Do not cite or quote without permission of the author

'Dirty Oil,' 'Responsible Resource Development' and the Prospects for a National Conversation about Energy Sustainability in Canada

Mark S. Winfield, Ph.D.
Faculty of Environmental Studies
York University
September 2012

Introduction

Recent events, including a high profile public exchange between Alberta Premier Alison Redford and Ontario Premier Dalton McGuinty,[1] and comments by federal opposition leader Thomas Mulcair[2] have highlighted the growing regional conflicts within Canada over the direction of energy policy and specifically the development of non-renewable energy resources. Although Canada's federal and provincial energy ministers agreed on a broad outline of a 'National Energy Strategy' in July 2011,[3] the likelihood of such a strategy becoming a reality seems increasingly remote. In fact, discussions of such a strategy collapsed at the July 2012 Premiers' meeting in the face of disputes between Alberta and British Columbia over the proposed Northern Gateway Pipeline, which would carry oil sands products from Alberta to the BC coast for export.[4]

This paper offers some reflections on the prospects for a more constructive national conversation about energy and energy resources development, leading to a more cohesive national energy policy framework. The paper examines the potential drivers of engagement in such a discussion, particularly in terms of how key provinces perceive

[1] K.Howlett and D.Walton, "Redford's energy vision clashes with McGuinty's view of oil-sands benefits" The Globe and Mail, February 27, 2012.
[2] D.Abma, "Some provinces suffering because of oil sands prosperity: Thomas Mulcair," National Post, May 5, 2012.
[3] Canadian Press, "Canadian Energy Policy Charted at Kananaski Meeting" July 19, 2011. http://www.huffingtonpost.ca/2011/07/19/canada-energy-policy-kananaskis_n_904012.html

[4] R.Benzie, "B.C. puts energy plan in limbo," The Toronto Star, July 26, 2012.

their economic, environmental and political interests with respect to energy. Barriers to the emergence of a shared national vision around energy are also considered in these terms.

The underlying normative framework for the paper seeks to advance energy sustainability in Canada while addressing the regional divisions over energy policy. Energy sustainability is defined here as incorporating the core Brundtland elements of intergenerational and intragenerational justice,[5] but also to draw on more recent reflections on sustainability[6] and works specific to energy issues.[7] These contributions incorporate considerations of the importance of system resilience, adaptive capacity, and the prevention of path dependency; precaution, particularly with respect to the potential for catastrophic events; the need for economic and resource efficiency; the centrality of socio-ecological civility and democratic governance; and the avoidance of geopolitical risks in energy system design.

The paper also draws on a number of long-standing themes in the research on Canadian energy and environmental policy. In particular, Doern and Gattinger[8] introduced the concept of the simultaneous emergence in Canada of the notions of integrated and comprehensive energy and environmental policies in the early 1970s. However, they also note that these policy streams then proceeded on parallel but separate tracks, only crossing over in relation to specific projects, like the first Mackenzie Valley pipeline proposal, until the arrival of the climate change issue in the

[5] Classically expressed in Our Common Future as "development that meets the needs of the present without compromising the ability of future generations to meet their needs."
[6] .R.B.Gibson, "Sustainability assessment: basic components of a practical approach," Impact Assessment and Project Appraisal, volume 24, number 3, September 2006, pp.170-182.

[7] A. Lovins "Hard vs. Soft Energy Paths," Alternatives Volume 8, Number 3/4.Fall 1980; M.Jaccard, Sustainable Fossil Fuels (New York: Cambridge UP, 2005); Winfield, M., Gibson, R., Markvart, T., Gaudreau, K. and Taylor, J., "Implications of Sustainability Assessment for Electricity System Design: The case of the Ontario Power Authority's Integrated Power System Plan," Energy Policy, 38 (2010) 4115-4126.

[8] Bruce Doern and M.Gattinger, Power Switch: Energy Regulatory governance in the 21st Century (Toronto: UPT, 2003) Chapter 1 "Canadian Energy Policy and Regulation in Historical Context" pp.21-39.

1990s. Even then the integration of energy and environmental policy remained far from complete.

The paper also touches on important dimensions of Canadian federalism, particularly the profoundly different economies of the provinces and the role of the federal government in mediating and balancing the regional grievances that can arise from these differences. [9]

Canada's National Energy (Non-)Policy

The conventionally accepted view is that Canada hasn't had a national energy policy framework since the demise of the Trudeau government's 1980 National Energy Policy (NEP) with the arrival of Brian Mulroney's Progressive Conservative government in 1984. The Mulroney government was elected in part on the basis of vociferous objections to the NEP in Western Canada. [10]

In practice, however, Canada has had a *de facto* federal energy strategy since then, a point emphasized by Prime Minister Harper in a January 2012 television interview.[11]

"…the fundamental basis of our energy policy in this country is essentially market driven. You know, we made the switch some 25, 30 years ago, and it's served the country well. As a market-driven supplier, we're now the only — in the developed world and in the stable world — we're really the only supplier that is secure and is increasing its production."

[9] See generally G.Stevensen, "The Political Economy of Regionalism and Federalism," and Douglas M., Brown, "Fiscal federalism: Maintaining a Balance?" in H.Bakvis and G.Skogstad eds., Canadian Federalism (3rd Edition) (Toronto: Oxford, 2012) pp.20-37; 118-140.

[10] Bruce Doern and M.Gattinger, Power Switch: Energy Regulatory governance in the 21st Century (Toronto: UPT, 2003) Chapter 1 "Canadian Energy Policy and Regulation in Historical Context" pp.21-39.

[11] "A conversation with the Prime Minister" The National, January 16, 2012, http://www.cbc.ca/video/#/News/TV_Shows/The_National/1233408557/ID=2187645807

Within this marked-based policy model, private capital rather than Canadian governments are seen to have determined the nature, location, scale and pace of energy resources development. The result has been a strong focus on the exploitation of fossil fuel resources in western Canada, and more recently the Arctic and Atlantic Canada, for export, principally to the United States.[12] Although described as "market driven" in practice an extensive institutional, legal and policy infrastructure has been established in support of this orientation. The bulk of this infrastructure pre-dates the current Conservative federal government.

An energy export orientation was strongly embedded into 1988 *Canada-US Free Trade Agreement* negotiated by the Mulroney government and subsequent *North American Free Trade Agreement* adopted by the succeeding Liberal government lead by Jean Chretien.[13] The 1993-95 National Task Force on Oil Sands Strategies, jointly sponsored by the federal and Alberta governments, laid the groundwork for the subsequent dramatic growth of production from the oil sands. There are long-standing federal tax expenditures designed to specifically support non-renewable resource development, notably the Canadian Development Expense and the Canadian Exploration Expense. These have been supplemented more recently by oil sands specific measures, notably the Accelerated Capital Cost Allowance for oil sands projects introduced in 1996.[14] Annual federal tax expenditures related to the fossil fuel sector under these programs increased by 122 per cent, from $1.020 Billion in 1996 to $2.261 billion in 2002 reflecting a combination of increased activity in the sector and the oil sands-specific new measures.[15]

---

[12] Canada's oil and natural gas exports are almost exclusively to the United States. Canada also exports coal from western Canada to Asia.

