

Canada

Please buy our dirty oil

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A new American law could limit oil-sands production in Alberta

CANADIANS like to think that although they are the junior partner in their trade relations with the United States, the 174 billion barrels of proven reserves in the oil sands of Alberta provide a powerful ace up their sleeve in any dealings with their energy-hungry neighbour. That belief has now been shaken by an American law that appears to prohibit American government agencies from buying crude produced in the oil sands of the western province.

The Energy Independence and Security Act 2007 did not set out to discriminate against Canada, America's biggest supplier of oil. But that is the effect of banning federal agencies from buying alternative or synthetic fuel, including that from non-conventional sources, if their production and use result in more greenhouse gases than conventional oil. Transforming Alberta's tarry muck into a barrel of oil is an energy-intensive process that produces about three times the emissions of a barrel of conventional light sweet crude.

Having woken belatedly to the danger, the Canadian government is now scrambling to secure an exception. Michael Wilson, Canada's ambassador in Washington, has written to America's secretary of defence, Robert Gates (whose department is a big purchaser of Canadian oil), stressing American dependence on Canadian oil, electricity, natural gas and uranium imports, and noting that some of the biggest players in the Alberta oil patch are American companies. Mr Wilson added plaintively that both George Bush and his energy secretary, Samuel Bodman, have publicly welcomed expanded oil-sands production, given the increased contribution to American energy security.

John Baird, the Canadian environment minister, referred this week to the American move when he unveiled new proposals to reduce industrial emissions in Canada, including the oil sands, by 20% by 2020. Big states like California were making similar pronouncements, he told reporters. The oil sands were an important national resource, but had to be expanded in an environmentally friendly way.

The fear in Canada is that the American purchasing restrictions, which at present apply only to federal agencies, is the start of a wholesale shift to greener as well as more protectionist policies under a Congress and potentially a White House controlled by the Democrats. With energy exports, mainly from Alberta, driving the Canadian economy, this is not a happy thought for Canadians.

Yet environmentalists point out that Canada is now paying for its own foot-dragging at the federal level on green initiatives. Having signed the Kyoto agreement under a previous Liberal government, Canada did little to stop its emissions rising. They are now almost 35% above the Kyoto target. And although Mr Baird likes to describe his plan as tough, it will not bring Canada into line with Kyoto. The rules for the oil sands, now the fastest growing source of greenhouse gases, have yet to be finalised and will not come into force until 2010. Furthermore, they rely on carbon capture, a promising but unproven technology.

The vagueness of the proposed federal rules did not stop the premier of Alberta, Ed Stelmach, from giving a defiant warning that he will stand up for the interests of Albertans (read oil industry) and will be examining the constitution to ensure that the federal government's proposed plan does not intrude on provincial jurisdiction. His province has one of the weakest environmental regimes in Canada.

Although the Canadian embassy says that there has been no official response to Mr Wilson's letter, there are reports of talks going on in Washington aimed at addressing Canada's concerns. But even if a deal is reached with the outgoing Bush administration, any exception for Canada may be short-lived if green-tinged Democrats take the White House in November.