

Bloomberg

Bloomberg Anywhere

Updated: New York, Feb 17 11:57

London, Feb 17 16:57

Tokyo, Feb 18 01:57

Search submit [Enter Symbol](#) quote charts news [Symbol Lookup](#)[Home](#)[News](#)[Market Data](#)[Investment Tools](#)[TV and Radio](#)[Feedback](#)[News](#)

'Dirty' Tar Sands in Canada to Test Obama Green Goals (Update1)

[Email](#) | [Print](#) | [A A A](#)

More News

- [Exclusive](#)
- [Worldwide](#)
- [Regions](#)
- [Africa](#)
- [Asia](#)
- [Australia & New Zealand](#)
- [Canada](#)
- [China](#)
- [Eastern Europe](#)
- [Europe](#)
- [France](#)
- [Germany](#)
- [India & Pakistan](#)
- [Italy](#)
- [Japan](#)
- [Latin America](#)
- [Middle East](#)
- [U.K. & Ireland](#)
- [U.S.](#)
- [Markets](#)
- [Industries](#)
- [Economy](#)
- [Politics](#)
- [Law](#)
- [Environment](#)
- [Invest](#)
- [Science](#)
- [Opinion](#)
- [Spend](#)
- [Sports](#)
- [Arts and Culture](#)
- [Editors' Video Picks](#)
- [Bloomberg Markets Magazine](#)
- [Special Report](#)

By Jim Efstathiou Jr.

Feb. 17 (Bloomberg) -- Petroleum extracted from tar sands in Canada may provide the first foreign-policy test for President [Barack Obama's](#) environmental agenda.

U.S. and Canadian conservationists have called on Obama to reject any bid to exempt the oil from proposed climate-protection rules when he visits Canada Prime Minister [Stephen Harper](#) this week in Ottawa, his first head-of-state meeting as president.

The oil is separated from sand and clay with intense heat in a process that releases more greenhouse gases than pumping conventional crude. The total "life-cycle" of emissions released, all the way to filling a car's tank with gasoline, are 20 percent more, the [Rand Corp.](#) research organization of Santa Monica, California, said in a 2008 [report](#).

"Obama's going to be under heavy pressure from Canada to allow the current importation to continue and to dramatically expand it on energy-security grounds," said [Bill Grant](#), associate executive director of the [Izaak Walton League of America](#), a conservation group. "And there's going to be a strong pushback from the environmental community on that."

Environmentalists increasingly want the entire life-cycle of fuels regulated to stem greenhouse-gas emissions blamed for global warming. California, the most populous state, has proposed rules to promote cleaner fuels that would effectively ban tar-sands oil mined in Alberta, according to [Gary Mar](#), minister counselor in Washington for the western Canadian province.

Obama backs slashing emissions of heat-trapping gases to 1990 levels and hasn't announced a policy on heavy oil from Canada. The new president will have to square his environmental agenda with his call to trim dependence on oil supplies from the Mideast and with the U.S.'s longstanding policy to treat Canada as a commercial and strategic ally.

Largest Trade Partner

Canada is the U.S.'s biggest trading partner with about \$600 billion in annual commerce last year. It sells about 60 percent of its tar-sands oil to U.S. refineries. Canadian companies have invested about C\$110 billion (\$88 billion) in oil-sands developments since 1958.

The U.S. imported about 780,000 barrels a day of tar-sands oil in 2008, according to the [Canadian Association of Petroleum Producers](#). [Nexen Inc.](#), owner of the C\$6.1 billion Long Lake oil-sands project in Alberta, [Royal Dutch Shell Plc.](#), Europe's largest oil company, and other producers plan to ship about 3.3 million barrels a day by 2020.

"Oil sands are part of the overall supply-demand energy balance in North America," Canada Environment Minister [Jim Prentice](#) said last week in a telephone interview from Calgary. Oil and coal, like solar and hydroelectric power, "are all important to fit into a common approach" on climate regulation.

24 Years of Supplies

Oil sands hold the equivalent of 173 billion barrels, enough to supply the U.S. for 24 years. Only Saudi Arabia, the biggest producer in the Organization of Petroleum Exporting Countries, has more reserves.

"We want American policy makers to know that our oil is the largest supply in the world outside the control of OPEC," Mar, who represents Alberta in the U.S. capital, said in an interview. "This can go a long way to breathing life into the president's desire to reduce reliance on oil that comes from less-friendly parts of the world."