[13] M.Gattinger, "Canada's Energy Policy Relations in North America: Toward Harmonization and Supranational Approaches?" in M.Gattinger and G.Hale, eds., Borders and Bridges: Canada's Policy Relations in North America (Toronto: Oxford, 2010) pp.

[14] The phase-out of the ACCA for oil sands between 2011-2015 was announced in the 2007 federal budget. Department of Finance, 2007 Budget Plan, Chapter 5.

[15] See M.Winfield and A.Taylor, "Tax expenditures and environmental sustainability in Canada Two case studies in perverse subsidization" paper presented to the Osgoode Hall Law School ConferenceTax Expenditures and Public Policy in Comparative Perspective on Tax Expenditures, September 12, 2009.

In addition to support through the federal tax system and a generous royalty regime on the part of the Province of Alberta,[16] international investment in the oil sands was very actively promoted by the federal government through trade missions. [17] More recently Canadian diplomats in the United States and European Union have mounted aggressive defenses of the development of the oil sands in the face of growing concerns over their environmental impacts.[18]

Federal support for the expansion of fossil fuel resource development and exports is also central to understanding the Chretien government's reluctance to move decisively on the implementation of Canada's international climate change mitigation obligations, even following the ratification of the Kyoto Protocol in 2002. Rather the Liberal government relied on ineffective voluntary measures, particularly the Voluntary Climate Registry (VCR), and investments in research and development as its primary greenhouse gas (GHG) emission reduction strategies. Even as it came to recognize the need to move to more robust regulatory approaches with respect to GHG emissions from large industrial sources, special treatment was promised to the fossil fuel sector to limit the impacts of emission constraints and financial burdens on the sector.[19]

The second major dimension of federal engagement in energy policy was related to nuclear power, particularly support for Atomic Energy of Canada (AECL), the federal Crown corporation created in 1952 to design, build and market CANDU (CANada

[16] See M.Rayonlds and A.Taylor, Thinking Like an Owner: Overhauling the Royalty and Tax Treatment of Alberta's Oilsands (Drayton Valley: The Pembina Institute, 2006). The provincial regime was structure such that royalties fell as production rose. Oilsands production rose by 133% between 1996 and 2005, while royalties paid to the province fell by 29% over the same period.
[17] See for example, Government of Canada, Washington.gc.ca, "Speeches, Statements, and Outreach" accessed at http://www.canadainternational.gc.ca/washington/offices-bureaux/amb/speeches_discours.aspx?view=d, See also Climate Action Network Canada, Dirty Oil Diplomacy: The Canadian Government's Global Push to sell the Oil Sands (Ottawa: Climate Action Network Canada, 2012) accessed at http://can.cdn.hstd.org/wp-content/uploads/2012/03/CAN_dirty_diplomacy_March8.pdf.
[18] S.MacCarthy, "Ottawa fights EU's dirty fuel label on oil sands," The Globe and Mail, March 27, 2011.
[19] For an overview of the evolution of federal climate change policy see M.Winfield and D.Macdonald"Federalism and Canadian Climate Change Policy" in Skogstad and Bakvis, Canadian Federalism 3rd edition pp.241-260. On the relationship between energy and climate change policy see also Doern and Gattinger, "Canadian Energy Policy and Regulation in Historical Context."

Deuterium Uranium) reactors. These efforts, undertaken in conjunction with the Government of Ontario and the province's electrical utility Ontario Hydro, involved federal expenditures in excess of $22 billion between the early 1950s and beginning of the last decade. [20] The program which sought, largely unsuccessfully, to build export markets for CANDUs, represented Ottawa's primary post-NEP energy policy intervention in Ontario.

In comparison to the extent of its investments in non-renewable energy technologies, the federal government's attention to 'softer' path energy technologies, first officially introduced into the Canadian energy policy conversation through the NEP, has since then been weak and intermittent. The past decade has seen on-again, off-again federal support for renewable energy projects, first through the $250 million 2002-2007 Wind Power Production Incentive (WPPI) and then the $1.48 billion 2007-2011 Eco-Energy for Renewable Power programs.[21] The flagship EnerGuide for Homes and Eco-Energy for Homes energy efficiency retrofit programs have suffered similarly intermittent lives and support.[22]

Nor are assaults by Natural Resources Canada on the federal environmental assessment process, habitat project and pollution prevention provisions of the *Fisheries Act*, and provisions of the *Navigable Waters Protection Act* on behalf of the non-renewable resource industries, as most recently expressed in the federal government's

[20] On the subsidization of ACEL, see D. Martin, Canadian Nuclear Subsidies: Fifty Years of Futility (Ottawa: Sierra Club of Canada, 2002), online: http://www.cnp.ca/resources/nuclear-subsidies-at-50.pdf. See also G. Bruce Doern; Robert W. Morrison; Arslan Dorman eds., Canadian nuclear energy policy: changing ideas, institutions, and interests (Toronto: University of Toronto Press, 2001).

[21] See Natural Resources Canada, "Eco-Energy for Renewable Power Program" http://www.ecoaction.gc.ca/ecoenergy-ecoenergie/power-electricite/index-eng.cfm. The program was terminated in March 2011.

[22] For a brief overview of these programs see Hoicka, C., and P.Parker, 2011. Residential energy efficiency programs, retrofit choices and greenhouse gas emissions savings: A decade of energy efficiency improvements in Waterloo Region, Canada. International Journal of Energy Research 35 (15) 1312-1324

2012 budget implementation legislation,[23] anything new. There was, for example, a succession of similar NRCan-led efforts during the Chretien government.[24]

Viewed in this context, the Harper government is following long-standing orientations in federal energy policy, as least as they relate to fossil fuels and the oil sands. These elements have included support for the large-scale resource development with an export orientation, particularly to the United States; a weak approach to climate change mitigation; relatively marginal and inconsistent support for 'soft' energy path elements such as low-impact renewable energy sources and energy conservation; and efforts to remove environmental constraints on non-renewable energy development. The principal differences in the Harper government's approach relative to the past are as follows:

- the withdrawal of internal constraints on non-renewable resource development, particularly as they relate to the environment, most obviously manifested through the withdrawal from the Kyoto Protocol and abandonment of any serious pretense of action on climate change, [25]along with the "Responsible Resource Development" "streamlining initiatives related to the *Canadian Environmental Assessment Act* (CEAA) and *Fisheries Act*.[26] Unlike the situation under previous governments, where successive Ministers of the Environment and of Fisheries and Oceans strongly resisted these types of directions from resource development-oriented ministers and agencies, within the Harper majority government there appears to be no meaningful internal resistance to these initiatives. In effect the environment and later, climate change, policy track which

[23] Bill C-38, *Jobs, Growth and Long-Term Prosperity Act*.
[24] See for Example, Natural Resources Canada, The Minerals and Metals Policy of the Government of Canada (Ottawa: Minister of Public Works and Government Services, 1996); Standing Committee on Natural Resources, Streamlining Environmental Regulation for Mining (Ottawa: House of Commons 1996).

