

Canadian NATO  
Parliamentary Association



Association parlementaire  
canadienne de l'OTAN

**Report of the Canadian Parliamentary Delegation  
respecting its participation at the Joint visit of the Sub-  
Committees on Energy and Environmental Security  
(STCEES) and Transatlantic Economic Relations (ESCTER)**

**Canadian NATO Parliamentary Association (NATO PA)**

**Edmonton and Fort McMurray, Alberta, Dawson Creek,  
British Columbia, Canada**

**July 11 to 14, 2011**

# Report

Key environmental and resource constraints, including health risks, climate change, water scarcity and increasing energy needs will further shape the future security environment in areas of concern to NATO and have the potential to significantly affect NATO planning and operations.<sup>1</sup>

NATO's Strategic Concept 2010

## Introduction

In a joint mission of the Economics and Security Committee (ESC) and the Science and Technology Committee (STC), 19 parliamentarians learned more about Canada's substantial unconventional energy assets and the technology being employed to extract these resources. In addition to site visits, they discussed the impact the unconventional oil and gas industry has on Canada's economy, energy security and environment with industry representatives, government officials and independent experts. Finally, delegates took the opportunity to meet with Canadian experts on the Arctic, the rise of China and the Canada-US economic relationship, to complement other strategic issues of interest to their committees and to the Alliance as a whole.

Leon Benoit, Canadian Member of Parliament for Vegreville–Wainwright, Chair of the Canadian NATO Parliamentary Association and of the ESC's Subcommittee on Transatlantic Economic Relations, and Mario Tagarinski, a Bulgarian Member of Parliament and Chairman of the STC's Subcommittee on Energy and Environmental Security, led the delegation. The delegation included Canadian Senator Pierre-Claude Nolin, Treasurer of the NATO Parliamentary Assembly and Vice-Chair of the STC.

## Field Visit to Alberta and British Columbia's Oil and Gas Region

During the first two days of the mission, the delegation visited sites in northern Alberta and eastern British Columbia. Close to Fort McMurray, the delegation had the opportunity to tour Shell's Athabasca Oil Sands Project and its Muskeg River Mine. The delegation members took a first-hand look at the project's open-pit mining. This included visiting the company's tailing facilities, as well as viewing areas of reclaimed land. Members met with representatives from Shell, both from the technical as well as the public relations divisions, and discussed their mining operations in Alberta and environmental concerns. Members also viewed an in situ mining site.

At Athabasca Oil Sands Project, a presentation was given by the Canadian Association of Petroleum Producers (CAPP), an umbrella organization for the companies engaged in Canada's oil, oil sands and natural gas industry. Janet Annesley, Vice-President of Communications, told the delegation what CAPP is doing to balance the 3 E's – Economy, Environment and Energy. This includes having a strong policy and

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<sup>1</sup> ["Strategic Concept For the Defence and Security of The Members of the North Atlantic Treaty Organisation,"](#)

Adopted by Heads of State and Government in Lisbon.

regulatory framework in place on environmental issues, pushing science and technology to lessen environmental impact and working with communities to strengthen the companies' social license to operate. Ms. Annesley pointed to the industry's economic benefits for both Canada and the United States.

On the second day, the delegation visited Dawson Creek, just inside British Columbia, where they toured a drilling site operated by the natural-gas producer Encana. However, due to heavy rainfall in the days before the delegation's arrival, it was prevented from visiting Encana's completion operations, where hydraulic fracturing (or fracking) takes place. Encana engineers explained to members how the process worked and addressed the concerns members had about the environmental impact, particularly with respect to the chemicals used in the process and their effect on ground water reservoirs.

### **Discussions on Canadian Unconventional Energy Resources**

In Edmonton, members held meetings with a number of industry representatives, government officials and independent experts with respect to Canada's unconventional energy resources.

