He Shoots; Does He Score?

The Canada-Alberta MOU – Hopes, Contradictions and Strategic Ambiguity

Robert Lyman 12/13/25

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HE SHOOTS; DOES HE SCORE?

THE CANADA-ALBERTA MEMORANDUM OF UNDERSTANDING

EXECUTIVE SUMMARY

The Memorandum of Understanding signed by the Canadian and Alberta governments on November 27, 2025 has been warmly welcomed by the media and many in the Canadian public as a document that could end the acrimony that has long characterized relations between the two orders of government, potentially lay the foundation for higher investment in the oil and gas industry, support the attainment of climate policy goals, and reduce the risk of successful secessionist movements in Alberta. Consequently, many sources have been hailed the agreement as a major triumph for Prime Minister Mark Carney, one that potentially will increase the prospects for the Liberal Party of Canada to gain a majority in the next Parliamentary elections.

Others, however, have been much less sanguine about what the MOU really means and whether it will offer the advantages initially welcomed by the media. The media also has focused on the potential impact of the agreement on the prospects for a possible new pipeline to transport bitumen from northern Alberta to the British Columbia coast. The government of Alberta will take on the role of project sponsor for the pipeline and intends to submit an application to the Major Projects Office for its approval on or before July 1, 2026. It is recognized that for the project to proceed beyond that, including the review by federal and provincial regulatory authorities, a private sponsor or group of sponsors must come forward.

Many who have analyzed the MOU in detail have commented that the commitments in it are vague and, while requiring upfront action by Alberta, leave in place many of the roadblocks to increased oil and gas development and pipeline construction that existed previously.

The MOU contains the statement that “Canada and Alberta remain committed to achieving net zero greenhouse gas emissions by 2050”. This amounts to a political commitment to an undesirable and unattainable goal.

The timetable envisaged by the MOU is full of risk. Alberta has agreed that it will submit an application for the construction of a new pipeline to the Major Projects Office no later than July,1, 2026, a little more than six months from now. Before that time (i.e. before April, 2026) Alberta must develop a new carbon pricing agreement, administered through the province’s TIER program; sign an agreement to reduce methane emissions by 75% below 2014 levels by 2035; and enter into a trilateral agreement with the federal government and the Pathways partners on an MOU on a “multi-phased approach for delivering a set of emissions reductions projects”. Sometime after that (months or years?) a private sponsor for the pipeline must be found and induced to take the risks associated with sponsoring the project. The private sponsor could take years to study the route and prepare the documentation needed to support an application to the Canada Energy Regulator for a certificate of public convenience and necessity. The CER review and subsequent Cabinet consideration could easily take three years. Then, assuming all approvals are granted and no court cases further delay the process, the project would be built. In effect, Alberta would have to make major financial and political commitments at least four to six years before a pipeline could be in operation.

The federal government agreed to forego the imposition of a cap on the greenhouse gas emissions from the oil and gas sector. Part of the quid pro quo for this was Alberta's cooperation in "decarbonizing" the oil through construction of a set of projects to capture the CO2 and transport it by pipeline to places where it can be permanently stored (the Pathways Project for CCUS). This project would be hopelessly uneconomic without major government (i.e. taxpayer) subsidies. The federal Tax Credit for Carbon Utilization and Storage already offers to cover 50% of the costs of the Pathways Project. The Government of Alberta, through the Alberta Carbon Capture Incentive Program, is providing a 12% grant for all CCUS projects. The Pathways Consortium has said that this is not enough; the taxpayers need to increase their support from 62% to at least 75%.

The Alberta-Canada MOU is silent on which government (and which group of taxpayers) will be required to increase the financial incentives demanded by the Pathways sponsors. Decisions on this will have to be made well before a new pipeline will be approved or built.

The costs imposed on oil and gas producers due to carbon taxes, methane regulations, and "decarbonization" (i.e. reduced emissions intensity plus the Pathways project) seem likely to make investments in Canada's oil and gas sector far less appealing than investments elsewhere.

