TML WEEKLY
INFORMATION PROJECT
cpcml.ca

April 18, 2020 SUPPLEMENT No. 13

Alberta Government's $7.5 Billion Energy Pay-the-Rich Scheme

Denounce the Alberta Government's TC Energy Deal

Alberta Premier Jason Kenney announced on March 30 that the government would give the private energy cartel TC Energy $1.5 billion to kick-start construction of the disputed Keystone XL pipeline from Hardisty, Alberta to Steele City, Nebraska.

As private lenders from the financial oligarchy have refused to lend their social wealth to the project without state guarantees, Kenney also announced the province would provide a $6 billion loan guarantee. This means, in essence, that Alberta assumes the entire risk of $7.5 billion for a project that has so far been unable to overcome opposition to it in the United States and whose economic viability is far from assured, given the turmoil in the global energy sector and the uncertainty of oil market prices. The only people gaining from this provincial giveaway are those of the financial oligarchy who own and control TC Energy, those who want somewhere to lend their social wealth without risk, and those who own and control the big construction companies poised to build the project with a state guarantee of payments. Kenney's TC Energy handout must be denounced as state-organized corruption to pay the rich.

Because of the uncertainty surrounding the completion of construction and the pipeline's economic viability, and the growing demand for an alternative to hitching Alberta's economic wagon to the U.S. war economy, the project has not made progress since it was first proposed in 2008. TC Energy has been unable to raise enough private social wealth for construction as investors from the financial oligarchy consider the project too risky. Only a government guarantee would convince them to lend their money, where they would profit under all circumstances. Kenney admitted as much, saying his pay-the-rich scheme would "facilitate TC Energy's access to capital at commercial rates to continue construction."

In promoting the handout to the energy oligarchs during this double crisis of a collapse of oil market prices and an unprecedented pandemic when the needs of the people are steadily rising with mass unemployment, loss of income and destruction of small and medium-sized businesses, Kenney said the construction of the pipeline would create much needed jobs. This boast cannot be taken seriously. The Alberta government estimates that 1,400 workers will be needed for the Canadian section of the pipeline which is 526 km long. This is not full-year employment, but likely about three months each year for two years. TC Energy has doubled the number to 2,800 by counting each year as a separate job. It would be safe to assume that most, if not all, of the pipe and other materials will not be made in Canada, especially given the "America First" chauvinist bleating of the U.S. President.

Kenney's assertion of jobs as an excuse to give money to the rich is further undermined with his own actions to cut funding to Alberta school boards that has resulted in a layoff of as many as 25,000 education workers. When news of this crime was announced, many began shouting: Shame on you Kenney for attacking the people and compounding their problems during this time of need!

The people demand a stop to paying the rich and an increase in investments in social programs and public services to meet the needs of the people and activate the economy. The time is now to put as many people to work as possible in emergency jobs to collectively fight the pandemic and economic crisis and the terrible effects they are having on the people. The time is now to provide a living stipend to all during this double crisis and begin serious discussion on a new direction and aim for the economy. Canadians need an economy that serves the people and not the rich and humanizes the social and natural environment.

Stop Paying the Rich!
No to Kenney's Corrupt Handout to the TC Energy Oligarchs!
Increase Investments in Social Programs and Public Services!

