

SUBMISSION FROM THE
COMMUNICATIONS, ENERGY AND PAPERWORKERS' UNION

TO THE NATIONAL ENERGY BOARD

REGARDING ENBRIDGE LINE 9 REVERSAL PROPOSAL

JULY 2013

NATIONAL ENERGY BOARD

HEARING ORDER OH-002-2013

**ENBRIDGE PIPELINES INC. APPLICATION FOR
THE LINE 9B REVERSAL
AND LINE 9 CAPACITY EXPANSION PROJECT**

EVIDENCE OF CEP

Summary and Overview

1. CEP is Canada's largest union of energy industry workers, with some 35,000 members who are employed in oil and gas extraction, transportation, refining, and conversion in the petrochemical and plastics sectors. Its members work throughout Canada, from the Hibernia platform off the shore of Newfoundland to the refineries on the West Coast. In between, thousands of CEP members are employed in petrochemicals in Sarnia, Ontario and in the tar sands in Fort McMurray, Alberta.
2. Concerning this application, it is noteworthy that CEP members mine and process bitumen in Fort McMurray and also are employees at the Suncor and Ultramar refineries in Montreal and Quebec City, which are destinations for crude oil shipments from Alberta through Line 9B.
3. CEP prides itself in having a comprehensive and progressive energy policy, one that was adopted unanimously by its members in 2002 and updated in 2008. That policy is based on what we believe should be the three cornerstones of the public interest in respect of energy resources and services. These principles are:
 - Canadian energy security;
 - Employment and value-added production of energy resources;

- Sustainability and reduction of greenhouse gasses.
4. CEP fully understands the importance of meeting Canadian energy needs, and supplying foreign markets. But when pipeline projects fail to foster these objectives, CEP has had no reluctance to oppose them, and has done so in proceedings before this Board seeking approvals for Keystone I, the Alberta Clipper, the Southern Lights, Keystone XL and the Northern Gateway projects.
 5. In our view, each of these projects reflected the same failed policies of de-regulation that have characterized virtually every aspect of oil resource development in Canada, much to the prejudice of Canada's economy, the planet's ecology, and our international reputation as a responsible member of the global community.
 6. For more than a decade we have been encouraging environmental and other groups on both sides of the border to take a more active interest in the pipeline approvals process. We are pleased that in respect of the Northern Gateway Project and Keystone XL, they are doing so.¹
 7. We fully understand why environmental and First Nations groups have intervened in these proceedings to oppose the reversal of Line 9B. But on this occasion we disagree with them, because on a reasoned and evidence-based analysis, the reversal of Line 9B will increase Canadian energy security and support value-added processing of Canadian oil resources. Both objectives are necessary, although certainly not sufficient, if Canada's energy path is to be put on a sustainable course.
 8. While the reversal of Line 9B will provide an outlet for heavy crude from Western Canada (although the extent to which this will be the case is uncertain), providing a

¹ CEP is also a member of the Blue Green Canada, an alliance between Canadian labour unions, environmental and civil society organizations to advocate for working people and the environment by promoting solutions to environmental issues that have positive employment and economic impacts. The alliance is based upon the realization that a future sustainable economy must provide good jobs and protect the environment, not one or the other.

domestic outlet for Canadian crude oil is far preferable to exporting yet more unprocessed Canadian natural resources.

9. The best way to stop the unsustainable expansion of oil sands production is to do so in the context of a national energy strategy that includes ensuring that (i) Canadian energy needs are met, (ii) substantial greenhouse gas emissions are achieved, and (iii) workers and the economy benefit from value-added production.
10. Our submissions will also briefly address concerns about the safety of the oil pipeline and potential for spills. We sympathize with these concerns and wholly support efforts to address them. But all modes for transporting oil to markets are inherently dangerous, as the derailment in Lac-Mégantic tragically illustrates. The answer is more stringent regulation, rigorous oversight, and full transparency – whatever the mode of delivery.
11. The following submissions address these issues in more detail, and explain why CEP regards the present proposal as being in the public interest and therefore worthy, subject to appropriate conditions, of approval.

