



BETTING ON BITUMEN:

ALBERTA'S ENERGY POLICIES
FROM LOUGHEED TO KLEIN

Gillian Steward



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CONTENTS

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Acknowledgements	ii
About the Author	ii
About the Publishers	iii
Executive Summary	1
Timeline of Key Dates	4
1. Introduction	8
2. The Lougheed Approach to Oil Sands Development	10
3. Ralph Klein and the National Task Force on Oil Sands Strategies	16
Taxes and Royalties	25
Environmental Sustainability	26
Selling the Task Force Report	27
Media Coverage of the Task Force	31
4. Conclusion	34
References	37

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Gillian Steward is a Calgary-based journalist who has been covering Alberta politics since Peter Lougheed was elected premier. She currently writes a regular column for the *Toronto Star* and teaches journalism at Mount Royal University. She was the managing editor at the *Calgary Herald* from 1987 to 1990, and was the publisher/editor of *Alberta Views* magazine in 2006/07. Ms. Steward was the 2014/15 Atkinson Fellow in Public Policy, an annual fellowship awarded to a journalist by the Atkinson Foundation. With the fellowship she researched the public policy drivers of oil sands development in Alberta for a series of articles published in the *Toronto Star*.

In 2000 she co-authored with Kevin Taft *Clear Answers: The Economics and Politics of For-Profit Medicine*, an examination of the Alberta government's proposals to expand the role of the private sector in health care. She also wrote *Public Bodies, Private Parts: Surgical Contracts and Conflict of Interest at the Calgary Regional Health Authority*, for Parkland Institute. In 2014 Ms. Steward completed a PhD in Communication Studies at the University of Calgary.

ABOUT THE PUBLISHERS



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EXECUTIVE SUMMARY

When Alberta's first New Democratic Party (NDP) government swept to power in 2015, it inherited over four decades of Progressive Conservative (PC) energy policies. Key to these policies was development of the Alberta oil sands, which by 2015 had become the key driver of the province's economy. But the oil sands had also become a target for environmentalists who saw it as "dirty oil" and campaigned hard against further development. At the same time, the market price for oil was sinking, investment in the oil sands had slowed, and government royalty revenues were declining. The new government forecast budget deficits for several years to come even though past Alberta governments had amassed budget surpluses of billions of dollars.

How did those PC energy policies get Alberta to where it is today? And how different or similar are the energy policies of Rachel Notley's NDP government?

This report examines the history of Alberta energy policies as they apply to development of the oil sands. The petroleum industry has long had a strong influence on the pace and scale of that development but its influence was tempered by the policies of Peter Lougheed, who was Alberta's premier from 1971 until 1985. Lougheed saw government as a counterweight to the economic power and influence of the petroleum industry. He believed that since government managed natural resources on behalf of Albertans it had a responsibility to obtain as much revenue and other benefits as possible from those resources.

Lougheed also believed the oil sands were key to Alberta's long-term prosperity, so his government used all the power and money it had at its disposal in the 1970s to kickstart oil sands development. It assumed that if the Alberta government didn't do this it would take far too long and most of the financial benefits would flow into corporate and government coffers outside the province rather than accrue to the Alberta government and individual Albertans. Lougheed's interventionist approach alarmed many captains of the oil industry who would have rather seen the government play a much more hands-off role. But most Albertans concurred with Lougheed and the PCs, as they were re-elected three times between 1971 and 1982 with landslide majorities.

Ralph Klein became premier in 1992, only seven years after Lougheed's departure. He wanted government to step aside so the oil sands industry could promote development on its terms. His government gave almost full rein to the industry while sidelining other stakeholders.

Klein believed that freeing up the industry would increase private investment in the oil sands and generate well-paying work for Albertans. The policies adopted by Klein and his cabinet were a bold departure from the way Lougheed had envisioned oil sands development. They were both PC premiers, but their ideas of how the oil sands should be developed and who should have the upper hand were completely different.

Klein's strategy was developed almost entirely under the aegis of the Alberta Chamber of Resources (ACR), an industry association comprising oil producers, pipeline operators, oil well servicing companies, and other businesses providing goods and services to the oil and gas industry. It organized the National Task Force on Oil Sands Strategies in order to make recommendations to government on oil sands policy. At the time, Eric Newell was the president of both the ACR and Syncrude Canada, a consortium of multinational oil companies and by the 1990s the largest bitumen producer in North America. Of the 57 committee chairs and members named in the task force report, 45 came from industry ranks; six were from the federal government; and six from the Alberta government. The six committee chairs were all industry representatives, including two from Syncrude.

The final report of the National Task Force on Oil Sands Strategies—which was brought to fruition without public hearings or written submissions from individual Albertans and other stakeholders—contained several recommendations that were quickly adopted by both the federal and Alberta governments. The new fiscal regime meant oil sands developers would pay lower income taxes and pay almost no royalties on bitumen until all construction costs for new projects had been recovered—exactly what the task force had recommended. At the behest of the industry, the Klein government also agreed to fast track project approval processes and environmental reviews. The industry would be “market driven” with government acting as a facilitator.

The oil sands industry paid for almost all the publicity and lobbying following the release of the task force report. Most news coverage of the report neglected to mention that the task force was heavily weighted in industry's favour. This gave the task force a certain legitimacy that was at odds with its origins and purpose. It may have also served to convince readers that the task force was more concerned about the public interest than its own interests.

The switch in the roles of government and industry when it came to oil sands development—the industry in the driver's seat and the government in the passenger seat—resulted in a significant change in direction. No longer would governments be overseers and financial partners—they would be mere facilitators, removing obstacles on the road to development so the industry could forge ahead on its own terms.

This report focuses on the contrasting oil sands policies of premiers Lougheed and Klein, two of Alberta's most popular premiers and key to oil sands development in the province. Even though they were both Progressive Conservatives, each premier had very different ideas of how much control the petroleum industry should have when it came to development of Alberta's bitumen reserves. By examining the distinct policies of these two PC premiers it also becomes clear that Rachel Notley's NDP government leans more to the Lougheed model than the Klein model.

TIMELINE OF KEY DATES

1962

The Social Credit government of Alberta develops an oil sands policy outlining means for orderly but limited development.

1967

The Great Canadian Oil Sands (GCOS) project begins operating. GCOS would later become Suncor Energy Inc.

1971

The Progressive Conservative party wins its first majority government in Alberta (defeating the Social Credit party, which had governed Alberta for 35 years), beginning a 44-year provincial political dynasty. Peter Lougheed was Alberta's premier from September 1971 until November 1985. GCOS was the only oil sands operator in the province when Lougheed was first elected.

1973

Lougheed establishes the Alberta Energy Company (AEC). The province owned 49 per cent of the corporation and the remaining equity came from individual Albertans. AEC became a vehicle for Lougheed to promote oil sands development, particularly Syncrude.

1974

Lougheed establishes the Alberta Oil Sands Technology and Research Authority (AOSTRA), a government-funded agency which aimed to accelerate the development of oil sands technology. AOSTRA played a critical role in developing SAGD (steam-assisted gravity drainage) and in situ extraction technologies. AOSTRA is one of the largest research and development programs ever launched in Canada.

1975

Atlantic Richfield withdraws from the Syncrude project. Other private corporations involved in the project used the withdrawal to force major concessions from the Alberta, Ontario, and federal governments. In the end, Alberta, Ontario, and the federal government became partners in Syncrude.

1975

Lougheed establishes the Alberta Oil Sands Environmental Research Program (AOSERP), which was jointly funded by the province and the federal government. AOSERP operated for a decade; conducting surveys and other research to identify possible long-term impacts of the oil sands. The federal government pulled out of AOSERP in 1979, but AOSERP continued to operate until 1985.

1976

Lougheed's Progressive Conservative party wins its second election and declare the first big budget surplus in the modern Alberta oil era. Lougheed established the Alberta Heritage Savings Trust Fund with an initial contribution of \$1.5 billion.

1978

After about 14 years of development, Syncrude Canada joins Suncor as the province's second oil sands producer. The opening of the Syncrude operation marks the beginning of the oil sands' key role in Alberta's economy.

1980–1985

The National Energy Program was an energy policy of the Government of Canada. It was controversial and unpopular in Western Canada.