The main beneficiary of the Canada-Alberta MOU would appear to be the Carney government. It has succeeded in creating the probably false impression that climate policy will not harm Alberta's resource development and economic growth prospects, while leaving uncertain the conditions that need to be satisfied at some point in future. The Net-Zero policy remains in place, unchallenged despite its non-attainability and adverse economic consequences. The MOU delivers mainly hopes, contradictions and strategic ambiguities.

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THE CANADA-ALBERTA MEMORANDUM OF UNDERSTANDING

HOPES, CONTRADICTIONS AND STRATEGIC AMBIGUITY

The Memorandum of Understanding signed by the Canadian and Alberta governments on November 27, 2025 has been warmly welcomed by the media and many in the Canadian public as a document that could end the acrimony that has long characterized relations between the two orders of government, potentially lay the foundation for higher investment in the oil and gas industry, support the attainment of climate policy goals, and reduce the risk of successful secessionist movements in Alberta. Consequently, many sources have hailed the agreement as a major triumph for Prime Minister Mark Carney, one that potentially will increase the prospects for the Liberal Party of Canada to gain a majority in the next Parliamentary elections.

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HIGHLIGHTS OF THE MOU

At the risk of some simplification, the following are the main goals of the MOU:

- To advance the development of a bitumen pipeline from Alberta to the Pacific coast and the construction of related port facilities that will allow the movement of increased amounts of Canadian oil to Asian markets;
- To support the development of the Pathways Project that will involve the capture of large amounts of carbon dioxide produced as a bi-product of oil sands production and its movement by pipeline to storage sites;
- To support the construction of large electricity transmission lines connecting Saskatchewan, Alberta and British Columbia;
- To suspend the *Clean Electricity Regulations* in Alberta pending a new carbon pricing agreement;
- To remove the proposed oil and gas federal emissions cap and to install in its place a carbon pricing regime for large Alberta emitters that will raise the effective credit price to $130 per tonne, subject to an agreement that will be concluded before April 1, 2026, and including a financial mechanism to provide “long-term certainty to industry”.
- To enter into an agreement before April 1, 2026 on a 75% reduction in methane emissions from 2014 levels;

- To collaborate with the government of British Columbia and indigenous groups, including providing an opportunity for indigenous co-ownership of a new pipeline and other forms of economic benefits for designation and authorization under the *Building Canada Act*.

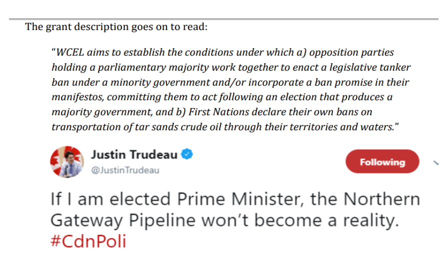
The government of Alberta will take on the role of project sponsor for the proposed bitumen pipeline and intends to submit an application to the federal government's Major Projects Office for its approval on or before July 1, 2026. **It is recognized that for the project to proceed beyond that, including the review by federal and provincial regulatory authorities, a private sponsor or group of sponsors must come forward.**

As part of this agreement, the government of Alberta explicitly agreed that it is committed to achieving "net-zero" greenhouse gas emissions by 2050.

Source: https://www.canadaaction.ca/northern-gateway-pipeline-cancellation-facts

Example of a pipeline to the West Coast of British Columbia. Northern Gateway pipeline had gone through rigorous review, as summarized in this report by Robert Lyman. The objective of a pipeline to the coast is to allow Alberta and Canada to diversify oil/gas exports to international markets, rather than our heavy reliance and discounted sale price to US markets, thus increasing national revenues and hedging against US tariffs or other trade pressures.

Justin Trudeau made an election promise to cancel the pipeline if elected.


The grant description goes on to read:

"WCEL aims to establish the conditions under which a) opposition parties holding a parliamentary majority work together to enact a legislative tanker ban under a minority government and/or incorporate a ban promise in their manifestos, committing them to act following an election that produces a majority government, and b) First Nations declare their own bans on transportation of tar sands crude oil through their territories and waters."

