

THE GREAT OIL PIPELINE DEBATE

Introduction

Focus

Pipelines move oil, natural gas, and gasoline across the North American continent. But in 2011, the proposed construction of two new pipelines sparked tremendous controversy. This *News in Review* story examines the ongoing arguments for and against the Keystone XL and Gateway pipeline projects.

North America is covered by thousands of kilometres of pipelines. They move crude oil to petroleum refineries and natural gas to processing plants. Additional pipelines ship the refined and processed products to storage facilities, to marketers, and on to consumers. The first pipelines were developed in the United States as long ago as the 1860s. Pipelines are the cheapest and most efficient way to move crude oil and natural gas across the continent. Industry spokespersons also argue that they are the safest way, and that accidents are very few and, as a rule, quite minor.

Without pipelines, there would be no way to fill the North American demand for energy from oil and gas, especially as both Canadians and Americans seek to meet rising future demand by exploiting non-traditional North American sources such as the Alberta oil sands.

2010 and 2011 were not banner years for the pipeline industry. The April 2010 Horizon oil spill in the Gulf of Mexico dominated the news and exposed the dangers of petroleum pollution. In July, an Enbridge pipeline ruptured in Michigan, spilling more than three million litres of oil into the Kalamazoo River. Over the next year at least a dozen less serious breaks plagued the North American pipeline network. Environmental groups expressed their alarm, and ordinary citizens began to question the safety of the system.

The impact on the Canadian oil industry's plans was dramatic. Expansion of the Alberta oil sands is dependent on delivering more oil to market, and new pipelines are required to do this. For TransCanada Pipelines, the solution is a new line—the Keystone XL—to deliver Alberta crude all the way to refineries in Texas on the Gulf Coast. In the past, international pipelines have been rapidly approved by the United States. This time public opposition made it a political hot potato and meant its delay—and possibly its cancellation.

For Enbridge, the solution is a pipeline to deliver crude from Alberta across British Columbia to Kitimat, where it would be loaded on tankers for Asia. This project is enthusiastically supported by the federal government. But there is fierce opposition from environmental groups and most, if not all, of the First Nations who have claims on their traditional lands that the route would cross. Hearings on the project began in January 2012; a report is expected in late 2013.

Other possibilities have been discussed, such as moving crude to refineries by rail. But most industry analysts believe that the completion of either or both of these pipelines is the key to the full development of the Alberta oil sands and the future of Canada's petroleum industry.

To Consider

1. How closely have you followed the debate in the media surrounding the construction of the two new pipelines?
2. Do you think the Canadian and U.S. governments should support or oppose the construction of the new pipelines? Why?

THE GREAT OIL PIPELINE DEBATE

Video Review

Pre-Viewing Questions

Pipelines are currently proposed to serve two major markets: Canada and the United States. Which market do you think should be the priority for Canada's oil industry? Why?

Viewing Questions

After watching the video, respond to the questions in the spaces provided.

1. What is bitumen?

2. What is the destination of the Alberta bitumen in the proposed Keystone XL pipeline?

3. How would the construction of Keystone XL affect the amount of Alberta oil shipped to the United States?

4. How many jobs would construction of Keystone XL create?

5. What is the estimated cost of the Northern Gateway pipeline?

6. Briefly describe how Enbridge is trying to gain the support of First Nations for the construction of Northern Gateway.

7. How many oil supertankers are expected to visit Kitimat each year?

8. What is the current status of the Keystone XL project?

9. According to the federal Conservative government, where does the opposition to Northern Gateway get much of its funding?

10. When is the joint panel decision on the construction of Northern Gateway expected to be announced?

Post-viewing Discussion

1. After watching the video, revisit your responses to the Pre-viewing Questions. Did watching the video help you respond to the questions in greater depth? In what way?

2. Some West Coast environmentalists are concerned because the joint panel that will decide whether or not to recommend construction of the Northern Gateway pipeline is made up of three individuals—none of them from British Columbia. One member of the joint panel is a geologist who is a member of an Ontario First Nation; the other two members are a biologist and a lawyer, both based in Calgary. Should the federal government have included someone from B.C. on the panel?

3. The final decision whether or not to permit construction will be made not by the joint panel but by the federal cabinet. Based on the information presented in the video, do you think the government would be willing to reverse a negative decision by the joint review panel?