[25] Commissioner for Environment and Sustainable Development, 2012 Spring Report (Ottawa: Minister of Supply and Services, 2012), Chapter 2 "Meeting Canada's 2020 Climate Change Commitments."
[26] Government of Canada, "Responsible Resource Development" http://www.actionplan.gc.ca/eng/feature.asp?pageId=448, April 17, 2012.

had existed in parallel to the energy policy track since the1970s has fallen away within the federal government.

- the introduction of a search for new markets, beyond the United States, for fossil fuels and in particular, oil sands products, as emphasized in recent statements by the Prime Minister and Minister of Natural Resources.[27]

- the withdrawal, with the June 2011 sale of AECL, of federal engagement or support for major energy policy initiatives, other than support for offshore oil and gas development and export-oriented hydro-electric projects in Newfoundland and Labrador,[28] in Eastern Canada.

The majority in the House of Commons obtained by the federal Conservatives in the May 2011 federal election, along with the control of the Senate secured earlier through a combination of the replacement of retiring Liberal members with Conservative ones, and the addition of Conservative Senators under s.26 of the *Constitution Act, 1982* would appear to remove any parliamentary obstacles to the pursuit of this agenda.[29] The government's decision to embed the redrafting of CEAA and major amendments to the *Fisheries Act*, along with a range of other retrograde measures on the environment it is 2012 budget implementation legislation[30] likely reflects this consideration.

However, other barriers are emerging which may significantly complicate the federal and Alberta governments' strategies. The decline of conventional oil supplies in North America and indeed globally, in combination of security situation in Middle East have

---

[27] See, for example, B.Champion-Smith, "Ottawa looks to Asia after U.S. rejects Keystone pipeline project" The Toronto Star, January 18, 2012.
[28] L.Perreaux and S.Chase, "Sparks fly in Quebec after Harper backs Newfoundland hydro project," The Globe and Mail March 31, 2011.
[29] Current standings in the House of Commons are: Conservatives 165, NDP 101, Liberals 35, Bloq Quebecois 4, Green 1, Independent 2. Current standings in the Canadian Senate are Conservatives 59, Liberals 41, Progressive Conservatives 1, Independent 2, vacant 2.
[30] To date the most comprehensive overview of the Bill's environment-related provisions has been provided by Green Party Leader Elizabeth May, "Bill C-38: The Environmental Destruction Act," The Tyee, May 10, 2012, http://thetyee.ca/Opinion/2012/05/10/Bill-C38/.

driven global oil prices upwards since the 9/11 terrorist attacks in the United States.[31] This in turn has strengthened the economic viability and geopolitical attractiveness of the development of Alberta's oil sands, drawing in both domestic and international investment commitments in excess of $100 billion.[32] These investments are expected to facilitate the expansion of oil sands production by a factor of between four and five by 2030, relative to the 2004 production level of 1 million barrels per day.[33] The scale of the expansion is such that the development of the oil sands is perceived as playing an increasing central role in the Canadian economy,[34] as well as the growth in Canada's GHG emissions. As show in Figure 1 between 1990 and 2008 the oil sands' contribution to Canada's total GHG emissions more than doubled to 37 million tonnes. They now account for approximately 6 per cent of Canada's total emissions and constitute by far the largest source of growth in emissions among large final emitters.

Figure 1 [35]

[31] "World oil" prices were just under US$30/bbl as of September 11, 2001, reached US$60/bbl by 2005 and have remained above that level since then, peaking near US$100/bbl just before the 2008 economic downturn. Wrtg.com "Crude Oil Prices, 2010 Dollars 1947-2012," www.wrtg.com

[32] Government of Alberta – Energy – "Oil Sands – Facts and Statistics" accessed at http://www.energy.alberta.ca/oilsands/791.asp accessed May 14, 2012.

[33] Dan Woynillowicz, Chris Severson-Baker, Marlo Raynolds, Oil Sands Fever: The Environmental Implications of Canada's Oilsands Rush (Drayton Valley: The Pembina Institute, 2005). See also Canadian Association of Petroleum Producers "Canadian Crude Oil Production" Crude Oil Forecast, Markets and Pipelines (Calgary: CAPP, 2011) pg.i.

[34] At the beginning of the last decade natural resources constituted approximately one third of Canada's exports; they now account for approximately two-thirds of Canada's exports. D.Trefler, "The Loonancy of Parity: How a strong dollar is weakening Canada," The Globe and Mail, October 16, 2010.

[35] P.J. Partington and M. Bramley, "Canada's Main Sources of Greenhouse Gas Emissions," (Drayton Valley: The Pembina Institute, 2010), http://www.pembina.org/pub/1966.

Canada's main sources of greenhouse gas emissions.[1]

Source	% of national emissions (1990)	Emissions (Mt CO_2e,[2] 2008)	% of national emissions (2008)	% change in emissions (1990–2008)
Industrial facilities	54	387	53	+21
Electricity generation	*16*	*120*	*16*	*+25*
Oil and gas production, transmission and distribution	*17*	*159*	*22*	*+58*
Oil sands extraction and upgrading	*3*	*37*	*5*	*+121*
Other industrial facilities	*21*	*109*	*15*	*−11*
Transportation	22	176	24	+35
Passenger cars and trucks	*11*	*88*	*12*	*+31*
Freight trucks	*4*	*58*	*8*	*+60*
Railways	*1*	*7*	*1*	*+3*
Aviation (domestic)	*1*	*9*	*1*	*+37*
Other transportation (marine, recreational, buses etc.)	*2*	*14*	*2*	*+4*
Buildings	11	78	11	+17
Residential buildings	*7*	*43*	*6*	*+1*
Commercial buildings	*4*	*35*	*5*	*+47*
Agriculture	9	71	10	+27
Landfills	3	21	3	+16
Other	0	3	0	
Total		734		+24

International Challenges

The federal and Alberta strategy of oil sands expansion has prompted increasing concerns regarding the resulting environmental and social impacts among key sources of international investment in their development and markets for their products, especially within the United States and the European Union. These challenges relate to the growth in GHG emissions associated with the oil sands, and the impact of their development on the boreal forest, the Athabasca River system and local and downstream First Nations communities.[36] In the US there are also concerns over the risks of spills and other environmental damage associated with new pipelines carrying oil sands products.[37]

[36] See generally, Woynillowicz, Severson-Baker and Raynolds Oil Sands Fever.
[37] Esquire, "The Keystone XL Pipeline controversy," The Huffington Post, August 10, 2012, http://www.huffingtonpost.ca/2012/08/10/keystone-xl-pipeline-project_n_1764689.html.

The disquiet within the United States and EU over oil sands development has manifested itself in a number of different ways, raising questions about long-term access to markets and investment for the oil sands. The most prominent example has been the US Obama administration's delays in the approval of the Keystone/XL pipeline, intended to carry oil sands bitumen to refineries in Texas and Louisiana. [38]

In addition, low carbon fuel standards (LCFS) have emerged as a significant mechanism through which market access for oil sands products might be blocked. Low carbon fuel standards typically establish limits on the life-cycle GHG emissions associated with the gasoline and diesel fuels sold in a jurisdiction. They are generally interpreted as being intended to prevent the sale of fuels, like products derived from the oil sands, whose extraction and production is associated with high GHG emissions, in the jurisdiction adopting the standard.