Justin Trudeau
@JustinTrudeau
Following

If I am elected Prime Minister, the Northern Gateway Pipeline won't become a reality. #CdnPoli

11:15 AM - 18 Jun 2014

https://blog.friendsofscience.org/wp-content/uploads/2019/02/Manufacturing-A-Climate-Crisis-2A-FINAL.pdf

SOME RECENT COMMENTARY

Andrew Roman, a retired lawyer and frequent commentator on climate policy and the law, wrote that the MOU was really just a series of “if…then” statements:

> “ *It is in essence a catalogue of the hurdles Alberta and any pipeline company or private sector investor group has to go through, written on a piece of paper with two signatures. If all these conditions are met and there are no new or additional ones then you can seek permission to construct…There is no legal or political breakthrough here, it is mere celebrity optics. If an oil pipeline to the Pacific is ever built in Canada it will be in spite of rather than because of this memo. The policy of C-69 is no more pipelines. That policy is not changed by this MOU*.”

https://www.mccarthy.ca/en/insights/blogs/canadian-energy-perspectives/its-been-great-run-neb-after-almost-60-years-national-energy-board-be-replaced-canadian-energy-regulator

https://blog.friendsofscience.org/wp-content/uploads/2025/10/BEFORE-POLITICS-GOVERNED-PIPELINES.pdf

Somewhat similarly, Dr. John Robson, the editor and principal force behind Climate Discussion Nexus, commented:

> “*Danielle Smith and Mark Carney agree to a pipeline deal” Yah! Oh wait. We promptly got fog, not steel tubing. ‘Prime Minister Mark Carney and Alberta Premier Danielle Smith have agreed to the broad outlines of a memorandum of understanding’.* ***Then even that fog blew away, with the Prime Minister announcing patronizingly in Question Period that this achievement he touted should not be mistaken for an achievement because it ‘creates necessary but not sufficient conditions’ for a pipeline.*** *Meaning we not only have to entice back all the investors scared off by 10 years of activist and government obstacles, but also try to get consent from some undefined process from some undefined set of people who hate pipelines, jack up Alberta’s industrial carbon price and load on costly new carbon capture requirements, then somehow expand production while remaining committed we know not how to Net Zero. Before the energy sector had limped along even a single victory lap the green left had begun chortling that for them this deal is more lifeline than pipeline.”*

Max Faucet, writing in the left-wing National Observer, commented along the same lines.

> *"A new pipeline, and especially one through British Columbia, is simply a non-starter, a non-negotiable particularly when an existing pipeline – Trans Mountain – could be upgraded further instead. But one of the surprising strengths that Carney has shown as a politician is his ability to deploy strategic ambiguity in moments like this….****This MOU strikes me as one giant wink to the climate community – one that commits Ottawa to supporting an oil pipeline Carney knows will never get built.***"

Image licensed from Adobe Stock
By [skypicsstudio]

As if on cue, anti-pipeline forces in British Columbia declared their undying opposition. BC Premier David Eby called the proposed pipeline "fictitious". Eby reminded one and all that there is still no private sector proponent in place for the pipeline and he warned that "conflict" with First Nations could derail other critical projects. The Union of B.C. Indian Chiefs issued a statement saying that it is against the memorandum of understanding due, among other things, to the fact that it was negotiated without involvement of BC First Nations.

The Fraser Institute published a series of analyses in late November that went into more depth. Kenneth Green, in his November 27 analysis, wrote that "*on the critical issue of a new pipeline from Alberta to British Columbia's coast, there are commitments but nothing approaching a guarantee.*"

