

# Business Council of British Columbia

## Speaking Notes

Presented to the Canadian House of Commons Standing committee on Transportation, Infrastructure and Communities

### ***Bill C-48 - Oil Tanker Moratorium Act***

An Act respecting the regulation of vessels that transport crude oil or persistent oil to or from ports or marine installations located along British Columbia's north coast

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## Executive Summary — Testimony

We thank the Standing Committee for this invitation to present testimony on an issue vital to Canada and BC's economy.

The primary focus of these remarks is to provide context on global and domestic energy markets, the strategic role Canada can play in meeting world demand for energy (particularly given our high existing environmental standards), and the challenges and unintended consequences of a tanker ban on our economy and overall well-being. We articulated many of these points in our September 2016 letter, but they bear repeating today for the public record.

Let me begin with some context about the Business Council of British Columbia. We are in our 51<sup>st</sup> year as an organization representing 260 of the largest and leading firms with assets and operations in every part of BC's economy, including post secondary institutions.

The global demand for hydrocarbons continues to grow and is projected to expand by 1/3 to 2040. Hydrocarbons will continue to dominate in the global mix of primary energy sources for decades to come. Canada can choose to shut itself off from these market realities and forego the benefits including investment, tax revenues, jobs, and innovation that flow from our energy sector that comprise 10% of national GDP and 25% of capital investment; or we can choose to participate by contributing lower greenhouse intensive oil and natural gas products (in part because of our baseline clean energy inputs), drive change (by helping other countries transition away from coal electricity generation and sell our renewable energy development know-how), and ensure Indigenous and middle class Canadians can access long-term stable, well paying jobs that support resilient communities. Our energy products are premium products, desirable in the global marketplace because of these attributes, along with our strong environmental standards and performance.

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Canada's high environmental standards, some of the best in the world, differentiate our energy export products markedly compared to those of the top three exporting countries — Saudi Arabia, Russia, and Iraq (Canada ranks 4<sup>th</sup>). As we move forward, Canadian upstream electrification is another distinguishing attribute that exists nowhere else in the world, a trend that is expected to reduce GHGs and lessen environmental impacts in the local and global context. This can become a positive Canadian brand differentiator and worthy of a premium rather than the current discount due to constrained market access and a single customer for our products to the south. Canada could become a supplier of first choice as the world wrestles with how address the impacts from fossil fuel use in a lower carbon environment.

Ironically, if the proposed legislation proceeds, the 1 to 3-day travel advantage to Asia that could be realized by shipping from Kitimat or Prince Rupert is eliminated. Tankers will still ply the coast of BC as they ship product from Alaska to Washington State and beyond. Further, longer distances travelled means increased supply chain greenhouse gas emissions.

The Business Council is also concerned that the public narrative has not accurately captured the voices of many Indigenous people. In, BC, Alberta and Saskatchewan, many Indigenous people support and are involved as owners and partners in energy development in their traditional territories. They see energy development and its export as a significant opportunity to lift their communities out of poverty, and as a path to independence for future generations. Coincidentally, the sector is among the largest employers of Indigenous people in Canada. We respect the position that there are other Indigenous groups who are opposed to shipping oil, which is their right. The proposed legislation nonetheless precludes many Indigenous people from achieving self-determination by participating in a legal Canadian industrial activity. This reality constrains the supply chain and ignores the myriad of opportunities, material types, and technology solutions that exist to enable the movement of oil products through northern BC.

This includes, technology to transform diluted bitumen to solid "bricks" that can be shipped in containers, and float for years, should an incident occur. Further, the schedule in the legislation precludes and does not anticipate a broad array of lower persistence oil and fossil fuel products for

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export out of Northern BC and Alberta. These products are a material component of natural gas development in the Montney Basin. They include condensate and light tight oil potential of up to one million barrels per day with approximately half the production emissions of the average US barrel of refined oil, a type of oil that, ironically Canada imports.

