University of Alberta

Rhetoric and Reality: Albertans and Their Oil Industry Under Peter Lougheed

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For Mom and Dad

Abstract

The following thesis explores the development of oil and gas resources in the province of Alberta between 1971 and 1985. At its broadest, this thesis uses the interaction of government, capital, and citizenry surrounding the exploitation of a non-renewable energy resource to examine the social side of resource development. These three actors approached oil and gas resources with their own ideologies, tactics, and goals. The relationships, disagreements, and debates between and among these groups provide a glimpse into the social nature of resource development in Alberta. They illustrate competing understandings of resource development on the part of Alberta citizens, demonstrate cleavages between citizens and elected officials, and lay bare the politics of resource development in Alberta that marginalized, manipulated, and devalued the meaningful participation of its citizens.

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Chapter 1: Failures of Discourse

Introduction

The following thesis explores the development of oil and gas resources in the province of Alberta between 1971 and 1985. It examines the interaction of capital, government, and citizenry as they co-operated and contested non-renewable resource development during a critical era of the province's economic and industrial history. The analytical focus emphasizes the social side of oil and gas development, probing how Alberta's citizens interacted with what were 'their' resources. This work is bracketed by two symbolic events in Alberta history—the first popular and celebrated, the second obscure and almost forgotten—but both representing a significant culmination of economic, political, and social (r)evolutions. The first event forms the common starting point of any discussion of contemporary Alberta: the seventeenth general election, held on 30 August 1971. It was on that day that the Social Credit dynasty, which had governed the province without interruption for almost four decades, came to an end at the hands of Peter Lougheed – a young upstart Calgary lawyer, and the renewed Progressive Conservative Party. In Alberta popular memory, the 1971 election represents the triumph of modernity over archaic conservatism, of populist vitality over stagnation, and of youthful ambition over aged inertia.

The second event is much more nondescript, a moment of Alberta history that remains a minor footnote and is remembered by few. It took place 18 September 1984 during the gold medal hockey game in the Canada Cup series—a match between Team Canada and the Swedish national team held at the Edmonton Coliseum. After the game (a Team Canada victory), the Right Honourable Peter Lougheed walked to centre ice to take part in the gold medal presentations. To his (and many Albertans) surprise, his presence was greeted by a resounding chorus of boos and obscenities from many of the 10,449 fans in attendance. The shock on the Premier's face was plainly visible, and even those who gave such an unwelcome reception to Lougheed remain unclear what, exactly, possessed them to do so.[1] The dismal reception, like the triumphant general election, also represents something significant in Alberta history—disaffection and disillusionment with the governing regime on the part of many citizens, as well as a sudden and painful social adjustment to a contracting economy gripped in an oil-price-driven recession.

Using the career of Peter Lougheed as a window on the political economy of oil in Alberta, this thesis will examine a number of social, economic, and political issues surrounding non-renewable resource development in a Canadian provincial setting. Peter Lougheed, more than any other politician in Alberta history, found his administration defined by the province's oil and gas industry. Many of Lougheed's attacks from the opposition bench were directed at Social Credit petroleum and resource policies. Moreover, the most significant events of his time in power centred on royalties, development of the oil sands, and bitter fights with Ottawa regarding control over the oil and gas industry. Finally, it was the oil-driven recession of the mid-1980s

[1] Don Wanagas, "The Siren Sounds," *Running on Empty: Alberta After the Boom*, ed. Andrew Nikiforuk et al (Edmonton: NeWest Press, 1987), 23-27.

that eroded much of the outgoing Premier's popularity. Although a myriad of other issues surfaced during Lougheed's period in office, oil and gas remained the definitive topics in the Legislature, the popular press, and in the lives of citizens. Even Albertans not directly employed in the oil and gas industry, or the secondary and tertiary industries attached to it, found their province being shaped by rapid economic and demographic growth, rising incomes, inflation, and the economic contraction of the early 1980s.

At its broadest, this thesis uses the interaction of government, capital, and citizenry surrounding the exploitation of a non-renewable energy resource to examine the social side of resource development. These three actors approached oil and gas resources with their own ideologies, tactics, and goals. Moreover, each group was not a homogenous entity—government, Alberta citizens, and capital were themselves comprised of factions and groups with their own respective agendas. The relationships, disagreements, and debates between and among these groups provide a glimpse into the social nature of resource development in Alberta. They illustrate competing understandings of resource development on the part of Alberta citizens, demonstrate cleavages between citizens and elected officials, and lay bare the politics of resource development in Alberta that has marginalized, manipulated, and devalued the meaningful participation of its citizens, as it continues to do so today.

