



## Alberta Federation of Labour

# A NEW DIRECTION FOR ALBERTA'S ENERGY ECONOMY

Alberta has been trapped in a boom-and-bust cycle almost since it was founded. For decades, business and political leaders have talked about the need to diversify the economy and prepare more prudently for the next inevitable downturn. But despite these good intentions, the current government has, once again, failed to adequately prepare the province for the economic bust that is now settling on the provincial economy.

While the world and in particular the largest consumer of exported energy, the U.S. under a new Obama administration, start to move towards greener alternatives, the Alberta government continues to act as if the province's entire economy is and will continue to be based solely on the extraction of non-renewable natural resources.

In spite of the government's unwillingness to regulate the economy to ensure that resource wealth supports economic diversification, Albertans have built strong businesses, a strong service sector and a vital public service sector. Alberta's economy can and should be more than the sum of its oil, gas, coal and oil-sands extraction projects. In fact, this economic downturn provides the province with a crucial opportunity to support a new direction for the province.

This paper looks at what went wrong with Alberta's energy economy and explains how the Alberta Federation of Labour and its affiliates will work to create a better future for the province. There is work to be done in the short term, as well as partnerships to build on, to make long-lasting changes. Both are necessary to ensure a secure sustainable future for ourselves and our children.

We need a new direction for our economic and energy future in which we recognize the need to develop our resources within the limits of the environment. Albertans can contribute to a new greener economy in which we can make our communities healthier and create stable and secure jobs for ourselves and our children.

### **WHAT WENT WRONG?**

We know that the government did not plan for the boom. Although initial development of the oil sands happened at a manageable pace, the recent boom occurred without any plan. The unrestrained pace of development meant that oil-sands projects were approved by the dozen without sufficient regard for potential environmental, social or

economic impacts. As a result, the tight labour market gave employers an upper hand and they convinced the provincial and federal governments to let them abuse the Temporary Foreign Worker program. Thousands of workers have come to Alberta under the program in search of a better life and many of them have faced abuse and exploitation. Now that the economy is slowing down, they are being sent back without the opportunity to earn enough money to pay for their travel costs. This so-called labour shortage also gave the government an excuse to let children start working at the age of 12.

The oil-sands projects overheated the economy – driving up prices for construction materials. The cost of projects jumped, and it was commonplace to hear about projects coming in at 25% or 50% or even higher than budgeted. Housing prices and rents soared as well.

The crisis in global financial markets has also illustrated the danger of relying on a single industry to drive the province's economy. As the capital markets stopped lending the necessary billions to major oil companies and as the price of oil plummeted, the government's fair weather friends suddenly decided that maybe the pace was too fast. And so the big oil companies announced delays and then cancellations to the very projects that the government had praised mere months ago. The upgraders that were to fill Upgrader Alley in Alberta's heartland with great new jobs won't be built – those jobs are going to be created in the U.S. where it's cheaper to refit existing refineries. So Albertans are once again left high and dry by big oil companies that are only interested in their own bottom lines, not in building strong communities here.

The cumulative environmental impact of the oil sands remains unknown because we've never seen anything like this before. However, we do know that the extraction of the oil sands in northern Alberta have raised serious concerns about the potential impacts on health and the environment. Oil companies use huge amounts of water from the Athabasca River. Thousands of square kilometres of muskeg and boreal forest are bulldozed. While a growing proportion of the affected land has been reclaimed as grasslands, concerns have been raised about the slow pace of full reclamation. There are also concerns about leaching of contaminants from "waste lakes" and possible health consequences. Albertans have told the government that they want better environmental regulation and enforcement – the government has decided that it doesn't need to listen. The recently released 20-year plan for the oil sands again fails to provide limits or even targets for reducing negative environmental impacts and ignores the specific detailed recommendations put forward by Albertans during the government's Oilsands Multistakeholder Consultation.<sup>1</sup>

On the financial side, Albertans also told the government during its review of the royalty system that they want more for our resources. The government's compromise on the royalty review panel's recommendations has been deemed "highly detrimental to

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<sup>1</sup> Oilsands Consultations – Multistakeholder Committee Final Report, June 2007 - [http://www.oilsandsconsultations.gov.ab.ca/docs/FinalReport\\_MSCReport-lowres-july24.pdf](http://www.oilsandsconsultations.gov.ab.ca/docs/FinalReport_MSCReport-lowres-july24.pdf).

