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September 4, 2007

**Ron Thompson**

**Commissioner of the Environment and Sustainable Development**

Office of the Auditor General of Canada  
C.D. Howe Building  
240 Sparks Street, West Tower  
Ottawa, Canada K1A 0GA

Dear Commissioner Thompson:

On June 30, 2007, the final report of the Oil Sands Multistakeholder Committee was submitted to the Government of Alberta.

[http://www.oilsandsconsultations.gov.ab.ca/Final\\_Report\\_TOC.html](http://www.oilsandsconsultations.gov.ab.ca/Final_Report_TOC.html)

This is a petition to the Government of Canada regarding the recommendations contained in the Oil Sands Multistakeholder Committee Final Report.

1. Recommendation 1.12 under Vision 9, Strategy 1 was to **declare a moratorium on new oil sands development (no new leases, no new approvals) until environmental limits have been identified and infrastructure and labour concerns have been addressed.**

- a. Given the significance of the impacts, given that the Government of Canada shares responsibility for environmental protection and given that approvals from the Government of Canada are required for major oil sands developments, will the Government of Canada agree not to issue any new approvals until environmental limits have been established?
- b. If so, what actions will the Government of Canada take to establish environmental limits?

- c. If not, please explain in detail why the Government of Canada will continue to grant approvals before environmental limits have been established.

2. Recommendation 1.5 under Vision 6, Strategy 1 states: **“In collaboration with the Federal Government, reform the fiscal regime for oil sands to ensure that a minimum of 60 % of net value of the resource is returned to the Federal and Provincial Governments through the combined tax and royalty regime.”**

In the mid-1990s, the National Oil Sands Task Force - which included the Government of Canada - concluded, “...the retention of a combined tax and royalty rate in the range of 60% is reasonable.” Under the existing structure, the resource developer accrues the largest share (53%) of the available net revenue, the federal government obtains 15% of the net revenue through income taxes, and Alberta retains 32 % through royalties and income taxes. As such, the federal and provincial governments are only collecting 47% of available net revenue, significantly lower than the 60% range advocated by the National Oil Sands Task Force.

A recent analysis found that the Governments of Canada and Alberta could capture 70% of available revenue through taxes and royalties while still maintaining an internal rate of return for oil sands companies that is greater than 12%.

- a. Will the Government of Canada work in cooperation with the Government of Alberta to reform the shared oil sands fiscal regime so a minimum percentage of the net value of revenue from oil sands development is returned to the Governments of Canada and Alberta?
- b. If so, please provide details of when and how you will reform the fiscal regime
- c. If not, please explain in detail why the Government of Canada does not believe that a set minimum percentage of the net value of revenue from oil sands development be returned to the Governments of Canada and Alberta.

3. Recommendation 1.4 under Vision 6, Strategy 1 states: **“Recommend the Federal Government begin the phase-out of the accelerated capital costs allowance immediately and that it apply equally to new projects and existing projects undergoing expansion.”**

The Accelerated Capital Cost Allowance (ACCA) provides the oil sands industry with preferential tax treatment – allowing oil sands companies to write off 100% of their capital investments versus a 25% write off for conventional oil and gas projects. The economic conditions have changed significantly since this tax break was introduced in the mid-1990s, and it is neither appropriate nor necessary under current economic conditions.

The Government of Canada is to be commended for its announcement of plans to phase-out the ACCA for oil sands. However, the current phase-out schedule, beginning in 2011, means that Canadian taxpayers will continue to subsidize the oil sands industry for

another eight years. Eleven oil sands projects currently under construction will receive the full 100% ACCA under grandfathering clauses. A further 45 planned projects will receive substantial capital cost allowances because they will be completed before 2015. As a result, over 90% of oil sands projects currently announced will receive substantial subsidies.