Larry Staples of the Alberta Chamber of Resources (ACR), the provincial industry association for companies working in the natural-resources sector, told delegates that the ACR is working to develop Alberta's natural resources, such as coal, energy and minerals, in a responsible and orderly fashion. Mr. Staples stressed that natural resources in Alberta were no "sunset industries," stating that at current production levels, oil and gas extraction could be sustained for 300 to 400 years, and coal reserves existed for approximately 800 years. As the economic driver of the province, half of the work force in Alberta is employed directly and indirectly in the resource sector, with economic benefits distributed widely. In contrast to other resource-rich areas, Alberta's sector requires skilled workers who receive high salaries and is very information- and knowledge-intensive, providing high value-added. In the discussion with Mr. Staples, members, inter alia, debated Canada's place in the global energy market; ongoing and future infrastructure projects; Canada's policies on climate change, environmental issues, employment, energy, as well as the economy; and relations with Canada's first nations.

Members also met with the Honourable Rob Renner, Alberta's Minister of Environment. He discussed recent pieces of legislation pertaining to the province's energy industry and the environment. He also acknowledged that regulatory and policy frameworks need to be further refined. The delegation discussed carbon reduction strategies and industry policies, as well as the role of energy efficiency programs, developing better infrastructure, environmental concerns, and the relationship between federal and provincial regulation.

Richard Masson, Executive Advisor of Oil Sands Strategy and Operations for the Government of Alberta, discussed oil sands policy from the perspective of the provincial government. He indicated that the provincial government wants to diversify its energy

markets, and is therefore looking to move oil to port facilities, most importantly on Canada's west coast, so that it can be sold on the global market. It also hopes to see a pipeline constructed to Texas refineries and port facilities, as Texas has some of the world's largest refineries, which also are equipped to handle oil sand crude. Those projects, however, are now on hold.

Andrew Buffin from the Clean Energy Information and Advocacy Office of Alberta's Ministry of the Environment noted that the oil sands are highly regulated and are controlled under water and climate change legislation. The mines are subject to rigorous environmental assessments and are not simply given a green light to open up operations. There are multi-layered compliance processes, and provincial as well as federal authorities constantly carry out compliance assessments and investigations. Officials are working with industry to reduce the size of tailings ponds, and efforts are being made to prevent seepage into the river system. There have recently been a number of technological breakthroughs on this front.

Bob Savage from Alberta's Climate Change Secretariat noted that the oil sands generate 6.5 per cent of Canada's greenhouse gas emissions, but that there have been significant reductions in the amount of greenhouse gas emissions generated per barrel of oil produced. Strides have also been made in improving energy efficiency. Carbon capture and storage and green energy production are all seen as ways to drive emissions down even further. He also argued that many of those criticizing the oil sands on the basis of climate change considerations are not factoring in life cycle analysis of oil sands production. When this is considered, oil sands production is not significantly different in terms of its impact on climate.

Dr. Joseph Doucet, professor and Director of the University of Alberta's School of Energy and the Environment, suggested that market forces are inexorably driving the development of unconventional energy resources. Rising energy demand, population growth and growing incomes in countries like China and India are all factors in this regard. Alberta is not only endowed with critical energy reserves, but it also lies adjacent to the world's most important energy market: the United States. This location gives it advantages that other producers lack. In order to move forward, however, the energy industry in Alberta must demonstrate that it will operate in an environmentally clean and socially responsible fashion.

Dr. Robert Page, professor of environmental management at the University of Alberta noted that the Kyoto Protocol has posed a problem for the oil sands industry because it does not look at life cycle emissions. This puts the industry at a disadvantage, even though the oil sands' emissions are very similar to other oil sources if the entire production and usage life-cycle is factored in. The Government of Canada is seeking to harmonize its emissions regulations with those of the United States to create a more seamless continental market. Professor Page noted that the US administration is keen on getting the Keystone pipeline project approved by the EPA. However, environmental groups and some First Nations communities on both sides of the border are opposing both the pipeline to Texas and the one to British Columbia. Although oil and gas are at the forefront of Alberta's energy industry, the province also has tremendous wind power

potential; however, investments to update the grid are needed to develop this industry further.

