Submission to the Standing Senate Committee on Transport and Communications

on

Bill C-48 –

An Act Respecting the Regulation of Vessels that Transport Crude Oil or Persistent Oil to or from Ports or Marine Installations Located along British Columbia’s North Coast

Ottawa, ON
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The Independent Contractors and Businesses Association (ICBA) is pleased to make this submission to the Standing Senate Committee on Transport and Communications.

By way of background, ICBA has been the leading voice of B.C.’s construction industry for 43 years, representing more than 2,100 members and clients who collectively employ over 50,000 people. ICBA advocates for its members in support of a vibrant construction industry, responsible resource development, and a growing economy for the benefit of all British Columbians.

On behalf of our broad membership, our organization undertakes public policy development; delivers apprenticeship and professional training; and, provides individual group and retirement benefit programs. Our members are either non-union or non-affiliated union contractors and, taken together, these two segments of B.C.’s construction sector employment account for nearly 85 percent of B.C.’s construction industry workforce.

Introduction

We appreciate the opportunity to provide the Standing Senate Committee on Transport and Communications with our input on the proposed tanker moratorium which the federal government has proposed for the North Coast of British Columbia. The moratorium would prohibit oil tankers from loading or carrying more than 12,500 metric tons of crude oil or persistent oil product, and effectively preclude all major oil pipeline development from Alberta to the North Coast of British Columbia.

Today, my presentation is organized under the following headings, which I will address in turn:

- A Review of the Economic Challenges and Opportunities: Backdrop to Bill C-48;
- Pressing Questions about the Public Policy Purpose of Bill C-48; and,
- Conclusions and Recommendations

A Review of the Economic Challenges and Opportunities: Backdrop to Bill C-48

The energy industry – and indirect and induced economic activity -- in British Columbia, Alberta and Saskatchewan has been growing over the last two decades. Important for our members who provide services to the energy industry, are the nascent go-forward opportunities from the potential export of hydrocarbons to the vast markets of the Asia Pacific.
For far too long, Canadians – especially in Alberta, but also in British Columbia – have been captive to the United States as the sole export market for energy products. This has resulted in our world-class oil resources continuing to trade at a significant discount versus prices prevalent in the international marketplace.

The scale and scope of Canada’s energy opportunity is enormous. Yet, a review of some economic metrics suggests the challenges facing Canada’s energy industry and its competitiveness are significant. Consider the following:

- **US capital spending in oil and gas increased** 38 percent in 2017 to $120 billion, while **Canadian investment has declined** by 56 percent over the three years (or from $81 billion in 2014 to $43 billion in 2017).\(^1\)

- Canada had a 12\(^{th}\) overall rank for global competitiveness in 2018, but a deeply concerning 53\(^{rd}\) rank for the overall burden of government regulation. With no discernable public policy purpose, Bill C-48 will only add to this poor performance relative to other competing (and non-competing) jurisdictions\(^2\).

- As noted previously, the lack of sufficient pipeline capacity to the West Coast results in Canadian oil selling at a sizable discount as our industry is captive to the US marketplace which is essentially self-sufficient in oil (and natural gas). Some estimates suggest these “differentials” cost the Canadian economy more than $20 billion between 2013-2017.

While investment, regulatory and market-discount challenges are significant and mounting, there are enormous opportunities ahead if we seize them. Through to 2040, for example, global demand for oil is expected to grow by 10 percent over 2017 demand. At 28 percent in 2040, oil will still rank as the world’s leading source of energy (versus natural gas at 25 percent, and coal at 22 percent)\(^3\).

The implication is that demand for Canada’s oil will grow, not decline. It also means there is a considerable opportunity to further leverage Western Canadian service and supply chains which already exist beyond Alberta. For example, fully 738 companies representing 22 percent of the goods and services provided to the oil sands from outside Alberta originated British Columbia, while 462 (or 14 percent) were Saskatchewan-based in 2014-15. At the same time, Indigenous participation within the Alberta supply chain, for example, stood at 399 firms in 65 communities in 2015-16\(^4\). Opening up the Asian market access for Canada’s oil resources off of B.C.’s North Coast would enhance these opportunities for western Canadian communities and Indigenous Nations.

In the face of these challenges and opportunities, the federal government’s proposed tanker moratorium on North Coast will significantly constrain export of B.C. and Alberta-produced energy products. Over the last year, we have all witnessed the challenges of getting the Trans Mountain Pipeline successfully through permitting and approvals process. The reality is that Canada will require the Trans Mountain Pipeline to be built and – if we are to realize full market value for our oil resource – further capacity will be needed.

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\(^1\) [Canadian Association of Petroleum Producers](http://edmontonjournal.com/columnists/opinion-canadas-resource-sector-under-legislative-assault)


Pressing Questions about the Public Policy Purpose of Bill C-48

Our review of Bill C-48 offers no discernable public policy rationale for the tanker moratorium. To our knowledge the federal government did not undertake broad stakeholder consultations or cost-benefit analysis before tabling Bill C-48 in the House of Commons. As a result, Bill C-48 gives rise to a number of pressing questions:

- The federal government has committed on many occasions to get Canada’s natural resources to tidewater – so why is it expressly contradicting this commitment through proposing Bill C-48?