- a. Will the Government of Canada immediately phase-out the Accelerated Capital Cost Allowance for new projects and for existing projects undergoing expansion?
- b. If so, please provide details of when and how the phase-out will be done.
- c. If not, please explain in detail the reasons you believe the Government of Canada should continue to subsidize oil sands development by providing an accelerated capital cost allowance.

For each of the following recommendations please indicate whether or not the Government of Canada agrees with the recommendation. For each recommendation that the Government of Canada agrees with, please provide details of how the Government of Canada will implement the recommendation. For each recommendation that the Government of Canada disagrees with, please provide a detailed description of why the Government of Canada disagrees.

4. Further consultation should occur between the Governments of Alberta and Canada, and First Nations and Métis to address issues related to oil sands development such as:
  - enhancement of current consultation processes;
  - consideration of the need to address potential issues related to compensation and accommodation;
  - protection of significant traditional use sites through the sharing of traditional use information;
  - development of appropriate consultation mechanisms regarding integrated land management planning; and
  - impacts of recreational activity on rights and traditional uses.
5. Develop a Métis consultation policy and guidelines.
6. Where not already in existence, set up regional tables where First Nations, Métis, industry and government (federal, provincial and municipal) can discuss issues arising from resource development in the Oil Sands Areas.
7. Incorporate Traditional Ecological Knowledge (TEK) into environmental planning and management in the Oil Sands Areas.
8. Work to develop appropriate mechanisms for involving First Nations and Métis in integrated land management that focuses on respecting their stewardship of and connection to the land.

9. Provide the First Nations and Metis with an opportunity to have input into the disposition of crown mineral rights through participation in integrated land management processes as well as the placement of significant traditional use site information on Energy's Crown Mineral Restrictions Database.
10. Address outstanding access management issues on traditional lands and continue to proactively work together to address new access issues as they arise.
11. Create and implement comprehensive regional resource and environmental planning and management systems for the Athabasca, Peace, and Cold Lake Oil Sands Areas.
12. Create and implement comprehensive regional resource and environmental planning and management systems for regions impacted by existing and proposed upgrader development.<sup>1</sup>
13. Evaluate the use of cap and trade system for air emissions in the oil sands regions.
14. Assemble comprehensive environmental baseline data for each of the Oil Sands Areas.
15. Assemble comprehensive environmental baseline data for regions impacted by existing and proposed upgrader development.
16. Work with neighboring jurisdictions and the federal government to ensure cumulative environmental assessment and management of transboundary issues.
17. Conduct regional cumulative environmental impact assessments of oil sands development for current and planned developments, with one component being to assess the value of ecosystem goods and services.
18. Establish a pre-development baseline using historical data, TEK and modeling to be used as an assessment case in all EIAs and to inform reclamation requirements.
19. Implement *interim* precautionary based environmental and emission thresholds, guidelines and frameworks based on the best information currently available, to be updated or replaced as new information is obtained and better management tools are developed.
20. Utilize caps as one of the approaches for air emissions in the Oil Sands Areas.
21. Establish caps for air emissions in the regions affected by existing and planned upgrader development.

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<sup>1</sup> Actions involving oil sands areas and regions affected by existing and proposed upgrader development are linked.

