrets” activities that allow the business to make progress under the whole range of possible outcomes.

In a recent example, Capital Power was able to announce and finance a \$3 billion acquisition even as the uncertainty around U.S. tariffs was creating extreme market volatility. “Getting that deal done under those conditions required the confidence of the board and management to make a big strategic investment with a long-term payoff,” said Jill Gardiner, chair, Capital Power. “You need to have good relationships and credibility with your stakeholders, your potential capital providers and potential sellers. It also requires mutual trust and respect between the board and management. You have to have agility, flexibility and courage as well as the ability to maintain calm in the face of some pretty significant challenges.”

While CEOs need the confidence to make bold decisions, they also must be willing to course-correct when new information arises.

Allocate time externally, especially for energy advocacy

New CEOs often say they underestimated the amount of time they would have to spend with external stakeholders, including government officials, regulators, investors, as well as First Nations representatives and communities.

Organizations have to do more than communicate to stakeholders, and instead embrace a more collaborative and proactive stance to communication with regulators, the government, indigenous groups and the public. To achieve the industry’s ambitious goals, CEOs will need to shift from the sector’s traditionally defensive public posture to a more public and positive voice for the industry. Given the outsized role energy plays in enabling the modern world and the impact that government policy and regulations have on the sector, it’s important that leaders engage and build trust with a range of critical stakeholders. This is a responsibility that the CEO cannot hand off.

“At the end of the day, everyone needs oil and gas, and I think what we’ve learned is we have to be our own best advocates for the industry, for what it brings to Canada, what it brings to Alberta,” said Alex Pourbaix, chair, Cenovus Energy. “You can’t just sit and run the business and be the lowest cost producer; you have to be very skilled in communications and influence and campaign effectively.”

Deepen resilience and stamina in the role

Given the increased complexity of the CEO role in the energy industry, CEOs have to be prepared mentally, emotionally and physically for the stress of the job and the focus it requires. Self-aware about their strengths and limitations, they must make sure to have the support they need around them and to manage their energy and prioritize their health. Connecting their work to their personal purpose can help CEOs maintain their own resilience and foster resilience in their team. “There are a lot of complex and competing pressures coming at executive teams today, some we can anticipate and some we can’t, so having the resilience within your executive team — so they can manage what’s coming at them, be agile, be nimble and don’t overreact — is very important,” said Sue MacKenzie, chair, Teine Energy.

On a personal level, inability to manage the demands and stress of the job can lead CEOs to burn out or make poor decisions. Mark Maki, CEO of Trans Mountain Corporation, said he received some advice early in his tenure from a mentor about avoiding those fates. This person suggested, “The CEO job is invasive. You have to find ways to disconnect and unplug for a period of time; otherwise, you’re going to burn yourself out.”

Challenge traditional thinking about succession, talent and leadership development

A CEO transition is a critical moment for value creation or destruction, and the stakes of these decisions are even higher amid so much unpredictability. Succession planning is especially challenging for energy companies today for many reasons:

- » Few energy companies move talent early enough across divisions to develop them. They struggle with the “swim lane” problem — leaders are often siloed, and moving them laterally is culturally and operationally challenging, especially in smaller companies.
- » Fewer board members have been CEOs, so many directors don’t understand the degree of stretch from executive roles to the CEO role and don’t challenge the CEO and CHRO to develop more robust succession plans.
- » Consequently, the industry develops more experts than generalists, but CEOs need broad enterprise experience and exposure to the organization — including early opportunities to manage a P&L — to develop the range of capabilities they need.
- » Succession planning opportunities can be constrained in smaller companies by a lack of leadership roles in which to move promising executives.

So, what should energy companies be doing to develop future talent?

Boards, CEOs and CHROs should recognize how the demands on CEOs are changing. Traditional succession planning approaches built around a single CEO profile and one view of the future of the business are insufficient for today's dynamism. Best-in-class CEO succession planning reflects multidimensional scenario planning and embraces robust talent development approaches that produce more CEO options for the future.

