Ethical Water: Canada Must Protect the Environment, Jobs, and Taxpayers

Posted on June 16, 2014
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Ezra Levant published Ethical Oil: The Case for Canada’s Oil Sands in 2010. In that book and a separate, sympathetic website, Levant and others claim that oil consumers should buy Canadian oil over the oil produced in corrupt and failing countries such as Nigeria, Venezuela, Saudi Arabia, and so on. I agree with that perspective, but I think that (some) Canadians are perhaps overconfident in their ethics, especially when it comes to the country’s other great resource: water.

There are many dimensions to Canadian water resources, but I will focus on its quality. In particular, I want to discuss how exploitation of oilsands and transportation of that oil threatens water quality in Alberta and neighbouring provinces. But let me start by getting three related, peripheral observations out of the way:

- **The good:** New technologies have reduced the quantity of water required to extract oil from sands, as steaming in place has replaced remote washing.
- **The bad:** Fracking for oil and natural gas in western provinces is dramatically increasing the risk of surface water depletion and groundwater contamination.
- **The ugly:** The Harper Government’s “war on science” has limited access to data and analysis. Few people know what’s happening in particular locations. Nobody knows how aggregate trends are developing.

Now back to the main topic. Oil sands exploitation uses tailings ponds to store polluted water that is recycled for production, but also held for eventual reclamation and release. According to the government of Alberta, industry, researchers, and regulators are taking “aggressive” steps to manage, control, and eventually remEDIATE 77 square kilometres of tailings ponds.

After dozens of emails with Alberta regulators and industry representatives (partially summarized here), I have learned that (1) cleaning technology is expensive, (2) regulations are evolving, and (3) there’s no rush to decommission ponds when production may continue for decades.

This position is vulnerable to criticisms such as (1) no technology is too expensive when it comes to producing oil and making money, (2) regulations can be written overnight if regulators want to reduce leaks from ponds, and (3) the industry urgency needs to improve its poor public image when it comes to water pollution.

A few years ago, I wrote an op-ed for the Petroleum Economist, arguing that frackers should ask for (and implement) stronger safety practices to reduce their risk of spills—and the huge financial and reputational damages they bring. That logic also holds for Alberta’s energy firms, and it extends to the pipeline operators they cooperate with.

Pipelines are the most efficient way to transport bulk petrochemicals over long distances. They are safer, cheaper, and simpler than trains, trucks, and ships, but their size and visibility attracts opposition from activists and concern from neighbours. That concern is not misplaced, as we saw in 2010 when Enbridge spilled more than 20,000 barrels of dilbit in Michigan. That spill attracted a $3.6 million fine from the US EPA and it cost Enbridge more than $700 million in cleanup and other compensation. (These figures do not include the value of damaged ecosystems, which varies among people.) The trouble with this case is not that there was a spill. Everyone in industry knows that spills will happen. The trouble is that the spill was made far worse by lax safeguards and improper training for operators.

It’s not hard to see why the citizens of British Columbia oppose Enbridge’s Northern Gateway. They have little to gain in terms of jobs or royalties and much to lose, should there be a spill.

After all that background, we are ready for the solutions side of this post, which depends on three claims:

1. Canada’s oil firms are not spending as much time and money as they could on cleaning and preventing pollution.
2. Canadian citizens will be harmed if oil contaminates their waters.
3. Canadian taxpayers will bear some significant share of this harm, given the limits to private liability and “complex” relations between industry and regulators.

Taking these as given, I propose that oil firms spend more money to:

- Fund stronger safety training for operators and pipelines.
- Pay SSLIC for special liability insurance.
- Develop other compensation systems.
- Be more transparent about the costs of their efforts.

Doing so will increase the upfront costs for producing oil, but that isn’t a bad thing. Ethical Oil has no “transparency” section, hence it’s impossible to know the costs of Enbridge’s efforts. This profit-and-loss equation needs revisiting.

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