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## MÉTIS ACCUSE OILSANDS GIANT CNRL OF ECONOMIC RETALIATION OVER ENVIRONMENTAL CONCERNS

Lucrative security contract nixed after Fort McKay Métis launch appeal of Horizon project

In her 68 years, Margie Wood has seen the landscape around her transformed from isolated wilderness to an intensive industrial zone. She has lived her life in the heart of what is now the Alberta oilsands.

Today her community is surrounded by open pit mines and massive upgrading plants. Pipelines and service roads snake through the trapline she once shared with her father.

"That's where we used to live, and that's where we made our living," Wood said of the trapline. "If you were to go there now you would not trap. There's nothing to trap. The company, they destroyed our land."

The company she's talking about is Canadian Natural Resources Ltd., which built its Horizon oilsands project 15 kilometres north of the tiny hamlet of Fort McKay. "They took all our cabins out, all our trees," she said.

The Fort McKay First Nation has benefited from the nearby oilsands plants. Its 350 members have seen their standard of living improve through direct employment with the large oil companies, and community owned businesses have thrived.

But Wood is not a member of the First Nations community. She's one of the 84 Fort McKay Métis who are not getting the same benefit from the megaprojects on their doorstep.

The Métis receive no government money for things like housing and social programs. But they do own the 324 hectares of land bordering the First Nation and the Horizon mine. In a bid at bettering the lives of its members the Métis community began building partnerships to bid on projects at the Horizon mine. The first was with security firm Garda, which was already contracted by CNRL.

But as the Garda-Métis partnership was being developed, the Métis-CNRL relationship was starting to sour. It began in the summer of 2014, when the Métis and First Nations jointly sent a letter of concern to Alberta's energy regulator outlining concerns with the growing Horizon development.

"Fort McKay has lost the use of and access to much of its traditional

territory," the letter stated. "It is also likely that the project and related development will lead to significant adverse effects, such as decreased wildlife populations, increased air pollution and odours, reduced water quality, increased noise and traffic."

Under the law, oil companies are obligated to consult with First Nations, but not Métis. Shortly after the letter was delivered, the First Nations and Métis stopped speaking with a single voice, and the Métis found themselves isolated. According to the McKay Métis, CNRL has not spoken with or consulted them since the letter was delivered.

When the Alberta Energy Regulator approved a renewal of CNRL Horizon's 10-year operating licence in 2015, the McKay Métis tried again to get their voice heard. They appealed the renewal and submitted 75 suggestions to mitigate the environmental and social impact of the mine on the community.

"We are not anti-oilsands, however we feel that we are obligated to our people to ensure that the process of development of the resource is the best process possible," Métis Association president Ron Quintal said in an interview.

The Métis Association did not hear back from CNRL directly, but its business partner Garda did. In a terse letter delivered to the security company, CNRL pointed to a "conflict" that it was "unwilling to waive," stating "Canadian Natural will not conduct business with partners that are seeking to directly or indirectly undermine the Horizon project."

Quintal said CNRL also refused to accept a bid from another company that was partnering with the Métis Association. "What we encountered from CNRL was not necessarily conversation, but was retaliation."

When CNRL first applied for the Horizon project in 2003, it signed a co-operation agreement with the community of Fort McKay, which included both the First Nations and the Métis. Along with platitudes such as nurturing a long-term, good nature relationship, the agreement also included the objective to "implement mutually beneficial initiatives to increase education and employment

opportunities for community members with the Horizon project.

But David Laidlaw of the Canadian Institute of Resources Law isn't surprised at CNRL's actions when it comes to the Métis community. "As far as they're concerned, it's business as usual, and they're not under any obligation to employ any particular group," he said in an interview with CBC News.

Nor is CNRL under any obligation to consult with or even listen to the Métis community under Alberta's current laws. But that may be about to change. The province's NDP government is poised to announce a new consultation process for Métis communities.

Richard Feehan, Alberta's minister of indigenous relations, has already met with the Fort McKay Métis, along with three other communities in the oilsands region, and he said he understands their concerns.

