



CEP 2009-2010 – NATIONAL ENERGY BARGAINING PROGRAM

Energy Sector Collective Bargaining

RESEARCH REPORT

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Summary

Today, despite the 2008-2009 financial crisis being not far in our rear-view mirror, there is talk of an "economic recovery", with Canada emerging as a "good news story" to otherwise concerning global trends. We urge you to think critically and challenge this picture of Canadian economic exceptionalism. We need to take seriously the fragile nature of current economic conditions. Canada's current growth is happening in a context where global markets remain uncertain, and dubious financial practices that caused the 2008 crisis continue.

At the global level, speculators are once again, as they did in 2007-2008, bidding up oil prices. When prices fall (and there is no "if" to this scenario) our energy sector will suffer as it did in 2008. Domestically, our economy is also straining under the weight of massive household debt, and the monthly (even weekly) loss of thousands of decent manufacturing jobs. Meanwhile, corporations are sitting on massive accumulated surpluses (in excess of \$560 billion for non-financial employers, or a third of Canada's Gross Domestic Product in 2010).

Nevertheless, Canada's energy sector is driving the economic "good news" story. While demand for natural gas exports has dropped, global interest in Canadian oil -- notably Alberta's bitumen -- grows on an exponential basis. Six billion barrels of bitumen sands oil was produced from 1967-2007, but forecasts predict another six billion will be produced in the coming decade alone and a tripling of bitumen extraction by 2035.

At first blush, such trends appear to bode well for energy sector workers. If the global role of hydrocarbons remains dominant, energy firms will continue to make strong profits and living standards of energy sector workers will rise. More substantively, however, Canada's emergence as a "petro-state" presents a series of issues, many of which are discussed in the pages below. The biggest problem, as our union has expressed in the past, is the lack of any fundamental plan to consider Canada's own energy security, and the environmental impacts of explosive growth in Alberta's bitumen sands.

Most importantly, the current trend towards mass export of barely-processed bitumen returns Canada to its colonial roots, with all the attendant consequences. Industry leaders, dazzled by the profits from mass crude exports, are focused on short-term market trends -- the current obsession with "pipeline politics" is a reflection of this. Rip it and ship it is the present and historic obsession of Canadian employers.

This positioning is not new, and it is leading Canada down into a familiar path. Once upon a time, Canadians were seen as hewers of wood and drawers of water. Today we are widely seen as oil extractors but, much like earlier eras, we do so largely for someone else's benefit. Despite industry claims, no plan exists to ensure Canada can service its own energy needs, and meet its global commitments to reduce greenhouse gas emissions. No plan inspires us to use today's windfall profits for a just transition to a sustainable energy economy.

Meanwhile, as industry and government focus on energy exports, "downstream" energy sector jobs are lost, and other manufacturing jobs suffer as the value of Canada's "petro-dollar" soars. We close refineries while importing processed oil (sometimes refined from our own bitumen) for domestic consumption. We levy below-market royalties on energy companies that could otherwise finance serious investments in green technology, and a new generation of green jobs. We maintain -- as the latest 2012 federal budget demonstrates -- \$1.38 billion in federal subsidies to oil and gas firms, while cutting the Canadian Environmental Assessment Agency's funding by 40 percent.¹ Calling these trends wrong-headed would be generous -- they are convoluted, ridiculous, and obscene.

This paper will discuss what's happening in Canada's energy industry, and what negotiators should consider in crafting a coherent plan for an incoherent industry. As always, our union can provide the leadership necessary to ensure Canada's energy security, and wider commitment to sustainable development.

The Economy

The Canadian economy measured by GDP grew by 3.2% in 2010 and 2.4% in 2011 after shrinking by -2.8% in 2009.² When measured in unadjusted dollars, the Canadian economy surpassed its pre-recession peak in the third quarter of 2011 and would appear to have recovered the output losses of the 2008-2009 recession. Yet, when measured in constant dollars and taking into account population growth, the picture is not as rosy. Real GDP per capita by these measures are still -1.4% off the 2008 peak.³

The labour market reflects this underlying poor performance. Canadian employment growth is ranked 17th among OECD countries, putting it exactly at the midpoint of that group. Although the unemployment rate has fallen from its recessionary peak of 8.7% to 7.4% in February 2012, this does not reflect the real story, as there has been an even greater fall in the employment rate (labour participation rate). The percentage of the population 15 years and older active in the labour market fell from a high of 63.8% in 2008 to 61.3% in July 2009.⁴ By December 2011 the employment rate had recovered only slightly to 61.7%, and the second half of 2011 featured no net employment growth. Over 500,000 additional Canadians would need to find employment to match the pre-recession labour market participation rate.

Economic growth in 2010 and 2011 is best described as modest and regionally uneven, with resource industries showing robust employment growth and manufacturing continuing to lose jobs. Since 2002, manufacturing has lost 500,000 jobs, 80% of which were located in central Canada.⁵ The bleeding has still not stopped, with manufacturing employment in March 2012 losing 3000 positions since September 2011, and 41,000 since March 2011.⁶

Manufacturers have struggled with the high value of the Canadian dollar, which traded above the U.S. dollar for much of 2011, and the dollar has continued to trade above-par in early 2012. This has led Ontario Premier Dalton McGuinty to publicly muse about the negative impact of a petro-currency on Ontario's economy and Canada's affliction with "Dutch Disease" The Netherlands suffered a loss of manufacturing capacity in the 1970s as oil exports drove up the value of the

Guilder. An export-oriented manufacturing economy cannot easily adjust to steep rises in the value of its currency.

Some manufacturers (motor vehicles) have been helped by the recovery of export markets in the U.S., and in particular, commodity exporters have experienced good demand for oils, minerals, and chemicals. The American economy has benefited from increased production of motor vehicles and a sharp increase in domestic oil and gas production. The unprecedented period of low interest rates and low borrowing costs that followed the financial crisis has supported consumer spending in the U.S. and Canada. Interest charges on mortgages and consumer credit has fallen by a quarter, and thus liberated U.S.\$200 billion in consumer spending for the U.S. economy over the past four years. This spending has been further supported by a significant stimulus package from the U.S. Congress which included tax breaks, extended unemployment insurance payments, and grants for job creation.

In Canada, low interest rates when combined with high rates of unemployment and wage stagnation have put the Canadian economy (and housing sector) on a different and unsustainable course. In contrast to the U.S. where household debt has fallen, Canadian household debt shot up to 151% of personal disposable income in 2011.⁷

A Simmering Debt Crisis

This simmering debt crisis has resulted in Canadian households adding \$350 billion of debt since 2000. Canadian governments have added an additional \$135 billion in debt to their books, while corporations have been the clear winners; accumulating a surplus of \$560 billion over the same 12 year period.⁸ The Bank of Canada is very concerned that Canadians continue to be able to service this debt, and so continues to hold down interest rates - which only facilitates more borrowing. Already the growth of consumer spending is slowing to 1.2% annually in the Fall of 2011, down from 3.3% annually in 2010.⁹ When this credit bubble bursts, the repercussions will be severe and Canada-wide.

The massive U.S. government intervention into the financial sector and transfer of private risk to the public purse has succeeded in stabilizing American banks and insurance companies for the medium term. U.S. GDP growth reached 3% in the final quarter of 2011, but a similar story can be told about the mediocre performance of the American labour market. U.S. unemployment is down from its recessionary peak of above 10% to 8.5%, but nowhere near the 5% rate of June 2008. The current U.S. unemployment rate would still be above 10% if the employment rate in February 2012 (63.6%) was at the pre-recession level in 2008 (66%).¹⁰ The U.S. labour market, too, has a long way to go before it recovers.

