Canada’s Future for Oil Pipelines:

An Environmental and Indigenous Perspective

Mollie Schnurr

251130747

Nigmendra Narain

TA: Renae Pennington

February 24, 2019

February 24, 2020

The Right Honourable Justin Trudeau

Prime Minister of Canada

Langevin Block

Ottawa, Ontario

K1A 0A2

Dear Prime Minister,

**Executive Summary**

 This foreign policy brief will be discussing ideas for oil pipelines within Canada as they pertain to Indigenous and environmental issues. In Indigenous and environmentalist circles there are concerns that the federal government is not doing enough to address issues surrounding oil pipelines. This brief will put forth three policy options that could be enacted by the federal government. They are, the government should own a part of the oil industry, there should be no further pipelines built in Canada and finally, private companies should be allowed to build more pipelines. The recommended option is option three and for the government to allow more pipelines to be built. This option diminishes the risks of transporting oil by railway while allowing foreign trade to diversify beyond the markets of the United States of America (USA).

**Overview**

 There are many concerns brought up by Indigenous people and environmentalists about proposed oil pipelines. These concerns include views that pipelines infringe on Indigenous territorial rights, cause oil spills and increase greenhouse gas levels. Pipelines are often the centre of the oil debate because they are pipes that cross Canada physically, and influence trade relations as their direction controls the flow of Canadian oil. Oil companies argue that increasing the number of pipelines will benefit the Canadian economy.[[1]](#endnote-1) Anti-pipeline Indigenous protesters view the building of pipelines as infringing on their sovereignty.[[2]](#endnote-2) Environmentalists view the building of pipelines as endangering large swaths of territory and enabling greenhouse gas production.[[3]](#endnote-3) This topic is very controversial, but the government needs to make a decision to determine the fate of all pipelines to ensure consistency for people that rely on the oil industry.

**Option 1: Make a Small Part of the Oil Industry Government Owned**

The first option proposed is the Canadian government should own a small number of oil fields and pipelines. The federal government currently owns 0.56% of the oil industry, but this policy suggests they own closer to 2%.[[4]](#endnote-4) If the federal government controlled some oil, they would be able to give shares to Indigenous communities. This would give the communities a voice in decisions made and provide them with more secure employment opportunities, leading to a better quality of life, healthcare and education.[[5]](#endnote-5) A Fraser Institute study on Indigenous communities found that “Successful First Nations tend to generate more own-source revenue from leasing land, collecting property tax, and operating businesses.”[[6]](#endnote-6) Government involvement in this industry could ensure fair treatment and an extension of these benefits.

A second reason why the government should control some oil is to improve the stability of the Canadian oil industry through gaining a closer working relationship with the Organization Petroleum Exporting Countries (OPEC), without becoming a member.[[7]](#endnote-7) OPEC, although power is decreasing, has a great deal of international power over oil prices.[[8]](#endnote-8) The mission of OPEC is to “ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to customers, a steady income to producers and a fair return on capital for those investing in the petroleum industry.”[[9]](#endnote-9) Without a relationship, Canadian companies are unaware of OPEC’s decisions and thus unable to prepare for price fluctuations. With governmental control, they could make decisions to appease and work with OPEC and thus improve the stability of the oil industry which Canada and Indigenous communities rely on.[[10]](#endnote-10)

Despite the benefits of this plan, it is not a good fit for Canada. Currently, several Indigenous nations have negotiated mutual-benefit agreements with private sector oil companies wanting to build pipelines on their land.[[11]](#endnote-11) These agreements typically involve poor and rural communities getting tens of millions of dollars as cash injections, both upfront and over the lifetime of the pipeline.[[12]](#endnote-12) Government involvement is unnecessary as these communities are in favour of continuing private relationships. OPEC is also viewed with reluctance by many current trade partners and it would be economically better to not risk upsetting them.[[13]](#endnote-13)

**Option 2: Cessation of all Pipeline Approvals**

 The second option proposed is for a complete cessation of pipeline development approvals and only permit repairs on existing pipelines. This would allow Canada to reach international climate targets and appease some Indigenous groups. Currently, the allowance of pipeline building means that Canada is unable to meet targets for greenhouse gas reductions, made under the Paris Agreements.[[14]](#endnote-14) There is a government-set cap on greenhouse gas emissions from oil sands. This cap is increasing with new construction thus creating more emissions.[[15]](#endnote-15) The Indigenous people in Canada see themselves as caretakers of the land and are concerned that the pipeline expansions may cause oil spills that damage habitats, hurt or kill plants and damage food supplies relied on by rural communities.[[16]](#endnote-16) By not building more pipelines, the lands would be protected from oil spills and the greenhouse gas emissions would be limited.

