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IN THE MATTER OF  
**ENBRIDGE NORTHERN GATEWAY PROJECT JOINT REVIEW PANEL**

**WRITTEN EVIDENCE OF THE ALBERTA FEDERATION OF LABOUR**

January 2012

1                   IN THE MATTER OF NEB FILE: OF-Fac-Oil-N304-2010-01 01  
2                                   NORTHERN GATEWAY PIPELINES INC.  
3                   Application for ENBRIDGE NORTHERN GATEWAY PROJECT  
4                                   Certificate of Public Convenience and Necessity  
5   OH-4-2011  
6                   WRITTEN EVIDENCE OF THE INTERVENOR  
7                                   THE ALBERTA FEDERATION OF LABOUR  
8

9       **A.    Introduction**

- 10       1.     The Alberta Federation of Labour (AFL) is the largest labour organization in Alberta,  
11             representing more than 145,000 unionized workers in all sectors of the provincial  
12             economy.
- 13
- 14       2.     It is the AFL’s position that the Joint Review Panel should not approve the Northern  
15             Gateway Pipeline project because it is not in the best interests of either the Alberta public  
16             or the broader Canadian public.
- 17
- 18       3.     The Northern Gateway Pipeline project, if approved, will ship an average of 525,000  
19             barrels per day of diluted, unprocessed bitumen to Kitimat, B.C., where it will likely be  
20             loaded onto ships for transport to China or other Asia-Pacific nations for upgrading and

1 refining into higher-valued products (though Enbridge has not shown clearly where  
2 Alberta's bitumen might be sent).<sup>1</sup>

3  
4 4. The Northern Gateway Pipeline project will also import an average of 193,000 barrels per  
5 day of condensate from the Middle East and other areas in order to blend the bitumen so  
6 it will flow through the pipeline.<sup>2</sup>

7  
8 5. It is the AFL's position that the Northern Gateway Pipeline project is counter to the  
9 public interest for 11 reasons that will be elaborated upon in the body of this submission:

10  
11 1) The Northern Gateway Pipeline is not in the public interest because it would  
12 result in the loss of tens of thousands of potential jobs in upgrading, refining and  
13 petro-chemical production. Jobs that could be created in Canada will instead be  
14 created in Asia and the United States.

15  
16 2) The Northern Gateway Pipeline is not in the public interest because, by reducing  
17 the price differential between bitumen and conventional oil, it would remove the  
18 major competitive advantage enjoyed by Canadian refiners: which is access to  
19 relatively cheap feedstock.

20  

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<sup>1</sup> Enbridge Northern Gateway Pipelines, "Project at a Glance," <http://www.northerngateway.ca/project-details/project-at-a-glance/> (**Attachment 1**)

<sup>2</sup> Enbridge Northern Gateway Pipelines, "Project Profile," <http://csr.enbridge.com/northerngateway2010/strategy/project-profile.php> (**Attachment 2**)

- 1           3)     The Northern Gateway Pipeline is not in the public interest because it will make it  
2                   more difficult, perhaps impossible, for Canada’s elected leaders to achieve their  
3                   stated policy goals of upgrading more bitumen in Canada and creating more  
4                   value-added jobs for Canadians.
- 5
- 6           4)     The Northern Gateway Pipeline is not in the public interest because it will thwart  
7                   the Canadian public’s clearly stated and firmly held desire to see Canada move  
8                   “up the value ladder” instead of remaining stuck on the lower rungs.
- 9
- 10          5)     The Northern Gateway Pipeline is not in the public interest because it will  
11                   accelerate the depletion of Canada’s oil-sands resources at today’s prices, as  
12                   opposed to the higher prices almost certain to come in the future.
- 13
- 14          6)     The Northern Gateway Pipeline is not in the public interest because it will  
15                   compromise Canada’s long-term energy security by doing nothing to assist  
16                   provinces in central and eastern Canada which are currently dependent on imports  
17                   from places like the Middle East and Venezuela for the majority of their energy  
18                   needs.
- 19
- 20          7)     The Northern Gateway Pipeline is not in the public interest because it will  
21                   overheat Alberta’s economy and drive up development costs which will have the  
22                   effect of reducing royalty revenue – revenue that could be used for savings or to

1 finance the things that Albertans and Canadians value, like quality public  
2 services.

3

4 8) The Northern Gateway Pipeline is not in the public interest because the  
5 overheated development that it will facilitate will distort the labour market in  
6 western Canada in ways that are harmful to the long-term best interests of  
7 Canadian workers.

8

9 9) The Northern Gateway Pipeline is not in the public interest because it will  
10 increase the likelihood that Canada will suffer, or continue suffering, from what  
11 economists call “Dutch Disease,” a condition in which overheated development in  
12 the energy sector hurts development in other sectors, especially manufacturing.

13

14 10) The Northern Gateway Pipeline is not in the public interest because it, along with  
15 other bitumen-export pipelines already approved by the NEB, will end all debate  
16 about the shape of Canada’s energy strategy (value-added versus export focused)  
17 before the public and policy makers have even begun to discuss the issue in a  
18 meaningful way.

19

20 11) The Northern Gateway Pipeline is not in the public interest because by increasing  
21 the price of oil for all Canadians (both consumers and businesses) the project will  
22 serve to permanently REDUCE Canada’s GDP, increase unemployment, cause  
23 personal incomes to fall and decrease government revenues. In other words, the

1 economic gains to the oil industry projected by proponents of the pipeline project  
2 will come at the expense of losses to Canadian consumers and businesses in other  
3 sectors of the economy.  
4

5 **B. The Northern Gateway Pipeline is not in the public interest because it**  
6 **would result *in the loss of tens of thousands of potential jobs in***  
7 ***upgrading, refining and petro-chemical production. Jobs that could be***  
8 **created in Canada will, instead, be created in Asia and the United**  
9 **States.**

10  
11 6. If the Northern Gateway Pipeline project is approved, unprecedented volumes of  
12 unprocessed bitumen will be exported to Asia and, in all likelihood, the United States. As  
13 a result, thousands and thousands of jobs that could have been created in places like Fort  
14 McMurray and Fort Saskatchewan will instead be created in places like China and the US  
15 Gulf Coast. Along with jobs, these same importing nations will enjoy increased  
16 government revenues from corporate and personal income taxes as the bitumen's value is  
17 increased through upgrading and refining.  
18

19 (a) ***How many permanent jobs will the Northern Gateway Pipeline Project provide***  
20 ***Canadians?***  
21

1 7. According to Enbridge's regulatory filings, the Northern Gateway Pipeline project will  
2 contribute only 26 permanent jobs in Alberta, 104 for the entire project.<sup>3</sup> To put this into  
3 perspective, the pipeline will move nearly \$13 billion a year in unprocessed bitumen at  
4 today's prices out of Alberta.<sup>4</sup>

5  
6 8. The AFL submits that 26 jobs is a paltry, insignificant and unacceptable number  
7 compared to the thousands of jobs that would be created in Canada if nearly \$13 billion  
8 worth of bitumen were upgraded here.

9  
10 9. Construction jobs associated with the pipeline will be transitory and temporary, lasting  
11 for three to four years at most.<sup>5</sup> On the other hand, jobs in value-added refining and  
12 petrochemical industries will last generations.

13  
14 ***(b) How many jobs could be created if the bitumen was upgraded in Canada?***

15  
16 10. In 2007, the Communications, Energy and Paperworkers Union (CEP) commissioned a  
17 study on jobs lost associated with the first Keystone Pipeline project. The study,  
18 conducted by Infometrica Limited, used an econometric model of the Canadian economy  
19 and estimated that expansion of the Canadian refining industry for 400,000 barrels per

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<sup>3</sup> B1-4 – Vol. 2 – A129X7 page 1-14

<sup>4</sup> Government of Alberta, "Crude Oil and Bitumen Prices," <https://osi.alberta.ca/osi-content/Pages/Factsheets/CrudeOilandBitumenPrices.aspx> (Attachment 3)

<sup>5</sup> B8-2 Volume 6C Section 4.4 A1V5D2 page 4.4-61

1 day of bitumen would add approximately 18,000 jobs per year to the Canadian economy  
2 as compared to the jobs generated by export of the crude.<sup>6</sup>

3  
4 11. More specifically, the Infometrica study concluded that direct employment in upgrading  
5 and refining would increase by about 4,800 jobs. For the economy as a whole, the  
6 upgrading and refining of 400,000 barrels per day of bitumen domestically would add 0.2  
7 per cent to Canadian GDP compared to a case where bitumen is only exported.<sup>7</sup>

8  
9 12. The study also noted that an expansion of the refining industry also provides feedstock to  
10 support the domestic chemical industries. This support would create jobs in the chemical  
11 sector in addition to those projected to arise from upgrading and refining bitumen alone.  
12 The results of the Infometrica study reinforce what we at the AFL know from experience,  
13 namely that investment in large-scale industrial infrastructure creates high-quality jobs  
14 and lucrative spin-offs that benefit the local economy over the long term.