What then is driving growth if the underlying indicators are so poor? In both countries, private sector spending and corporate bottom lines have been heavily supported by government stimulus spending and tax breaks, and historic low interest rates. In the U.S., the federal deficit has ranged from 8%-10% of GDP in 2009-2011, and is projected to again be above 8% of GDP in 2012. The outcome of this massive stimulus has been that households have had access to the financial assets required for them to reduce debt.

The significance of U.S. federal governmental spending cannot be overstated - it has prevented a full scale depression in the U.S. and the resultant problems for the world economy. Added to this, the fall in the value of the American dollar versus its largest trading partners has been a key factor in the U.S. recovery, combined with an aggressive expansion of low wage manufacturing employment.

A major outcome of the concessions demanded from autoworkers (required to access bailout funds) and the wave of state-level anti-union/right-to-work legislation has been the emergence of the U.S. as a low-wage manufacturing destination. The Caterpillar (London, ON) and U.S. Steel plant (Hamilton, ON) closures and transfer of production south are just two examples of this trend to U.S.-based production for American multinationals. Finally, there are some indications that 2012 will be the year that the U.S. housing market halts its fall in prices and stabilizes as accumulated reserves of housing stocks are reduced. If the U.S. housing market can stabilize, jobs in construction and renovation will recover.

Table 1: Average Private Sector Forecasts for the Canadian Economy

Annual Growth Rates	2010	2011	2012	2013
	Actual		Forecast	
Growth in the Economy				
Real GDP	3.2%	2.5%	2.0%	2.3%
- Consumer Spending	3.3%	2.2%	1.9%	2.3%
- Business Investment	7.3%	13.7%	5.6%	6.9%
- Government Spending	4.7%	0.5%	-0.4%	0.1%
Labour Market				
Employment Growth	1.4%	1.5%	0.7%	1.2%
Unemployment Rate	8.0%	7.5%	7.4%	7.2%
Productivity Growth	1.3%	0.6%	1.0%	0.9%
Inflation - Consumer Price Index	1.8%	2.9%	1.9%	2.0%
Corporate Profits Before Tax	21.2%	15.0%	5.7%	8.1%
Real Personal Disposable Income	3.6%	1.0%	1.7%	2.5%
Personal Savings Rate	4.8%	3.8%	3.2%	3.7%
Housing Starts (000s)	192	193	187	181
Exchange Rate C\$ in U.S. Cents	\$97.1	\$101.2	\$98.2	\$102.0

(Source: CUPE, Economic Climate for Bargaining, March 2012. Averages based on latest forecasts from eight different Canadian forecasters as of March 5, 2012.)

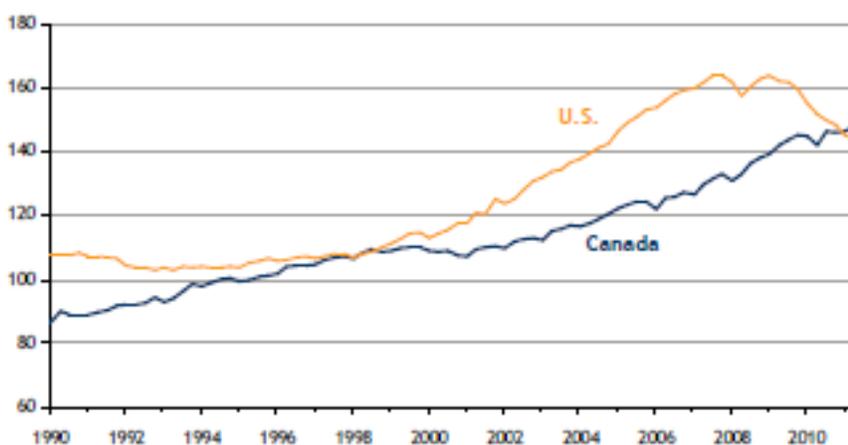
The prospects for growth of the Canadian economy for 2012 and 2013 will continue to be regionally specific. The western provinces and Newfoundland are predicted to grow above the national average (2012: 2.0%, 2013: 2.3%) on the strength of continued resource extraction (CCC). Ontario, Québec and New Brunswick are predicted to trail the national average GDP growth rates, pulled down by a Canadian dollar at or above par and austerity budgets in Ottawa, Québec City, Toronto, and Fredericton. Nova Scotia, Manitoba and PEI are expected to be at the average national growth rate.

Canada's growth potential in 2012 and 2013 significantly hinges on consumer spending and exports. Consumer spending growth slowed in 2011 to 2.2% after reaching 3.3% in 2010. While the average forecast is for spending growth of 1.9% in 2012 and 2.3% in 2013, there are many reasons why those figures can be considered optimistic. Canadian households are already heavily indebted, and there is very little extra room for them to take on increased debt for goods, services and housing. This is especially the case as interest rates are expected to rise in the 2nd half of 2012 and again in early 2013.¹¹ Considering the fact that wages are flat or not keeping up with inflation, and record low interest rates will soon come to an end, discretionary income will be eaten up by higher debt charges and depressing consumer spending.

Table 2: Household Debt-to-Income Ratio: Canada

Household debt-to-income ratio

Credit market debt as a % of personal disposable income



Source: RBC Economics, "Economic and Financial Market Outlook," December 2011, p. 5

However, there are a number of unpredictable factors in the mix. The housing market has been fueled by low interest rates and the expectation that prices will continue their upward climb. Any significant tightening of mortgage lending or increase in interest rates could lead to a sharp fall in housing prices and a repeat in Canada of the housing bust witnessed in the United States. There is no clear solution for this problem without rising real incomes. Consumers must continue to spend to fuel the economy, yet if they continue to spend the ticking-debt bomb only grows in size and ferocity. If there is a sudden spike in Canadian interest rates (e.g. following a rise in U.S. rates or a European banking crisis) then the chances of severe economic and personal dislocation in Canada are real.

Budget-cutting by the provincial and federal governments will take money out of the economy and act as a drag on growth in 2012 and 2013.

Public sector cuts would not be as significant factor to growth in the overall Canadian economy if the world economy were on a sound footing. Yet, the global economy has been working through the most serious and prolonged economic crisis since World War Two in the last three years. Signs of a slowdown and/or bubble in China are worrying for Canadian exports of raw materials.

Predicting the direction of the world economy in the next three years is a very difficult task. For every positive economic indicator, there is another negative indicator that lends doubt on the health of the world economy. The European debt crisis is nowhere near resolved, even though the Euro and European banks survived the technical default of Greece on its debts. The looming crisis will soon shift to Portugal, Spain and Italy before likely returning to Greece for another chapter in restructuring. Economic growth rates have collapsed in these countries under severe austerity and high levels of unemployment. The European Central Bank is in full crisis mode, drastically cutting interest rates and injecting over 1 trillion Euros into European banks to keep them from insolvency. Growth in the Eurozone will be at best flat in 2012, and this will drag down growth in Asia and North America. Thus, the global economic and financial environment remains a key unknown element in the future performance of the Canadian economy.

Brent crude has been trading at US\$125 a barrel and is up 13% this year, after a 14% rise in 2011. The 2012 average oil price is 7% above 2011's average price.¹² With European growth stopping and Chinese growth slowing, the price of Brent crude is expected to fall back to U.S.\$100 a barrel and give back the gains of 2011. The unknown factor is whether instability in Syria will destabilize neighbouring countries. Syria itself is a modest oil producer, 32nd in world production, behind Ecuador, so supply disruptions there will not by itself place significant upward pressures on the price of oil. The US Energy Information Association predicts a WTI price of US\$105 in 2012 and predicts that it will remain the same in 2013. Canadian oil prices -- historically linked to the WTI standard -- have been discounted significantly in recent months given a glut of supply to US refineries (a subject we explore in more detail below).