Canadian Energy Security

12. At present, most of Eastern Canada is dependent upon off-shore oil supply. According to CAPP,
 - *The total capacity of refineries in eastern Canada is about 1.3 million b/d and includes the refineries located in Ontario, Québec and Atlantic Canada. In 2012, Western Canada supplied 340,000 b/d to these refineries amounting to only 29 per cent of total refinery demand. Almost all of these receipts were delivered to Ontario. It should be noted, however, that the refineries in the other eastern provinces have just started to receive Western Canadian supplies via rail.*

13. The extent of rail supply to Eastern Canada is uncertain, as is the future of such shipments given the horrendous accident in Lac-Mégantic. But in any scenario, even with the reversal of Line 9B, Eastern Canada would still be predominantly dependent on off-shore supply.
14. While the US and other countries have taken steps to foster energy self-reliance, Canada has been entirely committed to an export driven policy that ignores the needs of non-energy producing provinces. That failure has had very negative consequences for consumers and workers in Eastern Canada.
15. As we know, Eastern Canadian refineries pay substantially more for off-shore oil than would be the case if they had access to oil from Western Canada. Such economic and competitive pressures lead to refinery closures. When that happens, consumers and workers suffer. The closure of major refineries in Ontario and Quebec illustrate the point.
16. When Petro-Canada shut its Oakville refinery in 2005, annual production of refined petroleum products in Ontario dropped by nearly 20%. Prior to the closure, Ontario production was in rough balance. Fortunately, this shortfall in Ontario production could be made up by excess capacity in Quebec, but Ontario was still in a precarious position. Thus, in 2007 when a fire broke out at the Imperial Oil Nanticoke refinery near Hamilton, southern Ontario faced a gasoline shortage that lasted several weeks. It was widely understood the tight supply in the province was the main cause of that shortage. Gas stations were closed and prices rose 10 to 15 cents per litre until the shortages were resolved.
17. The refinery closure also cost three hundred fifty highly skilled, well-paid workers their jobs. Thousands of additional jobs were lost by those employed by contractors and suppliers, or who worked because of the ripple effect of that economic activity.
18. While that particular problem resolved after several months, when Shell Canada closed its refinery in Montreal in October 2010, the entire Quebec/Ontario region became barely

able to meet its own needs for oil products. Now Quebec too is vulnerable to disruptions for its supply of refined products. Once again, thousands of workers lost high-skill, well-paying jobs.

19. In these circumstances, it is easy to understand that the future viability of refineries in Quebec is critical to the energy security of Eastern Canada if it is to avoid becoming dependent upon off-shore supply, not only for crude oil, but for refined products as well.
20. The need to address this problem explains the priority CEP accords to Canadian energy security, which as noted, requires Canada to ensure the sustainable development of Canadian energy resources within a framework of substantial greenhouse gas emissions reduction.
21. Canadian oil pipeline infrastructure must support, not undermine this goal. Therefore, CEP policy calls for the following:
 - the establishment of an East West energy grid in oil, gas and electricity;
 - a freeze export pipeline capacity for oil and gas;
 - regional self sufficiency in refined products;
 - the restoration of 25-year domestic supply rule as a precondition for approval of all export licenses and permits.
22. As proposed, the reversal of Line 9B would provide approximately 300,000 bbl/d of oil supply to two Quebec refineries, representing 75% of their capacity requirements. For that reason, it represents a significant step forward for two of these policy objectives: strengthening the East-Est delivery grid, and facilitating regional self sufficiency in refined products.

23. In describing the economic feasibility of the project, Enbridge states that:

- *Reversal of Line 9 to Montreal will provide western Canadian and U.S. Bakken producers access to the Quebec refining market while reducing the reliance of Quebec refiners on crude oil from areas of declining, or potentially unreliable, supply. Upon reversal, a portion of Atlantic basin supply will be replaced with western Canadian and U.S. Bakken crude oil, which has been priced at a steep discount to Atlantic basin sourced crude supply over the past 20 months (Bloomberg L.P. 2012) [see graph following which present contemporary discount]*²

24. In light of this claim, CEP IR 3.1, asked Enbridge to identify the specific areas of declining and potentially unreliable supply upon which Quebec refineries now rely, and to which it referred. Enbridge replied by referring us to its response to Stratégies Énergétiques IR 1.3.a which provided a table demonstrating the current sources of crude oil supply that is processed by Quebec refineries. These it describes as follows:

- *As shown, the majority of the supply originates from OPEC countries, Algeria representing the largest percentage. North Sea production has been in steady decline over the past several years. According to the BP 2013 Statistical Review, production from the United Kingdom and Norway (North Sea production) has been in steady decline since 2002. The year over year change in production between 2011 & 2012 was -13% and -7 %, respectively. This same report shows that the year over year change for the same period is an increase of 13.9% for the US and 6.8% for Canada.*³

25. Whatever ones view of the inherent unreliability of supply from countries in North Africa or the Middle East, in CEP's view, domestic (and to an extent U.S.) supply is inherently more reliable than imports, and importantly in the case of Canada, allows a

1. Exhibit B1-2, Section 3.1.

³ Exhibits A316T3 and A316T4

comprehensive cradle-to-grave approach to regulation. While we recognize the woeful deficiencies of the current regulatory framework, that can change at the demand of Canadian electors. No such opportunity exists with respect to oil from foreign sources.

