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SUNCOR AND CANADIAN OIL SANDS CEOS BOTH SAY THEY'VE WON

The chief executives of Suncor Energy and Canadian Oil Sands both say they've got votes on their side as the country's top crude producer promotes a hostile takeover bid for its smaller rival.

One of them is going to be disappointed.

Ryan Kubik, the Canadian Oil Sands CEO, said Thursday that shareholders, big and small, aren't being wooed by the $4.5 billion unsolicited offer from Suncor, which the board rejected. His comments come a day after Suncor's Steve Williams said he expects major shareholders to back the deal.

Suncor is seeking to take advantage of an industry downturn to get even bigger, in part by making purchases including Canadian Oil Sands, the largest owner of the Syncrude mining project. Both companies are trying to cut costs to remain profitable amid a crude price slump that has lasted 17 months and cost the Canadian energy industry more than 36,000 in lost jobs.

"The vast majority of major shareholders I'm talking to are saying that the Suncor offer is substantially inadequate," Kubik said in an interview. "When we poll the retail shareholders, and I get e-mails from those retail shareholders, they're telling us the same thing."

Shareholders are conveying the opposite view to Williams, according to the executive. In the first 10 days after the offer was made public, Williams and Suncor's management met with 60 per cent of the Canadian Oil Sands' institutional shareholders, he said.

"The messages I got were very different than the messages they are talking about," Williams said. "The majority say they will tender."

The offer is for 0.25 of a Suncor share for each Canadian Oil Sands share. Based on Suncor's stock price Thursday, that represents a 50 per cent premium over the Canadian Oil Sands price before the bid was announced last month. Suncor would also take on the $2.35 billion of Canadian Oil Sands debt, as of the end of the third quarter.

The premium has risen from an initial 43 per cent as falling crude prices hit Canadian Oil Sands' stock harder. The company's shares have dropped 16 per cent this year, compared with a 0.6 per cent gain for Suncor.

Last week, Suncor appealed directly to Canadian Oil Sands shareholders in a letter warning if they don't accept the bid, they risk continuing to own shares in a company that has demonstrated "consistently disappointing performance."

Suncor's offer is "full and fair" and would allow the company to devote more resources to improve the Syncrude venture, according to the letter. Seven companies including Canadian Oil Sands and Suncor own Syncrude, and the merger would give Suncor a 49 per cent stake, up from its current 12 per cent.

Canadian Oil Sands is resilient at current prices and can cover costs with U.S. crude at $45 a barrel, Kubik said.

The Alberta Securities Commission is expected to uphold Canadian Oil Sands' new shareholder rights plan after hearing Suncor's appeal on Nov. 26 to strike down the so-called poison pill, Kubik said.

Suncor's bid isn't permitted unless it's extended, Canadian Oil Sands said last month in introducing the new plan that calls for 120 days to consider bids. Suncor's offer is open for acceptance until Dec. 4.

The board of Canadian Oil Sands continues a strategic alternatives process in which it's talking to other potential bidders, Kubik said.

"We do have interest from other parties in that process," he said, declining to give details. "All alternatives are going to be reviewed."

Williams said there is a "reality check" going on in the oilpatch, where sellers are being forced to recognize the price they think their assets are worth is no longer the case in a low oil price environment.

LANDMARK LNG AGREEMENT UNDER FIRE IN LAWSUIT

Blueberry River First Nations' B.C. Supreme Court petition claims province ignored treaty rights

The Blueberry River First Nations have filed a petition in B.C. Supreme Court seeking to quash the province's landmark liquefied natural gas deal with a company controlled by Malaysian energy giant Petronas.

The first nations claim the government ignored their treaty rights in reaching a long term royalty agreement with Progress Energy and four other parties to extract LNG from an area of northeast

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B.C. known as the North Montney.

The gas would be liquefied at a proposed export facility built near Prince Rupert by Pacific NorthWest LNG, which is also controlled by Petronas.

"The infrastructure development required by the long term royalty agreement and planned by Progress Energy would cause serious harm to Blueberry Rivers First Nations territory and treaty rights," the petition says.

