NEWS RELEASE

ALBERTA WILDERNESS ASSOCIATION

Release Date: June 21, 2017

Public Risk For Oilsands Mines Clean-up Costs Must Be Removed

Albertans face unacceptable risks from unfunded oil sands mine clean-up costs. Alberta Wilderness Association (AWA) believes it is time for tar sands mine operators to pay full security for their clean-up obligations and remove this burden from the public.

"While bitumen mine operators still have strong cash flows, Alberta regulators must require full financial security for their clean-up obligations," says Carolyn Campbell, AWA Conservation Specialist. "The current rules allow most payments to be made after a mine's main revenue-earning years have passed. Couple that with an uncertain industry outlook (*a recent report outlines how low-cost transportation alternatives could cause a collapse in oil prices in as little as four years*), we believe the risks for Albertans and for the Lower Athabasca River are unacceptable."

Oil sands mines are situated in an area of outstanding ecological importance, along Alberta's lower Athabasca River where major North American migratory bird flyways meet. Many unsolved mine reclamation problems still remain, including re-creating peat wetlands that once made up half the natural landscape; safely treating tailings ponds (234 km^2 area and 1.1 billion m^3 volume at the end of 2014, and growing); and cleaning up shallow groundwater affected by mine operations.

The Alberta Energy Regulator reported that oil sands and coal mine cleanup liabilities totaled $23 billion in June 2016, 17 times greater than the $1.4 billion posted by operators to pay for cleanup. Alberta coal mine operators are already required to provide full financial security on their closure liabilities. The current rules enjoyed by oil sands mine operators defer most financial security until shortly before the end of mine life, leaving the public to subsidize the default risk. Two recent examples reinforce this risk: the billion dollar public reclamation costs from the NWT's bankrupt Giant gold mine, and the recent appeal court ruling on Alberta's bankrupt Redwater Energy Corp., which prioritized other creditors' claims over Alberta's environment regulations.

University of Alberta economist Andrew Leach critiqued the current security regime at its outset in 2011: "the Mine Financial Security Program (MFSP) continues down a wrong-headed path… Reclamation liabilities start building up well before bitumen production begins, and the security deposits made by companies should match these liabilities, otherwise taxpayers are on the hook for them."

Alberta must quickly transition to full financial security collection while cash flows for Alberta's oil sands mine operators remain high. On April 26, 2017, Suncor reported oil sands operating costs of $22.55/barrel and started a $2 billion share buyback program. Imperial Oil announced a significant increase in its operations cash flow on April 28. On May 4, CNRL announced a substantial increase in the size and sustainability of its cash flow, with oil sands mine operating costs of approx. $22/barrel, and raised shareholder dividends.

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