Lastly, both for Indigenous peoples, as noted, and for the non-Indigenous middle class, this legislation will have a negative effect on middle-class jobs and community revenue for a range of Canadians across the country, and specifically in BC. In our province, there are over 10,000 direct jobs tied to the sector, many of which are in rural communities, all made vulnerable by the proposed legislation.

For the record, the Business Council of British Columbia does not support the proposed legislation. The decision to proceed with the legislation is not based on adequate science, nor does it consider the global demand for Canadian products and our standards. It directly contradicts the Government of Canada's commitment to expand tidewater access for the export of Canadian natural resources, including oil, and makes moot the discussion about improving tanker safety. The legislation, if approved, puts Canada's reputation as a trading nation that can get responsibly sourced and competitively priced goods and products to market, in a timely manner, at risk. The whole supply chain of related industries, equipment, professional services, and labour is undermined along with existing investment in infrastructure and communities. The direct and indirect effects are substantial and in total outweigh the perceived benefits.

Despite our views and the likely negative impact of the legislation, we respectfully submit that if the legislation passes it is critical to conclude several amendments. These include:

- Permitting the export of products of less concern and less persistence than bitumen through our Northern deep-water ports — this is crucial.
- Preparing a schedule to the legislation that:

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- Reviews within the next 12 months the “persistence level” of products aimed at increasing the precision of in-out definitions particularly given the Canadian Energy Pipeline Association’s independent study on this topic targeted for completion in 2018.
- A review within 24 months of the need for the legislation considering new technology developments (e.g., bitumen bricks) and response capability.
- Transition provisions for communities and the people who depend on oil and gas development

## Introduction

We thank the Standing Committee for this invitation to present testimony on an issue vital to Canada and BC’s economy.

The primary focus of these remarks is to provide context on global and domestic energy markets, the strategic role Canada can play in meeting world demand for energy (particularly given our high existing environmental standards), and the challenges and unintended consequences of a tanker ban on our economy and overall well-being. We articulated many of these points in our September 2016 letter, but they bear repeating today for the public record.

Let me begin with some context about the Business Council of British Columbia. We are in our 51<sup>st</sup> year as an organization representing 260 of the largest and leading firms with assets and operations in every part of BC’s economy, including post secondary institutions. Our economic and public policy work, and collaboration with all levels of government and Indigenous peoples, is focused on enhancing the competitiveness and prosperity of BC and Canada and accelerating reconciliation with Indigenous peoples through sustainable economic development. Our non-partisan research, analysis, and advocacy touches on every aspect of the economy and environment -- from tax and human capital issues to infrastructure, market diversification, and the impacts of public policy decisions on business, the environment, and communities.

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Some of our most recent contributions to federal government initiatives in the energy and environment space include commentary on the Pan Canadian Climate Change Framework, a review of the National Energy Board and the Kinder Morgan Pipeline, along with suggestions for reform of the *Canadian Environmental Assessment Act* and the *Canadian Environmental Protection Act*.

The Business Council is also concerned about reconciliation with Indigenous peoples, where there are inexcusable gaps in health, social, and educational outcomes compared to other Canadians. Economic development is a critical element of changing this relationship, which includes building capacity and increasing access to capital and resources for Indigenous people. We hope to facilitate some of this through our joint Memorandum of Understanding with the BC Assembly of First Nations. Energy sector opportunities have a significant role in raising the standard of living for Indigenous people as well as middle-class Canadians. Indeed, the oil and gas industry is among the largest employers of Indigenous Canadians. As a country, we cannot capitalize on our comparative advantage in energy if we shut off all avenues for getting product to market. If we fail to gain access to global energy markets, we also foreclose on opportunities to generate revenues for reinvestment in research and development and innovations that can be sold to other energy producing nations as we collectively transition to a lower-carbon world.

