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Oil industry successfully lobbied Ottawa to delay climate regulations, e-mails show

By Shawn McCarthy

Canadian Association of Petroleum Producers warned proposed emissions targets would make projects less competitive

Canada's oil industry successfully lobbied against proposed greenhouse gas regulations last spring, arguing a steeply higher carbon cost would drive away investment while doing little to reduce emissions or quell criticism of the oil sands.

In e-mails the Alberta government released under Access to Information, the Canadian Association of Petroleum Producers warns against the province's proposal that oil-sands companies be forced to gradually cut emissions per barrel by 40 per cent, and pay a $40 levy for every tonne in excess their target. That would add $1 to the cost of producing every barrel.

Alberta's "proposed targets far exceed many other jurisdictions, while the social license benefits are uncertain," CAPP said in a memo circulated during federal, provincial and industry discussions last spring. "This could lead capital to flow from Alberta to other projects in North America and abroad."

CAPP urged Ottawa, which had planned to release draft regulations by July 1, to delay any action, noting that such a "dramatic step" would put Canada far in front of the United States on climate regulations for the oil industry, according to the documents obtained by Greenpeace Canada.

Despite frequent promises by former environment minister Peter Kent to issue draft regulations last summer, the Harper government has still not done so.

Greenpeace Canada researcher Keith Stewart questioned CAPP's insistence that a $1-per-barrel carbon tax would seriously undermine the oil sands' competitiveness. He noted that, in the debate over the Keystone XL project, the industry has said approval of the pipeline would not affect investment or production levels in the oil sands because companies would turn to rail to move crude, which would cost $5 more per barrel.

"The industry in these documents is clearly saying delay, delay, delay and then do as little as possible," Mr. Stewart said on Friday. "And the federal government seems to be taking that as marching orders."

The documents include an analysis by officials at the Alberta Energy Department of the impact of several scenarios, including the province's suggestion of a 40-per-cent reduction in per-barrel oil sands emissions, and charge $40 a tonne on producers who miss their target.

The release comes at a sensitive time – with Alberta Premier Alison Redford headed to Washington next week to meet State Department officials to lobby for the Keystone XL project, which would carry oil sands crude to the U.S. gulf coast, and federal Environment Minister Leona Aglukkaq travelling to Warsaw for a United Nations climate summit after a UN report singled out Canada as a laggard on climate action.

Industry lobbying "has nothing to do" with the delay in releasing draft regulations, said Amanda Gordon, spokeswoman for Ms. Aglukkaq. "Our government is working with the provinces and stakeholders to develop these regulations. We're taking our time and they'll be ready when they're ready."

CAPP president David Collyer said the memo was simply part of a consultation process and did not reflect the association's policy position, although he echoed many of its key points. "Is there concern about the impact of increased stringency in climate policy on competitiveness? Yes, there is," he said.

According to the provincial document, the industry supports a 20 per cent gradual reduction per barrel and a $20 levy for failure. Mr. Collyer said the more ambitious Alberta proposal would still not win support from critics in the environmental movement.

The memo argued the more stringent approach would not even reduce emissions. "The challenge with the oil sands is that current technology [to dramatically bring down emissions] is not yet available for deployment to a significant degree," it said.