26. Finally in this regard, CEP is aware that some groups have raised concerns about Line 9B becoming yet another conduit for exports to the U.S. This was in fact the goal of the “Trailbreaker” project which was cancelled in 2009 because of a lack of commercial interest. Our understanding is that the Trailbreaker is no longer being pursued by Enbridge as the company states on its web site. Furthermore, CEP would vigorously oppose any effort to revive that export project, or to use Line 9B to facilitate exports from Canada in any other manner. Our support for this application is entirely dependent upon the exclusive use of this pipeline to serve Canadian needs.

Value-Added Processing and Jobs

27. CEP is a determined advocate for value-added processing of Canadian natural resources. We believe that a diversified oil and gas industry is far more conducive to sustainability than an industry in which all eggs are in one basket, namely resource extraction for export. Commodity prices are cyclical, and when prices decline, pressures increase to hasten the pace of resource exploitation because of the lack of resilience in an industry with only one dimension. Moreover, governments dependent upon tax and royalty flows will be happy to facilitate, if not encourage, even more rapacious rates of resource exploitation.

28. Unfortunately, while lip-service has been paid to the importance of value-added processing, the reality is far different. Massive capital investment in bitumen mining and in-situ

29. extraction has seen results: since 2002,⁴ bitumen production has increased by 250% to 1.7 million bb/d in 2011. During this same period, upgrading of that raw resource has

⁴ In 2002, the US State Department and the Oil and Gas Journal simultaneously re categorized oil sands deposits as reserves which overnight made Canada the world second's oil reserve, and making

decreased from 60 to 47% of Canadian output. Current projections see this trend continuing, with bitumen production exceeding 5 million bbl/d by 2035, and a further reduction in upgrading of bitumen to 35% over this same period.⁵

30. Unfortunately, to date the Board has demonstrated little interest in the enormous economic consequences for Canada of foregoing the economic and employment gains that value-added offers to the Canadian economy.
31. A recent report (April 16,2013) by the Alberta Industrial Heartland Association illustrates this point. In its “Alberta Plus” agenda, a coalition of business and municipalities has called for investment in value-added production of bitumen that it says would “increase the province’s gross domestic product (GDP) by \$6 billion a year, and create 18,000 new jobs that pay \$1.8 billion a year in salaries”.⁶
32. The lost economic, employment and development potential associated with unprocessed bitumen exports can also be estimated on the basis of evidence CEP introduced in previous NEB proceedings. This was provided in a report by prepared for CEP by Informetrica, which estimated that in relation to Keystone II Pipeline Project (OH-1-2007) – then sized at 435,000 bbl/d - domestic processing of this volume of bitumen would create an additional 18 000 jobs per year (direct, indirect and induced) to the Canadian economy when compared with a scenario in which only unrefined heavy crude oil is exported to the US markets. Similar evidence was subsequently introduced in the Enbridge Southern Lights application (OH-3-2007). In neither proceeding were these estimates refuted.
33. Enbridge has stated that that the Project allows refineries in Quebec to access lower cost crude oil supplies from western Canada and the U.S. Bakken region, increasing the competitiveness of these refineries. Over the next 30 years, refinery cost savings of

investment in the bitumen sands a “strategic priority” for US energy security..

⁵ National Energy Board, Canada’s Future Energy Supply and Demand Projections to 2035, January 15, 2013

⁶ Ron Schlenker, Schlenker Consulting, Alberta Heartland Association, April 16, 2013, www.albertaenergyplus.ca.

approximately \$23 B are expected as a result of the Project.” That type of economic gain helps secure the future of these refineries, which turns ensures Eastern Canada with a domestic supply of oil products, and local economy with jobs.

34. On the question of jobs, and as part of its estimate of the economic impacts of the project, the Application indicates that over a 30-year period (2013 – 2043), the Project is expected to result in socioeconomic benefits, including:

- labour income increase of nearly \$350 MM, mostly in the provinces of Ontario and Quebec; and
- employment increases of approximately 5,500 person years, mostly in the provinces of Ontario and Quebec.

35. In response to NEB and CEP IRs, Enbridge confirms that:

It is important to note that the labour and employment numbers included on Adobe page 25 of 54 of the Application pertain solely to the economic impacts of the Project as they relate to pipeline development, construction and operations, and do not factor in the impact of the Project on the Québec refining market. Any potential refinery benefits would be felt predominantly in Québec.