- The federal government has a comprehensive $1.5 billion Oceans Protection Plan. If this plan is going to be effective, then why is the moratorium on tankers on B.C.’s North Coast necessary? It is important to acknowledge the new technologies that have taken hold in in the last 30 years (e.g. double-hull tankers, vessel monitoring systems, and satellite tracking, among other measures).

- About 1,400 tankers of Alaskan produced oil destined for refineries in Washington state is shipped through B.C. coastal waters every year. What, then, does the tanker moratorium effectively accomplish? And why preclude B.C.’s strategically located ports at Kitimat and Prince Rupert (and other near-by tidewater locations) and private-sector proponents from working with B.C. and Alberta energy producers to build new markets and supply chain routes for energy exports?

- The federal government has failed to provide industry with any evidence of environmental or safety gaps – rooted in scientific fact – that necessitates a moratorium. What is the reason for this?

- Oil has been shipped in tankers off the British Columbia coast since the 1930’s and there has not been a major oil spill involving one of those tankers. On the basis of this fact, why is a tanker moratorium needed?

- There is no corresponding tanker moratorium proposed for any other coastal area of Canada, including the Arctic and Atlantic coasts, or the St. Lawrence River valley. This unnecessarily pits “east” against “west” and is an inherently unfair application of federal law. Why is the federal government not contemplating a tanker moratorium in other regions of Canada through Bill C-48?

- A number of Indigenous Nations oppose Bill C-48 believing the legislation limits their quest for economic self-determination. How is it appropriate to eliminate economic opportunities for Indigenous groups and other project proponents? Why is the federal government not allowing proponents to avail themselves of independent regulatory processes to determine whether an oil port project has environmental, scientific and technical merit?

Fundamentally, ICBA believes that the federal government should not erect arbitrary barriers in the marketplace preventing proponents from pursuing any oil port project proposals in Northern B.C. which appropriately balance economic, environmental, community, and Indigenous considerations. Bill C-48 is

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5 For example, the Standing Senate Committee has heard representations from Eagle Spirit Energy Holdings which is an Indigenous led proposal to build a $16 billion pipeline from Alberta to the West Coast. The proposal is backed by some 30 Indigenous Nations. The Nisga’a Nation, which signed a modern-day treaty in 1998, has also questioned Bill C-48 because it will limit their economic opportunities. Both proponents for Eagle Spirit and representatives of the Nisga’a have noted the lack of consultation prior to Bill C-48 being introduced, while drawing attention to the fact that similar restrictions don’t exist elsewhere, (i.e. in the “north, east, or south”) meaning they are isolated to B.C.’s North Coast.
profoundly flawed, given the economic benefits which could cascade through the energy value chain to small and medium-sized providers of construction services, including our members.

**Conclusion and Recommendations**

The federal government’s professed commitment to expand trade to the Asia Pacific is laudable, but the proposed tanker moratorium runs directly counter to this critically important national public policy objective. Expressed another way, the ability to transship Canada’s oil resources through B.C.’s northern ports to Asia is fundamental to realizing the Prime Minister’s own view that “no country would find 173 billion barrels of oil in the ground and just leave them there”\(^6\).

Canada’s oil resources are a tremendous (potential) economic benefit for all Canadians. Moving forward, meeting prospective Asian demand for Canada’s energy resources cannot and simply will not be done solely through Port Metro Vancouver. And from a regional perspective, the federal government should not arbitrarily impair or eschew the legitimate economic development aspirations of British Columbia, Alberta, and Indigenous Nations.

As the Standing Senate Committee considers Bill C-48, ICBA encourages you to examine the tanker moratorium with a view to the long-term national interest. We believe this includes a commitment to responsibly “get to yes” on major energy projects through rigorous independent regulatory review processes.

Canada urgently needs to get its resources to global markets at global prices. The time is past when, as a country, we can rest on our laurels and expect that our (historic) preferential access to the US market is adequate. On the contrary, Canada is missing an important opportunity to spur middle class income growth; to increase revenue to pay for health, education and social programs; and to raise the standard of living in communities and Indigenous Nations throughout our country.

Bill C-48 needlessly limits these possibilities at a time when our energy industry is most in need of assistance to get our country’s land-locked oil resources to Asian markets. As a leading B.C. industry association, we understand our province’s important national role in this effort. B.C.’s coastline is Canada’s coastline; it belongs to Alberta and other provinces as much as it does to the residents of British Columbia.

As we conclude, the Alberta Minister of Energy aptly summed up the core problem with Bill C-48 for the federal Minister of Transport this way:

> “The proposed moratorium, as drafted, now prohibits any facility exporting crude oil and condensate in the region (northern B.C.), which will affect several future projects with the potential to reach new, high-value markets in Asia. Prohibiting shipments from the strategic deep-water ports on the North Coast of B.C., which can deliver products with a full day advantage over other pacific ports, will have profound and long-lasting economic consequences for the entire country.”\(^7\)

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be amended to allow for a tide water “energy corridor” through the Dixon Entrance to facilitate access to Canada’s existing (and potential) ports located in Northern B.C. and to allow for the development of crude oil export (without the proposed 12,500 metric ton limit).

ICBA appreciates this opportunity to provide the Standing Senate Committee on Transport and Communications with our views on Bill C-48. Thank you for the opportunity to present today – I am pleased to answer any questions.

Contact Information:

Tim McEwan
Senior Vice President
Policy & Stakeholder Engagement

Independent Contractors and Businesses Association
Cell: 604.761.1892
Email: tim@icba.ca