

How will Alberta balance oil sands and environment?

ALBERTA ELECTION 2012

Cambridge Strategies Inc. Policy Briefs

Conversations that matter

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How will Alberta balance oil sands and environment?

Our oil sands are critically important in a world addicted to oil, Satya Brata Das writes in the last of our policy briefs leading to the April 23 Alberta election. Yet we also have a duty of care to the planet, as it adapts to climate change. How will we balance those two realities?

In the last week of a lively election campaign, leaders are at last coming to the issue that matters most to the present and future of Alberta: the stewardship of our oil sands wealth.

The unspoken issue found utterance when Wildrose Alliance leader Danielle Smith questioned the science of climate change.

All parties know that Alberta's oil sands drive our common wealth. Yet we also know that our hydrocarbon economy – the

addictive fuel of choice for the world – imperils the planet. And as my firm has found in several soundings of Albertans, our citizens yearn for politicians who will seriously engage the question of how we're going to adapt to climate change.

Yes, adapt. It's far too late in the day to prevent climate change. We have to learn to live with it, and the first step is to stop hiding from reality with sophistry about nothing being proven by science.

Science invites itself to be proven wrong: it is the very nature of scientific inquiry to propose a thesis in the expectation that it will be challenged. This is how knowledge advances. As of now, findings and theories that have yet to be disproved show that the combustion of fossil fuels is accelerating the warming of the planet.

Of course some of it is a natural cycle: periods of heating and cooling, the tropical forest that once covered the Arctic, these are etched in our Earth. Yet since the first decades of the 19th century, we have lived in what is called the anthropogenic age of climate change, the scientific way of noting the effect of human activity on the climate of Earth.

The consensus view of scientists, expressed in the 2007 release of the fourth assessment report of the Intergovernmental Panel on Climate Change (IPCC), urged a radical reduction in the consumption of fossil fuels to mitigate the calamitous effects of climate change. Most greenhouse gas emissions in developed countries come from fossil fuels emitting carbon dioxide when they are burned.

At the highest levels of political leadership, the challenge has been clear for nearly a quarter of a century. It came to prominence in November 1989, when British Prime Minister Margaret Thatcher became the first developed-country leader to warn of a dangerous rise in atmospheric concentrations of carbon dioxide. A chemist by training, Lady Thatcher was so alarmed that she took to the podium of the United Nations General Assembly to call for immediate action:

“What we are now doing to the world, by degrading the land surfaces, by polluting the waters and by adding greenhouse gases to the air at an unprecedented rate—all this is new in the experience of the earth. It is mankind and his activities which are changing the environment of our planet in damaging and dangerous ways,” said Lady Thatcher, one of the most prominent conservative politicians of the day.

Since her warning, carbon emissions have continued to grow well beyond the 1990 emission levels that were set as an international benchmark. Lady Thatcher remarks are both precise and eloquent in defining the challenge our next Premier will face.

“We must use science to cast a light ahead, so that we can move step by step in the right direction. But as well as the science, we need to get the economics right. That means first we must have continued economic growth in order to generate the wealth required to pay for the protection of the environment. But it must be growth which does not plunder the planet today and leave our children to deal with the consequences tomorrow.”

In a world beset by climate change, the responsibility is on us to demonstrate that we can develop clean, green energy extraction here in Alberta, and share this to the benefit of the planet.

It goes without saying that we need to develop the oil sands by less harmful means. Even if we virtually eliminate the carbon footprint associated with extracting crude oil from our deposits, we cannot escape the reality that 90% of the greenhouse gas