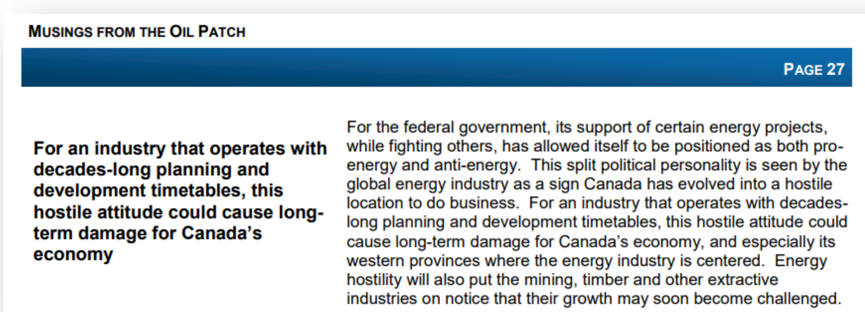
> "*Specifically, the agreement …between the two parties gives Alberta exemptions from certain federal environmental laws and offers the prospect of a potential pathway to a new oil pipeline to the B.C. coast. The federal cap on greenhouse gas (GHG) emissions from the oil and gas sector will not be instituted; Alberta will be exempt from the federal "Clean Electricity Regulations"; a path to a million-barrel-per-day pipeline to the B.C. coast for export to Asia will be facilitated and established as a priority for both governments, and the B.C. tanker ban may be adjusted to allow relief for limited oil transportation. Alberta's energy sector will also gain some relief from the "greenwashing" speech controls emplaced by the Trudeau government.*
>
> *In exchange, Alberta has agreed to implement a stricter (higher) industrial carbon-pricing regime; contribute to a new infrastructure for electricity transmission to both B.C. and Saskatchewan; support through tax measures the building of a massive "sovereign" data centre; significantly increase collaboration with Alberta's indigenous peoples; and support the massive multibillion-dollar Pathways project. Underpinning the entire MOU is an explicit agreement by Alberta with the federal government's "net-zero 2050" emissions agenda*".

Some other experts have focused on the potential effects of the MOU on the incentives for private industry to invest in additional oil and gas supply development and in pipeline construction. Gwynn Morgan noted that new capital-intensive greenfield investments in oil sands projects are at best marginally profitable at prices of USD50 per barrel, the crude oil prices projected by the U.S. Energy Information Agency in 2026. **Carbon taxes of $130 per barrel could add USD5.20 per barrel and carbon capture and storage would add costs of USD1.2 to USD3 per barrel for mining producers and USD4.8 for steam-assisted gravity producers (according to the Royal Bank of Canada). That will not be competitive with supply from other countries, so producers will not invest in Canadian supply. In Morgan's view**:

> "*The big problem for a new oil pipeline isn't getting B.C. or First Nation acceptance. It's smothering the industry's competitiveness by layering on carbon pricing and decarbonization costs that most competing countries don't charge.*"

Niels Veldhuis of the Fraser Institute argued that the MOU is completely incoherent, so that it is difficult for Canadians to even understand it. With all the uncertainty, he wondered which private sector firm would take the risk of sponsoring a pipeline, unless the Alberta government (i.e. Alberta taxpayers) were to indemnify the company against the risks. In addition, and equally important, investors lack clarity on timelines and certainty about project approvals.

Finally, David Goldie wrote that the pipeline controversy does not matter except as a diversion for those who oppose further development of the oil sands, because the other parts of the MOU give Alberta and the energy industry "political licence" to expand production under reasonable terms, though likely using other pipelines for export. Notably, he wrote that Enbridge has recently approved an expansion of its mainline system into the U.S. of 250,000 barrel per day, with another 250,000 barrels per day being considered, TransMountain is evaluating optimization that could expand capacity by 300,000 to 400,000 barrels per day, and other pipeline systems (e.g. South Bow, Keystone, even new pipelines to Churchill, Manitoba) could come on stream without the controversy and costs of a new pipeline to the northern B.C coast.


MUSINGS FROM THE OIL PATCH

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For an industry that operates with decades-long planning and development timetables, this hostile attitude could cause long-term damage for Canada's economy

For the federal government, its support of certain energy projects, while fighting others, has allowed itself to be positioned as both pro-energy and anti-energy. This split political personality is seen by the global energy industry as a sign Canada has evolved into a hostile location to do business. For an industry that operates with decades-long planning and development timetables, this hostile attitude could cause long-term damage for Canada's economy, and especially its western provinces where the energy industry is centered. Energy hostility will also put the mining, timber and other extractive industries on notice that their growth may soon become challenged.