15  
16 13. To put it another way, every upgrader, refinery or petrochemical plant that is built in  
17 Canada creates thousands of jobs in plant operations, plant maintenance and associated  
18 spin-offs. Companies like Suncor and Syncrude, for example, each employ between two  
19 and three thousand people to operate their upgraders in Fort McMurray and a similar  
20 number of contractors are hired by each company every year to handle on-going

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<sup>6</sup> Infometrica Limited for the Communications Energy and Paperworkers Union, "Written Evidence of Infometrica Limited, TransCanada Keystone Pipeline GP Ltd., National Energy Board Hearing Order OH-1-2007," April 2007, 4 (**Attachment 4**)

<sup>7</sup> Infometrica Limited for the Communications Energy and Paperworkers Union, "Written Evidence of Infometrica Limited, TransCanada Keystone Pipeline GP Ltd., National Energy Board Hearing Order OH-1-2007," April 2007, 4 (**Attachment 4**)

1 maintenance. Without the upgraders and other industrial facilities designed to add value,  
2 all of those jobs and associated economic activity would be created elsewhere.

3  
4 14. To illustrate this point further, consider the case of Suncor, which operates a large  
5 upgrader north of Fort McMurray. One of the AFL's affiliated union locals, CEP 707,  
6 represents workers at the facility. CEP 707 has approximately 3,200 workers in oil-sands  
7 operations in the Fort McMurray area. About half (49 per cent) of those workers are in  
8 mining and mining support, the rest work in operations associated with upgrading (lab  
9 workers, upgrader extraction plant workers, and so on). If the Suncor facility was an  
10 extraction-only facility like the ones that will likely be built to feed the Gateway pipeline,  
11 it would employ half the number of people it does, and it would require far less support  
12 from local suppliers and maintenance contractors. In other words, an oil- sands industry  
13 based around bitumen export contributes far less to the local economy in terms of jobs  
14 and spin-offs than an oil-sands industry based on upgrading and refining.

15  
16 15. Given the high stakes involved, it's not surprising that many people from across the  
17 political spectrum share our concerns about the opportunities that are being lost by  
18 focusing on bitumen export at the expense of value-added production. According to a  
19 research paper prepared by Moncrieff Consulting for Conservative Alberta MLA Jeff  
20 Johnson (Athabasca-Redwater), we could more than double the number of jobs available  
21 if we were to upgrade and refine bitumen, as opposed to simply mining the resource.<sup>8</sup>

22  

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<sup>8</sup> MLA Jeff Johnson (Athabasca-Redwater), "Upgrading Alberta's Future: Securing long-term economic opportunities through adding value to bitumen," November 4, 2010, 11 (**Attachment 5**)

1 16. In a similar vein, in 2009, the Government of Alberta estimated that an investment of  
 2 \$314 billion in value-added upgrading industrial cluster in Alberta (upgrading, refining  
 3 and petrochemical production) over the course of 20 years would increase provincial,  
 4 federal and municipal revenues by \$748 billion, add nearly 2 million jobs to the  
 5 economy, and increase cumulative GDP by more than \$5 trillion.<sup>9</sup>

	<i>Alberta</i>	<i>Rest of Canada</i>	<i>Total Canada</i>	<i>Outside Canada</i>	<i>Total</i>
Cumulative GDP	\$3,370,000,000,000	\$870,000,000,000	\$4,240,000,000,000	\$770,000,000,000	\$5,010,000,000,000
Employment	1,053,000	509,000	1,562,000	430,000	1,992,000
	<b>Alberta</b>	<b>Federal</b>	<b>Other Provinces</b>	<b>Municipal</b>	<b>Total</b>
Cumulative Government Revenues	\$259,000,000,000	\$280,000,000,000	\$122,000,000,000	\$86,000,000,000	\$748,000,000,000

6 *(Source: Government of Alberta, "Alberta's Value Added Oil sands: Opportunities and Bitumen Royalty in Kind,"*  
 7 *September 2009)*  
 8

9 17. In the same study, the Government of Alberta noted that bitumen alone captures only  
 10 about 35 per cent of the value chain associated with the full spectrum of products from  
 11 the oil sands. With synthetic crude oil (SCO) upgrading, this figure rises to about 70 per  
 12 cent. Optimization of the value chain of products from the oil sands can capture nearly all  
 13 of the value (up to 100 per cent), but requires refining in addition to upgrading.<sup>10</sup>  
 14

15 18. In a study commissioned by the Government of Alberta, Kline & Company, a market  
 16 research firm, estimated that upgrading bitumen in Alberta results in approximately four  
 17 times the value per barrel of bitumen processed.<sup>11</sup> In other words, if the amount of

<sup>9</sup> Government of Alberta, "Alberta's Value Added Oil Sands: Opportunities and Bitumen Royalty in Kind," September 2009, [www.esc.ab.ca/esc.ab.ca/doc/Sep09.GoA.pdf](http://www.esc.ab.ca/esc.ab.ca/doc/Sep09.GoA.pdf) accessed January 10, 2011 (**Attachment 6**)

<sup>10</sup> Government of Alberta, "Alberta's Value Added Oil Sands: Opportunities and Bitumen Royalty in Kind," September 2009, [www.esc.ab.ca/esc.ab.ca/doc/Sep09.GoA.pdf](http://www.esc.ab.ca/esc.ab.ca/doc/Sep09.GoA.pdf) accessed January 10, 2011, 7 (**Attachment 6**)

<sup>11</sup> Kline & Company, "From Oil Sands to a World-Class Eco-Industrial Chemical Cluster for Greater Edmonton, Draft Final Report," October 17, 2007

1 bitumen that would be exported by the Northern Gateway Pipeline project were to be  
2 upgraded in Alberta instead, its value would quadruple to be in the \$48-billion range.

3 This would result in an incredible windfall for Alberta's workers and the governments of  
4 Alberta and Canada alike.

- 5
- 6 19. The bottom line is that upgrading and refining in Alberta prior to export to Asia would  
7 provide great benefits for the Alberta public. A 2005 study by Purvin & Gertz,  
8 commissioned by the Government of Alberta, found, "If bitumen is upgraded all the way  
9 to gasoline or diesel fuel, the netbacks from Asia to Alberta would provide higher returns  
10 than if upgraded to SCO [synthetic crude oil]."<sup>12</sup> The conclusion is clear: exporting  
11 unprocessed diluted bitumen to Asia would not provide optimal benefits to the Alberta  
12 public.

