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the New Management Network™

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The recent US decision to defer the decision on the Keystone pipeline illustrates how much political pressure special interest environmental lobbies can muster. This is a reality not be ignored. Canada may become a clean energy superpower, but leaving the leadership and impetus to individual companies in the private sector alone isn't working. Each individual company is limited in focus, expertise and time perspective to its primary product (and profit): not the overall industry and society beyond.

Governments can play a legitimate and proactive role in turning Canada's justifiably tarnished image into an environmentally responsible one. This necessitates going well beyond public relations efforts that unwittingly add to the tarnish.

Evidence of water contamination has sparked legitimate concern that serious pollution from oil sand developments and operations may prevent Canada from achieving its clean energy goal. Climate change, impacted to some degree by human activity (CO_2, for example) has made the oil sands the "poster boy" (or baby seal) of environmental disaster that has been engraved into conventional wisdom.

Danny Williams, former Premier (Progressive Conservative) of NL broke the mold on relations with resource industries. He negotiated provincial shares in offshore oil, insisted refining/processing be part of provincial resource agreements and made it work to everyone's benefit. Refineries are under construction, revenues increased and direct and indirect jobs (support industries including GPS and computer related systems have generated high paying jobs, and training for young workers is having immediate results). Other provinces can do the same.

New developments need new approaches. Some positive efforts are now visible in the form of land reclamation where open pit extraction has been completed, and much effort has gone into newer technologies to improve underground extraction. Nonetheless, the current development combined with future projections is huge beyond imagination, and environmental activists and interest groups have a valid basis for their concerns about environmental degradation.

Recent Alberta initiatives illustrate steps are heading in the right direction: the monitoring system under development is one example. But that only measures pollution or improvements, it doesn't stop pollution before it happens.

The Alberta oil sands are accessible, and therefore media will be exposing more il-

lustrations of pollution that cannot be offset by public relations spin. It's a lot harder to access the incredible mess in Nigeria that has evolved from corruption and negligence. Consequently, Canada sits in the world spotlight. Environmental degradation is already the focus of attention from powerful environmental lobby groups in both North America and Europe: the two largest economies in the world. Their scrutiny will only increase.

The issue goes beyond pollution and damage control. Does Canada want to be just a hauler of crude? Why export crude oil when it can be upgraded and refined in Canada, creating jobs here rather than the hurricane prone gulf coast? Danny Williams proved the point by refusing approval of Voisey's Bay development unless INCO refined the ore within NL. Maybe it's time for Alberta and Saskatchewan to consider such a quid pro quo for their oil.

The world will need increasing amounts of oil into the foreseeable future regardless of the pace of alternative energy developments. Despite recent setbacks, Canada, (Alberta in particular, followed by Saskatchewan and Manitoba) has oil reserves ranking amongst the largest in the world. The challenge is to meet oil demand and respect global environmental concerns together. Jobs and economic growth will follow.

Manitoba has huge undeveloped hydro power on the Nelson River. International demand for hydrogen is beginning to grow (e.g. Germany). The largest market, however, is oil sand developments, where hydrogen now comes from stripping huge amounts of natural gas, releasing CO2. Alberta oil sands reserves are estimated to last over 200 years, but gas only about 50. Hydrogen can be produced by electrolysis of water (oxygen is the "exhaust"), with a 25% increase in efficiency when super hot water is used. Super hot water is a by-product of nuclear powered stations, one of which could be located near hydro generators on the Nelson. Hydrogen could be shipped by train to Alberta from the Nelson River, and via Churchill to international markets. The added benefit is that Churchill's port will be resurrected even if the Canadian Wheat Board is marginalized.

Saskatchewan needs to replace coal fired electricity generation plants. Natural gas generators are much cleaner, and could be fueled with gas freed up from oil sands needs.

The capability to do this already exists. Private oil/mining companies as well as provincial hydro-electric corporations have unique expertise in export marketing. Provincial governments and energy companies have substantial experience managing large and complex developments.

Discussions amongst the key players could conclude that by working together, their combined projects and expertise would resolve most of their issues, to the benefit of all, including the environment. Given the focal point of the oil sands, it would appear logical for Alberta to take the lead.

Phasing all components would be challenging, requiring a clear commitment to a long-term energy and environmental strategy. Individual projects are massive when taken alone: too many underway at once could stress parts of the economy, particularly labour, steel and equipment, leading to excessive costs. Each project needs 10 plus years to complete, implying a construction scenario over 40 years.

While current oil sands operations are cleaned up, slower output growth from the oil sands could be offset by faster development of the major oil field that underlies eastern SK and southwestern MB. Ultimately, significant value would be added to the economy in the form of clean energy, new direct and indirect jobs, and exports of more highly refined and processed goods.

Over the next century huge oil and other energy developments could develop in

western Canada. The pace of that development and acceptability to world markets will be directly related to how well all involved parties in Canada (private and public sectors combined) are able to work together to make it happen. Given the current state of the global economy, there should be sufficient slack over the medium term to get projects well underway without significant inflation, generating needed jobs, training opportunities for youth and establishing the basis for Canada as a competitive clean energy superpower.

The NL experience shows this can work. Time to cut the PR spin and get on with a clean energy strategy in western Canada, combining skills of private and public agencies while respecting the needs and obligations of both! Canadians everywhere will benefit, and internationally Canada will be recognized as a world leader and innovator.

The Keystone delay can be regarded as an opportunity to “get it right”.

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