Iran is geo-politically much more significant than Syria, and an attack by Israel or the United States would certainly result in a major spike in the oil price likely following the pattern witnessed in the 2003 invasion of Iraq. To this point, removal of Iranian oil from the world market has been off-set by increased Saudi production. The impact of the disruption to oil supply caused by the Arab Spring and Libyan civil war was moderated by the release of 30 million barrels from the U.S.'s Strategic Petroleum Reserve and another 30 million barrels released by countries of the International Energy Agency.¹³

One lesson of the 2007-2009 recession and financial crisis was the enormous coordinated power to act demonstrated by the U.S., Europe and China to manage the crisis. The outcome was a much more shallow recession than expected and a quicker turnaround. However, the cost of that moderation may now be seen in the current instability in Europe and China. In contrast to the average private sector forecasts presented in Table 1, we feel that future growth for the Canadian economy for 2012 and 2013 will be at least 1% lower due to the following factors:

- The impact of the federal and provincial austerity budgets will reduce government stimulus of the economy, and dampen spending of public sector workers who face future job cuts and pay freezes.
- Any increase in interest rates will squeeze Canadians who are over-leveraged.
- The housing market's rise and increased household indebtedness has followed the same pattern as in the U.S. - people are taking equity out of their homes to make purchases. A fall in housing prices and/or an increase in interest rates would reverse this source of consumer spending.
- A slight decrease in the price of commodities in the world market, although this will be off-set by a return of Canadian exports to their levels of the pre-recession peak in 2008.

It is generally believed that Canada weathered the global economic storm well in 2009, 2010, and 2011. However, real GDP growth and employment still lags their pre-recession highs and what growth there has been was regionally uneven. It may be that Canada, like Europe, simply delayed a financial unraveling crisis and we will see its late effects in 2012.

Inflation

Consumer price inflation has been more volatile in the past three years, in comparison to the 2000-2008 period. In 2009, inflation was only 0.3% reflecting the impact of the recession. In 2010, the rate was 1.8% and in 2011 the effect of low interest rates and stimulus spending raised it to 2.9%. The average of private sector forecasts is for an 1.9% increase in the Consumer Price Index in 2012 and another 2.0% in 2013. These forecasts do not appear beyond the pale, when considering the following factors.¹⁴

The high value of the Canadian dollar has been a hedge against inflation and will continue to play that role in 2012. Prices of oil and natural gas are likely to remain stable, and thus not place upward pressure on inflation. NYMEX natural gas prices have remained below \$U.S. 5 for the past 3 years, recently trading in the \$U.S. 2.30 range. Interest rates are forecast to remain low for the balance of 2012 and much of 2013.

Austerity budgets which have been released at the federal and provincial levels will remove money from the economy and will have a moderating impact on inflation. Producers can still draw on excess capacity and benefit from wage settlements which have been trailing inflation, and these factors should also moderate inflation and keep it at the predicted level of 2.0%. The one variable which is difficult to predict are housing costs, which have been rising in the double digits in some Canadian cities. Considering the size and impact of that sector to the Canadian economy, any significant change in housing prices will make itself felt in the CPI.

Regionally, inflation was lower than the national average in British Columbia, Alberta and Saskatchewan in 2009-2011 reflecting the slowdown in commodity production in the short-term. In 2011, British Columbia and Alberta had rates of 2.4%, and Saskatchewan was nearly at the

national average with a rate of 2.8%. The Atlantic provinces outran the national average in 2011, some by a significant amount. Newfoundland had a rate of 3.4%, Nova Scotia posted an annual rate of 3.8%, and New Brunswick's rate was 3.5%. Ontario at 3.0% and Québec at 3.1% were only slightly above the national average.¹⁵

The average forecasts of four different bank forecasters for the provinces predicts that most will fall into the 1.9%-2.2% range. The two provinces which deviate from this pattern are British Columbia and Saskatchewan. For B.C. the forecast for 2012 is a rate of 1.6% and for 2013 it is 1.5%. Saskatchewan is forecasted to be 0.3% above the national average in 2012 with a rate of 2.2%, and 0.4% above the national rate in 2013 at 2.4%.¹⁶

Negotiated Wage Settlements

A key factor in the direction of American and Canadian economies is a concerted attack on the power of organized labour, and a fall in real wages across the board. In Canada, wage increases for all unionized agreements reached in 2011 averaged 1.8%, more than a percentage point below the inflation rate of 2.9%. This relative decline in wages was true in every province and industry sector (except transportation). One reason for the low level of wage increases is due to the knock-on effect of austerity policies being enacted in the public sector and the moderating effect this has for private sector wage increases.

The active intervention of the Federal Government into the Canada Post and Air Canada labour disputes has further weakened organized labour's ability to respond to wage erosion. To the double burden of high (hidden) levels of unemployment and wage retrenchment, the Canadian government has added an accelerated and looser regime of foreign workers recruitment. This has a further slackening affect on wages. Statcan's job vacancy survey shows that for every job vacancy there are three unemployed workers.¹⁷ Capital has taken full advantage of the labour market glut and favourable political context to push its advantage on wages. In this context, the solid profits being raked-in by Canadian and American corporations has led to a stock-market boom and general merrymaking for the financial sector.

Table 3: Negotiated Wage Adjustments, Canada, 2000-2011

Annual Percentage Base Rate Increases, Large Bargaining Units								
Year	Private Sector all Industries	CEP National Energy Bargaining	Consumer Price Index	Manufacturing	Primary Industries	Utilities	Construction	Transportation
2000	2.4	3	2.7	2.6	2.1	3.5	3.6	2.4
2001	3.0	3.5	2.6	2.7	2.8	2.4	3.2	2.9
2002	2.6	3	2.2	3.6	2.1	2.4	1.2	2.8
2003	1.3	3	2.8	2.5	2.8	2.4	2.8	2.6
2004	2.2	3	1.9	2.4	3.0	3.1	2.7	0.5
2005	2.9	3.5	2.2	2.5	3.1	2.6	2.5	2.9
2006	2.2	3	2.0	2.4	2.8	2.3	3.6	2.1
2007	3.2	1.5	2.2	2.5	4.0	3.8	3.3	2.7
2008	2.7	4.5	2.3	1.6	4.3	2.2	5.4	3.0
2009	1.8	4.5	0.3	1.7	2.5	3.0	3.4	1.1
2010	2.1	2.5	1.8	1.5	3.3	1.4	2.4	2.2
2011	2.1	3	2.9	1.8	2.7	2.8	2.1	2.3

Source: Human Resources Development Canada, Workplace Information Directorate, Major Wage Settlements database.

Table 3 shows that private sector wage increases significantly beat the Consumer Price Index in 2009, but gave back some of those gains in 2011 when wage increases did not keep up with inflation. The CEP National Energy Bargaining Pattern settlement has continued to exceed the Consumer Price Index in the past three years, but the margin was razor thin in 2011. We will have to take into account the forecasts for higher than average inflation in Saskatchewan in 2012 and 2013 to avoid our members real wages being eroded there.