13

14 **C. The Northern Gateway Pipeline is not in the public interest because, by**  
15 **reducing the price differential between bitumen and conventional oil, it**  
16 **would remove the major competitive advantage enjoyed by Canadian**  
17 **refiners, which is access to relatively cheap feedstock.**

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[http://www.energy.gov.ab.ca/Petrochemical/pdfs/Final\\_17\\_October\\_Overview\\_17\\_10\\_07\\_final.pdf](http://www.energy.gov.ab.ca/Petrochemical/pdfs/Final_17_October_Overview_17_10_07_final.pdf) (Attachment 7)

<sup>12</sup> Purvin & Gertz, Inc. for Alberta Economic Development, Alberta Department of Energy, Alberta Industrial Heartland, "Oil Sands Products Analysis for Asian Markets," April 15, 2005, 24,  
[http://www.energy.alberta.ca/Petrochemical/pdfs/products\\_analysis\\_asian\\_markets.pdf](http://www.energy.alberta.ca/Petrochemical/pdfs/products_analysis_asian_markets.pdf) (Attachment 8)

1 20. Proponents of the Northern Gateway Pipeline project claim that, if approved, the pipeline  
2 will increase bitumen prices by expanding markets and demand.<sup>13</sup> This may sound like  
3 unadulterated good news – but it is not. The export of large amounts of unprocessed  
4 bitumen may mean higher profits for extractors, but it will undermine our greatest natural  
5 competitive advantage when it comes to upgrading and refining: access to relatively low-  
6 priced feedstock. If bitumen trades at prices that aren't significantly lower than  
7 conventional oil, the viability of any value-added project in Alberta is thrown into  
8 question.<sup>14</sup>

9  
10 21. Through regulatory filings, Enbridge states that the Northern Gateway Pipeline project  
11 will substantially increase netback prices for bitumen and the condensate used to dilute  
12 it.<sup>15</sup> In fact, according to Enbridge, the Northern Gateway Pipeline project will eliminate  
13 the present-day bitumen price differential so that Athabasca DilBit (diluted bitumen) will  
14 trade at prices higher than projected prices for West Texas Intermediate oil.<sup>16</sup>

15  
16 22. As Enbridge notes, a decreased price differential will "... also increase the feedstock cost  
17 for Canadian refiners by the same amount."<sup>17</sup> An increase in feedstock prices would have  
18 a detrimental effect on Alberta's petrochemical industry.

19  

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<sup>13</sup> B1-4 – Vol. 2 – A1S9X7 Appendix A pages 35 and 36

<sup>14</sup> The Alberta Federation of Labour, "Lost Down the Pipeline," April 2009,  
<http://www.afl.org/index.php/Download-document/116-Lost-Down-the-Pipeline-April-2009.html> (Attachment 9)

<sup>15</sup> B1-2 Vol. 1 – A1S9X5 page 1-3

<sup>16</sup> B1-4 – Vol. 2 – A1S9X7 Appendix A page 58

<sup>17</sup> B1-4 – Vol. 2 – A1S9X7 Appendix A page 7

1 23. The 2007 Alberta Royalty Review Panel noted the disadvantageous consequences to  
2 Alberta's petrochemical industry on previous episodes of feedstock exportation:

3  
4 This industry once had access to inexpensive natural gas as a feedstock,  
5 but as pipeline capacity expanded, the gas was available for export and its  
6 price became set by market forces. Low natural gas prices had been this  
7 industry's main advantage, but that advantage disappeared in recent years  
8 as North American natural gas prices have strengthened.<sup>18</sup>  
9

10 24. More recently, the Government of Alberta signed a contract on behalf of the people of  
11 Alberta with the North West Upgrading/Canadian Natural Resources Limited (CNRL)  
12 Partnership that depends on a significant price differential being maintained between  
13 bitumen and crude oil. The project will use 37,500 barrels per day of bitumen obtained by  
14 the Crown in lieu of royalties through the Bitumen Royalty In-Kind initiative (BRIK) to  
15 upgrade and refine into higher-value petrochemical products.<sup>19</sup>  
16

17 25. If the Northern Gateway Pipeline project is approved, and the present-day price  
18 differential between bitumen and crude oil is reduced or eliminated, then the viability of  
19 this project, undertaken on behalf of the Alberta public, will be undermined.  
20

21 26. According to Alberta Minister of Seniors George Vanderburg (Whitecourt-Ste. Anne),  
22 "It's important that Alberta uses its BRIK to encourage projects like North West

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<sup>18</sup> Alberta Royalty Review Panel, "Our Fair Share: Report of the Alberta Royalty Review Panel," September 17, 2007, 33 (**Attachment 10**)

<sup>19</sup> Government of Alberta, "Bitumen refinery agreement promotes value-added development," February 16, 2011 (**Attachment 11**)

1 Upgrading, because current economics alone do not favour new upgraders. Simply put,  
2 upgraders are multi-billion-dollar investments. The economics [of the project] work best  
3 when there's a big price differential between bitumen and synthetic crude oil – or in this  
4 case bitumen and refined products.”<sup>20</sup>

5  
6 27. The Government of Alberta, on behalf of the Alberta public, has guaranteed “at least \$4  
7 billion worth of bonds or loans”<sup>21</sup> for the North West Upgrading project. If the Northern  
8 Gateway Pipeline is approved and narrows the price differential between bitumen and  
9 crude oil, then the North West Upgrading project might not be economically viable – and  
10 the Alberta government substantial investment will be at risk.

11  
12 28. Maintaining the price differential between bitumen and crude oil is essential if Albertans  
13 are to garner as much of the wealth as possible from the province's bitumen. Without the  
14 price differential, new upgraders and refineries are not as likely to get built because the  
15 economics favour extraction. But the question for policy makers and the NEB is this: are  
16 we, through our willingness to build huge bitumen export pipelines, creating the problem  
17 ourselves? If the economics for upgrading and refining don't work, is it because, through  
18 our actions, we've made it impossible for them to work?

19  
20 29. Without new upgraders and refineries, the Alberta government itself admits the province  
21 will miss out on new jobs and sources of tax revenues and royalties.

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<sup>20</sup> Mike Constable, *Mayerthorpe Freelancer* “Bitumen royalty in kind initiative,” January 2011 (**Attachment 12**)

<sup>21</sup> Rebecca Plenty and Kelly Cryderman, *Calgary Herald*, “Tories battle over oil funding; Investment questioned to grow upgrading in Alberta,” November 24, 2011 (**Attachment 13**)

1  
2 Value-added involves producing higher-value products from raw  
3 resources, rather than selling it at the first marketable point. This kind of  
4 development provides numerous benefits for the province—for example;  
5 new upgraders and refineries mean new, long-term jobs and tax revenues  
6 on top of the royalties the province already receives for the resources.<sup>22</sup>  
7

8 30. Any narrowing of the price differential between bitumen and crude oil will undermine the  
9 economic viability of achieving this goal of increased value-added petrochemical  
10 production. The greater the difference in price between bitumen and crude oil, the greater  
11 the profitability of upgrading and the greater the incentive to upgrade bitumen in  
12 Alberta.<sup>23</sup>  
13

14 31. The importance of the price differential between bitumen and crude is widely known and  
15 understood. For example, in an interview with the CBC's radio program, The Current,  
16 Federal Energy Minister Joe Oliver recently said that "there has to be a sufficient  
17 difference between the price of crude bitumen and the price of crude oil to justify the  
18 expenditure of tens of billions of dollars on refineries. If the price difference is great  
19 enough, then it makes sense to build refineries in Canada."<sup>24</sup> Given these realities, in our  
20 minds there is an obvious question: why would anyone want to approve or build a  
21 pipeline that will remove the price differential that makes upgrading and refining in  
22 Canada economically viable?

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<sup>22</sup> Government of Alberta, "Provincial Energy Strategy," August 2009, 27 (**Attachment 14**)

<sup>23</sup> Alberta Federation of Labour, "Written Evidence to the National Energy Board on the Keystone XL Pipeline OH-1-2009," 13 (**Attachment 15**)

<sup>24</sup> CBC, The Current, "Joe Oliver on the Northern Gateway pipeline," Wednesday, January 18, 2012 (**Attachment 16**)

1     **D.     The Northern Gateway Pipeline is not in the public interest because it**  
2           **will make it more difficult, perhaps impossible, for Canada’s elected**  
3           **leaders to achieve their stated policy goals of upgrading more bitumen**  
4           **in Canada and creating more value-added jobs for Canadians.**

5  
6     32.     It is the stated policy and goal of the Government of Alberta to ensure that at least two-  
7           thirds of the province’s bitumen is upgraded in Alberta. In fact, former Premier Ed  
8           Stelmach went one step further, promising Albertans that the province would have at  
9           least 72 per cent of its bitumen upgraded in Alberta by 2016.<sup>25</sup>

10  
11    33.     All available evidence shows that maintaining or increasing the proportion of bitumen  
12           upgraded in the province is still the goal of the Government of Alberta. For example, the  
13           government’s *Provincial Energy Strategy* says the following:

14  
15           Alberta needs to add value to its products and exports and expand its  
16           economy by encouraging the further processing of bitumen, oil, natural  
17           gas, and coal in Alberta to increase jobs, diversify the economy and raise  
18           tax revenues for Albertans. Value-added activity in the energy industry  
19           could occur across Alberta or adjacent jurisdictions.<sup>26</sup>

20  
21    34.     Support for moving up the value ladder is also clearly evident among government MLAs.