"I agree that people are not being consulted the way they should have been consulted. You know under the previous governments that there's a group of people who have essentially been neglected, and we're repairing that, because we fundamentally believe that people have a right to be consulted about matters that influence their lives and that make a difference in how they want to be in this world."

But before anything happens, Feehan said there will need to be a wide range of consultations to decide what specifically should change. That could take a year. In the meantime, Quintal said his group is spending money on legal fees that would better be spent on housing, social services and scholarships for students.

Margie Wood just wants her tiny community to see some benefit from the land and lifestyle it has given up.

"I just want CNRL to work with us. What is wrong with us? We work with other industrial companies, why won't they work with us? We need some jobs for my people."



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## BP CANADA DELAYS NOVA SCOTIA OFFSHORE OIL DRILLING

Drilling will start less than a year before company's exploration licence ends

BP Canada's oil exploration project that had been scheduled to begin next year off Nova Scotia is being put on hold until 2018.

In a statement released on Wednesday, the company says its exploratory drilling will start in the second quarter of 2018 — less than a year before its exploration licence expires.

The company says by delaying drilling, it can finalize the locations of the exploration wells by the end of 2016.

"The additional time will also support the preparation of a robust environmental assessment and mitigation plan as well as thorough drilling, incident prevention and response plans," the statement said.

The company says it plans to submit its environmental impact statement to the Canadian Environmental Assessment Agency in May.

Kathleen Funke, a spokeswoman for the Canada-Nova Scotia Offshore Petroleum Board, confirmed BP Canada has begun that process with the Canadian Environmental Assessment Agency.

"While BP did notify us of their delay in drilling, they were not required to do so," Funke said.

She said staff at the petroleum board meet with BP regularly to discuss regulatory requirements,

"but as of right now they do not have an application in front of us."

In its statement, BP Canada said it will cancel two existing drilling projects, but will submit proposals for the same services by the end of this year or early 2017.

## FIRST NATIONS-LED ENVIRONMENTAL ASSESSMENT NEEDED FOR B.C. PROJECTS LIKE SITE C, SAYS COALITION

Another environmental assessment means projects may have 3 tests — provincial, federal and First Nations

A First Nations coalition is calling for First Nations-led environmental assessments for big energy projects in B.C. like Site C.

That environmental assessment mean projects would potentially have to pass three environmental tests — provincial, federal, and First Nations.

Advocates of a First Nations-led assessment say the process would take into account industry's interests as well.

In fact, a process that puts First Nations in the driver seat means projects will be more likely to get the green light from First Nations groups, said one First Nations leader.

"It isn't a tool to say no — certainly not. We want to be able to work with industry and government to reach an understanding of the value chain of LNG," said Theresa Tait-Day, a member of the First Nations Major Projects Coalition.

"Having our own environmental

standards in place at the same time, working in unison — [it is] likely projects will go ahead."

The coalition was created in 2014 after First Nations groups had difficulty buying equity in projects. The coalition, made up of First Nations representatives from northern B.C., decided it needed to create a group that represented their collective interests.

"We had discussions around that whole area and decided that the best approach would be to look at equity ownership ... so that we can make decisions about what it is that we want to protect," said Tait-Day.

"First Nations needs to be a part of that development to ensure future generations have a say as to what happens to their environment."

## FRACKING EARTHQUAKES ARE RARE, ISOLATED EVENTS, SAYS B.C. OIL AND GAS COMMISSION

Less than 1% of fracking wells directly trigger earthquakes, says recent report

Earthquakes from fracking are rare and usually not felt, says the B.C. Oil and Gas Commission, in response to a report released last week that show a definite link between hydraulic fracturing and large earthquakes.

The report says 90 per cent of all large earthquakes with a magnitude larger than 3.0 in northeastern B.C. are linked to fracking. It is simply a matter of time before a fracking-triggered earthquake causes damage, said one of the report's lead authors.