The Keystone XL Pipeline

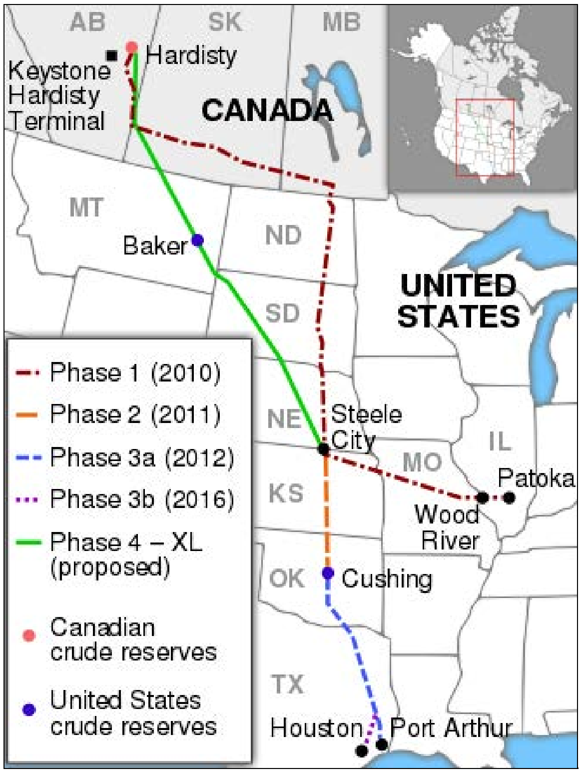
Protest against construction of the Keystone XL pipeline, Ottawa, November 26, 2011.

Keystone XL (export limited) is a proposed 1,947-kilometre pipeline from Hardisty, Alberta to Steele City, Nebraska. The new pipeline to be constructed is designed to transport 830,000 barrels per day of Alberta crude heavy oil south to Steele City where the oil will be transferred to TC Energy's existing lines heading to the oil refining centre on the U.S. Gulf Coast. TC Energy (formerly TransCanada) will own, construct and operate the XL pipeline.

Keystone XL will be TC Energy's fourth and largest pipeline in the Keystone series of pipelines carrying Alberta crude oil to the U.S. Gulf Coast. Originally proposed in 2008, the XL pipeline faces substantial opposition and delays in the U.S., especially in Nebraska where it goes through the sensitive Sandhills. The Nebraska Sandhills are one of the largest plant-anchored sand dune regions in the world, and the largest formation in the Western Hemisphere. The dunes sit atop the Ogallala Aquifer, resulting in thousands of little lakes and ponds in lower-lying areas. The dunes were designated a U.S. National Natural Landmark in 1984. Fear abounds in the area that an oil spill will damage the Sandhills and Aquifer, which farmers rely on for water and refer to as the lifeblood of the region.[1]

The Canadian section of the proposed XL pipeline extends for 526 kilometres of new pipeline through Alberta and Saskatchewan or 27 per cent of the total, while the U.S. section is considerably more at 1,421 kilometres or 73 per cent of the total length.

The number of U.S. workers projected to be directly employed during the two years of pipeline construction is estimated as low as 2,000 to as many as 5,000 workers with others benefiting from indirect employment. The Alberta government estimates 1,400 workers for the Canadian portion, while TC Energy has doubled that number. The Alberta government estimate is consistent with the number of temporary jobs to build other pipelines, and it seems TC Energy has inflated the numbers by adding together the number of workers needed in each year. Permanent jobs upon completion for the entire length are projected to be from 35 to 50.



Map shows existing Keystone oil pipeline routes and proposed route for the XL pipeline.

TC Energy Corporation is a North American energy cartel based in Calgary. The company develops and operates energy infrastructure throughout the continent with its core businesses being Natural Gas Pipelines, Liquids Pipelines and Energy. The Natural Gas Pipeline network includes 92,600 kilometres of gas pipeline transporting more than 25 per cent of North American demand.[2] The Liquids Pipelines division owns 4,900 kilometres of oil pipeline transporting 590,000 barrels of crude oil per day, about 20 per cent of Western Canadian exports. The Energy division owns or has interests in 11 power generation facilities with combined capacity of 6,600 megawatts (MW), including nuclear and natural gas fired power plants.

The global financial oligarchy owns TC Energy through shares traded on the imperialist stock markets. Four hundred and eighty-eight institutional investors own 62 per cent of the stock. The largest owner is the Royal Bank of Canada with over 8 per cent. Other big Canadian banks own a further 9 per cent while global investors The Vanguard Group Inc. own 3.16 per cent, Deutsche Bank 2.71 per cent followed by many of the big names of the financial oligarchy.

