

## DOWN AND DIRTY BATTLE

'This job used to be about selling oil. Now it's about defending oil'

BY SHELDON ALBERTS, WASHINGTON CORRESPONDENT, CANWEST NEWS SERVICE    MAY 22, 2009 2:02 PM



File picture of a giant cargo truck similar to those used in Alberta's oil sands fields is parked on the National Mall in Washington, D.C on June 26, 2006. The province is grappling with how to convince a clean-energy president that the carbon-polluting oilsands are integral to America's energy future.

**Photograph by:** Sheldon Alberts, Canwest News Service

WASHINGTON — When the government of Alberta opened its Washington offices inside the Canadian Embassy four years ago, its mission was challenging, if relatively straightforward: promote a little-known but secure source of petroleum to an at-war nation itching to break its addiction to Middle East oil.

At first, it seemed Alberta could do no wrong in Uncle Sam's eyes. There were invitations to meet at the White House with Dick Cheney, then vice-president and the string-pulling architect of Bush-era energy policy. CBS's 60 Minutes aired a documentary advising Americans that the province's vast oilsands were about "to become more important to the United States than all the oil that comes to us from Saudi Arabia."

And then there was Alberta's controversial postcard moment in July 2006 — parking a giant oilsands

dump truck on the National Mall, an iconic urban green space framed by the dome of the U.S. Capitol and the Lincoln Memorial.

But all that is SO last administration.

With the House of Representatives' energy and commerce committee advancing climate change legislation this week that sets a hard cap on greenhouse gas emissions, Alberta is scrambling to fight perceptions it is a peddler of "dirty oil" and waging an intense campaign to convince Congress to resist measures targeted at oilsands.

If that task wasn't big enough, the province is grappling with how to convince a clean-energy president that the carbon-polluting oilsands are integral to America's energy future.

"This job used to be about selling oil," says Gary Mar, the Alberta government's D.C. representative. "Now it's about defending oil."

For Alberta and other oil-rich Canadian provinces — most notably, Saskatchewan — 2009 has the makings of a year where legislative battles won and lost could have dramatic impacts on their long-term prosperity.

President Barack Obama has placed climate change at the centre of his domestic policy agenda, investing billions of dollars and spending significant political capital to hurry the development of wind, solar and other alternative sources of energy.

He has urged Congress to pass a final version of its climate legislation in time for this December's United Nations global warming summit in Copenhagen, with the tentative goal of cutting U.S. carbon emissions 17 per cent below 2005 levels by 2020.

The intense push towards clean and renewable energy across the United States — combined with a vigorous environmental campaign targeting oilsands — has left Alberta's Mar playing the role not of salesman but fireman — always looking for signs of smoke on the vast U.S. horizon.

Already this year, Alberta has lost a high-profile fight to convince California to abandon a low-carbon fuel standard that seeks to eliminate transportation fuels with high "life cycle emissions." The province and the government of Canada unsuccessfully argued that the rules discriminate against fuel refined from Alberta's unconventional oilsands oil, which has life cycle emissions up to 30 per cent higher than conventional oil.

Sharp on the heels of the skirmish with California, Mar flew to Minnesota to urge state lawmakers there to drop a low-carbon fuel standard modelled after California's rules.

"I think they were surprised to find out that 83 per cent of their crude oil consumed in the state comes

from western Canada. The biggest part of that would come from the oilsands," says Mar, a former provincial environment minister.

But the biggest challenges, and opportunities, emanate from Washington.

The province of Saskatchewan, which is seeking to develop its own oilsands reserves, last month hired former U.S. ambassador David Wilkins to help navigate the potential minefield of competing interests on Capitol Hill and within the Obama administration.

Bill Boyd, the province's energy minister, says Saskatchewan is seeking to cash in on Obama's clean-energy initiatives by developing and exporting its much-lauded carbon capture and sequestration technology.

"We're like everyone else. We're looking at this, wondering where it's going," Boyd said in an interview this week. "If the United States is going down this road (of addressing climate change), we want to be at the forefront of helping to address some of the problems and putting forward some of the solutions."

At the same time, the province wants to control the narrative of its unconventional oilsands, which are buried deep underground and would not require strip mining to extract.

"Our slate is a little bit clean in a lot of ways," Boyd contends. "The development on the Saskatchewan side will be much different from what it is on the Alberta side."

At almost 1,000 pages, the most recent version of the House climate legislation contains myriad provisions that are potentially harmful to Alberta's and Canada's energy industry. Ottawa has already complained about a border carbon adjustment that would slap a tariff on carbon products entering the U.S. from nations lacking comparable climate-change legislation.

Another provision — a federal low-carbon fuel standard — was stripped from the latest version of Congress's legislation amid pressure from moderate Democrats, a bit of good fortune for Alberta that was as unexpected as it was welcomed.

"It had the potential to discriminate against oilsands-derived transportation fuel. That it's gone from the federal bill at this time is encouraging," Mar says.

What's potentially worrisome for Alberta, Saskatchewan and Canada's oil industry as a whole may be the broader sweep of U.S. energy and climate policy.

Canada is the largest supplier of oil to the U.S., exporting 1.9 million barrels of crude a day in February. About 1.3 million barrels a day come from Alberta, with the province eyeing continued expansion of oilsands production.

But one constant theme running through Obama's energy message has been simple. He wants to begin moving America off its reliance on fossil fuels — no matter their source.

"The most exciting thing happening right now in the United States is that there is no longer a battle between the economy and the environment," says Susan Casey-Lefkowitz, director of the Canada project at the Natural Resources Defence Council in Washington. "The Obama administration has made it clear that the path towards economic recovery is through building a clean-energy economy."

Inside the Obama administration, Alberta has potential allies and foes. Carol Browner, the top White House adviser on energy and climate change, is a former Environmental Protection Agency administrator with a history of tangling with the oil industry.

But the president's national security adviser, retired general Jim Jones, has been president of the pro-business Institute for 21st Century Energy and is thought to embrace the supply of Canadian oil as vital to U.S. interests.

"He has been to Alberta, spoken in Alberta, understands energy supplies from Alberta and is of the view that energy security is a national security issue of the highest order. That's almost a direct quote," says Mar.

The NRDC and other high profile environmental groups are enjoying renewed clout in Washington since Obama's election, but the American environmental backlash against oilsands can be traced to the summer of 2006, when Alberta promoted the resource with a five-metre-tall, yellow oilsands truck on the National Mall as part of the Smithsonian Folklife Festival.

"It was the moment that really galvanized the D.C. environmental community," says Casey-Lefkowitz.

"We realized Alberta was trying to sell this tarsands oil as something that it was not. They weren't telling the full story of the severe environmental and public health damage that tarsands extraction does."

The oilsands' environmental black eye has forced Alberta to adopt a new strategy in its efforts to promote and protect oil exports to the U.S. While the province still touts the benefits to the U.S. of having a secure source of 173 billion barrels of recoverable oil at its doorstep, it places far more emphasis on its efforts to pursue green technology to reduce its carbon footprint.

During a spring visit to Washington and New York, Alberta Environment Minister Rob Renner heavily promoted the province's plans to invest \$2 billion to develop carbon capture and sequestration as a way to lower emissions from oilsands extraction.

But Casey-Lefkowitz says Alberta is playing a game of smoke and mirrors with U.S. policy-makers by touting carbon capture technology as a "silver bullet" when its effectiveness is unproven.

"When you look at statements by Alberta officials, they often are saying this is about telling a better story about what's happening in the tarsands," says Casey-Lefkowitz. "It's a public relations exercise . . . We don't feel Alberta and Canada are listening to the changed mood in the United States."

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