



## **Plea for a Quebec-Alberta dialogue**

**English version of a speech by Michel Kelly-Gagnon,  
president and CEO of the Montreal Economic Institute  
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In the last few months, we have seen an escalation in tensions between Alberta and Quebec concerning Alberta's oil sands, especially at the international level. Quebec Premier Jean Charest later seemed to be making efforts to clear up certain perceptions. Even so, there remains a heightened degree of sensitivity. This is why I wish to initiate a dialogue between Quebec and Alberta, setting the facts straight and promoting a healthy flow of information.

In the last few months, we have been bombarded with reports on the impact of the Alberta oil sands, such as an article appearing in the March-April 2010 issue of the environmental magazine Audubon. The article tells us that 166 *million* birds will die because of oil sands exploitation. I didn't know there were that many birds in Alberta! To arrive at the figure, the entire offspring of those birds was counted – and the entire offspring of that offspring – for the next 50 years. Obviously, using this method of calculation, we could conclude that a traffic accident causing two deaths will in fact end up killing thousands of people over the course of time.

In another example, we are fed an even darker myth: that the cancer rate may be out of control among native communities near the Syncrude and Suncor oil sands projects. This assertion, widely repeated in the media, actually relies on the work of a single doctor. However, an investigation by the Alberta Cancer Board showed that this assertion was quite simply untrue. Worse yet, some of the diagnoses by Dr. John O'Connor, who alleged that the cancer rate was extremely high, were in fact mere fabrications. The Alberta College of Physicians and Surgeons concluded that this doctor had shown ethical breaches.<sup>1</sup>

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<sup>1</sup> Kevin Libin, "Exposing John O'Connor is all part of the oilsands conspiracy," *National Post*, November 11, 2009, <http://network.nationalpost.com/np/blogs/fullcomment/archive/2009/11/11/kevin-libin-exposing-john-o-connor-is-all-part-of-the-oilsands-conspiracy.aspx>.

Finally, things need to be put into perspective. We should be reminded that the oil sands are responsible for 5% of greenhouse gas emissions in Canada as a whole,<sup>2</sup> and Canada accounts for 2% of the world's greenhouse gas emissions.<sup>3</sup> In other words, the oil sands are responsible for just one-thousandth of greenhouse gas emissions worldwide.

I believe the debate surrounding the oil sands should be brought back to a rational and pragmatic basis that meets our political, environmental and economic interests as Quebecers and Canadians.

### **The historical relationship between Quebec and Alberta**

The links uniting Quebec and Alberta have contributed greatly to shaping the Canada we know, especially in the last three decades. The two provinces, in fact, are nothing less than "traditional allies." An alliance between Quebec and Alberta is what enabled Prime Minister Brian Mulroney to be re-elected in 1988 and to reach the Canada-United States Free Trade Agreement. These were the only two provinces with Conservative Party majorities in that historic referendum-style election.

More recently, Quebec found Alberta to be a useful ally in attempting to get the federal government to back off on the issue of creating a single national securities regulator. I am not arguing here on the merits of either position in this matter but merely observing a convergence of views.

I could continue to recite a long list of similarities and common interests between the two provinces. One thing is clear: they will need each other in the future, especially in maintaining and promoting provincial autonomy.

### **Energy needs**

Before talking about environmental issues per se, we should address the world's energy situation. A central question must be answered: will we be needing more oil in the foreseeable future?

Certain people imply that the world is moving away from oil as its primary supply of energy. Well, nothing could be further from the truth. Indeed, the rate at which we are using oil today is increasing, and will continue to increase, as the emerging industrial economies pursue their development, build more factories, produce more goods and buy more cars.

The U.S. Energy Information Administration, an independent agency of the United States government that receives funding for its activities with an annual appropriation from Congress, estimated in May 2009 that thirty years ago, the world consumed 63 million

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<sup>2</sup> Canadian Association of Petroleum Producers, *Environmental Challenges and Progress in Canada's Oil Sands*, April 2008, p. 4, <http://www.capp.ca/getdoc.aspx?DocID=135721>.

<sup>3</sup> *Idem*.

barrels of oil every single day.<sup>4</sup> Today the world burns about 85 million barrels a day<sup>5</sup> and consumption is projected to reach 107 million barrels a day by 2030.<sup>6</sup> More recently, in April 2010, the International Energy Agency said that the global oil demand will hit a record high at 86.6 million barrels a day.<sup>7</sup>

This is despite the fact that production from renewable energies is growing. In 2004, renewable energy accounted for 6.2% of total energy consumption in the United States. In 2008, after a series of incentives and billions of dollars in subsidies were offered for wind power and biofuels such as ethanol, renewable energy is still a marginal source of power, with only 7.4% of total consumption.<sup>8</sup>

So despite all the promises made by governments in Kyoto and Copenhagen, the world seems poised to increase daily oil consumption of oil barrels by the same amount it did in the last 30 years.