Notes

1. U.S. Judge Brian Morris ruled in a Billings, Montana court on April 15 that the U.S. Army Corps of Engineers failed to adequately consider effects of the Keystone XL pipeline and its construction on endangered species as it traverses rivers and streams. The ruling cancels a key 2017 nationwide *Clean Water Act* permit for the XL project throwing its continuation into greater uncertainty.

It is becoming clear that this ruling involves the raging civil war in the U.S. The venom against former U.S. President Obama and those in the ruling elite calling for investment in renewable energy, rather than carbon fuels, in the pages of the mouthpiece of the Alberta energy oligarchs, called *Oil Sands Magazine*, is one example. Furthermore, President Trump's first Secretary of State was Rex Tillerson, Chairman and Chief Executive Officer of ExxonMobil, which has vast investments in Russia.

2. LNG Canada partners Royal Dutch Shell, Korea Gas Corporation, Mitsubishi Corporation, PetroChina Company and PETRONAS have contracted TC Energy to build, own and operate the much disputed Coastal GasLink Pipeline Project in northern BC.

U.S. Imperialism Uses Alberta Oil to Force Regime Change in Venezuela

Make Canada a factor for peace!

The U.S. Gulf Coast (USGC) refineries are designed for heavy oil. They also blend heavy crude with the very light oil from the now oversupplied hydraulically fracked oil extracted from shale deposits. The heavy oil is also a base for certain oil products that lighter oil cannot deliver.

Heavy oil from Venezuela long supplied the USGC refineries with plentiful cheap supply controlled by global energy cartels such as ExxonMobil. The Venezuelan government prior to Hugo Chavez coming to power in 1999 did little to collect royalties or any form of taxes and rent from the U.S. for taking its oil or to enforce environmental or workplace regulations.

The value from oil extraction and sale to the U.S. heavy oil refineries on the U.S. Gulf Coast was not poured back into Venezuela to diversify the economy into manufacturing or to invest in social programs and public services. The vast new value created in the oil industry mostly left the country. A change in that anti-national anti-social direction of the Venezuelan economy occurred when Hugo Chavez came to national political power as President in 1999 and continues to this day under President Maduro.

In reaction to the 1999 change in direction in Venezuelan political and economic affairs, the U.S. imperialists began an unrelenting campaign of sabotage and terror against the Venezuelan economy and people including sanctions, assassinations, kidnappings, direct attempts for regime change and threats of invasion to restore a government and economic direction under the dictate of the U.S. imperialists and their energy cartels.

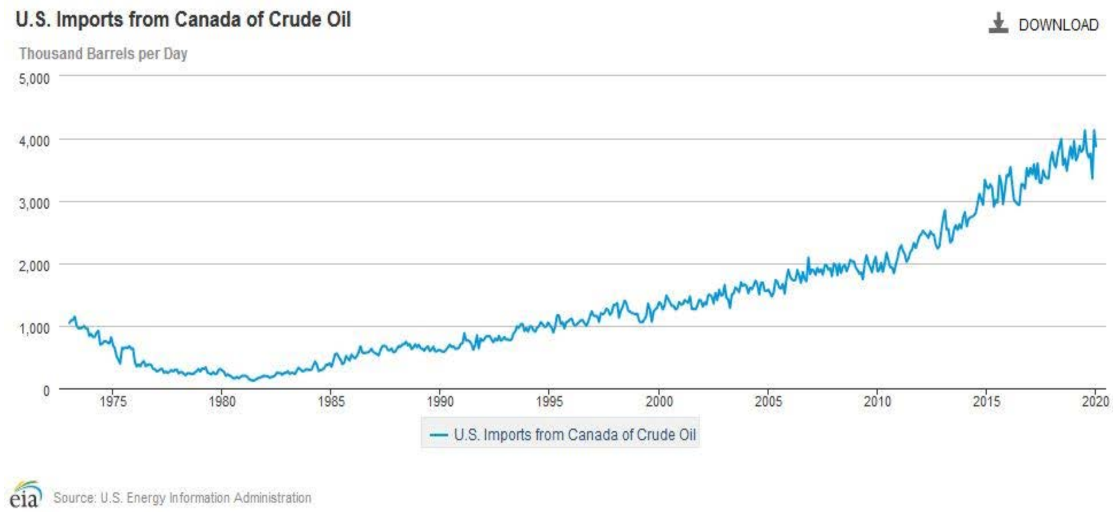
Alberta Heavy Oil as a Pawn in the U.S. War Against Venezuela Making Canada a Factor for War

