



Oil SANDS Fever

BLUEPRINT

DELIVERING ON ALBERTANS' EXPECTATIONS

BLUEPRINT for Responsible Oil Sands Development

A CHANCE TO GET IT RIGHT

Albertans and Canadians are increasingly concerned when they look at the way Alberta's oil sands are being developed. Amidst growing urgency about the need to fight global warming, the oil sands have emerged as Canada's fastest growing source of greenhouse gas pollution. Other impacts – from drawing down the Athabasca River, to the creation of toxic tailings dumps, to hundreds of square kilometers of strip-mining and drilling in the boreal forest – are growing just as rapidly. All across the province, and especially around Fort McMurray, Albertans are facing new hardships like a shortage of affordable housing and waiting lists for doctors. Inflation is driving up the cost of critical infrastructure to the point where construction projects such as roads and schools are being deferred or cancelled altogether. And compounding the concerns arising from the overheated economy is a troubling sense that Albertans, the owners of the oil sands resource, aren't even receiving their fair share of the profits from oil sands royalties.

ALBERTA CAN DO BETTER

Last fall, hundreds of Albertans came out to share their vision for oil sands development in a series of public consultations. Their message to the government was clear: Today's approach – developing fast, rather than developing responsibly – isn't good enough.



▲ Hundreds of square kilometres of boreal forest are already being strip-mined.

PHOTO: DAVID DODGE, THE PEMBINA INSTITUTE

Albertans' vision for oil sands development leads to a future for Alberta that:

- Honours the rights of First Nations and Métis
- Provides a high quality of life
- Ensures a healthy environment
- Maximizes value-added in Alberta
- Builds healthy communities
- Sees Alberta benefit from the oil economy and lead in the post-oil economy
- Sees Alberta as a world leader in education, technology and a skilled workforce
- Provides high quality infrastructure and services for all Albertans
- Demonstrates leadership through world class governance^{1,2}

SOURCE: OIL SANDS CONSULTATION – MULTISTAKEHOLDER COMMITTEE INTERIM REPORT. NOVEMBER 30, 2006

1 Multistakeholder Committee, Government of Alberta. "Oil Sands Consultation – Multistakeholder Committee Interim Report" November 30, 2006. <http://www.oilsandsconsultations.gov.ab.ca/index.html>

2 Government of Alberta. "Interim oil sands consultation report outlines vision for development," news release, January 25, 2007. <http://www.gov.ab.ca/acn/200701/209765A5C8A71-0356-3289-B126EF25661C511F.html>

A Moratorium On New Oil Sands Approvals

What is a moratorium?

A moratorium means a temporary pause – in this case in the government's approval of new oil sands projects and in the granting of new oil sands leases – until the right policies are in place to guide future development so that it's environmentally, socially and economically responsible, and always in the best interest of Albertans.

For the Pembina Institute, a decade and more of independent work on the oil sands has led to a similar conclusion: Many of the environmental, social and economic impacts being felt across Alberta can be traced back to a single decision – to develop the oil sands as fast as possible, rather than at a manageable pace.

As a result, while the scope and scale of oil sands projects have expanded rapidly, government policies and planning have fallen far behind, leaving a serious environmental, social and infrastructure deficit. The costs of catching up, coupled with rising inflation and projections of declining oil sands royalties,³ mean that Alberta could soon face an economic deficit.

And even then, catching up won't be enough. Alberta needs to get ahead of the curve and ensure that the mistakes of past years are never repeated. That means approving new development *only* when environmental, social and economic impacts can be adequately addressed, and *only* when the net contribution to Albertans' quality of life is clearly positive.

This shift – from exploiting the oil sands as fast as possible, to responsible



▲ *The Alberta government must address the environmental, social and economic impacts of already approved projects.*

PHOTO: DAVID DODGE, THE PEMBINA INSTITUTE

development in the interests of Albertans – will require six essential changes in Alberta's development framework, outlined below. As the manager of Albertans' resources, the Government of Alberta is responsible for making these changes and owes it to Albertans to **place a moratorium on new oil sands project approvals and lease sales** until the necessary policies and safeguards are in place.

Fundamentally, a moratorium will focus the energies of government and other stakeholders, including industry, Aboriginal groups, environmental organizations and the public, on finding and implementing the requirements

for responsible development. In fact, there is no other choice: approvals under the current system disregard the interests of Albertans, and there is no time to lose. Once sound policies are in place, regulatory reviews and lease decisions will be able to proceed with the assurance of respecting Albertans' interests and of achieving their vision for the oil sands.