22  

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<sup>25</sup> Premier Ed Stelmach, “Speech to the Canadian Energy Research Institute Oil Conference,” April 23, 2007  
(**Attachment 17**)

<sup>26</sup> Government of Alberta, “Provincial Energy Strategy,” August 2009 (**Attachment 14**)

1                    “In Alberta, we have a goal that two thirds of our Bitumen be upgraded here...”  
2                    – Alberta MLA Diane McQueen (Drayton Valley-Calmar), speaking as the  
3                    Parliamentary Assistant to the Minister of Energy, as quoted in the Leduc  
4                    Representative, “Looking at Alberta’s energy sector here and abroad,”  
5                    November 3, 2011<sup>27</sup>  
6

7                    “We have a policy as a government that we want to stay at, that (sees)  
8                    approximately two-thirds of the raw bitumen we produce . . . upgraded in the  
9                    province. The issue we’ve got is that we’re dropping. And the projections are that  
10                    we’re going to drop further over the coming year or so.”

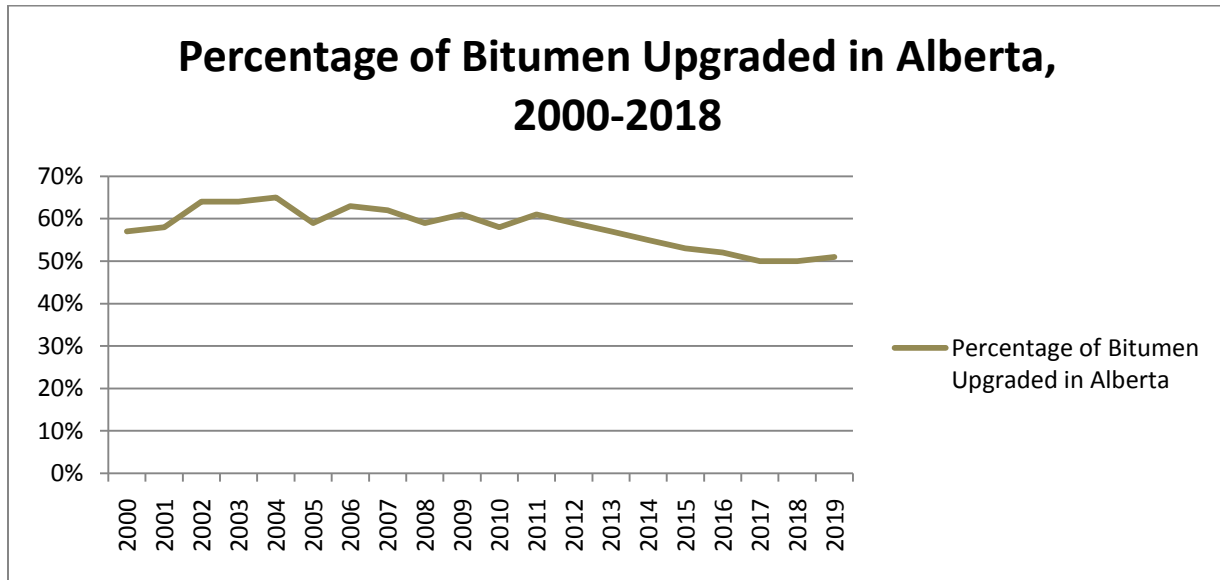
11                    – MLA Jeff Johnson (Athabasca-Redwater), Alberta Minister of  
12                    Infrastructure, as quoted in the Calgary Herald, “Keystone pipeline delay  
13                    renews debate about upgrading bitumen in Alberta,” November 24, 2011<sup>28</sup>  
14

15                    35. And yet, the Government of Alberta does not appear to be on track to fulfill its policy  
16                    goals when it comes to upgrading. Figures obtained by the AFL from the Alberta Energy  
17                    Resources Conservation Board (Alberta ERCB) show that by 2016, only 52 per cent of  
18                    Alberta’s bitumen will be upgraded locally. It should be noted that these projections do  
19                    not include the effects of the Northern Gateway Pipeline project, which, if approved,  
20                    would likely exacerbate conditions against the Government of Alberta fulfilling its goal  
21                    and policy of increased upgrading and refining in the province.

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<sup>27</sup> Leduc Representative, “Looking at Alberta’s energy sector here and abroad,” November 3, 2011 (**Attachment 39**)

<sup>28</sup> Kelly Cryderman, Calgary Herald, “Keystone pipeline delay renews debate about upgrading bitumen in Alberta,” November 24, 2011 (**Attachment 40**)



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(Source: Alberta Energy Resources Conservation Board, 2011<sup>29</sup>)

36. The Government of Alberta’s *Provincial Energy Strategy* affirms that “Alberta has some prime opportunities to encourage the further development of world-class integrated clusters that could include upgraders, refineries and associated petrochemical and chemical industries (eco-industrial complexes).”<sup>30</sup> The *Provincial Energy Strategy* also affirms the province’s “aspirational goal” is that no more than one-third of Alberta’s bitumen should be exported without upgrading, but “further work needs to be done to determine the optimum mix as future markets develop.”<sup>31</sup>

<sup>29</sup> Alberta Energy Resources Conservation Board, “Bitumen production and upgrading in Alberta”(Attachment 43)

<sup>30</sup> Government of Alberta, “Launching Alberta’s Energy Future, Provincial Energy Strategy,” <http://www.energy.alberta.ca/Initiatives/1510.asp> accessed January 10, 2011 (Attachment 18)

<sup>31</sup> Government of Alberta, “Launching Alberta’s Energy Future, Provincial Energy Strategy,” <http://www.energy.alberta.ca/Initiatives/1510.asp> accessed January 10, 2011 (Attachment 18)

1 37. As former Premier Ed Stelmach noted, if Alberta doesn't take the right steps to keep  
2 upgrading in the province, China will be a competitor, not a market, for oil from Alberta  
3 bitumen.<sup>32</sup>

4  
5 38. We submit that the Alberta government's goal of increasing upgrading and refining will  
6 be nothing more than a pipedream if the Northern Gateway Pipeline is approved. The  
7 AFL urges the Joint Review Panel to reject the application in order to give the  
8 Government of Alberta time to complete its work on strategies to stem the flow of  
9 unprocessed bitumen out of the province and to communicate these strategies to the  
10 Alberta public, the owners of the resource.

11  
12 *(a) What is the Government of Canada's Policy on Bitumen Exports?*

13  
14 39. During the 2008 General Election, the federal Conservative Party declared, "A re-elected  
15 Conservative Government led by Stephen Harper will prevent any company from  
16 exporting raw bitumen (unprocessed oil from the oil sands) outside of Canada for  
17 upgrading in order to take advantage of lower pollution or greenhouse gas emissions  
18 standards elsewhere."<sup>33</sup>

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<sup>32</sup> *Edmonton Journal*, "Unease rises over bitumen exports," A1, September 29, 2006 (**Attachment 19**)

<sup>33</sup> Conservative Party of Canada, "The True North Strong and Free: Stephen Harper's plan for Canadians," November 2008, 23 (**Attachment 20**)

1 40. When asked if this policy would affect exports to Asia, Prime Minister Harper replied,  
2 “Well, it could, it absolutely could.”<sup>34</sup>

3  
4 41. According to a spokesperson for Natural Resources Minister Joe Oliver, this party  
5 platform point is government policy: “Our 2008 platform commitment remains in effect.  
6 We continue to review on an ongoing basis,” said government spokesperson Julie Di  
7 Mambro, press secretary to Minister Oliver.<sup>35</sup> There have been no indications from the  
8 federal government that this is no longer its policy.

9  
10 42. However, if approved, the proposed Northern Gateway Pipeline project will export  
11 bitumen to nations such as China and South Korea.<sup>36</sup> According to the Yale University’s  
12 2010 Environmental Performance Index (EPI), Canada has better environmental policies  
13 than China or South Korea.<sup>37</sup> As such, the export of unprocessed bitumen to these nations  
14 would be against federal government policy and would be against the public interest.