The board should develop perspectives beyond the “next-ready” candidates to the bench deeper down in the organization, keeping different scenarios and time horizons in mind. Rich Kruger, CEO, Suncor Energy, sees a significant component of his role as working collaboratively with the board to develop as many options as possible for the future. “The board needs to be quite actively engaged in who I’m putting in jobs and why I’m putting them in jobs so that when the time comes and we’re talking about candidates, we don’t have an issue where we have a candidate who is a certain age and the board says, ‘they’re lacking ABC&D’ and there isn’t enough time to get ABC&D.”

When possible, move leaders to roles outside their comfort zone. Selectively moving leaders to different business units, regions or larger roles than they may feel ready for not only expands their knowledge of the organization but also tests their agility and resilience. Future leaders will have to increasingly be comfortable operating amid ambiguity and uncertainty, placing bets and making decisions knowing they won’t always make the right call. When it’s not possible to move leaders into new development roles, assignments to special projects can provide similar benefits. Even smaller companies without the bench to move senior leaders into new positions can use special projects to expand leaders’ relationships, capabilities and knowledge of the organization.

Give executives decision-making rights so they learn from living and dying by their own decisions. “You can coach people, but until they have to live or die by the decisions they’ve made, I don’t think you can really assess how they manage different situations,” said Seasons.

Develop the strategic thinking skills of potential successors. In our discussions, board directors consistently talked about the importance of strategic thinking ability for CEOs and their teams and the need to give up-and-coming leaders opportunities that round out their operational skills with critical thinking, assumptions-testing and scenario-planning experience. One approach for doing this is by involving potential successors in the board’s annual strategy sessions, ideally in a high-profile role that allows the board to see their thinking in action. “In strategy, it’s usually not a question of being right or wrong. What we’re looking and listening for is critical thinking and judgment skills, not just thinking about being in the moment, but what could be coming at us as well,” MacKenzie said.

The energy industry leaders we spoke with are optimistic about Canada's potential as an energy superpower. The industry's ability to deliver on this aspiration, however, requires renewed attention to leadership development and succession planning. Company strategy and an understanding of how the CEO role is changing should serve as the foundation for development efforts. Boards should drive best-in-class CEO succession planning that takes into account multidimensional scenario planning and focuses on developing leaders with the operational experience, strategic thinking, communication skills, agility and resilience to take advantage of this critical inflection point for Canada's energy industry.



Interview participants

- » **Craig Bryksa**, Director, Whitecap Resources
- » **Jason Denney**, President and CEO, Teine Energy
- » **John Dielwart**, Chair, TransAlta and founder ARC Resources
- » **Laura Formusa**, Director, ENMAX Corporation, Tantalus Systems and 407 International
- » **Jill Gardiner**, Chair, Capital Power
- » **Douglas Haughey**, Chair, Compensation Committee, Hifi Engineering; Former Board Chair, Fortis; Former Independent Lead Director and Governance Committee Chair, Keyera Corporation
- » **Theresa Jang**, Corporate Director, Enbridge
- » **Susan Jones**, Director, TC Energy
- » **John Kousinioris**, President, CEO, and Corporate Director, TransAlta
- » **Rich Kruger**, CEO, Suncor Energy
- » **Hal Kvisle**, Chair, South Bow and ARC Resources
- » **Sue MacKenzie**, Chair, Teine Energy
- » **Mark Maki**, CEO, Trans Mountain Corporation
- » **Barb Munroe**, Director, ENMAX Corporation and Whitecap Resources
- » **Alex Pourbaix**, Chair, Cenovus Energy
- » **Mark Poweska**, CEO, ENMAX Corporation
- » **Charles Ruigrok**, Chair, Finning International and ENMAX Corporation
- » **Chris Seasons**, Director, Suncor Energy and Partner, ARC Financial
- » **Sandy Stash**, Director, Trans Mountain Corporation
- » **Bevin Wirzba**, President and CEO, South Bow

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