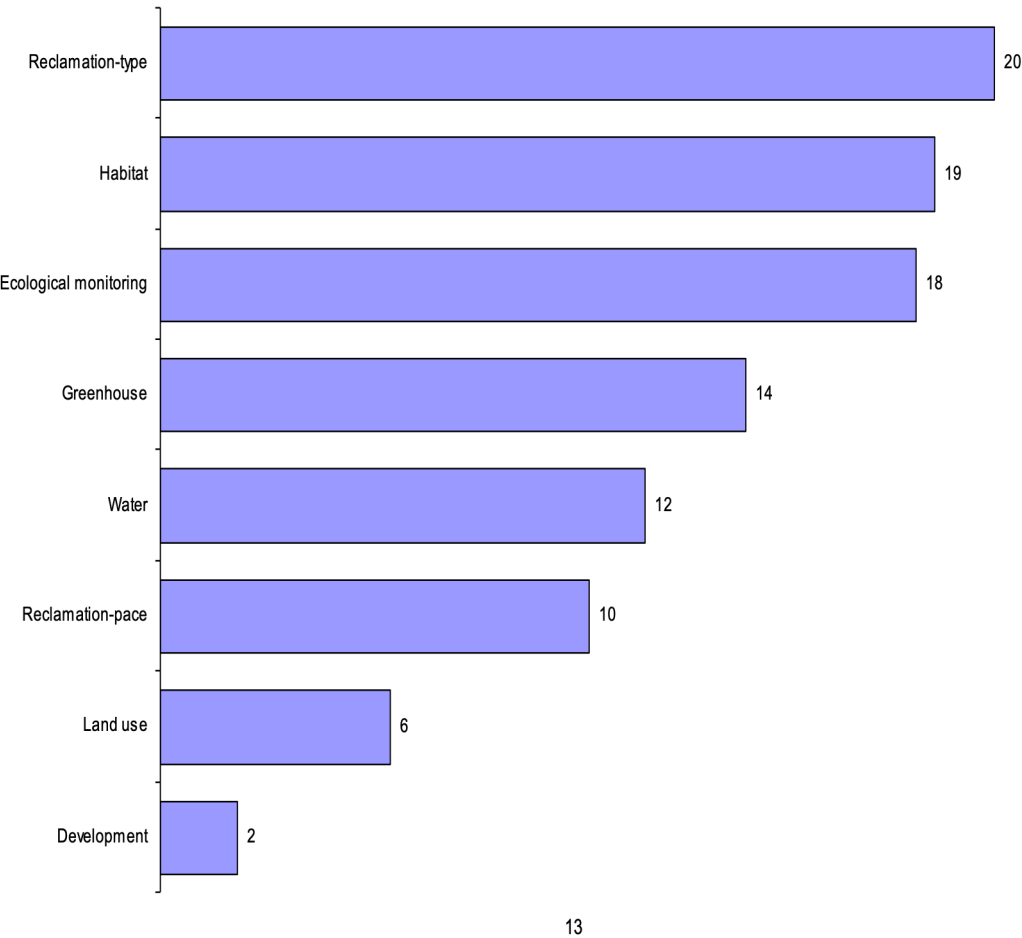
emissions from every barrel of oil come out of the exhaust pipes of vehicles, aircraft and vessels.

I'm a director of a publicly-traded firm that aims to use the greenest technologies available in the market to extract heavy oil from the Peace River oil sands, and upgrade it in Alberta. And I would like to see a significant portion of the royalties our company will pay, committed to support the development of greener and cleaner renewable energy.

Mine is hardly an unusual position. As the following extract from my firm's research shows, Albertans vigorously demand sustainable oil sands development.

Type of reclamation, habitat and ecological monitoring important drivers of preferences among Albertans

This chart illustrates the potential a given feature has to drive overall preferences.



Source: Cambridge Strategies Inc. *Survey of Albertan Values and Preferences for the development and stewardship of the Alberta Oil Sands*, May 2010. Data collection by Clever Trout Consulting Inc., Houston, USA.

This survey shows that Albertans will not give their consent to oil sands development, unless it aligns with their values. Proof of reclamation, habitat protection, independent scientific monitoring and greenhouse gas reduction are non-negotiable portions of the social license.

Many leading energy firms take these findings to heart. Here, for instance, is the ambitious venture of large firms joined as the Oil Sands Leadership Initiative. <http://www.osli.ca/>

As OSLI demonstrates, economic prosperity goes hand in hand with environmental sustainability. Leaders such as OSLI, and the firms collaborating to share best practices in tailings management, see stewardship as a business opportunity.

During the election campaign, for instance, Shell completed a biodiversity offset – agreeing to set aside an ecologically intact landscape to be protected in perpetuity, in exchange for disturbing the landscape for an oil sands mine.

Large energy companies are willing to invest in greener oil sands production and the clean energy economy — but they need our political leaders to set out clear and enforceable rules with authentic rewards and penalties.

