

# EU oil sands ruling set to irk Canada

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By Joshua Chaffin in Brussels

Oil derived from tar sands will be penalised by the European Union after its executive arm resisted pressure from Canada to exclude the fuel from new pollution standards.

The European Commission, the EU's executive arm, decided to target tar sands on Tuesday after more than a year of review, which saw intense lobbying from Ottawa and the oil industry. It will classify oil derived from tar sands as being nearly a quarter more polluting than conventional crude in new legislation that requires suppliers to reduce transport fuels' carbon emissions.

In order to import such oil, suppliers will also have to invest in biofuels and other green products to offset the pollution – which could be cost prohibitive. Although tar sands oil is almost non-existent in Europe, the new restrictions could scupper plans for future exports from Canada and Venezuela. They could also influence other markets, including the US, as they debate the merits of an abundant new source of energy that critics contend is highly polluting.

The US will decide this year whether to allow the proposed \$7bn Keystone XL pipeline, which would carry heavy crude extracted from the oil sands of Alberta to refineries on the US Gulf of Mexico. "That's why the Canadians are so worried about this. They know it will set a precedent and have financial implications for them," said Nusa Urbancic, a policy adviser at Transport & Environment, a campaign group.

Connie Hedegaard, the EU's climate commissioner, pushed the measure through a divided commission, overcoming resistance from Günther Oettinger, the energy commissioner, among others. "With this measure, we are sending a clear signal to fossil fuels suppliers. As fossil fuels will be a reality in the foreseeable future, it's important to give them the right value," Ms Hedegaard said.

But her triumph could damage relations with Canada, the world's largest producer of tar sands oil. It has already cast a pall over negotiations for an EU-Canada free trade agreement that the two sides were hoping to finalise this year.

Ottawa has threatened in the past to take Brussels to the World Trade Organisation over the matter.

Canadian officials were not immediately available to comment but Jeffrey Sundquist, a representative for Alberta, home to most of Canada's reserves, questioned the commission's calculations, saying: "It is important that we don't go down this discriminatory path, and that science prevails."

Tar sands, also known as bitumen, are a highly viscous form of petroleum that is trapped in sand and clay. Long ignored by the oil industry, the sharp rise in prices in recent years has made their recovery commercially appealing.

But they have become the scourge of environmental groups because the extra amounts of steam injection and refining necessary for their recovery result in higher greenhouse gas emissions, as well as polluted waste water. In an effort to encourage cleaner fuels, the commission in 2009 proposed a fuel quality directive that would require suppliers to reduce their products' carbon emissions by 6 per cent over the next decade.

The commission has concluded that tar sands result in 107 grams of greenhouse gas emissions per each megajoule – well above the 87.5 ascribed to conventional crude. Two other unconventional fuels – oil shale and coal converted to liquid fuel – also received high scores, at 131.1 and 172, respectively.

Canada argued that tar sands should be lumped with other forms of crude in the ratings.

A document prepared by Alberta noted that greenhouse gas emissions from tar sands had fallen by 39 per cent per barrel between 1990 and 2008, and claims that the province is spending roughly €4.5bn over the next five years on renewable energy and measures to reduce emissions.