Objectives of the Moratorium

- **Catch up** to current oil sands development **by addressing the environmental, social and economic impacts** of already approved projects.
- **Get ahead** of future oil sands development **by implementing a plan to proactively manage** environmental, social and economic impacts.

³ Patrick Brethour "Alberta's royalties to slide despite boom," *Globe and Mail*, March 24, 2006.

It's Time for a Plan: Six Steps for Responsible Oil Sands Development

1 Limit Environmental Impacts: Apply science-based precautionary limits that tell us when ecosystems are threatened, so that we can make informed decisions about whether and how oil sands projects proceed.

2 Address Cumulative Impacts: Improve the systems and approaches for monitoring and addressing the impacts of oil sands development on the climate, air, fresh water, boreal forest and wildlife.

3 Focus on Quality of Life: Manage the rate of oil sands growth so as to maximize the benefits to Albertans' quality of life, and ensure that social services and infrastructure can keep pace.

4 Think Like an Owner: Reform the oil sands royalty regime so that Albertans obtain maximum value from the development of the resources they own.

5 Make Better Decisions for Albertans: Reform the Energy and Utilities Board's decision-making process so that the public interest comes first and only responsible oil sands projects proceed.

6 Plan for the Future: Take advantage of Alberta's prosperity so as to build a more diversified, green and competitive future that includes low-impact renewable energies and responsible energy use.



▲ Alberta has a chance to get it right – and develop the oil sands responsibly.

PHOTO: DAVID DODGE, THE PEMBINA INSTITUTE

BLUEPRINT: Six Steps for Responsible Oil Sands Development

REQUIREMENTS FOR CONDUCTING RESPONSIBLE OIL SANDS DEVELOPMENT

1 Limit Environmental Impacts

In 1999, the Government of Alberta initiated the Regional Sustainable Development Strategy for the Athabasca Oil Sands Region. A key component of this strategy was to collect scientific data to identify environmental thresholds that would limit impacts to protect the region's air quality, fresh water, boreal forests and wildlife. These thresholds would guide decisions about how much oil sands development the environment could withstand before irreversible damage would occur. Eight years later, the government has been unable or unwilling to establish all of these thresholds – but has nonetheless

approved numerous new oil sands mega-projects that will create significant environmental impacts.

Similar ambition must be applied to addressing the global warming implications of oil sands development. Unfortunately, the Alberta government's climate change regulation will not reduce greenhouse gas pollution. In fact, if recent economic growth rates continue, total Alberta emissions will rise to 72% above 1990 levels by 2020, a far cry from the deep reductions essential to combat climate change. Alberta has the opportunity to be a global leader in reducing pollution and the oil sands industry has the capacity to do its fair share. If the government mandated real reductions in greenhouse gas

Using Thresholds to Protect the Environment

*"The existence of regulatory standards and thresholds is an important element in determining whether a project is in the public interest from a cumulative impacts perspective and whether the impacts need further mitigation if the project is to proceed."*⁴

EUB/CEAA JOINT REVIEW PANEL REPORT: IMPERIAL OIL LTD. KEARL OIL SANDS PROJECT

pollution, our analysis has concluded that the oil sands industry could invest in technologies and approaches that would enable carbon neutral (zero net greenhouse gas pollution) oil sands development by 2020 for only a few dollars per barrel.⁵

Albertans should expect the government to lift its moratorium *only* once the government has implemented precautionary environmental thresholds and regulated real greenhouse gas pollution reductions. These will compel oil sands companies to minimize and mitigate impacts through innovative technologies and approaches, and enable the government to make informed decisions.



▲ Oil sands water use must be addressed to ensure the Athabasca River and its fisheries are protected.

PHOTO: DAN WOYNILLOWICZ, THE PEMBINA INSTITUTE

⁴ EUB/CEAA Joint Review Panel Report. EUB Decision 2007-013. "Imperial Oil Resources Ventures Ltd. Application for an Oil Sands Mine and Bitumen Processing Facility (Kearl Oil Sands Project) in the Fort McMurray Area." February 27, 2007 (Alberta Energy and Utilities Board and the Government of Canada, 2007), p.92. Available online at <http://www.eub.gov.ab.ca/>

⁵ See <http://www.oilsandswatch.org/doc.php?id=1316> to download Carbon Neutral by 2020: A Leadership Opportunity in Canada's Oil Sands.