## Canada's Energy in a Global Context

As you know, Canada's vast oil and gas resources, mostly located in western Canada, are a strategic asset that we ignore at our peril. We must play a role in meeting growing global primary energy demand, projected by the International Energy Agency to increase by 1/3 by 2040. Most of the energy consumed globally is and will continue to be fossil fuels. Canada's high environmental standards, some of the best in the world, differentiate our energy export products markedly compared to those of the top three countries that also export oil – Saudi Arabia, Russia, and Iraq (Canada ranks 4<sup>th</sup>). As we move forward, Canadian upstream electrification is another distinguishing attribute that exists nowhere else in the world reducing GHGs and environmental impacts in the local and global context. This can become a positive

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Canadian brand differentiator and worthy of a premium rather than the current discount due to constrained market access and a single customer for our products to the south. Canada could become a supplier of first choice as the world wrestles with how best to address the impacts from fossil fuel use in a low carbon world.

Shutting off opportunities to trade in energy products via the proposed tanker moratorium achieves very little, particularly given the existing and voluntary 100 kilometres restriction for tankers carrying crude oil from Alaska to the US west coast. Most concerning is the lack of science and fact supporting a legislated ban, which is directly antithetical to the Government of Canada's commitment to increasing tidewater access for Canada's natural resources, including and importantly oil, our number one export commodity — and its commitment to using science and fact in decision making. Further, there is an inherent conflict between expanding trade from and through our two BC ports and the required actions in the Minister of Transport's Mandate Letter — improve marine safety and implement a tanker ban. The latter forecloses the main objective of expanding markets and makes improving marine safety moot since most of the perceived safety issues relate to the shipment of oil are not in evidence given the safety record shared by experts before this panel. The proposed ban seems to ignore the fact that there are no alternatives for shipping oil to buyers beyond North America. This overall lack of coherence, culminating in the proposed legislation, creates market confusion and has far reaching repercussions for anyone interested in investing in Canada's energy sector.

The tanker legislation risks undermining 10% of our GDP and many thousands of direct and indirect well paying middle class jobs. Canada must have access to global energy markets through our ports on all coasts. We must have the opportunity to sell our high-quality oil products undiscounted because of pipeline constraints. We must not allow ourselves to become beholden to the United States as the sole foreign customer for our energy products, especially as the US is now a serious competitor to Canada, displacing our natural gas and oil exports with US production.

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As a country, we need to develop new markets and maintain existing infrastructure to distribute all forms of energy, including oil, safely and efficiently. If we do not, oil in Western Canada will simply be diverted from Canadian to US pipelines and ports in Washington State. The oil will still get shipped along the BC coast, regardless, but more of the economic benefits will accrue to Americans. In this situation, we submit that a tanker ban achieves nothing in terms of being able to influence either climate objectives, domestically or globally, environmental protection, or obtain a full value return for Canada's oil products. All we will see is decreased direct capital investment, fewer jobs, less tax revenue, less investment in Canadian research and development, and ultimately a transfer of wealth to the United States. The oil will still get to market. Does Canada want to have some measure of regulatory oversight, and both benefit from and contribute to global greenhouse gas reduction or not? If we do, the tanker ban is not a sensible way to proceed.

Another unintended consequence is lack of clarity and practical application of "persistent oil" included in the schedule to the draft legislation. In its current form, the draft captures a myriad of other Canadian exports, and the transportation of petroleum products, including BC and Alberta low persistence light tight oil. This could affect more than 1 million barrels per day of very light oil and condensates, which are desirable given that they are products with ~50% lower GHG production emissions compared to the average US barrel of competing oil products that ironically Canada imports from the United States. Further, given the importance of oil and gas development to BC and Alberta, such a ban of these products serves to disenfranchise communities and people where there are few other employment opportunities, and undermines the economics of gas extraction, particularly in the Montney. Importantly, the expansive definitions preclude the optionality for future development and condensate shipments from liquids rich natural gas and light tight oil plays currently in the earlier stages of exploration and development — a significant opportunity for Canada.