Daniel Yergin wrote in *Foreign Policy* last year: "In 2007 and 2008, (...) it was actually the fifth time that the world had supposedly "run out" of oil. The first episode was in the 1880s; the last instance before this most recent time was in the 1970s."<sup>9</sup>

So, do we need more oil? The realistic and pragmatic answer is yes.

### **The environment**

Because it does not seem that it will be replaced any time soon, oil is a highly strategic resource. Of the top ten oil producing countries, Canada and the U.S. are the only advanced economies.<sup>10</sup> Nigeria, Saudi Arabia and Iran (the latter with its controversial nuclear development) are the countries that, until the oil sands came along, the world relied on for its future energy supply. But the good news is that the oil sands are expected to provide a stable, secure oil supply for several decades to come.

But should we be extracting oil from Alberta's oil sands, from an environmental perspective? Indeed, when you look at pictures of oil sand sites, the initial reaction is to scream "no!" Once again, things must be put in perspective.

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<sup>4</sup> U.S. Energy Information Administration, *International Petroleum (Oil) Consumption*, <http://www.eia.doe.gov/emeu/international/oilconsumption.html>.

<sup>5</sup> *Idem*.

<sup>6</sup> U.S. Energy Information Administration, *World Energy Use Projected to Grow 44 Percent Between 2006 and 2030*, Press Release, May 27, 2009, <http://www.eia.doe.gov/neic/press/press319.html>.

<sup>7</sup> Christopher Johnson, "World oil demand to hit record high this year: IEA," *National Post*, April 13, 2010, <http://www.financialpost.com/story.html?id=2877671>.

<sup>8</sup> U.S. Energy Information Administration, *U.S. Energy Consumption by Energy Source*, juillet 2009, [http://www.eia.doe.gov/cneaf/alternate/page/renew\\_energy\\_consump/table1.html](http://www.eia.doe.gov/cneaf/alternate/page/renew_energy_consump/table1.html).

<sup>9</sup> Daniel Yergin, "It's Still the One," *Foreign Policy*, September/October 2009, [http://www.foreignpolicy.com/articles/2009/08/17/its\\_still\\_the\\_one?print=yes&hidecomments=yes&page=full](http://www.foreignpolicy.com/articles/2009/08/17/its_still_the_one?print=yes&hidecomments=yes&page=full).

<sup>10</sup> U.S. Energy Information Administration, *Country Energy Profiles*, <http://tonto.eia.doe.gov/country/index.cfm>

Greenpeace has called Canada a “climate criminal” because, it says, the oil sands are the worst, most polluting industrial project on the planet. Environmentalists say the oil sands are “immoral” because they contaminate the water and the land, poison wildlife, will obliterate the boreal forest, and are draining Alberta’s Athabasca River dry.

Syncrude exploited a site from the mid-1980s to the mid-1990s that was pretty much in the same situation as the oil sand sites pictured in the media. But the site has now returned to a green valley with happy and healthy buffalos all over it.

The truth is that Alberta has one of the most rigorous environmental monitoring and management programs in the world. Alberta spends millions of dollars every year for environmental scientists to test water for contaminants and acid levels and to examine fish and other life forms for toxins. The oil sands sites are the most scrutinized industrial project on Earth.

Environmentalist fundraising letters tell us that the oil sands will destroy an area of boreal forest equal to the size of Florida. This is yet another fairy tale. Only 2.5% of oil sands projects territory will require the clear cutting and strip mining that we see in those unappealing photos.<sup>11</sup> And the law requires that land to be fully reclaimed after the oil is produced – returning it almost to the same state it was in before it was disturbed.<sup>12</sup>

For the other 97.5% of oil sands territory, the oil is too deep to mine from the surface. It can only be tapped using *in situ* processes that pump steam deep underground to melt the bitumen and then draw it up through pipes. On the surface, this takes up about as much space as a standard-sized oil rig.

We have to keep in mind that the technology is improving. For example, nowadays, by capturing waste products such as diluents or natural gas and using them into useful outputs, greenhouse gas emissions can be reduced.

### **Alberta’s oil sands: what are the advantages for Quebec?**

In fact, we should call them Canada’s oil sands, and not just Alberta’s oil sands, because although they are located in Alberta and part of Saskatchewan, their impact is national. They have become Canada’s most important and most durable source of wealth. It is estimated that, over a period of 25 years, oil and gas activities in Alberta alone will provide \$2,857 billion to Canadian GDP.<sup>13</sup>

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<sup>11</sup> Canadian Association of Petroleum Producers, *Environmental Challenges and Progress in Canada’s Oil Sands*, April 2008, p. 3, <http://www.capp.ca/getdoc.aspx?DocID=135721>. Twenty per cent of the oil sands reserves are mineable, which is 2.5% of the total oil sands area in Alberta.