In April of 2018, PPHB Energy Bankers of Houston made the statement above in their "Musings" newsletter, just about the time that Kinder Morgan dropped tools on TransMountain Expansion, due to exasperation with persistent protests and lawfare over their approved project.

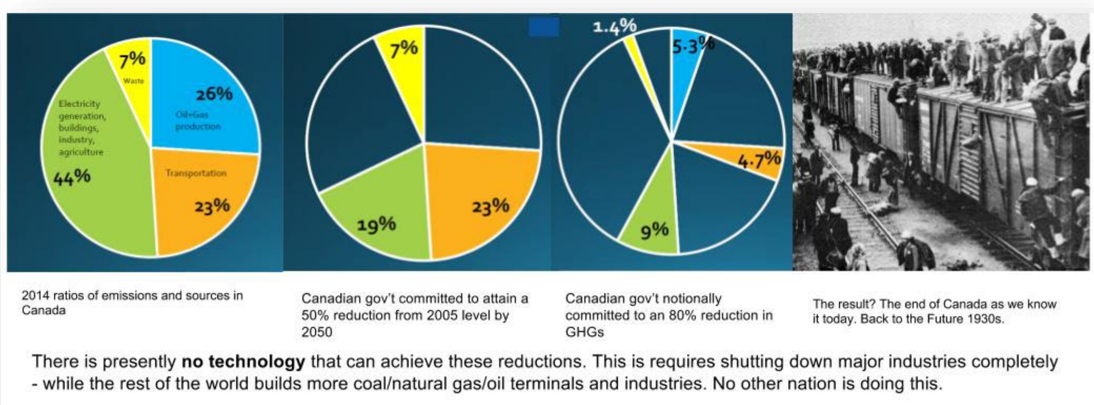
MY COMMENTS

The agreement includes a number of commitments by both parties. If all parties meet their commitments, it is possible that the agreement will result in benefits for all concerned. The elimination (deferral?) of an emissions cap on oil and gas and the agreement to not apply the Clean Electricity Regulations in Alberta offer potentially large benefits to the province, but only if the same objectives are not achieved via other means. Having read the document in detail, I am concerned that the current public optimism, especially in central Canada, is misplaced. **There are just too many things that could go wrong.**

ALBERTA'S ENDORSEMENT OF THE NET-ZERO BY 2050 EMISSIONS GOAL

The MOU contains the statement that "Canada and Alberta remain committed to achieving net zero greenhouse gas emissions by 2050".

For reasons that have been well elaborated elsewhere, this amount to a political commitment to an undesirable and unattainable goal. **The climate policy context established by the Trudeau government and continued by the Carney government includes as essential features the eventual complete elimination of emissions-intensive industrial activity of the types that are integral both to Alberta's resource economy and its standard of living**. The policy stresses primary reliance on pricing/taxation measures that sharply raise the costs of producing and consuming fossil fuels. It leaves in place over 140 other regulatory, subsidy and tax-related measures in overlapping ways that reinforce the effects of the carbon pricing measures.



The pie charts above are from 2017; targets are much more stringent today, but the forecast outcomes are more dire. Foreign direct investment and many corporations are leaving Canada, national revenues are down, joblessness is on the rise, and many grand plans (such as the Ottawa-Montreal high-speed rail) are committing billions of dollars that we don't have to projects that are a cost, more than an export-revenue earner for Canada.

its plans to continue raising carbon taxes thereafter, possibly to $300 per tonne or higher by 2050. **The MOU commits Alberta to support the continued reduction in methane emissions by 2025, with no acknowledgement that such emissions reductions are extremely costly and that the ultimate federal goal (consistent with net zero) is to completely eliminate all methane emissions from oil and gas production (assuming that is even possible).** The commitment to increase electricity transmission lines linking Alberta, British Columbia and Saskatchewan and to promote increased nuclear energy generation will add to consumers' electricity bills costs that otherwise would not have been necessary absent the Net-Zero goal.