4. TransCanada Pipelines announced in late February that it was going to proceed with construction of the section of the Keystone XL pipeline running from Cushing, Oklahoma, to the Gulf Coast. That section does not require Washington's approval because it does not cross an international border. Do you think this will pressure the Obama administration to approve the complete pipeline? Why or why not?

THE GREAT OIL PIPELINE DEBATE

A Tale of Two Pipelines

Check It Out

A 2008 map of the pipelines carrying crude oil, natural gas, and refined product is available at www.theodora.com/pipelines/north_america_pipelines_map.jpg.

A more recent map showing only crude oil pipelines is available from the Canadian Association of Petroleum Producers at www.capp.ca/getdoc.aspx?DocID=191097.

A map of the Keystone and (proposed) Keystone XL pipelines is available on the TransCanada website at www.transcanada.com/keystone_pipeline_map.html.

Focus for Reading

Keystone XL and Northern Gateway are not the only pipelines proposed to carry Alberta crude to market but they are the two biggest projects. As you read this section, use a chart organizer like the one below to make note of:

- The company constructing the pipeline
- The route it will follow
- The market it intends to serve
- Arguments in favour of and against the project
- Approvals required before the pipeline can be built

You may wish to use one chart organizer for the Keystone XL project and another for the Northern Gateway project. You will be using this information in the activities that follow the text material.

Company	Route	Market	Arguments pro and con	Approvals

The Keystone System

Keystone XL is only one part of the huge Keystone project undertaken by TransCanada Pipeline Corp. The initial project was designed to carry crude oil from Alberta to refineries in southern Illinois. The route takes the oil on a 3 000-kilometre trip, partly running through converted natural gas pipelines in Saskatchewan and Manitoba. About 435 000 barrels of heavy crude make the trip every day.

This line received rapid approval by both the Canadian and U.S. governments in 2007-08, becoming operational in June 2010. But the hub of U.S. oil refining is in Oklahoma, in and around the city of Cushing. To serve that hub, TransCanada also proposed building a link to Cushing. The line would be able to move 590 000 barrels of oil a day. The 480-kilometre link was completed in early 2011.

TransCanada, however, had even bigger plans. Oil sands crude is composed of bitumen, the heaviest and thickest crude oil. It has to be chemically diluted to flow through pipelines and cannot be upgraded in all refineries. The U.S. refineries best equipped to refine Alberta's oil are located on the Gulf Coast. They currently handle crude from Venezuela, whose oil deposits are similar to those found in Alberta. Refinery contracts with Venezuela, a country with which the United States has tense diplomatic relations, are soon to expire. As a result the refineries are looking for new sources of oil. Alberta crude would seem to be a perfect fit.

To carry crude from Alberta to Texas, TransCanada has proposed a new pipeline on a new route. The Keystone XL would carry crude oil nearly 1 900 kilometres from Hardisty, Alberta, to Steele City, Nebraska. There it would

Further Research

Enbridge has project details for the Northern Gateway pipeline on its website at www.northerngateway.ca/project-details. This includes a map at www.northerngateway.ca/project-details/route-map/.

join the existing Keystone pipeline extension to Cushing, Oklahoma. An additional 700-kilometre line would be built from Cushing to Houston and Port Arthur, Texas.

The Keystone system would be able to move about 1.3 million barrels of oil per day, originating not only from Alberta, but also from the Bakken formation, which underlies part of Saskatchewan, North Dakota, and Montana. This area is believed to contain billions of barrels of untapped oil reserves.

Like the original Keystone line, Keystone XL received rapid approval from Canada's National Energy Board. But it ran into problems in the United States. Because the pipeline crosses an international border, it requires presidential approval. The State Department determines if the project is in the national interest, and its decision may be reviewed by the president.

During the first half of 2011 it appeared that the pipeline would be approved. The U.S. Environmental Protection Agency was urging a delay for further environmental assessment, but U.S. President Barack Obama viewed Canada as a secure and reliable source of crude oil. By late August, however, several environmental groups were organized against the project. Two weeks of protests in front of the White House, in which more than 1 200 people (including Hollywood actors) were arrested, grabbed the nation's attention. Pressure on Obama, who had been campaigning for re-election on a pro-environmental platform, was unrelenting. That pressure increased after Nebraska enacted a law to prevent Keystone XL from passing through the environmentally sensitive Sand Hills in the northern part of the state.