In the absence of government policy leadership, what profit-minded, market-based enterprise would be the first to undertake the risk in developing the means to slash greenhouse gas emissions if its competitors are not required to follow suit? And we don't necessarily believe our leaders are up to the task, as this extract from our 2010 survey shows.

Strong level of distrust among established politicians to responsibly manage Alberta's growth

Who do you trust the most to responsibly manage Alberta's growth



51

Source: Cambridge Strategies Inc. *Survey of Albertan Values and Preferences for the development and stewardship of the Alberta Oil Sands*, May 2010. Data collection by Clever Trout Consulting Inc., Houston, USA.

Two of those parties have changed leaders since our survey was taken.

In an election, “none of the above” must become “one of the above” on voting day (the Alberta Party hadn’t taken shape at the time of the survey nearly two years ago). Yet citizens’ trust can’t be taken for granted by the party or parties forming the government after April 23. It needs to be earned, and sustained, every day.

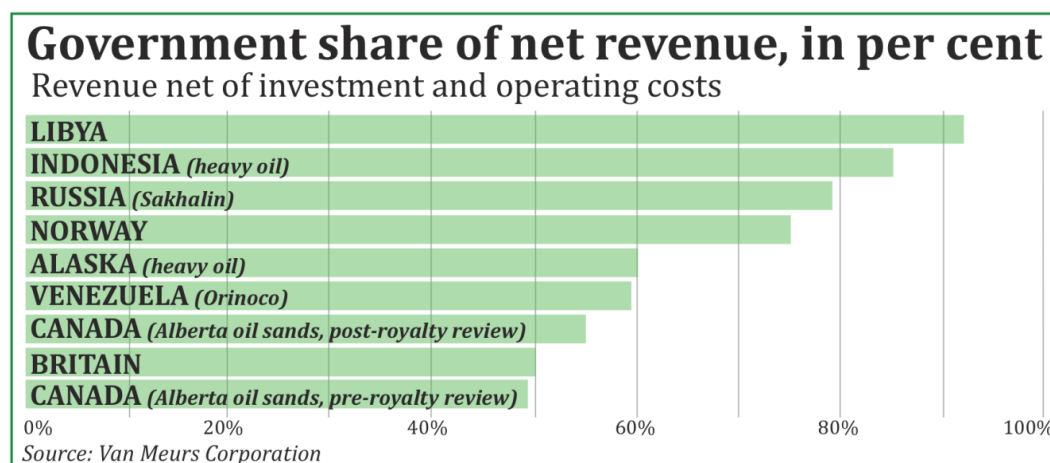
The trouble is our politicians have been giving in to the handful of bullying tenants in the room — one CEO luridly vowed he would shut down every barbershop in small-town Alberta if Premier Ed Stelmach raised royalties following the 2007 royalty review — and can’t muster the will to call the bullies’ bluff.

The leaders we will elect next Monday must realise that dozens more tenants are lined up outside the door, waiting to swarm in if the bullies pull out. During the royalty hullabaloo the big Canadian and foreign investors in the oil sands — Suncor, Shell, Husky, Total E&P, Statoil, Nexen, Conoco Philips — readily accepted the new royalty structure while some of our local guys ranted and raved.

And some of those angry locals are undoubtedly bankrolling politicians who they believe will serve their interests, rather than the public interest so clearly identified in our 2010 survey.

Most oil sands firms kept their powder dry because they know the value of the resource. Alberta’s oil sands are the largest hydrocarbon deposit on the planet. Those threatening to pull out can leave if they wish. But if they want to be in the oil sands business, well, this is where they exist.

And it’s not as though the new royalty structure breaks the bank: they fluctuate with market prices, ranging from one per cent to nine per cent of gross revenue or 25 per cent to 40 per cent of net revenue. This is where it leaves us, compared with the rest of the world:



We citizens need to act like owners.

Our goal every year should be to continue to significantly reduce the environmental footprint of oil sands development, even as development expands. We won’t be able to do that until we invest in the research and technologies that will get us there.

The absolute bottom line has to be that every year the footprint is seen to grow smaller, even as the extraction opportunities grow larger.

Our next government must have the courage of its citizens' convictions, and demonstrate the leadership we owners demand and deserve.

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