Tar Sands Watch.
Polaris Institute's Energy Program

TAR SANDS SHOWDOWN – ECONOMIC DISLOCATION

- Since 2002, when Canada's employment in manufacturing peaked, this country has lost over 400,000 manufacturing jobs. By the end of 2007, the number of jobs in the manufacturing sector as a proportion of Canada's total employment had dropped by one-quarter.

- As a result of the support for the tar sands industry, the economic centre of Canada is moving West, away from Toronto and towards Calgary.

- While the manufacturing industry faced layoffs even when the economy was in better shape, the tar sands industry was flying high. Even now, with the economy in a downturn, tar sands projects that were already up and running are still making profit, with the support of both the provincial government of Alberta, and the Harper government in Ottawa.

- Canada is turning into an energy and resource supplier, while allowing the manufacturing sector to deteriorate. In 2006, despite the oil boom underway, petroleum exports accounted for only 12.6 percent of Canada's total exports. That year, oil and gas exports were worth 66 billion dollars, while the automotive sector recorded 75 billion dollars'.

- Tar sands companies are granted lucrative provincial subsidies in the form of low royalty rates. In Alberta, the Klein government required that companies operating in the tar sands only pay a royalty fee of 1 percent on their gross revenues until all their construction costs are paid off, which effectively amounts to a tax holiday. After that, they would pay a 25 percent tax on their net earnings. In contrast, oil-producing countries such as Russia, Bolivia and Ecuador collect 90 percent or more of the windfall profits that the companies reap once the price of oil goes above a certain level.

- The industry is also given tax breaks by Ottawa. Although the 2007 budget of the Harper government included the phasing out of the Accelerated Capital Cost Allowance, which accounts for some 77 percent of the federal subsidy to the tar sands industry, this will happen gradually. Those companies that began their projects or expansions before March 19, 2007, are able to claim a 100 percent write-off, while for those companies that began their projects after this date the tax subsidy will be phased out between 2011 and 2015.

- The Harper government has taken other measures to protect the Alberta tar sands as the centrepiece of its claim that Canada is the emerging energy superpower. These measures have been designed to protect the development of the tar sands from being slowed by interventions from Ottawa. One example is the three year free ride on greenhouse gas emissions (see the Climate Change Factsheet for more information).

- In 2007, foreign takeovers of resource companies amounted to over 100 billion dollars. And Investment Canada has very lax regulations governing foreign takeovers of Canadian oil companies, including the takeover of licences for certain petroleum reserves. With increased ownership and control by US and other foreign petroleum companies, most of the profits are leaving the country.

- Redistribution of the bounty generated by the Alberta boom has been trickle-up, not trickle-down, with the lion's share of the wealth going to the oil corporations, not the majority of people in Alberta, let alone the rest of the country.

- If these shifts in economic power continue, tensions and conflicts within the Canadian federation are likely to increase. Recent predictions that Ontario may become a have-not province, and the complaints that followed, exemplify these tensions.

For more information, or to get involved visit http://www.tarsandswatch.org

http://www.oilsandswatch.org, http://www.canadians.org/energy, http://www.greenpeace.org/canada/en/campaigns/tarsands

Excerpt from author Tony Clarke's Book "Tar Sands Showdown"

...Subsidizing the tar sands industry is not simply a matter of picking "winners" and "losers" among corporations and industries in a highly competitive climate. Instead, there appears to be a deliberate strategy to restructure the Canadian economy with a renewed emphasis on the resource sector. As economist Jim Stanford has noted, throughout the second half of the twentieth century, federal and provincial governments were proactively moving the Canadian economy away from being primarily a resource hinterland. Measures to facilitate this included encouraging and supporting the development of processing and secondary manufacturing of resources; more sophisticated supply industries to feed into resource production activities; other high-tech manufacturing industries (e.g.,the aerospace industry) and the expansion of industries providing exportable services. By the mid-1990s, says Stanford, Canada had become "a global manufacturing powerhouse." But this industrial strategy petered out around the dawn of the twenty-first century and steps were taken to restructure the Canadian economy around natural resources.

Over the past two decades, governments have adopted a much more laissez-faire approach to the Canadian economy. National economic development has been largely market-driven, led by the free trade regimes,notably,the Canada–US FTA and NAFTA. As a result, Canada's economy has been undergoing a "historic structural shift" from a more diversified industrial economy to a resource-based economy (especially energy resources). As we have seen, the proportional sharing rule of NAFTA explicitly assigns Canada the role of energy storehouse for the US economy. Canada's economic destiny, therefore, is increasingly being shaped not only by global market forces and private investment decisions, but by US energy security strategies. On the one hand, this restructuring of Canada into an energy and other resource supplier to US and global markets has generated an oil and resource boom that has contributed to relatively healthy overall growth and job creation. On the other hand, there are many negative consequences as well.

This resource-led restructuring of Canada's economy has been spurred on by the rise in commodity prices in world markets. Between 2007 and 2008, the price of oil virtually doubled. The skyrocketing of oil prices to well above the 140-dollars-per- barrel mark has certainly made tar sands oil production a highly profitable endeavour, especially given a hungry export market in the US that wants to break its dependency on politically unstable petroleum sources elsewhere in the world. But these factors have also combined to create a dramatic rise in the value of the Canadian dollar on global currency markets. The loonie has been moving upwards against the US dollar since late 2002. Currency traders tend to value the Canadian dollar in relation to global commodity prices. When mineral prices, especially the price of oil, rise or fall, so too does the value of the Canadian dollar. Currency traders, in other words, now view the Canadian dollar as "petro-currency." And a stronger Canadian dollar on global currency markets has meant imported products are cheaper, but it has also had a devastating impact on other Canadian industries that depend on exports, especially to the US...