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Editorial: Not Worth The Risk

Oil sands producers want to 'hedge their bets' on the US market by shipping 1.2 million barrels per day in tankers through BC's coastal waters to Asia. It's not worth the environmental risk. If there is an answer to this problem, it will take more imagination than two competing pipeline companies have so far shown.

The To-&-Fro Of Oil Trade

Canada currently exports over two million barrels of oil per day (mbpd), virtually all of it from western Canada, to the US, under NAFTA.

Canada imports over 1mbpd, mainly from Europe and the middle east, to supply eastern Canada. The US, in total, imports 11mbpd from many countries; Canada is its biggest supplier, with Saudi Arabia second.

China is the world's fastest growing market for oil. It imports nearly 4mbpd (about half its total needs), with its major supplier being Saudi Arabia, followed by Angola, Iran, Russia, and the Oman. Japan imports about 4.6mbpd; South Korea about 2.1mbpd.

Canadian tar sands bitumen producers would like to develop a market alternative to the US, both to ensure a competitive price, and in case US threats to reduce imports of Canadian 'dirty oil' are actually carried out. China is the obvious alternative. Together with Japan and South Korea, it has the potential to absorb an ever-increasing quantity of tar sands oil. (Chinese companies have so far invested $1.9 billion in Canadian tar-sands operations.)

Pipeline Company Plans

Some idea of that increasing quantity is expressed in the plans of two competing pipeline companies to export tar-sands oil from BC ports. Kinder Morgan, operating the Westridge terminal beyond the Second Narrows in Burnaby, have recently expanded the former Trans-Mountain pipeline to a maximum of 300,000bpd, and now dispatches some 100 Aframax-sized tankers per year. They have plans to increase their pipeline capacity to 700,000bpd, which would more than triple their tanker traffic. They cannot load larger tankers because of the limitations of the Second Narrows and First Narrows; but all their tankers travel through Boundary Pass, down Haro Strait, past Race Rocks and out the Strait of Juan de Fuca.

Enbridge, who propose to construct the 525,000bpd 'Northern Gateway' pipeline from Bruderheim, Alberta, to Kitimat, would ship oil from Kitimat in some 225 Very Large Crude Carriers (VLCCs) per year. VLCCs (like the Exxon Valdez) are more than twice the size of Aframax tankers, and would reach Hecate Strait via some 90 miles of narrow channels.

More Ships: More Chance Of Accidents

An accident with any size tanker anywhere on either route would be an environmental catastrophe. While the potential damage from any disaster is proportional to the size of the tanker, the probability of an accident is proportional to the number of ships. (For an assessment of the hazards, see 'Is shipping tar sands oil from Kitimat wise?' from March 4, 2010 *Island Tides*, available as a reprint through www.islandtides.com, 'Energy' archive).

Neither Enbridge nor Kinder Morgan are willing to assume responsibility for any accident beyond the end of their pipelines, although Enbridge have indicated that they intend to install advanced navigational aids to guide ships.

In effect, Alberta's tar-sands oil producers, and these two pipeline companies, are prepared to gamble British Columbia's coast in order to hedge against US pressures on the supply and the price of their oil.

One of the most difficult problems in economics is to establish the appropriate price to be paid for a small risk of a large disaster, particularly an environmental one. In this case, no price is great enough.

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Solutions

At the very least, there should be an oil shipping route to Asia that does not require large tankers to snake through BC's coastal waters. A more imaginative solution might see western Canadian oil piped to eastern Canada, displacing imports from Europe and the Middle East.

Or, a rearrangement of world oil-trading patterns, which would guarantee North American markets for an agreed quantity of tar sands synthetic crude, in return for guaranteeing a supply from elsewhere to Asian markets.

If there is to be a solution, it will require more enterprise than either of these two market-driven limited companies, and their tar-sands customers, can muster; it will require government taking responsibility for the environment. Isn't that what government is for? ✐

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