# The Teck Oil Sands Mine

## Will the Public Interest be Betrayed?

Robert Lyman



Friends of Science Society

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# EXECUTIVE SUMMARY



The federal government is considering the report of a joint Canada-Alberta environmental review panel that assessed the proposed Teck Resources Frontier Oil Sands project. The government will soon announce whether it will approve the project. According to press reports, the government is likely to reject it, although it may instead demand a "quid pro quo" from Alberta requiring Alberta to change its current climate policies to more closely align with federal policies.

According to evidence gathered by the panel, the project will produce about 260,000 barrels per day of bitumen and operate for 41 years. Over that time, it will provide 278,000 person-years of employment across Canada and yield $70 billion in tax and royalty revenue to governments. It will also emit 4.1 million tonnes of carbon dioxide equivalent per year, which represents 5.4% of oil sands emissions based on 2016 data, or 0.5% 0f total Canadian emissions. Teck has committed to make all of its operations "carbon-neutral" by 2050.

The Panel recommended approval of the project, subject to over 200 conditions.

The Hon. Jonathan Wilkinson, Minister of Environment and Climate Change, implied in his recent public statements that federal approval might depend on whether the Province of Alberta committed to more aggressive emissions mitigation policies, including tougher targets and dropping the legal opposition to federal carbon dioxide taxes. There have been press leaks suggesting that the federal Cabinet is preparing to deny the Frontier project but "compensate" Alberta in some way.

The way the federal government has handled this case contravenes several principles of good public policy. It is single-mindedly adhering to a fundamentally flawed climate policy based on questionable science and ignoring the reality that Canada produces only 1.6% of greenhouse gas emissions in a world where emissions are growing steadily due to economic developments in Asia. It has made GHG mitigation the overriding goal of public policy, downplaying the many other economic, social, security and unity goals that we share as a country. It has adopted policies that place an inordinately adverse impact on one region, Alberta and Saskatchewan, penalizing them for taking advantage of their natural resource endowment. By apparently holding the Frontier project hostage to Alberta's acceptance of changes in other policies, it has engaged in the long discredited practice of "policy linkage". Good public policy is far more likely to result from objective analysis of the public interest in each issue, not a highly-politicized bargaining process involving unrelated issues.

Turning down the Teck project would have absolutely zero impact on the trends in global GHG emissions. It would serve only as a symbolic, extremely costly, gesture of commitment to Green ideology.

# THE TECK OIL SANDS MINE

## Will the Public Interest Be Betrayed?



The Trudeau government is expected to soon announce its decisions on whether to approve the Teck Resources Frontier Oil Sands Mine Project. Based on recent press reports, the government is likely to reject the project, and is now considering ways to "soften the blow" by somehow compensating Alberta. How did things come to this?

### The Project

The details concerning the Teck project have been extensively described in the Canadian media, so I will not repeat them here. In brief, the Frontier Project would entail a mine and processing plant north of Fort McMurray, Alberta. It would, at full capacity, produce about 260,000 barrels per day of bitumen, and it would operate for 41 years.

Before it can proceed, the project requires approval from both the federal and Alberta governments. In May, 2016 the federal Minister of Environment and Climate Change and the Chief Operating Officer of Alberta Energy Resources announced the establishment of a joint review panel for the project. The review panel collected significant amounts of evidence and conducted public hearings and submitted its report on July 25, 2019.

The panel examined all aspects of the project, but especially the environmental ones. It noted that the project, if approved, would probably create 7,000 jobs during construction and up to 2,500 jobs during the 41-year operating life. In total, it would provide 278,000 person-years of direct, indirect and induced employment across Canada. It would also contribute more than $70 billion in tax and royalty revenues directly to federal, provincial and municipal governments. It is notable that these rather striking economic benefits received very little coverage in the panel's report and in the subsequent news reporting by Canadian media. The economic benefits, in other words, have been treated in the public discourse as almost inconsequential compared to the environmental considerations.

Much of the attention of the panel was focused on a range of environmental issues beyond climate change, and the panel expressed concern that the project could have serious adverse environmental effects that would not be adequately mitigated by the measures Teck proposed. Overall, however, the panel considered the documentation submitted by Teck as evidence that the company was seriously committed to resolving these issues, so it concluded with a clear recommendation that the federal and Alberta governments issue the necessary permits, subject to more than 200 conditions being met.