Corporate Profits

Corporate operating profits in the fourth quarter of 2008 were down 16.3% from the third quarter. This was the steepest quarterly decline in 16 years and were observed in 16 of 22 industries. Oil and gas extractors' profits fell 41.2% from the third quarter, yet still enjoyed a healthy profit margin of 14.7%. Refiners' (petroleum and coal products manufacturers) saw profits fall by 47.3%. Yet, despite the general reduction in profits in the fourth quarter, 2008 was still a record year for corporate profits (\$283 billion), up 5.4% from 2007.¹⁸

For oil and gas extractors total profits in 2008 were \$37.8 billion or an 18% profit margin.

Although 2009 was the heart of the recession, it was not a poor year for operating profits. They were down 23% from 2008, but still came in at \$219 billion (the fifth highest in Canadian history

at that time). Profit-making was broadly based, as 15 of 22 industries reported higher profits in the fourth quarter of 2009. In oil and gas extraction and support activities for 2009 profits were \$16.9 billion or a 10.6% profit margin on operating revenues.¹⁹

Table 4: CORPORATE OPERATING PROFITS

Year	Billions of dollars
2000	165.1
2001	143.1
2002	145.8
2003	161.0
2004	193.6
2005	226.9
2006	231.7
2007	262.5
2008	283.6
2009	218.8
2010	249.7
2011	270.6

Source: Statistics Canada, Quarterly Financial Statistics for Enterprises, Catalogue number 61-008, Table 2-1.

In 2010 Canadian corporations, especially petroleum and coal products manufacturers, and chemicals, plastics and rubber manufacturers posted strong profits. This was particularly true in the 4th quarter of 2010, when these sectors posted double digit profit increases. Overall, profits bounced back to \$250 billion dollars.

Profits for the oil and gas industry were \$13.9 billion for 2010. Much of this gain came from higher oil prices and greater sales volumes. For all Canadian industries the 2010 average operating profit for the year was 7.9%. Oil and gas extraction and support industries were above this average at a 8.6% yearly rate.²⁰

Profit-making continued on an upward trend for 2011. By the fourth quarter of 2011 operating profits for Canadian corporations were up another 9.0% to \$71.4 billion. This was only \$6.1 billion off the all-time peak of 2008. Profit levels jumped 25.8% in the fourth quarter for petroleum and coal products manufacturers to \$3.4 billion. The same can be said for chemicals, plastics and rubber products manufacturers who had an increase in profits of 20.1% to 2.5 billion in the final three months of 2011. Finally, oil and gas extraction and support activities posted a yearly profit of \$17.8 billion.²¹

In sum, Canadian corporations in 2011-2012 are posting healthy profits. This is especially the case for companies operating in oil and gas, coal, chemicals, plastics and rubber.

The Canadian Energy Sector

The Oil Industry

The National Energy Board currently estimates Canada's ultimate crude oil reserves at over 54.5 billion cubic metres, or 343 billion barrels.²² That estimate, however, includes proven and prospective sources. When the quantity is narrowed to proven sources, the number rests at 27.5 billion cubic metres, or 173 million barrels. 98 percent of this is bitumen sands bitumen, while 2 percent are conventional oil sources.²³

In 2010, Canadian production of crude oil averaged 1.22 million barrels per day, while unconventional oil averaged 1.5 million barrels per day.²⁴ Growth in bitumen sands production, as we explain below, has rebounded from the lows experienced after the 2008 global financial crisis. Once again, it has offset declining production in the Western Canadian Sedimentary Basin and the East Coast Offshore.

Canada today is the third largest known source of oil reserves behind Saudi Arabia and Venezuela. It is currently the sixth largest crude oil producer in the world, and the largest supplier of oil to the United States. In 2011, crude oil exports averaged 2.130 million barrels per day, up from 1,945 in 2010, and crude prices during this period rose by 16 percent. Crude imports, a subject we explore further below, also averaged 777,000 barrels per day in 2010.²⁵

Increasingly total crude oil production is shifting toward bitumen sands which now accounts for 54 percent of all crude oil production in Canada.²⁶ The shift is reflected in the increasing share of capital expenditures spent in non-conventional oil extraction by the industry (see Table 5 below).

Table 5: Capital expenditures in oil and gas extraction (billions of dollars)

Year	Conventional oil and gas	Non-conventional oil and gas
2000	16.7	4.2
2001	19.8	6.0
2002	16.3	6.9
2003	21.3	5.2
2004	25.2	6.3
2005	32.2	9.9
2006	36.1	12.2
2007	29.9	16.8
2008	29.5	20.6
2009	20.1	10.5
2010	21.5	11.2

Source: Statistics Canada Energy Statistics Handbook, catalogue number 57-601, Table 1.4, Third Quarter 2011.

Western Canada

Conventional crude oil production in Western Canada has been in a long-term decline, at about five percent over the last ten years. Between 2008-2010, Alberta conventional light and medium marginally increased (by 0.9 percent), while conventional heavy declined by 3.4 percent.²⁷ Further declines are expected to extend in to 2012, although the NEB suggests this might change with the application of horizontal drilling and multi-stage hydraulic fracturing methods to tight oil reserves.²⁸ We return to the subject of hydraulic fracturing, or "fracking", below in our discussion of natural gas.

From 2009 to 2010, production of light and medium crude in Saskatchewan rose by 2.8 percent due to the success of the two major projects there, a trend that continues from recent history. Heavy oil production in that province has slowly declined over the same time period.²⁹

For 2012 the National Energy Board forecasts that conventional crude oil production will be 538,000 barrels per day in Alberta and 453,000 barrels per day in Saskatchewan.³⁰

Atlantic Offshore

Offshore Newfoundland and Labrador production peaked in 2007 and has been declined by about 11 percent since. Oil production is expected to total just over 215,600 barrels per day in 2012.³¹

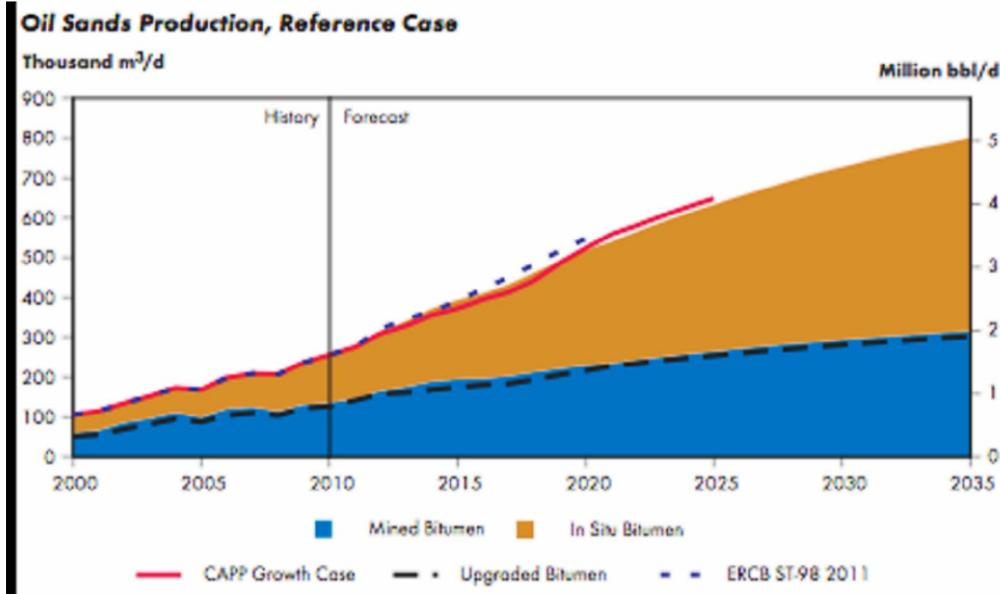
Active development and exploration on the East Coast is continuing, but the Hebron Field (originally expected to come on stream in 2013) is now expected to be finalized in late 2017.³²

Bitumen Sands

Bitumen sands are by far the most dynamic component of Canada's energy sector. They currently produce 1.5 million barrels of oil per day (most of which is destined for US markets) and 54 percent of all crude in Canada.³³

The NEB has developed a reference case (illustrated in Table 6) which illustrates the intent of bitumen sands producers to increase to 5 million barrels per day and 85 percent of Canadian production by 2035:

Table 6: Oil Sands Production, Reference Case



Source: National Energy Board (NEB), Canada's Energy Future: Energy Supply and Demand Projections to 2035 (November 2011).

