

Pipeline or Pipe Dream?

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Much has been made of the recent announcement of a memorandum of understanding (MOU) between Prime Minister, Mark Carney and Alberta Premier, Danielle Smith, purporting to be the first step toward developing a new pipeline that will carry Alberta bitumen to foreign markets.¹ The announcement came as something of a surprise, since oil pipelines have not been one of Mark Carney's favourite topics. It was enough of a surprise to prompt eco-activist, MP, Steven Guilbeault, to resign his cabinet post as Minister of Culture.² For him, any talk of new pipelines is unconscionable.

But let's take a look at this MOU. There are hurdles a-plenty and some serious downsides to this agreement. First of all, there are no guarantees that any pipeline will ever be built under its provisions. The agreement states clearly that a pipeline to BC's coast must have the support of indigenous peoples as well as the approval of that province. Right now, both BC's radical NDP government and the chiefs of most of BC's coastal tribes have expressed concern or resistance to this project. BC citizens and legislators are—following the Cowichan decision in the BC courts—grappling with questions of land ownership, indigenous rights and title, and the process is by which future land use decisions will be made. Getting enthusiastic buy-in is certainly not guaranteed.³

Secondly, the MOU so proudly presented to the citizens of Alberta and of the nation at large, comes with some considerable baggage. It proposes to increase the industrial carbon tax in Alberta from \$95/tonne to \$130/tonne of carbon emissions. In addition, the MOU commits Alberta and Canada to working together with Pathways to build the world's largest Carbon Capture, Utilization and Storage (CCUS) infrastructure.⁴ Carbon capture is a dubious and expensive process and, of course is based on the unproven theory (disputed by many) that human use of carbon resources is causing environmentally damaging climate change. When added together, the industrial carbon tax and the cost of implementing carbon capture will raise the cost of production by as much as \$10 US per barrel, according to economist Jack Mintz.⁵

Since most oil and gas companies are in the business to make money and not primarily to earn a green energy medal, raising the cost per barrel for Canadian oil reduces the incentive for investment in new production capability. A pipeline depends on economic viability, and for that, the cost of production must not exceed the value of the finished product on world markets. Consumers in Canada would expect to pay more at the pump. World markets don't work that way. Foreign purchasers will look for the lowest prices.

If the federal and provincial governments choose to subsidize these costs, that simply means more debt and higher taxes.

Some other lofty goals set by Mr. Carney and Ms. Smith are:

- The lifting of the West Coast Tanker Ban.
- Suspending the "Green Energy" requirement for new power plants in Alberta.
- Lifting the Emissions Cap for oil and gas producers in Alberta.

All of these aspects have been and are being discussed by fiscal conservatives and clear-eyed commentators, both within Alberta and around the country. The ebullient rhetoric from Mr. Carney may be intended more to sideline and undercut the Alberta independence movement than to actually improve

Alberta's ability to produce and market its vast resources of oil and gas. Obviously, he knows he must do something if he's to keep restless Albertans from cutting themselves loose from Ottawa.

However, leaving aside the likelihood of being able to pull all the pieces of this puzzle together, there's one aspect of this proposal that I have not seen referenced in any major publication or podcast. That is the short-sighted plan to ship raw bitumen from Alberta's oil sands to Asian markets instead of upgrading that same product in Alberta and exporting it as synthetic oil. Why not pump upgraded synthetic oil⁶ to the BC coast and refine it there into finished products for foreign markets?

There are several advantages of converting bitumen into synthetic oil before pumping it through miles of pipe:

1. Canadians—Albertans in particular—would get the jobs and the upgrading would be done in a world-class, environmentally designed facility. The finished product is worth \$10-\$15 US more per barrel and that increased value would stay in Canada.
2. Synthetic oil is much easier to pump through long pipelines. Bitumen is thick and sticky and requires the addition of chemicals—called diluents—to permit it to flow properly. This adds cost and makes the mixture more toxic.⁷
3. If there ever is a spill in fresh or salt water, bitumen may sink to the bottom, making it much more difficult—if not impossible—to clean up. Oil tends to float on the surface.

Various commentators in the industry claim that building another upgrader in Alberta would be too expensive or that the cost of upgrading would exceed the increased value obtained.⁸ They build them in China! They wouldn't do that if it didn't make economic sense. Of course, in China, they have lower wages and lower environmental standards. Are we passing along an environmental hazard that we're unwilling to deal with here? At this early stage of negotiations, I strongly recommend that Mr. Carney and Ms. Smith go back to the drawing board, call together a panel of oil experts and engineers and find a way to upgrade the bitumen in Alberta. That should be part of this process. Mr. Carney is not afraid of spending money. The carbon capture project—which I think is a total waste of time and money—is predicted to cost over \$16 billion. I'd much rather see that money invested in upgrading facilities so that Canada can sell environmentally-friendly, high-value finished products to the highest bidder. The CHP⁹ supports responsible resource extraction and strong economic growth. Let's make the most of our resources!

Footnotes

¹ www.pm.gc.ca/en/news/backgrounder/2025/11/27/canada-alberta-memorandum-understanding

² www.cbc.ca/news/politics/guilbeault-quitting-cabinet-9.6995299

³ thetyee.ca/News/2025/11/27/Carney-Smith-Pipeline-Plan-Slammed-BC/

⁴ pathwaysalliance.ca

⁵ albertaenterprisegroup.com/2025/12/04/jack-mintz-is-alberta-really-getting-a-pipeline-or-just-being-sold-a-pipe-dream/

⁶ www.oilsandsmagazine.com/bitumen-upgrading-index

⁷ response.restoration.noaa.gov/about/media/what-are-increased-risks-transporting-tar-sands-oil.html

⁸ calgaryherald.com/opinion/columnists/opinion-partial-bitumen-upgrading-could-boost-albertas-economy

⁹ www.chp.ca

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