

# Slow development of Alberta's oilsands, former premier tells conference

By Dan Healing, Canwest News Service July 15, 2009



Former Alberta premier Peter Lougheed speaks at an international engineering conference in Calgary Tuesday: 'The oilsands have created ... a very high-cost economy.'

Photograph by: Leah Hennel, Canwest News Service, Canwest News Service

The Alberta government should take advantage of the slowdown in oilsands development in Alberta to limit the pace of growth, thus reducing costs throughout the province for a host of businesses, says former Alberta premier Peter Lougheed.

But an oilsands industry spokesman said costs are a product of the general Alberta economy, not just oilsands, and it would be unfair to impose limits on one player in the economy.

Speaking at the opening of a five-day international engineering conference in Calgary, Lougheed said the frenetic pace of oilsands development has hurt the province by making everything more expensive.

"The oilsands have created, in our province, because of the rapid growth that has occurred in the past decade, a very high-cost economy," said Lougheed.

"That means we have a built-in cost factor here in our province that is very difficult for people in other businesses, and I see a growing pressure on the current government to revisit this issue."

He conceded that his opinion is "in the minority," but added the government is well aware of his position on the subject.

"I think there were many, and are many, projects on the go in Alberta; there is lots of construction work of all kinds," said Don Thompson, president of the Oil Sands Developers Group in Fort McMurray, Alta.

"I think it's unfair for people to aim at any one particular sector. I think the whole economy in Alberta was, and is, still quite robust, compared to the rest of Canada, and I think a lot of people would be quite happy if their economy was as buoyant as it is in Alberta."

He said the market will sort out which projects proceed and which don't.

Lougheed told reporters later that the government should allow only one surface-mining project at a time, but that the lower-cost underground bitumen-recovery projects could proceed at a higher pace.

"That will be hard to accomplish in the short term, because so many commitments have been made, but I would hope, in due course, the new government in Alberta would move themselves more to a more uniform development," he said.

"I think public opinion is changing, and there's a possibility that, when the current slowdown comes to an end, they may reassess their view of that. But I have no sense that they're going to do that."

The oilsands hold an estimated 173 billion barrels of crude, second only to Saudi Arabia's 264-billion-barrel reserve, according to Alberta Energy, which estimates exploiting Alberta's reserves will take at least 100 years.

The province has approved at least five new multibillion-dollar mining projects or expansions, and there are applications in the works for at least five more.

About \$100-billion worth of mining and in-situ oilsands projects have been shelved since last year, although the investment climate is starting to thaw. Imperial Oil Ltd. recently sanctioned its Kearl oilsands mine, the first phase of which is to produce 100,000 barrels per day when it comes on stream in 2012.

Oilsands mining projects that are on hold include the \$21-billion Fort Hills mine and upgrader proposed by Petro-Canada, Canadian Natural Resources Ltd.'s Horizon second phase, Shell Canada's second expansion of the Athabasca Oil Sands Project, Suncor Energy's Voyageur South and Total SA's proposed Joslyn mine.

The International Energy Agency said last month it expects Canadian oilsands production to grow by about 700,000 barrels per day (bpd) by 2014, down from previous estimates.

The IEA still sees Canadian production topping 3.8 million bpd by 2014, which is bullish compared to other sources, such as the Canadian Association of Petroleum Producers, which, in June, forecast 3.3 million bpd by 2015 under its most optimistic growth scenario.

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