Live Carbon Prices Today

CARBON CREDITS .com Live Carbon Prices	Last	Change	YTD
COMPLIANCE MARKETS			
European Union	€83.64	-	+11.24%
UK	$55.90	-	+53.66%
Australia (AUD)	$35.85	-	−1.10%
New Zealand (NZD)	$39.25	-	−37.20%
South Korea	$7.02	-	+9.06%
China	¥58.03	-	−40.48%
VOLUNTARY MARKETS			
Aviation Industry Offset	$0.27	-	+107.69%
Nature Based Offset	$0.36	-	−37.93%

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Dec. 13, 2025, Carbon prices from: *https://carboncredits.com/carbon-prices-today/*

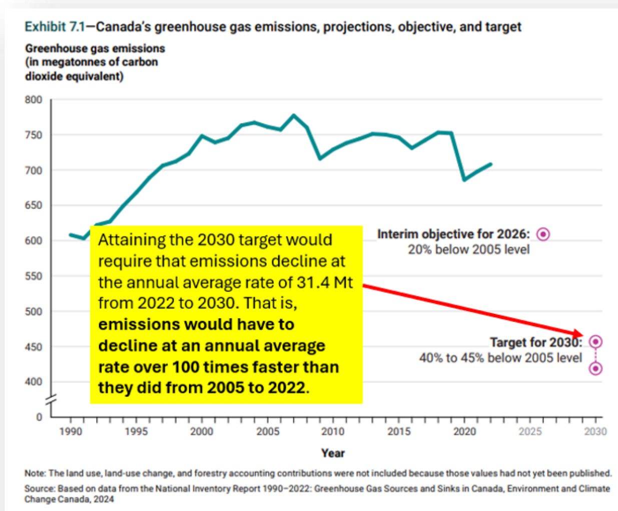
THE BARRIERS TO A NEW PIPELINE

Similarly, while the federal government committed to declare that an Alberta bitumen pipeline is a priority and a project of national interest and can be referred to the Major Projects Office for consideration of designation under the *Building Canada Act*, that is a long, long way from approving such a project, even in the unlikely event that the province of British Columbia and the coastal indigenous groups could be induced to agree. Recall that:

- Contrary to public perception, the federal government did not agree to exempt any new pipeline from the *Impact Assessment Act (IAA)*, the *Building Canada Act* or the *Canada Energy Regulator Act*.
- The *Building Canada Act* sets out the list of factors, or criteria, that the Canadian Cabinet may consider in deciding whether or not to designate a project as warranting designation as one to be "accelerated". One of these factors is the extent to which the project will "contribute to clean growth and to meeting Canada's objectives with respect to climate change". If applied in its most stringent sense, this criterium would mean that conventional and unconventional oil and gas production and transportation projects would be automatically disqualified from being fast-tracked.

- The *Impact Assessment Act* established 20 factors that the Canadian Energy Regulator must consider in determining whether to recommend approval to Cabinet. A key factor is "*the extent to which the effects of the pipeline hinder or contribute to the Government of Canada's ability to meet its environmental obligations and its commitments in respect of climate change*". **This is a lever, and a potential litigation trigger, that can be used against any hydrocarbons project.**
- Ultimately, even if the Canada Energy Regulator recommends approval of a pipeline certificate, this can be blocked by the Minister of the Environment and Climate Change, based on the results of the assessment under the IAA; by the Minister of Natural Resources if he or she decides not to recommend approval to Cabinet; or by full Cabinet.

If the Major Projects Office concludes that a new pipeline to the northern B.C. coast should receive the benefit of "accelerated" regulatory review, in theory this could knock off as much as two years of the review process. That does not include the time required to conduct industry and government consultations with indigenous groups, the time required to negotiate the inevitable indigenous community "benefits" agreements, or the time that may have to be spent in court dealing with the legal challenges launched by environmental organizations and indigenous groups. **Demonstrating that a new pipeline that would transport one million barrels per day or more of crude oil to markets is consistent with current Canadian climate policy would be a near-herculean task.**



The highlighted comment is an observation by Robert Lyman in an email to Friends of Science Society, commenting on the challenges of meeting Paris Agreement targets.