Defining and discussing the "social side of resource development" is no easy task. Exploration of economic and political topics easily finds qualitative and quantitative data from which to form an analysis, be it in the form of speeches, statistical data, or legislative records. Probing and analyzing how ‘Albertans’ or ‘citizens’ or ‘civil servants’ or any other sub-section of people in the province interacted with the energy industry presents a number of challenges. For example, civil service correspondence has long been guided by a complex system of rules and mores designed to insulate individual attitudes and opinions. Similarly, letters to the editor and other forms of media discourse are often filtered and framed in a manner that does not reflect their original intent. Interpreting these sources thus depends on a knowledge and understanding of larger contextual forces which shaped correspondence and communication. For this thesis, exploration of the social side of resource development is an analysis of the understanding and interaction with the province’s oil and gas resources by a loosely-defined section of the Alberta public through these problematic sources. ‘Citizens’ and ‘Albertans’ are understood as heterogeneous and constantly-changing groups that held opinions on energy policy decisions, and communicated this via correspondence to the government, to oil and gas companies, and to the media.

Alienation from energy resources is not unique to Alberta—Terry Lynn Karl characterizes this as a central component in the ‘curse of the petro state’ in her study of OPEC nations (particularly Venezuela) during the oil boom of the 1970s and early 1980s.[2] Karl muses that the negative changes can “be attributed to an overriding structural determinism linked to petroleum” that “inevitably produces economic deterioration and political decay.”[3] This decay takes a number of forms, the most critical

[2] Terry Lynn Karl, *The Paradox of Plenty: Oil-Booms and Petro-states* (Berkeley: University of California Press, 1997).
[3] Karl, *Paradox of Plenty*, 5.

being “failures of discourse” that pervade discussions of important social, economic, and political issues.[4] Failures of discourse for this thesis is defined as the inability, or unwillingness, on the part of capital, government, and citizenry to engage in substantive, honest, and meaningful discussion. Indeed, this thesis demonstrates that discussions of resource development were frequently manipulated by the various parties to cajole others into supporting their respective agenda, with deleterious results for Alberta.

The remainder of this chapter will provide a brief historiographical discussion of the ideas, authors, and works that have shaped and influenced this study. The remaining chapters contain various case studies, each illustrating a different way in which the “failures of discourse” prevented meaningful discussion between capital, government, and citizens. For example, the following chapter examines the 1965-1971 era, when Peter Lougheed was the Leader of the Official Opposition. It illustrates how Alberta political figures manipulated debates around resource issues to garner support for their political agendas, and it exposes their reliance on misleading statements and voter ignorance. The next chapter looks at the royalty review undertaken by Peter Lougheed in 1972. It highlights the intense framing undertaking by parties to portray their agenda as being in (the malleable concept of) the ‘the public interest’, as well as industry’s threat of capital flight in its bid to hinder the provincial government from extracting a higher economic rent from its declining non-renewable resources. The chapter also

[4] Robert H. Socolow, “Failures of Discourse: Obstacles to the Integration of Environmental Values into Natural Resource Policy”, in *When Values Conflict: Essays on Environmental Analysis, Discourse, and Decision* ed. Laurence H. Tribe, Corinne S. Schelling, and John Voss (Cambridge: Ballinger Publishing Company, 1976), 1-4.

speaks to understandings of resource ownership held by various subsets of Alberta citizens, and the complex relationship between royalties, employment, and economic prosperity.

The thesis then examines the Syncrude story, and illustrates the vicious internal debate within the province surrounding the proper role of government in supporting the commercialization of the Athabasca oil sands. The Syncrude story also demonstrates how corporations fabricated risks to cajole citizens and politicians into making concessions to ensure the successful development of the tar sands. The concluding chapter analyzes the 1982 Lodgepole Blowout—the accidental release of thousands of tons of deadly hydrogen sulphide from a wild well—which compelled many Albertans to reflect on the very real consequences of rapid resource development. The Lodgepole case is particularly intriguing, as the encroachment of population centres on sour gas fields is a prime example of the tradeoffs between continuing economic/industrial growth and safety for a number of Albertans.

