

American Greens Vs. Canadian Oil Producers

The War Over the Alberta Oil Sands

By Neil Maghami

Summary: *The environmentalists' political power is awe-inspiring: from greening the education of American schoolchildren to promoting job-killing international treaties like the Kyoto and Copenhagen accords, there is hardly an aspect of American life that the green movement hasn't tried to capture. But it's never enough. Consider the greens' latest crusade: the war to stop development of Canada's oil sands in the province of Alberta. On July 11, 2008, the price of a barrel of oil reached an all-time high of \$147.27. That should have sent a signal that new supplies of energy are urgently needed to mitigate against future price rises. Yet U.S. environmental groups vow to prevent Canadians from developing their oil sands, sometimes called "the Saudi Arabia of North America."*



The oil sands of Canada are located mostly in Alberta, a province bordering on Montana that is small in population (3.7 million) but large in size (255,000 square miles, just a bit smaller than Texas). The province, named after the fourth daughter of Queen Victoria, was created in 1905. Its major cities, Edmonton and Calgary, each have populations of about 800,000 and 1 million, respectively.

Like states of the western United States, Alberta's prosperity in the past has

depended on wise use of its natural resources through farming, ranching, mining and forestry.

But Alberta has something unique to North America—a vast expanse of oil sands. The Athabasca oil sand deposits lie under 54,000 square miles of forests and peat bogs in northern Alberta over an area the size of New York state. According to the Government of Alberta, the oil sands are “a naturally occurring mixture of sand, clay or other minerals, water and bitumen, which is a heavy and extremely viscous oil that must be treated before it can be used by refineries to produce usable fuels such as gasoline and diesel. Bitumen is so viscous that at room temperature it acts

much like cold molasses.” For decades oil companies ignored the oil sands, which were called “tar sands” in the belief they were fit only for roofing tar. The technology to extract and refine crude oil from them was undeveloped, and the investment cost to build a processing and transportation infrastructure was prohibitive. Most importantly, there were more and better opportunities elsewhere for extracting, transporting and refining oil.

March 2011

US Greens Vs. Canadian Oil Producers
Page 1

Green Notes
Page 6

But the rising price of oil and the political troubles involved in obtaining oil from more dangerous parts of the world turned eyes northward. According to the Canadian Association of Petroleum Producers, “Canada’s oil sands deposits contain as much as 173 billion barrels of economically viable oil, second only in size to Saudi Arabia. Current oil sands production is about one million barrels of oil per day. By 2020, production is expected to grow to almost four million barrels per day. There is the potential for over 100 years of production.”

But that potential must be exploited. Nature provides the oil sands free of charge, but human ingenuity is necessary to make them useful. To transport the bitumen and refine it for conversion into crude oil will require the creation of new research and production technologies, methods of transport (building roads and pipelines) and, yes, environmental technologies to handle waste by-products. All of this requires a massive financial investment.

What’s Not to Like?

From an American energy consumer’s point of view, developing the oil sands

Editor: Matt Patterson

Publisher: Terrence Scanlon

Address: 1513 16th Street, NW
Washington, DC 20036-1480

Phone: (202) 483-6900

Email: mpatterson@capitalresearch.org

Website: www.capitalresearch.org

Green Watch is published by Capital Research Center, a non-partisan education and research organization classified by the IRS as a 501(c)(3) public charity. Reprints are available for \$2.50 prepaid to Capital Research Center.

looks like a no-brainer. The United States gets access to a new supply of energy from a close political ally just across its border. Canada reaps a financial and employment bonanza. What’s not to like?

And then there’s the national security advantage to be gained by developing Alberta’s oil sands. Canada already supplies the U.S. market with over two million barrels of crude oil per day. It is the #1 supplier of crude oil imports to the U.S. Every additional barrel of oil from Canada means the US has to import one less barrel of oil from the other top five suppliers: Mexico (#2—1.2 million barrels), Saudi Arabia (#3—1.1 million), Venezuela (#4—880,000), and Nigeria (#5—806,000), according to the latest January 28 report from the U.S. Energy Information Administration. The rest of the top ten foreign oil suppliers are Columbia, Algeria, Iraq, Angola and Ecuador. Russia is #11.

