

**NATIONAL ENERGY BOARD**  
**HEARING ORDER OH-1-2007**  
**TransCanada Keystone Pipeline GP Ltd.**  
**Application for Construction and Operation of Keystone Pipeline**

**Written evidence of the**  
**Alberta Federation of Labour**

**Witness:** Gil McGowan, President of the Alberta Federation of Labour (AFL)

The following summary of written evidence as it relates to each of the issues in the list of issues was prepared by Gil McGowan, President of the AFL, with the assistance of counsel.

**A. Introduction to the AFL**

1. The AFL is a labour central which represents 297 union local affiliates that are locals of 29 different unions in Alberta. These unions represent approximately 115,000 employees. The AFL works to advance and protect the interests of its members in many contexts, including being a centralized voice and resource for members in legal proceedings, government advocacy and lobbying, education, research, communications, media relations, action support, pension improvement and related initiatives. It has undertaken this role for almost 100 years, beginning in 1912.

**B. The Board's inquiry must not be too narrow**

2. The AFL, its affiliated unions and all the members of those unions have grave concerns about the scope of the Board's inquiry. The AFL believes that the Board must consider the broader, long-term impacts of approving the pipeline to connect the suppliers of bitumen in Alberta to the purchasers of bitumen in the United

States. This question will take the Board beyond what is the public interest in building, operating and later deconstructing a pipeline in Canada, to the more fundamental question of whether or not it is really in the Canadian public interest to create a method for more easily linking raw bitumen suppliers in Alberta to crude oil refiners south of the border.

3. The AFL believes that there is no other effective opportunity or forum within the current legislated processes for this question to be examined in an effective and complete manner. The Board is mandated by law to consider the question of the public interest. It has stated in its decisions that it will define the parameters of the public interest inquiry in each specific case. We submit that the potential economic and social impacts of this pipeline are so great that the Board needs to set the parameters of its public interest inquiry very broadly – to look not only at the immediate and temporary impact of pipeline construction but to also look at the long-term impacts and implications the pipeline will have on jobs, communities and economic development in Canada.
4. Once the Board approves the building of the pipeline, its construction will begin. At that point, energy companies in North America will begin making their investment and development decisions based on the existence of the pipeline and its capacity to bring large volumes of unrefined bitumen to the United States.
5. Literally billions of dollars are already being invested by American companies based on the assumption that the approval of Keystone and other similar pipelines is a foregone conclusion. Once final approval is actually given, billions more will be spent to retool or otherwise renovate current refineries in places like Illinois and the American Gulf Coast so that these refineries are ready to receive and process the shipments of bitumen received through the pipeline.
6. We submit that if this pipeline project is allowed to proceed we run the risk of missing an opportunity to make Canada in general, and Alberta in particular, a

major refining centre as opposed to merely a country and a province that relies on extraction.

7. If, however, the pipeline is not approved, the same oil companies that are currently investing in American refining capacity will likely make very different decisions regarding investment in refineries in Canada – decisions which might be more in the public interest of Canadians.
8. Given the magnitude of these decisions and the vast amounts of money involved, it is unrealistic to suggest that at some future date a process for addressing the public interest questions could be implemented. The links in the supply chain are being forged now – and they will become virtually locked into place if major pipelines like the one currently under consideration are approved. So, either we address the broader public interest concerns now or we resign ourselves to a continental energy market in which the majority of higher value refining is done in the United States – and Canada is largely relegated to the much more limited role of miner and extractor.
9. Given that Canadians are the owner of the resource, we submit that greater efforts need to be made to ensure that they are getting the greatest value from their collectively-owned resource possible. And value should not only be measured in volume of production or market price – questions related to jobs, economic opportunity and long-term economic and energy security must also be considered. Without the broadest possible inquiry – an inquiry that looks carefully at the long-term impacts of the pipeline as opposed to focusing only on short-term technical issues – we submit that the question of which approach will give Canadians the best value for their collectively-owned resources will not be adequately answered.
10. We note that in the Board's initial decision (TransCanada Pipelines Limited and TransCanada Keystone Pipeline GP Ltd., February 2007, MH-1-2006, page 56) the Board stated there was no disagreement about the need for the additional

pipeline capacity. The Board also noted that while western Canadian crude oil production would continue to grow, there would be limited growth in the western Canadian refining industry. We take issue with both of these statements.