2 Address Cumulative Impacts

You Can Only Manage What You Measure

*"...an old Alberta trick: If you don't have data, you can't say there's a problem."*⁶

DR. DAVID SCHINDLER, KILLAM MEMORIAL CHAIR AND PROFESSOR OF ECOLOGY, UNIVERSITY OF ALBERTA

The Alberta government has publicly acknowledged that the Regional Sustainable Development Strategy for the Athabasca Oil Sands Region needs to be updated.⁷ In addition, this type of strategy needs to be developed for both the Cold Lake and Peace River regions. A key element of these strategies must be the implementation of comprehensive monitoring systems for air quality, fresh water quality and quantity, and the health and diversity of the boreal forest and its wildlife. These monitoring systems will provide critical information to better understand the environment, but will also ensure that unanticipated impacts from development can be detected and addressed.

In order to address these impacts, and in particular the cumulative environmental impacts from multiple oil sands projects, the government must also implement environmental management systems. In the Athabasca oil sands this task has been delegated to the multistakeholder Cumulative Environmental Management Association (CEMA). Over the past seven years, CEMA has been overwhelmed by the number of environmental issues it has been assigned to address and has proven unable to meet deadlines. For government, ensuring that this organization fulfills



▲ *The cumulative environmental impacts of multiple oil sands mining and drilling projects need to be addressed.*

PHOTO: DAVID DODGE, THE PEMBINA INSTITUTE

its objectives has been a lower priority than issuing new approvals. Nonetheless, CEMA remains a unique and important forum for government, industry, Aboriginal and environmental groups to collaboratively address cumulative impacts. Clearly, if the government is to continue relying upon it, CEMA's role and responsibilities must be reformed to make it both more efficient and effective.

There is significant uncertainty about whether and how areas of boreal forest directly impacted by oil sands activity can be restored or reclaimed. Some of this uncertainty can be reduced through more aggressive research by industry, but ensuring the long-term sustainability of the region's ecosystems requires setting aside "no development" areas and compensating for habitat loss. The government must legally establish an ecologically representative interconnected network of protected areas and corridors. Not only will these areas ensure the continu-

ity and sustainability of the region's biodiversity, but they will also provide representative benchmark areas that will further enhance knowledge that can be applied to restoring disturbed areas.

Albertans should expect the government to lift its moratorium *only* once the government has implemented systems to monitor and manage cumulative environmental impacts and created protected areas to sustain the oil sands regions' biodiversity.

Alberta Needs to Regain Control of Cumulative Impacts

*"Historically, we have looked at projects on a very prescriptive, one-off basis... We have been prescriptive to the point of not considering cumulative impacts, to the point where we no longer have control of cumulative impacts."*⁸

ALBERTA'S MINISTER OF THE ENVIRONMENT, ROB RENNER

⁶ Murray Whyte. "At what price progress?," *Toronto Star*, September 23, 2006, F1

⁷ EUB/CEAA Joint Review Panel Report. EUB Decision 2007-013. "Imperial Oil Resources Ventures Ltd. Application for an Oil Sands Mine and Bitumen Processing Facility (Kearl Oil Sands Project) in the Fort McMurray Area." February 27, 2007 (Alberta Energy and Utilities Board and the Government of Canada, 2007), p.92. Available online at <http://www.eub.gov.ab.ca/>

⁸ Renata D'aliesio, "Bitter urban-rural split amid land rush chaos," *Calgary Herald*, March 4, 2007.

3 Focus on Quality of Life

The social ramifications of the pace of oil sands development are being felt throughout the province, but nowhere more than in the Regional Municipality of Wood Buffalo (RMWB). While “healthy” population growth rates are described as between 1% and 3% per year, the RMWB has averaged 9.3% per year since 1999. With oil sands

Federation of Canadian Municipality’s quality of life indicators.⁹ The simple fact is that using a measure like the Gross Domestic Product (GDP) as an indicator of overall well-being is inadequate. Tools like the Genuine Progress Indicator (GPI) – a measurement framework comprised of 51 environmental, social and economic indicators – provide a more holistic picture of our quality of life. While Alberta’s GDP



▲ *Delivery of social services and infrastructure must keep pace with development.*

PHOTO: DAVID DODGE, THE PEMBINA INSTITUTE

development fast outpacing the government’s provision of sufficient social services and physical infrastructure, the quality of life of the municipality’s residents has been deteriorating. While the Alberta government’s recent spending commitment to address housing and infrastructure needs in the region will begin to address the current deficit, it has failed to implement a plan to ensure this situation doesn’t repeat itself in the future.