15  
16 43. The bottom line for us is that the Northern Gateway Pipeline project, if approved, will  
17 result in less value-added production, compared to overall output from the oil sands. This  
18 will make it much more difficult for the Alberta government to achieve its stated policy  
19 goal for more value-added production. The pipeline will also pave the way for a dramatic

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<sup>34</sup> Jeffrey Jones, *The Vancouver Sun*, “Conservative plan may hit oilsands exports to Asia, PM says; New policy could ban exports of tar-like bitumen to countries with poor environmental standards,” D6, September 27, 2008 (**Attachment 21**)

<sup>35</sup> Jason Fekete, *The Vancouver Sun*, “Government promise to restrict bitumen exports falls by wayside,” September 7, 2011 (**Attachment 22**)

<sup>36</sup> B1-2 Vol. 1 – A1S9X5 page 1-4

<sup>37</sup> Yale University, “Environmental Performance Index 2010: Country Scores,” <http://epi.yale.edu/Countries> (**Attachment 23**)

1 jump in the export bitumen to jurisdictions with lower environmental standards than  
2 Canada – making it impossible for the federal government to achieve some of its stated  
3 policy objectives.  
4

5 **E. The Northern Gateway Pipeline is not in the public interest because it**  
6 **will thwart the Canadian public’s clearly stated and firmly held desire**  
7 **to see Canada move “up the value ladder” instead of remaining stuck on**  
8 **the lower rungs.**  
9

10 44. The Alberta government’s stated goal of increasing bitumen upgrading and refining is  
11 supported by the majority of Albertans. Polling shows that Albertans and Canadians  
12 clearly want more bitumen to stay in Canada for upgrading and refining. A 2009 poll  
13 conducted by Environics Research for the Alberta Federation of Labour showed that 77  
14 per cent of Albertans feel it’s very important to keep oil sands processing and refining  
15 jobs in Alberta.<sup>38</sup>  
16

17 45. More recently, a poll conducted on behalf of the *National Post* showed that 71 per cent of  
18 Albertans are in favour of upgrading more bitumen in the province.<sup>39</sup> Another poll release  
19 on January 26, 2012 by ThinkHQ Public Opinion shows that fully 84 per cent of  
20 Albertans surveyed feel it's important that our oil sands are upgraded here. Seventy per

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<sup>38</sup> Alberta Federation of Labour, “Lost Down the Pipeline,” page 7 (**Attachment 9**)

<sup>39</sup> Karen Kleiss, *The Edmonton Journal*, “Spring election will realign Alberta politics: leader,” December 23, 2011 (**Attachment 24**)

1 cent of those people believe that we should be upgrading and refining more than we do  
2 today.<sup>40</sup>

3  
4 46. If the Northern Gateway Pipeline project is approved, efforts to increase upgrading and  
5 refining of bitumen, thus adding value to the resource, will be impeded contrary to the  
6 expressed opinion of the majority of Albertans.

7  
8 **F. The Northern Gateway Pipeline is not in the public interest because it**  
9 **will accelerate the depletion of Canada's oil sands resources at today's**  
10 **prices, as opposed to the higher prices almost certain to come in the**  
11 **future.**

12  
13 47. In 2010, Dr. Fatih Birol, chief economist with the international Energy Agency (IEA)  
14 found that global crude oil production peaked in 2006. Dr. Birol noted that future  
15 supplies of crude were likely to come from so-called unconventional sources like  
16 Alberta's oil sands.<sup>41</sup>

17  
18 48. A global shortage of easily accessible crude oil will increase its price as the shortage  
19 becomes more and more severe, meaning that any oil resources, such as bitumen  
20 contained in the oil sands, will become more and more lucrative.

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<sup>40</sup> Marc Henry, Calgary Herald, "Henry: The politics of upgrading Alberta bitumen," January 26, 2012 (**Attachment 45**)

<sup>41</sup> Bloomberg, "Oil output likely peaked in 2006, will be replaced by biofuels, IEA says," November 7, 2010 (**Attachment 25**)

1 49. We submit that international price trends should be considered as a factor in this  
2 application hearing because, if approved, the Northern Gateway pipeline will accelerate  
3 development and depletion of Canada's oil-sands reserves at a time when prices will  
4 almost certainly be lower than the prices may be 20 or 30 years from now.

5  
6 50. We don't have to remind the Panel that oil resources are non-renewable and will become  
7 increasingly scarce as we continue to deplete reserves. Increasing large-scale exports of  
8 our non-renewable oil resources without considering the long-term price trends is against  
9 the interests of the Canadian public.

10  
11 51. Increasing the rate of depletion of the oil sands, as will result from the approval of the  
12 Northern Gateway Pipeline project, is not in the public interest as it will not maximize the  
13 value of return on the resource for the public over the long term. The people and  
14 governments of Canada and its provinces would be best served by a thoughtful and  
15 reasonable paced rate of development, one that maximized the return to the public of this  
16 non-renewable resource.

17  
18 **G. The Northern Gateway Pipeline is not in the public interest because it**  
19 **will compromise Canada's long-term energy security by doing nothing**  
20 **to assist provinces in central and eastern Canada which are currently**  
21 **dependent on imports from places like the Middle East and Venezuela**  
22 **for the majority of their energy needs.**

1 52. Canada is the only major oil-producing jurisdiction in the world that doesn't have a  
2 coherent national strategy that puts the interest of its citizens first.

3  
4 53. To their credit, Canada's provincial and territorial premiers of the provinces of Canada  
5 have recognized that this is a problem. They have, for example, said that Canada should  
6 embrace policies that ensure a "secure, sustainable, reliable and competitively-priced  
7 supply of energy that meets the domestic and economic needs of Canadians."<sup>42</sup>

8  
9 54. However, despite this shared vision – and despite Canada's status as a net exporter of  
10 energy – Ontario, Quebec and the Maritime provinces must rely on nations like Saudi  
11 Arabia, Algeria, Nigeria and Venezuela to meet their needs for crude oil. For example,  
12 Quebec imports as much as 87 per cent of its crude oil sources outside Canada.<sup>43</sup>

13  
14 55. To put it another way, while oil-producing provinces like Alberta and Saskatchewan send  
15 the majority of their oil to customers outside the country, the Atlantic Provinces, Quebec  
16 and a portion of Ontario are dependent on imported oil.<sup>44</sup> This imbalance – Eastern  
17 Canada dependent on foreign oil and Alberta and Saskatchewan exporting oil – leaves the  
18 long-term energy security of Canada extremely vulnerable to changes in the global  
19 energy supply.

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<sup>42</sup> Council of the Federation, "A Shared Vision for Energy in Canada," August 2007, 3 (**Attachment 26**)

<sup>43</sup> Statistics Canada, "Refinery supply of crude oil and equivalent - CANSIM Table 134-0001," January 12, 2011(**Attachment 27**)

<sup>44</sup> Global Sustainability Research Inc., "The Northern Gateway Pipeline: An Affront to the Public Interest and Long Term Energy Security of Canadians," November 11, 2011, 7 (**Attachment 28**)

1 56. The reason for such an imbalance is because almost all of our pipelines run north-south.  
2 We do not have all of the infrastructure to send western oil to our fellow citizens in the  
3 eastern half of the country.<sup>45</sup>  
4

5 57. Present-day political leaders are right when they say that we must look for new markets  
6 and new customers for our oil, but they're wrong to overlook Canadians living in the  
7 eastern part of our country as potential new markets. If new markets for our energy  
8 products are needed, the fact that many Canadians do not have access to sources of  
9 domestic crude oil cannot be overlooked.  
10

11 58. Given the lack of a national energy strategy that ensures Canadians living in the East  
12 have access to crude oil from Alberta and Saskatchewan, sending our energy resources  
13 outside of our borders, as this project proposes, cannot be seen as being in the interests of  
14 Canadians.  
15

16 **H. The Northern Gateway Pipeline is not in the public interest because it**  
17 **will overheat Alberta's economy and drive up development costs which**  
18 **will have the effect of reducing royalty revenue – revenue that could be**  
19 **used for savings or to finance the things that Albertans and Canadians**  
20 **value, like quality public services.**  
21

---

<sup>45</sup> Parkland Institute, "Over the Barrel: Exiting from NAFTA's Proportionality Clause," May 2008, 34 (**Attachment 42**)

1 59. In recent years, Alberta has witnessed dramatic increases in the costs of development in  
2 the oil sands. We submit that these cost increases are the direct result of what we would  
3 describe as an unreasonable pace of development. The Government of Alberta has simply  
4 approved too many major projects in too short a period. This has driven up the cost of  
5 both materials and skilled labour. This, in turn, has caused major cost escalations not only  
6 in the oil sands but across Alberta's economic spectrum.