What a rogues’ gallery of unfriendly or unstable nations! Obviously, anything that helps increase oil production in Canada could reduce the leverage that the Saudis, Venezuelans, Russians, et al. have over the U.S. energy market. And anything that restricts the growth in Canada’s oil exports increases the power of less-than-friendly suppliers.

That the U.S. is vulnerable to blackmail by unfriendly foreign suppliers is not just a plot for a televised “Movie-of-The-Week.” In fact, Arab oil producers cut back on energy exports to the U.S. and Britain in 1967 to protest their support for Israel during the Six-Day War. The Arab Oil Embargo of 1973 lasted even longer, creating economic hardships and producing a foreign policy rift between the U.S. and some of its NATO allies.

Consider the recent revolution in Egypt. Should an Islamist government rise to power there, it could cut off Western access to the strategic Suez Canal to make it more costly for oil companies to ship fuel from the Middle East. Consumers and the American economy would take a sharp hit.

The Anti-Oil Sands Network

As you might expect, the environmentalist establishment has lined up to oppose development of the Canadian oil sands. And why not? Nonprofit environmental groups exercise power to shape U.S. domestic policy. Why shouldn’t they want to determine U.S. external relations with close allies like Canada?

Green groups have launched a multi-pronged campaign against developing the oil sands that has many objectives designed to appeal to a diverse coalition. However, one overriding public relations tactic is aesthetic and spiritual: the claim that the dirty age of petroleum is coming to an end. Why continue grubbing for crude oil embedded in the sand when the joyous future of energy exploration lies in the wind and sun, in “alternative” and “renewable” energy? Clearly, there is no rational response to such an emotional aspiration. But as Benjamin Lieberman, an energy analyst with the Competitive Enterprise Institute, rightly notes: If there were no future in petroleum, then why would companies and governments be making the huge investments necessary to refine it? The expansion of oil sands research and infrastructure “pours cold water on the idea that alternative sources of energy are going to replace petroleum any time soon,” says Lieberman.

Members of the anti-oil sands network include Earthworks, Environmental Defence, Forest Ethics, Friends of the

Earth, Greenpeace USA, National Wildlife Federation, Natural Resources Defence Council (NRDC), Rainforest Action Network and the Sierra Club.

Each green non-profit takes a different approach in attacking the oil sands, but all share the goal of demonizing development. Greenpeace, for example, has dispatched teams of students to Alberta to write blogs and produce short videos about the oil sands.

One blogpost on the Greenpeace USA website calls Alberta “the world’s largest environmental disaster site” and says “getting oil from tar sands is environmental genocide.” And that’s just for starters. He continues:

“A dirty haze covers the sky, billowing from smokestacks all along the landscape and invading the territory of clouds. Piles of black sulfur, discarded sand, and other desolate material is scattered as far as the eye can see. No more green boreal. This place has been completely transformed into something more barren than the moon. The tar sands have brought new meaning to the word ‘rape.’”

Like Greenpeace, the San Francisco-based non-profit Corporate Ethics International is out to take down the oil sands. But Corporate Ethics takes a different tack. It seeks to frighten and/or threaten the tourism industry by organizing what it calls a “Re-Think Alberta Campaign” involving billboards and internet ads that attack the Province of Alberta for permitting the oil sands development to continue. The goal: “to wake up the tourism industry in Alberta to the fact that tar sands are a threat to theirs and our future—both an environmental and a reputational threat.”

The Corporate Ethics’ campaign hit a chord, at least with several big foundations.

The Rockefeller Brothers’ Fund (net assets of nearly \$710 million in 2009) set aside \$500,000 for Corporate Ethics, according to its 2009 tax disclosures. Another donor to Corporate Ethics is the Marisla Foundation (net assets: \$37 million), which gave \$150,000 to support the anti-oil sands fight in 2009.

Tides Foundation Giving

No one should be surprised that the San Francisco-based Tides Foundation has joined the war on the oil sands. Tides accepts donations from individuals and foundations and channels them to activist organizations. It is not required to disclose the identities of its donors. In April 2010, a Tides portfolio manager boasted that the foundation would use its stock holdings to “promote [a resolution] at ConocoPhillips on oil sands” at the oil company’s annual meeting. ConocoPhillips is heavily involved with the oil sands and is trying to position itself as a major player.