36. In projecting employment gains from the project, Enbridge includes direct, indirect and induced employment, the same approach adopted by Mr. McCracken. But while the approach is sound, the parameters for this analysis should have included employment at the refineries, which stands at approximately 1,000 on-site jobs at the Suncor and Ultramar refineries, and thousands more indirect and induced jobs.

Environmental Impacts

37. We are aware of the fact that the NEB has repeatedly declined to consider the upstream environmental impacts associated with development of the oil resources that will be transported by the pipeline projects before. We believe that it has been incorrect to do so, and that its public interest mandate in pipeline approvals projects not only permits, but requires it to take such impacts into account. Its position that these impacts are properly assessed by other regulatory bodies is unsupported on the evidence. We have made this point to the Board on other occasions, and more recently have pointed out the very disparate approach taken by US regulators considering applications relating to the very same pipeline [cite and/or quote]
38. As I presented in evidence before the Natural Resource Committee of Parliament in April, 2013⁷ the development model of rapid expansion of bitumen production for export has put Canada's major market in jeopardy.
39. It has been over 3 years since Canada's NEB approved Keystone XL without taking into account upstream and downstream impacts and completely ignoring factors such as GHGs which are fundamental to US regulatory processes.³ This flawed Canadian regulatory process has left Canada in a highly vulnerable situation in which our only market place is under increasing political pressure. Indeed, the pointed remarks of Ambassador Jacobson in February when he said that Canada "must do its part" in GHG reductions underscored this market reality. (Canadian Press, Feb 13, 2013)
40. According to the Royal Society of Canada's Oil Sands Study (2010) the projected GHGs resulting from reaching oil sands production of 3.6 million bpd by 2020 will be 110-120 million tonnes - 73 million tonnes more than in 2008. At the same time, Canada's international commitment made at the Copenhagen COP 15 is to reduce GHG emissions by 17% below 2005 levels, or by 127 million tonnes, roughly equal to the increase resulting from oil sands expansion. Unless and until these radically contradictory trends are explained and resolved to the satisfaction of the international community, Canada's

⁷ <http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=E&Mode=1&DocId=6099815>

oil sands will remain mired in controversy, and accessing foreign markets will become increasingly difficult.

41. We make the same point here, and encourage the Board to adopt a holistic approach to assessing the benefits and risks of reversing Line 9B, in comparison with those of the alternatives for meeting the energy service needs of Canadians. This must take into account and seek to integrate both broader environmental and economic concerns.
42. In this regard we appreciate that there are very significant environmental impacts associated with resource extraction in the oil sands which neither the Alberta nor Federal government have taken adequate steps to address. As the current imbroglio surrounding the Keystone XL pipeline amply demonstrates, they must do so if they hope to find and maintain export markets for Canadian oil. Developing a credible strategy for reducing greenhouse gas emissions must be a central part of that effort.
43. To be sustainable, a strategy for properly addressing the environmental impacts of oil sands development must be situated within a larger energy strategy for Canada that ensures energy security for all Canadians, and does so in a manner that substantially reduces greenhouse gas emissions, with the burden of doing so equitably shared.
44. CEP argues also that a responsible approach to GHG reductions must take into account upstream impacts from imported oil, as well as domestic production. While this is so for American regulators assessing the impacts of Canadian imports, it is true also in assessing import substitution to serve Canadian needs.
45. While this strategy has obviously yet to be developed, CEP believe that reversal of Line 9B achieves import substitution goals that are essential to meeting Canadian energy security needs, and is warranted on that account.
46. We also take very seriously the safety and environmental risks associated with pipeline breaks and spills, and support calls for greater regulation, monitoring, reporting and

enforcement. CEP will have more to say about this need after we have had a chance to consider the evidence assembled in these proceedings. It is also important, however, to recognize that all modes of oil delivery are risky as the rail-car derailment in Lac-Mégantic tragically illustrates.

47. We also note in this regard that reversal Line 9B will greatly reduce the number of oil tankers (now between 80 and 100 each year) that travel up the St. Lawrence River to the Ultramar deep water dock.

Conclusion

48. Because the reversal of Line 9B would increase Canadian energy security and facilitate value-added production of Canadian natural resources, CEP supports the present application subject to the qualifications noted here. It will carefully review the submissions of other interveners so that its final argument will reflect the evidence that is gathered in this important proceeding.

Respectfully submitted by:

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July 9, 2013