Proposals for US federal LCFS have been included in a number of climate change and energy related bills introduced into the United States Congress over the past five years.[39] In addition, many US states, led by California are considering LCFS, as are some Canadian provinces, specifically BC and Quebec. The Canadian federal government recently undertook a major diplomatic effort to delay the EU from moving in the same direction with respect the carbon content of fuels.[40]

In the longer term, market access for oil sands products may be limited in other ways as well. Some form of trade-related measures are likely to eventually be incorporated into future international legal regimes to mitigate GHG emissions, as such measures ultimately represent the only way to deal effectively with the 'free rider' problem associated with global efforts to reduce emissions. Such provisions may arise initially as a result of domestic legislation in key nation states like the United States, regional

[38] N.Vanderklippe, "The politics of pipelines: Keystone's troubled route," The Globe and Mail, December 24, 2011.
[39] Prominent examples include the Waxman-Marky *American Clean Energy and Security Act*, adopted by the House of Representatives in June 2009. The bill subsequently died in the US Senate.
[40] J.Fekete, "EU vote to label oilsands as more harmful ends in stalemate," The Calgary Herald, February 23, 2012.

groupings like the EU or the new international agreement on climate change flowing from 2011 Conference of the Parties to the United Nations Framework Convention on Climate Change in Durban, South Africa. Every serious piece of climate change legislation introduced into the US Congress over the past decade, for example, has included some sort of border tax adjustment or other trade related measure. These provisions are designed to protect US industry from 'unfair' competition from imports from countries that have not implemented comparable regimes to limit their GHG emissions. [41]

It is concerns about these sorts of potential limits on market access that have driven both the federal government's pursuit of other, less environmentally concerned markets for oil sands products and Alberta Premier Redford's recent calls for support for oil sands development from other provinces.[42] The latter call implies recognition of the potential vulnerability of Alberta's current expansion plans to market limitations and the desire for the legitimacy that would be provided through support from other provinces.

Domestic Challenges

Unfortunately for Alberta, such support is far for certain. In fact, outside of the major oil and gas exporters - Alberta, Saskatchewan and Newfoundland and Labrador - there are strong indications of an emerging lack of provincial acceptance of the federal government's current energy policy path. Much of the post-Second World War energy policy discourse in Canada was defined by conflicts between fossil fuel producing provinces, principally in the prairie west, and consuming provinces east of the Manitoba/Ontario border. The producing provinces tended to want to be able to sell their resources to the highest bidder, inside or outside of Canada, in order to maximize their

[41] See Centre for Climate and Energy Solutions, "US Federal Archives" for an overview of recent Congressional proposals related to climate change. http://www.c2es.org/federal/archives. See also J Grompos, "Implications of Proposed U.S. State, Congressional and Executive Branch Climate Change and Energy Policy Frameworks for Canada," Master of Environmental Studies Major Research Paper, Faculty of Environmental Studies, York University, 2012.

[42] D.Walton, "Ontario urged to speak up for oil sands" The Globe and Mail, February 26, 2012.

revenues, while consuming provinces have seen these resources as 'Canadian' assets, to which they might expect priority access, potentially at lower than "world" prices. The NEP represented an attempt to resolve these conflicts. However it was perceived in western Canada as strongly favouring eastern Canadian interests.[43] Federal energy policy since the demise of the NEP, at least as it relates to fossil fuels, has strongly reflected the western perspective on these matters, and questions of energy security for eastern Canada largely fell out of discussions of Canadian energy policy as a result.

The drivers of the current conflicts have moved beyond these traditional producer/consumer divisions over access to and pricing of domestic fossil fuel resources. Rather they are now focused on what is perceived as the inequitable distribution of the benefits of the oil and gas boom, and its impacts on the economies of the non-fossil fuel producing provinces. The distributional conflict was highlighted by Quebec Premier Jean Charest in January 2012 when he observed that:

> "There's two realities in Canada; there are the economies of oil, gas and potash and the others. That's the reality of Canada and once we know that we need, I think, to be able to make decisions accordingly and that's the financial situation of the country and we need to take that into account as we move ahead."[44]

Charest's remark, in the context of discussions of the Canadian Health and Social Transfer and equalization program implied that these existing federal mechanisms for balancing disparities in regional income were inadequate to address the imbalances flowing from the resource boom in western Canada. The same point has been noted by the Organization for Economic Cooperation and Development (OECD). [45] Recent analyses suggest that 94 per cent of the economic activity and 86 per cent of the employment associated with oil sands expansion will occur in Alberta. In contrast 3 percent of the economic activity will occur in Ontario, 1.3 per cent in British Columbia

[43] Doern and Gattinger, "Canadian Energy Policy and Regulation in Historical Context."

[44] G.Mason, "Charest demands debate on 'unacceptable' federal health deal" The Globe and Mail, January 16, 2012.

[45] OECD, OECD Economic Surveys: Canada (Paris: OECD, 2010).

and 0.7% in Quebec.[46] These findings reinforce the perception of inequality in the distribution of the benefits of oil sands activities and the sense among other provinces that they have little to gain in supporting Alberta's efforts to accelerate their expansion.

The exchange between Alberta Premier Alison Redford and Ontario Premier Dalton McGuinty the following month highlighted the second dimension of the emerging conflict over the impact of the oil sands boom - the effects of expanding fossil fuel exports on the value of the Canadian dollar. [47] The rising dollar, attributed in part to the combination of increasing foreign investment in oil sands projects, rising oil prices and growing energy exports,[48] has been consistently identified as a major challenge for export-oriented value-added economic activities. The higher dollar reduces the competitiveness of these goods and services in export markets relative to other potential suppliers, creating a Canadian version of "Dutch disease" where a high currency value driven by resource exports undermines the international competitiveness of a country's other goods and services.[49] The relationship between the value of the dollar and Ontario's balance of trade as summarized, for example, in the January 2012 report of the Commission on the Reform of public Services in Ontario (a.k.a. the Drummond Commission) is shown in figure 2.

These problems are seen as being particularly acute with respect to the manufacturing sector in Ontario as it attempts to recover from the 2008 economic downturn.[50] The benefits of spin-offs from oil sands boom in terms of demand for manufactured goods and financial services from Ontario are seen as marginal in comparison to the impact of

---

[46] N.Lempers and D.Woynillowizc, In the Shadow of the Boom: How Oilsands Development is Reshaping Canada's Economy (Drayton Valley: The Pembina Institute 2012) pp. 47-49. http://www.pembina.org/pub/2345

[47] K.Howlett and D.Walton, "Redford's energy vision clashes with McGuinty's view of oil-sands benefits" The Globe and Mail, February 27, 2012.