1985–1992

Don Getty's tenure as Alberta's premier, from November 1985 to December 1992.

1988

The Free Trade Agreement (FTA) between Canada and the United States is signed, ensuring that most of Alberta's oil production would go straight to the US.

1992

The Alberta Chamber of Resources (ACR), an industry association, establishes the National Task Force on Oil Sands Strategies. Syncrude executives played key roles in the ACR and the industry-dominated task force (45 of 57 task force members were self-appointed from industry; eventually the governments of Alberta and Canada each made six appointments).

1992–2006

Ralph Klein was premier of Alberta from December 1992 to December 2006.

1993–1997

Thirty-six Canadian newspaper articles mention the National Task Force on Oil Sands Strategies. Only three of these articles point out the task force was dominated by the oil industry and two of the articles mention that the task force spokesperson Eric Newell was also president of Syncrude. The inadequacy of the media coverage may have served to convince readers that the task force was more concerned about the public interest than its own (corporate) interests.

May 1995

After two years of discussion and research, the industry-dominated National Task Force on Oil Sands Strategies releases a report with 23 policy recommendations for the governments of Alberta and Canada. After government investment helped kick-start the exploitation of the oil sands and related technological developments, the task force was recommending that the governments of Alberta and Canada should now become facilitators of industry development and no longer directly involved partners. The task force also recommended tax and royalty changes and environmental regulatory reform at the provincial and federal levels.

1995–1997

Syncrude executives, who were leaders of the task force, lobby the governments of Alberta and Canada to adopt the task force's recommendations. The government of Alberta did not need convincing and the government of Canada did not need much.

November 1995 (Royalty Reform)

Just six months after the release of the task force report, Ralph Klein's Alberta government announces that the new royalty regime—written by the industry-dominated task force—applies to all new projects. Until this point, Alberta did not have a royalty regime that applied to all oil sands projects, instead royalty rates had been negotiated on a project-by-project basis by the government of Alberta and project operators. In the new royalty system, the province would receive a minimum royalty of 1 per cent on all production. The royalty would increase to 25 per cent on net project revenues after the project developer recovered all start-up costs, including research and development costs and a return allowance. More important for oil corporations, all capital costs—including operation, and research and development costs—would be 100 per cent deductible in the year incurred.

November 1995 (Project Approval and Regulation Reform)

The Klein government was focused on debt reduction, so it followed the task force recommendation to streamline the project approval process. With the new industry-written royalty system, the government was receiving more applications with fewer staff to process them. The provincial government's new streamlined application and approval process was pilot-tested by late 1995, just six months after the release of the task force's report. The new system introduced self-regulation, which meant oil sands corporations became responsible for regulating themselves.

March 1996

In Budget 1996, the government of Canada makes the tax changes the industry-dominated task force had recommended 10 months earlier. Budget 1996 also introduced new tax incentives to spur investment in the oil industry.

1971–1996

Oil sands production increases from 30,000 to 540,000 barrels per day.

1996–2007

Oil sands production increases from 540,000 to 1.4 million barrels per day.

2007–2014

Oil sands production increases from 1.4 million to 2.3 million barrels per day.

1. INTRODUCTION

Development of the Alberta oil sands—or tar sands as they had been called before then-premier Peter Lougheed urged his cabinet colleagues to change the name to oil sands so the thick, sticky bitumen sounded more appealing (Warrack, 2013)—are now key drivers for both the provincial and national economy.

Yet in 1971, when Lougheed's Progressive Conservatives took over the reins of government after 35 years of Social Credit leadership, there was only one oil sands operation: Great Canadian Oil Sands (GCOS), which is now known as Suncor Energy Inc.

In those days the GCOS oil sands mining operation just north of Fort McMurray was producing 30,000 barrels of oil a day.

In 1978 Syncrude Canada Ltd. began producing an additional 55,000 barrels per day.¹

By 2014, Alberta's oil production reached over 2.3 million barrels per day (Alberta Energy, 2016a), and came from the Peace River and Cold Lake areas as well as the Fort McMurray region. Much of that growth occurred between 1996 and 2005, when oil sands production doubled from 540,000 barrels per day to just over 1 million barrels per day (Alberta Energy and Utilities Board, 2006).

The feverish pace of oil sands development during those nine years led to enormous changes in Alberta. The population increased by over 500,000 to 3.5 million (Alberta Treasury Board and Finance, 2016) as people from across the country and around the world came to Alberta to work in the oil patch and related businesses. Wages in all sectors of the economy shot up as construction companies and oil sands operators competed fiercely for workers. But so did the cost of living, especially for housing as it was in short supply compared to the demand by newcomers. The provincial and municipal governments found themselves struggling to keep up with the demand for schools, hospitals, transportation infrastructure, and other public services which in turn became more expensive as demand for materials and labour in the burgeoning oil sands pushed up costs on both fronts.

¹ See the sidebar, The History of Syncrude, on page 20.

Environmental activists began to label oil from the tar sands as “dirty oil,” tarnishing Alberta’s reputation and hampering the construction of new oil pipelines. Carbon emissions from oil sands extraction and production facilities soared until the oil sands became the fastest growing source of greenhouse gases in Canada (Environment Canada, 2014), making it an easy target for climate justice activists.

There are a number of factors, including the rising price of oil and technological advances, that came together to produce this frenzy of oil sands development in a relatively short time. But a key factor in kick-starting development was the National Task Force on Oil Sands Strategies, the brainchild of oil sands operators, many of whom were associated with Syncrude. The task force recommendations were a marked departure from the policies of Peter Lougheed, and yet they were wholly supported by the Klein government.

2. THE LOUGHEED APPROACH TO OIL SANDS DEVELOPMENT

After Peter Lougheed and the Progressive Conservatives defeated Social Credit in 1971, the Alberta oil sands became a critical element of government economic policy. Lougheed saw the oil sands as a valuable resource that could be exploited much more than they had been to date with a helping hand from government for the benefit of all Albertans. The new premier saw an interventionist provincial government as essential if he were to strengthen “Alberta’s position in Canada, shift economic power westward, build a lasting economic infrastructure, and create strong citizen attachments to Alberta and its government” (Tupper, 2004, p. 220). For Lougheed, the oil sands were a reserve of riches that would extend well into the next century and thereby assure Alberta of a lasting prosperity.

Not that prosperity wasn’t already evident in the 1970s. Between 1973 and 1974 the price of oil quadrupled thanks to cuts in production and an embargo against the West, particularly the United States, by Arab members of the Organization of Petroleum Exporting Countries (OPEC). At the time the price for oil produced and consumed in Canada was lower than the world price due to government regulation. But between 1973 and 1978 the price of oil and natural gas in Canada rose quickly through agreements reached between the federal government and the producing provinces, although they did not reach world levels. By mid-1978 the gap between domestic and international prices had closed to less than \$3 per barrel (Doern and Toner, 1985).

In 1976, shortly after the Lougheed PCs won their second election, the government declared its first big surplus, an estimated \$600 million, much of it earmarked for pay raises, mortgage subsidies, libraries, and research. With government finances solidly in the black, Lougheed rose in the legislature to announce the creation of the Alberta Heritage Savings Trust Fund, with an initial contribution of \$1.5 billion and a commitment that 30 per cent of the royalties from non-renewable resources would flow into the fund.

Participation by the Lougheed government in the expansion of oil sands production was achieved in a number of ways during his 15 years as premier. In 1973 Lougheed established the Alberta Energy Company (AEC), which was a combination of government and private financing: 49 per cent of the corporation was owned by the province, with the remaining equity coming from individual Albertans who were able to purchase shares at affordable prices. AEC included investments in oil and gas, pipelines, forestry, petrochemicals, coal, and steel. AEC’s first share offering in 1975 attracted

60,000 buyers and was sold out in two weeks. Those shares eventually split 3-for-1 in 1980 (Tupper, 2004; Richards and Pratt, 1979).

