

Canada makes a bad bargain piping black gold south

With the U.S.'s recent announcement that its gas and oil resources will be gone within the decade, the pressure is on to step-up the exploitation of northern Canadian resources.

The rush means big profits for the oil companies — and long-term returns for Canadians.



THIRSTY OR HUNGRY?

By GORD MOORE

In spite of all attempts to block the construction of giant pipelines across the Canadian Arctic, it appears that a natural gas pipeline, and possibly even an oil pipeline, will be under construction by 1974-75. But resource development in the Arctic will undoubtedly continue to create distinct social and political tensions throughout Canada.

The hunt for oil and gas was spurred on by the announcement, in April 1968, of the famous strike at Prudhoe Bay, Alaska. The oil reserves there have been estimated at 15 billion barrels, and the gas reserves at 27 trillion cubic feet. The rush to the Canadian Arctic Islands by Panarctic, the 45 per cent government owned oil consortium, produced major gas discoveries on Melville and King Christian Islands in 1969 and 1970 respectively. Since then several large discoveries have been made as more than a dozen powerful oil and utility companies searched for the rich prize.

U.S. WANTS TANKERS

A continental-wide debate has been going on since 1969 as to where an oil pipeline should go. Rogers Morton, U.S. Secretary of the Interior, announced on May 12, 1972 that the U.S. intends to go ahead with its Trans-Alaska Pipeline System (TAPS). His department has been anxious to push through an oil pipeline crossing delicate tundra and one of the most earth-quake-prone

zones in the world, to one of the stormiest ports (Valdez) in the world. The oil would then be trans-shipped into tankers which would proceed through one of the most hazardous shipping areas in the world — down the entire west coast of Canada, to travel through the narrow and crowded straits between southern Vancouver Island and Washington state — to the new refinery at Cherry Point, Washington.

Despite precautionary measures, oil accidents will occur, and the Canadian government has no direct way of stopping U.S. ships from going through the straits. Fortunately, for the moment anyway, U.S. and Canadian conservationists have managed to work through the courts to prevent Secretary Morton from issuing a pipeline right-of-way permit.

The U.S. Coast Guard, in a six-volume report released in late March 1972 by the U.S. Department of the Interior, estimated that 140,000 barrels of oil will be accidentally spilled off the Canadian and American coasts each year, and that there will also be one casualty (collision or grounding of a tanker) each year. In addition, there will be oil lost during the loading and unloading, small spills in harbours and the frequent and deliberate discharge of oil during sea-going tank-cleaning operations.

The Arrow, an 18,000-ton ship, dumped 54,000 barrels of oil in Chedabucto Bay, Nova Scotia, in 1970. It cost the federal

government 4 million dollars for the clean-up, ruined beaches for months and caused inestimable damage to marine and land-bound wildlife. The narrow straits between Canada and the U.S. leading to the Cherry Point refinery were surveyed by 500,000 tankers in mid-May last year. By 1980 TAPS is expected to deliver over 2 million barrels of oil a day with these tankers. A single spill, according to one of President Nixon's own advisors, could cover 250 square miles of ocean with oil.

Yet in view of the severe warnings, from both Morton's own research department and environmentalists, and of America's own devastating experience with spills, it can only be concluded that the U.S. administration, under powerful pressure from the oil lobby and the U.S. hunger for oil, always intended to proceed with the TAPS.

U.S. NATIONAL SECURITY

Canada was late to officially recognize the dangers involved with TAPS; Washington and the oil industry had already gone a good way to realizing TAPS before Parliament gave unanimous support to the Commons committee report which vigorously opposed the tanker route. The federal government had been slow in undertaking the necessary research on the effects of its own preferred alternative — an overland pipeline from Alaska's Prudhoe Bay into the Yukon, down the MacKenzie Valley to Edmonton. Canadian lateness, both in research and in

organizing capitalization for the project), U.S. national security and alleged Canadian construction delays till 1976 were given as reasons for Morton's decision.

Other more important and realistic reasons exist of course. Every year the United States consumes increasingly more oil than it produces. While the delivery of North Slope oil to the lower 48 states will not reverse this trend, it will slow it down. Waiting for the longer Canadian line to be completed would mean a greater U.S. dependence on "potentially insecure foreign sources of petroleum".

Another reason centres around shipping. The TAPS would require 1.1 billion dollars for oil tankers — a shot in the arm for the chronically ailing U.S. shipbuilding industry and a decrease in U.S. dependence on foreign-owned tankers. Also the TAPS would increase employment and economic activity in the ailing Alaskan economy. Finally the oil companies that largely control the North Slope reserves and Alaska, the consortium that would build and operate TAPS, have invested their money, time, know-how and prestige. Their interests are not to be ignored at this late stage.

CANADIAN OIL ROUTE SUPERIOR

Richard Nehring, an economics analyst with the U.S. Interior Department, has said that "the route through Canada is superior on almost every one of the 25 criteria used by the

department." Even the U.S. government report showed in detail that the overland route is superior to TAPS in terms of threatened danger from earthquakes and the threat to the marine environment from oil transfer operations. In addition, an analysis of security by the defense and state department concluded the Canadian route would be more reliable and easier to defend. And although it was not mentioned, the Canadian route is cheaper by at least one billion dollars.

