

# The oil sands, the environment, and Canada's energy needs

*Marcel Coutu, Toronto, 15 October 2009*

I'm very happy to be here in Toronto today and to have the opportunity to speak to you. I'm Chief Executive Officer of Canadian Oil Sands Trust and Chairman of the Board of Syncrude, Canada's largest oil sands project located in Northern Alberta.

I was born and raised in Ontario just down the road in Welland. I studied geology at the University of Waterloo and earned an MBA at the University of Western Ontario. Since then I've spent over 25 years in the energy business.

I am here today to talk to you about Canada's oil sands. You've probably heard a lot about it in the media from others; I believe you should also hear from those of us who live it.

I would like to talk about three things today. First, what we do and how we're working to continue to improve our performance. Second, the impact of the oil sands on Canada's and your local economy. And third, what this means for us all.

Oil sands recovery involves large-scale mining and processing operations. It begins with shovels scooping up sandy earth that contains oil. In this raw state we call it bitumen. We put it in trucks and send it off to the plant to separate the sand from the bitumen.

Up close, the sand is similar to what you might find on a Lake Ontario beach. But mixed in with the sand is a very heavy kind of oil. It took our industry many years to figure out how to separate the oil from the sand to make our business economic.

Once we separate it from the sand we are left with heavy bitumen. It's not yet ready to put in the gas tank of your car or to fuel a plane. So we have to pipe this heavy oil to a plant called an up-grader. There, it is treated and turned into light synthetic oil.

Producing oil from the oil sands is difficult, costly, energy-intensive, and yes, generates carbon dioxide emissions - just like many other industries. It doesn't lend itself to pretty pictures and we know that. We also know that we have done a lot to limit our impacts over the past 30 years ... that we can still do better... and that we will do more.

Let me now turn to how we are reducing our impact on the environment in measurable and meaningful ways.

Canada's highest environmental challenge is seen perhaps as Greenhouse Gas emissions ... or GHG emissions. And I know that the oil sands operations contribute to that. Yet I would like to put this in perspective. Oil sands actually account for only 5% of Canada's GHG emissions or less than 1% of global emissions.

Nonetheless, I know that we at Canadian Oil Sands and Syncrude have a huge responsibility to keep cutting our emissions. Since 1990, the oil sands industry has already reduced them by 38%. And work continues to further this strong record of improvement. We recognize the consensus that carbon dioxide is a problem and that it must be reduced. Furthermore, we are also investing to further reduce sulphur dioxide emissions.

Some environmental groups tend to exaggerate the size of Canada's oil sands operations. So let's look at the facts. Canada's total boreal forest covers some 3 million square kilometers of our land ... from the border with Alaska to the Atlantic. It's part of the global eco system.

Less than 1% of that area can be mined for oil sands. In more than 30 years of oil sands mining, only 0.02% of the total forest has been disturbed. To put that in context, that is an area about half the size of Hamilton (7% the size of Metropolitan Toronto).

Let me now show you how conservation and environmental concerns are an important part of our operations.

This parcel of land (Gateway Hill) is among Syncrude's most mature reclaimed areas. Since we began mining oil sands, Syncrude has reclaimed 22 % of the land disturbed; including replanting 5 million trees.

Here we have a herd of around 300 Wood bison thriving on reclaimed land co-managed with Aboriginals from the Fort McKay First Nations.

Now this is the Athabasca River in Northern Alberta. Like you, I do not want to see this or any other river damaged, leaving a poor legacy for future generations. For centuries, the river has cut through the oil sands deposits. When explorers first came to the area, they noted local natives used the bitumen to waterproof their canoes. Natural bitumen seepage from the river banks is a constant.

We, however, do not return any water from our operations back to the Athabasca River. And tight limits are set by Alberta Environment on the amount of water that we can draw from the river. At the same time, 88 % of the water we use is recycled.

So our aim is to keep moving ahead with new technologies that further reduce our environmental footprint on water, land and air. We are investing millions of dollars to achieve this aim. In fact, Syncrude is one of Canada's largest research and development companies. It invests about \$50 million a year in seeking new and better ways to operate, including improving environmental performance.

I'd now like to talk about what the oil sands mean to the economy of Canada and (Hamilton-Toronto). I'm proud of the positive economic impact our industry has had over the past 30 years.

We have 7,000 people running our Syncrude facility. We are one of the largest employers of Aboriginal people in Canada. We contributed nearly \$5 billion to Canada's economy in 2007. Families depend on us and not just in Alberta.

Today, every dollar invested in the oil sands creates about \$8 in economic activity. Much of this economic value is generated outside Alberta – here in Ontario, in other provinces, in the U.S. and around the world. Taxes and royalties generated by the industry go towards health care, roads, education and other elements of our high quality of life.

The oil sands are perhaps the biggest job site in Canada. They currently affect the jobs of 112,000 people across Canada. Every day, people in the Atlantic Provinces, Quebec, British Columbia, Manitoba and right here in Ontario's Golden Horseshoe... wake up and go to work in the oil sands without ever setting foot there.

The industry is expected to purchase nearly \$55 billion in supplies and services from Ontario in the next 25 years, according to the Canadian Energy Research Institute. Supplying our growing business is clearly having a positive impact on the Ontario economy.

Your province is also helping us meet the expectations Canadians have to improve our performance and reduce our environmental impact. In fact, we are also working with Ontario universities to advance the science of oil sands. For example, scientists from the University of Windsor, Brock University and University of Western Ontario are providing their innovative insight.

They are helping us improve the efficiency of our operation as well as groundbreaking research into the science of reclamation. It's a collaboration we're proud to be part of.

More and more traditional manufacturing businesses in this region are applying their knowledge to some of the unique engineering challenges in oil sands development.

As we go forward, we need even more ideas, more experience and we need it from all parts of our country.

Finally, let's talk about what the oil sands mean to our future. We all want to be able to drive our car and support our quality of life with a reliable, affordable source of fuel.

Today, Canada's oil sands produce about half of the country's oil, for use right here, and for export. But there is a problem. The other 50% ... our conventional sources of oil pumped out of the ground ... are drying up here and around the world. So there is a potential supply issue.

Our reality is that 97% of Canada's future known sources of oil are locked within the oil sands.

Now we know that the oil sands industry won't be around forever. But it will be for many generations. North America and much of the world runs on oil, coal and gas. The world will need all sources of energy, including oil, for many decades.

A global shift to renewable and other alternative energy is slowly taking place. New technologies are emerging for wind, solar, geothermal and tidal energy. There are also developments in bio-fuels, electric and hydrogen systems. But any major shift in the world's energy supplies will take a long time and a great deal of resources.

To get from where we are today to where we want to be tomorrow, requires a time bridge. The oil sands are part of that bridge and we will need them for some time to come.

Let me close by saying that I know the oil sands generate a lot of controversy. We are not opposed to criticism from environmental groups and others. And we are always open to debate and discussion. But we would like a fair and balanced view without misleading information. We all have a contribution to make and our critics are certainly making theirs.

In my view, the oil sands are a world class asset. In terms of oil reserves, they happen to be the second largest source of any country ... second only to Saudi Arabia. And that's tremendous potential, by any measure. Other countries not so fortunate would love to be in our shoes. Indeed, we should be very proud of this asset as Canadians.

As I finish today, I would like to leave you my personal message – which is, conservation. Most carbon dioxide comes from the consumption, not the production of oil. We are, or will, some day run out of this finite resource. So let us all use it sparingly and wisely.

Thanks for taking the time to hear me. I'd be very happy to try to answer your questions.