

Conference Remarks

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**HOW THE OIL SANDS GOT TO THE GREAT LAKES BASIN:
PIPELINES, REFINERIES AND EMISSIONS TO AIR AND WATER**

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Check on Delivery

Thank you very much Mr. Chairman and good morning ladies and gentlemen. It is a pleasure to be here and review such an important issue with you.

In the short time that I have, I think the best value I can add to this discussion is in my capacity as outgoing Chair of the National Environment Committee of the Canadian Petroleum Products Institute (CPPI).

CPPI is an institute founded on environmental, health and safety priorities. Our committees focus on precisely those issues and we have a set of guiding principles that all of our members abide by.

Further details on these guiding principles can be found at www.cppei.ca.

Let me now give you my thoughts about the paper by David Israelson on pollution in the Great Lakes.

I found the paper well written and very informative, with lots of information and statistics that certainly will draw more attention to this issue.

This paper draws a conclusion on which almost everyone can agree: industrial development and consumer energy demand pose important questions for public policy makers and energy providers alike.

Mr. Israelson correctly identifies the importance of the oil sands and identifies pertinent issues to the Great Lakes Basin – a natural resource that is one of a very few subject to a binding international treaty compelling all levels of government to act in the best interest of North Americans, and their future.

Like all areas of economic activity, the refining industry has been guided by the leadership of the International Joint Commission, which was established long before refining existed. In 1909 the IJC was created in order to, and I quote:

“Because they {the US and Canada} recognized that each country is affected by the other's actions in lake and river systems along the border. The two countries cooperate to manage these waters wisely and to protect them for the benefit of today's citizens and future generations.

In 1991, the two governments signed the Canada-United States Air Quality Agreement and set up an Air Quality Committee to report every two years on progress. The International Joint Commission has been asked to invite comments on the Committee's reports from individuals and groups and to prepare summaries of the views expressed.”

Let me now give you some suggestions about Mr. Israelson's paper, for consideration and/or perhaps improvement.

In my opinion, the paper does not cover both sides of the equation; one important missing component is the impact of consumers of petroleum products on the environment. The paper looks only at the production of petroleum products, and issues related to manufacturing. Perhaps a more complete picture is one that encompasses 'cradle to grave'; we need to add the role of consumer and the actions they can take to conserve and be more responsible in their use of petroleum products.

In addition, there are references in the report regarding the under reporting of emissions by petroleum refineries, and the use of reporting technologies such as 'DIAL', which are at the early stages of development. Drawing conclusions from their use may be premature.

There is no question that refineries produce emissions. There is also no question that refineries operate in a much regulated environment, and for good reason. Our products are important and our operations must be compatible with our local environmental priorities. For years we have operated in a very transparent environment, reporting our environmental footprint through the National Pollutant Release Inventory (NPRI). Regardless of your thoughts on its methodologies – the NPRI has served public policy well by providing one central point for data collection and analysis.

I have to assume for the purposes of this discussion that energy demand will increase, and that our products will maintain their traditional component of the demand for transportation fuels.

Despite a small drop in consumption of motor gasoline this year (down 3% July 2007 to July 2008), overall demand for refined petroleum products increased by 0.8 percent over the same period, with diesel posting a demand increase of 6.3% (Source NRCAN).

Most analytical agencies are predicting a steady increase in demand for refined petroleum products in Canada, notwithstanding programs and policies that have been attempted by Canadian governments to encourage consumers to reduce their consumption.

At the same time, Canada's refining sector has undergone significant rationalization. In the 1970's there were 58 refineries in Canada. We are now down to sixteen (16), yet we still produce a sufficient supply to meet Canadians' consumption needs.

Decisions regarding the originating source of fossil fuels is an issue certainly beyond this forum. Oil from every jurisdiction carries its 'liabilities', if it is to be described this way. And each source carries its own advantages – all of which can be measured in human terms – whether in the area of human rights, or human health. The fact of the matter is

that in the absence of a significant change in North American consumer behaviour – there will be an increase in the amount of crude oil refined, that ultimately fuels the economy and infrastructure that our citizens have come to expect.

CPPI focuses on best practices in managing and reporting our footprint on the environment – I would argue we are a centre of information excellence.

Let's remind ourselves of a few facts.

North American refineries operate under the most stringent of regulations, driven by human health outcomes, and at the same time provide the lowest net cost product, with few or no subsidies from governments. It should be no surprise that in Canada and the United States, science has driven progress on health outcomes.

I would like to finish my comments with some examples of regulatory regimes under which our refineries and distribution/marketing operations are operating:

- 1) Ontario's Municipal and Industrial Strategy for Abatement (MISA), and in particular its effluent monitoring and effluent limits, is among the most stringent on the continent.
- 2) The Ontario Industry Emissions Reduction Plan introduced in 2005 implements a phased-in approach to reducing caps for SO₂/NO_x to the lowest in North America.
 - 1) Further reduction is planned to come into effect in Ontario for VOC and PM, in 2009 and beyond.
 - 2) The desulphurization of the continent's fuel supply has and continues to reduce sulphur and PM emissions from the combustion of refined petroleum products (a 94% reduction between 1985 and 2030).
- 3) The National Framework for Petroleum Refinery Emissions Reduction (NFPRER) was proposed and developed by CPPI and adopted by the Canadian Council of Ministers of the Environment (CCME) for all refineries in Canada. Its objective is to bring Canadian Refineries in line with the similar group of refineries in the US.
- 4) Benzene reduction in gasoline has resulted in significant reduction in ambient benzene concentration.
- 5) Refineries are using state of the art methodologies for monitoring of air pollutants, such as:
 - a) LDAR
 - b) CEM's
 - c) Vapour Recovery at terminals
 - d) IR guns
 - e) Fence line monitoring

A recent study by Ontario Ministry of the Environment in Clarkson, the ***Clarkson Airshed Study***, identified industry as a distant second to automobile emissions from highway and roads. The study noted that if all industries in the area were shut down, the impact on air quality will not be measurable.

Going back to the title of Mr. Israelson's paper: "How the Oil Sands Got to the Great Lakes Basin" – it is simply a matter of demand for refined petroleum products. The title may be more aptly phrased "Why North American Demand for Petroleum Products Continues to Rise".

Finally, a quick note on Appendix B, Gaming the System – How refineries can hide air pollution.

CPPI rejects this claim that refineries are motivated to hide their environmental footprint. Our industry is too transparent to contemplate a concerted action to suppress information.

I have no doubt that technological development and both public policy and business strategies will drive improvements in environmental performance, and that sound scientific principles dictate that we should never be content with yesterday's knowledge.

As we consider important issues to the quality of life of our populations in Canada, let's not forget the important role that we can play in technology development and innovation – and the contribution that this makes to the rest of the world in mitigating the damages of industrialization.

Thank You.