Tides’ secrecy is a barrier to analysis. But as reported by Vivian Krause, a Canadian journalist (more on her work below), tax returns “show that Tides and Tides Canada have paid US\$4.3 million for a ‘Tarsands Campaign’. The top recipients being the Sierra Club (\$909,652), Corporate Ethics International (\$750,000), the Natural Resources Defense Council (\$520,000), and Forest Ethics (\$401,364).”

Some Tides donors against the oil-sands are known:

* The 2009 tax form of the Sea Change Foundation reports a \$2 million donation to Tides “to promote awareness of and opposition” to the oil sands development. San Francisco-based Sea Change (2009 net assets: \$65 million) is led by Nathaniel “Nat” Simons, son of James Simons, a

hedge fund guru worth \$8 billion according to the Forbes magazine ranking of the richest Americans.

* The San Francisco-based Oak Foundation also routes its contributions through Tides. Its 2009 IRS Form 990 reveals a \$490,000 grant to Tides to oppose the oil sands. Oak reported 2009 net assets of \$172 million.

* The New York Community Trust (2009 net assets: \$1.7 billion) funneled \$100,000 through Tides “to limit the growth of tar sands production.”

U.S. Foundations Intervene

On June 8, 2010, an alliance of 251 self-proclaimed “environmental entrepreneurs” and tax-exempt foundation leaders (including a Sea Change representative) wrote to Secretary of State Hillary Clinton imploring her to “suspend the permitting process for the Keystone XL until the State Department is able to more fully evaluate the economic and environmental impacts of the project and the value of this project to the national interest.” Keystone XL is a \$7 billion energy infrastructure pipeline project that aims to transport crude oil from the Canadian oil sands to the U.S. Gulf Coast. Two other pipelines are already in operation. It is estimated that approval of Keystone XL would increase capacity so that the oil sands could provide up to 15 percent of the U.S. fuel supply.

Among the foundations supporting the letter were representatives of: the TOSA Foundation, Beagle Foundation, Moore Charitable Foundation, Noble Foundation and Kirsch Foundation.

In October 2010, a muckraking Canadian researcher named Vivian Krause blew the whistle on the lavish U.S. foundation support backing efforts to stop the Canadian

oil sands' development (Krause blogs at fairquestions.typepad.com).

According to Krause's research into U.S. tax returns and other public records, the Tides Foundation and other charities based in California and New York have made grants of at least \$15 million since 2003 for campaigns against the Alberta oil sands and other energy-related infrastructure programs in Canada.

Krause acknowledged that American foundations frequently support activists, but she questioned why the media did not investigate their campaigns and sources of funding. The extent of foundation support for the attack on the oil sands was so lavish that Krause found it laughable that it was called "a grassroots operation."

What's Behind the Oil Sands Onslaught?

Daniel Kish, senior vice president at the Washington, D.C.-based Institute for Energy Research, has examined the green campaign against the oil sands. He points out that Canada is not the only country developing its oil sands. Venezuela has oil sands projects. Why pick on Canada, "an ally next door, sitting on top of a huge resource that can benefit the U.S.?" Kish adds, "Don't forget that, unlike in other countries, much of the equipment being used in Alberta is manufactured in the United States, which brings additional economic benefits. And Alberta is approaching the development of the oil sands much the same way that we would go about it in America – without completely trashing the environment."

A recent Friends of the Earth report on global oil sands suggests that at least some opposition to US-Canada cooperation is purely ideological. That report praised Venezuelan dictator Hugo Chavez, who ordered the state-owned oil sands company

to spend at least 10 percent of its annual investment budget on social programs. The report said, "Some of this money was intended to be spent on free health care, discounted food for poor neighborhoods, job creation programs, education, indigenous land-titling, and discounted oil prices for exports to neighboring Caribbean countries and some areas of the U.S." Maybe if Canadians hang pictures of Hugo Chavez around the oil sands development offices in Alberta, the greens will back off.

Kish notes that past green campaigns against nuclear power and other energy sources have promoted the idea that "Americans must learn to live with less." The result of such ill-advised arguments, Kish says, is that they make the U.S. even more dependent on oil imported from distant and dangerous places.