Failing to plan for economic growth has meant a deterioration of the quality of life for many of Alberta’s citizens. According to the RMWB, the municipality is deficient in 70 out of 72 of the

rose 483% between 1961 and 2003, the province’s GPI declined by 19% from a rating of 76 in 1961 to a rating of 61 in 2003.¹⁰

Adopting the GPI in Alberta as a measure of quality of life would prove a useful tool for assessing the benefits and impacts of economic growth, and could serve as the basis for a commitment to continuously improving the lives of all Albertans.

Quality of life is critical. Albertans should expect the government to lift its moratorium *only* once the government has implemented a plan to provide sufficient social services and infrastructure, and committed to measuring and improving Albertans’ quality of life.

Cures Not Band-Aids Are Required

“The rapid development of the oil-sands is impacting timely access to quality health care, thereby putting our patients at risk... These challenges have now been exacerbated by the oilsands tsunami with escalating overhead costs, a shortage of office staff and inflating housing prices.”¹¹

DR. E. SANDRA CORBETT, PRESIDENT,
NORTHERN LIGHTS HEALTH REGION MEDICAL
STAFF ASSOCIATION, OCTOBER 5, 2006



▲ *Protecting areas of the boreal forest will ensure its long-term sustainability.*

PHOTOS: DAVID DODGE, THE PEMBINA INSTITUTE

⁹ Regional Municipality of Wood Buffalo. 2006. Submission of Intervention of Regional Municipality of Wood Buffalo, Joint Panel Hearing of Applications No. 1408771 and 1414891 Kearl Oil Sands Project, Imperial Oil Resources Ventures Limited.

¹⁰ See <http://www.pembina.org/pubs/pub.php?id=193> for the Pembina Institute report *The Alberta GPI Summary Report*

¹¹ “Northern Alta. health region says oilsands development creating pressure,” *Canadian Press*. October 5, 2006.

4 Think Like an Owner

Albertans have serious doubts as to whether they're receiving fair value from the development of the oil sands,¹² and for good reason. An outdated royalty regime allows oil companies to rack up record profits while Albertans – the owners of the resource – receive declining returns. Between 1996 and 2005, oil prices rose by 214%, but royalties paid to Albertans *decreased* by a third, from \$3.39 to \$2.29 for every barrel of oil. And because oil sands producers pay royalties based on profits, their cost overruns – due to inflation and driven by an unmanageable pace of growth – are exacerbating Albertans' short shrift.

It's clear that royalty reform is essential and that it must be conducted decisively, through a legitimate process that puts the interests of resource owners – Albertans – first. Yet the government's current review is dominated by an expert panel and limits public deliberation to hearings in a few cities. Given the complexity of the royalties as an issue, effective reform should involve a Citizens' Assembly in which ordinary Albertans learn about the issues and are empowered to present informed opinions as citizen-experts.¹³

Indeed, Albertans should expect their government to lift its moratorium *only* once real royalty reform has been conducted by Albertans, for Albertans.

And they should be assured that royalties will be invested based on a plan that secures Albertans' future, and the future of their children and grandchildren.

5 Make Better Decisions for Albertans

The Alberta Energy and Utilities Board (EUB) has a mandate to ensure "...that the discovery, development and delivery of Alberta's energy resources and utility services take place in a manner that is fair, responsible and in the public interest." This should mean that if a project is against the public interest, or irresponsibly designed, it will be denied.

In practice, however, the EUB sees its role as deciding how, not whether, oil sands projects go ahead. The board continues to rubber stamp approval after approval, despite opposition from First Nations and Métis groups, environmentalists and even the Regional Municipality of Wood Buffalo, and despite mounting evidence that new oil sands projects are exceeding Alberta's capacity to manage impacts.

Simply put, the oil sands decision-making system is broken; Albertans should expect their government to lift its moratorium *only* once the system is fixed. Reforms need to ensure that the public can participate meaningfully and that, in the end, only responsible oil sands projects are allowed to proceed.