## The Climate Issue

Evidence submitted during the panel's proceedings dealt extensively with the project's projected performance with respect to greenhouse gas (GHG) emissions. The following are notable points:



- Total GHG emissions from the project are estimated to be 4.1 million tonnes of carbon dioxide equivalent per year. That represents 5.4% of oil sands emissions based on 2016 data (incidentally, that represents 0.57% of total Canadian emissions).
- Teck claimed that the project will employ technologies that will achieve "best-in-class" GHG emissions intensity. This is not a requirement under the *Alberta Carbon Competitiveness Incentive Regulation* and *Oil Sands Emissions Limit Act*; the panel found that that the project met the requirements under these statutes. ECCC challenged Teck's claims. It did not, however, challenge Teck's statement that the bitumen products produced by the project would have a lower emissions intensity than about half of all oil refined in the United States.
- Teck noted that the GHG intensity of oil sands mines decreased by more than 25% from 2009 to 2017, and that if, as expected, this trend continued, an additional 15 to 24% emissions intensity reduction is possible for the Frontier project by 2030.
- Teck meekly agreed that the carbon pricing measures instituted by the federal and Alberta governments were "*needed to the make the changes to a low-carbon economy*". Teck President and CEO Don Lindsay claimed that the project would displace "dirty oil".
- On February 4, 2020 Teck subsequently committed that it plans to be carbon-neutral across all of its worldwide operations by 2050

In its report, the Panel noted that Alberta's Climate Leadership Plan imposes a 100-megatonne (Mt) GHG emissions limit for all oil sands, but the Government of Alberta has not yet determined how that limit will be implemented in practice. Currently, emissions are well below that cap and will remain so with the approval of the project.

The Panel, however, stated that, if the project were approved and constructed, it "*may make it more difficult to achieve Canada's targets of a 30% reduction of 2005 levels by 2030 and a 2050 mid-century target for total greenhouse gas emissions of 150 Mt/year*." This is the first time that I have seen the 2050 federal target expressed in those terms. As Canada's emissions were 716 Mt in 2018, a 2050 target of 150 Mt would require a reduction of emissions by 566 Mt, or 79%, in 32 years.

## Subsequent Federal Statements

On January 28, 2019, Environment Minister Jonathan Wilkinson stated publicly that the federal Cabinet had not yet decided whether to approve the Frontier Mine. In doing so, he made a number of comments implying that the federal government might link its approval to broader policy actions by Alberta. Specifically, he said that, "*Provincial efforts to help*

*Canada meet its climate goals will be key*," and Alberta's "*recent actions are fighting the federal government on the issue of the pricing of pollution*". Further, "*What we are looking for is concrete action on climate change*. In other words, the Minister was signalling that the federal government wants to establish a policy linkage between its approval of a project that has already been reviewed and recommended by an independent, expert environmental assessment panel and an entirely different policy of the Alberta provincial government. He also implied that, if the federal government did not get its way by the end of February when federal legislation requires that a decision be made, the Cabinet might just delay its decision.



On February 2, unnamed federal sources told the CBC that the federal Cabinet might approve the Frontier mine, but with the condition that Alberta legislate an emissions cap requiring the province to reach "net-zero" emissions by 2050. No one really knows what the term "net-zero" means. It is presumed to mean that the province's total GHG emissions (or oil sands related emissions?) must be reduced to such a low level that the goal of zero emissions could be met through mechanisms like "offsets" or the purchase of emissions permits from other jurisdictions.

## What's Wrong with This Picture?

### Flawed Climate Policies

From the perspective of good public policy, just about everything possible is wrong with the approach that the federal government is taking in managing this issue. It starts with a fundamentally flawed climate policy, based upon the single-minded acceptance of the thesis that human emissions are causing extreme weather events and may cause catastrophic global warming. That policy position also ignores the reality that Canada

China's GHG emissions in 2016 were 9,114 Mt (according to British Petroleum data). In other words, China emits more in one month than Canada does all year. The average growth in emissions in China over the past decade is 202 Mt per year. Thus, Canada's total emissions represent about three and a half months of China's emissions growth. **If someone one could instantaneously wipe Canada off the map, so that it produced zero emissions forever after, this would have a modest-to-negligible effect on global carbon dioxide concentrations in the atmosphere in 2100, and it would make no difference whatsoever as to whether the IPCC emissions reduction targets (i.e. 1.5 degrees or 2 degrees C.) were met.**

Let that sink in.