The result was that the State Department gave environmental approval, but Obama called for further

review to delay a decision until after the 2012 presidential election. As of early 2012, the Keystone XL permit has been denied, but TransCanada has been invited to reapply once it has made changes to its route. The company is working with Nebraska to do so and has announced it will reapply as soon as the new route is determined.

Northern Gateway

The sponsor of the Northern Gateway project is Enbridge, a large Canadian natural gas company. This pipeline would link the oil sands near Edmonton to the port of Kitimat in British Columbia. Just under 1 800 kilometres long, the pipeline would be capable of carrying 525 000 barrels per day. Federal regulatory hearings on its environmental impact and contribution to national energy security began in January 2012.

Enbridge began promoting the Northern Gateway pipeline in 2005 but soon changed its plans in order to send more crude oil to the United States with a pipeline it called the Alberta Clipper. By 2008, however, it had revived plans for Northern Gateway, thanks to interest expressed by potential customers in Southeast Asia.

Oil producers are keen to tap the Asian market for two main reasons. First, Canada's crude exports now go almost exclusively to the United States, and producers are currently shipping as much oil as the existing pipeline system can handle. Unless Keystone XL is approved, any expansion of oil sands production will have nowhere to go. Second, China and Southeast Asia are eager for new supplies, and Canadian crude would actually command a premium price in those markets.

Both the federal and Alberta governments are eager to see Northern Gateway built. Indeed, Prime Minister Harper has made energy trade with

China a key plank in his government's economic platform. However, as joint review panel hearings began in British Columbia in early 2012, there was considerable opposition to Enbridge's plans. More than 4 000 people have applied to speak at the hearings. Especially critical are First Nations groups with unsettled land claims in British Columbia. At least 130 bands have signed a declaration officially opposing the project. They are joined by the many who worry not only about potential environmental damage on

the pipeline route, but also about the danger of an accident with one of the more than 200 supertankers per year that would navigate the ocean channels near Kitimat. Tankers would pass right through the heart of the Great Bear Rainforest, the target of a successful 15-year anti-logging campaign by environmental activists. The joint review panel is expected to take at least 18 months to reach a decision. That recommendation will then go to federal cabinet, which has the final say.

Follow-up

1. With a partner, compare the information in your chart organizers. Help each other complete any missing information.
2. Based on the information you reviewed in this section, would you support or oppose the construction of a) the Keystone XL pipeline or b) the Northern Gateway pipeline? Give reasons to support your answer.

THE GREAT OIL PIPELINE DEBATE

American and Canadian Positions on Keystone

Did you know . . .

Most of Canada's oil exports go to the United States. From April to June 2009, Canada shipped 1.76 million barrels to the U.S. and 24 000 elsewhere in the world. The U.S. now imports more oil from Alberta alone than from any other country.

Quote

"Protesters have long complained about growing development in the oil sands, but have never been able to slow activity in Alberta's bitumen-rich north. But by focusing on pipelines, rather than attacking dozens of oil projects themselves, critics have found an effective approach in their effort to thwart expansion in the broader oil sands industry." — Carrie Tait (*The Globe and Mail*, November 10, 2011)

Focus for Reading

In your notebook create a chart organizer like the one below. As you read the following information about the U.S. and Canadian positions on the Keystone XL pipeline, record key points from each section into your chart. You should be able to enter at least three or four points into each section. You will be using this information in the activities that follow the text material.

Opening Statements

- Originally the Canadian and U.S. governments agreed on energy policy.
- Canada saw the development of Alberta's oil sands as economically beneficial to all regions of the country.
- The United States wanted to have a reliable energy source from a friendly country.

Stopping Keystone XL

Fighting Back

Plans on Hold

Looking to the Future

Opening Statements

Until late 2011, it seemed that the United States and Canada were in total agreement on the role Canadian oil would play in filling the energy needs of the United States. For his part, Prime Minister Harper is keen to promote the future of oil sands crude as critical to the U.S. "The oil sands are a very important resource for our country, it's a source of economic growth and jobs across the country, not just in the West, but in Ontario and Quebec, too. It's critical to develop that resource in a way that's responsible and environmental, and the reality for the United States, which is the biggest consumer of our petroleum products, is that Canada is a very ethical society and a safe source for the United States in comparison to other sources of energy" (*The Globe and Mail*, January 8, 2011).