 Despite the benefits of this policy option, it is not recommended for Canada as it may hurt economic growth and be an unpopular political decision. Energy is the largest enabler of development and historic economic revolutions have included an increase in energy consumption.[[17]](#endnote-17) Without this production, there is a risk that Canada’s development will fall behind the rest of the world, preventing Canadians from maintaining a high living standard, for both Indigenous people who rely on oil revenue, and the general public.[[18]](#endnote-18) This development is vital for the economy of Canada and without it there is a risk that the wealth that provides healthcare and social services will be compromised.[[19]](#endnote-19) There is also the risk that with a reduction in the oil industry there would be a loss of upwards of 550,550 jobs.[[20]](#endnote-20)

**Option 3: Allow Private Companies to Build More Pipelines**

The third policy option that is proposed is to allow more pipelines to be built, with the condition that some must be built to access international markets beyond the USA. The building of pipelines at first seems contrary to environmental policies. This is a false conception as, without pipelines, companies turn to other methods of transporting oil, mainly rail, which results in more oil spills and increased air pollution.[[21]](#endnote-21)

A second benefit of building more pipelines is the ability to direct them towards international markets. The USA is currently the largest consumer of Canadian oil receiving 94% of oil exports.[[22]](#endnote-22) The USA’s President Donald Trump said, “under my presidency, we’ll accomplish a complete American energy independence”.[[23]](#endnote-23) This would greatly impact the Canadian oil industry as they would lose their largest trading partner. If new pipelines were directed towards markets in Asia and Europe, it would expand Canadian trade to ensure long-term economic stability. Thus, new pipelines could not only protect some of the environment, through limiting rail uses, they could also help protect the future economy.

**Recommended Option**

 I recommend that the Canadian federal government put into place option 3 and allow private companies to build more pipelines. This is the best option because it addresses environmental issues and could improve the lives of those on partnered Indigenous reserves, without sacrificing the economy, as in the first two policy options. The building of pipelines also improves the lives of Indigenous people on very rural reserves. It provides them with an income and jobs that can then be used to increase their quality of life.[[24]](#endnote-24)

The Canadian oil industry is privatized with limited government ownership. Companies have a lot of autonomy in getting this oil to market. Currently, if unable to build pipelines due to a lack of government approval, companies transport oil over rail.[[25]](#endnote-25) Rail transportation is 4.5 times more likely to involve environmental issues than transport by pipeline.[[26]](#endnote-26) The dangers of oil spills are well documented and include contaminated ecosystems, expensive clean-ups and damage to the livelihoods of Indigenous people.[[27]](#endnote-27) A study from the University of Alberta shows pipelines produce up to 77 percent less greenhouse gas than their rail counterparts, thus reducing air pollution.[[28]](#endnote-28) By supporting the building of pipelines, the government would be supporting the reduction of greenhouse gas emissions, decreasing the likelihood of oil spills and choosing the most environmentally and economically prosperous option.

**Conclusion**

 Many individuals view protecting the environment and helping Indigenous people as contrary to the economy of Canada. This is not true. The third policy option is the best option for Canada as it is able to reach this balance by protecting the environment, extending a higher quality of life to Indigenous people and protecting the future Canadian economy through trade diversification. Overall, these three topics, environment, Indigenous people and the economy, are not contrary to each other, and through cooperation the oil industry can provide benefits to all.

 Yours sincerely,

 Mollie Schnurr

Bibliography

Alberta. *Oil Sand Facts and Statistics.* Government of Alberta. 2019. <https://www.alberta.ca/oil-sands-facts-and-statistics.aspx>.

Bandyopadhyay, Kaushik Ranjan. “OPEC's Price-Making Power.” *Economic and Political Weekly* 43 no. 46 (2008): 19. <https://www.jstor.org/stable/40278171>.

Betkowski, Bev. *Pipelines Easier on the Environment than Rail.* December 13, 2016. <https://www.ualberta.ca/engineering/news/2016/december/pipelineseasierontheenvironmentthanrail.aspx>.

Canada Action. “Pipelines vs. Rail: Which Method is Safer for Transporting Oil.” In *Canada Action.* <https://www.canadaaction.ca/shipping_oil_pipelines_vs_trains_which_is_safer>

Carroll, William and M Jouke Huijzer. October 18, 2018. <https://www.parklandinstitute.ca/who_owns_canadas_fossil_fuel_sector>.