11. We point out that, while there may be no disagreement among major, largely American-based, industry players, that doesn't mean there is no disagreement at all. In the initial hearings into the first phase of this pipeline application, the Communication Energy Paperworkers (CEP) clearly disagreed with the notion that the pipeline was necessary. We share CEP's concerns and we believe they must be fully evaluated before the issue of the public interest in this phase of the matter can be determined.
12. We also are skeptical about the argument that refining capacity in Western Canada will not or cannot grow more rapidly. What we have here is a self-fulfilling prophecy: if more pipelines are built to take unrefined bitumen to the US, there will be less demand for Canadian refining and hence less growth. To use the argument that Canadian refining capacity will grow slowly as justification to export ever-increasing volumes of raw bitumen is to reverse cause and effect.
13. We submit that this is clearly a case where the narrow interests of industry players (who are acting to keep their internal costs down by re-tooling existing refineries in the U.S.) doesn't necessarily correspond with the broader public interest of Canadians (who would benefit from expanding domestic upgrading and refining capacity).
14. Labour is urging the examination of this issue because the working people in Alberta have so much to lose if those who have bitumen to sell can more easily sell it out of the country.

**C. Labour's interest is in keeping industry and good jobs in Canada. Given that the Canadian public is, primarily, composed of working people and their families, we submit that labour's interest is the same as the public interest.**

15. Labour is not opposed to the development of the oil sands nor to the upgrading and refining of bitumen. The AFL simply wants the Board to consider the impact the approval will have on the Canadian public, and particularly on workers. In particular, we would like the board to grapple with the following question: is it more clearly in the public interest to make it easier to ship unrefined bitumen to the USA, or would it be more clearly in the Canadian public interest if greater amounts of bitumen were upgraded and refined here and the final products exported to the US and elsewhere?
16. The Application in this case states that 17 jobs will be created in Canada (eight in Calgary and the rest in the three other provinces along the pipeline) to operate the pipeline, as well as a greater number of short term opportunities during the construction of the pipeline.
17. This figure contrasts dramatically with the number of potential jobs that could be created here in Canada if the bitumen to be carried by this pipeline to the United States for refining was, instead, refined domestically.
18. In a study commissioned by the Communication Energy Paperworkers (CEP) and submitted to the Board in the first hearing, the economic consulting firm Infometrica estimated that 18,000 jobs would be created in Canada if the bitumen was refined here instead of being shipped to the USA in the proposed pipeline. On behalf of our affiliates and their members, we submit forgoing the opportunity for these jobs in Canada is not in the public interest of Canadians.
19. Why, we ask, should Canadians settle for 17 jobs when they could have 18,000? Why should we allow those 18,000 jobs to be created in the US when those jobs

could be created here – especially considering that the 18,000 workers in question will be upgrading and refining Canadian bitumen?

20. Furthermore, if the bitumen is not exported through the pipeline, but rather refined in Canada, we submit that it could set in motion a “virtuous cycle” of economic development. The technology for refining bitumen would be developed and advanced in Canada. Related industry clusters would also be built here. There would be further opportunities for workers to work and to develop expertise in this sector. The value-added processing and the other jobs created by related industry clusters would provide opportunities for Canadians which are stable and long term. This industry would also allow for Canadians to purchase Canadian made finished products and for the export of Canadian made finished products. All of this is viewed by the workers in Alberta as being in the public interest of Canadians.
21. In this regard, we argue that the Board should look at the case of the Alliance natural gas pipeline as an applicable cautionary tale. In 2000 and 2001, when that pipeline was being approved and built, its promoters made many of the same arguments that, today, are being made by promoters of the Keystone pipeline. In particular, they argued that without a large new pipeline to US markets, Alberta’s natural gas would remain “shut in” and that, as a result, its price would remain lower than the prevailing price in the US.
22. Once the Alliance pipeline was built, as predicted, the price for Alberta natural gas increased – but this higher price came at a great cost to Alberta’s petrochemical and plastics industries which rely on natural gas for their feedstocks. With the loss of cheaper natural gas, the province’s petrochemical and plastics industries were hobbled. Investment in this once thriving sector has stagnated and employment has dropped significantly.