"It would destroy, fragment, pollute and otherwise disturb thousands of acres of animal habitat."

B.C.'s Liberal government announced the LNG agreements with great fanfare last May as part of a future that will see investments of up to $36-billion US in the northern part of the province.

Pacific NorthWest LNG has proposed a pipeline and terminal on Lelu Island just south of Prince Rupert to export Progress Energy's gas.

According to the petition, the company expects to drill 6,200 new wells and construct 14 gas plants in order to supply the facility.

The first nations claim the company will also have to build hundreds of roads and pipelines in their territories.

The petition says the agreement with Progress Energy sets the royalty rates the companies must pay the province for the next 23 years.

The deal commits the company and its partners to spending $3 billion on infrastructure in the next five years and $1 billion a year on infrastructure and development.

"(Minister of Natural Gas Development Rich Coleman) has publicly referred to the natural gas extraction contemplated under the long term royalty agreement for the Pacific NorthWest LNG export facility as an 'aggressive drilling program'," the petition reads.

"These required infrastructure developments and the drilling program will be undertaken in and around Blueberry Rivers First Nations territory. The Crown has not notified or consulted Blueberry River First Nations about these infrastructure developments."

The first nations claim the province ignored treaty rights including guaranteed access to clean water, hunting, trapping and fishing in reaching the LNG deal.

They claim the infrastructure development would "displace Blueberry River First Nations families from areas they have traditionally

used to hunt, trap, gather, camp and otherwise carry out their lives."

When Premier Christy Clark announced the agreements, a news release said the province had consulted with First Nations along the proposed pipeline route and reached 14 agreements.

But the Blueberry Rivers First Nations claim B.C. "has not met or otherwise communicated" with them about the agreement, "its potential adverse impacts on the territory, the critical areas or the treaty rights."

The first nations are seeking an order quashing or setting aside the decision to enter into the agreement. They also want a declaration that the Crown has not met its constitutional duty to consult with them.

The Blueberry River First Nations filed a lawsuit last spring claiming their treaty rights were also violated in relation to the planned Site C hydroelectric dam.

The latest petition follows opposition to construction of the Pacific NorthWest LNG terminal by members of the Lax Kw'alaams First Nation who say the facility would sit on their traditional territory.

Earlier this month, the band's hereditary chief said they reached out to the Prime Minister's Office to have the project stopped.

The government held a special sitting of the legislature last summer to pass a bill allowing them to enter into the agreements. The project is forecast to create 4,500 jobs in the construction phase and up to $8.6 billion by 2030 in tax and royalties.

The province would not comment while the case is before the courts.

"In general, long-term royalty agreements create certainty companies need to invest in our province and create jobs for British Columbians. To help achieve this certainty, we engage with impacted First Nations before finalizing long-term royalty agreements," a spokesperson said in an email.

"Long term royalty agreements do not alter our commitments to First Nations and we will continue our engagement for any proposed activities on Blueberry River First Nations territory."

OIL AND GAS LAYOFFS POSE NEW CHALLENGES FOR COUPLES

Albertans are being forced to change their ways and adjust to new realities with thousands out of work

After being married to an oilfield worker for almost 16 years, Rita Belisle is used to having the house to herself — but lately that's changed.

Her husband, Sylvain, was laid off six months ago and is spending more time in their slate grey, bi-level in Sylvan Lake, Alta. He's one of the tens of thousands who have lost their jobs in the oilpatch this year.

"Usually he's gone 20 and home 10," said Rita. "We're getting to know each other again."

"There's days that you think, you know, 'Just get the hell out of the house,'" she said with a laugh. "'I've seen your face for six months!' And he's probably thought the same thing. But at the end of the day we sit down, we figure it out."

Rita, 51, and Sylvain, 52, have been through downturns before. They know enough to plan for them.

"It's feast or famine, you know. It's chicken one day and feathers the next, that's the way the oilpatch has always been and we're a hardy bunch," said Rita.