The U.S. imperialists seek to crush through sanctions and other means the economy of independent Venezuela and in this way impose regime change. An aspect of the U.S. war economy for regime change in Venezuela directly involves Alberta and its heavy oil. The U.S. ruling elite began to supplant Venezuelan heavy oil in the USGC soon after Hugo Chavez came to power in 1999. This involved developing means of transporting Alberta oil to the USGC along with vastly increasing the capacity of Alberta s heavy oil production.

Alberta oil has gradually replaced Venezuelan oil in the USGC especially during the last ten years. U.S. imports of Canadian heavy crude have more than doubled in the past decade with much of the growth going to the USGC rising from 100,000 bbl/day in 2014 to over 650,000 bbl/day by the middle of 2018. The year 2014 is important as it marks the completion of an Enbridge-built 1,607 km pipeline from Hardisty, Alberta to Superior, Wisconsin. Called Line 67 (Alberta Clipper), the pipeline began to transport 450,000 barrels per day, which has since been expanded to 800,000 bpd. The Alberta oil gathered in Superior is available for reshipment through Enbridge or other pipelines and by rail and trucks south to the USGC.

The Keystone network of pipelines began sending Alberta oil to the U.S. in 2013. The first two phases are capable of delivering 590,000 barrels per day to the U.S. Midwest refineries. Keystone Phase III completed in 2016 can deliver up to 700,000 barrels per day to the Texas refineries. The proposed Phase IV is called the Keystone XL. The U.S. imperialists want increased shipments of Alberta crude and have directed its Alberta flunky Premier Kenney to use public funds to finance the construction of the stalled TC Energy Keystone XL. If completed, the XL is designed to transport 830,000 bbl/day of crude oil from Alberta to the refineries of the U.S. Gulf Coast.

In addition to oil transported to the USGC through pipelines, Statistics Canada reports Canadian crude exports to the U.S. by rail jumped from 300,000 bbl/day at the end of 2018 to 400,000 bbl/day in 2019



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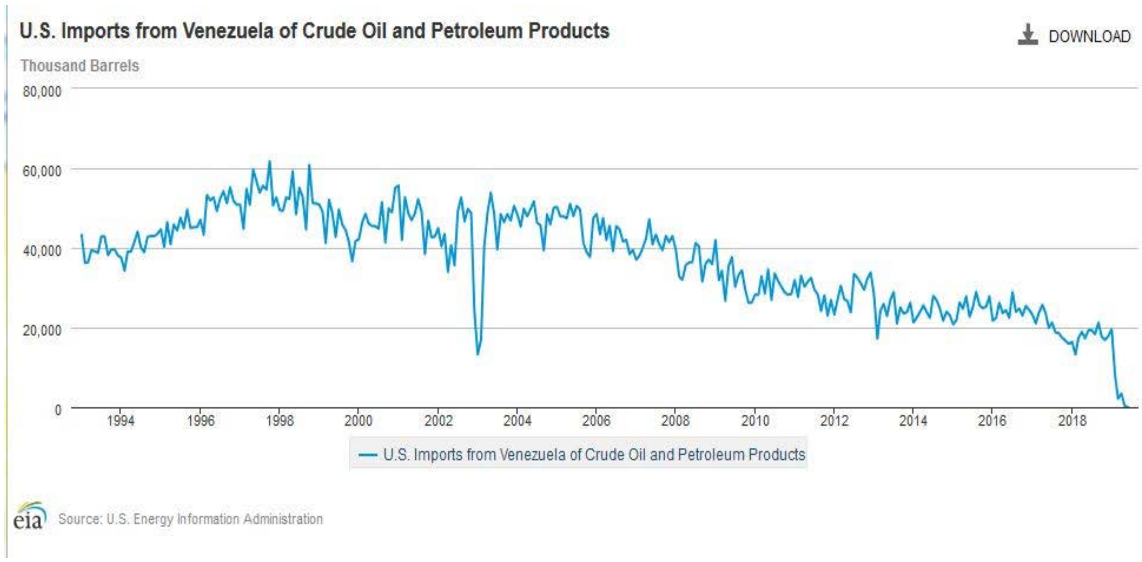