On Wednesday evening, at a dinner hosted by the head of the Canadian delegation, Mr. Leon Benoit, delegates heard from journalist and author, Mr. Ezra Levant, who gave a presentation based on his book Ethical Oil: A Case for Canada's Oil Sands.

## **Discussions on Other Strategic Issues**

### *The Arctic*

With respect to Canada's strategic position in the North, the delegation heard two expert views on the current status of climate change as well as the security and defence policies of various actors in the polar region.

Dr. David Hik, Interim Director of the Canadian Circumpolar Institute at the University of Alberta, provided an update on the most recent climate change data as they pertain to the Arctic region and the related challenges. In his view, one of the challenges the scientific community confronts is the need to reduce uncertainty in climate-change models. Information and data collection on melting processes remain insufficient. One initiative is community-based monitoring conducted by those living in the High North. Dr. Hik highlighted these other challenges with respect to climate change research in the Arctic: understanding the future of sea ice and terrestrial snow cover; the fate of permafrost and terrestrial carbon; the polar aspects of ocean circulation and the carbon cycle; and, the role of ice sheet dynamics in sea level rise.

With respect to Arctic defence and security issues, Dr. Rob Huebert, Associate Director of the Centre for Military and Strategic Studies at the University of Calgary, provided an in-depth overview of the defence and security policies of the various players who have a stake in the Arctic's current and future potential. He argued that, officially, no government wants to discuss nascent tensions in the Arctic and instead, talk has been centred on cooperation. However, if one looks at military expenditures, military exercises and official statements, a different picture emerges. New actors and organizations are taking part in the politics of the Arctic, including the European Union and China, and new divisions will become even clearer in the future.

### *The Rise of China*

Dr. Wenran Jiang, Associate Professor of political science at the University of Alberta, discussed the rise of China and its impact on global energy markets. He suggested that there is a very close correlation between China's development paradigm and its energy use. In a sense, the world has exported its heavy industry to China, and this is the central reason why its energy use is so significant and will not decline. By 2016, China's economy is expected to be larger than that of the US in purchasing power of parity terms, and its impact on global energy markets will be even more significant. He noted that it is important to recognize that China's per capita use of energy is currently very low compared to the United States, and it will grow rapidly in the coming decades; yet, it is already one of the largest contributors to global greenhouse gas emissions.

Dr. Jiang argued that China's rapid rise and mounting energy demands have important security implications. China is vulnerable as 80 per cent of the oil it consumes passes through the Malacca Straits. This is why it is signing deals with Kazakhstan and Russia in order to bring energy into China over land. The Chinese believe that Russia has essentially brought Europe to its knees through gas pipelines, and they are determined not to let this happen to their country by diversifying its supply base. China is also developing a blue water navy to reduce its sense of vulnerability. China's economic and military growth is inevitable, and Western countries are going to have to learn how to accommodate it. The best way to accomplish this is to garner an understanding of the internal dynamics of that country and recognize that Western leverage there will remain limited. It is essential to understand as well that the greatest fear of the Chinese leadership is instability and that this fear drives much of their policy.

China has embarked on an ambitious campaign to upgrade its military. They want to challenge US power in the Taiwan Strait, but China poses less of a threat to the United States in global terms. China's defence spending has increased markedly since the 1980s. This cannot be stopped externally. It is nonetheless important to forge contacts with the Chinese military, which is highly nationalistic and deeply suspicious. Proper frameworks are needed to shape this engagement. China's engagement in the world is driven by a deep and historic sense of strategy. They have approached weakened European countries like Iceland and Greece to offer assistance, but also to gain a toehold in these countries. The Chinese leadership understands intuitively that economic power translates into real power.