Over the past ten years (2002-2012), production of bitumen sands crude increased by 158 percent -- from 270,400 barrels per day to 546,460 barrels per day.³⁴ The exception was 2007-2008, when production lagged to meet high global demand and then collapsed given plummeting crude oil prices. Many of the projects cancelled after the crisis have resumed, and intense development is once again proceeding at breakneck speed. While six billion barrels of unconventional bitumen sands crude was produced from 1967-2007, forecasts predict another six billion barrels will be made in the coming decade alone.³⁵

CEP has strongly supported more gradual development of bitumen sands to smooth out the ups and downs of our energy sector to provide more stable long term employment and better planning of the province's physical and social infrastructure. Our 2008 Energy Policy³⁶ explains that Canada and the provinces would be better served if the sector were brought under public ownership in order to create jobs in Canada, smooth out the boom bust cycles typical of the industry and to develop it in a way that is less harmful to the environment.

Upgrading in Canada

Currently, about 59 percent of Canada's bitumen -- a product which requires significant refining before being brought to market -- is upgraded in Alberta. This low level has emerged as an issue in provincial politics, as even employer-friendly politicians have argued jobs are being lost down the pipeline to US refineries. In 2011, Ed Stelmach (then Alberta Premier) likened the trend of exporting raw bitumen to a "farmer agreeing to sell off his topsoil," and pledged to increase Alberta's upgrading capacity to 72 percent of bitumen production by 2016.³⁷

Our union has criticized the Government for failing to make steps towards this standard. On July 19, 2011, after inquiries with the Alberta's Energy Resources Conservation Board, the Alberta Federation of Labour also released the following table³⁸ documenting Alberta's own low estimates at upgrading capacity (which projects a further 8 percent decline by 2019).

Table 7: Bitumen Production and Upgrading in Alberta (10³ m³/d)

Year (Actual)	in Situ Bitumen Upgraded	Mined Bitumen Upgraded	Total Bitumen Upgraded	Total Bitumen Production	% Bitumen Upgraded
2000	-	60.4	60.4	106.1	57%
2001	-	67.4	67.4	115.2	58%
2002	-	85.8	85.8	133.9	64%
2003	0.1	96.9	97	152.4	64%
2004	0.6	111.7	112.3	172.7	65%
2005	0.9	99.6	100.5	169.3	59%
2006	4.5	120.9	125.4	199.4	63%
2007	5.4	124.7	130.1	209.9	62%
2008	7	114.7	121.7	207.4	59%
2009	12.3	131.2	143.5	236.7	61%
2010	17.1	137.7	154.8	265.4	58%
Projected Production					
2011	21.4	164.6	186	304.4	61%
2012	22.4	173	195.4	329.5	59%
2013	23.1	176.1	199.2	350.8	57%
2014	25.2	179.4	204.6	374.8	55%
2015	27.9	183.2	211.1	398.8	53%
2016	32.4	188.5	220.9	427.6	52%
2017	33.4	195.8	229.2	457.8	50%
2018	39.9	202.7	242.6	484.5	50%
2019	48.4	207.6	256	506.7	51%

Source: AFL, Press Release, July 19, 2011, "Alberta-based Bitumen Upgrading is Plummeting, New Figures Show: ERCB Projections Demonstrate that Tories Have Turned Their Backs on Promises to Keep Oil Sands Jobs in the Province, says AFL".

Analysts point to several reasons why little progress has been made on this front. Bitumen sands firms are less inclined to enhance upgrading capacity given substantial costs (studies put cost of a new upgrader at \$5 billion), while the rising Canadian dollar makes also US upgrading more attractive. The President of the Canadian Association of Petroleum Producers (CAPP) has indicated that, given Alberta's higher cost structure, it may be cheaper to re-configure existing facilities in the U.S.

Trends today may suggest the opposite is true. Given dramatic growth in US oil production (particularly North Dakota's Bakken shale oil), US refineries are currently dealing with a glut of supply, forcing Canadian producers to offer steep discounts (now in excess of \$30 per barrel, at a cost of \$50 million per day).³⁹ As this report was finalized, debate is ongoing about the potential for East Coast refineries to upgrade bitumen sands bitumen.⁴⁰ Transportation routes for upgrading Alberta's crude in East Coast refineries are challenging, but new pipeline capacity could facilitate this shift if it were undertaken.

In 2008, the Province of Alberta launched a Bitumen Royalty-in-Kind Initiative (BRIK) to encourage bitumen sands operators to enhance their upgrading capacity in Alberta. A Request for Proposals to buy or process 75,000 barrels per day of Crown-owned bitumen was issued in July 2009 and discussions began with two successful bids in 2010. These include the construction of a new bitumen refinery northeast of Edmonton, and the first major carbon capture and storage (CCS) project in Alberta.⁴¹

On a related note, controversy has ensued over a failed BRIK proposal for an Alberta First Nations Energy Centre (AFNEC), a \$6 billion project proposed by Teedrum Inc in conjunction with a number of aboriginal groups.⁴² The sponsors to this proposal -- which include former top officials from Syncrude and Suncor -- claim the Province unfairly withdrew support following the departure of former Premier Ed Stelmach. A recent AFNEC statement suggests high-level support existed for the project before Ted Morton, Alberta's Energy Minister, vetoed provincial support.⁴³

Ownership of Canada's Oil and Gas Industry

Canada is in the peculiar situation of allowing private foreign capital to control a large part of its oil and gas industry. Indeed, one half (51.1 percent) of all revenues generated by the Canadian oil and gas industry is accounted for by foreign owned companies.⁴⁴

This makes Canada unique in the world since fully 87 percent of the world known oil reserves are state-owned or state controlled. Of the 13 percentage points left available to private capital almost half, or 6 percentage points, is in Canada.⁴⁵

Oil Refining

As seen in Table 8, Canadian oil refinery production peaked in 2004 at 124.6 million cubic metres. It has dropped since, with a noticeable decline in 2011 that coincided with two major refinery closures in Ontario and Québec. These closures have pushed Canada into a position of dependency on foreign suppliers for refined petroleum products, gasoline in particular. Many people in Eastern Canada now depend on the goodwill of foreign crude imports to drive their cars and trucks.

Table 8: Oil Refinery Production

Year	Volume (million cubic metres)
2000	112.5
2001	115.6
2002	119.0
2003	123.4
2004	124.6
2005	121.9
2006	119.8
2007	122.9
2008	117.9
2009	114.4
2010	117.0
2011	101.0

Source: Statistics Canada, The Supply and Disposition of Petroleum Products, November 2011, Number 45-004,-X, Table 2-1.

At the Start of 2005, Petro-Canada shut its Oakville refinery in the Toronto area. Annual production of refined petroleum products in Ontario subsequently dropped by nearly twenty percent, from 32-34 million cubic metres to 26 to 28 million cubic metres, forcing Ontario into a position of dependency on other regions.⁴⁶ Prior to the closure, Ontario's production of refined petroleum products was in balance, that is domestic consumption was equal to production. After the shutdown the balance was lost and Ontario had to rely on surplus production in Québec and foreign countries to make up its shortfall of about 5 million cubic metres yearly.

