

Canada says EU oil spat not linked to trade talks

By Allan Dowd

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(Reuters) - Canada is concerned about possible European import restrictions on crude from its vast oil sands, but a fight over the industry's emissions will not have an impact on trade talks with the European Union, Ottawa's Trade Minister said on Wednesday.

Peter Van Loan denied reports by EU sources that Canada has threatened to scrap a proposed multibillion-dollar free trade deal if Europe goes ahead with new rules to promote greener, low-carbon fuels as part of a strategy to curb greenhouse gas emissions.

Europe's trade and climate chiefs are preparing to take a stand against imports of oil from Canada's tar sands, a major source of greenhouse gases, despite fears that two-way trade would suffer as a result, according to EU sources and documents.

"This issue is being dealt with separately from the free trade discussions, so I do not anticipate it will have an impact on the timing or the outcome of those free trade talks," Van Loan said in Vancouver

"That said, we are very concerned about the proposed fuel quality initiative of the European Union," Van Loan said.

European officials had backed away from the fuel plan last year, but have now decided to move forward again after checking the methods used to measure the carbon footprint of various fuels, according to internal EU documents and sources.

Environmentalists say using crude from the oil sands has an increased impact on the climate because of the amount of energy needed to extract the tar-like oil from the sediment -- a claim the energy industry disputes as being outdated.

Van Loan reiterated Ottawa's position that the science does not support restrictions on crude from the oil sands of northern Alberta, the second largest proven oil reserves after [Saudi Arabia](#).

"I think you can only look around the world today to recognize the value of Canada's supply of oil to the world as a stable democratic and reliable country of origin," Van Loan said.

The United States is now the only country to import crude from the oil sands, which are usually referred to by the government and oil industry as the "oil sands" but which environmental groups label "tar sands."

Canada is the largest energy supplier to the United States, but has been looking to expand the market for its crude to China and Europe in the future.

EU officials have said they expect Ottawa will challenge any import restrictions to the World Trade Organization.

Canada and the EU are looking to strike a free trade deal by the end of 2011. Although two-way trade is relatively small, totaling around C\$82 billion (\$83 billion) in 2010, a deal with the EU would be a major

breakthrough for Canada as it seeks to diversify export markets in the face of weaker U.S. demand for its products.