She concedes, however, that "this time people are a little more worried."

The gloomy numbers keep racking up as the downturn drags on, with the ranks of Albertans receiving Employment Insurance benefits rising by 9.1 per cent in September and the credit agency TransUnion reporting that credit and loan delinquencies are starting to pile up in the province, surpassing the Canadian average.

The Canadian Association of Petroleum Producers (CAPP) pegs the number of job losses in the oil and gas sector at roughly 35,000, but that estimate was made in August. There have been more rounds of layoffs since and oil well drilling contractors are bracing for a grim year ahead.

Sylvain, a drilling consultant who has worked in the oilpatch for about three decades, used to check the price of oil daily. He doesn't bother anymore.

"The reserve is so high," he said. "It's why this downturn is so scary, because there is so much oil."

"Makes you wonder, is it time to get out of this industry? Is it time to find something else that isn't so volatile?" Rita added.

The Belisles are cutting back on extras and dipping into their retirement fund, and they're not alone. Oilpatch households across Alberta are making similar calculations with their budgets.

Chris Biollo, a power engineer in Langdon, was laid off in October and figures his savings will last another five months.

"If I don't find anything after December, I might hit panic mode then," he said.

For now, he's enjoying one upside of the downturn: more time with his kids, seven-year-old Piper and 15-year-old Tyson.

His wife, Tammi-Lynn, works at the local credit union.

"Uncertainty is changing everything," she said. "It's changing how we're living day-to-day. It's changing how we're planning for the future. It's changing how we're looking at Christmas. It's changing how we're looking at the kids' activities."

As families cope with the effects of the downturn in the oil industry, counsellors are in growing demand.

"We are definitely seeing an increase in the number of people coming in to discuss couples counselling," said Deborah Kieran, a psychologist at the Calgary Counselling Centre.

Between January and October the centre has seen an 11 per cent increase in couples looking for counselling this year compared to last.

It can be especially difficult for men who are used to being the main money earner in the family.

"With the breadwinner title gone, what is their title now? It can be a very confusing time, a time where you want to be able to figure things out but you're perhaps a little bit ashamed or feel bad about it and hesitant to reach out," said Kieran.

"Financially people are hitting that panic button — 'Oh, maybe we shouldn't have bought that fifth wheel, and the quad, and the boat, and the place on the Shuswap.' You know, 'maybe we got ahead of ourselves,'" said Debra Macleod, a relationship consultant and mediator, who works mainly with oilpatch couples.

"You're seeing people who aren't on the same page in terms of how they're going to reduce their spending, what kind of things they're going to sell."

When he's not sending out resumes, Sylvain is usually in the garage where he and his wife operate a rustic-style furniture business.

Rita calls time in the workshop "therapeutic."

"I think times like this is when it either makes or breaks you. You'll find out how strong your marriage is," she said.

"Even if we lose our shirts, at the end of the day as long as we've got each other then that's the most important thing," said Sylvain.

OILPATCH ENDORSING CLIMATE-CHANGE PLAN TO AVOID SHUTDOWN, BRIAN JEAN SAYS

Rock star Neil Young among those applauding the new NDP plan

Wildrose Leader Brian Jean says oilsands companies backed the NDP government's climate change plan because it is better than facing a total shutdown from higher taxes.

"I think most Alberta oilsands companies are just happy that they are going to be able to continue operating in Alberta," Jean told a news conference Monday

A number of oilsands companies spoke in favour of the plan, which was released Sunday by Alberta Premier Rachel Notley at a news conference.

CNRL chairman Murray Edwards, who attended the news conference, said Suncor, Cenovus and Shell were pleased that Notley had given them "the position of leadership on climate policy."

Jean suggested the companies decided to co-operate with the NDP rather than face higher taxes that would have driven them out of business.

"Why they would stand up behind the NDP is up to them to explain. Not up to me," Jean said. "But I work for Albertans, I don't work for large oil."

The new Alberta plan includes a tax on carbon, a cap on oilsands emissions and phasing-out coal-fired electricity.