The refinery closure also cost three hundred and fifty highly skilled, well-paid workers their jobs. That was only part of the impact. Thousands of additional jobs were lost by contractors and suppliers, as well as by people who lost out because the spending of those workers in the community dropped.

While the shortfall in Ontario's production could be made up by excess capacity in Québec about equal to Ontario's deficit, Ontario was still in a precarious position. In 2007, a fire broke out at the Imperial Oil Nanticoke refinery near Hamilton and Southern Ontario faced a gasoline shortage for several weeks as a result. It was widely understood the tight supply in the province was the main cause of the shortage. Not only did Imperial have to close 100 gas stations, one quarter of its total, but Petro-Canada also closed thirty stations and imposed rationing at another sixty. Shell too had to close five stations. Gasoline prices rose ten to fifteen cents per litre until the shortages were resolved.⁴⁷

Since October 2010, the situation has grown worse. On October 1, Shell Canada closed its refinery in Montréal, forcing the Québec/Ontario region into a situation of dependency on foreign suppliers. Prior to the closure Québec produced about five million cubic metres of refined petroleum products above its domestic consumption and was able to supplement Ontario's deficient production levels. With the recent closure Québec is barely self-sufficient.

According to Statistics Canada for the first nine months of 2011 Québec produced 15,356,000 cubic metres of refined petroleum products and consumed virtually the same amount, 15,310,000 cubic metres.⁴⁸ Now, Québec is also vulnerable to disruptions in its supply of refined products.

Again hundreds of workers were thrown out of high-skill, well paying jobs and many additional direct and indirect jobs were lost. Based on a study by the Institut de la statistique du Québec (ISQ), a department of the government of Québec, CEP estimates that at a minimum 2,000 jobs were lost.

A recent study by the Conference Board of Canada confirms this estimate. In a study considering the effects of the closure of 10 percent of Canadian refining capacity in favour of foreign-based production, the Conference Board estimated that over a five year period 38,300 person years of work, \$4 billion of cumulative GDP and \$508 million of provincial and federal income taxes would be lost.⁴⁹

The combined capacity lost by the closures of both the Oakville and Montréal refineries amounted to about 6.5 percent of total Canadian refinery capacity. Applying the Conference Board method, CEP estimates that a loss of nearly 25,000 person years of work, \$2.6 billion of GDP and \$330 million in lost income taxes will have resulted from those closures over a five year period.⁵⁰

The closure of the Shell refinery in Montréal now leaves Ontario and Québec at the mercy of supply disruptions in Europe. Most of the shortfall, amounting to about 5 million cubic metres of refined products in our two largest provinces per year is made up by a flotilla of tankers from Europe delivering mostly gasoline. Indeed the Port of Montréal had a record year for traffic as a result in 2011. Damage to the environment also increased as the number of spills went up due to the increase in tanker traffic.⁵¹

Ontario remains particularly vulnerable to supply disruptions. In August 2011 it once again experienced gasoline shortages when repairs at the Shell refinery in Sarnia took longer than expected. To quote from a report in the Toronto Star:

Jeff Gabert, a Shell spokesperson, said the gas company has been experiencing a fuel shortage for the past week, leaving some stations without gas in the GTA, Sarnia and London. Their refinery in Sarnia was shut down for maintenance that lasted a week longer than expected – something that happens frequently at refineries – causing an internal shortage of fuel.⁵²

The article adds that shortages are now the new normal:

Gas shortages in the GTA and across the country will be the new normal, according to experts and Natural Resources Canada. Refineries across the country are pushing out gasoline at or near capacity, and without new refining capacity, supply interruptions could become more frequent and increasingly difficult to manage, according to the Natural Resources Canada website.⁵³

CEP agrees with this view. The supply of refined products in Eastern Canada is now so tight that a disruption at home or in Europe, a refinery accident, or other serious event, will cause shortages and rationing of gasoline. We have allowed ourselves to get into a very awkward, even dangerous situation.

Another dimension of this situation is Canada's reliance on crude oil imports, which currently amount to 44% of all oil feedstock in domestic refineries. The dominance of imports are most pronounced in the Atlantic provinces and Québec where most oil comes from overseas. The numbers for the supply of crude oil received by Québec refineries in 2010 are as shown below:

Table 9: Québec - Refinery Supply of Crude Oil (2010)

Production Source	Quantity, 000s cu m	%
Eastern Canada	3039.4	13.5 %
OPEC ex Algeria, Angola	769.8	3.4 %
Algeria	6299.8	28.2 %
Angola	1523.9	6.8 %
North Sea	4672.9	20.8 %
Mexico, USA	1134.6	5.0 %
Other (mostly Kazakhstan)	5032.2	22.4 %
Total	22472.5	100 %

Source: Statistics Canada, The Supply and Disposition of Refined Petroleum Products in Canada, Catalogue number 45-004-X, table 4-1, various years.

Québec refineries receive only 13.5 percent of their crude oil from Canada. The rest is imported from foreign sources, principally Algeria, the North Sea, Kazakhstan and Angola. Some of these countries have experienced political turmoil, even civil war in recent years.⁵⁴ Fortunately oil supply was not disrupted and we must hope our luck holds.

Refineries in the Atlantic provinces also imported most of their oil in 2010 from foreign sources as shown in the table below.

10: Atlantic Provinces - Refinery Supply of Crude Oil (2010)

Production Source	Quantity, 000s cu m	%
Eastern Canada	4307.5	17.0 %
Saudi Arabia	3986.5	15.7 %
Nigeria	3145.9	12.4 %
Iraq	2275.9	9.0 %
Venezuela	1275.5	5.0 %
Angola	1084.8	4.3 %
North Sea	3645.7	14.4 %
Mexico, USA	0	0 %
Other (Russia, Brazil, Equatorial Guinea, etc)	5555.7	22.0 %
Total	25277.5	100 %

Source: Statistics Canada, The Supply and Disposition of Refined Petroleum Products in Canada, Catalogue number 45-004-X, Table 3-1, various years.

As with Québec the Atlantic Provinces receive only a small percentage of their crude oil from Canada, a modest 17 percent. The rest is imported from foreign sources, about half from OPEC countries such as Saudi Arabia, Nigeria, Iraq, Venezuela, and Angola. The remainder is sourced from the North Sea and a variety of other countries such as Russia, Brazil and Equatorial Guinea. Some of these countries have experienced political turmoil and civil war in recent years.⁵⁵ Fortunately oil supply was not disrupted and we must hope this continues.

Finally, while Ontario also imports a significant quantity of its crude oil from foreign sources, it does enjoy secure three-quarters of its supply from Western Canada.

Table 11: Ontario - Refinery Supply of Crude Oil (2010)

Production source	Quantity, 000s cu m	%
Western Canada	16036.8	76.2 %
Eastern Canada	689.4	3.3 %
OPEC	589.7	2.8 %
North Sea	1606.5	7.6 %
Mexico, USA	939.5	4.5 %
Other	1175.5	5.6 %
Total	21037.4	100 %

Source: Statistics Canada, The Supply and Disposition of Refined Petroleum Products in Canada, Catalogue number 45-004-X, Table 5-1, various years.

Nearly 80 percent of the oil refined in Ontario is sourced within Canada but the energy security of the province remains uncertain because its inadequate refining capacity leaves it dependent on foreign sources for refined products.