Cecco, Leyland. “First Nations look to buy equity in pipeline to have say in project's future.” *The Guardian,* June 18, 2018. Guardian News and Media Limited.

Chavis, Jason. *The Effects of Oil Spills.* November 22, 2019. <https://sciencing.com/effects-oil-spills-5134989.html>.

Flanagan, Tom. *How First Nations Benefit from Pipeline Construction.* 2019. <https://www.fraserinstitute.org/sites/default/files/how-first-nations-benefit-from-pipeline-construction_0.pdf>.

Flanagan, Tom. *Why First Nations Succeed.* November 2016. <https://www.fraserinstitute.org/sites/default/files/why-first-nations-succeed.pdf>.

Friedland, Edward, Paul Seabury and Aaron Wildavsky. “Oil and the Decline of Western Power.” *Political Science Quarterly* 90 no. 3 (Autumn 1975): 438. <https://www.jstor.org/stable/2148295>.

Green, Kenneth P. and Taylor Jackson. *Safety in the Transportation of Oil and Gas: Pipelines or Rail.* August 2015. <https://www.fraserinstitute.org/sites/default/files/safety-in-the-transportation-of-oil-and-gas-pipelines-or-rail-rev2.pdf>.

Hartshorn, Max. *These animated maps show Canada has so much more to lose in a trade war than the U.S.* July 4, 2018. <https://globalnews.ca/news/4297411/canada-us-trade-war-animated-maps/>.

McFadyen, Alan J. and G. Campbell Watkins. *Petropolitics: Petroleum Development, Markets and Regulations, Alberta as an Illustrative History.* University of Calgary Press, 2014.

Morgan, Geoffrey. *Alberta and Canada should pursue closer relationship with OPEC: University of Calgary report.* November 19, 2015. <https://business.financialpost.com/commodities/energy/current-oil-price-rout-most-similar-to-the-prolonged-1980s-shock>.

Natural Resources Canada. *Energy and the Economy.* Government of Canada: Natural Resources Canada, August 8, 2019. <https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-facts/energy-and-economy/20062>.

Neubauer, Robert. *For an ecological populism: Mobilizing against the pro-pipeline elites.* July 2, 2019. <https://www.policyalternatives.ca/publications/monitor/ecological-populism>.

Oke, Yemi. *Climate Change: International Law and Global Governance.* Nomos Verlagsgesellschaft mbH, 2013.

OPEC. *Overview.* Organization of the Petroleum Exporting Countries. 2020. <https://www.opec.org/opec_web/en/about_us/23.htm>.

Phillips, Grant. *Oil Pipelines and Spills.* February 1, 2017. <https://cla.auburn.edu/ces/energy/oil-pipelines-and-spills/>

Robinson, Megan. *How Oil Shapes International Relations.* January 17, 2017. <http://natoassociation.ca/67140-2/>.

Sabin, Paul. “Voices from the Hydrocarbon Frontier: Canada's Mackenzie Valley Pipeline Inquiry (1974-1977).” *Environmental History Review* 19 no. 1 (Spring 1995): 21. <https://www.jstor.org/stable/3984772>.

Simmons, Richard A, Eugene D. Coyle and Bert Chapman. *Global Energy Perspectives.* West Lafayette, Indiana: Purdue University Press, 2014.