7  
8 60. Between 2005 and 2007, the capital cost of oil sands project increased by 55 per cent per  
9 peak flowing barrel.<sup>46</sup> The significant increase in costs was due largely to labour  
10 shortages and increased material costs resulting from the sheer number of major oil sands  
11 project under way at the same time.

12  
13 61. More recently, a 2011 report by Ernst & Young found that increasing labour, service and  
14 commodity costs are inflating costs for oil-sands development. The report found oil-sands  
15 operating costs increasing from \$19.6 per barrel in 2006 to \$25.5 per barrel in 2010.<sup>47</sup> In  
16 particular, the report found that "multiple 100,000+ type-barrel projects occurring  
17 concurrently"<sup>48</sup> and the effect on skilled labour and materials to be a major factor leading  
18 to cost escalation.

19  

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<sup>46</sup> Conor Bint, Upstream Research Analyst – Canada and Alaska for Wood Mackenzie, in *Petroleum Review*, "Cost of playing in the oil sands," April 2007, 3 (**Attachment 29**)

<sup>47</sup> Ernst & Young, "Exploring the top 10 opportunities and risks in Canada's oilsands," August 29, 2011, 17 (**Attachment 30**)

<sup>48</sup> Ernst & Young, "Exploring the top 10 opportunities and risks in Canada's oilsands," August 29, 2011, 32 (**Attachment 30**)

1 62. We submit that Alberta's recent experience with cost escalation is an issue that should be  
2 examined by the NEB panel because, if approved, the Northern Gateway Pipeline would  
3 lead to even more rapid development, which would in turn lead to more cost escalation.

4  
5 63. In its filing to the Joint Review Panel, Enbridge's filing with the Joint Review Panel  
6 includes a forecast of "Blended Supply to Trunk Pipelines and Markets."<sup>49</sup> This forecasts  
7 uses data from the Canadian Association of Petroleum Producers as a based, but Enbridge  
8 extends it another ten years, from 2028 to 2036. Enbridge does not provide information to  
9 support this extended forecast from 2028 and beyond<sup>50</sup>, but instead simply takes CAPP's  
10 forecasts and extends them well into the future.

11  
12 64. Enbridge's justification for the need and feasibility of the Northern Gateway Pipeline  
13 project is based on the notion that the Alberta can handle the same levels of oil sands  
14 development for the next 23 years, but there are clear and well-know negative  
15 consequences associated with this growth. For Enbridge's overly optimistic projections  
16 for growth in oil sands production to occur, there will be massive increases in costs  
17 because this would exacerbate the shortage of skilled labour and materials already  
18 occurring.

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<sup>49</sup> Enbridge Northern Gateway Pipelines, "Extended Forecast," <https://www.neb-one.gc.ca/ll-eng/livelink.exe?func=ll&objId=707801&objAction=Open> (**Attachment 41**)

<sup>50</sup> Global Sustainability Research Inc. —The Northern Gateway Pipeline: An Affront to the Public Interest and Long Term Energy Security of Canadians, November 11, 2011, 19 (**Attachment 28**)

1 65. There are many reasons that cost escalation in the oil sands is not in the public interest.

2 But for the purposes of this submission, we would like to focus on one identified recently  
3 by University of Alberta energy economist Andrew Leach.

4  
5 66. In an article published in October 2011, Professor Leach pointed out that royalties in the  
6 Alberta oil sands are only paid out after energy companies have paid off the capital costs  
7 associated with the development of their oil-sands projects.<sup>51</sup> If those costs have been  
8 inflated by the rapid pace of development, then the royalties paid to the government will  
9 be diminished – perhaps by billions of dollars each year. This loss of revenue – which  
10 Professor Leach refers to as “rent dissipation” – could be eased by slowing the pace of  
11 development.

12  
13 67. Professor Leach’s observations are pertinent to the panel’s deliberations on the Northern  
14 Gateway Pipeline because, if approved, the pipeline will accelerate development in the  
15 oil sands, which in turn will lead to cost escalation. Cost escalation will then result in lost  
16 royalty revenue to the Province of Alberta – leaving the government with less money for  
17 savings or spending on public services. We submit that this would not be in the public  
18 interest.

19  

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<sup>51</sup> Dr. Andrew Leach, *Alberta Oil*, “Prof says slow oil sands development, ease rent dissipation,” October 17, 2011  
(Attachment 31)

1       **I.     The Northern Gateway Pipeline is not in the public interest because the**  
2       **overheated development that it will facilitate will distort the labour**  
3       **market in western Canada in ways that are harmful to the long-term**  
4       **best interests of Canadian workers.**

5  
6       68.   As noted above, studies prepared as part of the Northern Gateway application forecast  
7       that a blistering pace for development in the oil sands will be maintained well into the  
8       future. In fact, the pipeline will only be viable if a blistering pace of development is  
9       maintained to provide huge volumes of raw bitumen to ship. This has serious  
10      implications for Canadian workers.

11  
12     69.   As we've seen in the past in Alberta, the availability of skilled labour in Canada cannot  
13      match the needs of the high rate of development of the oil sands. With skilled labour in  
14      short supply, corporations have looked beyond Alberta's borders for workers to fill the  
15      gap. The Temporary Foreign Worker program (TFW) is generally the means by which  
16      corporations seek labour sources from beyond Canada's borders.

17  
18     70.   The use of the TFW program Alberta is of great concern to the AFL. TFWs have been  
19      employed here in greater numbers and in a wider range of economic sectors than most  
20      other provinces – everything from oil-sands operations to trades to food services.<sup>52</sup>  
21      Employers have come to rely on the TFW program for workers to such an extent that it

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<sup>52</sup> Government of Alberta, "Impact of the Temporary Foreign Worker (TFW) Program on the Labour Market in Alberta," August 2011, 5 (**Attachment 44**)

1 appears that some of them are bypassing Canadian workers altogether and instead are  
2 seeking temporary foreign workers as a first choice rather than a last resort. (See  
3 “*Temporary Foreign Workers: Alberta’s Disposable Workforce*”<sup>53</sup>; “*Entrenching*  
4 *Exploitation: Second Report of the Alberta Federation of Labour Temporary Foreign*  
5 *Worker Advocate*”<sup>54</sup>; and “*Report on Temporary Foreign Workers in Alberta.*”<sup>55</sup>)  
6

7 71. Between 2009 and 2010, the number of applications for Alberta-based employers  
8 approved through the TFW program jumped by 11,655, or 37 per cent.<sup>56</sup> To put this in  
9 perspective, the net increase in the entire country for approved applications under the  
10 TFW program between 2009 and 2010 was 10,520. The entire increase nationally was  
11 due to applications for these workers from one province: Alberta.  
12

13 72. It is our position that the TFW program is being used in a way that deliberately distorts  
14 the provincial labour market. For example, we submit that the TFW program exerts  
15 downward pressure on wages at a time when economic conditions suggest that wages  
16 should rise. We also submit that high-paying jobs in areas like construction and  
17 manufacturing are being taken by TFWs when they could be filled by Canadians if  
18 development were to proceed at a more reasonable pace, stretched out over a longer  
19 period.

