

The Parkland Conference: All is not well in Oilville

By Radical Randy

Ever get the feeling trickle down economics just isn't working? How much of Alberta's fabulous oil wealth winds up in your pocket? Those in the trades and the industry may be doing very well, but what about everyone else in our inflationary economy? Oh, and how are those Ralph Bucks holding out?

On the weekend of November 17-19 the University of Alberta's Parkland Institute's tenth annual conference, "Power For the People", examined how Alberta's oil and natural gas wealth is (or isn't) being distributed to the province and what our energy future may look like after peak oil.

It was hard not to be outraged as the true extent of Alberta's mugging by the oil companies was revealed. We receive what could well be the world's lowest rate of return on our oil and gas deposits. Norway has had roughly equal production, but every six months their savings fund increases by an amount equivalent to Alberta's entire Heritage Fund. A Parkland report from 1999, "Giving away the Alberta Advantage", showed that if our rate of return on oil and gas production equaled that of mighty Norway, the province would have collected an extra 57 billion dollars over the previous ten-year period.

Could Albertans have found a use for that money? We are constantly bombarded with propaganda on the alleged unsustainability of Medicare and the shortage of extra funding for education, social programs, and municipal infrastructure. Could the residents of our inner cities have benefited from low-cost quality housing? Apparently our provincial government knows the money is better allocated to spectacular oil company profits. Oh well, at least the tents are warm.

While we have less than a decade's proven supply of conventional oil and gas in Alberta, the little known proportionality clause in the North American Free Trade Agreement may lead to shortages here. Under this clause, which Mexico refused to sign, Canada is obligated to continue supplying the U.S. with the same level of oil and gas as in the past three-year period and can decrease the exports only if we cut our own consumption by the same proportion. This could make it virtually impossible for Canada to limit exports even if we start to run out ourselves. Ralph Klein and Stephen Harper have fallen over themselves in their rush to reassure the U.S. it can count on us to act as America's gas tank, supplying their fuel needs, no matter what. Over 60 percent of our oil and 57 percent of Alberta's gas production is exported south while Eastern Canada must import close to a million barrels of oil a day. In addition NAFTA requires Canadians to be charged the same price for our own oil as we charge the Americans.

The excess windfall profits from skyrocketing oil profits, known as "resource rent", could be used by the province for the amelioration of poverty. Even more money could be generated if Albertans developed and managed their own oil and gas, but that would involve the dreaded "n" word -- nationalization. Seventy-seven percent of global proven oil reserves are publicly owned, but this pattern breaks down in North America, where the interests of the resource companies seem to be the paramount concern.

Alberta's Athabasca tar sands offer a stupendous energy reserve but at a huge environmental cost. Massive quantities of water and natural gas are needed to extract the oil and huge pools of contaminated water result. Just getting at the tar sands has already resulted in a vast area the size of Nova Scotia having the "overburden" of trees, vegetation and topsoil stripped off. The claims of oil companies to have "rehabilitated" past mining sites are laughable at best. The health of people in Fort McMurray, Grande Prairie, and the neighboring indigenous communities are of no concern if it threatens to stand in the way of development. The watchdog Energy and Utilities Board has its rubber stamp inked and ready to go.

The tar sands developers recoil in horror at any suggestion they should contribute to alleviating

the infrastructure mess they've created in the boom towns. They're quite content to internalize (privatize) the benefits of the business while externalizing (socializing) the costs for everyone else to pay. They show a frenzy for non-stop construction since this allows them to pay a mere one percent royalty on tar sands oil until the initial capital investment is paid off.

It was the huge carbon dioxide production from the tar sand developments that resulted in PM Harper abandoning Canada's Kyoto obligations to reduce green house gas emissions. It was these same tar sands developers who largely funded Harper's last election campaign. No conflict there.

Public concern has gotten to the point where even corporate media has been forced to at least mention some of the problems of unregulated oil development. Ralph Klein and his Conservatives have admitted to not having a clue about managing the boom except to continue pumping oil out of the ground as fast as possible. The provincial Conservatives have made ambiguous halting noises about maybe definitely raising the possibility of someday looking at royalty rates. Given Alberta's democratic deficit it may be comfortably assumed that any review will be packed with industry insiders working behind closed doors. Can Ed Stelmach be seriously expected to stand up to the American oil companies? Meet the new boss -- same as the old boss.

The Parkland Institute's weekend conference left me with a nightmarish scenario of one possible Alberta future a few decades hence after the nonrenewable oil and gas reserves have been squandered or energy consumers have switched to non-fossil alternatives. The province will have been looted of hundreds of billions of dollars in lost potential revenue by American oil companies in collusion with corporate friendly provincial and federal governments. The little economic benefit the provincial government has extracted will have long since been pissed away. All that will be left will be a boom economy gone bust. The oil driven developments in the north will probably linger on as virtual ghost towns. Who'll be living there after the oil's gone? The huge area of the current tar sands will be a national sacrifice zone, an environmental catastrophe of barren strip mined earth and toxic contaminated water (a radioactive mess as well if plans to use nuclear power to melt the tar sands are allowed to proceed). The well-paying jobs will be gone with only worthless houses and the rusting hulks of luxury cars to show for it all.

It could be different. As Norway and Venezuela have shown, it is possible to for a government not mobbed up with the transnational oil conglomerates or in thrall to mindless economic "free market" neoliberalism to take charge of its own resources and use them for the benefit of all its citizens. A truly responsible approach would involve massive increases in royalties and rents on the resources if not outright provincial ownership of all aspects of production. Unlike most industries in a globalized marketplace our resources are not vulnerable to a global corporate race to the bottom. We the citizens own our oil and gas resources and any companies that want a piece of the action will participate at our pleasure, subject to our environmental rules and payment schedules. Where else are they going to get the oil?

For further information, check the Parkland publication "Selling the Family Silver" available at www.ualberta.ca/parkland, as well as the Pembina Institute, which has just published the report "Thinking Like An Owner: Overhauling the Royalty and Tax Treatment of Alberta's Oil Sands, which can be downloaded at their website www.pembina.org. Information on larger social and business issues can be found at <http://activistresources.raisemyvoice.com>.