

Fuelling Fortress America

A Report on the Athabasca Tar Sands
and U.S. Demands for Canada's Energy



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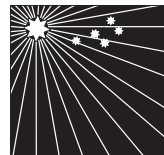
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Executive Summary

The Athabasca tar sands of northern Alberta contain an estimated 175 to 200 billion barrels of recoverable oil — the largest known hydrocarbon deposit ever discovered. This estimate is based on using existing technologies. Using newer technologies, as much as 2.5 trillion barrels of oil might be recovered — but the costs would be enormous.

Development of the tar sands has already begun, with three large companies — Suncor, Syncrude, and Albion — producing large quantities of crude, and six more massive projects in the early stages. As the soaring price of oil makes these resources financially more viable, many other leases are being explored. An estimated US\$100 billion is expected to be spent on tar sands development over the next 20 years.

Though this may sound like a few lifetimes of oil, there are serious social and environmental issues related to the extraction of this bitumen: the provincial boom-and-bust cycle that is being created, including labour, infrastructure and materials shortages; the water intensity and resulting pollution; and the significant volumes of natural gas it requires. These concerns raise the question of whether the current rate of expansion (planned growth from one million barrels a day to six million barrels a day, most of it destined for export) is reasonable or sustainable.

In terms of the social costs, the dramatic expansion of the tar sands development has created

labour shortages, exacerbated by infrastructure shortages in Fort McMurray, that increase the cost of living in the area. The boom is also causing materials and construction costs to shoot up across the province. The rapid pace of extraction has also led to inequities between the provinces, with Alberta in an embarrassment of riches, part of which is being thrown at local infrastructure spending, escalating the boom. In the absence of any plan, provincially or nationally, for pacing the development to maximize the jobs and returns to the province over the long term, there is instead a bonanza, using foreign workers and union-busters in the short term, while offering royalty holidays.

The natural gas situation is even less sustainable. Conventional natural gas has already peaked and is on the decline. This is a key source of power generation for Alberta. As the tar sands consume the gas, the province is already returning to coal for power, and losing value-added jobs in the petrochemicals sector. As that clean source of fuel expires, the tar sands are turning to non-conventional gas sources, all of which have higher social and environmental costs: the Mackenzie Valley pipeline, coal-bed methane, and in-situ (extraction of the gas from the bitumen). There has not been adequate public debate on the impacts of coal-bed methane, in spite of the huge landscape impacts of the well-intensive drilling and

pipelines needed, and the likely impact on water tables in an area already short on water. The in-situ strategy is no better, as it has huge carbon dioxide emissions, while the tar sands operations are already among Canada's largest industrial polluters.

Most of the oil to be taken from the tar sands will go to the United States. In effect, the Athabasca deposits will be the centrepiece of a new continental energy grid. Its main purpose will be to provide a secure supply of fuel for the American industrial and military machines. Canadians are already paying a steep price for feeding the voracious American addiction to the dwindling world reserves of oil and gas.

Given that the rapidly increasing exports of Canada's oil and gas to the U.S. puts our own energy security as a nation in jeopardy; that Canada, despite being a petroleum-producing country, is already forced to import nearly half of the oil its people need; that Canada has less than a 10-year supply of conventional oil and natural gas remaining; that most of the tar sands oil is earmarked for export to the U.S., and most of the natural gas from the North is also intended for the U.S. market or to fuel extraction of the tar sands crude — the continuation of current energy policies is clearly not in the national interest.

There may be ways of developing the tar sands that could contribute to Canada's long-term energy needs, including the inevitable transition to renewable energy sources. But, shockingly, there is no coherent national or provincial energy policy to address this need. Nor is the federal or any provincial government conducting the research or public consultation needed to formulate policies for meeting the world energy crisis — or even for assuring an adequate ongoing supply of energy for Canadians.

To be viable, any decisions or policies on energy we arrive at should be based on a complete understanding of all aspects of the tar sands de-

velopment. It is a project that brings with it enormous economic, social, and ecological costs, as well as raising concerns about our role as suppliers of oil and gas — and soon electricity and even water — to feed the ravenous U.S. appetite for Canada's resources.

This report makes the following recommendations to both federal and provincial governments:

Athabasca tar sands development:

- Place a moratorium on further expansion of the tar sands development until a public inquiry is conducted and completes its report on the social and environmental impacts of this mega-energy project, appropriate provincial plans are in place to maximize jobs over the long term and address the provincial energy and water needs as well as sustainably pace the development, and there has been proper national debate on the implications for Canada's peace-promotion policy and national energy security;
- Rescind direct government subsidies to the oil industry in the tar sands, and replace the minimal 1% royalty rate with a more realistic higher rate;
- Place a moratorium on construction of the proposed Mackenzie gas pipeline until outstanding Aboriginal land claims, threat of permafrost damage, and the waste of energy involved in using gas to fuel the production of another form of energy have been satisfactorily settled; and
- Transfer to the government of the Northwest Territories the constitutional powers to set its own fair rate of royalties on the extraction of natural gas in its jurisdiction.

National Energy Policy Measures:

- Give the National Energy Board a clear mandate to oversee Canada's overall energy needs, and arm it with the policy and regulatory tools required to carry out this mandate;
- Restore the previous practice of maintaining a national 25-year supply of oil and gas reserves to meet domestic needs;
- Take steps to increase Canadian and provincial ownership of the oil and gas industry in Canada (including stopping the sell-off of Petro-Canada) and develop new forms of public ownership and control;
- Obtain (like Mexico) an exemption from NAFTA's proportional sharing clause, or, failing that, withdraw completely from NAFTA;
- Conduct a public review of energy price-setting practices with a view to restoring the capacity of our governments to regulate energy prices and, if necessary, roll them back; and
- Initiate, with the provinces, a national strategy and timetable for reducing dependence on fossil fuels, conserving our remaining supplies of oil and natural gas, and massively increasing investment in renewable energy alternatives such as solar and wind power.