The Americans also acknowledged their dependence on Canada and the oil sands. In 2009, David Goldwyn, President Barack Obama's special envoy on energy, came to Ottawa to

tell Canada that it was a "pillar of U.S. energy security." That Obama had campaigned on a clean energy platform seemed of secondary importance. "Part of my message here is that we recognize and value the centrality of Canada's contribution to U.S. energy security. We have to have a system where we can rely on Canada for supply, and rely on Canada's own commitment to be a steward of its climate-change targets" (*The Globe and Mail*, September 3, 2009). But while official U.S. policy seemed to bless the expansion of the oil sands and the importing of its product, not all Americans were happy. The Keystone XL pipeline has become the battleground between two views of America's energy future.

Stopping Keystone XL

The fight to stop the Keystone XL pipeline was less an argument about pipelines than it was about what opponents of the oil sands like to call "dirty oil," such as the Alberta oil sands. Environmentalists argue that building

Further Research

Earthjustice's position on the pipeline can be viewed on its website: <http://earthjustice.org>.

the pipeline will only increase U.S. dependence on dirty energy and will make it more difficult for the country to develop new, cleaner sources. Supporters of the pipeline—including the U.S. Department of State—argue that it is very much in the country's strategic interest to ensure its energy supply comes from a politically stable country and friend of the U. S. government like Canada.

It was clear that trouble was brewing as early as 2009. A lawsuit was brought against the government by Earthjustice, an environmental action group, following hearings on Enbridge's Alberta Clipper pipeline. Sarah Burt, the organization's legal counsel, made the case that "The review didn't fully take into account all the indirect and cumulative impacts [of the pipeline], including the cumulative greenhouse gas impacts and refining impacts" (*The Globe and Mail*, August 26, 2009). Specifically, it had failed to take into account the climate change effects of oil sands production.

The controversy came to a head when TransCanada sought approval for the Keystone XL line to carry bitumen from the oil sands to refineries on the Gulf of Mexico. Congressman Henry Waxman of California described the pipeline as "a multi-billion-dollar investment to expand our reliance on the dirtiest source of transportation fuel currently available." Waxman claimed that the new pipeline (along with the previously approved Alberta Clipper) would triple the amount of Alberta crude coming into the United States, and that oil sands crude is "37 per cent worse from a greenhouse gas perspective than other oils" (*The Globe and Mail*, July 7, 2010).

Fighting Back

Pipeline supporters in Canada and the United States were quick to fight back. The Canadian and Alberta governments and the pipeline companies and oil

producers repeated what has become the official pro-Keystone position:

- The pipeline will create thousands of much-needed jobs in the United States.
- The pipeline will provide a reliable source of oil from a friendly country for many years to come.
- The oil sands are rapidly improving their mining practices and emission standards.
- Oil sands crude is currently no more than 10 to 15 per cent worse from a greenhouse gas perspective than other oils, and that percentage is improving.
- Examination of the greenhouse gas impact of the pipeline would, in the words of TransCanada spokesperson Terry Cunha, "unnecessarily delay the project and jeopardize the many critically important benefits it will bring to the United States" (*The Globe and Mail*, July 7, 2010).

Most members of the Republican Party (which controls the U.S. House of Representatives) favour the pipeline. Typical is the opinion of Senator Lindsey Graham of South Carolina, referring to Venezuela: "dirty oil is buying oil from someone who takes the money and sponsors terrorism and tries to make the world a dark, sinister place" (*The Globe and Mail*, October 6, 2011).

