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BUILDING PIPELINES WILL PAY OFF, SAYS FORMER BANK OF CANADA GOVERNOR

David Dodge says many Canadians don't understand the benefits of new pipelines

At a business conference in the winter wonderland of Lake Louise, Alta., on Friday, attendees and speakers alike voiced the reasons why Canada needs more oil pipelines.

The crowd was made up of oilpatch leaders and supporters such as TransCanada CEO Russ Girling and former federal cabinet minister John Baird. On stage were the likes of interim Conservative Leader Rona Ambrose and former Bank of Canada governor David Dodge. Even if they didn't use their time at the podium to talk pipelines, it's on their mind. In particular, they spout the benefits new pipelines would provide for the economy and various levels of government. "I'm not sure Canadians really understand the financial benefits," said Dodge in an interview. The vast majority of oil from Alberta and Saskatchewan is exported to the United States, instead of being transported to a coast and exported to other countries at world prices. "We

produce a very valuable resource and we don't get full value for that resource," he said. "It's absolutely unconscionable that we don't take the actions we need to move it so that Canadians receive the full value for the product." The federal government will announce its decisions on two Enbridge pipeline projects in the next week and rule on Kinder Morgan's Trans Mountain Expansion in the next month. The Liberal government will decide whether to order further Indigenous consultations on the Northern Gateway proposal or reject the project. It must also approve or deny Enbridge's plan to replace its aging Line 3 pipeline, with a new pipe that can transport more oil. "Fundamentally, Canadians need to recall 30 per cent of our economy is natural resources," said John Manley, a former Liberal deputy prime minister. "That's what our business is in Canada. We may like to think we can survive off making solar panels and medical devices, but we can't." Kinder Morgan's proposal to expand the Trans Mountain pipeline is facing increasing criticism as protests were held in several cities earlier this month. The National Energy Board gave its approval in May to the multibillion-dollar pipeline as long as 157 conditions

are met, including 49 environmental requirements. Conditions include developing grassland and wetland mitigation plans, marine protection plans and reports about how the company will construct the Burnaby Mountain tunnel. Trans Mountain must enhance its marine oil spill response and develop a mammal protection program. For the first time, the company has to offset its greenhouse gas emissions, which will cost millions of dollars. Critics say the conditions don't go far enough, as an oil spill could devastate salmon populations in rivers, for example. They point to the Husky pipeline spill in Saskatchewan that affected drinking water in several communities earlier this year as proof of the damage a leak can cause. Environmental groups and some First Nations vow to fight the project in court if the federal government approves Kinder Morgan's proposal. Ian Anderson, the head of Kinder Morgan Canada, is aware of how his project has become the latest lightning rod in the debate about how industrial development should take place in the country.

The pipeline itself is not of particular interest, but he said people are intrigued by the issues the project involves such as climate change,

First Nations, communities, killer whales, grasslands, caribou, and many others. Anderson spoke at the Lake Louise conference, but refused to answer questions from journalists. If the expansion of Trans Mountain receives federal and provincial approval, the company says it could begin transporting Alberta oil to the coast in late 2019, at the earliest.

CARBON PRICE WON'T BE DECIDING FACTOR FOR OILSANDS DEVELOPMENT: REPORT

Alberta's incoming carbon taxes will have a minimal effect on new oilsands development compared with oil prices and market access, says a new report. TD Bank economist Dina Ignjatovic said in the paper released Tuesday that if oil prices rise above US\$60 a barrel then a carbon tax likely won't make or break investment decisions at all, while below that price few projects will get approved either way. "Basically US\$60 is that threshold, where before that you're not going to see a lot of new projects announced anyway," said Ignjatovic in an interview. She said below the threshold margins are especially squeezed, so a carbon tax could



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have some impact, but that boosting efficiencies, more pipelines and higher oil prices heavily outweigh its importance. "The low price environment is obviously very key for them. And market access is the other thing too," said Ignjatovic. "Unless we find more ways to get oil out of Alberta you're not going to see a huge amount of investment in the province's oilsands." She said Alberta's carbon tax, which starts at \$20 a tonne next year and then to \$30 a tonne the year after, provides some certainty for oilsands producers and reward those producers with lower emissions.

Ignjatovic pointed to the Alberta Environment and Parks estimate that most projects would see costs per barrel getting between 50 cents cheaper and 75 cents more expensive at \$30 per tonne carbon pricing, though some carbon-intensive projects could see prices rising as much as \$4 a barrel. She said the recent announcement of a federally-mandated carbon tax brings more uncertainty, however, as provinces haven't said how they'd respond to a mandate calling for \$50 per tonne pricing by 2022. "The murky part is what the federal tax will do on top of Alberta, because there's very little detail on that," she said. If Alberta simply follows its established policies but ramps up the price, the cost per barrel would range between 84 cents cheaper to \$1.25 higher, Ignjatovic said.

"It's still a fairly small amount," she said. "Some producers will be better off and can actually benefit from this." Federal and provincial opposition leaders have called for carbon tax proposals to be scrapped because they say the tax will make Canada's oil and gas industry less competitive, especially after pro-industry Donald

Trump won the U.S. election.

PIPELINE OPPOSITION ISN'T REALLY ABOUT CLIMATE CHANGE

Canada West Foundation finds more local concerns tend to drive opponents of energy projects, in general, from hydro dams to wind farms. If you think opposition to pipelines is driven mainly by concerns over climate change, you're wrong, according to a new study from the Canada West Foundation and University of Ottawa. Their report, released Thursday, involved six case studies of major energy projects across the country that found similarities among the local opposition each encountered, whether it was an oil pipeline, a hydro dam or a wind farm. "Our new research shows ... that the nature of this opposition, and the underlying concerns, are often not what opinion leaders and political decision-makers have assumed," the report reads. "Importantly, local opposition is not restricted to pipelines and oilsands, and it is often not about climate change." Other factors turned out to be "far more important," according to the research. Those factors include how safe a project is perceived to be, how necessary it is perceived to be, how the benefits would be distributed, how the local environment would be impacted, how the proponents communicate with the public and how much the community is involved in decision-making. "From shale gas exploration on the East Coast to wind farms in central Canada to a proposed pipeline terminus on the West Coast, local authorities and communities are demanding an increasing role in how economic and environmental decisions by third parties affect their future," the report reads. "One thing seems very clear: The world of elite,

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centralized decision-making without local engagement is fast becoming a thing of the past." The report recommends a complete "rethink" of how energy projects are proposed, communicated and regulated — and it's not as simple as sharing the wealth more broadly. "There are cases where deeply held values — such as a natural environment, traditional lifestyles or the importance of being treated openly and fairly — dominate community views," the report reads. "It is clear that speaking to economic interests alone will not shake people from these values." It's also important for proponents to consider the context in which projects are proposed, the report notes, as local experiences with previous proposals can shade how future

undertakings are perceived, even if they have little in common. "We need to build flexibility and understanding into processes to respond to diverse realities," the report reads. "Engaging the community should be about more than notices and a few town hall meetings. It should involve real consultation with the possibility that plans may change."



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