23. We have attached a Powerpoint presentation prepared by Thomas R. Pearson, retired Manufacturing Business Analyst for Dow Chemical Canada, and a report prepared by Terisa E. Turner and Diana Gibson, Back to Hewers of Wood and Drawers of Water, Energy, Trade and the Demise of Petrochemicals in Alberta, September 2005, which illustrate the Alliance example.
24. We submit that the case of the Alliance pipeline clearly demonstrates the need, when assessing what is really in the public interest, to look beyond issues of price and the narrow interests of particular industry players. The Alliance pipeline increased price – but it sacrificed the petrochemical industry.
25. We are concerned that the Keystone pipeline represents a similar “devil’s bargain.” In particular, if pipelines like the one under consideration are successful in increasing the price of Alberta bitumen this will almost certainly have the effect of pricing many Alberta upgraders and refiners “out of the market.” Our homegrown downstream petroleum industry already has to contend with higher transportation costs than American refiners and, more recently, with higher construction costs. Increasing the price of bitumen, then, could have the effect of rendering upgrading and refining facilities in Alberta economically unviable. Canadian oilsands producers currently have 14 proposals on the table to build new bitumen upgraders or expand existing capacity in Alberta. We submit that many or possibly all of these projects may be jeopardized if the pipeline under consideration is allowed to proceed. Instead of a boom in our province’s upgrading “heartland region” – Keystone could very well lead to a bust.
26. Alberta government officials have tried to reassure the public by repeating the industry argument that increased pipeline capacity will result in higher prices – assuming that everyone agrees that this would be a good thing. Government and industry officials have also cited the number of proposed upgrader projects in the province as proof that Albertans can have their cake and eat it too. Alberta energy minister Mel Knight has gone so far as to set a “target” of 80 percent of Alberta

bitumen to be upgraded in the province by 2010 – without providing any idea about how that target would actually be reached. But if the Keystone pipeline project and others like it are allowed to proceed, we fear Alberta's upgrader and refining industry will stagnate just like the province's petrochemical industry did after the construction of the Alliance pipeline.

27. In this regard, we think that Purvin and Gertz, the consultants hired by TransCanada to forecast demand, are much more clear-eyed in their assessments than people like Minister Knight. They point out that only about 26 percent of western Canadian crude is currently refined in western Canada. If the Keystone pipeline and other similar bitumen pipelines are approved they project that the percentage of western Canadian crude actually refined in the region will drop to 15 percent by 2030.

28. On behalf of our affiliates and our members, we submit that this is an undesirable and unacceptable outcome. We do not think that Canadians should give up the potential to develop a world-class refining industry – and all the jobs and economic spin-offs that would come with it – in exchange for a short-term spike in bitumen prices.

29. The AFL urges the Board to consider the desire of workers in Alberta and Canada to do the job of upgrading and refining Canadian bitumen. We also urge the Board to question the parties about these issues.

**D. If the NEB requires a focus on the greater public interest in this case, it can force industry, government, labour and other stakeholders to work together to present or to develop a comprehensive plan for the development of Canadian energy resources.**

30. In the February 2007 decision, MH-1-2007, the Board stated at page 21:

“...However, the Board is of the view that these are matters of broad public policy that are properly under the purview of the Federal and Provincial governments and hence in the Board’s view, not relevant to the Board’s consideration of this transfer and rate based application.”

31. There is no evidence that either the Federal or Provincial Governments have taken any steps to address these issues in this case. Simply saying these issue should be dealt with by political institutions, when we know that our political institution are not currently dealing with them and have no plans to, is nothing more than “buck passing.” Given the reality that: a) our political leaders are not addressing these issues, and b) the window of opportunity for acting on these issues is narrow, and c) the NEB is mandated to address issues of public interest and has the ability to define those issues broadly, we submit that the Board has a responsibility to play a leadership role.

32. In this regard, we believe it is useful to consider the approach that the Alberta Energy and Utilities Board (EUB) took in the November 14, 2006, Suncor Energy Inc., Decision No. 2006-112, regarding an application by Suncor Energy Inc. to expand an oil sands mine and bitumen upgrading facility near Fort McMurray. In that case the EUB granted the application subject to certain conditions, which included the following, page 14, para 5.2.9:

“The Board recommends that coordinated action be take at all levels of government to ensure that the RMWB [Regional Municipality of Wood Buffalo] has the ability to service the anticipated level of sustained growth in the region.

The Board believes that steps have been taken to respond to a number of the socioeconomic impacts, but it also believes that the RMWB must have the necessary planning in place...”

and at page 16, para 5.3.7

“... It [the Board] believes that continued coordination and cooperation among government is needed to ensure that the supply of land ready for residential development and the necessary planning are in place to meet the existing and expected housing demands in the region.”

33. Labour submits that the NEB is a national body set up to address applications such as this with a legislated mandate to consider the public interest. The NEB could require a greater examination of all the impacts on the public interest in this case and invite all the parties and others to make full and proper submissions and call evidence on those points. Alternatively, the NEB could recognize the importance of addressing these issues and adjourn its proceedings in this case until such time as the provincial and federal governments have put together a comprehensive plan for the development of the Canadian energy sector.