RESOURCES

• [Bloomberg TV](#) Energy and the environment are on the agenda for the Feb. 19 meeting, said Harper's spokesman, [Dimitri Soudas](#). He declined to comment on the prospect of rules that could affect oil exports.

• [Bloomberg Radio](#) 'A Better Job Environmentally'

• [Bloomberg Podcasts](#) "To be frank on the oil sands, we've got to do a better job environmentally," Harper told a Calgary radio station on Jan. 13. "At the same time, the development of these things is pretty important, in our judgment, to North American energy security. So I think there's balance to be seen there."

• [Bloomberg Press](#) Wishart Robson, climate-change adviser to Nexen's chief executive, [Marvin Romanow](#), said the U.S. can spend far less to help clean up oil-sands processing than it does to secure supplies from Kuwait, Saudi Arabia and other OPEC members. The government of Alberta has pledged \$2 billion to develop systems to capture and store carbon-dioxide emissions from processing oil sands.

“It’s in our mutual interest to bring this on,” Robson said in an interview. “Is there a way that we can share those costs for the benefit of both countries?”

‘Dirty, Dangerous’

Obama campaigned on a promise to wean the U.S. off “dirty, dwindling and dangerously expensive” oil. As president he supports a national rule to encourage cleaner motor fuels. The former Illinois senator hasn’t said whether he favors the California pollution-control model, which could shut out oil imports from Alberta, or regulations such as those being debated in Minnesota that would continue oil sands imports.

Obama spokesman [Ben LaBolt](#) declined to comment.

“Canada is extremely concerned that California would set the course to national and possibly international low carbon fuel policies,” [Scotty Greenwood](#), executive director of the Washington-based [Canadian American Business Council](#), said in an interview.

Prentice said the neighbors should work together to develop systems to trap and bury underground the carbon-dioxide emissions from oil-sands development. That would help “transition from a high-carbon present to a low-carbon future while avoiding a disruptive and dislocative period,” Prentice said on Jan. 20.

Mining, Heating Earth

Oil sands are deposits of bitumen, a heavy, viscous crude that must be upgraded before it can be used by refiners. Higher carbon emissions come mainly from the energy needed to separate the oil from the sand and clay it is bound up with. The tar is extracted either by mining or heating the earth and pumping it out.

“We don’t want the U.S. to do anything to support expansion of tar sands,” [Susan Casey-Lefkowitz](#), director of the Canada program at the environmental advocate [Natural Resources Defense Council](#), said in an interview. “More than that, we want to see life-cycle analysis of the greenhouse-gas emission of fuels so you’re not encouraging fuels that have higher emissions.”

Oil-sands mines along the [Athabasca River](#) near Fort McMurray, Alberta, are as large as 80 meters (262 feet) deep and have claimed almost 500 square kilometers (193 square miles) of forest. They have created bitumen and clay-laden ponds with oily sheens of grays and green hues that have killed scores of birds.

‘Cheap Fuel’

“You want low carbon emissions but you want cheap fuel,” [Ryan Todd](#), an analyst for Deutsche Bank AG in New York, said in an interview. Strict regulations “would obviously be incredibly damaging to Canada’s oil and gas sector and very disruptive to global oil markets.”

Producers also face market challenges. Oil prices must return to \$85 to \$100 a barrel for them to turn a profit, Todd said.

No matter how reliable Canada may be as a U.S. supplier, it won’t make up for the environmental costs of producing tar sands oil, Casey-Lefkowitz said.

“Harper may hope to get special protections for tar sands emissions,” Casey-Lefkowitz said. “We’re not sure that you can ever make tar sands extraction environmentally sustainable.”

For Related News and Information: [Top environment stories: GREEN <GO> Stories about climate change: NI CLIMATE <GO> Top oil news: OTOP <GO> Canadian oil sands: NSE ALBERTA OIL SANDS <GO> More-read environmental news: MNI ENV <GO>](#)

Last Updated: February 17, 2009 10:09 EST

Sponsored links

[Bloomberg.comNEWS](#) | [MARKET DATA](#) | [INVESTMENT TOOLS](#) | [TV AND RADIO](#) | [ABOUT BLOOMBERG](#) | [CAREERS](#) | [CONTACT US](#) | [LOG IN/REGISTER](#)
[Terms of Service](#) | [Privacy Policy](#) | [Trademarks](#) | [Site Map](#) | [Help](#) | [Feedback](#) | [Advertising](#) | [日本語サイト](#)