From these facts, charges have arisen against the Nixon administration for deleting evidence favouring a Canadian route from the government report.

Canadian Liberal MP David Anderson, in conjunction with 24 U.S. Senators backing the Environmental Defence Fund, is supporting the Canadian route in a public and legal battle that began early in April last year. A decision is expected shortly, but whatever way it goes, the battle will then be carried to the U.S. Supreme Court. The group fears the environmental consequences on Canada's west coast and in Alaska should TAPS receive approval. The American government and oil companies are pushing even harder for TAPS since the recently announced energy crisis in U.S. fuels.

MAXIMUM CANADIAN LEADERSHIP

When it comes to choosing a project contractor, difficulties will definitely arise. Of the 16 or more companies involved in the gasline consortium only 4 are Canadian companies: CNR, CP Investments Ltd., Trans-Canada Pipelines Ltd., and Alberta Gas Trunk Line. Several of the members of the consortium favour the U.S. firm of Williams Brothers (New York) to fulfill this prestigious role, even though Energy Minister Donald Macdonald has indicated he will delay construction unless the consortium makes "the right Canadian choice". The Williams Brothers' choice is a natural one for members of the former Northwest Project Study Group. The company, a large and experienced firm, and its Calgary subsidiary, Williams Brothers Canada Ltd., has been used extensively in many of the group's environmental studies.

A few companies in the consortium support the government's choice for "maximum Canadian leadership and participation" in the project. The federal government wants most of the estimated 1 billion dollars needed for the actual building of the line to be raised in Canada, and the vast majority of the consulting and engineering work to be handled by Canadians. The government is already in negotiations with the joint consortium on the financing and detailed schedule of the entire project.

The Department of Northern Affairs has the final word on choice of a route through the Mackenzie Valley, and the National Energy Board remains the final authority on any application for pipeline construction. Whether Canadians will be financing, building, operating and directing the pipeline construction through Canadian territory remains to be seen.

GOVERNMENT PLAYS BIG BUSINESS ROLE

In theory the federal government, through Panarctic Oils Ltd., is in the Arctic to protect public interest. In fact, it is deeply involved in northern oil and gas exploration, and committed to exploiting these resources as quickly and efficiently as possible. It strongly supports moving gas to market because of its cash investment and because of the general impact a northern pipeline could have on Canada's economic development. A pipeline means the planned "transport corridor" is much more feasible; this in turn means greater North American access to Canada's northern natural and tourist resources. Four American gas distributing companies have even loaned Panarctic 75 million dollars for further exploration with the agreement that the payback be shipments of "surplus gas".

The Canadian government would like to play a business role in the project, but the oil companies involved are cool toward government involvement. It is said that possible government participation would strengthen resistance in some U.S. government circles to "entrusting major oil and gas arteries, essential to U.S. security, to another foreign power". The bulk of Arctic oil and gas supplies, whether from Canada or Alaska, are ultimately destined for U.S. markets anyway. Ideally, the U.S. companies shouldn't control the pipeline's financing, construction and operation, let alone the destiny of gas and oil.

The government claims that already "the major areas of ecological sensitivity have been identified." Critics of the government program claim that this is not good enough and that much more has to be known about the specific impact of pipelines on northern ecology and peoples.

Certainly these critics have a well-taken point, especially when the government goes on to say: "Much useful information can be obtained during the next year even though an application might be under consideration" and that, data gathered in "the subsequent years will still be valuable, though the pipeline construction may have begun." In other words, there will be an overlapping of the research and decisions processes; the government will be approving pipeline construction when the results of its own research are incomplete.

In late June last year, the federal government issued a series of tentative regulations on the construction of northern pipelines. But in its usual academic haze it failed to be specific in defining such terms as "good environment management", "adequate plans" to deal with oil leaks and spills, and "effective plans" for an environmental education program for companies. The closing guidelines insisted the companies become good corporate citizens of the North, and make "a conscious effort to contribute to the social and economic development of the territories." It is all too clear where government interests lie.

FRAGILE NATURAL ENVIRONMENT

In March last year, the Environmental Protection Board issued a report which described Canada's level of ecological research in the Mackenzie Valley as "abysmally low". One scientist has written that "in the true Arctic there is not a species we know enough about and many that we have not studied at all." Furthermore, in 1970 the most extensive monitoring survey of its kind ever undertaken in the Arctic found subsidiary damage from northern oil exploration work to be 10 to 100 times greater than expected.

The root of the environmental problem is the very vulnerable natural environment — the slow growth rate of vegetation and short growing season mean that wounds from heavy equipment and construction will take a long time to heal and may not heal at all. Modern man can easily cause rapid and irreparable devastation.

The worst condition for construction is in "detrimental" permafrost, which exists where soil is suspended in water and becomes solid ground only because the water is frozen.