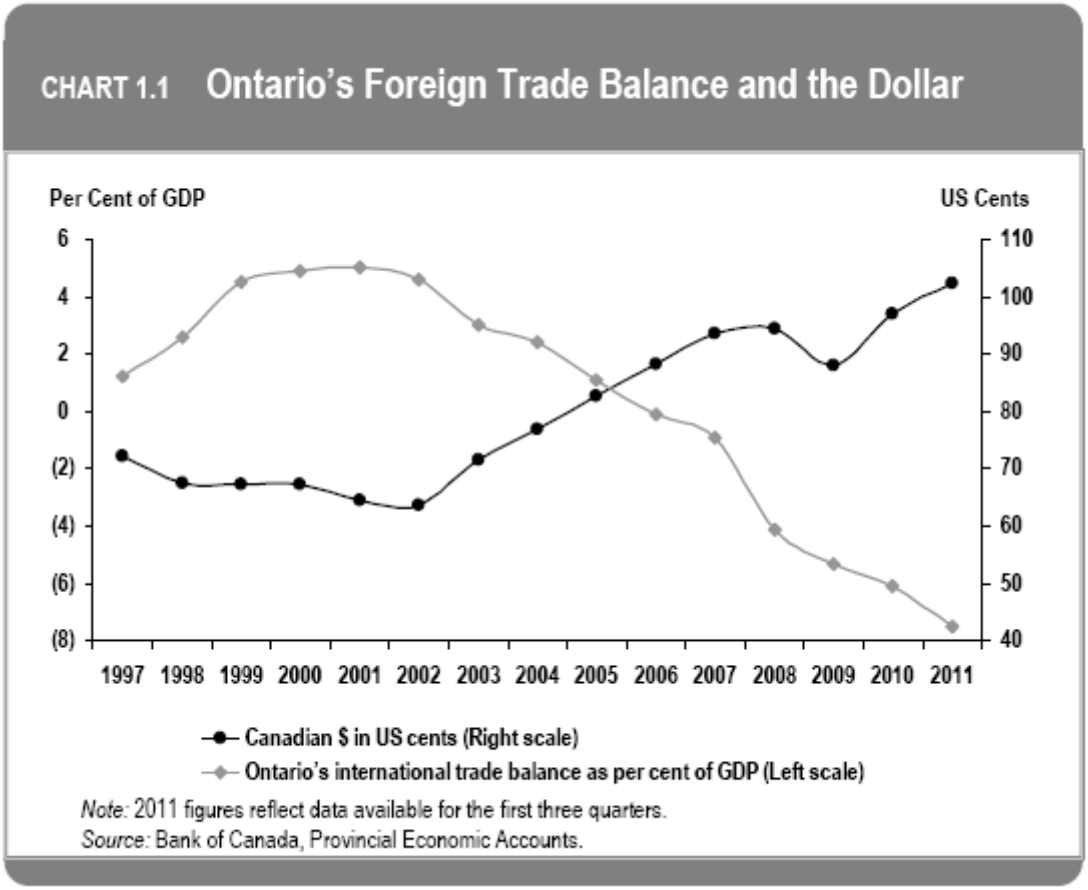
[48] M.Beine, C.S. Bos and S.Coulombe, "Does the Canadian economy suffer from Dutch Disease?" accessed at http://www.economie.uqam.ca/pages/docs/Beine_Michel.pdf attribute 42 per cent of the recent increase in the value of the Canadian dollar relative to the US dollar between 2002 and 2008 to commodity and energy prices.

[49] G.Hodgeson, Learning to Live with a Strong Canadian Dollar (Ottawa: Conference Board of Canada 2010).

[50] See for example, Commission on the Reform of Ontario's Public Services, Public Services for Ontarians: A Path to Sustainability and Excellence (Toronto: Queen's Printer for Ontario, 2012), chapters 1 and 2. See also Beine, Bos and Coulombe, "Does the Canadian economy suffer from Dutch Disease?"

the higher dollar, and their expansion to run risks of being tied to boom-bust cycles in the resource sector.[51] Indeed the Ontario Premier was quoted as stating "… if I had my preferences as to whether we had a rapidly growing oil and gas sector in the west or a lower dollar, I'll tell you where I stand: with the lower dollar."[52] [53]

Figure 2[54]



[51] T.Courchene, "A cure for Canada's case of Dutch disease: why are we allowing the exchange rate to determine regional fortunes?" Globe and Mail October 29, 2007.
[52] Howlett and Walton, "Redford's energy vision clashes with McGuinty's view of oil-sands benefits."
[53] Ontario has recently complicated the situation by undermining its claims about concerns about the impact of western Canadian resource development on the value of the dollar by seeking federal support for its own planned resource commodity export boom regarding the 'ring of fire' mineral developments in Northern Ontario. See R.Ferguson, "Premier Dalton McGuinty seeks Stephen Harper's help to develop Ontario's Ring of Fire" The Toronto Star, May 24, 2012.
[54] Commission on Reform of Public Services in Ontario Report pg.82.

Moreover, a number of the provinces for whom oil and gas exports are not central to their economies, notably Ontario, Quebec, British Columbia and Manitoba have made positioning themselves as providers of post- or low-carbon energy supplies, technologies and services important elements of their long-term economic strategies. The most obvious manifestation of this approach has been Ontario's *Green Energy and Green Economy Act, 2009*,[55] which provides for the implementation of a feed-in-tariff (FIT) system, similar to those adopted in Germany and Denmark for providers of renewable energy supplies to the province's electricity grid.[56]

Given that a world where GHG emissions from fossil fuel combustion are constrained through some form of carbon pricing mechanisms is a fundamental to the success of these strategies, these provinces have, at times, been vocal opponents of the Conservative federal government's weakening approach to climate change.[57] They have also been leading participants in the collaborative sub-national climate change policy initiatives that have emerged over the past decade, of which the Western Climate Initiative has been the most prominent.[58]

Disenchantment among these provinces with respect to the federal government's approach to energy policy has been reinforced by the diminishing federal contributions to their efforts to move in the direction of post-carbon technologies. This lack of support is seen to be reflected in the 2011 demise of the ECO-Energy renewable energy and energy efficiency programs, absence of any significant federal interest in supporting a national electricity grid which might strengthen linkages between provinces with large but intermittent renewable energy resources (e.g. Ontario) with those with significant

[55] S.O. 2009, c.-12.
[56] On the rationale for the legislation see J.Etcheverry, L.O'Malley and J.Taylor, Ontario's Road Map to Prosperity: Developing Renewable Energy to its Full Potential (Toronto: Toronto Region Conservation Authority and Faculty of Environmental Studies, York University, 2009).
[57] E. Reguly, "Ontario, Quebec assail federal emissions targets," The Globe and Mail December 14, 2009.

[58] Winfield and Macdonald "Federalism and Canadian Climate Change Policy."

hydro-electricity storage capacity (e.g. Manitoba, Quebec, and Newfoundland and Labrador), and "smart grid" and energy storage technologies.[59]

Adding to Ontario's (and to some extent New Brunswick's) complaints in this regard was the June 2011 sale by the federal government of the reactor design and construction elements of Atomic Energy of Canada. The federal crown corporation had been the long-standing foundation of the province's aspirations to build a viable nuclear reactor construction and export industry.[60] The Ontario government had also hoped that the federal government would underwrite some portion of the risks of cost overruns and delays in the refurbishment and replacement of the province's AECL-supplied reactor fleet.[61]

The sense of grievance among the non-petroleum exporting provinces was further enhanced by the federal government's March 2011 announcement of its intention to provide financial support to the Lower Churchill hydroelectricity project in Labrador and its associated transmission lines, intended to facilitate exports of electricity from the project to the Northeastern United States. The decision was perceived in Quebec as both hostile to its hydroelectricity export interests and unfair given the lack of federal financial support for hydroelectricity export projects in the province.[62] The move also effectively eliminated the prospect of enhanced interconnections from Newfoundland and Labrador to Ontario.

