OPINION

Bailout for the oil and gas sector? Time for Alberta to pivot to the future

By JATIN NATHWANI

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The oilsands in Fort McMurray, Alta. The Government of Canada is in the midst of preparing a multi-billion-dollar bailout of the oil and gas industry. Herein lies a historic opportunity for Canada’s oil and gas sector to craft a new future that aligns with Canada’s aspiration to lower greenhouse gas emissions and yet ensure transformation of the sector that is orderly, supportive of workers and the social needs of communities dependent on the sector, writes Jatin Nathwani. The Hill Times photograph by Jake Wright

This is a historic opportunity for the oil and gas sector to transition to a low carbon energy economy. The COVID-19 pandemic has arrived in our midst, with a force, fury and features as ugly as Banquo’s ghost at Macbeth’s feast, enough to rattle individual sensibilities but also our collective sense of safety, well-being and security. The trajectory and scale of what this human tragedy will deliver is unknown.

What is known is the response of governments in Canada: a commitment to leave no stone unturned to support all efforts to stem the tide of the pandemic, minimize fatalities and help us get back on our feet economically. The federal government’s willingness to intervene in the economy through a powerful fiscal stimulus, in the order of $107–billion, for income support to individuals and businesses is tangible evidence of a serious response.

The Government of Canada is in the midst of preparing a multi-billion-dollar bailout of the oil and gas industry. Herein lies a historic opportunity for Canada’s oil and gas sector to craft a new future that aligns with Canada’s aspiration to lower greenhouse gas emissions and yet ensure transformation of the sector that is orderly, supportive of workers and the social needs of communities dependent on the sector. The drop in demand for oil globally, that began as an international price war, and now coupled to a pandemic-driven global recession, is a double whammy that has hit Albertan’s particularly hard with similar impacts on Saskatchewan and Newfoundland.

The immediate responses to the management of the crisis in the short term should not blind us to the possibilities of an energy future that is economically promising, environmentally sustainable and well clear of a pathway that reinforces continued dependence on fossil fuels extraction. Providing much needed financial support to employees and business is clearly the right thing to do, and Alberta’s needs are more acute given the dominance of the oil and gas sector in its economy. But an outright bailout supporting the industry status quo would be a huge mistake because it creates a “historical lock-in” to a high-carbon future. The tragedy would be to pass on to future generations not only the debt obligations that accrue to the investment patterns fossil fuels extraction but also create a path dependency that makes it inflexible for the national energy system to evolve towards a cleaner system.
There are several options available to the federal government and the oil and gas sector. If the bailout envisaged is in the multiple of billions of dollars, a small proportion could be structured as loan guarantees to businesses in the sector to assist with the immediate challenge of maintaining cash flows, viability of the business and support to workers. From an investment perspective, the historic opportunity is to re-shape the patterns of capital expenditures in the oil and sector towards non-carbon sources of energy. This will require funds for deployment of new solutions in tandem with innovation n a massive scale to diversify the supply resources.

Canada and Alberta has the technological and scientific capacity to go from transportation of fossil fuels by pipelines to movement of electrons by wires utilizing diverse sources of energy such as hydro, geothermal energy, large-scale wind and solar with storage, nuclear including small modular reactors and bioenergy resources.

Geothermal energy, in particular, is a highly relevant option, perhaps the easiest choice for Alberta’s current challenges. Its development can be led by the oil and gas sector with each dollar of investment by the sector matched by the federal government dollar or any similar formula. Over the past century, the oil-and-gas sector has acquired an unparalleled technological capacity to drill, explore, extract and bring carbon energy to markets. Now the goal should be to re-purpose this extensive knowledge of geology and geotechnical engineering expertise to extraction of heat energy for homes, industry and the power sector on a large-scale.

Geothermal energy resources, among other non-carbon energy resources, provide is a perfect substitute for fossil fuels, a bonanza in waiting without any drastic changes to the existing financial incentives, depreciation allowances and tax credits available to the sector for drilling activities. Combining the strength of Alberta based companies developing geothermal energy resources with parallel activities include a wised variety of options: advancing the development and rapid deployment of small modular reactors for high temperature process heat application in existing facilities, clean up inactive and orphan wells to provide employment and business stability and a massive boost to innovation in the building and automotive sectors for e-mobility and data driven smart technologies for efficient utilization of existing assets.

Time has come for the oil and gas sector to turn its gaze to extracting heat rather than carbon as it begins to make a painful adjustment to the combined threats of the pandemic and a world that may no longer require as much as much oil and gas in the future.

Supporting Albertans and other workers across Canada is essential now; subsidizing the status quo and locking in new investment capital into existing carbon extraction enterprise is not. By focusing our support on workers and the environment, one positive legacy of the current pandemic crisis would be a more resilient energy sector for Alberta and Canada.
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