Alberta...Albertans have lost the opportunity to gain a secure and reasonable share from the rapidly increasing oil-sands production” by world-renowned royalty expert, Pedro van Meurs.<sup>2</sup> Furthermore, van Meurs said that the new terms mean that Albertans will pay for all of the cost overruns on new projects in the oil sands through a differential royalty regime. Even the Auditor General, Fred Dunn, told the government that the province had been missing out on billions of royalty dollars since 2000. But the government has again chosen not to listen to Albertans and instead is holding out financial incentives to oil and gas companies to bail them out as their profits drop from record levels to merely very strong. Big oil companies that operate in Alberta don’t need handouts or incentives or royalty deals. For example, EnCana, one of the biggest players in the oil and gas sector, made the same profits in the fourth quarter of 2008 as it did in 2007: \$1.07 billion U.S. EnCana’s operating earnings dipped slightly as a result of the drop in oil prices but clearly isn’t suffering from the “downturn.”

## **WHAT CAN WE DO RIGHT NOW?**

### **Diversify with Green Alternatives**

The Alberta economy has long been focused on the extraction and export of petroleum. These industries – conventional oil, natural gas, coal, and the oil sands – continue to be at the heart of our economy but we can plan for a transition to a more diversified, less commodity-based and greener economy that does not depend so heavily on exporting energy. The transition has to include: getting more from our non-renewable resources; reducing our reliance on exporting energy; and building a new green economy with better jobs.

### **Keep Jobs in Alberta: Add Value**

The enthusiasm to exploit and sell our natural resources as quickly as possible tends to gloss over some important facts. Firstly, slowing down the extraction of oil, gas and oil sands doesn’t mean losing out on profits. In fact, better paced development and careful planning will ensure that Albertans get better value for our non-renewable resources and reduce the impact on our environment. Secondly, Alberta has the potential to lead the country in the development of renewable energy resources and the creation of new green jobs.

Alberta is not just an energy exporter – traditionally we have been an exporter of energy in its least refined forms. In other words, for the most part, we have left the upgrading and refining of our raw natural resources to others. Why should that matter? Because Albertans lose out twice when we let our raw resources stream into American upgraders. First of all, we lose the opportunity to add value to these valuable non-renewable resources, and secondly we fail to create good, sustainable jobs for Albertans.

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<sup>2</sup> Andrew Nikiforuk, Tar Sands, 2008, p.149.

## **START NOW TO BUILD LONG-TERM SOLUTIONS: Building a Renewable Energy Industry in Alberta, Create More and Better Jobs**

Alberta is home to another important energy resource. We have both the research and development community that can support a transition to green and renewable energy sources, and abundant sources of natural, renewable energy including, wind and solar. The current presumed slowdown of oil-sands projects provides Albertans with a window of opportunity to become leaders in green technologies and renewable energy resources.

The creation of green jobs as part of a green economy is crucial to building our future with good, sustainable jobs for Albertans.

Up to now, Alberta's government has ignored the obvious opportunity and has failed to create a brand new energy industry in Alberta. In addition to our dwindling fossil fuel resources, Alberta has abundant renewable energy resources – Alberta is sunny, windy and has fast-flowing rivers. We also have the geological formations that make geothermal heating possible. The Alberta government likes to claim that renewable resources are not reliable when it comes to power generation and that we'll have to wait a very long time before technology will catch up. So the question is: why does the government continue to give handouts to mature energy companies but refuses to level the playing field and provide the same incentives to fledgling renewable energy providers?

The Pembina Institute, an independent think tank, recently published a report that describes how Alberta can shift almost all of its electricity generation to renewable sources. The Pembina Institute's report based its findings on current technologies for renewable energy, and concludes that Alberta can move from an electricity system based on coal to one based on clean alternatives in the next 20 years.<sup>3</sup> The report also recommends a real assessment of Alberta's renewable energy potential which would provide detailed information to public and private decision makers about the quantity, quality and location of the province's renewable resources.

Alberta should be a leader in establishing a green economy. Examples from other jurisdictions that have successfully developed green jobs and green-energy industries can provide ideas, models and inspiration. For example, Germany is now on course to draw 30% of its electricity from renewable sources by 2030, thanks to a combination of legislation and subsidies to the renewable energy sector. Germany's focus on renewable energy has made the renewable power business a force to be reckoned with. It now generates \$240 billion in annual revenues and employs 250,000 people.<sup>4</sup> So how is it that Germany, a cloudy, wet, northern European country, has become the world

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<sup>3</sup> Jeff Bell and Tim Weis, 'Greening the Grid – Powering Alberta's Future with Renewable Energy,' The Pembina Institute, January 2009 [www.pembina.org](http://www.pembina.org).

