

A Fork in the Road

Will history judge February 23, 2020 as a watershed moment in Alberta? Then, Teck Resources stunned boosters and detractors of oil sands exploitation alike. With the federal cabinet poised to decide the immediate fate of Teck's Frontier Oil Sands Project within a few days, the company pulled its application.

Not surprisingly, the Alberta government condemned what Teck did. But, Premier Kenney didn't fault the company for not waiting several days for the federal decision. Instead, his news release rounded up his usual suspects. Environmentalists and aboriginal opponents to the Coastal Gas-Link natural gas pipeline were to blame. So was Ottawa...but just Liberal Ottawa. Conveniently ignored is the fact that the Harper government, in which Premier Kenney served in cabinet, was the obstacle to fulfilling Teck's hope for a regulatory decision by 2014.

One phrase from Teck's project withdrawal letter received much press attention. It read: "However, global capital markets are changing rapidly and investors and customers are increasingly looking for jurisdictions to have a framework in place that reconciles resource development and climate change..." (my emphasis)

Does Alberta accept Teck's premise? I don't think so. When the Premier vilified "a militant minority" in response to Teck's decision, I suspect his target was all oil sands opponents, those who use legal as well as illegal means. But, the "militant minority"

label arguably fits some investors as well, the investors who are turning their backs on the oil sands sector and denying companies capital – their lifeblood.

The managers of Norway's \$1 trillion government pension fund decided last fall to sell the fund's holdings in four key oil sands players: Cenovus, Husky, Imperial Oil, and Suncor. Hundreds of railway blockaders didn't lead them to that decision. Or, what about Royal Dutch Shell and Conoco Phillips – companies that recently abandoned their longstanding positions in the oil sands? Or, what about BP's decision to dissociate itself from three U.S. petroleum lobby groups? Climate change and the need to take it seriously offer more compelling explanations for those decisions than the Premier's preferred narrative.

Teck's decision highlights that Alberta is at a fork in the road. To the right, is a route that takes climate change seriously and requires policies that will make significant reductions in GHG emissions in Alberta, in Canada, and in all major industrialized and industrializing nations. Alberta's governments – Progressive Conservative, New Democrat, and United Conservative – have never taken that road.

The fork to the left keeps us on a familiar route. It's the road where the Premier declares his government's deepened "resolve to use every tool available to fight for greater control and autonomy for Alberta within Canada, including reinforcing our constitutional right to develop our natural

resources, **ensuring a sustainable future for our oil and gas industries**, and restoring Canada's reputation as a reliable place to do business." (my emphasis)

So far, there's no indication the Teck decision will push the Premier to reconsider whether, in order to attract more of the oil sands investment he craves, his government must take seriously the need to take the right fork and cut greenhouse gas emissions from the oil sands sector.

Instead, the provincial government has offered a long list of decisions that only focus on deregulating oil and gas and improving corporate bottom lines in the short term. They include:

- cutting the budget of the Alberta Energy Regulator (AER) by more than \$150 million over four years;
- cutting staff at the AER by 22 percent in 2019/20;
- ordering rural municipalities to cut taxes on shallow gas producers by 35 percent;
- refusing to force oil/gas companies to pay the \$173 million they owe rural municipalities in unpaid property taxes;
- cutting corporate income taxes.

Instead of doubling down on the way government/industry relations have been conducted historically in Alberta I think it's time for the province to recognize a "militant minority" of investors who are looking for government to take a new route that recognizes new realities.

- Ian Urquhart