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I want now to spend a few minutes laying out the facts about Canada's and BC's energy sector, often forgotten in the conversation about tankers. These are important to know in order to understand the magnitude of the direct and indirect consequences of a tanker ban:

- We produce 172% more energy than we need to satisfy our domestic requirements.
- We are the 2nd largest hydroelectric electricity and uranium producer in the world.
- We are the 3rd largest producer of coking coal used in steel making, which is of a quality higher than most other global suppliers and produced with clean energy inputs.
- We are the 4th largest natural gas producer, and the 5th largest crude oil producer.
- As noted, 10% of Canada's GDP, and 20-25% of our national merchandise exports come from energy — oil, gas, electricity, uranium, and coal — with oil the predominant export in terms of value terms, even with the slump in global prices since mid-2014.
- The only current foreign market for Canadian oil and natural gas is the United States.
- US oil sales to Canada have increased tenfold (US EIA), to 422,000 barrels per day, in the last decade or so.
- US natural gas sales to eastern Canada have grown steadily and now total 2 billion cubic feet per day, displacing Canadian production.
- Natural gas exports from Canada to the US are now running at 7 billion cubic feet per day down from 2007 when the volume was 10 bcf/d.
- Pipeline bottlenecks mean Canadian oil is often sold in the US at a sizable discount — a least 20% or higher depending on the traded price.
- In BC, 75% of our merchandise exports come from natural resources and energy.
- BC employment statistics include ~3,900 oil and gas extraction jobs; ~4,600 oil and gas support services; and ~1,500 jobs in petroleum processing.
- In addition, many jobs for British Columbians flow from Alberta's energy sector. For example, in 2012 there were close to 7,000 British Columbians earning income in Alberta's oil and gas extraction and support services industry. While this figure is likely somewhat smaller today,

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Alberta's energy sector is still an important source of employment for thousands of British Columbians.

- Approximately 740 small, medium, and large companies operating in BC sell their products and services to Alberta's oil patch.
- BC's largest export to Alberta is natural gas (used in the oil sands), more than \$2 billion annually and sales of machinery and equipment and other inputs amount to hundreds of millions of dollars for BC companies and workers.
- BC has over 33,000 kms of energy pipelines meeting world-class standards for safety and reliability.
- 30% of the fuel for the vehicles, transit, and other modes of transportation in BC is produced at the Burnaby refinery depends in part from oil shipped through the TransMountain pipeline.
- 1,400 oil tankers, annually, move along BC's coast from Alaska through the Strait of Juan de Fuca to the refinery complex in northern Washington State, a short 15 kms from the US/Canada border.
- Vancouver Island depends on weekly fuel barges to supply Island residents and businesses with refined petroleum products. Without these products, Vancouver Island would soon shut down.
- BC is developing a comprehensive land-based spill response including portfolio of regulations and institutional capacity to compliment and enhance the current federal government marine spill response capabilities. The most recent set of regulations on preparedness and response and recovery are in force as of October 30, 2017.

## Conclusion and Recommendations

The consequences of a tanker ban affect real people with real jobs in a sector where Canada is a global leader in production methods, safety, and environmental protection. This discussion is not an either/or decision. The world will continue to rely on a mix of energy products, including renewable sources as well as hydrocarbons, for decades to come. Canada is positioned well as a supplier of choice for the latter as

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well as for renewable technologies financed in part using our carbon energy source revenues. But to succeed we need to overcome some of our inherent self sabotaging behaviours. As such and for the record, we do not support this legislation. But if it proceeds, we recommend the following:

- Permitting the export of products of less concern and less persistence than bitumen through our Northern deep-water ports – this is crucial.
- Preparing a schedule to the legislation that:
  - Reviews within the next 12 months the “persistence level” of products aimed at increasing the precision of in-out definitions, particularly given the Canadian Energy Pipeline Association’s independent study on this topic targeted for completion in 2018.
  - A review within 24 months of the need for the legislation considering new technology developments (e.g., bitumen bricks) and response capability.
- Transition provisions for communities and the people who depend on oil and gas development