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*Source: Futile Folly* https://blog.friendsofscience.org/wp-content/uploads/2019/05/Futile-Folly-FINAL.pdf

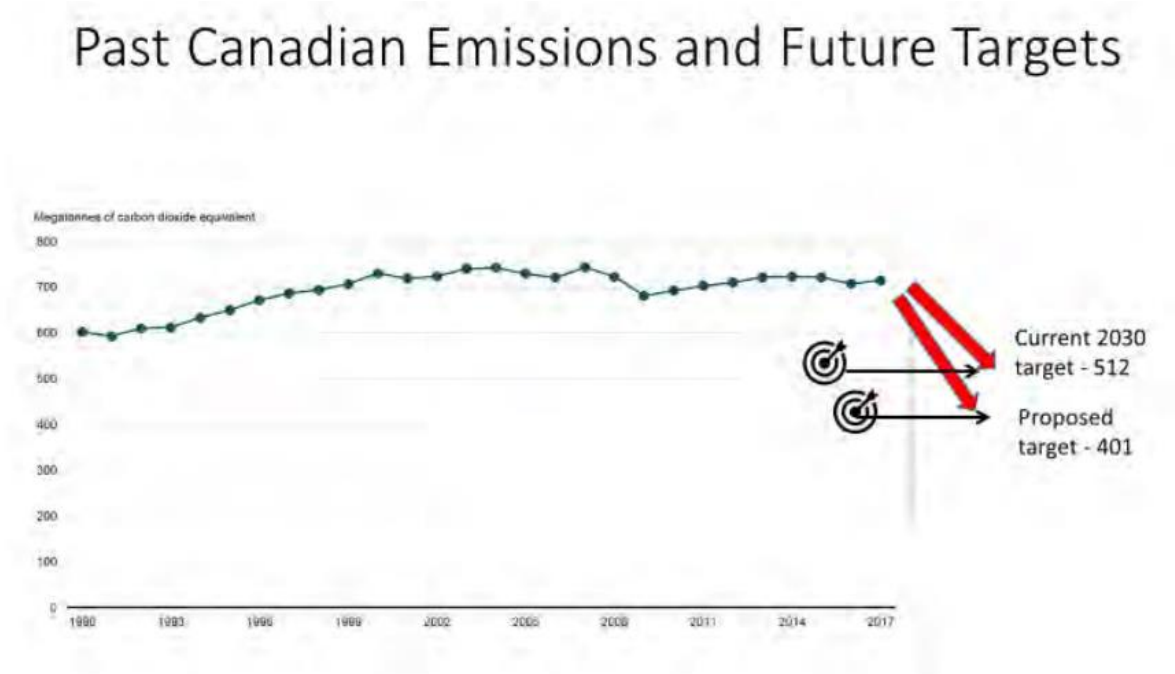
produces only 1.6% of global GHG emissions in a world in which such emissions are growing inexorably due to economic activity in the developing countries, but especially in Asia.



Despite this, the recently re-elected Trudeau government has stated that reducing GHG emissions is its highest priority. Implicit in the government's climate measures, which now exceed 300 in number, is that its interventions into the economy, through regulations, subsidies, taxation and central planning, can effectively manage a transition in the energy economy and economic system in a period ranging from 10 to 30 years, during a period when the underlying energy supply and demand trends are operating precisely in the opposite direction. This is entirely at odds with the experience of the past with respect to the duration and nature of energy transitions, as I described in the following report for the Global Warming Policy Foundation.