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<sup>53</sup> Alberta Federation of Labour, “Temporary Foreign Workers: Alberta’s disposable workforce,” November 16, 2007 (**Attachment 32**)

<sup>54</sup> Alberta Federation of Labour, “Entrenching Exploitation: The Second Report of the Alberta Federation of Labour Temporary Foreign Worker Advocate”, April 1, 2009 (**Attachment 33**)

<sup>55</sup> Alberta Federation of Labour, “Report on Temporary Foreign Workers in Alberta,” December 16, 2010 (**Attachment 34**)

<sup>56</sup> Government of Canada, Human Resources and Skills Development Canada, “Temporary Foreign Worker Program, Labour Market Opinion (LMO) Statistics,” [http://www.hrsdc.gc.ca/eng/workplaceskills/foreign\\_workers/stats/annual/table4a.shtml#AB](http://www.hrsdc.gc.ca/eng/workplaceskills/foreign_workers/stats/annual/table4a.shtml#AB) (**Attachment 35**)

1 73. Increasing the pace of development in the oil sands, which would be the natural result of  
2 approval of the Northern Gateway Pipeline application, will only increase the likelihood  
3 of further inappropriate overuse of the TFW program. This would clearly not be in the  
4 interest of working Canadians.

5  
6 **J. The Northern Gateway Pipeline is not in the public interest because it**  
7 **will increase the likelihood that Canada will suffer, or continue**  
8 **suffering, from what economists call “Dutch Disease,” a condition in**  
9 **which overheated development in the energy sector hurts development**  
10 **in other sectors, especially manufacturing.**

11

12 74. As a result of massive investments in the oil sands, Alberta's energy sector has become  
13 the driving force behind the Canadian economy. This has been great news for many  
14 Albertans and the hundreds of thousands of other Canadians who have flocked to our  
15 province to participate in the boom. But from a national perspective, by relying too  
16 heavily on the energy sector, we run the risk of developing what economists call Dutch  
17 Disease.

18

19 75. This economic condition refers to the problems experienced by the Dutch economy in the  
20 1970s when they discovered huge reserves of oil and natural gas. For a number of years,  
21 the Dutch were elated about the investment pouring into energy sector and the profits that

1           were generated. But their elation quickly turned to despair as their once mighty  
2           manufacturing sector started to fall apart under the weight of a rapidly rising currency.

3  
4       76.    The fundamental cause of Dutch Disease is that the real exchange rate of a country rich in  
5           resources tends to appreciate with the rise of resources revenues. As the real exchange  
6           rate rises, manufactured goods in the same country become more expensive for other  
7           countries to buy. This in turns leads to a decline of manufacturing exports, an associated  
8           loss of manufacturing jobs, and, over time, de-industrialization altogether.<sup>57</sup>

9  
10   77.    The problems caused by Dutch Disease are exacerbated as available investment dollars  
11           are increasingly gobbled up by the energy sector at the expense of other sectors and as the  
12           energy sector attracts more and more workers away from other industries with higher  
13           wages. What was left behind in the Dutch case was a less diversified, hollowed-out  
14           economy.

15  
16   78.    As noted previously, Canada lacks a national energy strategy. As such, we do not have  
17           effective mechanisms to deal with the Dutch Disease phenomenon. One possible solution  
18           to this threat is to set a slower pace for development in the oil sands. This approach has  
19           been advocated by former Premier of Alberta Peter Lougheed.<sup>58</sup> By proceeding with five  
20           or 10 projects at a time, instead of the 62 that are currently approved or underway, we  
21           would reduce the likelihood of developing a full-blown case of Dutch Disease.

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<sup>57</sup> Centre for Research in Economic Analysis, "Does the Canadian economy suffer from Dutch Disease?," April 2009, 2 (**Attachment 36**)

<sup>58</sup> Darcy Henton, *Edmonton Journal*, "Oilsands pace a 'big mistake'; Inflationary costs hurt province, Lougheed says," October 20, 2007 (**Attachment 37**)

1 79. Of course, many would argue that, as a result of rapid development in the oil sands, we  
2 are already suffering from Dutch Disease. The rapid appreciation of the Canadian dollar  
3 due to rapid expansion of the country's energy exports has led to job losses in the  
4 manufacturing sector in Central Canada – more than half of the jobs lost (54 per cent) in  
5 manufacturing may be attributed to exchange-rate development between 2002 and  
6 2007.<sup>59</sup>

7  
8 80. As we've experienced, the sudden drop in oil prices in 2008 did not revive Canadian  
9 manufacturing. It appears that once these jobs are gone, they're gone for good.

10  
11 81. By accelerating development in an already over-heated energy sector, we submit that the  
12 Northern Gateway Pipeline project will only deepen and worsen Canada's case of Dutch  
13 Disease. For this reason, we believe the project is not in the public interest.

14  
15 **K. The Northern Gateway Pipeline is not in the public interest because it,**  
16 **along with other bitumen export pipelines already approved by the**  
17 **NEB, will end all debate about the shape of Canada's energy strategy**  
18 **(value-added versus export focused) before the public and policy**  
19 **makers have even begun to discuss the issue in a meaningful way.**

20  

---

<sup>59</sup> Centre for Research in Economic Analysis, "Does the Canadian economy suffer from Dutch Disease?," April 2009, 2 (**Attachment 36**)

1 82. Canada is at a crossroads and has a choice to make: Do we want to take the energy “high  
2 road” by focusing on adding value to the resource we own or if we want to take the “low  
3 road” by focusing on the export of the resource in its rawest possible form?  
4

5 83. For the majority of Albertans, the answer is clear. Public opinion polls show that  
6 Albertans want to add value to our bitumen through upgrading and refining.  
7

8 84. Given the fact that the large-scale export of raw bitumen reduces or removes the price  
9 differential needed to sustain upgrading and refining operations, the AFL submits that we  
10 can’t straddle the middle on this issue or attempt to take both roads. We have to choose.  
11

12 85. This view was shared by the Alberta government’s own Royalty Review Panel which  
13 came to this conclusion in 2007:  
14

15 Production-only developers prefer high bitumen prices, while lower  
16 bitumen prices (relative to those for SCO) are in the best interests of  
17 integrated producers. “Let the market decide” appears unlikely to resolve  
18 this issue in the best interest of Albertans.<sup>60</sup>  
19

20 86. It’s clear to want Canada needs is a thorough and thoughtful public debate about which  
21 road to take to our energy future. Our fear is that by approving the Northern Gateway  
22 Pipeline, the NEB will inadvertently close the debate before it even gets started. By  
23 approving the pipeline (and other similar bitumen-export pipelines), the NEB would in

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<sup>60</sup> Alberta Royalty Review Panel, “Our Fair Share: Report of the Alberta Royalty Review Panel,” September 17, 2007, 87 (**Attachment 10**)

1 effect be taking the decision about which road to take (the high road or the low road)  
2 away from the Canadian public and their elected policy makers. The approval would end  
3 the debate before it really began and lock us into a low-road strategy that is neither  
4 supported by the Canadian public nor is in the public best, long-term economic interests.

5  
6 **L. The Northern Gateway Pipeline is not in the public interest because by**  
7 **increasing the price of oil for all Canadians (both consumers and**  
8 **businesses) the project will serve to permanently REDUCE Canada's**  
9 **GDP, increase unemployment, cause personal incomes to fall and**  
10 **decrease government revenues. In other words, the economic gains to**  
11 **the oil industry projected by proponents of the pipeline project will**  
12 **come at the expense of losses to Canadian consumers and businesses in**  
13 **other sectors of the economy.**

14  
15 87. Proponents of the Northern Gateway Pipeline have been making attention-grabbing  
16 predictions about the economic benefits that will accrue to Canada if the pipeline is  
17 approved and built. For example, the report prepared by Muse Stancil as part of the  
18 Northern Gateway application predicts a net Canadian benefit of \$28 billion over the first  
19 10 years of the pipeline's operation.<sup>61</sup> In a similar way, Wright Mansell Research, another  
20 consultant working with the applicants, estimates the Northern Gateway Pipeline will

---

<sup>61</sup> B1-4 – Vol. 2 – A1S9X7 Appendix A

1 create \$270 billion in GDP growth, \$48 billion in labour income, 558,000 person years of  
2 employment and government revenue of \$81 billion over a period of 30 years.<sup>62</sup>

3  
4 88. Federal and provincial politicians have been using these numbers to justify their support  
5 of the pipeline project. For example, in a speech to the World Economic Forum in Davos,  
6 Switzerland, Prime Minister Stephen Harper said that his government will “make it a  
7 national priority to ensure we have the capacity to export our energy products beyond the  
8 United States and specifically to Asia.” He added that he planned to take action to  
9 “ensure that major energy and mining projects are not subject to unnecessary regulatory  
10 delays – that is, delay merely for the sake of delay.”<sup>63</sup>

11  
12 89. But good public policy relies on thorough and accurate analysis of the true costs and  
13 benefits of any proposed course of action. For the purposes of this brief, we submit that  
14 the analysis of the benefits of the Northern Gateway Pipeline prepared by various  
15 industry-financed consultants is flawed because it does not accurately reflect the real  
16 costs the pipeline will impose on Canadian consumers and on Canadian businesses  
17 outside the energy sector.