British Columbia's Liberal government has wavered between support for relatively aggressive approaches to climate change policy and renewable energy technologies,

---

[59]. See T.Weiss, Understanding Canada's Federal Support for Renewable Electrictiy (Drayton Valley: The Pembina Instiutte, 2009).

[60] On AECL and its relationship to economic strategy in Ontario see N.Freeman, The Politics of Power: Ontario Hydro and its Government 1906-1995 (Toronto: University of Toronto Press, 1996).

[61] See. S.MacCarthy and K.Howlett, " Impending AECL sale puts Ottawa, Ontario on collision course," The Globe and Mail, June 28, 2011. Nuclear power has provided between 40 and 60% of the province's electricity supplies since the early 1990s. The province's existing reactor fleet will reach end-of-life over the next fifteen to twenty years. See Ontario Power Authority, Integrated Power System Plan (Toronto: Ontario Power Authority, 2007).

[62] Perreaux and Chase, "Sparks fly in Quebec after Harper backs Newfoundland hydro project."

and support for high-impact fossil fuel development, particularly unconventional (e.g. shale) natural gas.[63] However, recent debates over the Northern Gateway pipeline, intended to provide access to Asian markets for the products of Alberta's oil sands, have lead to increasingly serious questioning of the distribution of the risks and benefits of such pipelines from BC's perspective. In July 2012 British Columbia Premier Christie Clark, who had been neutral on the pipeline issue,[64] responded to growing public concern in her province over the project by placing a series of conditions on her government's support for the pipeline. These conditions included demands for a portion of Alberta's oils sands revenues. Given the unacceptability to Alberta of such a demand, the BC government's stance amounted to a *de facto* rejection of the project.[65] The leader of BC's NDP opposition, Adrian Dix, for his part, has stated his outright opposition to the Northern Gateway project.[66] These challenges are in addition to the consistent and sustained opposition of BC First Nations along the proposed pipeline route.[67]

These developments carry with them considerable political risks from the perspective of further expansion of the oil sands. In addition to the constraints implicit in the possibility of outright opposition to pipelines to the Pacific coast by a future provincial government in British Columbia, it is important to consider that given the strength of Conservative support in Alberta and Saskatchewan,[68] and its weakness in Quebec,[69] the next

[63] On shale gas development in BC see M.Horne, Shale gas in British Columbia: Risks to B.C.'s climate action objectives (Drayton Valley: The Pembina Institute, 2011).
[64] CTV News, "Pipeline debate best left to Canadians: B.C. premier" January 15, 2012. http://www.ctv.ca/CTVNews/Canada/20120115/qp-northern-gateway-pipeline-debate-120114.
[65] J.Wingrove and J.Taber, "B.C., Alberta dig in on pipeline row," The Globe and Mail, July 25, 2012.
[66] J.Wingrove and J.Torobin, "Dodge rejects consumer-debt panic, casts doubt on pipeline" The Globe and Mail, May 2, 2012.
[67] D.Ebner, "oil sands pipeline hits its highest hurdle," The Globe and Mail, January 9, 2012.
[68] The consistent with their performance in the 2008 election the Conservatives' popular vote exceeded 50% in all three prairie provinces (Alberta 67%; Saskatchewan 56.3%; Manitoba 53.5%), in the 2011 federal election resulting in Conservative wins in all but three of the region's 51 seats. Recent polling (Nanos Research, "Tories at 34%, nationally NDP slide," July 19, 2012, http://www.nanosresearch.com/library/polls/2012-07-BallotE.pdf) has placed the Conservatives at 44% in the Prairies. Although this represents a decline relative to their popular vote in region the 2011, as of July 2012 the Conservatives remained more than 20% ahead of their nearest rivals, the Liberal party in the region.
[69] 16.5% of popular vote and 5 seats in the 2011 election, a loss of 5 seats relative to 2008.

federal is likely to be decided in Ontario and BC.[70] These are provinces to whom, for the reasons outlined above, the current federal government's apparently singular focus on the expansion of the oil sands and accessing non-US markets for their products has little appeal.

If the federal NDP or a new federal Liberal leader can make these connections and appeal to the voices of moderation in Alberta and Saskatchewan, the federal Conservatives might find themselves in serious electoral difficulty, and the petroleum exporting provinces could be faced with a federal government with a very different mandate and orientation. Federal NDP Opposition Leader Thomas Mulcair's recent remarks regarding the adverse economic impacts of the high dollar flowing from of the oil sands boom on Ontario, Quebec and New Brunswick would seem to reflect recognition of precisely such a political opportunity.[71]

A Potential Path Forward

In light of these considerations the key questions become ones of 1) why should the non-petroleum provinces support the federal government's current energy policy directions and the continued expansion of the oil sands and 2) what would they want for that support? While the interests of the petroleum exporting provinces in the matter are clear, in the sense of wanting the legitimacy, political support and increased security of market access that would flow from endorsements by other provinces, the interests of

[70] The Conservative's performance in BC over the 2008 and 2011 elections was fairly consistent (2008 44.4%, 22 seats; 2011 45.5% 21 seats).Their key gains were in Ontario (44.4%, 73 seats of 101), relative to the 2008 election (39.2% and 51 seats), suggesting Ontario will be the key swing province. However, Conservative support in BC has also varied considerably between elections (Nanos, "Tories at 34%") suggesting some potential instability. In addition, public opinion has shifted decisively against the Northern Gateway project with as of August 2012 those opposed to the project outnumbering those in support in BC by a margin of more than 2:1 (56% opposed vs. 24% in support). Abacus Data Inc, "Support for Northern Gateway Drops; Canadians Not Convinced Alberta Oil Sands Benefits Everyone," August 23, 2012.

[71] Abma, "Some provinces suffering because of oil sands prosperity: Thomas Mulcair." Although nationally the response to Mulcair's comments has been relatively evenly split, the comments appear to have resonated most strongly in Atlantic Canada, Quebec and British Columbia and among younger (18-34) voters, while the strongest negative responses were in Alberta and to a lesser extent Manitoba and Saskatchewan. harrisdecima, "Canadians Evenly Split on Mulcair's views of Oilsands Impacts on the Economy," May 24, 2012. http://www.harrisdecima.ca/sites/default/files/releases/2012/05/25/hd-2012-05-25-en1408.pdf.

the non-petroleum exporting provinces in providing such support are less clear. What can the petroleum exporting provinces and the federal government offer the non-petroleum exporters with respect to energy? And most importantly, can the resulting *quid pro quo* advance energy sustainability?

Recent events suggest some possibilities, particularly in relation to the pace of development in Alberta and its relationship to the upwards pressure on the value of the Canadian dollar, the energy strategies of the non-petroleum exporting provinces, and climate change and environmental policies.