However, the report also said less than one percent of fracking wells directly trigger earthquakes. That's the piece of information the oil and gas industry is highlighting.

"These are isolated events, they're rare events. It's very rare that they are ever felt at surface," said Ken Paulson, chief operating officer for the B.C. Oil and Gas Commission.

Any wells that cause a 4.0 magnitude or larger earthquake must shut down and implement measures that mitigate the risk for another earthquake, said Paulson.

"You can reduce the pressures or you can reduce the pump rates," he said.

Alternatively, well operators can choose to avoid the fault altogether.

"If it looks like you've intersected a fairly large fault, then what you can do is just skip that stage and move on to other stages. So avoiding the fault and avoiding any further movement on the fault."

The oil and gas commission will continue to work with researchers to monitor seismic activity in the area, said Paulson.

The commission has worked with researchers to install nine new seismic detection centres in northeastern B.C. in recent years, he said. There are now 11 detection centres in the region, allowing the industry to keep better track of earthquakes.

"We're very comfortable that hydraulic fracturing is conducted every day safely here in British Columbia and can continue to be," said Paulson.

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## FRACKING TRIGGERS 90% OF LARGE QUAKES IN B.C., ALBERTA OIL AND GAS PATCH

But less than 1% of fracking activity directly responsible for earthquakes

There's bad news and good news when it comes to fracking and earthquakes in Western Canada, according to new research from a paper co-authored by a Geological Survey of Canada scientist.

The new research confirms a definitive link between hydraulic fracturing and almost every large induced earthquake recorded in B.C. and Alberta's oil and gas patches since 1985.

In other words, scientists now have evidence that 90 per cent of seismic events over magnitude 3.0 that shook the region were triggered by crews fracking for oil and gas underground.

But with so many fracking wells in operation, the evidence also shows only a tiny fraction of them — less than one per cent — directly triggered earthquakes.

Now, scientists say, they need to determine what factors caused 39 wells to trigger quakes.

They say it appears other factors they don't yet fully understand must also be at play determining which fracking operations trigger earthquakes and which do not.

"It is important for us to realize that indeed hydraulic fracturing can induce earthquakes," said Honn Kao, a research scientist with the Geological Survey of Canada and one of 13 co-authors of a study, set to be published in the May-June issue of the peer-reviewed *Seismological Research Letters*, the journal of the Seismological Society of America.

"But the evidence so far indicates

important in this process as well, so that we cannot blame all the hydraulic fracturing operations for inducing big earthquakes," he said.

Kao said these other factors are likely related to local geology, local hydrology and the distribution of tectonic plates and fault lines, but more research is needed.

In British Columbia, where the government has pinned its financial future on ramping up fracking so it can export gas as liquified natural gas, these research results will be closely analysed.

"We realize induced earthquakes are definitely part of the risk that may be associated with the development of the oil and gas," said Kao. "That is a cause for so much concern from the regulators as well as the public."

"It's important to conduct more research to figure out the best balance between the protection of the public safety and the environment and the economic benefits of developing unconventional oil and gas.

"We will provide the necessary science and all the scientific analysis to the policy making process so collectively B.C. and Alberta will make the wise decision if they want to proceed [with fracking] or not," said Kao.

Kao and his fellow scientists based their research on 25 years of data on earthquake activity in a swath of northeastern B.C. and western Alberta, called the Western Canada Sedimentary Basin, that's not traditionally seismically active. They combed through data between 1985 and 2015 about seismic events larger than magnitude 3.0, as well as information from 12,289 hydraulically fractured gas and oil wells, and 1,000 fracturing waste disposal wells.

What are the results? More than 90

associated with nearby fracking operations. More than 60 per cent of these quakes were linked to hydraulic fracture with about 30 to 35 per cent coming from disposal wells. Only five to 10 per cent of the earthquakes had a natural tectonic origin.

As well, just 0.3 per cent of the fracked wells triggered large earthquakes. And those large earthquakes didn't result in any injuries or significant damage.