<sup>12</sup> Heritage Community Foundation, “Land Reclamation Legislation in Alberta,” *Alberta Online Encyclopedia*, [http://www.abheritage.ca/abnature/environmental/land\\_reclamation\\_legislation.htm](http://www.abheritage.ca/abnature/environmental/land_reclamation_legislation.htm)

<sup>13</sup> Canadian Energy Research Institute, *Economic Impacts of the Petroleum Industry in Canada*, July 2009, p. 9, <http://www.ceri.ca/documents/CERIIOSummaryReport.pdf>. Includes conventional oil, conventional gas, oil sands, capital projects and coalbed methane.

They already are a source of wealth, employing tens of thousands of Canadian workers and providing contracting work to hundreds of industries across Canada. And these are good jobs, in sectors like heavy equipment manufacturing and finance. It will mean the equivalent of 15,000 persons, in Quebec holding full-time jobs over a period of 25 years.<sup>14</sup>

### *Business opportunities*

The oil sands promise not just a tremendous benefit for Alberta: they will spread wealth across Canada. The Canadian Energy Research Institute estimates that the positive economic impact for Quebec will amount to \$23 billion over 25 years.<sup>15</sup> Instead of always badmouthing the oil sands, Quebec should look at them as a source of development.

Last March, the Quebec government organized a trade mission in Alberta. This is the kind of mindset we should be looking for. We should ask ourselves: how can Quebec be a part of this fantastic economic development?

Greenhouse gas emissions per barrel of oil from the oil sands have been reduced by an average of one-third since 1990. Some facilities have achieved reductions as high as 45%<sup>16</sup> – and technology keeps improving. Maybe that is where Quebec’s expertise might help. Indeed, half of the 17 companies that participated in this trade mission are in the so-called “green technology” business (carbon capture or soils and water treatment).<sup>17</sup>

### *The petrodollar argument*

In the last few weeks, Jean-François Lisée, Thomas Mulcair and Équiterre, in particular, have argued that thousands of manufacturing job losses in Quebec were linked directly with the strength of the Canadian dollar, which supposedly was boosted artificially by Alberta oil.

While it may be true that the value of the Canadian dollar is partly correlated with fluctuations in oil prices, it must be recognized that the manufacturing sector is going through a crisis that, first and foremost, is structural in nature. The advent of new international competitors such as China and other emerging countries changes the situation substantially and for a long time to come.

Moreover, automation in the manufacturing sector has also changed how things are done. Fewer workers are needed now to do the same amount of work. The same thing happened earlier in agriculture. Modernization led to farm workers moving in large numbers to jobs in more productive areas. As a result, agricultural jobs account now for only 1% of all jobs, even though total food production has risen.

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<sup>14</sup> *Id.*, p. 18 (84,000 + 292,000 = 376,000 person-years / 25 years)

<sup>15</sup> *Id.*, p. 18.

<sup>16</sup> Alberta Energy, *About Oil Sands: Facts and Statistics*, <http://www.energy.alberta.ca/OilSands/791.asp>.

<sup>17</sup> Olivier Bourque, “Mission Québec en Alberta: des vertes et des industrielles,” *Argent*, March 22, 2010,

Also, it should be noted that a weak currency is not in itself a recipe for prosperity. If that were the case, Zimbabwe (which experienced hyperinflation and a radical drop in the value of its currency in 2007) would be the world's richest country.

### **Conclusion**

To adopt policies that meet Quebec's higher interests, we first need to have correct information. This article sets the facts straight regarding some of the myths that have been spread: the alleged deforestation in an area the size of Florida, cancer case numbers relying on data manipulated by a single doctor, the deaths of millions of birds that have not even been born, or the assertion that the petrodollar has been the main cause of problems in Quebec's manufacturing sector.

The oil sands are, in fact, a source of great prosperity. There are billions of dollars in business opportunities and tax revenues that could be used to finance our public services and well paid jobs. We should take the means needed for Quebec to benefit from the Alberta boom. Quebec's ingenuity should be used to help Alberta meet its challenges rather than siding with shallow criticism. We should also keep in mind that Quebec has gas and even oil potential in the St. Lawrence River.

To sum up, for Quebec to be in a position to benefit fully from oil sands development, it must be able to understand the industry's needs. We need to take a factual, pragmatic approach. This is why the Montreal Economic Institute is planning to promote a Quebec-Alberta dialogue actively in the coming months.