Moderation of the Pace of Oil Sands Development

There have been widespread calls for some restraint in the tempo of development or even a "pause" in the approval of new oil sands projects in Alberta to give the province's social, physical and regulatory infrastructure a chance to catch up with the demands being imposed upon it. The extent of the gaps in the provincial and federal regulatory framework for assessing and managing the environmental and health impacts of oil sands development have been highlighted, for example, by the Royal Society of Canada[72] and Commissioner for Environment and Sustainable Development.[73] Even former Alberta Premier Peter Lougheed has added his voice to those of non-governmental organizations[74] suggesting the need for a slowing down of the current oil sands development path.[75]

It has been argued that an increase in resource royalties would provide a fairer return to Albertans from resource development, while tempering the pace of development,

[72] Royal Society of Canada Expert Panel: Environmental and Health Impacts of Canada's Oil Sands Industry (Ottawa: Royal Society of Canada, 2010).

[73] Commissioner for Environment and Sustainable Development "Assessing Cumulative Environmental Effects of Oil Sands Projects," October 2011 Report (Ottawa: Minister of Supply and Services, 2011). http://www.oag-bvg.gc.ca/internet/docs/parl_cesd_201110_02_e.pdf

[74] See, for example, Woynillowizc, Severseen-Baker and Raynolds Oil Sands Fever.

[75] D.Healing, "Slow down development of Alberta's oil sands: Lougheed," The Calgary Herald, July 14, 2009.

particularly with respect to marginal projects.[76] A substantial increase in the portion of resource revenues dedicated to the Alberta Heritage Savings Trust Fund - created in 1976 as an investment vehicle for the province's resource revenues[77] - at the same time could have long-term stabilizing effects on the Alberta economy (although requiring that services be paid through taxes and long-term investment income rather than current resource revenues).[78] It could also moderate the upwards pressure on the Canadian dollar, particularly if the fund incorporates a substantial foreign investment portfolio, which would require the sale of dollars to buy foreign currencies.

Federally, the favourable tax treatment provided to non-renewable resource sectors by the federal government relative to other sectors has been well-documented.[79] These arrangements have been subject to extensive critiques. In economic terms they are seen to distort investment markets, drawing greater investment to the non-renewable resource sectors than might otherwise be rational and in particular to draw investment away from less capital-intensive knowledge-based sectors, which are seen critical to innovation.[80] This is an especially important consideration for provinces like Ontario, whose economies are evolving away from resource extraction and processing and

[76] Taylor and Raynolds, Thinking Like an Owner.

[77] The province stopped adding resource royalties to the fund in 1987, at which point the value of the fund was approximately $11 billion. The province began to withdraw the investment income from the fund to support government expenditures in the 1990s, with the result that even while the capital base of the fund was kept intact its value was eroded by inflation. The Alberta government began to make intermittent deposits into the fund again from 2006 onwards, and as of the end of 2011 the fund's value was estimated at $15.4 billion. Government of Alberta, Finance, "Heritage Fund – Historical Timeline" http://www.finance.alberta.ca/business/ahstf/history.html, accessed May 7, 2012.

[78] See for example, Premier's Council on Economic Strategy, Shaping Alberta's Future (Edmonton: Government of Alberta 2011) pp.92-103; R.Roach, ed., Alberta's Energy Legacy: Ideas for the Future (Calgary: Canada West Foundation, N.D);Taylor and Raynolds, Thinking Like an Owner; J.Simpson, "Alberta is flushing its resource miracle down the drain," The Globe and Mail, February 10, 2012.

[79] See for example, Technical Committee on Business Taxation, Report (Ottawa: Department of Finance, 1998). See also OECD, Economic Surveys: Canada (2008); S.Sawyer and S.Stiebert Fossil Fuels – At What Cost? Government Support for Upstream Oil Activities in Three Canadian Provinces (Winnipeg: International Institute for Sustainable Development, 2010)

[80] See for example, Technical Committee on Business Taxation, Report, p. 3.3; J. Mintz, Most Favoured Nation: Building a Framework for Smart Economic Policy (Toronto: C.D. Howe Institute, 2001) p .95–96.

traditional manufacturing activities and towards knowledge and service-based sectors.[81] In addition, the favourable tax treatment of the non-renewable resource sectors is seen to reinforce economic dependency on commodity exports, with adverse effects on currency values and other economic factors due to the volatility of world commodity prices.[82] In sustainability terms they are seen to encourage excessive natural resources development and consumption. [83]

Noting the pace and scale of investment in the oil sands, the 2007 federal budget did the phase out of the accelerated capital cost allowance for oil sands developments, first introduced in 1996. [84] However, the overall favourable treatment of non-renewable resources development continued. A review of the need for and impact of these arrangements is long overdue, and could result in both a moderation of the pace of oil sands development, and some mediation of the grievances of provinces who find the federal government's current arrangements unhelpful in terms of their efforts to build post-traditional resource and industrial economies.

Energy Strategies for the Non-Petroleum Exporting Provinces

A second source of a potential commonality of interests between petroleum and non-petroleum exporting provinces may lie in the area of energy security. The question of why the federal government and Alberta are attempting to access markets in Asia for western Canadian oil sands products while Canada east of the Manitoba-Ontario border

[81] For an overview of these structural changes in the Ontario economy see, for example, M.Winfield, Blue-Green Province: The Environment and the Political Economy of Ontario (Vancouver: University of British Columbia Press, 2012), pp.11-15.
[82] D. Laidler and S. Aba, Productivity and the Dollar: Commodities and the Exchange Rate Connection, Commentary 158, (Toronto: C.D.Howe Institute, 2002), p. 2 and 13.
[83] See, for example, Organization for Economic Cooperation and Development Economic Survey of Canada (Paris, France: OECD, 2000).
[84] Department of Finance, 2007 Budget Plan, Chapter 5, accessed at http://www.budget.gc.ca/2007/plan/tpcs-eng.html accessed July 9, 2009. Companies were able to continue to claim the full 100 per cent of the costs of eligible assets in the year incurred until 2010, with the rate then being gradually reduced between 2011 and 2015. In the result that the bulk of planned oil sands developments continued to benefit from the ACCA provisions.

continues to rely on Venezuela and the Middle East for its oil supplies has been raised many times over the past few months.[85]

However, any possibility of Western Canadian governments being able to offer Eastern Canada security of supply or pricing for its petroleum needs is complicated by the energy- related provisions of the 1988 *Canada-US Free Trade Agreement* and the 1994 *North American Free Trade Agreement*. It has been argued that in many ways these provisions were intended to bar precisely such possibilities in the aftermath of the NEP, prohibiting two price energy pricing models and preferential access to domestic energy supplies.[86] However, Enbridge Pipelines Inc. has recently proposed to reverse the flow in part of its Montreal to Sarnia oil pipeline (Line 9) so that it would supply western Canadian crude oil, potentially including oilsands products, to refineries east of Sarnia.[87] The project would be of limited capacity relative to the proposed northern Gateway pipeline,[88] and has been subject to considerable criticism from environmental organizations already.[89]

There are other paths through which the federal government might be able to address the energy policy and security interests of the non-petroleum exporting provinces. In particular the federal government could show much more active interest in and support for the efforts these provinces to move in the direction post-carbon energy supplies. As noted earlier, major investments in electricity grid interconnections, especially from Manitoba east to Newfoundland and Labrador could be particularly useful in this regard. Such connections could help provinces with high but intermittent low-impact renewable generation potential and limited energy storage capacity (e.g. Ontario) to manage the

---

[85] See for example, Mansbridge, "A conversation with the Prime Minister."