https://www.thegwpf.org/content/uploads/2019/02/Lyman-2019.pdf

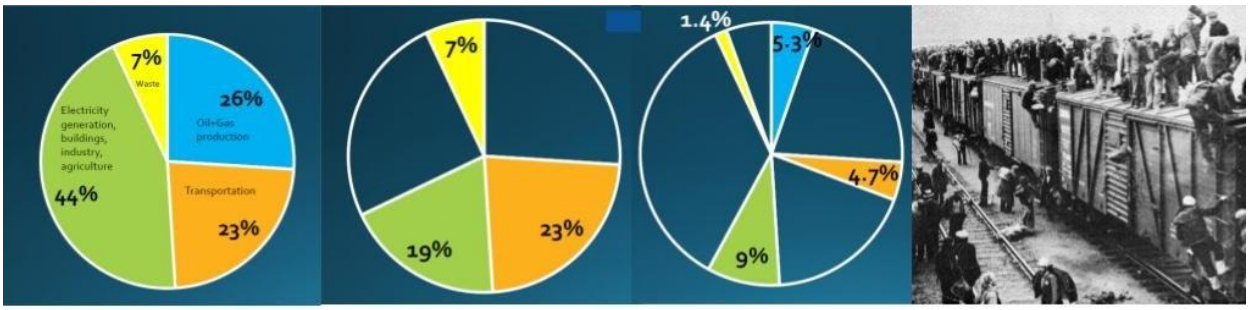
At heart, the current government's climate policy departs from a key principle of good governance in democratic countries. That principle holds that public policy should seek to achieve a balancing of society's goals (i.e. economic, social, environmental, safety, security, unity, etc.) and an accommodation of different interests that will somehow achieve what is broadly defined as the public interest. Governments that depart from this democratic approach and assert over-riding, largely ideological blueprints on how they wish to transform society have historically been viewed with deep suspicion. And so they should be.




*Source: Environment Canada. Canada's emissions since 1990. (GHG reduction targets added)*

As noted previously, the Frontier Project Panel report stated that the federal government's goal is to reduce Canada's GHG emissions by 79% from 2017 levels to 150 Mt by 2050. Based on the pattern of emissions by economic sector in 2017, that would mean eliminating all oil and gas production; all electricity generation using coal, oil or natural gas; all transportation; all heavy industry; and all waste-related emissions, leaving only the emissions from agriculture and buildings. We are supposed to believe that, even if achievable, this would not sharply reduce Canadians' standard of living. There are surely limits to the public' credibility, even with respect to climate change.






2014 ratios of emissions and sources in Canada

Canadian gov't committed to attain a 50% reduction from 2005 level by 2050

Canadian gov't notionally committed to an 80% reduction in GHGs

The result? The end of Canada as we know it today. Back to the Future 1930s.

## Unbalanced Treatment within the Federation

Canada is by constitution and geography a country of diverse regions, each of which justly asserts the right to be treated fairly by the federal government. That is a clearly understood but nowhere written part of the Canadian constitution. A corollary of this is that federal policies intended to apply to all regions should be designed and implemented in such a way as not to place an undue adverse burden on any one region. Yet that is exactly what current climate policies are doing.

This is partly due to the singular focus pf these policies on reducing GHG emissions. Almost half of current GHG emissions now occur in just two provinces – Alberta and Saskatchewan. This is due to the highly emissions-intensive nature of the resource extraction industries there, as well as to an accident of geography. Canada's hydrocarbon resources, including the difficult-to-extract oil sands, just happen to be located primarily in the western provinces. Other provinces, and notably Quebec, Ontario, Manitoba and British Columbia have the good fortune to have very large hydro-electric power resources. These hydro resources have allowed them to meet their energy needs at lower levels of carbon dioxide emissions. The costs of a policy that focuses heavily on emissions from fossil fuel production thus will inevitably fall heaviest on Alberta and Saskatchewan. It will penalize them for what has historically been a natural advantage and it will deprive them of the promise of a prosperous resource-based future.

As provinces with emissions-intensive non-hydrocarbon industries will soon discover to their dismay, policies that seek to raise the costs of emissions for all industrial plants must

inevitably place them too at a competitive disadvantage relative to firms in other countries, and lead to the exodus of investment, industrial activity and high-wage employment from all regions of Canada. For the time being, however, federal policies have zeroed in on the West.



Those policies have included the placing of a moratorium on the transport of oil by tanker from the northern coast of British Columbia, thus rendering nonviable the former Northern Gateway pipeline project; the changing of the rules governing consideration of upstream and downstream GHG emissions in the regulatory review of pipelines, which caused the withdrawal of an application to build the Energy East pipeline project; the failure to exert federal power and jurisdiction so as to facilitate the construction of the Trans Mountain Expansion Pipeline and overcome British Columbia's imposition of barriers to interprovincial trade; the replacement of the professional, independent National Energy Board with a partisan pipeline review process through the passage of Bill C-69, the so-called "No More Pipelines" bill; and the pressuring of all provinces to impose regulatory restrictions and carbon taxes on future hydrocarbon developments. The effects of these policies, in terms of delayed projects, foregone projects and discouraged investment runs to many billions of dollars and tens of thousands of foregone person-years of employment.