Natural Gas

Canadian natural gas is an important part of the North American gas market, providing about 25 percent of combined U.S. and Canadian production for the past several years. The Western Canadian Sedimentary Basin (WCSB) is Canada's main source of marketable gas production and currently accounts for 98 percent of total Canadian production. Natural gas production from Atlantic Canada started at the end of 1999 and provides most of the remaining gas production in Canada.

Canadian gas production remained within a narrow range from 2000 to mid-2007 at around 483 million m³/d (17.1 Bcf/d) and declined by 2011 to 14.7 Bcf/d. During this period, the number of gas wells in the WCSB has declined while the number of oil wells sharply increased. The NEB reports that only 56% of the approximately 800 gas rigs in the WCSB are being utilized at present.⁵⁶

Analysts suggest there are two reasons for this. First, the impact of the 2008 economic crisis was considerable for natural gas prices, which led producing firms to be cautious about engaging in more conventional extraction. Secondly, new exploratory techniques like hydraulic fracturing (or "fracking") in the US have created surpluses in refinery feedstocks. Given the US is our primary export market for natural gas, this has led to drops in prices and a production surplus on the Canadian market.

In its short term projections for Canadian gas production, the NEB argues fracking in shale and tight plays will make up for production declines from conventional sources.⁵⁷ It is worth noting, however, that fracking has been opposed by impacted communities who allege (with credible evidence) widespread contamination of ground water, and related impacts on human health.

Community organizing has led to fracking moratoriums in several US regions, and raised questions about these extraction methods in Canada. Gasland, a critically-acclaimed documentary which highlights opposition to fracking, was nominated for an Academy Award in 2011. In response, Energy in Depth, a gas industry lobby group, appealed to the Academy of Motion Picture Arts and Sciences to de-list the film citing "errors, inconsistencies, and outright falsehoods."⁵⁸ The request was denied, and a Gasland sequel has already been announced for HBO in 2013.

Another potential source of natural gas is liquefied natural gas (LNG) imported from abroad, but imports of LNG are expected to be limited. The Canaport terminal in New Brunswick is the only LNG import terminal under construction in the country. Other prospective LNG import projects in Atlantic Canada, Québec and British Columbia are at various stages of consideration or development.

North America has experienced particularly high volatility in natural gas prices. As oil prices surged, natural gas prices more than doubled to \$9.81 in June 2008. They peaked in early July 2008 at over \$11, then daily spot prices in Alberta dropped back \$4.66 as the economic crisis hit. The Alberta spot price today is a meagre \$2.52 for the reasons discussed above.⁵⁹

This extreme price volatility and current low prices will make companies take a cautious approach to natural gas plans for the foreseeable future. As can be seen from Table 12, this has also had a dramatic impact on the volume of natural gas Canada exports despite the decline in our reserves. Petrochemical plants have shut as a result in the near past, yet the policy to export this valuable resource without regard to Canadian needs continues.

Table 12: Domestic and Export Sales of Natural Gas

Year	Domestic Sales* (billion m ³)	Export Sales (billion m ³)	Total Sales (billion m ³)
1995	63.7	79.1	142.8
1996	67.2	80.1	147.3
1997	67.5	81.8	149.3
1998	64.1	89.2	153.3
1999	66.4	95.1	161.5
2000	72.6	101.2	173.8
2001	66.9	108.2	175.1
2002	70.3	107.7	178.0
2003	72.9	101.5	174.4
2004	72.1	105.3	177.4
2005	70.1	106.3	176.4
2006	69.4	102.1	171.5
2007	73.2	108.4	165.2
2008	74.5	103.4	159.2
2009	74.3	93.7	147.5
2010	75.6	91.2	144.4

Source: Statistics Canada, Energy Statistics Handbook, catalog number 57-601-X, Third Quarter 2008, Table 6-1, and Statistics Canada, The Daily, Crude oil and natural gas: supply and disposition, various issues accessed online.

*Domestic Sales calculated from the sum of direct sales and total utility sales in table 6-1.

Chemicals and Petrochemicals

The rapid swings in the Canadian dollar, energy prices and market demand continues to have a strong impact on the chemical and petrochemical industry, a large supplier to our manufacturing and resource sectors. Table 13 produced by Industry Canada demonstrates this impact.

**Table 13: Chemical and Petrochemical Industry
(Number of Establishments, Employment, Imports and Exports)**

Year	Establishments	Shipments (\$ millions)	Employment	Imports (\$ millions)	Exports (\$ millions)
2003	16	4 649	1 548	274	1 395
2004	17	6 046	1 382	549	2 007
2005	17	6 621	1 490	711	2 104
2006	18	7 380	1 311	881	2 582
2007	19	7 729	1 294	782	2 906
2008	21	8 589	1 183	1 070	2 868
2009	16	4 363	1 226	828	1 723
2010	161	6 200 (1)	1 060 (1)	908	2 405

(1) Industry Canada estimates

Note: The step change in establishments observed in 2004 was due to a change by Statistics Canada in the minimum threshold size necessary for inclusion of establishments in the annual data. This change had only a minor impact on other principal statistics. Source: Industry Canada; Statistics Canada (NAICS 32511), 2012.

In 2010, total exports for chemicals and chemical products \$27.9 billion, an increase of five percent from 2009 (imports also increased by 2.5 percent, or about \$1 billion). During the same period, petrochemicals increased by almost 30 percent, amounting to more than \$2.4 billion in trade (imports also increased by 9%, or \$908 million).⁶⁰

Despite these increases, the profitability of Canadian chemical operations slid by almost twenty percent. In 2011, the Conference Board of Canada offered the following observation:

The rising value of the Canadian dollar against the US and other currencies had taken a toll on the industry's competitiveness even before the recession. Since manufacturers are major users of chemical products, and many have not yet recovered fully from the recession, industry profits are expected to decline to about \$2.1 billion in 2011 from almost \$3 billion in 2008. Profit growth will remain limited in future years.

Concerns and Observations

Thus far, this paper has undertaken a survey of the Canadian economy and market conditions for Canada's energy sector. We now turn to concerns and observations in light of this survey.

Our major concern is the fragile nature of the global economy and the implications for energy sector workers. Unlike most, we regard the current position of Canada's energy sector as precarious and prone to dramatic movements given price volatility and domestic refinery capacity issues. The steep discounts Canadian bitumen sands producers are now obliged to offer will likely continue, making new projects less economically viable and straining existing production capacity.

Dramatic growth in bitumen extraction also has real-life impacts for those on the front lines of this industry. Several recent incidents suggest the safety of energy sector workers is at

heightened risk as industry scrambles to respond to global demand. Major fires and explosions in the bitumen sands alone since 2009 are likely a consequence of production reaching record levels.⁶¹

The global picture does not suggest a return to modest development anytime soon. The NEB argues global instability is likely to continue given uprisings in the Middle East, dwindling supply of conventional oil sources, surging demand from rising powers like India and China, and economic problems facing several countries of the European Union.⁶² To this list we would add the dangerous impact of speculation on oil prices, and the instability this creates for energy sector growth in the months and years ahead.

It is this context of uncertainty, of boom and bust, that defines the status quo for Canada's energy sector. It remains a major engine of economic growth for Canada as a whole, particularly in Alberta but also in Saskatchewan and Newfoundland. Corporate income taxes and royalties from energy extraction offer a boost to all these jurisdictions (albeit at levels well below global averages).⁶³ Nevertheless, today's dynamic growth is fragile, and bound to change.

