



## Value of Canada's oilsands nearly \$1.5 trillion, think-tank says

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OTTAWA - The wealth in Canada's oilsands, even taking into account the recent plunge in world oil prices, is nearly \$1.5 trillion, more than four times the \$342 billion officially estimated by Statistics Canada, argues a Canadian think-tank in a report released Monday.

That works out to an \$34,591 increase in the wealth of Canadians to \$243,950 for every man, woman and child, according to the analysis by the Canadian Centre for the Study of Living Standards.

Last year, Statistics Canada valued the oilsands at \$342.1 billion, or five per cent of Canada's total tangible wealth of \$6.9 trillion, the centre noted.

However, the federal agency's method of evaluating that wealth underestimates the quantity of oil that the oilsands contain and the speed at which that wealth will be extracted, it said.

The reasons the agency underestimates the wealth in the oilsands is that it takes a restricted view of reserves, including only those that can be exploited now, Andrew Sharpe, chief economist at the centre and one of the authors of the report explained in an interview.

"Given the oilsands importance, it is essential to value them appropriately," the report said.

The official Statistics Canada estimate of the reserves, at 22 billion barrels, is "very small compared to those obtained using more appropriate definitions" resulting in an underestimation of their true value, it said.

Further, it added, the failure to take into account the projected growth of the industry significantly magnifies this underestimation.

More reasonable measures of the total oilsands reserves put them at 173 billion barrels, or eight times the 22 billion estimated by Statistics Canada, the centre said, citing an estimate of the Alberta oilsands reserves by the Alberta Energy Resource and Conservation Board. And the rate at which that oil is projected to be extracted - from 482 million barrels per year in 2007 to a peak of 1,350 million barrels in 2015, and at the 2007 price of \$70 Cdn per barrel - boosts the estimated present value of the oilsands to about \$1.483 trillion, 4.3 times larger than the official estimate of \$342.1 billion.

But the extraction of that wealth comes with a hefty price tag, the Ottawa-based research firm also cautioned, estimating that the social and environmental costs resulting from the emission of greenhouse gases alone at \$69.4 billion.

That reduces the net wealth of the oilsands to \$1.413 trillion, which is still 4.1 times greater than the Statistics Canada estimate.

“Climate change, caused by the emission of greenhouse gases in the course of human activity, has the potential to impose many social costs through its effects on weather patterns, land value, ecological diversity, forestry, fisheries, political conflict, human and animal migration, energy demands, and a host of other natural and social phenomena,” the centre said.

The centre's “preferred estimate, which subtracts the costs of greenhouse gas emissions” does not, however, take into account other yet-to-be estimated environmental and social costs, it added.

“A comprehensive valuation of all environmental costs are needed to assess whether future benefits derived from oilsands development are outweighed by even larger environmental costs,” it said.

“Using our preferred estimate, Canada's total tangible wealth increases by \$1.1 trillion or 17 per cent, and reaches \$8 trillion with oilsands now accounting for 18 per cent of Canada's tangible wealth.”

“Given the importance of the oilsands for Canada, Statistics Canada should undertake a review of its methodology.”

“The coming-of-age of the oilsands has transformed the Canadian economic landscape,” it said. “With Canada now claiming the second largest oil reserves in the world, the importance of the oilsands to the rest of the world and its potential impact on the lives of Canadians cannot be underestimated.”

The development of the oilsands carries significant political, environmental and social challenges, it said.

For example, on the environment, Canada faces major international criticisms because of its booming greenhouse gas emissions, it said. Also, oilsands development poses a potential threat to the water supply and human health and entails an economic shift east to west, which may pose important challenges for Canada's society and unity.

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