

Our phony election debate over the oil sands won't stop their expansion

Last month, U.S. President Joe Biden's national security adviser, Jake Sullivan, issued a bizarre statement calling on OPEC and Russia to increase oil production amid worries about the impact of climbing gasoline prices on Democratic political fortunes in next year's midterm elections.

"President Biden has made clear that he wants Americans to have access to affordable and reliable energy, including at the pump," Mr. Sullivan said, as U.S. gasoline prices reached a seven-year high of more than US\$3 a gallon. "Competitive energy markets will ensure reliable and stable energy supplies, and OPEC+ must do more to support the recovery."

OPEC+ refers to the Organization of the Petroleum Exporting Countries, the 61-year-old oil cartel that includes Saudi Arabia, Iran, Venezuela and 10 other less-than-democratic countries, with Vladimir Putin's Russia serving as informal member. That Mr. Biden was reduced to pleading with thugs who care not a whit about the environment or basic human rights spoke volumes about the insidiousness of his own energy policy, which was crafted primarily to court progressive voters.

After revoking a presidential permit for the Keystone XL pipeline on his first day in office, Mr. Biden has made life more difficult for U.S. oil producers by imposing additional red tape on the industry. Such actions suit proponents of the Green New Deal but do nothing to advance the goal of a cleaner or safer planet. If anything, they lead to a more unequal and dirtier world by empowering rogue petrostates.

On this side of the Canada-U.S. border, environmentalists cheered Mr. Biden's revocation of the Keystone permit as a step forward in their long crusade to shut down the oil sands. These same activists point to a May International Energy Agency report warning that an immediate end to new oil exploration is needed to meet the Paris climate accord goals, even though Saudi Energy Minister Prince Abdulaziz bin Salman dismissed the report as a "La La Land" fantasy.

The prince, unlike some politicians and activists, lives in the real world. Global oil demand is on track to exceed 101 million barrels a day by next year, or about where it stood before the COVID-19 pandemic. And notwithstanding earnest forecasts from right-thinking analysts about declining long-term demand, most OPEC countries do not appear to have got the memo. The cartel reckons that the goal of alleviating "energy poverty" in the developing world will alone require hefty production increases for years to come.

Here in Canada, the federal election campaign has given rise to a phony discussion about how this country can meet its targets for reducing domestic greenhouse gas emissions. Instead of asking how Canada can contribute to a safer, fairer and greener planet, politicians try to out-virtue-signal each other by vowing to get tough on the oil industry.

What the politicians will not admit is that, whichever party wins the Sept. 20 election, production in the oil sands is likely to continue to increase for at least a decade or more. A June forecast by IHS Markit predicted oil sands output of more than 3.6 million barrels a day by 2030, up 650,000 barrels from this year. The completion this year of Enbridge's Line 3 pipeline and the Trans Mountain pipeline expansion (TMX) by the end of 2022 will increase export capacity by almost a million barrels a day. And higher oil prices will encourage Alberta producers to fill it.

The world needs Canada's oil and Canada needs its oil industry. No amount of campaign rhetoric will change that. The federal leaders know this. They dance around questions about pipelines and emissions, ensuring themselves plenty of post-election wiggle room. Not even New Democratic Party Leader Jagmeet Singh will commit to halting construction of TMX if he becomes prime minister. Liberal Leader Justin Trudeau promises to place a cap on oil sands greenhouse gas emissions but has offered no details, lest he expose the emptiness of such a promise.

Overall emissions from the oil and gas sector have been relatively flat in recent years as production increases have been offset by a 36-per-cent reduction in per-barrel emissions intensity since 2000. A 2020 BMO Nesbitt Burns study found that "oil sands now emit just four to six per cent more than the global average from production to end-use, and several projects already boast below average carbon footprints." That trend should continue.

Calgary-based private equity investor Adam Waterous calculates that, thanks to rising oil sands capacity and declining U.S. shale oil output, Canada will account for about one-quarter of "free world" crude production toward the end of this decade. In a global oil market dominated by OPEC and Russia, shouldn't that count for something?

"This is a good news story for Canada," Mr. Waterous insists.

Too bad you won't hear talk like that on the campaign trail.