The Lougheed period contains a number of important energy issues that are not discussed in this thesis. In general, topics with a (relatively) more lively historiographical debate have been avoided, with the exception of the Syncrude story. The 1971 election and the National Energy Program (NEP), for example, have been the subject of a number book-length studies, and figures prominently in the biographical studies of Lougheed.[5] Similarly, the Alberta Energy Company was the subject of a lengthy and

[5] For the 1971 election, see Edward Bell, "The Rise of the Lougheed Conservatives and the Demise of Social Credit in Alberta: A Reconsideration," *Canadian Journal of Political Science* 26 no 3 (1993):455-476. Also, Howard and Tamara Palmer, "The 1971 Election and the Fall of Social Credit in Alberta,"

comprehensive essay by Allan Tupper, while the Heritage Savings Trust Fund formed the basis for a supplementary issue of *Canadian Public Policy*, as well as a number of articles.[6]

A final note to the reader is in order. Each historian approaches their work with a unique set of beliefs, attitudes, and understanding of the nature of historical research, and its possible contributions to contemporary debate. For this author, historical research is a unique, and powerful, tool that can be used to inform current debates and decisions. Studying history offers the opportunity "to be made aware of the possibility of doing things differently." It highlights decisions and attitudes of historical actors that have influenced the current state of affairs. Thus, the following thesis approaches history as an "argument", one which "presents the opportunity for change" through its discussion and analysis of historical events.[7]

Prairie Forum 1 no 2 (1976): 111-123. Alvin Finkel, *The Social Credit Phenomenon in Alberta* (Toronto: University of Toronto Press, 1989), 177-201.
For the National Energy Program, see G. C. Watkins and M. A. Walker, ed. *Reaction: The National Energy Program* (Vancouver: Fraser Institute, 1981), G. Bruce Doern *The Politics of Energy: The Development and Implementation of the NEP* (Toronto: Methuen, 1985), and Larry Pratt "Petro-Canada" *Privatization, Public Policy and Public Corporations in Canada*, ed. Allan Tupper and G. Bruce Doern (Halifax: The Institute for Research on Public Policy, 1988). On Lougheed, see David G. Wood, *The Lougheed Legacy* (Toronto: Key Porter Books, 1985).

[6] For the Alberta Energy case, see Allan Tupper "The Alberta Energy Company" in *Privatization, Public Policy and Public Corporations*, 211-240. On the Heritage Savings Trust Fund, see the special issue of *Canadian Public Policy* Vol. 6 (February 1980). Notable articles include Garth Stevenson, "Political Constraints and the Province-Building Objective" (265-274), Larry Pratt and Allan Tupper "The Politics of Accountability: Executive Discretion and Democratic Control" (254-264), and M. L. McMillan and Kenneth Norrie "Province-Building vs. a Rentier Society" (213-220). Other articles include Stephen Brooks "The State as Financier: A Comparison of the Caisse de dépôt et placement du Québec and Alberta Heritage Savings Trust Fund," *Canadian Public Policy* Vol. 13 No. 3 (September 1987), 318-329. Also, Peter J. Smith "The Politics of Plenty: Investing Natural Resource Revenues in Alberta and Alaska," *Canadian Public Policy* Vol. 17 No. 2 (June 1991), 139-154.

[7] John Arnold, *History: A Very Short Introduction* (Oxford: Oxford University Press, 2000), 122.

International Writing: The Dark Side of a Powerful Resource

Oil, gas, and associated petroleum products stand as the definitive commodities of the last hundred years of human existence.[8] The emergence of widespread and (somewhat) efficient hydrocarbon energy use based on the internal combustion engine represents one of the great transformations of the modern era, and has created a "fossil-fuelled civilization."[9] Petroleum and its derivative products move human beings and trade goods, form an integral component in the construction of modern infrastructure, can be used as solvents, lubricants, fertilizers, and can easily be transformed into plastics and fibres. They are, without question, integral parts of our modern existence and the issues surrounding their exploitation and development have major ramifications on contemporary society.