1. Alan J. McFadyen and G. Campbell Watkins, *Petropolitics: Petroleum Development, Markets and Regulations, Alberta as an Illustrative History (*University of Calgary Press, 2014), 228. [↑](#endnote-ref-1)
2. Paul Sabin, “Voices from the Hydrocarbon Frontier: Canada's Mackenzie Valley Pipeline Inquiry (1974-1977),” *Environmental History Review* 19 no. 1 (Spring 1995): 21, <https://www.jstor.org/stable/3984772>. [↑](#endnote-ref-2)
3. Grant Phillips, *Oil Pipelines and Spills,* February 1, 2017, <https://cla.auburn.edu/ces/energy/oil-pipelines-and-spills/> [↑](#endnote-ref-3)
4. William Carroll and M Jouke Huijzer, October 18, 2018, <https://www.parklandinstitute.ca/who_owns_canadas_fossil_fuel_sector>. [↑](#endnote-ref-4)
5. Leyland Cecco, “First Nations look to buy equity in pipeline to have say in project's future,” *The Guardian,* June 18, 2018, Guardian News and Media Limited. [↑](#endnote-ref-5)
6. Tom Flanagan, *Why First Nations Succeed,* November 2016, <https://www.fraserinstitute.org/sites/default/files/why-first-nations-succeed.pdf>. [↑](#endnote-ref-6)
7. Geoffrey Morgan. *Alberta and Canada should pursue closer relationship with OPEC: University of Calgary report,* November 19, 2015, <https://business.financialpost.com/commodities/energy/current-oil-price-rout-most-similar-to-the-prolonged-1980s-shock>. [↑](#endnote-ref-7)
8. Kaushik Ranjan Bandyopadhyay, “OPEC's Price-Making Power,” *Economic and Political Weekly* 43 no. 46 (2008): 19, <https://www.jstor.org/stable/40278171>. [↑](#endnote-ref-8)
9. OPEC, *Overview,* (Organization of the Petroleum Exporting Countries, 2020) <https://www.opec.org/opec_web/en/about_us/23.htm>. [↑](#endnote-ref-9)
10. Alberta, *Oil Sand Facts and Statistic,* (Government of Alberta, 2019) <https://www.alberta.ca/oil-sands-facts-and-statistics.aspx>. [↑](#endnote-ref-10)
11. Tom Flanagan, *How First Nations Benefit from Pipeline Construction,* 2019, <https://www.fraserinstitute.org/sites/default/files/how-first-nations-benefit-from-pipeline-construction_0.pdf>. [↑](#endnote-ref-11)
12. Ibid [↑](#endnote-ref-12)
13. Edward Friedland, Paul Seabury and Aaron Wildavsky, “Oil and the Decline of Western Power,” *Political Science Quarterly* 90 no. 3 (Autumn 1975): 438, <https://www.jstor.org/stable/2148295>. [↑](#endnote-ref-13)
14. Yemi Oke, *Climate Change: International Law and Global Governance,* Nomos Verlagsgesellschaft mbH, 2013. [↑](#endnote-ref-14)
15. Ibid [↑](#endnote-ref-15)
16. Robert Neubauer, *For an ecological populism: Mobilizing against the pro-pipeline elites,* July 2, 2019, <https://www.policyalternatives.ca/publications/monitor/ecological-populism>. [↑](#endnote-ref-16)
17. Richard A. Simmons, Richard, Eugene D. Coyle and Bert Chapman, *Global Energy Perspectives* (West Lafayette, Indiana: Purdue University Press, 2014), 28. [↑](#endnote-ref-17)
18. Ibid [↑](#endnote-ref-18)
19. Ibid [↑](#endnote-ref-19)
20. Natural Resources Canada, *Energy and the Economy* (Government of Canada: Natural Resources Canada, August 8, 2019) <https://www.nrcan.gc.ca/science-data/data-analysis/energy-data-analysis/energy-facts/energy-and-economy/20062>. [↑](#endnote-ref-20)
21. Canada Action, “Pipelines vs. Rail: Which Method is Safer for Transporting Oil,” In *Canada Action.* <https://www.canadaaction.ca/shipping_oil_pipelines_vs_trains_which_is_safer> [↑](#endnote-ref-21)
22. Megan Robinson, *How Oil Shapes International Relations,* January 17, 2017, <http://natoassociation.ca/67140-2/>. [↑](#endnote-ref-22)
23. Max Hartshorn, *These animated maps show Canada has so much more to lose in a trade war than the U.S,* July 4, 2018, <https://globalnews.ca/news/4297411/canada-us-trade-war-animated-maps/>. [↑](#endnote-ref-23)
24. Flanagan, *Why First Nations Succeed.*  [↑](#endnote-ref-24)
25. Kenneth P. Green and Taylor Jackson, *Safety in the Transportation of Oil and Gas: Pipelines or Rail,* August 2015, <https://www.fraserinstitute.org/sites/default/files/safety-in-the-transportation-of-oil-and-gas-pipelines-or-rail-rev2.pdf>. [↑](#endnote-ref-25)
26. Ibid [↑](#endnote-ref-26)
27. Jason Chavis, *The Effects of Oil Spills,* November 22, 2019, <https://sciencing.com/effects-oil-spills-5134989.html>. [↑](#endnote-ref-27)
28. Bev Betkowski, *Pipelines Easier on the Environment than Rail,* December 13, 2016, <https://www.ualberta.ca/engineering/news/2016/december/pipelineseasierontheenvironmentthanrail.aspx>. [↑](#endnote-ref-28)