AEC also became a vehicle for Lougheed to promote oil sands development, particularly Syncrude. Syncrude had been established in 1964 as a consortium of Cities Service, Imperial Oil, Royalite, and Atlantic Richfield with the aim of seeking approval from Alberta's Oil and Gas Conservation Board to build a second oil sands plant not far from the GCOS operation north of Fort McMurray. Lougheed was so supportive of this project, and of oil sands development in general, that in 1974 he established the Alberta Oil Sands Technology and Research Authority (AOSTRA), a government-funded agency which aimed to accelerate the development of oil sands technology. The government pledged C\$100 million to AOSTRA over the first five years. Over the course of 18 years AOSTRA spent C\$448 million dollars on public-private projects and institutional research, making AOSTRA one of the largest research and development programs ever launched in Canada (Hester and Lawrence, 2010). Many of the advances in oil sands extraction, including steam-assisted gravity drainage (SAGD), which eventually led to dozens of in-situ operations, were developed by AOSTRA.

In 1975, the proposed Syncrude project was near collapse after partner company Atlantic Richfield withdrew its support. Alberta, Ontario, and Ottawa had been counting on this new megaproject to provide jobs and secure Canada's oil supply and were keen to see it succeed, as was the Syncrude consortium. In a series of negotiations the remaining partners in the project—Imperial Oil, Cities Service, and Gulf Oil (which took over Royalite in 1969)—used Atlantic Richfield's withdrawal to force both levels of government into granting unprecedented concessions. In the end Alberta, Ontario, and Ottawa all became partners in the project, with Alberta doing so through the Alberta Energy Company. Alberta also paid infrastructure costs, including a \$300 million utility plant and a \$100 million pipeline from Fort McMurray to Edmonton. The province also built community schools, bridges, highways, and other services. Syncrude received the world price for its oil when the oil industry in general was receiving a much-lower Canadian price, and its private corporate partners received generous write-offs not only on expenses directly related to the oil sands plants but also on exploration and development projects in other parts of their operations. In the end Ottawa invested \$300 million in public funds in return for 15 per cent ownership, Alberta invested \$200 million for 10 per cent, and Ontario \$100 million for 5 per cent (Finch, 2007; Doern and Toner, 1985).

The Lougheed government's impact on oil sands development was far-reaching. Besides AOSTRA it established the Alberta Oil Sands Environmental Research Program (AOSERP), which was funded jointly by the Alberta government and the federal government's environment ministry. As early as 1973 the Alberta and federal governments anticipated many of the environmental impacts of oil sands development and also researched strategies to eliminate or minimize those impacts. But many of those ideas were overshadowed in favour of the economic benefits that would accrue from development. In 1979 the federal government pulled out of AOSERP, and oil sands environmental research became the responsibility of Alberta Environment (Paskey, Steward, and Williams, 2013).

The government also commissioned numerous studies and surveys in order to determine how best to manage and monitor this vast resource that lay within its jurisdiction:

A review of documents from the early 1970s makes it clear the Alberta government was aware of the deficiencies in the Oil Sand Development policy initially proposed in the early 1960s (Conservation and Utilization Committee, 1972) and the general company-by-company approach to regulating the industry. Consequently, it was seeking reliable perspectives from which to take planning to the next level. Three major studies were conducted on their behalf. In terms of recommendations these foundational studies include the suggestion of establishing a "baseline information system" to create an "internally consistent ordering of data" for the region (Earl Berger Ltd., 1978) indicating the value of drawing on extensive and wide ranging socio-economic indicators to "review the economic evolution of the Athabasca Oil Sands region" (Peter C. Nichols & Associates Ltd., 1979), and a desire "to assemble data that would facilitate an understanding of the demographic and socio-economic impacts of oil sands development" in the region (Urban Dimensions Group Inc., 1980). Overall, the message at the time was clear: careful, measured planning with "deliberate" government intervention for managed growth would be essential to moving the industry forward. Social and economic benefits were presented as inseparable (hence the term "socio-economic" that is consistently deployed) and it was stressed that "foreign energy demands should not be the only force influencing development" but rather maximizing the benefits for Albertans and Canadians should be paramount (Conservation and Utilization Committee, 1972, p. 6). (Paskey, Steward, and Williams, 2013, p. 9)

The scale and scope of development recommended in the government work during the 1970s was measured. The following predictions were the estimates offered then for the year 2000, assuming eight new projects were approved over 28 years:

- An annual production rate of one million barrels per day
- A depletion rate of the resource at approximately 734 years
- A population of 600,000 in Fort McMurray needed to support such growth (Conservation and Utilization Committee, 1972).

In government documents on the national economy, the oil sands are presented as a tool to build a strong economy not only for Alberta but for the entire country: “The evolvement of tar sand technology should be led by Canadian technologists for the benefit of Canadians” (Conservation and Utilization Committee, 1972, p.15). These benefits for the nation are expressed by suggesting control of the resource ought to remain Canadian since the Government of Alberta document states, “Alberta owns the supply (one third of the world’s known reserve) and the greatest demand emanates from markets external to Canada. With time Alberta should be able to utilize the tar sands as a lever in the socio-economic development of the province” (Conservation and Utilization Committee, 1972, p. 46).

A 1972 document produced for the government of Alberta and dealing with foreign ownership presents the oil sands as a unique resource capable of shifting existing trade power dynamics. It notes:

The tar sands offer a unique opportunity to change the historical trend of ever increasing foreign control of non-renewable resource development in Canada. Here is a reserve of the greatest magnitude which does not require highly speculative investment to find and prove. The world-wide demand for petroleum will be so compelling within the near future that it should be Alberta’s objective to increase Canadian equity participation in the resource developments. Huge amounts of capital will be required for further development of technology and the purchase of plants and equipment. However, to the maximum extent equity capital should be raised in Alberta and Canada recognizing that the usual past constraints of unproven reserves and uncertain markets.

(Conservation and Utilization Committee, 1972, p. 16)

In a speech to Calgary’s business community in 1974, Lougheed warned his audience that the province had only a decade to diversify its economy, and the first objective must be “to strengthen the control by Albertans over our future and to reduce the dependency for our continued quality of life on governments, institutions or corporations directed from outside the province” (Richards and Pratt, 1979, p. 233).

There are also government documents from the late 1970s and early 1980s that focus on Aboriginal issues. Within these reports, economic and environmental concerns were of secondary importance to discussions of the social and personal. The government-commissioned reports are full of recommendations and/or lessons learned, including:

- The need to capitalize on local peoples' knowledge of the meteorological conditions, history, and knowledge of the local terrain (Dev-Cor Technical Services, 1976, p. 65). This resonates with the ideas of incorporating traditional knowledge assessment, an approach that has become increasingly prevalent since 2010.
- Cultural appropriateness is often overlooked in research, thus instruments that measure impact ought to have validity and reliability with the groups being studied (Walsh, 1978). This is an issue that many First Nations groups suggest is overlooked today (see, for example, Athabasca Chipewyan First Nation, 2012).
- Accurate data needs to be collected on a broad range of community, social, and personal dimensions. These measurements must be explanatory as well as descriptive and include subjective as well as objective data with respect to the specified dimensions (Earl Berger Ltd., 1978; Larson, 1979).
- Solutions for native unemployment are multifaceted, assumptions about this population can and should be challenged by talking to the communities themselves (Deines et al., 1979). (Paskey, Steward, and Williams, 2013, p. 59)

Another aspect of the Lougheed government that differed from the Klein government when it came to the oil sands was its relationship with organized labour. In 1975, at the urging of the Syncrude consortium, the Alberta Energy Company—which was 49 per cent owned by the Alberta government—passed over the lowest bid for construction of a pipeline from the Syncrude plant, submitted by a non-union contractor, and gave the job to a unionized bidder. Syncrude had negotiated a no-strike, no-lockout agreement in return for assurances that the pipeline would be awarded to a union contractor. Lougheed recognized that if the oil sands were to be industrialized, then organized labour needed to be on side (Richards and Pratt, 1979, p. 236).

The Klein government was not so partial to unions. In 2006 it applied a rarely used section of the Alberta Labour Relations Code so that Canadian Natural Resources Limited (CNRL) could have one bargaining unit for all the construction workers building its multibillion dollar Horizon oil sands mine and upgrader, rather than separate agreements negotiated by various contractors with unionized workers. This made it much easier and cheaper for contractors to recruit foreign workers since they didn't have to

go through union hiring halls. The Christian Labour Association of Canada (CLAC), an organization that is not recognized by the Canadian trade union movement, was appointed as bargaining agent. None of the workers had a vote on the matter.

