

## Is planned pipeline to B.C. really for oil exports to Asia?

By Joyce Nelson

When B.C. MP Nathan Cullen's motion to "immediately propose legislation to ban bulk oil tanker traffic in the Dixon Entrance, Hecate Strait and Queen Charlotte Sound" passed in the House of Commons on Dec. 7, a spokesperson for Enbridge — whose proposed Northern Gateway Pipeline project is under review — told *The Northern View* (Dec. 8) that the motion will support an increase in tanker traffic through Port Metro Vancouver, the Strait of Georgia, Haro Strait and the Strait of Juan de Fuca.

More than 60 First Nations, the Union of B.C. Municipalities, many environmental groups, as well as 80% of the B.C. public, are opposed to Enbridge's proposed dual pipeline between the tar sands and Kitimat, which would mean an influx of about 225 oil tankers per year within the treacherous waters of Northern B.C. (see *May 2010 CCPA Monitor*). A week after Cullen's motion was passed, Liberal MP Joyce Murray introduced Bill C-606 to legislate the ban. Bill C-606 passed first reading in December and was scheduled for debate at the end of March (assuming a federal election had not been called by then).

### New U.S. West Coast Markets

In an article for the January issue of the *Watershed Sentinel*, BC energy writer/activist Arthur Caldicott argued that the Northern Gateway Pipeline project would likely become the cost-effective supplier of a new California market for tar sands crude oil, with oil tankers from Kitimat delivering the crude to refiners in that state.

"California is a promising market for Alberta's oil," Caldicott wrote, "yet a direct pipeline (a 'bullet') to California has not joined the many other pipelines proposed from Alberta to the U.S. Midwest and the Gulf of Mexico. Cost is a factor: building a 2,500 km pipeline to California, crossing the Rocky Mountains and the Sierra Nevadas, is a lot more costly and environmentally challenging than building a pipeline across the flat land in the middle of the continent... Tankers are cheaper to operate than pipelines."

In terms of cost, Caldicott argued, the Northern Gateway Pipeline "is the effective bullet to California for tar sands oil." Caldicott notes that the Tanker Exclusion Zone "only applies to tankers sailing to and from Alaska."

Victoria-based marine environmental policy consultant Dr. Gerald Graham has recently confirmed Caldicott's argument. By combing through regulatory documents filed by Enbridge with the National Energy Board (NEB), Graham found that much of the tar sands crude oil planned to go through the Northern Gateway Pipeline would be tankered to the U.S. West Coast, specifically to California and Washington.

Enbridge and proponents of the \$5.5 billion pipeline have consistently maintained that the project is necessary to the

Canadian "national interest" as a "second outlet" to open up new Asian markets for tar sands crude.

As Graham wrote on his blog on Feb. 24, "How odd it is to discover, then, from an in-depth analysis of the company's application filed with the NEB and CEEA [Canadian Environmental Assessment Agency], that almost all the tankers to be loaded with tar sands oil, once the project comes on stream in 2016 or later (assuming it is approved), would be destined for West Coast ports — not Asian ones." Elsewhere in the application "West Coast" is narrowed down specifically to California and Washington.

Graham observed that "a number of tar sands oil producers, including ConocoPhillips, Shell, ExxonMobil and Chevron, just happen to have significant oil-processing interests on the American West Coast as well."

### In the National Interest?

Graham noted that, "if this interpretation as to the eventual destination of the oil

is correct... it would blow a rather large hole in the argument put forward by the proponent and others, including three Western premiers, to the effect that the Northern Gateway pipeline is in the national interest because it will diversify markets for tar sands oil and lessen Canadian dependence upon the United States as virtually the sole destination for what some call 'The Devil's Excrement'."

As the *Globe and Mail's* Nathan Vanderklippe (Feb. 28) reported, "It could be tough for Enbridge to argue that [Northern] Gateway is nationally important — and therefore worth the environmental drawbacks — when it will largely feed a [U.S.] market already well served by other pipelines, Mr. Graham said."

By March 1, Enbridge was scurrying into damage-control mode. Vern Yu, Enbridge vice-president of business development, told Vanderklippe, "The U.S. west coast refinery market is an attractive market for Canadian crude exports. But, based on our current consortium of partners and the commercial discussions we are having with them, we do not forecast any Northern Gateway crude at this time moving to the U.S. west coast. It's the current expectation of our partners that the crude will be shipped via Northern Gateway to Asia."

But this apparently does not jibe with Enbridge's official filings to the NEB. "I know it looks inconsistent at this time... it's actually not inconsistent... I'm sure this will probably come up in the hearings and we'll probably have to explain that," Yu told the *Globe & Mail* (March 1).

### Is BP a Secret Backer?

Yu also said that, of the 10 secret backers that have provided \$100 million to fund Northern Gateway's review process, none are U.S. refiners. To date, only one of these backers — China's

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# Most tar sands oil from pipeline is destined for U.S. ports

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Sinopec — has been confirmed.