34. In either event, the NEB will have taken the steps necessary to ensure that the public interest of working Canadians has been fully considered before making its decision.

35. In considering this submission, the NEB must keep in mind that there is no other process where the public interest will be considered before its final decision is made.

**E. If the interest of working Canadians is ignored in this matter, there are serious irreversible impacts on workers.**

36. The most obvious negative impact of approving this application is that Canadian workers will not be given the opportunity to benefit from the stable, high-paid, value-added jobs in the oil industry or in related cluster industries that would come with expanded Canadian refining capacity. Instead, the 18,000 jobs projected by Infometrica will be added to opportunities in the USA. Furthermore, Canadian workers will lose the opportunity to learn the technologies and develop

into the expert workforce in the oil industry related to bitumen refining and related uses.

37. The impact of these lost opportunities will be felt by the community as a whole as the workers, their families and their communities miss out on the economic gains of a robust and growing downstream petroleum industry. Further, opportunities for public tax revenues will be lost. While the public may benefit from royalties on exported bitumen and taxes on extraction facilities, they will lose out on the potentially larger stream of revenue that could come from having large refineries and related cluster industries located in their communities. Finally, if more and more refining work is “shipped down the pipeline,” Canadian workers and their communities face the prospect of having to buy the finished products from American refineries that have been made from Canadian bitumen.
38. On the subject of royalties, it is important to note that the current one-cent-on-the-dollar royalty for oilsands is fixed and does not increase with price (as royalty regimes for conventional oil and natural gas do). As a result, when prices increase, as they will if Alberta bitumen prices are harmonized with the US, the windfall goes to the energy companies, not the public. So when promoters of greater export of raw bitumen argue that the loss of potential downstream jobs could be offset by increased royalty revenue, they're ignoring the fact that, under the current royalty regime, most of the benefits of price increases will be reaped by industry, not the public.
39. Higher bitumen prices and higher volumes of bitumen exports are likely to have another unexpected negative consequence for Albertans. Our members who work in Alberta refineries point out that these refineries produce gasoline – but they also produce the diluent needed to move heavy bitumen through pipelines. If the demand and price for diluent spiral – as they almost certainly will if pipelines like Keystone are approved – it may become more lucrative for the small number of existing western Canadian refineries to produce diluent rather than gasoline. This

might help pad the profits of the owners of those refineries – but it would also lead to gas shortages and price spikes. This would be the opposite of having our cake and eating it too. We would face the perverse prospect of enduring higher gasoline prices and declining downstream petroleum industry employment – even while overall volumes of oil extraction increase. If this scenario were to play out – as we fear it will – it will become increasingly difficult to explain how allowing the construction of pipelines like Keystone was really in the public interest.

40. The AFL submits that we are at the fork in the road in the energy sector in terms of this resource. The window of opportunity for taking action to build a more thriving downstream petroleum industry in Canada is small. Once pipelines like the one under consideration have been built, major energy companies will invest billions in expanding American-based refining capacity – as opposed to investing in Canadian refining capacity. “Harmonized” bitumen prices would probably also undermine our modest existing downstream petroleum industry. We submit that this would represent a huge and historic lost opportunity for Canada. The NEB has a mandate to consider the public interest. We submit that in this case the role of the Board should be to ask the question: is it really in the broader, long-term interest of Canadians to facilitate the export of raw bitumen?

## **F. Conclusion**

41. With statement of our written evidence and in our evidence, the AFL does not intend to provide answers. Rather, we seek to raise questions – questions that are on the minds of our members and questions which we think the NEB needs to endeavor to answer before granting approval to pipeline under consideration. The AFL submits that the Applicant has made no effort to address these questions squarely. We think that they should be required to do so. In particular, we think they should be required to explain why greatly expanding the infrastructure for exporting raw bitumen from Alberta is the only option for development in Canada’s energy sector. We submit that this broader public interest must be

addressed as the Board considers each issue in the list of issues it has set out in this matter.

42. The AFL, its affiliates, and the working people of Alberta believe that the window of opportunity is very narrow in this industry. We believe that the decision in this case sets the stage for how industry will develop in Canada for years to come. We submit that the interests of working people demand a thoughtful and thorough consideration of all of the impacts of the decision that the Applicant is asking the Board to make.

43. The AFL urges the NEB to either embark on a full and fair hearing of the overall public interest in the development of the oil sands in a manner which fully considers the interests of working Canadians, or to adjourn these and any other related proceedings until such time as governments, both Federal and Provincial, work with all the stakeholders to develop a comprehensive development plan for the Canadian energy sector.

All of which is respectfully submitted, April 13, 2007.