There's no question that the Lougheed government used all the power and money it had at its disposal in the 1970s to kick-start oil sands development. Its strategies underlined the belief that if the Alberta government didn't do this it would take far too long and most of the financial benefits would flow into corporate and government coffers outside the province rather than accrue to the Alberta government and individual Albertans.

Many captains of industry were alarmed by Lougheed's interventionist approach, and would rather have seen the government play a much more hands-off role. But most Albertans agreed with the approach of Lougheed and the PCs, and they were re-elected three times between 1971 and 1982 with landslide majorities.

Even Grant Notley, the provincial NDP leader at the time, agreed in principle with Lougheed's approach to development of Alberta's petroleum riches. He supported the federal NDP's position on nationalizing Imperial Oil and then using the publicly owned corporation as an influence on energy policy—much the same idea as Petro-Canada, which was established by the federal Liberals and Lougheed's Alberta Energy Company. But Notley opposed the general nationalization of the oil industry as proposed by some New Democrats at the time. He reasoned that such a move would scare off moderate voters and hurt the party come election time. Notley also argued that complete nationalization would be prohibitively expensive and that social democratic goals in energy policy could be achieved through regulatory means and an aggressive public presence in the industry. Lougheed and Notley both believed in government intervention in the economy, and in Alberta that meant the oil and gas industry. There were degrees of difference in their views on government's role, but essentially they were on the same page (Tupper, 1986).

3. RALPH KLEIN AND THE NATIONAL TASK FORCE ON OIL SANDS STRATEGIES

Ralph Klein became premier in 1992, only seven years after Lougheed's departure. Klein wanted government to step aside so the oil sands industry could promote development on its terms, and his government gave almost full rein to the industry while sidelining other stakeholders.

Klein's strategy was developed almost entirely under the aegis of the Alberta Chamber of Resources (ACR), an industry association comprising oil producers, pipeline operators, oil well servicing companies, and other businesses providing goods and services to the oil and gas industry. It had long been touting oil sands as the "priority mineral resource for further development" (National Task Force, 1995a, p. 3). In 1992 it organized the National Task Force on Oil Sands Strategies.

By 1993 the ACR had new and more sympathetic targets for their lobbying efforts. Ralph Klein had become premier of Alberta and Jean Chrétien's Liberals had replaced Brian Mulroney's Progressive Conservatives in Ottawa. That year, Chrétien named Anne McLellan, an Edmonton MP who had won her seat by only one vote, to the cabinet as Minister of Natural Resources.

At the time, McLellan was a lawyer who had no experience with the petroleum industry. But Chrétien had other priorities in mind with her appointment:

... it was quite clear to me that this was the first Liberal government elected since the end of the National Energy Policy, which was of course in the first term of Prime Minister Mulroney. So I think Mr. Chrétien wanted to send a message to the Province of Alberta, and to the oil and gas industry, that things had changed ... I think he wanted to send a message of some reassurance to most Albertans and to the industry by appointing an Albertan. (McLellan, 2011, p.3)

Chrétien also needed to placate Alberta because of the new western-based Reform Party. Led by Preston Manning, who hailed from Alberta and was the son of former Social Credit premier Ernest Manning, Reform had elected 52 MPs to the House of Commons, all but one of them from the western provinces. The Reformers had successfully siphoned off votes from western Progressive Conservative supporters by convincing them that the PCs were too focused on central Canada at the expense of the West. “The West wants in” had become a potent rallying cry for western conservatives who bitterly remembered the Liberals’ National Energy Program (NEP) of the 1980s as an attack on western petroleum resources.

Both Jean Chrétien and Ralph Klein were faced with high unemployment rates following the recession that had begun in 1990 and continued until early 1992. By 1993 the national unemployment rate stood at 11.3 per cent (Statistics Canada, 2015). Calgary had an unemployment rate of 10.4 per cent, and Edmonton a rate of 11.2 per cent (Statistics Canada, 1996). Alberta’s economy had been hit by both the national recession and the low price of oil, which was an average of \$16.75 a barrel in 1993.

Both governments had net debt and had been running deficit budgets for several years, although the indebtedness wasn’t as unusual or threatening to government operations as both Chrétien and Klein claimed at the time (Canada, Department of Finance, 2016). Alberta in particular needed more revenue if it was to repay its debt of \$32 billion, which had accumulated over eight consecutive budget deficits, mainly the legacy of former premier Don Getty, who succeeded Lougheed. But Klein and his treasurer, Jim Dinning, didn’t want to raise taxes or royalty rates on oil and gas, preferring to cut government spending and entice investment with low taxes:

Mr. Klein: Mr. Speaker, the four-year plan identifies the problem as one of a spending problem and not a revenue problem. The four-year plan says that we will avoid the introduction of any new taxes, including a sales tax, and we will avoid, if we possibly can, raising taxes. What we want to do is maintain as competitive a tax regime as we possibly can to attract to this province new investment and to create economic growth and prosperity. (Hansard, September 14, 1993, p. 211)

As Klein's energy minister, Pat Black (she later changed her surname to Nelson) wanted to make sure that investors in the petroleum industry would not be hampered by taxes, regulations, and complicated approval processes for their project applications:

We were under three million people; we didn't really have a lot of investment coming into the province. Because, first of all, we were over taxed, we were over regulated and we didn't have a very good record as far as getting applications through on the regulatory side. So, we needed an overall fiscal structure that would be seen to be friendly to investors to come here. (Nelson, 2012, p. 7)

At both the federal and provincial level, governments were much more open to the ideas of the Alberta Chamber of Resources when it came to policy incentives to spur investment in Alberta's oil sands. In order to formalize their position the ACR established the National Task Force on Oil Sands Strategies. The objective of the task force was to gather a "strategic group of diverse stakeholders convinced of the benefits of an action plan leading to the realization of the potential benefits of oil-sands based industrial development in this country" (National Task Force, 1995a, p. 4).

One of the key promoters of the task force was Eric Newell, who at the time was the president of both the Alberta Chamber of Resources and Syncrude Canada, the largest oil sands producer at the time. Newell managed to get a green light for the task force from the federal government in 1991 when Brian Mulroney was prime minister, at a national meeting of energy and mines ministers when the Mining Association of Canada placed it on the agenda on behalf of Syncrude:

... at the Energy and Mines Ministers meeting, you know, in order to get it on the agenda we couldn't do it through a provincial association, so we had to convince the Mining Association of Canada to put it, George Miller was the Executive Director and Syncrude was a big player. So Dennis Love [another Syncrude executive] and me, we wrote the paragraph and George just announced, we didn't know what the hell a national task force would be even and the thing was, the Conservatives were in power then and Jake Epp was the energy minister or Natural Resources Canada, or whatever they call it, I think we called it Energy, Mines and Resources at the time. (Newell, 2011, p. 18)

The task force members were self-appointed, which made it quite different from most commissions or inquiries established by government to provide policy advice. In 2007, for example, then-Alberta premier Ed Stelmach established a Royalty Review Panel to examine all aspects of the petroleum royalty system. Six members—economists, academics, and business owners—were named to the panel, and none of them were employed by the petroleum industry or government. They were given terms of reference and instructed to hold public meetings as well as accept written submissions from individual Albertans and other stakeholders (Alberta Treasury Board and Finance, 2007).

Eventually, both the federal and Alberta governments were asked by task force leaders to assign representatives to its working committees so it would have the credibility of a government-sanctioned inquiry (McLellan, 2011; Newell, 2011; Hyndman, 2011; Precht, 2013). Both levels of government acceded by appointing representatives from the bureaucracy. But the vast majority of task force participants worked for private sector corporations who were already involved in oil sands development or wanted to be. Of the 57 committee chairs and members named in the task force report, 45 came from industry ranks, six were from the federal government, and six from the Alberta government. The six committee chairs were all industry representatives, including two from Syncrude.

The History of Syncrude

Syncrude Canada Ltd. traces its roots to Mississippi-born Frank Spragins, an engineer who first worked in Canada during the 1940s as part of the US War Office's mission to discover much-needed oil. After the war Spragins settled in Alberta and went to work for Imperial Oil in its Athabasca Tar Sands Department, becoming a strong advocate for oil sands development. Spragins ultimately persuaded Imperial Oil and three other firms to develop the Athabasca deposit in northeastern Alberta.