<sup>4</sup> The wind at his back, "Europe's Al Gore" has already revolutionized the energy grid in Germany. Now, Hermann Scheer is challenging Canada to do the same, The Globe and Mail, 2 August 2008, p. F7, byline: Chris Turner.

headquarters for the solar and wind industries? Germany's government decided to make the shift to renewable energy, and the manufacturing needed to support that shift, a political priority. The government passed the *Renewable Energy Sources Act*. This law established a *feed-in-tariff* that obliges power distributors to purchase electricity from renewable sources for a fixed time at fixed rates above market prices. The initial rates were set high in order to cover the extra cost of bringing new installations online and to allow a small profit for producers (similar to how traditional North American energy markets operated prior to deregulation). This feed-in-tariff guaranteed a market for companies that were willing to make the big, up-front capital investments which led to the construction of renewable energy installations and a renewable energy industry.<sup>5</sup> The creation of this new industry has certainly reduced Germany's reliance on fossil fuels for its energy needs but, equally important, is the creation of thousands of new and stable jobs.

## WORKING WITH PARTNERS

There is an important role for the Alberta Federation of Labour and working people to play in the creation of a new economy for this province. But we can't do it alone. We need to work with community partners, particularly environmental groups and progressive businesses, both small and large, to get us moving in the right direction.

We can look to the U.S. for an example where this model is working. The Blue Green Alliance started as a partnership between the "blue-collar" United Steelworkers and the "green" Sierra Club. The Alliance is now a national partnership of labour unions and environmental organizations that are "dedicated to expanding the green economy through global warming solutions and advancing workers' rights."<sup>6</sup> The Blue Green Alliance proposes policy solutions like a "Green Recovery – a Program to Create Jobs and Start Building a Low-Carbon Economy" which recommends an investment of \$100 billion in the green economy to create 2 million jobs in two years.

The Blue Green Alliance created a very effective spin-off – the Apollo Alliance<sup>7</sup> - which brings together experts from labour, business and the environmental and social justice communities. The Apollo Alliance worked together for eight years to draft a new economic and energy plan based on making tremendous shifts in how the American economy operates. President Barak Obama has made most of this plan official government policy. The plan calls for investment in clean power, energy efficiency, and the creation of 5 million high-quality green-collar jobs.

There is an obvious appetite for change in Alberta. Despite our concerns about the state of the economy, polls show that Albertans are still very worried about the environment. Albertans believe that cleaning up and protecting the environment can contribute to the economy. We haven't been fooled by Premier Stelmach's rhetoric that

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<sup>5</sup> Chris Turner, "Feed-In Frenzy – A simple green tariff has transformed Germany. Why isn't Canada following suit?" *The Walrus*, Jan/Feb 2009.

<sup>6</sup> Blue Green Alliance – [www.bluegreenalliance.org](http://www.bluegreenalliance.org).

<sup>7</sup> Apollo Alliance – <http://apolloalliance.org/>.

we can't have a clean environment and a strong economy in this province. Individuals are making changes in their daily lives. For example, since the province's rules on micro-energy generation changed at the beginning of 2009, hundreds of people are learning how to install solar panels or wind turbines on their homes. Students are keen to find "green jobs" that will let them use their skills and contribute a new green economy.

## CONCLUSIONS

We believe that Alberta can and should use the wealth generated by the oil sands and the more traditional energy sector to help make the transition to a cleaner and greener economy. We can diversify Alberta's economy to make us better able to weather economic storms and take us off the rollercoaster of the boom-and-bust cycles of a petrostate. As our fossil fuel resources dwindle, it is crucial that we ensure that we get the most out of these non-renewable resources. Albertans deserve to get value for our resources. We can add value by creating and taking an equity stake in an upgrading industry that will make sure that oil, gas and bitumen are upgraded here in the province.

The Alberta Federation of Labour is working with Greenpeace and the Sierra Club to write a report on the new green economy and good green jobs. This project can be the foundation for the labour movement and working people to start getting this new economy off the ground. The report will describe "green jobs" and prove that it is possible to create good, unionized, stable jobs in Alberta. Jobs that let workers create products and services that benefit the economy and the environment. The Alberta Federation of Labour and its affiliates will work with these partners, businesses and others to make the case for a new economy and to help create new green jobs in Alberta.

This government has a terrible track record on all counts – energy, royalties, environment, economic diversification, etc. While, the provincial government needs to drastically change its policies to reflect the desires of Albertans, the labour movement also has a tremendous opportunity to marshal the energy, enthusiasm and will of Albertans to build a new economy for our province. We have a real opportunity to make changes and be leaders in terms of shifting to renewable energy sources and creating good green jobs.

## TIME FOR ACTION STARTING NOW

### Urgent Actions for the Alberta Federation of Labour

- Support the creation of a crown corporation that will take an equity stake in an upgrading industry in Alberta and make sure that oil, gas and bitumen are upgraded in Alberta

The Alberta Federation of Labour believes that it is time for the Alberta government to establish a comprehensive upgrading industry in Alberta. Using the model developed by the Loughheed government for the petrochemical industry, the current government



should create a crown corporation to take the lead in building upgrading capacity in Alberta.

