COMMENTARY

Irving Oil Refinery is seen from the ai, with the uptown and the west side in the background. PHOTO: KÂTÉ BRRAYDON/TELEGRAPH-JOURNAL ARCHIVE

The game just changed

PAUL BROWNING
COMMENTARY

Yesterday was an important day for our company, our city, our province and for Canada. TransCanada announced yesterday that the $12-billion Energy East pipeline will move forward and the project will enter the regulatory approval process. The pipeline is scheduled for completion in 2018, and thousands of jobs will be created during this massive construction project. The pipeline will have the capacity to transport more than 1 million barrels of oil per day from the West to the East. At today's crude oil prices, that represents almost $40 billion of oil that will be transported to Montreal, Quebec and Saint John every year, creating economic opportunity at every stop.

And the first of those economic opportunities was also announced. Irving Oil and TransCanada announced a joint venture to construct the $300 million Canaport Energy East Marine Terminal at Irving Oil's Canaport facility in Saint John. This marine terminal, located in deep water that is ice-free year round, will be able to load Canadian oil onto the world's largest crude carrying vessels and transport it to refineries around the world, including the United States, Europe, India and other destinations. Hundreds of jobs will be created during construction, and 50 more jobs will be created to staff the marine terminal. It will employ the best and brightest of New Brunswick in challenging jobs with high pay and long-term job security – something Irving Oil has been doing since 1924.

This pipeline and marine terminal are important because Canada's oil wealth has been significantly undervalued in recent years due to limited access to coastal ports. Canada has the third largest oil basin in the world, but it is the only of these major oil basins without strong access to coastal ports. Experts estimate that this costs Canada billions of dollars annually in lost royalty revenues.

That is about to change.

And of course this project is important to our Saint John refinery. The pipeline will provide us the opportunity to import less foreign oil and use more Canadian oil. This will give us a competitive advantage versus other global refineries, which means we'll have an opportunity to expand into other markets and grow our business. Irving Oil, TransCanada and international customers will also need new and existing Atlantic Canadian companies to provide more services to support the new and expanded activities of the refinery, the pipeline, the marine terminal, shipping companies, and more. The people who take jobs at those new and existing companies will need more housing and more services of their own. This is the kind of self-reinforcing cycle that leads to sustained economic growth for a region.

Of course, none of this matters unless we can do it safely. We have a long track record of safe operation of our Canaport facility and of environmental stewardship. Canaport already imports more than 100 million barrels of crude oil every year, and has been importing crude oil for more than 40 years. With more than two billion barrels imported during this time, the track record for safe operation and environmental protection is exemplary.

For more than a decade, we have supported research efforts in the Bay of Fundy to help recovery of the Right Whale, a species that was hunted for its oil before the advent of today's modern oil industry.

Based upon this research, we have adjusted shipping lanes to prevent accidental whale strikes, and researchers have confirmed that the Right Whale population is increasing. This year we also sponsored the establishment of a wildlife preserve in Beaubassin, a unique ecological park on the border of New Brunswick and Nova Scotia, and we are the only refinery in the world to have a wetland on its property that is sanctioned by Ducks Unlimited. Our partner, TransCanada, has an exemplary safety record of their own, and lead their industry in safe and reliable pipeline operation.

I wish to close by thanking our federal government, Natural Resources Minister Joe Oliver and ACOA Minister Rob Moore, MP Rodney Weston and MP Keith Ashfield; our provincial government, Premier David Alward and Energy Minister Craig Leonard; our local government, Mayor Mel Norton; and our community partners, Eric Poirier at the Saint John Board of Trade, Jim Quinn at the Saint John Port Authority, and many other political and community leaders for their support.

We should recognize that we are in the early stages of a project that is scheduled to take five years to complete, and the continued cooperation of industry, political leaders and community leaders will be essential to realize the many opportunities this pipeline will create for all.

Paul Browning *is President and CEO of Irving Oil Ltd.*

Detroit's lesson to other cities: downsize

WITOLD RYBCZYNSKI
COMMENTARY

It's hardly helpful to a bankrupt Detroit to say "I told you so," but I did tell you so. In the October 1995 issue of the Atlantic, I suggested that large Rust Belt cities such as Detroit, whose populations had declined drastically during the postwar era, needed to consider planned shrinkage. This may sound like a declaration of defeat. Yet as I wrote, "Downsizing has affected private institutions, public agencies, and the military, as well as businesses. Why not cities?"

When a city loses population, it loses residents, but keeps the same amount of infrastructure. The same streets must be policed and maintained, the same streetlights repaired, the same water and sewer systems operated, the same transit systems run. It is like an (impoverished) elderly couple having to keep up a large house after all the kids have grown up and moved out.

This imbalance has several deleterious effects. Because the city has fewer taxpayers, the quality of its municipal services goes down. For example, police response time to 911 calls in Detroit is currently said to be 58 minutes. It expends scarce resources on nonproductive uses; Philadelphia pays $20 million a year just to maintain 40,000 vacant properties. Moreover, because urban vitality depends on density, without an adequate concentration of people, corner stores close, streets become empty — and dangerous — and abandoned buildings become haunts for criminal activities. According to a 1973 study by the Department of Housing and Urban Development, the tipping point in a community occurs when only three per cent to six per cent of properties are blighted; many neighborhoods of shrinking cities passed that point decades ago.

A few cities such as New York and Washington have reversed their earlier population losses. Others, such as Boston, are smaller than they used to be but have developed a solid economic base. Cities that are unlikely to get bigger or richer have two options. The first is consolidation. Residents of underpopulated areas are encouraged to relocate to other parts of the city, these neighborhoods are reinforced, and the abandoned areas are essentially mothballed, with all municipal services cut off.