During the early 1960s the Alberta government received three proposals for development of commercial oil sand plants. In 1962 the government developed an oil sands policy outlining means for orderly but limited development, so as not to flood the market with Alberta crude and weaken the price. The province selected the smallest developmental proposal, the Great Canadian Oil Sands (GCOS) project, under the ownership of Sun Oil Company (later Suncor Energy Inc.). Five years later the GCOS project went online, becoming the first oil sands operation in the world.

In 1964, four companies, including Imperial Oil, established the private consortium Syncrude Canada Ltd. Spragins was named president of the company, which was initially formed to examine the feasibility of mining the Athabasca deposit and to develop the joint venture Syncrude Project. In 1973, after 11 years of research and responses to regulatory bodies, the Syncrude Project received government approval. This was also the year when the oil embargo caused an energy crisis in North America.

In 1978, after a five-year, C\$2.4 billion construction process, Syncrude began producing 55,000 barrels of oil per day. The plant's operations involved pumping oil sands through a hot-water extraction system to remove the bitumen, which was then upgraded to crude oil. Six weeks after the plant went online, Spragins died, having spent 19 years developing the Syncrude Project. By that time the project had 10 partners. Imperial Oil Resources, with a 25 per cent share, remained the lead investor. Other partners included Petro-Canada, Athabasca Oil Sands Investments Inc., AEC Oil Sands L.P., Canadian Oil Sands Investment Inc., Gulf Canada Resources Ltd., Canadian Occidental Petroleum Ltd., Mocal Energy Limited, and Murphy Oil Company, Ltd.

The opening of the Syncrude operation marked the beginning of the oil sands' key role in the province's economy.

By 1992 Syncrude was generating 11 per cent of Canada's crude oil needs and was the country's largest single-source crude producer. With its production costs continuing to fall, Syncrude in 1992 submitted a plan to the Alberta government to expand production capacity from 170,000 to 217,000 barrels per day, and to ship bitumen to an off-site processing facility. Between 1978 and 1993, Syncrude cut nearly in half its per-barrel production costs, making its oil sands crude costs comparable to conventional oil's exploration and development costs.

In 1994 Eric Newell was named Syncrude chairman. The company produced nearly 12 per cent of Canada's petroleum needs that year, and was the largest oil sands operator in the world and the second-leading source of crude in Canada. Syncrude was also Canada's largest employer of Aboriginal people, with Aboriginal people constituting about 7.5 per cent of its workforce and 20 per cent of its contractors.

In late 1994 Syncrude doubled its reserves when it acquired two leaseholds from Petro-Canada. By 1995 the government of Alberta had sold its share in Syncrude. The company's annual production had grown more than fourfold since its launch, to 73.9 million barrels.

In 1996 Syncrude Canada launched its Syncrude 21 program (so named because it mapped out company growth well into the twenty-first century). The plan initially called for five expansion stages running through 2015.

But not all of Syncrude's history is positive. In 2008, after the death of 1,600 ducks in one of its tailings ponds, Syncrude became a worldwide symbol of environmental problems in the oil sands. The company was eventually convicted of breaking two environmental laws and fined \$3 million.

In April 2016 Suncor Energy Inc. became the largest shareholder of Syncrude, with a 54 per cent interest.

(Syncrude Canada Ltd., 2011; Finch, 2007; Richards and Pratt, 1979; Hirsch, 2004; Suncor Energy, 2016)

The task force didn't hold public hearings; instead its committees focused on researching and proposing ideas in six key areas: marketing and transportation, science and technology, environment and regulation, government and communications, fiscal and socio-economic, and materials/services and coalition building.

Paul Precht, an economist with the Alberta department of energy, worked on the task force for almost two years. He recalled during an interview that the oil industry wanted to restructure the royalty and tax system so it would be more to their benefit, and as a consequence stimulate investment:

On royalties, in particular, what the companies were looking for was a generic regime because what we'd been doing prior to that with OSLO and with Syncrude and Suncor, and there had been a couple of other projects, Alsands and Imperial Cold Lake back at the time of the NEP that none of the latter having gone forward. They were all one-off kind of negotiations. And, they said, 'This is creating uncertainty and that could be an impediment to potential investors. Let's get something out there that everybody knows what it is and is transparent.' (Precht, 2013, p. 10)

After two years of study and discussion, the task force launched its 62-page report at the Montreal Stock Exchange in May of 1995. Entitled *The Oil Sands: A New Energy Vision for Canada*, the report declared in the introduction that "the Task Force had identified a clear vision for growth and answered—affirmatively—the fundamental question: Should oil sands development proceed? The participants crafted an appropriate development plan, assessed the main obstacles to growth, and identified the levers of development to overcome those impediments" (National Task Force, 1995a, p. 4).

While many of the recommendations focussed on fast-tracking development of new technologies and building collaborative networks among oil sands developers, several focused on government policy:

- The federal and Alberta governments (Finance Canada, Natural Resources Canada, Alberta Treasury, and Alberta Energy) should develop a generic set of harmonized tax and royalty measures based on economic profits. Such a system will provide a consistent fiscal framework for all energy projects and result in a balanced sharing of profits. These common fiscal terms are necessary for the future development of Canada's oil sands.
- Development of the oil sands should be market-driven.
- The industry will work with government agencies (Alberta Energy and Utilities Board, Alberta Environmental Protection, Environment Canada) to develop a one-window review and decision process that harmonizes the current processes run by the Alberta and federal

governments. Efforts will centre on eliminating duplication between environmental assessments and approvals done at both the federal and provincial level and between departments at the provincial level.

- Governments should continue to support pre-competitive research and development via expanded industry-led collaborative research activities under The Canadian Oil Sands Network for Research and Development (CONRAD included federal and provincial government agencies, six oil companies and two universities) and other partnerships.
- Government should maintain an attractive investment climate for science and technology efforts in the oil sands.
- Government should ensure that oil sands export restrictions are removed.

(National Task Force, 1995a)

The authors of the task force report predicted that by following its formula for development there would be significant benefits to Alberta and the rest of the country:

- ... at crude oil prices in the range of Cdn\$25.00 the Canadian oil sands industry can grow to reach sales of 800,000 to 1.2 million barrels of crude oil and bitumen in the next quarter century.
- \$21 billion to \$25 billion of investment would double or triple current production
- The investment would increase Canada's GDP by 0.6 per cent.
- The investment would result in one million person years of employment between 1996 and 2020
- Forty-four thousand new permanent jobs would be created.
- Governments will accrue \$97 billion in revenue.
- Alberta's economy will grow by one per cent as early as 1998 with the impact increasing to five per cent by 2020 and annually thereafter.
- Forty per cent of the permanent jobs will be located in Alberta
- The remaining employment gains will be located in Ontario and Quebec.
- All Canadians will share in the prize because 85 per cent of the jobs created will be in manufacturing, finance, service, and other sectors across Canada.

(National Task Force, 1995a)

The task force asserted that if oil sands development was to proceed apace, governments would have to step back from investment and let the private sector do the job. This was an abrupt departure from how oil sands development had proceeded in the past. At one point the Syncrude consortium, for example, had included the Alberta government, the federal government, and the Ontario government as minority shareholders.

Proposed oil sands megaprojects of the 1980s, such as Imperial Oil's \$12 billion steam extraction plant in the Cold Lake area, also included federal and provincial financing (the project was eventually shelved in the face of declining oil prices). OSLO (Other Six Leases Operation) a \$4.3 billion megaproject proposed for Kearn Lake, 60 kilometres north of Fort McMurray, was to be built by a consortium headed by Esso Canada Resources with a 25 per cent stake, and included Canadian Occidental Petroleum and Gulf Canada, each with 20 per cent, Petro-Canada with 15 per cent, PanCanadian Petroleum with 10 per cent, and the Alberta government the remaining 10 per cent. At one point the federal government was planning to contribute \$1 billion to the cost of the project.