Plans on Hold

Two weeks of protests in front of the White House helped to make an environment-friendly president nervous about his political base. But it was the state of Nebraska that provided the excuse to place the final decision on hold until after the presidential election of November 2012. Unhappy about the route the pipeline was to take through the state, the government of Nebraska threatened to pass legislation to prevent its construction unless a new route was chosen. In November Obama decided to submit the proposal for further

environmental review and made its approval dependent on the creation of an alternate route. “Because this permit decision could affect the health and safety of the American people as well as the environment, and because a number of concerns have been raised through a public process, we should take the time to ensure that all questions are properly addressed. The final decision should be guided by an open, transparent process that is informed by the best available science and the voices of the American people” (*The Toronto Star*, November 11, 2011). Congressional Republicans subsequently tried to force the President to make a firm decision. As a result he has denied the permit but has invited TransCanada to reapply as soon as a new route has been chosen. The company has announced it will indeed do so.

Looking to the Future

The Canadian government and oil industry companies continue to promote Keystone XL, and TransCanada expects that the line will ultimately be approved. At the same time, finding new markets, especially in Asia, has become their new priority. Patricia Best, spokesperson for

Natural Resources Minister Joe Oliver, has said: “It is a strategic priority of the government to diversify our energy markets, including markets in Asia” (*The Globe and Mail*, November 24, 2011). And Prime Minister Harper, responding to the Keystone XL delay, said: “This does underscore the necessity of Canada making sure that we’re able to access Asian markets for our energy products, and that will be an important priority of this government going forward” (*The Globe and Mail*, November 14, 2011).

In the United States the battle over dependence on crude from the oil sands looks likely to continue. As Liz Barratt-Brown, a senior attorney with the Natural Resources Defense Council, notes, “the disaster in the Gulf [the 2010 Deepwater Horizon oil spill] has totally primed the debate over Canadian tar sands. The public outrage is just beginning to translate to the political side. But with the Keystone pipeline proposal providing a decision-point, the United States is approaching a debate we’ve never had before—do we really want to increase our reliance on the planet’s dirtiest oil?” (*The Globe and Mail*, July 7, 2010).

Follow-up

1. With a partner, compare the information in your summary chart. Help each other complete any missing information.
2. What conclusions should Canada draw from the potential defeat of the Keystone XL pipeline proposal in the United States?
3. What effect would a final cancellation of the Keystone XL pipeline construction permit have on Canadian-American relations?

THE GREAT OIL PIPELINE DEBATE

Pipelines: Pro and Con

Focus for Reading

Here is a selection of quotations from prominent North Americans expressing a broad range of opinions for and against pipeline construction. In your notebook, for each of the quotations, determine whether the speaker is in favour of, opposed to, or neutral on the issue of pipeline construction, and state why. In one sentence, sum up the main point made by the speaker or writer, indicating whether or not you agree with it and why.

1. Pat Daniel, chief executive officer of Enbridge: “This allows us to stay ahead of the curve. [Alberta] produces more crude oil than we can consume, and it’s a resource whose export provides us with much basic wealth. Projects like Alberta Clipper allow that export to happen, and there’s no other way to move the oil than by pipeline.” — *The Globe and Mail* (February 25, 2008).

2. Robert Jones, TransCanada vice-president: “This really opens up a new marketplace . . . it improves the liquidity of Canadian supply. It allows Canadian [producers] to achieve the highest prices [for their output].” — *The Globe and Mail* (March 15, 2008)

3. Russ Girling, chief executive officer of TransCanada: “The only place to put 300 000 barrels a day of extra bitumen is into the Gulf Coast. So even on top of our contracted volumes, we’re having a number of shippers coming to us . . . [who] are now looking at the Gulf Coast.” — *The Globe and Mail* (February 4, 2009)

4. Simon Dyer, oil sands program director for the Pembina Institute: “The panel has deliberately turned a blind eye toward the bigger picture, environmental impacts of new oil sands production that would be required to fill this pipeline.” — *The Globe and Mail* (January 19, 2010)

5. Gerald Amos, director of the Coastal First Nations: “Perhaps we haven’t been strong enough . . . from here on out . . . we are going to be firm. If it goes ahead and tankers come through our waters, we are preparing to put boats right across the channel and stop them . . . Whatever it takes. Our position right now is that this project is not going to happen.” — *The Globe and Mail* (March 24, 2010)

6. Vicky Husband, B.C. environmentalist: “When you think of the optics of this—First Nations fighting to stop oil tankers from penetrating the Great Bear Rainforest carrying dirty crude from the tar sands—it’s not going to be hard to draw support from Europe and all around the world.” — *The Globe and Mail* (March 27, 2010)