Click images to enlarge[1]

U.S. Uses Alberta Oil in its Campaign of Regime Change Against Venezuela

The U.S. Gulf Coast (USGC) is one of the world's largest refining hubs, containing some of the world's most complex high-conversion refineries. That makes the region the most important buyer of heavy sour crude produced globally. The U.S. imperialists use USGC, called PADD 3, to set the price for most oil blends including Alberta heavy oil.

The USGC region historically relied on heavy oil imports from Venezuela, Mexico and Colombia but with the campaign of sanctions and regime change against Venezuela and dwindling supplies of heavy oil from Mexico, the U.S. imperialists sought to bring in more heavy oil from Alberta and more recently export the U.S. surplus of domestically produced light crude, which has increased dramatically with the widespread use of hydraulic fracturing. This dual dynamic of increased heavy oil production in Alberta and light oil in the U.S. was a key factor in the dramatic fall in oil prices and subsequent energy crisis that is playing out today.

Reject U.S. Imperialist Control of Alberta Oil!
Time for a New Direction for the Economy!
Make Canada a Factor for Peace!

Note

1. Comparing Alberta oil production in year 2002 with 2018 (Source: Alberta Energy Regulator)

2002

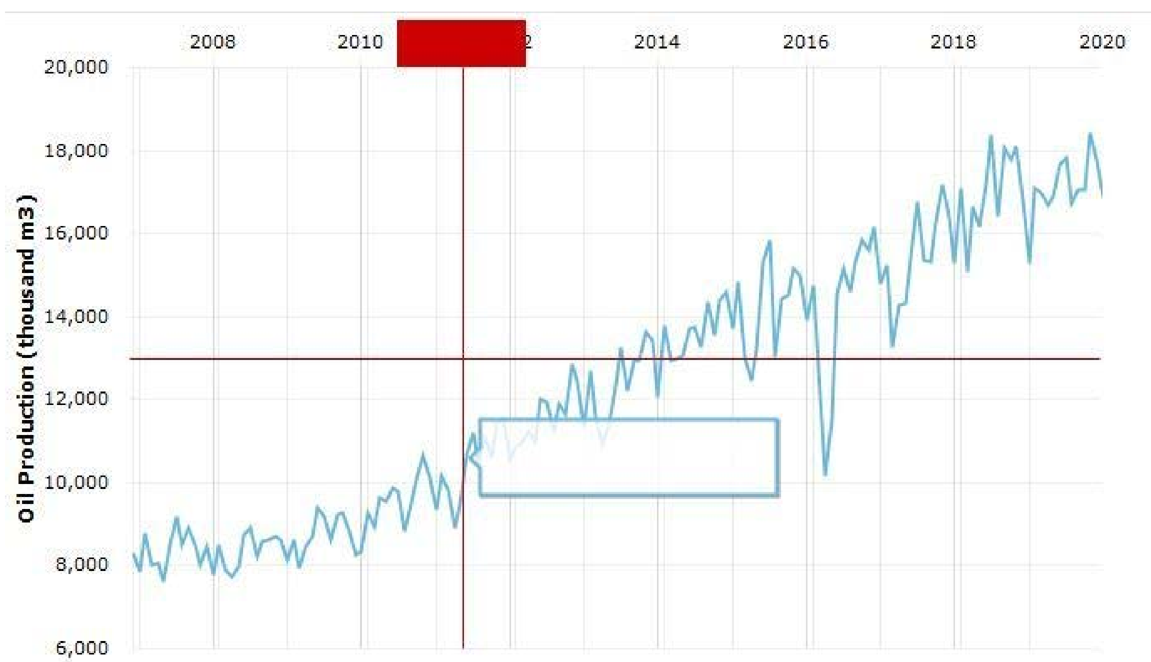
In 2002, conventional oil production of light, medium and heavy crude accounted for just over 43 per cent of Alberta s total crude production. Oil sands (bitumen, upgraded crude), pentanes and condensates made up the balance.