As capital- and labour-intensive operations, oil sands development appealed to the government of Don Getty, who succeeded Peter Lougheed as Alberta premier, on many levels. It was hoped that embarking on a large-scale project like OSLO might bring back investor dollars and confidence to the province. Oil sands projects drew in all kinds of workers from engineers to tradespeople, and could therefore help lower the unemployment rate. They also offered the province a way to offset its declining conventional crude stocks. Projects like OSLO—which would take eight years to reach completion—became symbols of economic progress even before they were built or producing synthetic oil. Long before detailed plans were even drawn up Getty was full of praise for the proposed project, which he asserted had national significance. “We need it for supply for Albertans and Canadians,” Getty told the *Toronto Star*, adding it was necessary to start immediately because of the long lead time (McCarthy and Ferguson, 1988, p. C1). While OSLO was eventually taken off the drawing board in the face of declining oil prices, Getty's prediction that it would increase oil supply for Albertans and the rest of Canada would never have come to fruition anyway. The 1988 Free Trade Agreement between Canada and the United States ensured that most of Alberta's oil production would be going straight across the US border.

The 1995 task force was proposing a completely different model of oil sands development than either Peter Lougheed or Don Getty envisioned: fewer megaprojects, more smaller in-situ projects, and no direct government financing. Advances in technology, the report stated, especially the introduction of in-situ oil extraction, which pushes bitumen up to the surface with steam, would mean that the large mining sites would eventually be replaced by smaller sites that required less capital for start-up and operation. Government funds wouldn't be needed because the market would be ripe for a quick turnaround in investment. In-situ oil extraction did indeed ramp up during the boom, although mining sites are still in operation and new ones are still being developed.

Taxes and Royalties

According to the task force, the most important key to stimulating the necessary investment was a generic fiscal regime (taxes and royalties) for all oil sands projects, rather than project-by-project agreements which had been the case up until then. The report stated that the new fiscal regime would “divide revenues and costs fairly between investors and government, and are stable and predictable and result in a level playing field for all, including new entrants” (National Task Force, 1995a, p. 8).

Specific analysis and recommendations regarding a new fiscal regime for the oil sands appear in an appendix to the main task force report. The 35-page appendix states that it is “the result of a concerted effort on the part of representatives with expertise in business economic decision-making from six companies active in the oil sands” (National Task Force, 1995b, p. i). It also states that industry members of the Fiscal Terms Work Group “consulted at length with officials of Natural Resources Canada and the Alberta Department of Energy” (National Task Force, 1995b, p. 1).

Regarding federal taxes, the group recommended:

- For Class 41 capital cost treatment: ... extend its availability to all investments in oil sands production. This would include in-situ production and Oil Sands upgrading plants.¹
- Existing 25 per cent resource allowance.²
- A resource rent tax which is a percentage of net revenue paid after deducting:
 - o All capital and operating cost expended in the year, up to a maximum of gross income
 - o Carry forward of all costs not written off in the year spent
 - o Deduction of an interest or return allowance of costs carried forward at a publicly reported indexed rate.

(National Task Force, 1995b, p. 1-2)

Regarding provincial royalties, the group recommended:

- Royalty should be based upon the value of the first marketable product less its cost of production
 - Net royalty after recovery of all costs at a single common rate.
 - No gross royalty
 - No uplifts³ on operating and capital costs
 - Interest allowance on costs carried forward at a single generic indexed rate
 - No waivers on natural gas royalty.
- (National Task Force, 1995b, p. 2)

1 At the time, Class 41 of federal income tax regulations only specified oil sands mining operations (Alberta Energy, 1998).

2 The resource allowance, calculated as 25 per cent of resource profits (see below), functions as a proxy for actual royalties and mining taxes paid to provinces. At the same time, the resource allowance was designed to encourage investment in exploration and development (Canada, Department of Finance, 2003).

3 Uplifts include grants, loans, loan guarantees, and other investment enticements provided by government (Dobson, 2015).

The task force also recommended that the “Province and the Government of Canada act jointly to effect the implementation of these recommendations or an alternate acceptable set of terms” (National Task Force, 1995b, p.2).

The report emphasized that the underlying goal of its fiscal recommendations is to “maximize wealth generation in Canada and consequently for Canadians. Investment risks to individual developers, as well as returns to investors and governments, were also important considerations” (National Task Force, 1995b, p. 5). The report goes on to explain that the adoption of these recommendations is appropriate due to the large scale and high costs of oil sands extraction and production, the long lead time needed for construction before projects are operating and producing, and the long-term focus necessary for the development of technological innovations.

Environmental Sustainability

The report mentions “environmental sustainability” as a key aspect of oil sands development several times. An appendix to the main report states the key environmental issues facing the oil sands industry are: “energy conservation, greenhouse gas emissions,⁴ land use and reclamation, air quality, water conservation, water quality, and bio-diversity” (National Task Force, 1995c, p. 3).

While the task force singled out pressing environmental problems in the oil sands, it did so from the perspective of the oil industry; no other point of view is represented in the report. As a result, the 12-page appendix on environmental sustainability in the oil sands reads like a congratulatory pat on the back to the industry for its progress in this field. Under a subhead entitled “Our Vision” the subcommittee report states: “The industry’s excellent record of environmental performance is a testament to the time, money, research, and continuous improvements in operations over the past 30 years. And we know there is more to be done” (National Task Force, 1995c, p. 2).

On the issue of tailings ponds, which were cited as early as 1973 in a report commissioned by the Lougheed government as the most constraining environmental hazard of oil sands development (Intercontinental Engineering of Alberta Ltd., 1973, p. 73), the appendix briefly acknowledges that integrating tailings ponds into reclaimed landscapes is the industry’s “greatest challenge” (National Task Force, 1995c, p. 5). But it then goes on to assert that the ponds are a “safe and effective storage method” (ibid).

⁴ The Kyoto Protocol was adopted by the United Nations two years later.

The task force also clearly stated that the regulatory process had become an “impediment” to oil sands development and that there were concerns about “the unpredictability of the process, the length and cost of the cycle” (National Task Force, 1995a, p. 16).

It called for a “single window” for regulatory requirements and suggested that there be clearer rules for intervenors at public hearings and that the evidence presented by intervenors be of high quality and relevant to the project in question.

There was one Aboriginal person on the task force, David Tuccaro, a successful businessman from Fort MacKay First Nation, located 50 kilometres north of Fort McMurray, but there is hardly any reference to Aboriginal issues in the report. The task force stated that future oil sands development must “ensure that Aboriginal communities in the region fully develop economic partnership opportunities including investment and development of new businesses and career training, and development and employment in the industry” (National Task Force, 1995a, p. 35) but there are no details on how this would be achieved.

The task force report concluded with 23 recommendations put forward by sub-committees that dealt with science and technology, fiscal terms, capital formation, sustainable development/environmental excellence, market development, pipeline transportation, regulatory framework, and informed and supportive stakeholders (this section included mention of Aboriginal peoples).

Selling the Task Force Report

After the task force report was made public, Eric Newell embarked on a cross-country speaking tour to promote its findings and push for oil sands development. He took up the role with gusto and became the report's chief cheerleader. Right after the launch of the report in Montreal, he spoke to the Canadian Club in Ottawa, and shortly after that to the Empire Club in Toronto. “I firmly believed that that was only the beginning, that we had to then go out and sell it and I was given like, a couple years where I think I did over 50 major speeches a year on it. I'd talk to anyone that would listen and we had to sell it” (Newell, 2011, p. 19).

Ralph Klein's Alberta government didn't need a sales job. It immediately began discussions on the task force's recommendations. On September 6, four months after the release of the task force report, the Standing Policy Committee of the Alberta government approved the generic oil sands royalty regime. Two months later Klein announced that the new royalty regime applied to all new projects. “This is an example of the government's new

approach to development,” said Klein. “Instead of participating directly, we are establishing a framework that should encourage new projects, which mean more jobs and a stronger Alberta—and Canadian—economy” (Sharpe, 1995, p. 3). No longer would royalties and taxes be negotiated project by project as had been the practice (Alberta Energy, 1998).

After decades of industry lobbying, the province implemented a generic royalty and tax regime that was devised by the industry and would apply to all oil sands projects. The province would receive a minimum royalty of 1 per cent on all production. The royalty would increase to 25 per cent on net project revenues after the project developer recovered all start-up costs, including research and development costs and a return allowance. More important, for project developers, all capital costs—including operation, and research and development costs—would be 100 per cent deductible in the year incurred (Alberta Energy, 1998).