Social groups, be they states, provinces, or countries, are shaped by petroleum revenues; put otherwise, "the [oil] revenues a state collects, how it collects them, and the uses to which it puts them define its nature."[10] The discovery of oil and gas reserves has historically produced significant and transformative effects on everything and everyone involved with the process. While some studies have portrayed oil and gas development in a positive light, many authors have seen oil-rich countries as the

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[8] "Commodity" is a term with a number of definitions, each emphasizing the 'severing' or 'masking' of a commodity from the process or environment from which it emerged. For Marxists, commodification "masks the role of labour in the production of value." For environmental historians, commodification is a process "whereby the standardization of products and distances they traveled for sale on capitalist markets obscured the nature within which these products originated." Quoted in Liza Piper, *The Industrial Transformation of Subarctic Canada* (Vancouver: UBC Press 2009), 103.

[9] Vaclav Smil, *Energy in World History* (Boulder: Westview Press, 1994), 157-222.

[10] Karl, *Paradox*, 13.

embodiment of the “the resource curse.”[11] Oil economies struggle with the resource curse because of the long-term price deflation and price volatility of oil which leads to frequent economic shocks and hinders economic development, with subsequent effects on state planning and budgetary discipline; the isolated nature of the industry and its high capital needs, which create few linkages with the broader economy; and the tendency of oil to create “rentier states,” states that prosper based on “the profits of oil rather than the extraction of a surplus from its own population.” In rentier states “economic and political power is especially concentrated, the lines between public and private are very blurred, and rent-seeking as a wealth creation strategy is rampant.”[12] As the following discussion will demonstrate, writing on the international oil industry has frequently highlighted the negative consequences of hydrocarbon energy development. While the business press and multinational oil companies can celebrate years of ‘economic growth’ and ‘industrial development’, the majority of individuals and governments that have ‘experienced’ oil development have a different story to tell. Their narratives centre on political and social upheaval, economic dependency, and massive environmental degradation. Surveying the expanse of writing on international oil, the dominant theme across all disciplines and methodologies remains the ruinous consequences of oil and gas development, be they social, economic, or environmental.

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[11] For less-critical accounts of oil development, consult Matthew Yeoman, *Oil: Anatomy of an Industry* (New York, The New Press, 2004). Similarly, Leonardo Maugeri, *The Age of Oil: The Mythology, History, and Future of the World’s Most Controversial Resource* (Westport, Conn.: Praeger Publishers, 2006), and Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (New York: The New Press, 2008).
[12] Terry Karl, *Oil-Led Development, Social, Political, and Economic Consequences*. Center on Democracy, Development, and the Rule of Law Working Paper Number 80 (January 2007), 5-8.

These themes were already identified in the late 19th-century. One of the first focused works on international oil is Charles Marvin's 1889 *The Coming Oil Age: Petroleum—Past, Present, and Future*.[13] Marvin's tract begins by emphasizing the continuity in 'oil' use, discussing the displacement of vegetable and animal oils by the new "crude" that "often vomit[s] from a ten-inch pipe."[14] Marvin's work contains a number of themes that would permeate the next hundred years of oil scholarship: environmental degradation, growing dependency on fossil fuels and the economic threats associated with supply security, and the potential of disaster in petroleum processing (explosions, spills, et cetera). A noteworthy parallel exists with W. S. Jevon's influential *The Coal Question*, which explores British dependency on coal during the industrial revolution. [15] It is plainly evident, that even before the 20th-century, critics were cautioning against the negative and unforeseen consequences of oil use. These two works both warn that while previously unimaginable amounts of energy can be harnessed through hydrocarbon use, there are (often hidden) consequences of its use.

During the early 20th-century the focus of oil scholarship shifted from the novelty of the new resource to its growing importance to modern societies. The awareness of its negative effects continued however. Writing on the oil industry began to emphasize the product's crucial role as a strategic resource. During the Cold War period, for example, the dominant interpretive framework saw the 'West' competing with the Communist bloc for access to Middle East deposits. *Oil and Turmoil* (1956), by Morden Lazarus,

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[13] Marvin, Charles. *The Coming Oil Age: Petroleum -Past, Present, and Future* (London: R. Anderson, 1889.
[14] Marvin, *The Coming Oil Age*, 7.
[15] W. S. Jevons, *The Coal Question* 3rd Revised Edition (New York: A. M. Kelley, 1965).

