Why Europe Could Decide Fate of Canada's Oil Sands

Tories and petro firms worry oil sands restrictions in Europe will spread to other key nations. They're lobbying hard to prevent it.
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High-ranking Canadian officials and several of the world's largest oil companies are fighting attempts by the European Union to deal with climate change. They're lobbying heavily against a fuel standard provision proposed last year, which they fear will restrict energy imports from Alberta's oil sands, a high emitter of greenhouse gases.

This informal coalition scored a major victory earlier this March, and is now doing all it can to defend it.

What makes the lobbying push unique is that very little Albertan fuel actually gets sold in Europe. And yet European officials are getting the regular hard sell from oil sands firms and their friends in Canada's government.

"It is not because we are protecting a customer base [in Europe]," Rob Renner said, "but because we respect the fact that decisions in Europe find their way into other policies around the world."

Previous European emissions initiatives have been copied in China and India, suggesting oil sands restrictions could set a global precedent. Canada is right now trying to set a different one. Ongoing trade negotiations with the European Union -- which are entering their fifth round in Ottawa this week -- may result in the most comprehensive free-trade agreement of all time, as early as next year. Canada's EU ambassador Ross Hornby confidently predicted this vision of open markets would "send a strong signal to the rest of the world."

Will Europe enact tough climate legislation, or appease its Canadian trading partners? Green observers in Brussels and beyond worry an international reputation is on the line.

"If we miss this opportunity," Jos Dings, director of the sustainability group Transport and Environment, told the Tyee, "I don't know where Europe's credibility stands."

Larger carbon footprint for oil sands fuel

The story begins in 2007, when the European Union proposed a revised law designed to reduce the carbon footprint of road travel. Policymakers recognized that extracting fossil fuels from the ground, processing them in refineries and combusting them in car engines releases lots of greenhouse gases.

By 2020, the Fuel Quality Directive mandates that suppliers must shrink the combined carbon footprint of all transport fuels used in the European Union six per cent below 2010 levels. The proposal became a major lobbying issue for Canadian officials and big European oil companies once policymakers got specific about how targets would be met.

Most of a fuel's carbon footprint comes directly from the car or truck engine where it's combusted. These so-called "tailpipe emissions" vary little from fuel source to fuel source. Any significant disparities come from the extracting and refining stages.

Take Alberta's oil sands, where a viscous substance called bitumen must be clawed or steamed from the ground, then cooked at high temperatures and diluted with chemicals. The U.S. Environmental Protection Agency estimated the process creates 82 per cent more emissions than that for conventional oil.

European policymakers last year proposed measurable carbon footprints for each fuel type it uses. In theory, suppliers would seek out lower-emissions energy, giving producers incentive to become more efficient. With the exception of coal-based road fuels, oil sands got by far the largest footprint, a full 20 per cent bigger than standard petrol. Cue the lobbyists.

Canada ambassador, oil firms press together

A new Fuel Quality Directive draft this March dropped all reference to the oil sands. Green observers were aghast. What reason would suppliers have to source lower-carbon fuels, they argued, if under the law all were considered equal? Twelve environmental groups even warned that the reversal could "undermine the whole purpose of this landmark piece of legislation and therefore put its future in jeopardy."

A tersely worded letter two months earlier from Canada's EU ambassador Ross Hornby to the head of the European Commission's environmental department likely played a role. He cited studies putting the carbon footprint of oil sands crude at "only 5 to 15 per cent higher" than conventional oil -- and lower, even, than some fuel already entering Europe.

"A separate category for oil sands, therefore, is not science-based and would amount to unjustifiable discrimination," Hornby wrote.

Canadian officials weren't the only ones concerned. European oil heavyweights Shell, BP, Total and Statoil all have investments in the northern Alberta muskeg. Voluntary lobbying records -- though in obvious ways incomplete -- give some indication of fossil fuel influence. Shell, for instance, reports it spent 400,000 to 450,000 Euros "representing interests to EU institutions" in 2009.

Transport and Environment's Dings, currently based in Belgium, said the Dutch fossil fuel giant is "red hot" on the Fuel Quality Directive. "They have a very well-organized, very deeply-entrenched lobby in the [European] capitals and Brussels," he said. "They make sure that their presence is heard."

Eager to block green precedent

Early this October, facing pressure on all sides from green groups, Canadian officials and petroleum multinationals, European policymakers delayed a decision on oil sands fuel until late 2011, when in-house scientists will release their own emissions study.

Bearing in mind that almost all Canadian energy goes to the United States, why so much commotion?

"It's very unlikely that oil sands crude will be exported to the European Union anyways," said Jason Langrish, executive director of the Canada-Europe Roundtable for Business, a group representing more than 100 chief executives pushing for greater free trade. "But [the Fuel Quality Directive] establishes a precedent, and when that precedent gets established, then perhaps the United States could also follow."

That kind of forward-looking fear helped motivate two overseas trips by Alberta cabinet ministers over the past several months. Iris Evans, minister of international and intergovernmental relations, travelled to London and Brussels last April. Records show she met with one of the European Commission's top climate change officials "to discuss Alberta's concerns with the draft European Union Fuel Quality Directive."

This May, environment minister Rob Renner schmoozed with EU policymakers in Brussels, between stops in London and Strasbourg, France. "The direction that we see, wherein Canadian oil sands are not specifically targeted, is one that makes sense to us," he told European Voice during the trip. Both politicians talked up Alberta's green credentials, likely including a $2 billion investment in controversial carbon capture and storage technology.

"We found that in working with the EU, there was still a knowledge gap that needed to be addressed," Renner wrote in an email to the Tyee.

The pipeline connection

Fears of restrictive oil sands policies spreading from Europe to other parts of the world are perhaps not unfounded. The European Union, though still one of the world's largest greenhouse gas emitters, began initiating a series of automobile air pollution standards in the mid-1990s. These limits on exhaust emissions for new vehicles have been growing more stringent -- and influential -- ever since. "With a couple of years delay, they're copied virtually everywhere in Asia, except Taiwan, South Korea and Japan," Dings told the Tyee.

Consider now that Enbridge's proposed $5.5 billion pipeline to B.C.'s west coast is based on the tantalizing prospect of shipping oil sands crude to buyers in China and beyond. A world of open markets is clearly in the best interests of both Alberta's fossil fuel industry and the provincial and federal governments it bankrolls. Such a world is being created in ongoing free-trade talks between Canada and the European Union, which entered their fifth round in Ottawa this week. Policymakers ultimately aim to eliminate most non-tariff barriers to trade, including, apparently, a Fuel Quality Directive that targets oil sands, or anything like it.

"We would oppose that type of legislation because it goes against the spirit of the agreement that we're trying to negotiate," Langrish told the Tyee. A comprehensive trade deal, said to be worth $12 billion to Canada's economy, could be signed as early as next year.

Canadian officials hope foreign policymakers take notice. "It would reinforce the message to the rest of the world about the importance of further liberalizing trade," Ambassador Hornby said in a speech this June.