

Democrats aim to kill oilsands pipeline

The idea that the -oilsands are the enemy of progress is crazy

ALEXANDER MOENS

Financial Post

Saturday, August 6, 2010

Because the Keystone XL pipeline proposal to carry crude oil from Canadian oilsands to American refineries passes an international border, the U.S. Secretary of State must grant approval for its construction. This is a big deal and Secretary Hillary Clinton will no doubt bring the President into this decision.

Seeing yet another opportunity to cram a radical environmental vision down U.S. and Canadian throats, California Congressman Henry Waxman is calling upon Clinton to saddle the proposed pipeline plan with an environmental assessment. This, of course, is a delay-to-kill action, not really an assessment. Waxman happens to be the chairman of the House committee on energy. He has a powerful position in Congress. He is supported by 49 Democratic congressmen and women, who joined him in a letter sent to Clinton earlier this month.

Make no mistake about it: Waxman is willing to kill the Canadian oilsands. And he has allies. There are various American environmental watchdogs lurking to have the U.S. government take radical action on energy. They know their timeline is running out in November, when voters are likely to thin or overthrow the Democratic majorities in Congress. These green lobbyists have no strategic vision about trade and energy interdependence between the United States and Canada and do not care that an end to Canadian oil would mean that America must buy more oil from Saudi Arabia or Venezuela or any other dictatorship run by oil. Americans should want the expected 100,000 jobs the construction and operation of the line entails, as well as the stable supply of oil from a close economic ally. The whole idea that the oilsands are the enemy of environmental progress is crazy. It is a bad conclusion drawn from the wishful argument that we can quickly and en masse move away from oil to wind, solar and other renewable energy. A balanced view would recognize that such big sectors cannot change quickly. Gradually, the production in the oilsands is moving towards more in situ methods that reduce the environmental impact. Slowly, the energy efficiency of recovering this oil is going up.

Waxman's method of strangling Canadian oil supplies to the United States will mean higher fuel prices for Americans. Waxman is not presenting these facts alongside his proposal. For Canadians, it would be a double hit; we would also end up paying higher prices as less global supply would have to fill the current demand. In addition, we would face a painful loss in export income.

If Keystone XL is not built and Waxman and company are able to hold up other pipeline proposals, Canadian crude oil exports to the United States will lose at first 600,000 barrels per day in future income and eventually nearly one million barrels per day. It is worth for all Canadians to take a look at what amount of export income we are talking about. Assume a heavy oil price of US\$80 a barrel and it comes to nearly US\$30-billion per year. Without that income, Canadian imports from the rest of the world cannot be financed without running large trade deficits. This is not just an issue that Alberta faces, this is a vital economic interest for all Canadians.

Do American or Canadian consumers insist on punishing carbon? I see no evidence. There is genuine consumer interest in greener energy and that offers many new opportunities to which producers will respond. Consumers will make the switch as they see fit and do not need the heavy hand of Democratic congressmen limiting their choices and making all our energy accounts more expensive.

The impact of the Obama-Clinton decision is so big, it may as well be a domestic Canadian issue. Are Canadians paying attention? Are we doing what we can to inform our neighbours about their choices?

Alexander Moens is a professor of political science at Simon Fraser University in Burnaby, B.C., and a senior fellow at the Fraser Institute.