The process used in the case of the Teck Frontier Mine project provides further evidence of unequal treatment across Canada's regions. If one reads the report of the review panel, one cannot help but be struck by its attention to every conceivable potentially adverse environmental effect and its sensitivity to the views of environmentalist and aboriginal groups. The hundreds of conditions proposed are evidence of this extreme diligence and an indication of the much higher costs that will be imposed on the project and its users in future. One cannot help but contrast that with the treatment of emissions-intensive industrial plants in other parts of Canada. In 2016, for example, the Quebec government announced its contribution of $450 million in public funds for the construction of the Port Daniel-Gascons cement plant in the Gaspe region. This plant will produce an estimated 2.2 million tons of cement a year, and generate 1.76 million tonnes of carbon dioxide equivalent, making it one of the largest industrial emitters in Quebec. The plant did not even undergo an environmental assessment.

## Holding the Frontier Project "Hostage"

Minister Wilkinson publicly implied that the approval of the Tech Frontier project might depend upon changes in Alberta's overall climate policies and, specifically, the province dropping its legal challenge to the federal government's imposition of its own carbon dioxide pricing regime within Alberta. This has been interpreted by some in the media as the federal government holding the project "hostage" to federal demands in an unrelated area. Historically within the federal government, such "policy linkage" has almost always been avoided, for two very good reasons. The first is that the public rightly expects each policy decision to be judged on its merits, not whether it serves the political strategy of the Party in office. Refusing to fund a needed hospital unless a province agreed to provide land for a new national park, for example, would be viewed as ignoring the proper consideration

of advantages and disadvantages that should drive public interest decisions in each case. Second, once one begins to engage in trade-offs between entirely unrelated policy issues, there is no telling where that process might extend. If, for example, the federal government wanted Alberta to change its climate policies, what would inhibit Alberta from demanding a change in the federal Equalization program in compensation? Good public policy, in short, is far more likely to result from objective analysis of the public interest in each issue, not a highly-politicized bargaining process involving unrelated issues.



## Conclusion

The duly-constituted Panel Review of the Teck Frontier project concluded that it was in the public interest and should be approved by the federal and provincial governments. It did so while apparently placing little weight on the over $70 billion in revenues that the project would add to government coffers and the much higher and more broadly felt increases in national income and employment. It did so in full recognition of the existing federal and Alberta climate policies that seek ultimately (but not yet) to constrain oil sands development.

The Teck Project, if approved and constructed, would increase Canada's GHG emissions by 0.57% of 2016 levels in a world in which global GHG emissions are rising every year. Teck has already committed to continue reducing the emissions intensity of oil sands production, and even to reaching a "net zero" position by 2050. Canada has never attained any of the GHG emissions reduction targets set by its politicians, not in 2000 or 2010, and it clearly will not meet the 2020 target. This track record promises to stay alive for 2030, regardless of whether or not the Tech project is approved and built. Turning down the Teck project will have absolutely zero impact of the trends in global GHG emissions. In these circumstances, the only possible reason for the federal government to turn down the project would be to demonstrate the extent of the symbolic, but extraordinarily damaging, measures it is willing to take to prove its Green bona fides. No "compensation" to Alberta could offset that disregard for the province's, and Canada's, economic wellbeing.

*About the Author*
*Robert Lyman is an Ottawa energy policy consultant and former public servant of 27 years, a diplomat for 10 years prior to that. His complete biography can be read here.*

About

Friends of Science Society is an independent group of earth, atmospheric and solar scientists, engineers, and citizens who are celebrating its 16th year of offering climate science insights. After a thorough review of a broad spectrum of literature on climate change, Friends of Science Society has concluded that the sun is the main driver of climate change, not carbon dioxide ($CO_2$).

Friends of Science Society
P.O. Box 23167, Mission P.O.
Calgary, Alberta
Canada T2S 3B1
Toll-free Telephone: 1-888-789-9597
Web: friendsofscience.org
E-mail: contact(at)friendsofscience(dot)org
Web: climatechange101.ca