Sinopec, which has 17 oil refineries in China, has partnered with BP on several joint ventures. On Nov. 30, 2010, BP quietly launched its first tar sands extraction project — the Sunrise project — with another partner, Husky Energy. BP made the decision to enter the tar sands back in 2007, but waited until late November to quietly go forward. The Sunrise project is reportedly a \$5.5 billion investment that could produce 200,000 barrels per day — making BP one of the biggest players in the tar sands. BP also has a tar sands extraction deal with Devon Energy, as well as a (March 2010) partnership with Value Creation Inc. to develop VCI's huge (185,000 acres) Terre de Grace tar sands lease block.

Conveniently enough, BP has refineries in California and Washington. As well, BP and partner Enbridge together own the 400-mile Washington-to-Oregon Olympic oil pipeline — a deal announced in December 2005.

So I'm betting that BP is one of Northern Gateway's secret backers. Meanwhile, with such a big investment in the tar sands, BP seems to have decided that other things are just too costly.

## BP Won't "Make It Right"

While dozens of dead baby dolphins have been washing up on U.S. beaches on the Gulf of Mexico, and marine scientists are finding that substantial oil remains on the ocean floor, *Time* (Feb. 17) reported that BP is resisting fully paying for the oil spill damages caused by its 2010 Deepwater Horizon disaster in the Gulf. BP argues that the settlement terms for oil spill victims being negotiated from the \$20 billion compensation fund (which BP controls) are too generous because they "overstate the potential for future losses" to all those fishers, tourism operators. and others affected in the region.

According to *Time*, "In a wonderful little coincidence of timing, BP's comments came to light on the same day that the oil spill commission released its final staff report — which included the news that BP had been

aware years before the accident that there were problems with Halliburton, the company that performed the faulty cementing job on the Deepwater Horizon. 'The sad fact is that this was an entirely preventable disaster,' the commission's chief counsel, Fred Bartlit, said in a statement. 'Poor decisions by management were the real cause.'"

Then, in a piece for the *Huffington Post* (Feb. 25), the Sierra Club's Carl Pope wrote, "In fact, it appears that BP might actually benefit from its failure to oversee the drilling operation carefully. The company will argue in court that, because it had so little control over the operation, its shore-based managers did not have enough information to 'wilfully disregard' the risks, and therefore cannot be found guilty of being 'grossly negligent.' This means that BP's liability might drop from \$40 billion to \$18 billion for its Clean Water Act violations."

They say that partners often come to resemble each other, and that may explain what's happening in Michigan.

## Backing Away from Responsibility

Michigan's local press is reporting that Enbridge is now backing away from responsibility for the July 26, 2010 pipeline spill that dumped a million gallons of tar sands crude into the Kalamazoo River. The *Michigan Messenger* (Jan. 31) reported: "Enbridge argues that it cannot be held liable for the oil spill because it has followed all relevant laws, regulations, and industry standards, and the damage was not foreseeable. The company also argues that the charges against it are improper 'because federal, state and/or local authorities and agencies have mandated, directed, approved and/or ratified the alleged actions or omissions.'"

The company has purchased 73 homes in the contaminated area and another 31 sales are being negotiated, but many residents have not been able to get compensation for property damage and health issues through the claims process set up by Enbridge. Enbridge is reportedly being advised on

handling the disaster by PR giant Hill & Knowlton.

"There has not been a whole lot of integrity on the part of Enbridge in many respects," attorney Elizabeth Thomson told *The Detroit News* (Jan. 31). Thomson, involved in class action litigation against Enbridge, is critical of the waivers circulated by Enbridge that allegedly required residents to give up their right to sue in return for short-term financial assistance during the disaster.

Although Enbridge representatives went door to door in the area, promising they would pay for all legitimate expenses associated with the disaster, the *Michigan Messenger* reports that, "in filings with the Calhoun court the company says: 'The statements at issue, that were made in Defendants' press releases and brochure, were mere expressions of intention, not offers.'"

## Saving Only Half the Coast

Meanwhile, highly respected B.C. environmentalist Rex Weyler is among those calling for a ban on tankers from the entire west coast. "Who divided B.C. North/South like Korea?" Weyler wrote in a March 11 email. "Tankers threaten our coast everywhere! And we have actual tankers using Burrard Inlet and Georgia Strait right now [see Sept. 2010 *CCPA Monitor*]."

"This 'North Coast' idea has slipped innocuously into our language, invented by the oil industry and Liberal party insiders because the Liberals can pretend to be against oil tankers when they actually support oil tankers in Vancouver, and support tar sands expansion in Alberta, which is the root cause and reason for these tankers... This 'North B.C.' and 'South B.C.' language is a divide-and-conquer scheme dreamed up in some Liberal party back room or oil company strategy session. This isn't coming from the people of B.C.," wrote Weyler. "We've never once talked about only saving half the coast, north or south. This language sounds like 'bait and switch' tactics by the oil companies."

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