Alberta s conventional oil production of 660,400 barrels per day represented an 8 per cent drop from 2001 levels. Total crude and equivalent production of 1.53 million barrels per day in 2002 represented about 65 per cent of Canada s total output.

Exports to the US were 1.02 million barrels per day.

Oil sands production of bitumen and synthetic crude increased in 2002-03 for the fourth consecutive year, rising from 645,000 barrels a day to a record high of over 740,000 barrels a day, according to the Energy and Utilities Board. Production of raw bitumen (before mined bitumen is upgraded to synthetic crude) reached a record high of over 800,000 barrels per day. Oils sands production in 2002 was also greater than conventional oil production for the first time.

2018



Crude Bitumen Production Crude bitumen production increased by about 7.5 per cent from 2.83 million barrels per day in 2017 to 3.05 million barrels per day in 2018, and therefore continued a rising trend that has been underway since 2008. This was the first time that the annual crude bitumen production in Alberta exceeded three million barrels per day. Total crude bitumen production is comprised of mined production and in-situ production.

The share of crude bitumen production as a percentage of global consumption also increased in 2018, to 3.1 per cent from 2.9 per cent in 2017.

Production of crude oil and equivalent (condensate and pentanes plus) increased by about 13 per cent, from about 715,800 barrels per day in 2017 to about 808,300 barrels per day in 2018.

Conventional production increased by almost 10 per cent from 2017 to 2018, from about 446,100 barrels per day to about 489,600 barrels per day.

Oil Production 2017/2018

Total bitumen production in barrels per day
2.83 million bbl/d (2017)
3.05 million bbl/d (2018)

Conventional Crude Oil Production

0.45 million bbl/d (2017)
0.49 million bbl/d (2018)

Total Crude and Equivalent

Production (conventional, marketable bitumen and SCO, pentanes plus and condensates)
3.40 million bbl/d (2017)
3.72 million bbl/d (2018)

Removals from Alberta

3.25 million bbl/d (2017)
3.53 million bbl/d (2018)

For Your Information

Magazine Speaks for Alberta Energy Oligarchs

The online *Oil Sands Magazine* is a mouthpiece of the Alberta energy oligarchs who are integrated with a faction of the U.S. financial oligarchy. The magazine is not shy in describing and promoting the private interests of the energy oligarchy as evidenced in the following excerpts from the article "Why Venezuela is Alberta's biggest competitor."

"Venezuela was once the largest supplier of heavy oil to the US. [Venezuela] took steps to liberalize its petroleum sector in the 1990s, allowing private investment into its oil and gas industry. *[ExxonMobil, Total, Shell, Chevron and BP invested heavily in the Venezuelan oil sands producing heavy oil - TML Ed Note.]* U.S. Gulf Coast refineries retooled their operations to accommodate this heavy sour feedstock, taking advantage of its discounted price. Imports to the U.S. [from Venezuela] peaked at 1.8 million barrels per day in 1997.

"But in 1999, Hugo Chavez convinced the people of Venezuela they were being robbed by the greedy oil companies, dramatically raised taxes and royalties on new and existing projects. The government cannibalized its energy sector, diverting oil and gas revenues into social programs. Chavez began exporting more oil to Asia in an effort to diversify away from U.S. customers. Exports to the U.S. declined abruptly in 2002 . U.S. refiners who relied on this lucrative heavy oil stream went into panic mode, as their main supplier was dwindling fast."