THE BEST OUTCOME IN DETROIT WOULD BE IF THE SHOCK OF BANKRUPTCY BROUGHT THE VARIOUS INTERESTS IN THE CITY TOGETHER.

The second option, even more drastic, is divestiture. Historically, cities have grown by annexing neighbouring communities. They could shrink by doing the opposite: selling off land in large tracts to private developers who would be responsible for providing their own municipal services (as they do in the suburbs) without the burden of city taxes and bureaucracy. Cities wouldn't gain taxpayers, but they would divest themselves of unproductive land, and at the same time, people and economic activities would be attracted back into the urban vicinity.

Although no cities have attempted divestiture — the political, social and legal obstacles are simply too great — in the last decade some cities have begun to consider planned shrinkage. Flint, Michigan, and Youngstown, Ohio, have adopted strategies to encourage downsizing. In 2010, Detroit's Mayor Dave Bing announced an ambitious consolidation plan that would raze or recycle about a third of the city. Residents of depopulated neighborhoods would be encouraged — not forced — to move so that streets and buildings could be demolished and services disconnected.

Consolidation is not a smooth process. It attracts many opponents, not only the residents affected but also historic preservationists, local politicians and minority spokesmen. In Youngstown, as the New York Times reported, a program to demolish vacant houses foundered. "Ordinances were passed, but they fell victim to political infighting and legal action. Code enforcement was difficult because the city's planning department, which employed 28 people in the 1970s, had dwindled to three, including the secretary." In Detroit, popular resistance to the consolidation plan didn't take long to materialize. Because depopulated neighborhoods tend to be in low-income areas, the stage is set for a David and Goliath confrontation, often fueled by bathetic stories in the news media.

Now that Detroit has declared bankruptcy, consolidation will probably be put on the back burner.

That would be a mistake. The need for downsizing is, if anything, more urgent, else the depopulated third of the city act as a millstone, hobbling efforts at recovery.

The best outcome in Detroit would be if the shock of bankruptcy brought the various interests in the city together. Consolidation could be a part of the court-mandated restructuring process. Experience has shown that voluntary displacement of residents is unlikely to succeed, and some version of eminent domain with regard to nonviable neighborhoods is required.

"Does this sound heartless?" I asked 18 years ago. "Surely it is less so than the current Polyannaish pretense of providing services to many poor and depopulated neighbourhoods, which are occasionally half revived with community development projects and then left on their own to decay even further."

Shrinkage is a lot tougher than growth, and Detroit has no other realistic option.

Witold Rybczynski *is an emeritus professor at the University of Pennsylvania. His forthcoming book is 'How Architecture Works: A Humanist's Toolkit.'*

Will U.S. block Keystone pipeline?

KENNETH GREEN
COMMENTARY

United States President Barack Obama has once again rained on the Keystone XL parade, disparaging the pipeline on employment and environmental grounds.

Some key quotes by Obama from a recent New York Times interview:

"Republicans have said that this would be a big jobs generator. There is no evidence that that's true. And my hope would be that any reporter who is looking at the facts would take the time to confirm that the most realistic estimates are this might create maybe 2,000 jobs during the construction of the pipeline – which might take a year or two – and then after that we're talking about somewhere between 50 and 100 jobs in a economy of 150 million working people."

"So what we also know is, is that that oil is going to be piped down to the Gulf to be sold on the world oil markets, so it does not bring down gas prices here in the United States. In fact, it might actually cause some gas prices in the Midwest to go up where currently they can't ship some of that oil to world markets."

"Now, having said that, there is a potential benefit for us integrating further, with a reliable ally to the north, our energy supplies (sic.). But I meant what I said; I'm going to evaluate this based on whether or not this is going to significantly contribute to carbon in our atmosphere. And there is no doubt that Canada at the source in those tar sands could potentially be doing more to mitigate carbon release."

There's some truth to President Obama's thoughts. Jobs for the Keystone XL pipeline will be "temporary" jobs, just as all infrastructure jobs are temporary. What's surprising is that he would disparage such work when it's being proposed by the private sector and when such "temporary" work programs have been featured in virtually every economic stimulus he's proposed over the last five years. Put up wind turbines? Temporary work. Put up solar panels? Temporary work. Insulate homes? Re-pave highways? Install "smart" meters? All temporary work.

What's most interesting about President Obama's recent comments, however, is his re-affirmation of what could be seen as an insurmountable hurdle to Keystone XL approval.

Back in June, the President gave a speech on climate change, in which he proposed this test for Keystone XL:

"Allowing the Keystone pipeline to be built requires a finding that doing so would be in our nation's interest. *And our national interest will be served only if this project does not significantly exacerbate the problem of carbon pollution.* The net effects of the pipeline's impact on our climate will be absolutely critical to determining whether this project is allowed to go forward."

At the time some analysts thought the President's statement left plenty of room for approval. Brad Plumer, at the Washington Post Wonkblog, felt that the President had left himself "wiggle room" to approve the pipeline. And over at the Financial Post, Claudia Cattaneo also went for the "wiggle room" theory. I was more pessimistic, actually agreeing (somewhat) with Joe Romm's interpretation at Climate Progress that the President's language suggested an insurmountable hurdle.

Even if Canada improved the efficiency of bitumen production so that its greenhouse gas intensity was identical to that of conventional oil, it is still the case that the simple act of developing the oil sands will add net carbon to the atmosphere: more carbon than Canada can capture in any offsetting way. To environmentalists like Mr. Romm, anything that helps get the bitumen out of the ground will flunk President Obama's litmus test.

By repeating what now seems to be the official litmus test for Keystone XL approval, President Obama has cast further doubt on its eventual approval.

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