"What you are seeing in the anti-oil sands campaign, one more time," Kish says, "is a failure to appreciate how much plentiful energy supplies contribute to the U.S. standard of living, particularly when it comes to helping people of limited means avoid having to spend a large proportion of their paychecks on energy-related costs."

Competitive Enterprise Institute senior fellow Christopher Horner, the author of *Power Grab: How Obama's Green Policies Will Steal Your Freedom and Bankrupt America*, reinforces Kish's argument. He contrasts the greens' distaste for Canada's oil sands with China's enthusiasm. Says Horner: "Of course, the Chinese are no fools, and they rushed in with a \$2 billion investment." Canada's oil sands are "just too icky" for the American Left, he says. The Left reacts to Alberta with the same "dynamic played out with Gulf of Mexico oil and gas, too: Nearby and plentiful, but now being pursued by other countries instead of us."

Horner notes that the oil sands weren't always treated like a piñata for greens to bash. In 2005 Congress applauded "unconventional fuels" such as the oil sands, which it declared "strategically important domestic resources that should be developed to reduce the growing dependence of the United States on politically and economically unstable sources of foreign oil imports."

Whoa, Canada

In mid-January 2011, Rick Smith, head of the Canadian wing of Environmental Defense, attacked Canada's environment minister for forthrightly defending Canada's right to develop its oil sands. Smith warned Peter Kent, the environment minister, "not to further inflame the debate" by speaking up for Canada's interests. The Environmental Defense attack came just days after spokesmen for Friends of the Earth and NRDC took similar jabs at Kent.

At least one Canadian believes the US greens are badly miscalculating the impact of their attacks.

"Put yourself in the shoes of a Canadian politician on the eve of an election," commented journalist Ezra Levant to the Ottawa-based *Hill Times*. "What's his dream situation? Some American lobbyist from Washington, D.C., lawyers, lobbyists, we're talking the bottom rung of the public opinion ladder here, foreign lobbyists saying, 'Peter Kent, stop defending Canada...'"

Concluded Levant, author of *Ethical Oil*, a spirited defense of Canada's oil sands: "That's a dream come true, that's a dream come true [for a Canadian politician] to defend Canada against foreign lobbyists, foreign slanderers."

Not surprisingly, U.S. greens have been mute about Peter Kent ever since Levant's observations appeared in print. They are holding off on attacking Canadian politicians, leaving that to their allies like Rick Kent of Environmental Defense Canada.

But the damage to the green cause in Canada has been done. Oil sands defenders now brand environmentalist criticism as "foreign meddling" in internal Canadian affairs. And they can point to Vivian Krause's research to argue that the anti-oil sands campaign would not exist but for the generous grants from American foundations located far from Alberta.

Skillful Canadian politicians, who are sensitive to slights to Canadian sovereignty from the colossus next door, have often brought audiences to their feet—and voters to the polls—by playing up Yankee interference. It's likely that American environmental groups will regret their blindness to this aspect of Canadian politics. Ironically, the harder that U.S. greens and their foundation backers push on Canada to relent, the more tightly people north of the border may begin to cling to their sovereign right to develop their own resources as they see fit, for their own national economic prosperity. And to recall Chris Horner's point –If the U.S. will not buy fuel derived from the oil sands, there's an energy-hungry nation of more than 1 billion people in Asia more than happy to help Canada bring its oil sands on line.

Conclusion

A green victory against the oil sands will leave the Province of Alberta poorer for it. But not only Canadians will lose.

US consumers will pay higher prices because a potential energy source will go undeveloped. A resource that could help break the power of the global oil cartel will lie dormant to appease the global green lobby. And relations with a close ally will be potentially soured just to appease environmental activists.

Only the greens, blind to the ramifications of their actions, could look at these outcomes and call them "wins" for the U.S. national interest.

GW

Neil Maghami is a freelance writer and a frequent contributor to Capital Research Center publications.

Please consider contributing now to the Capital Research Center.

We need your help in the current difficult economic climate to continue our important research.

Your contributions to advance our watchdog work is deeply appreciated.