The carbon tax would make gasoline and heating oil more expensive. The government plans to use some of the money to offer rebates to people who can't afford the higher costs.

Jean said the carbon tax would, on average, raise the cost of gasoline by $365 each year and annual heating costs by $230. He said the extra costs, along with higher taxes and minimum wage hikes, will make the Alberta economy even worse.

Under the plan, Alberta will phase out all coal-fired electrical generation plants by 2030. Jean said that will hit some communities hard, and it is unclear who will end up bearing the costs.

Instead, the Wildrose plan would gradually move towards natural gas generation, which emits greenhouse gases at a lower intensity.

Jean said Alberta is a world leader in environmental issues. He said Notley is being needlessly aggressive with her new plan.

"To accelerate six additional [coal-fired] plants simply means that our economy is going to take a further hit," he said.

"We don't believe that's necessary at this stage. We need to be in lockstep with the Americans on our strategy and we are currently ahead of them."

Conservative leader Ric McIver said the carbon tax is a cash-grab in the name of the environment. He said the NDP has only offered vague promises about what the money will be used for.

"Their claim, their headline, is that it's a climate change policy," he said. "But it's not. It's a climate tax policy."

McIver said the resource companies support the plan for a 100 megatonne cap on oilsands emissions because they can vote the government out before they come into effect.

Rock star Neil Young, who was born in Canada but has lived in California since the 1960s, told CBC Vancouver any plan that reduces greenhouse gases is a good thing.

"If you're destroying a naturally pristine, beautiful thing to get fossil fuels out of the ground, instead of

preparing for the future and trying to create a world that your grandchildren are not going to have to be working overtime digging their way out of, filling the holes that we dug, then anytime you can improve that, in my view, it's a better thing," Young said.

The Canadian Taxpayers Federation said the government-commissioned climate change report shows the average family's costs will rise by $900 per year by 2030, if the carbon price increases at the predicted rate.

"Where did the Alberta government get the idea that Alberta families had an extra $900 lying around they didn't want?" asked Paige MacPherson, Alberta director of the CTF.

"A carbon tax is a tax on everything that moves, so on top of the direct cost, the cost of food and clothing will rise."

The Notley government has said the carbon tax will be "revenue neutral," but hasn't explained how.

"Revenue neutral always means revenue neutral for government, not for taxpayers," said MacPherson. "In B.C. the tax credits given back to taxpayers did not benefit as many people as the carbon tax hurt."

PRESSURE TO CUT CLIMATE GASES POSES CHALLENGES FOR LNG

Canada, B.C. reinvigorate plans to cut emissions on eve of Paris talks

As Prime Minister Justin Trudeau's new Liberal government and Christy Clark's B.C. government get more serious about reducing carbon emissions, the nascent liquefied natural gas sector could face new challenges.

Trudeau is meeting with premiers Monday to discuss the country's strategy at climate talks in Paris next month, where countries will set new emissions targets. He has said his government will put a price on carbon, set emission-reduction targets and adopt tougher environmental reviews for energy projects.

But more than that, the Liberal government has signalled that all industrial projects will be subject to more intense environmental and climate change scrutiny. Trudeau has ordered all his ministries — not just the Department of Environment and Climate Change — to carry out climate change plan.

The Trudeau government has also said it will put an end to subsidies for the fossil fuel sector. That could endanger a federal tax measure introduced nine months ago that allows LNG plants to more quickly depreciate capital costs. The tax break is valued at hundreds of millions of dollars per plant.

In British Columbia, for the first time, environmental groups — including Clean Energy Canada and the Pembina Institute — were invited to help draft the latest phase of the province's climate plan due next month.

The team, that also includes industry and First Nations, is meant to give advice to the province on how to achieve its target of reducing greenhouse gas emissions by 33 per cent below 2007 levels by 2020 and 80 per cent by 2050.

The federal government meantime is expected to increase targets set by the Conservatives.

A key issue will how industry — and the B.C. government — come to terms with the fact that a new LNG export sector will significantly increase B.C.'s carbon emissions.