22. Set GHG targets that will cap emissions for oil sands industry and lead to reductions consistent with Canada's international obligations.
23. Require carbon neutrality in all oil sands industry by the year 2020.
24. Develop and implement a watershed management plan for the Athabasca River on a priority basis.
25. Establish guidelines for determining buffer zones along the Athabasca River and other rivers in the oil sands regions to protect integrity of river valleys.
26. Complete mapping and inventory of groundwater aquifers.
28. Review regular water quality and quantity monitoring and reporting practices throughout the oil sands regions and improve as required.
27. Alberta should work in cooperation with other governments to develop distributional and environmental goals of water allocation to enable the development of mechanisms for conservation through Bilateral Water Management Agreements within the Mackenzie River Basin Transboundary Waters Master Agreement.
28. Revise Phase 1 of the Water Management Framework to include an absolute limit (point of zero) water withdrawals during low flows to increase the level of protection for the Athabasca River.
29.
  - a. As part of the land use planning process, establish new protected areas within the Oil Sands Area.
  - b. Establish an interconnected network of protected areas and corridors by protecting areas of intact, high conservation value boreal forest that are representative of the region, that will sustain ecological integrity and will protect traditional land uses and species of value to First Nations and Métis communities. Industrial activities could be permitted within corridors under strict guidelines that ensure habitat quality is maintained and barriers to movement do not occur.
  - c. Establish Richardson's Back Country as a protected area in Alberta allowing for First Nations and Métis traditional activities to be embedded in protection status
  - d. Establish Athabasca Rapids as a protected area in Alberta allowing for First Nations and Métis traditional activities to be embedded in protection status.
  - e. Establish Gypsy Gordon as a protected area in Alberta allowing for First Nations and Métis traditional activities to be embedded in protection status.
  - f. Permanently protect the McClelland Lake Wetland Complex and its watershed from industrial development through its immediate establishment as a provincially designated protected area.

30. Work with Industry to develop and implement a comprehensive coordinated reclamation research plan.
31. Involve First Nations and Métis in developing and implementing reclamation plans as well as determining appropriate end land use.
32. Develop and implement regional systems (planning, management, monitoring, etc.) to achieve closer alignment between the rate of disturbance and the rate of reclamation.
33. Promote use of leading-edge technology for upgrading bitumen in Alberta.
34. Initiate objective long-term health studies in targeted regions (i.e., potentially impacted oil sands regions) to monitor changes in health conditions and environmental exposure. Local engagement and external peer review are integral to the studies.
35. Develop comprehensive transportation safety plans for oil sands impacted regions with input from respective communities and public representatives.
36. Establish policy direction to enhance energy efficiency and use of renewable energy in Alberta.
37. Create a long-term fund for research and development on energy efficiency, new technologies and renewable energy.
38. Work with all levels of governments, industry and accredited institutions, First Nations and Metis to assist with removing barriers to allow for greater employment opportunities.
39. Work with all levels of Governments, private sector/other organizations to encourage/fund First Nations and Metis students:
  - to achieve minimum educational level, and
  - continue funding for the existing Alberta Aboriginal Apprenticeship Program.
40. Promote a portion of oil sands-related contracts to be in place local businesses and entrepreneurs, including First Nations and Metis businesses.
41. All levels of governments, industry and accredited institutions to work with First Nations and Métis to increase participation levels and careers in the oil sands.
42. Develop and implement coordinated research and development policy and plan that will improve environmental performance in oil sands operations. At a minimum, the policy should address the following: funding incentives, role of government, academic institutions and industry, coordination of research focuses, transparency of results, protecting proprietary information.

43. All levels of governments continue to develop a participation and benefits models that follow from existing initiatives, such as Industry Relations Corporations, Athabasca Tribal Council–All Party Core Agreement, and the Draft Consultation and Resources Benefit Agreement.

44. Provincial and federal government to provide adequate funding for capacity building for First Nations and Métis communities.

45. Ensure adequate capacity to allow First Nations and Métis communities to participate in oil sands economic development opportunities.

46. Request the federal government to undertake a thorough, transparent review of legislation, policies and institutional arrangements to identify gaps, strengths and weaknesses as they relate to oil sands development, and then move decisively to fill the gaps and ensure accountability for outcomes

47. Increase financial and human resources of government departments and regulators to enable them to fully implement the recommendation of the MSC report.

48. Work together with First Nations and Métis to develop a framework for building relationships and enhancing communications.

49. Review and update the role and relationship of government with CEMA, and government's expectations of CEMA, to ensure more timely outputs and decisions are achieved.

50. Review and update the Regional Sustainable Development Strategy (RSDS) for the Athabasca Oil Sands to reflect current needs and priorities.

Sincerely,

[original signed]

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