As noted by others, the timetable envisaged by the MOU is full of risk. Alberta has agreed that it will submit an application for the construction of a new pipeline to the Major Projects Office no later than July,1, 2026, a little more than six months from now. Before that time (i.e. before April, 2026) Alberta must develop a new carbon pricing agreement, administered through the province's TIER program; sign an agreement to reduce methane emissions by 75% below 2014 levels by 2035; and enter into a trilateral agreement with the federal government and the Pathways partners on an MOU on a "multi-phased approach for delivering a set of emissions reductions projects". Sometime after that (months or years?) a private sponsor for the pipeline must be found and induced to take the risks associated with sponsoring the project. The private sponsor could take years to study the route and prepare the documentation needed to support an application to the Canada Energy Regulator for a certificate of public convenience and necessity. The CER review and subsequent Cabinet consideration could easily take three years. Then, assuming all approvals are granted and no court cases further delay the process, the project would be built. In effect, **Alberta would have to make major financial and political commitments at least four to six years before a pipeline could be in operation.**

In the meantime, the Carney government will be able to bask in the praise that it has achieved federal-provincial harmony, accelerated economic development and helped to undermine provincial separatist movements.

THE PATHWAYS PROJECT

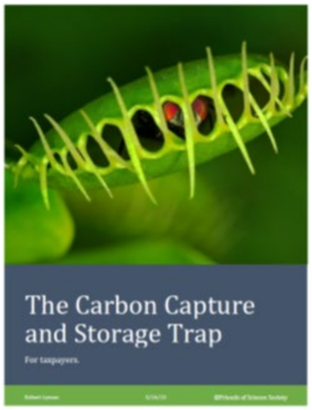
The Pathways Alliance is a group of major oil sands producers and that is proposing the construction and operation of a carbon dioxide capture, transportation and storage project in northeastern Alberta. As proposed, the Pathways Alliance CO2 Transportation Network and Storage Hub Project would transport captured carbon dioxide by pipeline from oil sands facilities in the Fort McMurray, Christina Lake, and Cold Lake Alberta regions to an underground CO2 storage hub. The project aims to reduce oil sands operational air emissions and achieve "net-zero" emissions by 2050. The project's first phase is expected to capture and sequester approximately 10 to 12 million tonnes of CO2 annually by 2030. It would cost at least $16.5 billion.

This project would be hopelessly uneconomic without major government (i.e. taxpayer) subsidies. The federal Tax Credit for Carbon Utilization and Storage already offers to cover 50% of the costs of the Pathways Project. The Government of Alberta, through the Alberta Carbon Capture Incentive Program, is providing a 12% grant for all CCUS projects. The Pathways Consortium has said that this is not enough; the taxpayers need to increase their support from 62% to at least 75%.

There have been indications that the costs of the project are already rising. This is not surprising with a new and largely untested technology. Virtually every megaproject in which the federal government has "invested" has seen its capital costs soar to multiples of the original estimates.

The Alberta-Canada MOU is silent on which government (and which group of taxpayers) will be required to increase the financial incentives demanded by the Pathways sponsors. It provides that the Canada-Alberta carbon pricing agreement will include a "financial mechanism to ensure and provide certainty" to the industry. There are a wide range of measures that could be taken by the federal and Alberta governments further to reduce the cost of the Pathways project for the sponsors or in other ways to reduce their financial risks. One of these is through the use of so-called contracts for difference, which basically guarantee the continuation of a subsidy measure even if the government or the policy changes; **in other words, it shifts the financial risks from the project**

sponsors to the government (and taxpayers). Decisions on this will have to be made well before a new pipeline will be approved or built.



https://blog.friendsofscience.org/2022/05/26/the-carbon-capture-and-storage-trap-for-taxpayers/

https://blog.friendsofscience.org/2024/05/13/turning-taxpayers-into-risk-takers/

From: Turning Taxpayers into Risk Takers: Contracts for Difference – the Eternal Subsidy

Yet another way in which CFDs could be applied would be to insure investors in "clean energy" projects that, regardless of how either markets or policies may change, they will continue to receive financial benefits from taxpayers that approximate or equal the benefits that they now expect to receive from existing and announced federal subsidy programs. The number of these programs is very large; they include both direct expenditures and tax expenditures (e.g. credits, deductions, deferrals, exemptions and preferential tax rates).