[86] See Doern and Gattinger, "Canadian Energy Policy and Regulation in Historical Context" pp.21-39, and M.Gattinger, "Canada's Energy Policy Relations in North America: Toward Harmonization and Supranational Approaches?" in M.Gattinger and G.Hale, eds., Borders and Bridges: Canada's Policy Relations in North America (Toronto: Oxford, 2010).

[87] Enbridge, "Line 9 Reversal Phase I Project Overview," http://www.enbridge.com/Line9ReversalProject.aspx

[88] Enbridge suggests an initial flow of 50,000 bbl/day, with a maximum capacity of 200,000 bbl/day. Northern Gateway would have a capacity of 525,000 bbl/day.

[89] J.Spears, "Enbridge not telling entire story about pipeline, hearing told," The Toronto Star, May 24, 2012.

intermittency of these low-impact renewable sources and produce reliable energy supplies. Under such scenarios, hydro facilities would be used for storage while generation from other renewable energy sources (e.g. wind and solar) is strong and able to meet grid demand. The hydro facilities with storage capacity could then be used to stabilize supply when production from intermittent renewable sources fell.[90]

The federal government could also make investments in research, development and deployment of 'smart grids,' non-hydro based energy storage technologies, and large scale integration of renewable energy technologies at a level at least comparable to its investments in support of the development of the oil sands and carbon capture and storage. [91]

Climate Change Policy and Carbon Pricing

The potential for loss of access to export markets for oil sands products due to concerns over the environmental impacts of their extraction and processing is a major driver of the federal and Alberta governments' efforts to identify new markets for these products.[92] These efforts to access new markets face major technical, practical, legal and political challenges. The difficulties being encountered by the Northern Gateway pipeline project, for example, make it clear that their success is far from certain.

Before its demise as a result of the 2012 federal budget, the National Round Table on the Environment and Economy had presented a series of arguments in favour of a more pro-active approach to securing market access in the face of concerns about "dirty" oil

---

[90] See, for example, J.Gibbons, Ontario's Green Energy Future (Toronto: Ontario Clean Air Alliance Research Inc, 2008) http://www.ontariosgreenfuture.ca/Ontarios_Green_Future.pdf.

[91] The Federal government committed a combined total of $1.4 billion to CCS projects in its 2008 and 2009 budgets. Deloitte, "Carbon Capture and Storage in Canada" http://www.deloitte.com/view/en_CA/ca/industries/energyandresources/1f769be5d3752210VgnVCM100000ba42f00aRCRD.htm. Accessed May 7, 2012.

[92] J.Oliver, "An open letter from the Honourable Joe Oliver, Minister of Natural Resources , on Canada's commitment to diversify our energy markets and the need to further streamline the regulatory process in order to advance Canada's national economic interest" January 9, 2012, http://www.nrcan.gc.ca/media-room/news-release/2012/1/3520.

and Canada's overall environmental reputation.[93] Specifically with respect to climate change the Round Table had recommended the introduction of carbon pricing (with a minimum staring price of $30/tonne) and a national GHG emission cap and trade system, along with investments in emission reduction technologies.[94] These steps were specifically recommended as defenses against trade-related measures in future US federal climate change legislation. They would also provide some measure of protection against such provisions in future international agreements. The introduction of carbon pricing would be extremely important from the perspective of those provinces that are making major investments their ability to provide in post-carbon energy supplies, technologies and services. Further federal investments in low-carbon transportation strategies, such as public transit, could also be helpful.

Environmental Regulation

The concerns over the environmental, social and economic footprint of oil sands oil extend well beyond the issue of GHG emissions.[95] A more constructive approach to maintaining access to markets would suggest steps to strengthen, rather than dramatically weaken, as the federal government has done through its 2012 budget implementation legislation, the broader environmental regulatory framework for non-renewable energy resource development. This need is particularly acute in light of the observations of the Royal Society of Canada, Commissioner for Environment and Sustainable Development, non-governmental organizations and others regarding the extent of the gaps in the existing regulatory arrangements.

Nor does the stripping the federal environmental assessment process of any meaningful content and therefore legitimacy mean that the underlying conflicts over the future of resource development, environmental sustainability and aboriginal and treaty rights will

[93] http://nrtee-trnee.ca/climate/climate-prosperity
[94] National Round Table on Environment and Economy, Parallel Paths: Canada-US Climate Policy Choices (Ottawa: NRTEE, 2011).
[95] See, for example, http://dirtyoilsands.org/

go away. Rather they will simply be played out in other forms – the media, the electoral process and the courts, where they are likely to take even longer to resolve, and have the potential to produce outcomes even less to the federal and Alberta governments' liking.

Conclusions

The Harper government's approach to energy issues has been marked by an accelerated pursuit of the traditional themes of post-NEP federal energy policy, focused on the development and export of petroleum and natural gas resources, and the removal of perceived environmental constraints on that path. Recently, in the face of concerns over the environmental impacts of oil sands development in the US and other markets the federal and Alberta governments have been seeking new markets for Canadian petroleum exports. In addition, Alberta is seeking the support of other provinces in response to criticism of oil sands developments.

The responses of other, non-petroleum exporting provinces to these directions indicate an emerging series of cleavages over the direction of federal energy policy. These divisions are driven by a number of factors: disparities in income between those experiencing a resource boom and those who are not; the perceived negative impacts in several provinces of a higher dollar driven by a booming oil and gas sector; the effects of the focus on oil sands development on the efforts of non-petroleum exporting provinces to move in the direction of post-carbon energy economies; and the risks and lack of benefits related to new petroleum export infrastructure, particularly in BC. These grievances are compounded by a perception that the federal government is offering nothing in energy policy terms to the non-petroleum exporting provinces.

The Alberta government can take a number of steps on its own to mediate some of the concerns that have emerged in other parts of Canada over the impacts of the

development of the oil sands and other energy resources. Changes could be made to the resource royalty regime to more effectively capture the value of the resource base for Albertans and moderate the pace of development, a much greater portion of resource revenues invested in the Alberta Heritage Fund and more effective use made of the fund as a stabilization instrument, and the province's capacity and approach to the management of the environmental, social and economic impacts of energy resources development strengthened. However, it is well beyond the capacity of the Government of Alberta alone to address the range of regional grievances that have arisen over energy issues within Canada over the past few years. Rather, that responsibility lies principally with the federal government.

The current federal government has generally sought to reduce its role in arbitrating regional disputes and the redistribution of wealth among regions. However, if it has any hope of continued access to new and existing markets for Canadian petroleum products, to say nothing of securing its own political survival, the Harper government will have to become engaged in such mediation and adopt an energy and environmental policy framework which speaks to the needs and interest of all regions of Canada rather than a few. In doing so it should take opportunity to move Canadian energy policy in the direction of greater sustainability as well as regional balance.