The Politics of Pipelines

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The arc of modern pipeline history begins with the triumphant battle by C.D. Howe to force feed his project through a recalcitrant Canadian Parliament. From the 1956 pipeline victory, TransCanada Pipeline was born. Flash forward to the approval process for the Keystone XL project, also a mega-project championed by TransCanada, and the process could not be more different. Years of consultation, legal battles and political delay and still TransCanada is fighting a rearguard action against ranchers, environmentalists, scientists and many local, state level and national politicians. It will probably be approved, after many concessions by TCPL, but at a heavy cost to the political capital of all the governments involved.

Saved by the prodigiously inept campaign of British Columbia NDP leader Adrian Dix, the Canadian pipeline sector has been breaking out the champagne, Sun TV has been celebrating the death of socialism, and editorialists from coast to coast have been uttering predictably pious platitudes about the triumph of economic probity among B.C. voters. Not so fast.

Some pipelines might get built, sometime, but none soon or quickly.

First, the B.C. NDP decided to oppose the Kinder Morgan pipeline for the sound, if opportunistic, reason that opposition was also the view of a majority of B.C. voters. How was it possible then, you might ask, that Adrian Dix got trounced? Hypocrisy, or more gently put, “conflicted political values,” is not rare among Canadian voters.

B.C. voters appear to have applied a version of the famous aphorism about Quebec voters, who allegedly used to pine for “a free Quebec within a united Canada.” B.C. voters appear to have voted for a “strong, resource based B.C. economy, so long as it does
Curiously, the various LNG projects planned for B.C.'s North have far more political and social licence, and significantly less First Nations resistance than the oil sands competitors.

So a less febrile reaction to the outcome of the B.C. election as it might have impacted the oil and gas business in the province is this: if Adrian Dix had been elected he would have okayed the early launch of an LNG pipeline and terminal, and delayed or nixed both Kinder Morgan and Northern Gateway.

The difference, given the rebirth of Christy Clark, is nothing, apart from rhetoric.

But the net impact in B.C. in 2013 is that the same voter who would be opposed to an oil tanker in Vancouver’s inner harbour is surprisingly sanguine about flotillas of LNG tankers off B.C.’s northern coast.

That the new B.C. government will end up in the same place as the old, no different than where it would have been under a Dix administration, should not be so surprising given recent Canadian history: Liberal and Conservative federal governments have been committed to the Mackenzie Valley Pipeline for decades now, apart from a commitment to actually build it. The NDP in Alberta and Saskatchewan have long been in favour of oil sands development, conditioned by a slower development pace, tougher clean-up enforcement and an insistence on local refining – a position they “acquired” from Peter Lougheed.

The real difference between the two main B.C. parties on these issues has been one of positioning to their various bases political and environmental prejudices. The differences in what pipelines, refineries, and LNG terminals actually get built, are trivial. There is an important lesson here for non-Conservative Ca-
adian politicians, however, starting with Adrian Dix and Thomas Mulcair: “Be careful how you position your messaging about pipelines and oil sands to soothe your base.” Where the old Social Credit coalition was expert at stopping “the socialist hordes”, today’s Liberal coalition gains from positioning the NDP as environmental extremists.

There is a separate cast of private sector players in this ongoing “environment versus economy” political soap opera who are quietly moving up the charts of the Canadian political hit parade: our ancient and beloved railways. Tanker cars full of oil do derail and pollute, but apart from the damage of the TV images to railway reputations, the actual environmental damage is necessarily limited. A burst tanker car may spill a few dozen or even a few hundred barrels of oil in a farmer’s field or a nature preserve, but unlike a pipeline it doesn’t keep flowing.

Tanker car spills are a problem for the railways positioning as the green solution to moving oil across the country, but they are a more limited and more easily remedied problem than managing the leaks in the aging infrastructure of many North American pipelines. They have several commercial advantages as well. Tanker cars can pick up and deliver in an enormous variety of places among the tens of thousands of miles of rail. You can dispatch 10 at a time or 1000, or none at all if demand sags. Pipelines don’t move, and need to be kept filled.

A second large advantage where oil sands crude is concerned is that tanker cars can take it straight out of the ground, pipelines need to dilute it by at least 30 percent in order to make it flow smoothly. That imposes two costs on pipeline customers: they must buy and transport the ‘diluent’ into their pipeline terminal, and they have to pay to move a product that is then removed when it reaches a refinery.

New crude tanker cars are being built by the thousands in Hamilton and the American Midwest as a result. A very large fleet of oil tanker cars will soon be making up trains in Canada and the US similar in scale to the enormous convoys of grain shipment tankers familiar to every Prairie driver. They face challenges from environmentalists at the point of export similar to the pipeline companies, but railways can choose from – or build anew – a dozen possible export sites in the American Northwest or British Columbia.

So if we were to look out to the next B.C. election, four years from now, what would we see in the pace and style of resource development in the province? We would probably observe an LNG pipeline and terminal more than halfway to completion on B.C.’s north coast. We would probably have become used to the passage of hundreds of railcars to a new export terminal south of Vancouver. And we would smile at the sight of First Nations executives in some of these enterprises, defending the environmental commitment of their firms, and extolling the economic benefits that their negotiated partnerships with B.C. First Nation communities had begun to deliver.

The prospect of a massive double pipeline pumping Alberta bitumen 24/7 into a fleet of waiting tankers along the shores of North Vancouver, unlikely. The potential for a similar pipe to be filling the world’s largest double-hulled oil tankers off the shores of Kitimat, even more unlikely.

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The arc of modern pipeline history begins with the triumphant battle by C.D. Howe to force feed his project through a recalcitrant Canadian Parliament. The 1956 pipeline debate used the then-rare procedural sledgehammer of closure. TransCanada Pipeline was born, the TransCanada Pipeline was laid, but so were the seeds of the Liberals enormous defeat the very next year, in 1957. That brutal approach to public consultation delivered a painful lesson even in the much more deferential era of the 1950s.

Flash forward to the approval process for the Keystone XL project, by an ironic twist of history, also a mega-project championed by TransCanada, and the process could not be more different. Years of consultation, more years of legal battles, even more years of political delay and still TransCanada is fighting a rearguard action against ranchers, environmentalists, scientists and many local, state level and national politicians. It will probably be approved, after many concessions by TransCanada, but at a heavy cost to the political capital of all the governments involved.

In the middle of that pipeline history came the ill-starred launch of the first MacKenzie Valley Pipeline, stopped in its tracks by a sensational commission of inquiry led by Tom Berger. The battle over First Nations’ rights, early environmental activist concerns, and engineering claims gripped the country for months. The Commission Report became a bestseller. And Justice Berger’s work buried the idea of a pipeline to the north for decades. Its revival with full aboriginal equity participation has still not been enough to get the project to lift off. Industry experts today are more dubious than ever about its prospects given rapidly falling natural gas prices, and flat American oil demand.

The Trans-Canada Pipeline, now nearing its 60th anniversary, is the last interprovincial pipeline project traversing sensitive environmental terrain and contested First Nations lands to have been built in Canada. The Northern Gateway’s efforts to be the next project of similar scale traversing similarly sensitive political territory needs to be seen in light of that long gap.

The successful pipeline chief executive needs to have a keen sense of timing, a keen eye for partners and their contributions, exquisite taste in judging the necessary social ingredients, a populist politician’s intuitive grasp of how to move a skeptical public, a strong back and a lot of luck.

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