

EU yields on oil sands trade: sources

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The European Union has yielded to Canadian demands it remove possible trade barriers to polluting oil sands to avoid further damage to ties, according to sources and leaked documents.

Relations are already strained after the European Union banned imports of seal products last July on animal welfare grounds, a move Canada is challenging at the World Trade Organization.

Canada warns that draft EU standards to promote greener fuels are too unwieldy and will harm the market for its oil sands – tar-like oil that is trapped in sediment and forms the world's second-largest proven crude reserves after Saudi Arabia.

“Such a system would be extremely difficult to implement and monitor, and would in itself create barriers to trade,” Canadian Ambassador Ross Hornby told a top official at the European Union's executive in a letter seen by Reuters.

Several sources said Canada had raised the issue frequently during trade talks with the EU.

Environmentalists bitterly oppose the industry, saying the extra energy needed to extract oil from the north Alberta sands intensifies the damage they do to the climate, while extraction wastes harm wildlife and pollute rivers.

“Carbon dioxide emissions from the extraction and refining of oil from tar sands are three times higher than those from conventional

sources,” said Nusa Urbancic of green transport campaigners T&E.

“Treating tar sands like any other source of oil will just increase Europe's dependence on this dirty fuel for years to come,” she added.

But Mr. Hornby cited research showing oil sands' carbon footprint was only 5 to 15 per cent higher than most crude imports consumed in the United States.

“A separate category for oil sands, therefore, is not science-based and would amount to unjustifiable discrimination against the oil sands,” he wrote to Karl Falkenberg, head of the European Commission's environment department.

Mr. Hornby confirmed he had written such a letter, which was released by the Commission under freedom of information laws.

Europe seems to have taken the advice.

A recent draft EU paper on fuel standards, seen by Reuters, drops all reference to Canadian oil sands or tar sands, in sharp contrast with drafts from last year.

Those early papers gave oil sands a greenhouse gas value of 107 grams per megajoule, way higher than any other road fuel except those extracted from coal.

The European Commission declined to comment on the leaked documents, but sources said the oil sands issue was generally becoming too hot for them to handle.

Canada took the same approach last year when California was drafting its own fuel standards, another letter seen by Reuters shows.

California's rules should treat Canadian oil sands like any other crude oil, Canada's former natural resources minister Lisa Raitt told California Governor Arnold Schwarzenegger.

Mr. Hornby noted in his letter to EU officials that European companies including BP PLC, Royal Dutch Shell, Total SA and Statoil ASA are active in developing Canada's lucrative oil sands sector.

The discussion comes amid high tensions in Canada about perceived European interference.

Canada's Inuit people sued the European Union in January over the ban on seal products such as furs and oil, and Canadian parliamentarians ate a meal of seal meat earlier this month in protest.

That won't worry many European politicians, who privately named Canada as the biggest laggard on tackling climate change at U.N. talks in Copenhagen in December.

"Disputes do occur, but we have a mature relationship, and a sign of that is that we're negotiating a trade agreement at the moment," Mr. Hornby told Reuters.