The Pembina Institute has estimated that three LNG plants would increase carbon emissions by about 27 million tonnes annually by 2030.

The estimates include carbon emissions from drilling and extracting gas, removing impurities from the gas, transporting it through lengthy pipelines, and plants on the coast where the gas is super-cooled and put on ships for export to energy-hungry Asian markets

Given that B.C.'s emissions sit at about 64 million tonnes a year, even one plant would make it next to impossible for the province to reach its carbon-reduction goals unless it addresses the LNG sector on, say environmental groups.

"It's not going to all add up and still give Canada a chance of meeting its targets," says Matt Horne, a regional director in B.C. with the Pembina Institute.

Not only will the oil and gas sector have to reduce emissions, B.C. will

need to more fully embrace renewable energy, says Clean Energy Canada executive director Merran Smith.

She pointed to a $790-billion global clean energy economy, where China and the U.S. have set carbon targets and countries like India are embracing solar power. "We are seeing our markets being fast adopters of clean energy and we need to take heed of that," said Smith.

Both groups say a key will be reducing emissions in natural gas production and transportation.

Plug the leaks and use electricity to power the equipment, instead of natural gas, and carbon emissions would come down, say the environmental groups.

Leading LNG proponents such as Shell, Chevron and Malaysian state-controlled Petronas have yet to make final investment decisions and face headwinds from reduced petroleum prices, an increase in global LNG production and lower natural gas prices in a jittery global economy.

And the energy industry acknowledges it has to evolve to respond to the "new political reality" on climate change.

Ben Brunnen, manager of fiscal policy for the Canadian Association of Petroleum Producers, using electricity, instead of gas, to power equipment in the production and transport of natural gas is a possible solution.

But he said any emission-reduction policies have to take into consideration the industry's global competitive position and ensure the industry can continue its economic growth. Brunnen said he didn't believe the federal Liberals would quash the accelerated capital depreciation extended to the LNG industry, noting incentives are needed to offset high capital costs and business risks.

"The LNG industry has the potential to substantially enhance prosperity for Canada from a natural gas perspective. What we want to do is make sure we do it responsibly and in a manner that Canadians can be proud of," said Brunnen.

In an email, Chevron Canada spokesman Ray Lord said proposed LNG projects must be globally competitive if Canada is to have an LNG industry. Chevron leads the $12-billion Kitimat LNG project.

Environment Canada did not respond to The Vancouver Sun's question on how a reinvigorated carbon-reduction strategy will be implemented for LNG projects in B.C. And the federal government said it would not comment on the fate of the accelerated capital depreciation measure for LNG projects.

The B.C. government said any LNG plants built in B.C. would be the cleanest in the world.

In an email, Ministry of Environment spokesman David Karn said technology will be a key to reducing emissions.

"Climate change is a global issue. By supplying the cleanest burning fossil fuel possible, B.C. can contribute to global development and the fight against climate change," said Karn.

SS ARROW CLEANUP REMOVES 30,000 LITRES OF OIL FROM CHEDABUCTO BAY WRECK

Cleanup work wrapped up on Nov. 19, cost still not determined

Crews have removed just more than 30,000 litres of oil left over from one of Nova Scotia's worst oil spills, 45 years after the ship at the centre of the disaster sank in Chedabucto Bay.

The SS Arrow, a Liberian-flagged tanker, went down in heavy rain and wind in February 1970 after it struck rocks.

Sheens were spotted in the area this past August, but it took time to determine where the oil was coming from because there is considerable ship traffic in Chedabucto Bay, said Keith Laidlaw, an incident commander with the Canadian Coast Guard.

The cleanup involved placing a vacuum truck on a barge, which was taken to the site where oil was leaking from the Arrow. A suction line from the vacuum truck was taken down to the wreck by divers to suck the oil out.

Work was completed Nov. 19.

"All the free-floating oil we could vacuum up, we've gotten out of the vessel," said Laidlaw.

