

## Potential Energy: Canada's Oil Sands

By Shawn Zeller, CQ Staff

Canada has the second-largest proven oil reserves in the world, trailing only Saudi Arabia, and in fact has passed the Saudis as the largest foreign supplier of oil to the United States. The catch, though, is that most of Canada's oil is in the form of heavy and barely viscous bitumen — the same stuff used in asphalt, but in this case it is mixed in sand.

When the price of crude oil soared, it became more economically attractive to mine the oil sands region of Alberta, due north of Montana and Idaho, and business boomed, accounting for half of Canada's oil exports. The sand must be dug out and the bitumen boiled out, upgraded and finally refined before it can be used in the broader market. These steps require a lot of energy and water and, environmentalists contend, produce three times the greenhouse gases as drilling and refining crude oil.

The recent drop in world oil prices has slowed activity in the oil sands region, where a number of projects and expansions have been put on hold, but the industry expects prices to resume their climb once the recession is under control. A big worry for the Canadian industry and government, though, is that just when things are looking up, the United States will limit or sharply curtail its carbon emissions from fuel — and so they're trying to protect the oil sands' position whenever congressional momentum builds for legislation to combat climate change.

"The reserves are absolutely massive," says **Andrew Logan**, director of the oil program at Ceres, a Boston network of investors and advocacy groups that lobbies companies to adopt environmentally friendly practices. "But the question is: Are they economically viable in a carbon-constrained world?"

Canadian oil companies and the government of Alberta are trying desperately to prove they are. Alberta has issued a 20-year plan to show that the oil sands can be extracted cleanly, and it has launched a \$2 million public relations campaign.

Canadian Prime Minister **Stephen Harper** wants President Obama, who spent a day in Ottawa in February, to use his regulatory powers to create an exception for the oil sands under a 2007 law prohibiting the government from buying fuel whose extraction creates more emission than conventional oil production. Alberta's premier, **Ed Stelmach**, has extended an open invitation to Obama to visit the 54,000-square-mile oil sands region.

Now, Canada is beefing up its Washington lobbying. Stelmach has hired **James Blanchard**, a partner at the lobbying firm DLA Piper who was the Democratic governor of Michigan from

1983 through 1990 and later spent three years as the Clinton administration's ambassador to Canada. The Alberta governor also has hired former Canadian diplomat **Paul D. Frazer**, who's now a senior adviser at Washington lobbying firm mCapitol Management. DLA Piper will be paid \$25,000 a month and mCapitol Management will get \$15,000 to make a case in Washington for the oil sands.

Meanwhile, late last month, the Canadian Association of Petroleum Producers hired **Tom Huffaker**, who was formerly the State Department's consul general for Alberta, Saskatchewan and the Northwest Territories, as its vice president for policy and environment. Huffaker argues that with investment in new technology, oil sands production can be as clean as crude oil.

But the oil sands face big obstacles from environmental groups in both countries.

"The fact is that there is no green solution to the tar sands," says **Tony Clarke**, executive director of the Polaris Institute, a Canadian group involved in the campaign against the oil sands.

Days before Obama's trip to Canada, ForestEthics, another of the country's environmental groups, purchased space in USA Today for an ad featuring a map of North America with oil coating Canada and dripping down onto the United States. It called the oil sands "the dirtiest oil on earth."

The president was noncommittal when queried by the Canadian Broadcasting Corp., saying that oil sands create "a big carbon footprint" while adding that he thought the United States and Canada could collaborate on ways to extract the oil more cleanly. And that statement has given hope to the Canadian oil producers. "Our view is the president formulated that right and in a very positive way," says Huffaker.

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