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What's the Alternative to Oil Sands?

By [Geoffrey Styles](#)

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What's the Alternative to Oil Sands?

By *Geoffrey Styles*

Ed. note: This piece first appeared on [Energy Outlook](#), Geoffrey Styles' blog.

I can recall when technologies like oil sands and coal gasification were commonly referred to as alternative energy, with the same high-tech aura now attached to solar power and advanced biofuels. Much has changed since then, not least our perspective on climate change and the greenhouse gases that contribute to it. It's no longer possible to consider Canada's oil sands production and the means of transporting it without a serious examination of the [environmental consequences](#), both at the source and along its journey to market. However, while I understand that perspective, the [reaction to the proposed Keystone XL pipeline](#) seems disconnected from the reality that crucial supplies of Middle Eastern oil suddenly look much riskier than they did. We should certainly weigh the costs and benefits of oil sands carefully, but the missing element from this conversation is the question of what the alternative would be if we ruled out more oil sands imports.

This train of thought began with a [sobering analysis](#) of the energy implications of the unrest in the Middle East by Amy Myers Jaffe of the [Baker Institute](#) at Rice University in Houston. The challenge she highlights is much subtler than the risk of exports from countries like Libya being disrupted for a few months or even a few years. Existing [spare capacity](#) in other producing countries can cope with some of that, although a portion of that capacity is in other countries that could be just another domino or two down the road, while the rest is in Saudi Arabia, which might not be immune, either. Yet if the worst case is the disruption of exports, we have a substantial [Strategic Petroleum Reserve](#) to fall back on. Prices might rise significantly, but the prospect of no fuel at your local gas station at any price remains remote for now.

However, as Ms. Jaffe demonstrates, much of the incremental oil production capacity on which forecasters have been relying to meet additional oil demand over the next two decades, and to backstop declining production in non-OPEC countries, must come from the same region that is now in turmoil. And as the charts in her presentation show, revolutions--democratic or otherwise--rarely result in higher oil output. If new governments or chastened existing governments don't invest in developing that extra capacity, then Peak Oil won't just be a theoretical construct in geopolitics; it will be a very real outcome in geopolitics.

We have had a tendency to view Canada as the Saudi Arabia of the north. Considering that we now [receive more oil](#) from there than from all the countries of the Persian Gulf combined, and that our NAFTA partner's proved reserves of [178 billion barrels](#) are second only to those of the Kingdom, that's not unreasonable. As recently as 2002, though, Canada's oil reserves were [under 6 billion barrels](#), before the oil sands could be booked as reserves in large quantities. Without its oil sands, Canada would be just another mature oil province with declining conventional output. The question of how rapidly to develop those resources, and whether to export their output outside North America to any significant degree, is currently a hot topic in [Canadian politics](#). The pipeline to transport this oil to Kitimat, British Columbia for export to Asia seems to be subject to a similar debate to the one we're having in this country concerning the Keystone XL line from [Alberta to the Gulf Coast](#). But what if these projects didn't go forward? A world without oil sands might have [a little less](#) in the way of greenhouse gas emissions, but it would also have much higher oil prices, and those prices would be more volatile.

So what are the alternatives to these "dirty tar sands", as environmentalists now invariably

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refer to them? Well, if you're been reading my blog for a while, you [know](#) that wind and solar power don't enter into this discussion, because very little electricity is used for transportation and very little oil is used for generating electricity, outside of the developing world and now [post-Tohoku Quake Japan](#). If we don't have access to oil sands imports, then the only other near-to-medium term options for reducing our oil imports from less stable suppliers involve more domestic oil production, more efficient vehicles, and more biofuels production.

Unfortunately the latest [Department of Energy forecast](#) incorporating all of those options still leaves us importing nearly 9 million barrels per day of oil in 2025. Without a significant portion of it coming from Canadian oil sands, we will still be forced to rely on imports from places like Venezuela and the Middle East, some of which aren't much more [environmentally sound](#) than the oil sands production. And that assumes that all the domestic production in these plans actually materializes. Turning up our noses at both offshore drilling and oil sands is pretty much mutually exclusive. (Or for that matter, shale gas and oil sands, even though these are different forms of energy.)

As for biofuels, we've already got just about as much corn ethanol as we can handle [for many reasons](#), and the more advanced variety has not been especially cooperative in turning up on schedule. Replacing the oil sands capacity that the proposed Keystone XL pipeline could deliver would require more than 23 billion additional gallons per year of ethanol, or 180% of last year's [US ethanol output](#). That figure exceeds the entire 2022 cellulosic and advanced biofuel target under the federal [Renewable Fuels Standard](#). Biofuels are an important part of our energy mix, but the time when they could make oil sands crude unnecessary is still a long way off.

Americans are conflicted. We complain about \$4 gasoline, and we're uneasy about another military intervention in the oil patch of the Middle East and North Africa, but then we throw [obstacle after obstacle](#) in the path of one of the few options that can provide us with a larger supply of reliable fuel from North America. No matter how sympathetic I am with communities that don't want the new pipeline to pass through or near them, or with concerns about the [17% increase](#) in lifecycle greenhouse gas emissions that oil sands represent, compared to conventional oil, closing our border to additional imports of oil sands crude can only undermine US energy security, at the worst possible time.

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