We think industry leaders know this, and are therefore keen to capitalize on oil exports while prices are high. That is why we see such emphasis on pipeline construction for export markets to Asia, for which both the Keystone XL and Northern Gateway projects are designed. Political leaders in Ottawa and Calgary mirror this mentality. Brian Gable, the *Globe and Mail's* cartoonist, has captured this focus with his renowned sense of irony:



Staking the future of Canada's energy sector on pipelines and Asian exports is a risky gambit at best. The industry has not engaged critics with credible arguments about the neglect for Canada's own energy needs, and the environmental impacts of exponential growth. Thus far, the industry

(and their allies in government) are side-stepping criticism via appeals about "ethical oil", and expanded definitions of national security threats which include environmental groups and First Nations. These are the tactics of a powerful industry focused on short-term goals.

Signs also indicate that this strategy is not working. Mass protests which emerged in 2011 against Keystone XL impacted the Obama Administration's decision, and are not going away.⁶⁴ The \$5.5 billion Northern Gateway pipeline (purported to carry 500,000 barrels a day from Edmonton to Kitimat, BC) has emerged as a defining issue in British Columbia's upcoming provincial elections. The project is opposed by 130 aboriginal groups who have promised resistance by "any means necessary."⁶⁵ 68,000 British Columbians have signed a petition to ban oil tankers from Northern BC Ports. Even industry critics have questioned the lax approval process the NEB has allowed for the Northern Gateway consultation process thus far.

Our union is caught between employers desperate to capture rents from high oil prices, and unstable markets which dictate when and if projects can be built. We are equally challenged by the general disregard governments and most energy sector employers have for sustainable development. Thus far, the industry's panacea of carbon capture and storage (CCS) has not materialized. Land reclamation projects have thus far impacted a tiny component of bitumen sands areas, with little expectation for dramatic growth beyond this. Until then tailings ponds will grow, water quality will be an issue, along with serious health concerns for those living downstream. We must continue to demand a just transition from what exists -- our children and grandchildren deserve no less.

Our union must continue to be a voice of reason, and insist on a direction for energy production that encourages long-term thinking. Even the Province of Alberta is talking about the need to develop an "Energy Plan",⁶⁶ but this rhetoric is at odds with cheerleading for "rip it and ship it" in practice.⁶⁷

We must challenge governments and employers to consider Canada's own energy security, and reduce our reliance on offshore oil. We must continue to oppose projects which aim to "lock-in" export-related growth, and unsustainable levels of production in bitumen sands. We must demand more attention to a just transition to green jobs. The health and safety of our members, our economy, and our energy security hangs in the balance.

Notes

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- ⁴ Ibid.
- ⁵ Douglas Porter, "Canadian Dollar Renaissance: 10 Years After," BMO Nesbitt Burns Economic Research, March 2, 2012. Accessible at <http://www.bmonesbittburns.com/economics/focus/recent/120302doc.pdf>
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- ¹⁸ Statistics Canada, Quarterly Financial Statistics for Enterprises, Fourth Quarter 2008. Catalogue no 61-008.
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- ²⁰ Statistics Canada, Quarterly Financial Statistics for Enterprises, Fourth Quarter 2010. Catalogue no 61-008.
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- ²³ Ibid.
- ²⁴ Canadian Association of Petroleum Producers, Crude Oil Forecast, Markets and Pipelines (June 2011).
- ²⁵ Ibid.
- ²⁶ NEB, Canada's Energy Future.
- ²⁷ Statistics Canada, Energy Statistics Handbook, Third Quarter 2011.
- ²⁸ NEB, Canada's Energy Future, p.17.
- ²⁹ Statistics Canada, Energy Statistics Handbook, Third Quarter 2011.
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- ³¹ NEB, Canada's Energy Future.
- ³² Hebron, Hebron Project: Socio-Economic Impact Statement and Sustainable Development Report (April 2011).
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- ³⁵ This production data was cited in a recent memo written for Wayne Wouters, Clerk of the federal Privy Council Office. The memo was released through access-to-information legislation, and cited widely in the media. See: "Harm May be Permanent: Secret Memo -- Unrestorable Tailings Ponds and Emissions Acceleration Pose Significant Financial Risk to Alberta," Vancouver Sun (February 21, 2012).
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³⁸ Ibid.

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⁴¹ See: Government of Alberta, "Bitumen Refinery Agreement Promotes Value-Added Development: Heartland Project Supports Carbon Capture for Enhanced Conventional Oil Recovery" (February 16, 2011).

⁴² See: "Alberta Declines Support for Aboriginal Oil Upgrader," Reuters (February 24, 2012); "Oilsands out of Reach? Rejected Aboriginal Bid Sparks Backlash," Vancouver Sun (March 17, 2012).

⁴³ "Statement from the AFNEC Board to Directors to Alberta Minister of Energy, Ted Morton," Canada NewsWire (February 27, 2012).

⁴⁴ Statistics Canada, The Daily, October 13, 2011, CANSIM Table 179-0004.

⁴⁵ Research cited in remarks by Ron Brenneman (CEO Petro Canada) at the Canadian Consulate in New York entitled "Energy and Environment: Can the two Es live together?" (February 12, 2009).

⁴⁶ Statistics Canada, The Supply and Disposition of Refined Petroleum Products in Canada, Catalogue number 45-004-X, table 5-1, various years.

⁴⁷ See: The Toronto Star, February 27, 2007.

⁴⁸ Statistics Canada, op. cit. Table 4-1

⁴⁹ Conference Board of Canada, Canada's Petroleum Refining Sector: An Important Contributor Facing Global Challenges (October 2011), pages 30-34.

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⁵⁴ Luciani, Giacomo, Armed Conflicts and Security of Oil and Gas Supplies, CEPS working document number 352, June 2011.

⁵⁵ Luciani, op. cit.

⁵⁶ Cited in National Energy Board, "Winter Energy Outlook 2011-2012: Adjusting to Economic Uncertainty" (November 2011), available at www.neb-one.gc.ca (accessed March 15, 2012).

⁵⁷ Ibid.

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⁶⁰ Cited from Statistics Canada, North America Industry Classification System (NAICS) Canada 2012, Table 325.

⁶¹ See: "Alberta Fire Prompts Shell to Pull Workers from Oilsands Mine Site," The Canadian Press (May 19, 2011); "Five Workers Injured in Alberta Oilsands Blast; Probe Ongoing," Canadian Occupational Safety (January 12, 2011); "Oilsands Worker Seriously Injured by Exploding Tire," Fort McMurray News (September 23, 2009).

⁶² National Energy Board, "Winter Energy Outlook 2011-2012: Adjusting to Economic Uncertainty" (November 2011), available at www.neb-one.gc.ca (accessed March 15, 2012).

⁶³ For more on Canada's (and Alberta's) low royalty rates, see: David Campanella, Misplaced Generosity: Update 2012, Extraordinary Profits in Alberta's Oil and Gas Industry (Parkland Institute, March 2012); John Warnock, "Capturing Revenues from Resource Extraction" in Cy Gonick, ed., Energy Security and Climate Change (Fernwood: 2007).

⁶⁴ See: "The Keystone Debate: Forget the Pipeline, This is About the Oilsands," CBC News (September 26, 2011).

⁶⁵ See: "Titanic Clash Looms Over Proposed Northern Gateway Pipeline," The Toronto Star (January 8, 2012).

⁶⁶ See: Government of Alberta, Responsible Actions, Responsible Oil (June 2011).

⁶⁷ For a critique, see: Gordon Laxer, "National Energy Strategy a Fraud," www.gordonlaxer.ca (July 27, 2011)