Laidlaw says eight tanks were identified as having oil in them.

Because of the thickness of the bunker C oil, steam or hot water was injected into the hose to help soften up the oil so it could flow into the vacuum truck.

"It's almost like molasses," said Laidlaw.

He said there are no plans to remove the vessel, noting the wreck has become a popular recreational dive spot because it is about 20 metres below the surface.

"It's basically become an artificial reef under the water," said Laidlaw.

The cost of the cleanup hasn't yet been determined.

The Arrow sank while heading from Venezuela for Cape Breton with 108,000 barrels of oil. The captain had no charts and malfunctioning radar.

The initial spill was in 1970 contaminated 300 kilometres of Nova Scotia coastline. It was the biggest such disaster in Canada at the time. Much of the oil was left to wash away, but instead clung to beaches, plants and wildlife.

Heavy equipment used to clean the beaches ended up damaging them. The ill-handled response sparked the development of Canada's modern methods for dealing with oil spills.

CANADIAN DOLLAR OUTLOOK WEAKENS

Last year's epic crash in crude oil prices rocked the Canadian energy sector to its core, decimating the Canadian dollar ahead of 2016. Now, a provincial government in Canada passed a piece of environmental legislation that could drive the "loonie," a nickname given to the Canadian dollar, further into the ground. Based on the latest Canadian dollar forecast, the loonie could hit $0.50 in 2016.

Canada's oil sands projects are located in the western province of Alberta, which recently elected a new government. There are three major political parties in Canada, and the one that recently swept to power in Alberta is furthest to the left.

As such, Alberta's political priorities are vastly different than they were a year ago. Oil and natural gas were considered hugely important, central to the Canadian economy and, consequently, the Canadian dollar. However, the left-wing leaders of Alberta are more concerned with saving the sky than people's jobs. They want to impose a massive carbon tax.

Don't get me wrong; I'm an environmentalist myself. I love camping and hiking and there's a part of me that burns at the thought of Canada's gorgeous landscape getting ravaged through natural resource extraction. But I also live in the real world. In a year when the Canadian economy has already slipped into recession caused by low energy prices, does it make sense to further crush the oil industry?

Forget how you feel about the oil sands projects; ask yourself whether the Canadian economy can withstand a further blow to its energy sector. I'm not so sure it can.

Canada is a major exporter of natural resources. Crashing oil prices have already cost the industry 37,000 jobs in Alberta, so if those firms also face a massive carbon tax, more cuts will follow. (Source: "Alberta carbon plan a major pivot in environmental policy," The Globe & Mail, November 22, 2015.)

This isn't a case of fat-cat CEOs looking to protect their profits. This is an industry in peril. The Canadian oil sands were running on thinner margins than drilling and shale projects elsewhere in the world, so what happens to them now?

To be sure, Alberta's carbon emissions grew absurdly fast between 1990 and 2003, having jumped 53%. To curb that growth, the provincial government is implementing a $20.00 tax on each tonne of carbon emissions. The policy will go into effect in 2017, rising to $30.00 per tonne in 2018.

The new tax is estimated to draw $3.0 billion in revenue by 2018, which is a laughable assumption. Many of Alberta's oil producers won't be around to pay that tax, because they'll either be packing their bags or buried six feet under the price of oil.

After all, staying alive at $40.00 a barrel was intensely difficult for most Canadian firms, but it'll get tougher with the looming threat of a carbon tax. The only hope is for crude oil prices to rebound.

Even that fragment of hope is disappearing. Iranian oil will soon be added to the global supply of crude, which will keep prices low for the near future. It's all but certain that we won't see $100.00 oil for a long, long time.

So what is the endgame? Well, most analysts think oil production will shrink in order to rebalance supply and demand. In reality, that means the bottom end of producers, those closest to insolvency, will get pushed out.

Since getting oil from the Alberta fields is already an expensive process, Canadian firms were at risk. With the carbon tax on the horizon, most Canadian oil companies are now facing annihilation. Dark days lie ahead for the workers of Alberta and the Canadian dollar.