The generic royalty regime was designed to encourage oil sands investors by assuring them that they would pay almost no royalties (royalties are not a tax but are considered as rent paid by producers for the use of a publicly owned resource such as oil) until they had paid off all the costs of constructing the project. So while the project could in fact be producing oil for sale to the market at the going price, royalties would be only 1 per cent until the cost of construction was entirely paid off. Between 1997 and 2010, oil sands producers paid Albertans less than \$20 billion in royalties and land sales for the rights to more than \$205 billion worth of bitumen (Boychuk, 2010, p. 31). In other words, the industry was getting “free oil” and putting it on the market when, by 2008, US refineries were paying US\$100 a barrel for Canadian crude oil.

The federal government, however, was not so keen to modify its tax regime to suit the oil sands industry. Anne McLellan, Minister of Natural Resources in Ottawa at the time, knew from negotiations underway between her ministry and the Ministry of Finance that it was opposed to the oil sands industry’s request for tax deductions because it would reduce revenue at a time when the federal government was struggling to contain its sizeable deficit and debt. So she encouraged Newell to garner as much support as he could across the country:

I remember Eric at one of our meetings, and there were many of one kind or another, I remember saying to Eric that “Look if you want me to try and sell this to the Minister of Finance and to my colleagues around the Cabinet table at this difficult time, you really do have to go across this country and try and sell this as a national project, that this isn’t just about the Province of Alberta. This is a national endeavor that will, in fact, inure to the benefit of all Canadians.” And Eric said that he would do that, and he and

I have often laughed, because I think he visited every Chamber of Commerce he could possibly get an invitation to talk about the benefits, the potential benefits for other parts of the country. (McLellan, 2011, p. 9)

Several Syncrude executives, including Newell, lobbied Ottawa to adopt the provisions outlined in the task force report. Al Hyndman, another Syncrude executive, was the expert on the fiscal regime that the task force was recommending, and he became the chief lobbyist in Ottawa. Anne McLellan remembers how determined Hyndman was to get his message through to influential politicians and bureaucrats:

I remember—I joke with Al Hyndman even now that Al practically lived in Ottawa at the time. He showed up at every Liberal event. He bought tickets for every Liberal reception. He'd even show up at the Liberal Christmas caucus parties. I'd say, "How did you get in here?" He'd say, "I know people. People, you know I'm a guest of X or Y," and we would laugh. And wherever the Minister of Finance was, you'd find Al Hyndman not far behind. (McLellan, 2011, p. 9)

The federal government modified its taxation and royalty regime 10 months after the release of the task force report. Previously, Ottawa's tax scheme distinguished between conventional oil sands mining projects and in-situ projects, favouring the former by allowing a wider range of deductions. The 1996 federal budget eliminated the distinction between the two as the federal government applied a universal tax regime for oil sands producers. In addition, Ottawa extended new tax incentives to spur the industry. Before 1996, Ottawa provided incentives for project expansions but disallowed write-offs related to upgrades aimed at improving efficiency. The 1996 budget changed these provisions and helped streamline the policies of both the federal and provincial governments.

On March 6, 1996, the same day the federal government announced its budget provisions for the oil sands industry, Alberta energy minister Pat Black told the Alberta Legislature:

This move is a response to one of the recommendations in the National Task Force on Oil Sands Strategies and should encourage further development of this tremendous natural resource. Over the next several years we expect to see more than \$2 billion invested in at least six oil sands projects. This is a tremendous initiative for this province and clearly recognizes the oil sands as one of the most strategic resources in all of Canada. (Hansard, March 6, 1996)

It didn't take long for the oil industry to respond to the changes. By 1997, production from the oil sands had increased to more than 540,000 barrels per day (Alberta Energy and Utilities Board, 2006), an increase of 18.6 per cent over the previous year. The new taxation policies triggered an investment by several small and medium-sized companies, like Koch Oil Sands, Murphy Oil, and Black Rock Ventures (Chastko, 2000). Alberta Energy noted in its annual report for 1995–96 that applications for new or expanded oil sands projects had jumped from 36 in the previous year to 61 (Alberta Energy, 1996). In total, various players had announced plans to invest an additional \$19 billion in the oil sands by 2005. According to Alberta Energy, that represented potential growth of over 1.2 million barrels per day and the creation of “thousands of permanent jobs” (Alberta Energy, 1998).

Technological developments, particularly the development of SAGD (steam-assisted gravity drainage) and in-situ extraction—most of which had been funded by the provincial government through Alberta Oil Sands Technology and Research Authority (AOSTRA)—meant that smaller companies did not have to invest billions of dollars as Imperial Oil, Petro-Canada, and Syncrude had done. Alberta's Energy and Utilities Board (EUB) noted: “Future production of synthetic crude oil from mining and in-situ projects is anticipated to increase even more significantly as refined products from the oil sands replace the depleting conventional oil and gas reserves of the province” (quoted in Chastko, 2000, p. 220).

The oil industry was determined that the oil sands should be market-driven rather than a government-dependent venture. But the technology developments that resulted in in-situ operations and allowed smaller companies to invest had been fostered by government-funded AOSTRA and had occurred in spite of the oil industry. In 1974, when the Province of Alberta created AOSTRA, approximately 20 people—perhaps 10 academics and an equal number of their students—were conducting research on the oil sands. Twenty years later, more than 80 science and engineering professors were teaching and doing advanced research and development on oil sands-related projects. While some inside the industry coordinated their efforts, others did not. The lack of coordination resulted in needless duplication as companies isolated their research teams from the competition (Chastko, 2000).

Besides moving quickly on a new fiscal regime, the provincial government wasted no time in acceding to the oil sands industry's request that the process for project applications be faster and more streamlined. As a first step the Public Utilities Board (PUB) and the Energy Resources Conservation Board were merged into one board, the Energy and Utilities Board (EUB). But because of the Klein government's focus on reducing the deficit, staff numbers were reduced even though oil sands project applications were increasing. Alberta Energy also made it clear that the new system would "lessen the regulatory burden on industry and the EUB" (Alberta Energy, 1996, p.7).

Alberta Energy also introduced a streamlined application and approval processes for oil sands projects that involved both the EUB and Alberta Environmental Protection, and had the new process pilot-tested by late 1995, just six months after the release of the final report of the task force.

The new system also introduced self-regulation, which meant oil sands operators became responsible for regulating themselves. In the words of Alberta Energy, "In the new approach, the Board began placing the onus on industry to assume responsibility for knowing and complying with regulatory requirements" (Alberta Energy, 1996, p. 64). With fewer government regulators and inspectors the industry was left to monitor itself just as the race to build or expand dozens of oil sands projects became more heated than it had ever been.

The future of oil sands development may have been murky in the 1990s given the low price of oil, high extraction costs, and high interest rates, but there is no question that without earlier government support, particularly from the Alberta government and for Syncrude specifically, there wouldn't have been much for a "market-driven" industry to build on.

Media Coverage of the Task Force

The relative speed with which both the Alberta and federal governments adopted the key recommendations of the National Task Force on Oil Sands Strategies didn't allow for much airing of the proposals in the Alberta Legislature, Parliament, the news media, or other public arenas. Yet, the switch in the roles of government and industry when it came to oil sands development—the industry in the driver's seat and the government in the passenger seat—as spelled out in the task force report resulted in a significant change in direction. No longer would governments be overseers and financial partners; they would be facilitators, removing obstacles on the road to development so the industry could forge ahead on its own terms.

Perhaps one of the reasons there was so little public debate on the matter is that the task force was usually defined by the media as simply a government-industry collaboration, if it was defined at all. It was rarely mentioned that the Alberta Chamber of Resources spearheaded the task force, industry representatives vastly outnumbered government representatives, and Syncrude executives were key players. This is revealed by examining a sample of the contemporary coverage of the task force by the news media.

A search of the Canadian Newsstand database using the search terms “National Task Force” and “oil sands” and focussing on published items between 1993 and 1997 found a total of 36 distinct articles. Of those 36 articles—all of them from daily newspapers—20 referred to the National Task Force on Oil Sands Strategies without an explanation of how the task force was established and dominated by the oil industry. It would seem that simply denoting “National Task Force” bestowed credibility and influence on the enterprise.