While the percentages sound small, lead author Gail Atkinson of the University of Western Ontario said that thousands of hydraulic fracturing wells had been drilled every year in the region, increasing the likelihood of earthquake activity.

"We haven't had a large earthquake near vulnerable infrastructure yet," she said, "but I think it's really just a matter of time before we start seeing damage coming out of this."

Atkinson said the new numbers could be used to recalculate the seismic hazard for the region, which could impact everything from building codes to safety assessments of critical infrastructure such as dams and bridges.

"Everything has been designed and assessed in terms of earthquake hazard in the past, considering the natural hazard," she said. "And now we've fundamentally changed that, and so, our seismic hazard picture has changed."

The research also confirmed differences scientists have long suspected between Canada and the United States. In the U.S., induced earthquakes are most often linked to the underground disposal of fracking waste materials, rather than the fracturing process itself.

Hydraulic fracturing or "fracking" is a process that involves pumping

chemicals underground at high pressure to fracture rock and release trapped natural gas.

Studies have linked fracking with earthquakes in the U.K., Oklahoma, Alberta, and in B.C.

## FORT MCMURRAY OIL COMPANIES COULD SEE TAX BREAK IF THEY HIRE MORE LOCALS

Councillor Allan Vinni proposes idea to reduce costly fly-in, fly-out operations

A local politician in Fort McMurray is willing to cut the property tax burden on big oil companies in exchange for a promise to hire more local workers and reduce the long-distance commuter workforce.

"Roughly a third of the people who work for the oil industry [in Fort McMurray] are probably being flown in from other parts of Alberta, or more commonly from outside of the province," said Allan Vinni, councillor with the Regional Municipality of Wood Buffalo.

"We're trying to be an economically and environmentally stable oil industry. We need people to live here to do those jobs," Vinni said.

Vinni said despite the waves of layoffs in Fort McMurray, some oil companies are looking to hire, and he wants to see local residents get priority.

For example, Suncor's Fort Hills project could employ roughly 2,000 more people, Vinni said.

"You really don't want to be flying in and flying out people for 30 years to keep that plant going. It's just not efficient, and it doesn't lead to the level of expertise that makes you a world leader in what you're trying to do."

Vinni's motion will be debated at the April 5 council meeting.

"We have the ability to look at some

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there are other factors that may be per cent of large earthquakes were a mixture of water, sand and things and lower taxes and benefit

everybody that way, but we need something in exchange for this. We need to know that more people are going to be employed here," he said.

### IMPERIAL-EXXONMOBIL LNG PROJECT SEEKS 40-YEAR CANADIAN EXPORT LICENSE

Canadian producers remain far from dropping out of competition for overseas sales of liquefied natural gas (LNG), as evidenced by a move by Imperial Oil and its majority owner -- ExxonMobil Corp.

The corporate pair's WCC LNG terminal project stepped forward to seek Canada's third 40-year gas export license since federal legislation extended the maximum term beyond a longstanding traditional limit of 25 years in mid-2015.

The rules also enhance flexibility by adding sunset clauses that keep the licenses valid for 10 years of courting overseas customers, planning, completing regulatory approvals and construction before the export delivery clock starts running. In effect, Canadian LNG schemes have half century-long official life spans.

The WCC pair's step to stay in the LNG arena follows swift approval by the National Energy Board (NEB) of a 40-year license for the international LNG Canada consortium led by Shell. The all-Asian entry, Pacific NorthWest, is also seeking an extended permit.

Rivalry for overseas gas sales is not solely about pricing because security of supply is a high priority among customers and ability to make

long commitments gives Canadian LNG an advantage, WCC said in its extended license application.

"WCC has determined that a 40-year export license, in addition to improving regulatory certainty, could help strengthen the global competitiveness of WCC's contemplated project," the application said.

Potential overseas customers are being offered access to a supply warehouse that is solely under the WCC sponsors' control, to be developed for up to six LNG production trains built on a schedule crafted to match market conditions.