Anything that raises the temperature — the breaking up or removal of the insulating mosses, the penetration of moving water or structures built on top of it — will revert it to mud. When the tundra thaws in the summer the Arctic mosses and plants act as an insulating layer and protect the permafrost below.

Any pipeline faces the problem of leakage. A natural gas line, transporting gas at cool temperatures, does not pose the same threat to permafrost that a hot oil line would. The relatively intense heat of oil as it comes out of the ground (160-180 degrees F), if put through a buried pipeline, could melt the permafrost causing disastrous changes in the tundra. If the proposed Mackenzie oil line is above ground it will interfere with migrating animals, particularly caribou and birds. Their continuous movement is an adaptation to the tundra vegetation and slow growth cycle. The oil companies should be forced to take all possible steps to minimize damage to environment and wildlife, and to ensure continuing research and checks are carried out. The possible loss through environmental changes, if it must be put in economic terms, can be evaluated in terms of tourism, hunting and fishing.

Research into engineering, geophysical and ecological aspects of such a venture have not reached the stage where the project can be encouraged.

NORTHERNER'S WELFARE SACRIFICED

Jean Chrétien, Indian Affairs and northern development minister, sees the northern wealth as "part of the wealth of Canada that has to be used to build up a better society." He also sees the development of oil and gas resources as the SOLUTION to many northern problems. He says it will provide employment for the Yukon and NWT, touted to be the fastest-growing population group in Canada.

Development in the north has changed the lives of the native people in major ways — almost always for the worse. Most skilled jobs have always gone to white men from the south, and the natives have been left to scrounge for the remaining menial tasks. When asked in early July why northern natives at the communities of Arctic Red River and Fort McPherson had not been hired for work on the delta end of the Mackenzie highway, Chrétien replied that "there is some discrepancy between what I have stated as (hiring) policy and what is actually happening." Hiring priority has been promised to native peoples, but it is unlikely that the present hiring and training policy will change for their benefit once construction begins on the pipeline.

The permanent employment opportunities after the pipeline is completed is expected to be small. Bud Orange (Liberal MP NWT), and a pipeline enthusiast, expects only about 400 jobs.

There are 20,000 Indians and Eskimos in the NWT. Where does that leave the argument of the oil consortium that the pipeline is going to be a permanent bonanza for the native peoples?

Groups of Indians in the Arctic have already spoken out against Ottawa giving approval for pipeline construction before aboriginal land claims are settled. Successful court action by the Indians could tie up the pipeline for years, costing the government millions of dollars. One such group is the Old Crow band, consisting of about 200 Loucheux Indians, who have been living for centuries on the banks of the Porcupine River about 80 miles north of the Arctic Circle. Their area is one of several routes now under consideration for the Yukon portion of the pipeline system.

All over the Arctic the lives and livelihoods of the native peoples are being drastically changed by white man's economic development and profit motive, as well as Ottawa's colonial domination. The federal government has not been able to stop the destruction of native culture — nor has it tried very hard. The 1970 annual report of Panarctic Oils stated: "The inherent survival skills of the Eskimos are no longer a major attribute. . . . In order to become an effective worker, the northern resident must develop a skill required by the job rather than depend on his native expertise for employment." Crude logic rests in that statement: hunting skill will not be of much use in a land already despoiled.

Time and again the federal government has expressed the conviction "that the needs of the people of the north are more important than resource development, and the maintenance of ecological balance is essential." That's a fine conviction and those are reassuring words, but it's action, not words, which count. From its actions it is apparent the government has decided that the welfare of native northerners and the northern environment are to be sacrificed in favour of large-scale economic development for the benefit of southern Canadians and foreign corporations.

CURTAIN RESOURCE EXPLOITATION

The little that is known about Arctic development suggests very clearly that Prime Minister Trudeau's plan of northern development should be stopped at once. The government should not be anxious to develop energy resources that will not be used domestically but by the U.S. The American economy may be on the verge of energy starvation, but Canadians need not talk about "continental energy development". This would only further increase Canadian-U.S. interdependence. Besides, if we continue to increase our exports, we will create a Canadian energy crisis similar to that in the States. Recent statistics from the Canadian Energy Board say that Canada has a dozen years of oil and from 18 to 20 years of gas left in now-discovered resources. Optimists are banking on future resource strikes, but in the overall view, Canada may not be far behind the U.S. in declaring an energy crisis.

The whole northern resources development may be absolutely pointless anyway. Petroleum men urge hurried development because in another 20 years the harnessing of nuclear and solar energy may make oil worthless as an energy source. Although these types of energy may not be cheap, or sufficiently abundant, the huge markets for oil won't be available then.

The government's northern pipeline and transportation system, subordinated to traditional resource exploitation interests, will serve to link the Arctic to the United States. It will create little or no supporting industries; most of the heavy equipment will be imported from the United States.

This system will also create few permanent jobs, probably destroying as many jobs in the North as it will create. Its effect on the northern environment is uncharted, and the billions of dollars would be better spent on decent housing, education and better health care.

Clearly, the question of benefits to Canadians needs re-examination other than by the government. If not, collusion between the federal government, big business and the U.S. government will leave the people of Canada the biggest losers in Canadian history.