To date, the federal government has announced only one CFD. On December 20, 2023, Deputy Prime Minister Chrystia Freeland announced that the Canada Growth Fund had concluded an agreement with Calgary's Entropy Inc. Freeland proclaimed, could reduce emissions by up to 9 million tonnes over 15 years. **At a price of $86.50 per tonne plus an initial payment of $200 million, the federal expenditure totals $978.5 million, or almost $1,000 per tonne, an absurdly high cost.**

COSTS AND COMPETITIVENESS

For the reasons cited by Gwynn Morgan, the costs imposed on oil and gas producers due to carbon taxes, methane regulations, and "decarbonization" (i.e. reduced emissions intensity plus the Pathways project) seem likely to make investments in Canada's oil and gas sector far less appealing than investments elsewhere.

The great unknown is the likely future path of international oil prices. If, as now projected by some authorities, crude oil prices decline over the next year or so, this may simply act to stimulate global oil demand, already averaging annual increases of around one million barrels per day. Over the longer term, however, climate policy-inspired efforts to starve the oil and gas industry of investment funds may reduce new supply development. If so, the inevitable result may be sharp increases in crude oil prices in future. If, for example, crude oil prices increased to over USD100 per barrel by 2030, this would stimulate higher investment, partially counteracting the effects of the higher costs imposed on Canadian producers.

IMPLICATIONS FOR MARKET ACCESS

As David Goldie pointed out, the focus of commenters on the prospects for a new oil pipeline to the northern BC coast may be misplaced, at least in the short term. Expansion of pipeline capacity on the Enbridge and TransMountain pipeline systems and perhaps others can add important incremental transport capacity although most of that would be to serve markets in the United States. **Thus, it would not serve to reduce Canadian producers' vulnerability to reduced netbacks because of supply conditions in the United States and it would not further Prime Minister Carney's declared objective to diversify Canada's trade relationships with other countries.**

According to an RBC report cited by Gwynn Morgan, Canadian oil production will not peak until the early 2030's, by which time it may approach six million barrels per day (bpd), and then slowly decline. That number exceeds the Canada Energy Regulator's estimate of present pipeline capacity (4.86 bpd including the TransMountain expansion). However, current rail loading capacity is about 1.1 million bpd, so including rail transport takes total carry-away capacity to close to the projected peak production.

A new pipeline would reduce the need for rail transport. This would alleviate the problems that railway companies face in supplying specialized rail cars and juggling demand from agriculture, food and mineral producers already struggling with supply chain challenges to accommodate oil shipments. It also would give Canadian producers more flexibility to switch sales to different markets depending on changes in market conditions. So, even if present and projected transportation capacity might be sufficient to transport crude oil production until early in the next decade, adding more would provide some important advantages.

It remains to be seen whether federal climate policy, including the effects of rising taxation and decarbonization measures, will accommodate a rise in crude oil production to near six million bpd.

CONCLUSION

The main beneficiary of the Canada-Alberta MOU would appear to be the Carney government. It has succeeded in creating the probably false impression that climate policy will not harm Alberta's resource development and economic growth prospects, while leaving uncertain conditions to be satisfied at some point in future. The Net-Zero policy remains in place, unchallenged despite its non-attainability and adverse economic consequences. The MOU delivers mainly hopes, contradictions and strategic ambiguities.

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Robert Lyman is an economist with 27 years of experience as an analyst, policy advisor and manager in the Canadian federal government, primarily in the areas of energy, transportation, and environmental policy. He was also a diplomat for 10 years. Subsequently he has worked as a private consultant conducting policy research and analysis on energy and transportation issues as a principal for Entrans Policy Research Group. He is a frequent contributor of articles and reports for Friends of Science, a Calgary-based independent organization concerned about climate change-related issues. He resides in Ottawa, Canada. Full bio.

ABOUT FRIENDS OF SCIENCE SOCIETY

Friends of Science Society is an independent group of earth, atmospheric and solar scientists, engineers, and citizens that is celebrating its 23rd 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 (CO2).

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