The super-long export license would allow overseas tanker cargoes to grow to 4 Bcf/d. ExxonMobil and its 70% owned Canadian arm, Imperial, own 2,258 square miles of shale and tight-gas drilling targets in prolific British Columbia, Alberta and Northwest Territories geological formations including the Montney, Horn River, Duvernay and central Mackenzie Valley deposits.

Imperial and ExxonMobil are also holding out for the most competitive project formula that can be devised within the Canadian gas industry.

Unlike its rivals, the WCC pair has not yet decided on a location for their proposed terminal on the Pacific coast of BC. Instead, Imperial and ExxonMobil are collecting site offers from Kitimat and Prince Rupert and delivery service proposals.

The commercial talks on transporting gas from the northern shale deposits to the ports are strictly

confidential. But TransCanada Corp., Nova Gas Transmission Ltd. and Spectra Energy Transmission (WestCoast) are well known to be advancing rival plans. The options, currently moving through federal and provincial regulatory screens, include three jumbo pipelines across about 800 kilometers (500 miles) of BC wilderness.

"Several possible pipeline options are being considered to deliver gas to the LNG terminal, including existing systems, expansions, new third-party systems, and new proprietary systems," according to the new application for an extended export license. "The [WCC] project proponents have entered into confidentiality agreements with several pipeline companies relating to services for delivery of gas to the LNG terminal."

### OIL SHOCK WILL TAKE ANOTHER 2 YEARS TO WORK THROUGH, SAYS BANK OF CANADA OFFICIAL

Lynn Patterson warns commodity sector will not return to boom levels even when oil recovers

A senior Bank of Canada official says it will likely take more than two years for the country's economy to fully adjust to the commodity price shock.

Speaking to an Edmonton business audience, deputy governor Lynn Patterson warned that the impact of loss of income to thousands of resource sector workers has yet to work its way through the economy.

"Not only do these jobs pay well, they

also tend to call for longer work days and, therefore, a greater number of hours worked. For example, in 2014, average hourly earnings and average hours worked in the resource sector were, respectively, about 40 per cent and 25 per cent higher than the national average," she said.

She predicts a lowering of aggregate household incomes throughout Canada as a result. That will extend into 2017, slowing consumer spending and putting a drag on growth.

"Adjustments to large negative shocks take time. Although painful for many, the shifts are signs of a dynamic economy," Patterson said.

Similarly, the impact of a falling Canadian dollar that resulted from low commodity prices will take more time to take effect,

The weaker dollar both makes Canadian exports cheaper and boosts the Canadian-dollar revenues of non-commodity exporters that price their goods in U.S. dollars, she said.

It will eventually lead to a boost in non-commodity exports, but only where the economy rebuilds capacity lost during the boom years when the dollar was high, Patterson added.

Patterson said the Canadian economy will find "a new balance," several years from now, but said she did not expect the commodity sector to regain the full strength it had in 2014.

Instead, its importance to the economy will decline toward its pre-boom level.

"By 2020, the sector could account for roughly 40 per cent of exports,

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compared with about 50 per cent in 2014. Similarly, the sector's share of business investment could fall to 40 per cent, compared with 56 per cent in 2014," she said.

Patterson emphasized that the Canadian economy is resilient, as it is based on a broad set of natural and human resources and powered by a wide range of industries.

The Bank of Canada did make its two rate cuts in response to the weakening of the resource sector.

The central bank's role is to "set policy that will help keep inflation low, stable and predictable, so that Canadians can plan and invest with confidence," she said.

### **SHELL CANADA'S NEW PARTS ARRIVE FOR NOVA SCOTIA OFFSHORE DRILL**

Shell's 2,000-metre riser still at the bottom of the ocean following March incident

Shell Canada's replacement riser has arrived at the Port of Halifax; however the company's offshore exploration remains on hold until it uncovers how it lost the first one.

A riser is a specialized vertical pipe that connects a surface ship to a wellhead on the sea floor. On March 5, rough weather caused a drill ship hired by Shell Canada to drop a roughly 2,000-metre riser to the bottom of the ocean.