Dr. Jiang also told delegates that it is also important to recognize the internal constraints to China's rise. These include profound inequality, a wide urban/rural income differential, environmental degradation and deep corruption in some regions. China is also an aging society. Yet, none of these factors are likely to derail its rise. The governing elite remains quite compact and determined to maintain their hold on power. It would take an unlikely confluence of developments to summon the conditions needed to knock them from power, and this seems very unlikely.

### *The Canada-US Economic and Strategic Partnership*

Dr. Greg Anderson of the Alberta Institute for American Studies at the University of Alberta argued that since the attacks of 11 September 2001, border issues and border security have tended to dominate the US-Canadian relationship. This has had an adverse impact on relations between the two countries, and it has made the trading relationship more difficult. In a broader sense, the US has not focused a great deal of attention on its relationship with Canada, even though it is by far its most significant trading partner and an important strategic ally. This Department of Homeland Security was created under the George W. Bush Administration, bringing 22 federal agencies, including Customs and Border Protection, under one Department. Each one of these agencies brought their own bureaucratic culture, and the result was a degree of chaos and incoherence. Dr. Anderson argued that, due to its mandate and responsibilities, particularly in relation to border security, a priority focus for DHS is Canada and therefore, Canada's relationship with the United States has been held hostage by the

problems in this newly created department. This has gone far in undermining North American integration, and it has created deep resentment in Canada itself.

Dr. Anderson further suggested that Canadian officials have mistakenly ignored its other NAFTA partner, Mexico, on a range of matters pertaining to border security where it could be an effective ally in promoting shared interests. As a result, the United States has managed to pull off a divide and conquer strategy which has sacrificed the interests of both Mexico and Canada. In the meantime, moving goods and people across the US-Canadian border has become slow and complex, at significant cost to businesses on both sides of the border. Additionally, border crossings need significant infrastructure upgrades to handle increased traffic. According to Dr. Anderson, the required investments are not being made.

### **Conclusion**

Canadian Parliamentarians and their NATO counterparts had the opportunity to visit oil and gas extraction sites in Alberta and British Columbia. In addition, they spoke with representatives from government and industry as well as academic experts. Overall, delegates were able to gain an appreciation of the impact the unconventional oil and gas industry has on Canada's economy, energy security and environment. Finally, delegates met with Canadian academics to discuss other strategic issues of importance to the Alliance including the Rise of China, the Arctic and Canada-US economic relations.

Respectfully submitted,

Mr. Leon Benoit, M.P.  
Canadian NATO Parliamentary Association (NATO PA)

## Travel Costs

<b>ASSOCIATION</b>	Canadian NATO Parliamentary Association (NATO PA)
<b>ACTIVITY</b>	Joint visit of the Sub-Committees on Energy and Environmental Security (STCEES) and Transatlantic Economic Relations (ESCTER)
<b>DESTINATION</b>	Edmonton and Fort McMurray, Alberta, Dawson Creek, British Columbia, Canada
<b>DATES</b>	July 11-14, 2011
<b>DELEGATION</b>	
SENATE	Senator Pierre Claude Nolin
HOUSE OF COMMONS	Mr. Leon Benoit, M.P.
STAFF	Mr. James Latimer, Executive Secretary, Ms. Kelly Ann Benoit, Protocol Officer, Ms. Nathalie Labelle, Logistics Officer, Ms. Melissa Radford, Analyst
<b>TRANSPORTATION</b>	<b>\$34,200.24</b>
<b>ACCOMMODATION</b>	<b>\$7,242.43</b>
<b>HOSPITALITY</b>	<b>\$13,250.91</b>
<b>PER DIEMS</b>	<b>\$2,606.60</b>
<b>OFFICIAL GIFTS</b>	<b>\$0.00</b>
<b>MISCELLANEOUS / REGISTRATION FEES</b>	<b>\$6,320.20</b>
<b>TOTAL</b>	<b>\$63,620.38</b>