[The magazine fails to mention that the Venezuelan oil sector during this period suffered unrelenting attacks of sabotage and a growing refusal of U.S. and European energy companies to reinvest the value they expropriated from Venezuelan oil production back into the means of production. -- TML Ed. Note]

"Alberta can thank Venezuela in part for the strong growth in oil sands production seen over the past years. Chavez's erratic behaviour sent many oil majors north to the safe haven of Canada. Although capital and operating costs are much higher in Canada, lower royalty rates, oil-friendly government regimes and excellent proximity to U.S. refineries made Canadian heavy a highly desirable replacement for the heavy sour Venezuelan crude the U.S. so desperately needed.

"Oil majors like Shell and Exxon have long had a stake in Alberta's oil sands, dating back to the 1950s. Exxon, through its ownership of Imperial Oil, bet big on the oil sands, launching the behemoth Kearl Oil Sands Mine. French oil major Total bought its way into Alberta's oil sands through the purchase of Deer Creek in 2005, Synenco in 2008 and UTS in 2010. ConocoPhillips, who already owned 9 per cent of Syncrude, divested its mining assets in 2010 and moved its eggs into the thermal in-situ basket through a partnership with Cenovus. BP also joined the thermal in-situ parade, partnering up with Husky and Devon Energy in 2012.[1]

"Not only do these projects produce the right kind of heavy oil, they also add significant long-life reserves to the company's balance sheets. Money flowed steadily into Canada. Heavy oil production, primarily exported to the U.S., rose proportionately as new facilities came online. Life was good in the oil patch.

[The magazine presents only a half-truth. Money flowed into Alberta but also flowed out in the form of expropriated profit. The lower royalty rates and oil-friendly government regimes in Alberta have meant that very little of the new value oil workers have produced has stayed in Alberta to develop a diversified economy and for use as investments in social programs. The magazine denounces the Venezuelan governments of Chavez and Maduro for raising taxes and royalties on new and existing projects and diverting oil and gas revenues into social programs, which it calls, "reckless social spending." -- TML Ed. Note]

"The election of a left-wing U.S. president in 2008 sent billions of taxpayers dollars flowing into renewables. The country's largest investment funds scrambled for a piece of the action, pushing the climate change agenda to ensure money would keep flowing their way."

[Note that the magazine throws darts at pay-the-rich schemes for renewable projects, which have made billionaires out of left-wing politicians such as former Clinton Vice-President Al Gore but the same magazine constantly demands pay-the-rich schemes for carbon energy oligarchs such as themselves from oil-friendly government regimes. Two are Premier Kenney's $7.5-billion state handout for the Keystone XL project and Prime Minister Trudeau's $4.5-billion purchase of the Trans Mountain pipeline to Vancouver with more to come from secret talks underway between the federal and provincial governments. -- TML Ed.]

"The U.S.-funded anti-fossil fuels campaign set its sights squarely on the oil sands and blocked all exits for Alberta's heavy oil. Canadian politicians joined the bandwagon.... Heavy oil production soon outpaced pipeline capacity, forcing crude onto expensive railcars, straining the profitability of Alberta's oil sands operations...

"Many people believe Venezuela's government is far too unstable to attract foreign investment. To be fair, Venezuela's problems began long before the collapse in oil prices. Chavez's successor, President Maduro, is a leftist enforcer of his predecessor's outdated policies. Reckless social spending has rendered their currency worthless, resulting in a 700 per cent inflation rate....

"The quasi-democratic government has found unlikely allies in the governments of China and India, who are desperate for energy security. The country has received serious cash injections from China, estimated at $56 billion over the past nine years, taking oil payments in lieu of cash."

Note

1. Since this article was published in 2016, there has been a flight of capital from the oil sands. Shell has sold all of its in-situ and undeveloped oil sands interests and reduced its share in the Athabasca Oil Sands Project (AOSP) from 60 per cent to 10 per cent. Total has sold off some assets and continues to express interest in getting out of the oil sands completely, which *Oil Sands Magazine* says are reported to be among the least economically-viable assets in its portfolio. Norway's Statoil has exited the oil sands completely. Both Imperial Oil and ConocoPhillips consider significant "proven reserves" they hold may not be economical to produce. Houston-based Marathon Oil has sold all its oil sands operations.

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