It's Time For Albertans to Get Their Fair Share

*"It [the Government of Alberta] brought in a favourable royalty regime of one per cent to accelerate development of the oil sands when oil cost less than \$20 a barrel – and persisted with it even as prices rose astronomically. This failure to build an escalating royalty rate so that government income would increase as prices rose, cost the Alberta treasury more in lost revenue than the reviled National Energy Programme negotiated a generation ago between Peter Lougheed and Pierre-Elliott Trudeau."*¹⁴

SATYA DAS & KEN CHAPMAN, CAMBRIDGE STRATEGIES, NOVEMBER 26, 2006

Current Decisions Are Failing to Protect Albertans' Best Interests

*"Our role is to ensure that orderly and responsible development occurs, not if development should occur – very big distinction there."*¹⁵

ALBERTA ENERGY AND UTILITIES BOARD SPOKESPERSON, NOVEMBER 2006



▲ Alberta has the opportunity to be a global leader in low impact renewable energy.

PHOTO: DAVID DODGE, THE PEMBINA INSTITUTE

Oil sands royalties per barrel of oil sands production, (\$2000), Alberta, 1996 to 2005

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Change
Oil Sands Royalties/barrel	3.39	1.06	0.28	2.06	3.13	0.73	0.61	0.56	1.72	2.29	-32%

Source: Data from the Canadian Association of Petroleum Producers and Alberta Department of Energy

12 63% of Albertans do not believe that they are receiving maximum revenues from oil sands development. Probe Research Inc. Poll of Albertans' Perspectives on Oil Sands Development, April 2006. Available at <http://www.oilsandswatch.org>

13 See <http://www.oilsandswatch.org/doc.php?id=1367> for the Pembina Institute's Blueprint for Conducting Sound Royalty Reform in Alberta.

14 Satya Das and Ken Chapman. "Un nouveau leadership: Les Albertains souhaitent exercer plus d'influence au pays grâce à leur pouvoir économique croissant," La Presse. November 26, 2006.

15 Lisa Schmidt. "Suncor oilsands growth approved: EUB places seven conditions on project," The Calgary Herald, November 15, 2006, D1.

6 Plan for the Future

Alberta is in an enviable position: no public debt, a culture of entrepreneurship and innovation, and world-class renewable energy potential. That represents an almost unparalleled opportunity to think big and to diversify our economy beyond fossil fuels. The alternative – a growing dependency on the oil sands – carries big economic risks: booms and busts as oil prices fluctuate, and a loss in competitiveness as our trading partners demand cleaner energy than the oil sands can deliver. Fossil fuels are not going to disappear tomorrow, but Alberta can begin laying the foundations for a sustainable energy future today by investing fair royalty returns in low-impact renewable energies and dramatically improving efficiency. The missing piece of Alberta's development plan is a credible and comprehensive strategy to prioritize investments and guide oil sands development towards a more diversified, competitive and green future. Albertans should expect their government to lift its moratorium *only* once such a strategy is in place. And they should expect to participate as equals in building this vision: Alberta's energy future is for Albertans to choose.

"92% of Albertans believe that a portion of oil sands revenue should be used to fund the development of renewable energy sources." ¹⁶



▲ Alberta has the opportunity to be a global leader in low-impact renewable energy.

A Unique Opportunity to Get It Right

A moratorium on new approvals is not a moratorium on economic growth. The construction and operation of new oil sands projects that have already been approved – which will double the current operating capacity – means that Alberta's economy will continue to expand, creating new jobs and generating new revenue. That makes it the right time to take stock, to shift the oil sands lease and project approval process temporarily into neutral, until the right systems are in place to protect Alberta's future.

In fact, with responsible policies in place, the oil industry will never turn their backs on a resource as significant as the oil sands. It only takes a glance at the nations joining Canada in the list of the world's top ten oil reserves – like Venezuela, Iran, Iraq and Nigeria – to realize that the oil sands are uniquely positioned in a stable democracy, next to the world's largest market for oil.

Alberta can show its leadership, entrepreneurship and stewardship, not because of the brute quantity of energy it produces, but on the basis of responsible development in the interest of all Albertans. Alberta has the chance to get it right.

¹⁶ Probe Research Inc. Poll of Albertans' Perspectives on Oil Sands Development, April 2006. Available at <http://www.oilsandswatch.org>.

Want more information?

For more information about oil sands, their impacts and the royalty regime please visit our website at www.oilsandswatch.org. There you will find reports, fact sheets, photos, videos, and other information on oil sands.

This Blueprint was prepared by Dan Woynillowicz author of Oil Sands Fever. Please consider supporting our work. For more information or to make a donation to the Pembina Institute please visit www.pembina.org.