Sixteen out of 36 published articles referred to the origins of the task force, although most simply described it as an “industry-government group” without further details. Only three articles pointed out that the task force had been dominated by the oil industry:

- “... says a report from the industry-government group,” and “The task force, comprised mainly of oil, pipeline and associated companies, called for ...” (Hryciuk, 1995, p. A1).
- “The task force, comprised mainly of oil, pipeline and associated companies, called for ...” (Toronto Star, 1995, p. E8).
- “Despite its official-sounding name, the task force was largely the creation of the industry and its report a sales pitch for major expansion of oil sands investment and new tax regimes” (Corcoran, 1996, p. B4).

Of the 16 articles that mentioned the origins of the task force, only two noted that task force spokesman Eric Newell was also the president of Syncrude:

- “Eric Newell ... who is President of Syncrude Canada Ltd ... [announced] the other day, as head of the National Task Force on Oilsands Strategy ...” (Fotheringham, 1994, p. 23).
- “Eric Newell, a task force member and president of Syncrude Canada Ltd., told a news conference ...” (Hryciuk, 1995, p. A1).

One article over-emphasized the role of the federal government in the task force, stating “... federal Energy Minister Bobbie Sparrow[s] department is participating in a steering committee to organize a national task force on oil sands strategies ...” (The Globe and Mail, 1993, p. B4).

A reporter for *The Gazette* of Montreal got the description of the task force's origins completely wrong, describing it as having been set up by Suncor Inc., and went on to say that the executive vice-president of Suncor was also the vice-president of the Alberta Chamber of Commerce, which commissioned the task force report (Ferrabee, 1995, p. C4).

Besides a relative paucity of coverage of the task force over the four years that covered its establishment up until a year after the federal government enacted its fiscal recommendations, this sampling reveals that simply using the title "National Task Force" without explanation of its origins, as most of the sample did, gave it the requisite authority and credibility to be taken seriously. The coverage that defined the task force as an industry-government collaboration—less than half of the articles—didn't give any further explanation, which left the impression that participation was on an equal basis. None of the articles mentioned that other stakeholders, or who they might be, had not been consulted. Only three articles out of 36 pointed out that the task force had been established and dominated by oil industry players.

In this way the news media gave the task force a certain legitimacy that was at odds with its origins and purpose. It may have also served to convince readers that the task force was more concerned about the public interest than its own interests.

4. CONCLUSION

Alberta's budget deficit was eliminated by 1994–95, two years ahead of schedule. Severe budget cuts played a major role, but as the Klein government began to post substantial budget surpluses it also dramatically increased its total expenses—by 97 per cent between 1996–97 and 2005–06 (Canada, Department of Finance, 2016). At the same time, oil sands development was ramping up due to a strategy almost entirely devised by the oil sands industry via the National Task Force on Oil Sands Strategies. The combination of the rising price of oil, the new tax and royalty regime, faster project approval processes, and the introduction of self-regulation by the industry produced a frenzy of investment and construction in the oil sands that drew thousands of newcomers to Alberta. Between 1996 and 2005, Alberta's population grew by 500,000, or 16 per cent (Alberta Treasury Board and Finance, 2016). Those newcomers required more schools, hospitals, public transportation, and other services. But the oil sands construction frenzy also meant that by 2006 Alberta had the highest inflation rate of all the provinces (Statistics Canada, 2017). The government had to pay top dollar for the labour and materials required to keep up with the rapid population growth.

The Klein government posted hefty budget surpluses between 1994–95 and 2005–06, largely due to increased government revenues from the energy sector (but also because of severe budget cuts in the early years of this decade). But its industry-supported royalty regime also meant that the province left billions of dollars in royalties on the table, dollars that ended up in bulging corporate coffers (Taft, McMillan, and Jahangir, 2012). By 2015 the price of oil had sunk drastically and Alberta was once again facing the prospect of deficit budgets, soaring debt, and higher-than-usual unemployment rates. The Klein government's market-driven approach to oil sands development had not produced the long-term prosperity for the province that the industry and government had predicted.

It was a vision of long-term prosperity that guided premier Lougheed when he was developing oil sands policy. Unlike the Klein government, Lougheed's government sought to manage development of the oil sands industry so that it would produce stable government revenues and savings. Lougheed didn't assume that if the oil sands industry were left to its own devices everyone would prosper. He was an interventionist who believed government had an important role to play in the development of the economy that would assure benefits for Albertans, not just corporate bank accounts.

Political, economic, and social conditions have changed significantly since Peter Lougheed was first elected premier and began positioning oil sands development as the key to Alberta's future economy. By the time Rachel Notley came to power, the oil sands were indeed the key driver of Alberta's economy. However, like Ralph Klein in his early years as premier, she also has to contend with low oil prices and low energy revenues, with the added strain of international requirements for lower carbon emissions and more renewable energy.

Notley has made it clear that while her government will continue to encourage oil sands development, like Lougheed she wants a more measured pace of development. This is evident in the Climate Leadership Plan (Government of Alberta, 2015), which imposes a 100 megatonne cap on oil sands greenhouse gas emissions, thereby slowing development and/or forcing oil sands operators to develop technology that significantly reduces carbon emissions intensity. The cap makes it clear that development of oil sands operations is not an open-ended project, but must conform to government's expectations rather than market forces.

Notley's Climate Leadership Plan also features a levy on the consumption of fossil fuels in the province. There was no such levy in Lougheed's day, but Notley plans to use revenue from the carbon tax to kick-start renewable energy development in the province, much like Lougheed used government revenues to kick-start the development of oil sands technology.

Notley has also shown a proclivity for encouraging Alberta-based energy companies to work closely with her government, much like Lougheed promoted an Alberta-first strategy through the Alberta Energy Company and his support for Syncrude. When Notley announced her Climate Leadership Plan on November 22, 2015 in Edmonton she was joined on stage by CEOs from Canadian Natural Resources Limited, Suncor Energy, Cenovus Energy, and Shell Canada (CBC, 2015). All those companies have significant oil sands operations and with the exception of Shell Canada are formidable home-grown oil and gas producers.

Unlike Lougheed, however, Notley chose not to impose higher royalty rates on the petroleum industry early in her mandate. She struck a Royalty Review Advisory Panel (Alberta Energy, 2016b) to examine current royalty rates and make recommendations to government. The panel recommended a number of structural changes to the royalty system for conventional oil and gas but virtually no changes to the royalty rates overall, including the oil sands' 1 per cent royalty designed by the Klein government.

Unlike Klein or Lougheed, however, Notley has established a consultative strategy when it comes to devising energy policy. Rather than leave the development of policy to only one stakeholder—the petroleum industry—as Klein did, Notley has established several review panels and committees comprising representatives of industry, academia, First Nations, environmental NGOs, labour, and citizens at large. These panels have been tasked with holding public hearings and/or bringing forth ideas and recommendations to the government. They include the Climate Change Policy Review Panel, the Royalty Review Advisory Panel, the Energy Efficiency Advisory Panel, and the Energy Diversification Advisory Committee.

Much like her father, Grant Notley, who was NDP leader during Lougheed's tenure, Rachel Notley has developed her own brand of NDP energy policies, policies that often stand in stark contrast to the policies of the federal NDP and other provincial wings such as that in BC. For example, she unapologetically promotes oil pipeline proposals and works to develop new markets for Alberta's fossil fuels, which runs counter to the federal NDP's platform. Like her father, Premier Notley seems to realize that many Albertans depend on the petroleum industry for well-paying work. Too much socialism, the elder Notley reasoned, would scare off moderate voters and hurt the party come election time. He also argued that social democratic goals in energy policy could be achieved through regulatory means and an aggressive public presence in the industry (Tupper, 1986).

There's no question that both Lougheed and Klein (and her father) have influenced Notley's energy policies. But so far Notley's vision of government's role, especially when it comes to oil sands development, harks back to the Lougheed era. Her policies indicate that there is too much at stake for all Albertans when it comes development of the province's energy resources to give control to one key stakeholder—the petroleum industry—as Klein did. As this research shows, giving control to one stakeholder at the expense of all the others means their interests will be well-served but at the expense of the broader public interest. Government has a responsibility to consider the needs and interests of all stakeholders—particularly the owners of the natural resources, the people of Alberta.

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