At the time of the incident, crews had disconnected the pipe from the bottom and had taken steps to prevent any oil or drilling fluid from escaping.

Shell Canada's riser is still laying at the bottom, while at least eight long Styrofoam sheaths have broken off the pipe and floated away.

The company was nearly finished drilling the first of two planned exploratory wells, searching for oil and natural gas about 225 kilometres off Nova Scotia's coast. However, drilling has been suspended ever since the March 5 incident.

"Until such time as the board is satisfied that operations can proceed safely, drilling will remain suspended," said Kathleen Funke, spokesperson for the Canada-Nova Scotia Offshore Petroleum Board.

Nonetheless, Shell is preparing for when operations can resume.

Dozens of segments of pipe were offloaded Monday morning at a north-end Halifax pier. The pipes will eventually be shipped out to the drill site, fitted together vertically, and lowered down to replace the original riser.

Shell Canada officials say they are still investigating the cause of the March 5 incident.

### **A NEEDLESSLY EXPENSIVE 'FAILED EXPERIMENT' IN ALBERTA**

An arm's-length agency created as a world-class monitor of the environmental impacts of Alberta's oilsands is instead a "failed experiment" that should be rolled back up into the government, a review has concluded.

A report done for Alberta's environment minister says the Alberta Environmental Monitoring, Evaluation and Reporting Agency is needlessly expensive, poorly co-ordinated and split by bureaucratic infighting.

"It is hard to escape the conclusion that AEMERA is a failed experiment in outsourcing a core responsibility of government to an arm's-length body," wrote report author Paul Boothe, director of the Lawrence National Centre for Policy and Management at Western University's Ivey School of Business.

"Three years and tens of millions of dollars later, the results are an organization that is still struggling to get established, dysfunctional relationships with its two key partners ... and a failure of all three parties to realize the promise of the ... plan to bring critically needed, world-class environmental monitoring to Alberta's oilsands."

The agency was founded in 2012

after years of criticism over how Alberta was keeping track of the environmental impacts of the then-rapidly expanding oilsands.

The plan was to bring provincial scientists together with resources from Environment Canada to jointly co-ordinate the study of how the industry was affecting the region's air, land and water. The resulting agency was funded by \$50 million from industry and another \$28 million from the province, which was to fund the expansion of environmental monitoring across the province.

The agency's research plans have been hailed as a dramatic improvement and numerous scientific papers have been published from its work. But Boothe, a former Environment Canada deputy minister, said the organization itself never gelled.

Boothe's report, obtained by The Canadian Press, points out the funding agreement between government and industry expired a year ago and has never been renewed, "in part because of AEMERA's unwillingness to accept (Environment Canada) as an equal partner in oilsands monitoring."

How the agency was supposed to work with the provincial Environment Department and who it was accountable to was never made clear, he writes.

The transfer of provincial scientists to the agency made it hard for the government to fulfil its other environmental responsibilities. The agency's reluctance to allow for

a federal role restricted its use of Environment Canada resources.

It also costs more than it should.

"In part, the higher costs come because its governance and administrative structures duplicate structures that already exist, at lower cost, in the public sector," wrote Boothe.

"In addition, costs are higher because AEMERA has chosen private rather than public sector salary and benefit comparators."

Boothe outlined several options for Alberta Environment Minister Shannon Phillips. But his preferred path is to return the agency's work to her department with clear lines of accountability to the minister.

"This option has the benefit of consolidating scarce scientific expertise in one location in Alberta," he wrote. "The administrative structure of this option is likely to be the least costly to operate."

His concerns were presaged in February by a scientific peer review, which found the agency's work was poorly focused and co-ordinated. The Canadian Association of Petroleum Producers also expressed concerns about the need for more integration, analysis and coherence.

Boothe concluded the agency failed because it was based on a false belief that the public didn't trust Alberta's environmental monitoring because it was done by government. Instead, he said, the public didn't trust it because it was bad monitoring.

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