By supporting **upgrading** of Alberta's non-renewable resources, the government will stimulate the growth of new industries, as well as ensuring that jobs are not lost "down the pipeline." At the moment, much of Alberta's bitumen from the oil sands is set to be exported for upgrading in the U.S. The current economic slowdown provides the government with an ideal opportunity to develop the infrastructure and jobs required to upgrade bitumen before it flows out of the province.

By taking an **equity stake** in the expansion of this industry, the government will be better placed to control the pace of development. Working with partners in the private sector, a crown corporation can set a reasonable pace for development, ensure that environmental and human health concerns are addressed. A crown corporation will be accountable to Albertans. Of the top 15 oil-producing countries in the world, Canada is one of only two that does not take some kind of equity stake in its energy industry.

**Jobs** created in an expanded upgrading industry are long-term, secure, family-sustaining and generally union jobs. These jobs are not work camp jobs. If properly guided and regulated, this industry should be able to ensure stable employment for Albertan families, even in the face of fluctuating oil prices.

The pace of extraction and upgrading can be slowed to a manageable rate. Alberta has one of the largest known bitumen reserves in the world and it isn't going anywhere. When oil prices begin to climb again, Alberta's bitumen will be all the more valuable. By reducing our reliance on extracting bitumen and other non-renewable resources and developing renewable energy sources, we will also extend our non-renewable resources industry by many years. Alberta will have a decisive impact on reducing the greenhouse gases that contribute to global warming. Alberta is a leader in producing pollution but we have the ability and the opportunity to be a leader in cleaning up the environment and establishing a more sustainable energy industry.

Through better management, we can continue to use the limited fossil fuel resources we have and ensure that all Albertans benefit: we can slow extraction and production to more reasonable rates; we can add value by upgrading our precious non-renewable resources; we can create good jobs and we can take real action to shift our dependence on fossil fuels and energy exports as the cornerstone of Alberta's economic future.

- The Alberta Federation of Labour and affiliates will insist on a level playing field for ALL energy companies – or extra support for renewable energy companies.

The Alberta Federation of Labour and its affiliates will advocate that the "playing" field be leveled for renewable energy producers. This can be achieved by either removing the unfair advantage given to oil and gas companies or making the incentives and subsidies that are available for the oil sector equally available to renewable energy companies (for example, companies that want to start up solar-panel manufacturing or promote the creation of wind-turbine manufacturing).

The Alberta Federation of Labour and its affiliates believe that renewable energy companies should be encouraged to break into the market and develop renewable energy alternatives for residential, commercial and industrial uses.

- The Alberta Federation of Labour and its affiliates will advocate for a feed-in-tariff for renewable energy sources

The Alberta Federation of Labour supports the **creation of a feed-in-tariff for Alberta** based on the German model. This legislation is simple – it does not require tedious and complicated rules and has already been copied by several European countries including France, Ireland and Spain. Alberta should not tinker with the concept and dilute its ability to make a significant impact to our economy by following the example of Ontario’s Standard Offer Program. The Ontario version is weighed down by “artificial growth caps, implementation deadlines, and other caveats.”<sup>8</sup>

### **Ongoing Action for the Alberta Federation of Labour and Affiliates**

- The Alberta Federation of Labour and affiliates will continue to build partnerships, particularly with environmental groups like Greenpeace and the Sierra Club, as well as community groups like the Parkland Institute and Public Interest Alberta, and local businesses to develop a strategy to build a new green economy and create good green jobs in Alberta

Obviously a shift to a green economy and green energy is not merely a question of shifting technologies. Alberta needs a vision and a plan to transform our economy. This vision needs to be developed right and it should be started right now. We can take this economic opportunity to build a new future for ourselves and our children. Working together with environmental organizations like Greenpeace and the Sierra Club and community partners like the Parkland Institute, Public Interest Alberta and other groups, the Alberta Federation of Labour and its affiliates can develop a new strategy and direction for Alberta’s economy.

Drawing inspiration from the alliances between labour unions and community groups in the United States, as well as the increasing public support for a more sustainable economy, the Alberta Federation of Labour can be a leader in reshaping Alberta.

The Alberta Federation of Labour and its affiliates will take the lead in researching, promoting and creating good, green jobs for Albertans. The joint Alberta Federation of Labour/Greenpeace/Sierra Club “Green Jobs” project will serve as a starting point and will provide innovative ideas on how to create good green jobs in Alberta.

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Adapted at 2009 46<sup>th</sup> Constitutional Convention

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<sup>8</sup> Chris Turner, ‘Feed-In Frenzy – A simple green tariff has transformed Germany. Why isn’t Canada following suit?’, The Walrus, Jan/Feb 2009.