7. Enbridge spokesman Alan Roth: “There’s been a tremendous amount of engineering studies and risk analysis studies. Extraordinary measures are planned with respect to marine safety, and these are the highest modern standards for engineering. The risks have to tell us the probability (is) as close to zero or very close to that before we would even propose the project.” — *Toronto Star* (July 30, 2010)

8. François Paulette of the Smith's Landing Treaty 8 First Nation in the Northwest Territories: "White House policy makers need to know that their appetite for this dirty oil is killing our river and destroying our way of life. The pollutants and heavy metals don't stop at the Alberta border—they run more than 1 000 kilometres all the way to the Mackenzie River, deforming the fish along the way. Talking to the Alberta government and the industry about these issues is like trying to reason with heavy drinkers. They're all buddy-buddy, they all enable each other. They don't seem to grasp it when you try to tell them something's wrong. We decided we need to be saying that in Washington—and hopefully the Americans can take our issue seriously." — *Toronto Star* (September 20, 2010)

9. Ray Doering, manager of engineering for the Northern Gateway project: "No National Energy Board-regulated oil pipeline built in the last 30 years in Canada has had a rupture. That's really a testament to the quality of the materials, the coatings, the construction, and inspection practices we use today. When you hear about incidents, they're associated typically with much older pipelines." — *The Globe and Mail* (December 31, 2010)

10. Sveinung Svarte, CEO of Athabasca Oil Sands Corp.: "Common sense seems to prevail, even in the U.S.—and they have realized that they really want more Canadian crude, which is the most friendly crude they can ever get." — *The Globe and Mail* (August 27, 2011)

11. Al Gore, former U.S. vice-president: "This pipeline would be an enormous mistake. The answer to our climate, energy, and economic challenges does not lie in burning more dirty fossil fuels—instead, we must continue to press for much more rapid development of renewable energy and energy-efficient technologies and cuts in the pollution that causes global warming." — *Toronto Star* (September 12, 2011)

12. *Toronto Star* business writer David Olive: "Heavy-oil spills are much tougher to clean up than conventional crude. Surface skimmers, booms, and vacuums used in spills are of little use since heavy oil quickly submerges and suffocates bottom-dwelling plant and animal life. That being the case, approval should not be granted until the pipeline sponsors and community authorities along the entire length of the proposed pipelines have 'war gamed' a spill at any point along the two pipelines' routes. How, exactly, does one rapidly arrest a spill in a remote B.C. mountain range? Let's see the plans, kilometre by kilometre. The Deepwater Horizon catastrophe taught us the consequences of inadequate emergency planning." — *Toronto Star* (January 14, 2012)

Follow-up

1. With a partner, compare your responses to the quotations presented above. With which of them did you most agree/disagree? Give reasons for your viewpoints.
2. After reading the quotations above, summarize what you think are the main arguments a) in favour of and b) opposed to the construction of oil and gas pipelines. In what way could they be seen as representing two different sets of values or philosophies regarding the economy and the environment?

THE GREAT OIL PIPELINE DEBATE

Activity: Debating the Issue

Should the Keystone XL pipeline and Northern Gateway pipeline be completed? Are additional pipelines the key to the future of Canada's oil industry, or do they represent a serious environmental danger?

The two pipelines have their own unique benefits and drawbacks that should be considered separately. For that reason, two different resolutions are proposed for classroom debate. Students should form affirmative and negative teams to debate each of the following resolutions:

1. Resolved: That the completion of the Northern Gateway pipeline would be of significant benefit to Canada.
2. Resolved: That the completion of the Keystone XL pipeline would be of significant benefit to both Canada and the United States.

Material both for and against the resolutions is available throughout this section of the guide and in the video. Additional resources are readily available from websites cited in the guide, as well as from organizations like the Pembina Institute (www.pembina.org) and Earthjustice (www.earthjustice.org).

Opening arguments (four minutes per speaker) should be followed by rebuttals (two minutes per speaker). At the conclusion of the debate, a class vote will be held to determine the side that best presented its case.

Following the debate, you may wish to hold a full-class debriefing session, discussing how participating in this debate enhanced your understanding and appreciation of the issues surrounding the proposed construction of the two pipelines and whether or not you think it is likely that they will eventually be built.