The China-Hong Kong-Canada Oil Sands and New Pipeline Axis

A China-Environment Blog

Goods movement and climate change activists take note: a new axis regarding oil sands development and the construction of new pipelines has taken root. Various deals and political connections have been made that involve huge Chinese and Hong Kong oil companies (including two major state-owned companies), the Canadian government, and pipeline developers seeking to build massive pipelines to the west coast of Canada in British Columbia and to the east coast of Canada in Quebec City and New Brunswick. The purpose of this new axis has been to expand the in situ development of heavy crude bitumen oil and then to facilitate its transport through a pipeline disrupting thousands of miles, including of Aboriginal and wilderness lands, to arrive at proposed new or expanded oil tanker ports. Once these pipeline plans are approved – some as soon as the next few months – the bitumen/heavy crude would then be shipped to ports in China and other Asian destinations, such as India.

Here are the players who constitute this new axis:

* The **Chinese National Offshore Oil Company (CNOOC)**, a state-owned company, got final approval on February 25th to purchase for $15.1 billion, Nexen, a major Canadian oil and gas company, which has major oil sands holdings and reserves in Alberta, Canada, as well as other holdings including in the Gulf of Mexico. Since Nexen also operated in the U.S., it thus also required U.S. approval of the deal, which was granted last month. This is also the largest foreign takeover by a Chinese government-owned company.

* The **China Petroleum and Chemical Corp., also known as Sinopec**, bought in 2011 the Calgary-based Daylight Energy Company for $2.1 billion. Daylight has major oil shale holdings and reserves. The previous year, Sinopec paid $4.65 billion for a large stake in the massive Syncrude oil sands project in Alberta. These and other deals have now enabled Sinopec to have access to more than 300,000 acres of land with oil and natural gas deposits.

* **Petro China** bought the Athabasca Oil Sands Corporation in 2010 (60% of the company for $1.9 billion) and then the remaining 40% in 2012 for $688 million, to give it 100% ownership. The sale came a week after Alberta regulators approved a planned 150,000 barrels-a-day project, with 35,000 barrels-a-day ready to go on line this year.

* **Husky Oil**, owned by Hong Kong magnate, Li Kai-Shing, the eight richest man in the world and the private owner of one of the Ports in Hong Kong, has established major oil sands holdings in Alberta. This includes the Sunrise Oil Sands project that has been jointly developed with BP.

* The **Canadian Government**, led by oil sands and “free market” enthusiast, Premier Stephen Harper, has been an active player in helping facilitate the China connection and has stepped up its interest in developing new opportunities such as the proposed Enbridge Northern Gateway Pipeline, to insure that the oil sands development expand and find its home in the Asian market. This interest intensified with the continuing debate in the U.S. over the Keystone Pipeline.
*The Enbridge Northern Gateway Pipeline and the Energy East Pipeline are critical components of this new oil sands, Canada, and China axis. The Northern Gateway Pipeline would entail the construction of a $6.5 billion, 1,177 (or what the company calls “1,177 rational and respectful kilometers”) pipeline from Alberta Province to a proposed new oil tanker marine terminal at the port of Kitimat in British Columbia. The proposed new terminal, designed to accommodate as many as 250 oil tankers a year to take the heavy crude oil to China and other destinations, and the Northern Gateway Pipeline, are central to the further expansion of oil sands development. The final regulatory approval is scheduled for this June. The Energy East Pipeline is a $12 billion, 4600 kilometer pipeline designed to carry 1.1 million barrels of crude oil per day to refineries in Eastern Canada and to port terminals in St. John, New Brunswick and Quebec City. Among other interested parties, Husky Oil has declared its interest in the pipeline as a means to increase deliveries to India, a new market for the crude oil. Plans to secure approval have been delayed but are expected to have an application for approval filed by pipeline developer Trans Canada in 2014.

The two pipeline projects have generated major opposition, both in British Columbia and New Brunswick, and especially among First Nations and environmental groups who see the potential for major impacts through the construction process and the potential for major oil spills. Law suits have been filed by the Ecojustice organization and an environmental law clinic at the University of Victoria. Opposition among more than 130 First Nations organizations has been particularly important in the efforts to stop the Northern Gateway pipeline.

As noted earlier, these developments are a major reason why port and goods movement activists and researchers, through the Moving Forward Network and other groups, need to focus both on local impacts and the global implications of their advocacy. The U.S. groups should reach out and make common cause with the Canadian opposition groups. Climate change advocacy is also at stake above and beyond the crucial fight against the Keystone pipeline. The China connection is particularly noteworthy, not only due to the deep pockets of the Chinese and Hong Kong companies to further the development of the oil sands but also providing the potential to increase its development in China (where huge oil shale deposits have been identified) and places like India where opportunities for new fracking projects are being explored. New alliances among goods movement and climate activists, along with the crucial environmental justice implications associated with the impact on First Nations lands, make this new axis a pre-eminent battleground for environmental and climate justice.