Many thanks,

**Terrence Scanlon
President**

GreenNotes

Despite his party's recent electoral thumping, President **Barack Obama** is intransigently attached to his radical energy agenda. In his 2011 State of the Union address, Obama issued a "clean" challenge to the nation: "By 2035, 80 percent of America's electricity will come from clean energy sources." Astute commentators like **Marlo Lewis** of the **Competitive Enterprise Institute** (CEI) noticed that the President's new 'goal' is eerily reminiscent of the old goal of the notorious Waxman-Markey "cap-and-trade" bill, which died a deserved death in the last Congress. As Lewis notes, the **Energy Information Administration** (EIA), an analytical and forecasting adjunct of the **Department of Energy**, had estimated that under the cap-and-trade regime, electricity from all 'clean' sources could have reached 81 percent of total generation by 2030. Unbelievable – cap-and-trade failed in the trial by fire that is the democratic legislative process, yet the President still insists on pushing cap-and-trade's key objective, and even has the temerity to challenge the new Republican Congress to help him do it.

Another one for the "environmentalist make things worse by trying to make things better" file: New research published in the January 2011 issue of *Environmental Science & Technology*, shows that LED (light emitting diode) lights, which had been trumpeted as an earth-friendly alternative to old-fashioned Christmas lights, in fact contain over one dozen hazardous substances, including lead and arsenic. In fact, as *USA Today* reports, the supposedly "eco" bulbs tested contained "up to eight times the amount of lead allowed under California law." **Oladele Ogunseitan**, chairman of UC Irvine's **Department of Population Health & Disease Prevention** and co-author of the new study, says that, if broken, the LED lights should be swept up "while wearing gloves and a mask." Thank you, environmentalists, for giving us hazardous waste to drape around our Christmas tree.

The newly empowered Republican Congress has moved fast to hold the **Environmental Protection Agency** (EPA) to account, and have especially challenged the EPA's Orwellian efforts to limit carbon emissions. Environmentalists have responded with a PR push to bundle carbon emissions and health problems in the public mind: As **Health Care Without Harm's Brenda Afzal** helpfully explains, "Failure to allow EPA to safeguard our air supply exposes thousands of people with chronic illnesses, including our children, to increased health episodes." Clearly, the Greens have some focus-group data that they think shows red-state soccer moms and NASCAR dads susceptible to such blatant scaremongering. And they may be right.

The greens' war on coal fired power plants continues (see *Green Watch*, November 2010). In February, the **Sierra Club** petitioned the EPA to object to a draft clean air permit for the coal fired power plant in Shawville, Pennsylvania owned by **GENON Energy, Inc.** "To corporate polluters like GENON our health is worth less than their profits. They want to continue polluting with no limits. We need to hold these corporate polluters accountable," said **Randy Francisco**, Sierra Club's PA Beyond Coal Organizer, who continued, "We cannot continue to let them ruin our children's health for the sake of an extra buck." How healthy it is for children when their parents lose their jobs because the local plant was closed by environmentalists' protests has not, so far as *Green Notes* knows, been commented upon by Mr. Francisco.

US environmentalists are not just content to target energy production and jobs in America – they're determined to undermine foreign prosperity and industrial capacity as well: Australia's **Ambre Energy** wants to build an export terminal on the Columbia River in Longview, Washington, where more than 5 million tons of coal per year would be loaded onto ships for export to China and other Eastern markets. But not if a coalition of green groups, including **Earthjustice**, have anything to say about it. The greenies are appealing a shoreline development permit granted Ambre by Washington State's Cowlitz County back in November, on grounds that the exported coal would increase CO2 in the atmosphere and contribute to global warming. That they might also be used to lift a developing nation out of poverty seems to be of no concern.

Baltimore's **Edgar Allan Poe House**, a city-owned museum dedicated to the author who died in Baltimore in 1849, has been having financial troubles. But never fear: The **People for the Ethical Treatment of Animals** (PETA) has offered to come to Poe's aid – if city officials allow the animal rights group to display an ad urging people to eat vegan. According to the *Baltimore Sun*: "In a letter sent... to Poe House curator Jeff Jerome, PETA officials offered to 'help a little bit' in the effort to keep the financially strapped Poe House open. In return for that help, PETA proposes, the house would display a sign featuring a man clutching at his chest; the accompanying message would read, 'The Tell-Tale Heart of a Meat-Eater. Don't be Haunted by Bad Health: Go Vegan. PETA.'" Say this much for PETA – they have given us a grotesquerie beyond even the master's considerable powers of invention.