18  
19 90. The weaknesses inherent in both the Muse and Mansell reports are clearly outlined in a  
20 recent report prepared by independent B.C. economist Robyn Allan. In her report,  
21 entitled “An Economic Assessment of Northern Gateway,” Ms. Allan points out that both

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<sup>62</sup> B1-4 – Vol. 2 – A1S9X7 Appendix B

<sup>63</sup> McLean’s Magazine, On-line, “*To seize and to master our future*,” remarks from Prime Minister Stephen Harper, World Economic Forum, January 26, 2012 (**Attachment 48**)

1 the Muse and Mansell reports are based on the assumption that the Northern Gateway  
2 Pipeline will increase the price for a barrel of oil by \$2 to \$3 per barrel – but they fail to  
3 calculate the impact that this price increase will have on Canadian consumers, businesses  
4 and the broader national economy.<sup>64</sup>

5  
6 91. “Somehow this project is being presented as ‘nation building’,” writes Allan, “when all  
7 available research, as well as the experience of most Canadians at the personal level,  
8 points to just the opposite. Higher oil prices mean a decrease in family purchasing power,  
9 higher prices for industries who use oil as an input into their production process, higher  
10 rates of unemployment in non-oil industry related sectors, a decline in real GDP, decline  
11 in government revenues, increase in inflation, and an increase in interest rates and further  
12 appreciation of the Canadian dollar” which has already had damaging impacts on  
13 Canada’s manufacturing sector.<sup>65</sup>

14  
15 92. To illustrate the folly of focusing exclusively on the upsides of higher oil prices while  
16 ignoring the downsides, Allan calculates that had the pipeline been operational in 2009, a  
17 \$2.9-billion increase in profits expected to be generated for oil companies from higher  
18 prices due to Northern Gateway Pipeline would have been at the expense of \$2.3 billion  
19 in losses to the broader Canadian economy.<sup>66</sup> In other words, the oil companies' gain is  
20 the Canadian public's loss.

21  

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<sup>64</sup>Robyn Allan, “An Economic Assessment of Northern Gateway,” January 2012, 4 (**Attachment 46**)

<sup>65</sup>Robyn Allan, “An Economic Assessment of Northern Gateway,” January 2012, 10 (**Attachment 46**)

<sup>66</sup>Robyn Allan, “An Economic Assessment of Northern Gateway,” January 2012, 13 (**Attachment 46**)

1 93. Allan says that the reason the Muse and Mansell reports fail to properly assess the  
2 benefits of the Northern Gateway Pipeline is because the models they employ are based  
3 on flawed logic: in particular, the models assume that increasing the price of oil won't  
4 change the structure of the national economy.<sup>67</sup> So when Enbridge's consultants predict  
5 that between 496,000 and 558,000 person-years of employment will be created by the  
6 Northern Gateway Project, they're not factoring in how many jobs will be lost as a result  
7 of the pipeline's broader impact on the Canadian economy:

8  
9 "What the model is incapable of identifying is the investment and person years of  
10 employment lost as consumers and companies attempt to adjust to higher oil  
11 prices. The empirical evidence suggests that when both price gains and price  
12 losses are considered in a Canadian context, net new investment and person years  
13 of employment do not materialize, and in fact, permanent losses result."<sup>68</sup>

14  
15 94. So, far from the guaranteed growth that Enbridge and its consultants predict, the more  
16 likely outcome will be what Allan describes as a "price shock" that will do far more harm  
17 than good to the Canadian economy.<sup>69</sup>

18  
19 95. By increasing Canada's reliance on the export of raw materials and increasing inflation,  
20 Allan also argues that the pipeline will further entrench "Dutch Disease" – which has  
21 already had devastating consequences on Canada's manufacturing sector.<sup>70</sup> Finally, she  
22 concludes, as the AFL has concluded, that the Northern Gateway Pipeline represents a

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<sup>67</sup> Robyn Allan, "An Economic Assessment of Northern Gateway," January 2012, 19 (**Attachment 46**)

<sup>68</sup> Robyn Allan, "An Economic Assessment of Northern Gateway," January 2012, 20 (**Attachment 46**)

<sup>69</sup> Robyn Allan, "An Economic Assessment of Northern Gateway," January 2012, 19 (**Attachment 46**)

<sup>70</sup> Robyn Allan, "An Economic Assessment of Northern Gateway," January 2012, 22 (**Attachment 46**)

1 “lost opportunity to gain control over the value chain and ensure permanent and  
2 meaningful jobs are created within Canada.”<sup>71</sup>

3  
4 96. Given the flaws in the analysis related to the real benefits of the Northern Gateway  
5 pipeline, we submit that the project’s application should be rejected. A better approach  
6 would be for the governments of Alberta and Canada to pursue a value-added strategy.  
7 By taking advantage of the price differential between bitumen and crude oil, instead of  
8 working to eliminate it, we could capture more of the value in our energy production  
9 chain, instead of allowing others to do so.

10  
11 97. Obviously, the first benefit of such an approach would be the creation of high-quality  
12 jobs for Canadians. But there would be other benefits as well. For example, we could  
13 provide a more secure and lower-cost energy source for the millions of Canadians living  
14 in Quebec and the Maritime provinces who currently import about 700,000 barrels of oil  
15 per day from countries like Venezuela and Libya at higher Brent prices.

16  
17 98. For the Alberta government, the Northern Gateway Project represents both a serious  
18 political threat and a hopeful political opportunity. On one hand, by continuing to pursue  
19 a raw export strategy, the province runs the risk of poisoning relations with other  
20 provinces as it becomes clear that Alberta’s growth is coming at the expense of growth in  
21 other provinces. On the other hand, if the Alberta government were to change its mind  
22 and focus instead on a value-added strategy, relationships with other Canadians could be

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<sup>71</sup> Robyn Allan, “An Economic Assessment of Northern Gateway,” January 2012, 27 (**Attachment 46**)

1 strengthened with Alberta being seen a key to lower prices, better jobs and improved  
2 energy security for all Canadians.

3  
4 **M. Conclusion**

5  
6 99. It is the position of the Alberta Federation of Labour that the Joint Review Panel should  
7 not approve the Northern Gateway Pipeline project because it is not in the public interest  
8 to ship unprocessed bitumen abroad for processing.

9  
10 100. Moving this work outside of Canada would result in the loss of thousands of jobs  
11 associated with upgrading, refining and spin-off jobs in research and development,  
12 equipment sales and maintenance, and other sectors.

13  
14 101. Sending bitumen to other jurisdictions for processing may also decrease the price  
15 difference between bitumen and crude. This will have a negative impact on the  
16 development of increased upgrading and refining capacity in Alberta, thereby limiting  
17 economic diversification and economic benefits associated with value-added  
18 petrochemical industries.

19  
20 102. The goals of the Northern Gateway Pipeline project are counter to policies put forward by  
21 both the Government of Alberta and the Government of Canada. It is the Government of  
22 Alberta's goal and policy to increase the share of bitumen upgraded in the province. By  
23 facilitating the export of bitumen to other jurisdictions for upgrading, the Northern

1 Gateway Pipeline project will increase the share of the province's bitumen being  
2 upgraded outside its borders. Furthermore, by decreasing the price differential between  
3 bitumen and crude oil, the project will change the energy economics of Alberta so as to  
4 hamper the development of more upgraders and refineries.

5  
6 103. As a nation, we must set our sights higher than simply pushing for another bitumen  
7 export pipeline. We must act wisely to build a national energy strategy that uses the oil  
8 sands as a bridge to a better future for the entire country.<sup>72</sup>

9  
10 104. The Northern Gateway Pipeline project moves us away, not towards that better future.

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