spoke of the Russian desire to "leap frog the natural barriers of mountains and Moslem states" to "stop the flow of oil to the western world," which would be "a blow as crippling as anything short of war."[16] Leonard Fanning's *Foreign Oil and the Free World* (1956), made explicit the possible harm to Western democracies should their oil-supplies be impeded by Russian interference in the Middle East. The author even dedicated the book to the "foreign-service oilmen who as unsung ambassadors-of-goodwill serve their country and the Free World as they serve their companies."[17]

As the centre of oil production shifted from the United States, Mexico, and Russia to the emergent Middle East during the first half of the 20th-century, more scholarship began to study the complex situation in the Persian Gulf, although from a purely political and diplomatic perspective. Many works took serious and alarmist tones. Benjamin Shwadran's *The Middle East, Oil, and the Great Powers* (1953) outlined the Machiavellian manoeuvres of European imperialists, and Stanton Hope's *The Battle for Oil* (1958) provided a behind-the-scenes glimpse into the high-stakes game of securing access to some of the world's largest oil deposits.[18] Even with its singular focus on the international political sphere, oil scholarship maintained an emphasis on the negative consequences of oil and gas development through its spotlight on global intrigue and manipulation.

The first century of oil scholarship addressed the 'social side' of oil and gas development only implicitly. The analytical framework that elevated discussions of

[16] Morden Lazarus, *Oil and Turmoil* (Toronto: Across-Canada Press, 1956), 6-7.
[17] Leonard Fanning, *Foreign Oil and the Free World* (New York: McGraw-Hill, 1956).
[18] Benjamin Shwadran, *The Middle East, Oil, and the Great Powers* (New York: Praeger, 1955), Stanton Hope, *The Battle for Oil* (London: Hale, 1958).

politics and economics hindered more substantive discussions of the social aspects of oil development. Certainly, workers were likely harmed in Marvin's explosions, and Shwadran's civilian populations would suffer through the consequences of diplomacy. However, these points were rarely directly discussed, and remained anecdotal. The inertia of this early scholarship, with its limited discussion of the social side of oil, would remain a dominant feature of oil historiography until the beginning of the 21st-century. Oil scholarship was not unique in this emphasis—the vast majority of 'resource' scholarship during this period emphasized the political and economic above the social.

With the 'oil shocks' of the 1970s and 1980s, writing on the international oil industry increasingly focused on the power of the Organization of Petroleum Exporting Countries (OPEC), but did not radically depart from the standard political and economic analyses of the past century. While earlier works had cautiously broached the subject of oil-as-a-weapon, its actual deployment in the mid-1970s deeply affected petroleum scholarship. The majority of these works were written in haste and consumed by a panicked public, although a few critical works did emerge. The most enduring is *Oil and World Power* (1970), by Peter Odell.[19] The author effectively outlines the major evolutions that led to the formation of (OPEC) through a survey of oil's history, from early discoveries to growing demand in the West and Japan. Odell positions OPEC as a functioning and coherent cartel, although not without its own problems, and the author argues that its demise is not imminent or inevitable. OPEC's internal mechanics, pricing structures, and information channels are also outlined. The author is the first to push

[19] Peter Odell, *Oil and World Power: A Geographic Interpretation* (Hammondsworth: Penguin, 1970).

past the most superficial layers of analyses (which explains the book's eight editions), but again, readers are limited to a political and economic analysis, with little or no discussion of the oil industry's social components.

The role of OPEC in Alberta's oil history is an important, and often under-acknowledged, fact. The cartel's rise to prominence in the 1970s exerted a profound influence on world oil prices, and re-shaped the international petroleum industry in a most dramatic fashion.[20] The unparalleled price upswing after the cartel's production cuts created the oil boom of the 1970s that saw Alberta's financial wealth vault upwards, while similarly, when full production resumed and prices fell, the Alberta economy inevitably went 'bust'. Alberta popular memory tends to interpret the consequences of these price shifts solely in relation to the much-hated National Energy Program of the Trudeau Liberals. This limited interpretation of oil price movements during the 1970s is, itself, indicative of a set of social beliefs and attitudes held by many Albertans; one that easily saw the federal government as an outside enemy and struggled to situate Alberta's oil economy in the larger global context.

Between the 1960s and the 1980s, a segment of oil scholarship began to question the nature of the international oil companies—the 'majors' of the petroleum industry. Two studies are worth noting here. The first is *The Political Economy of International Oil and the Underdeveloped Countries* (1969) by Michael Tanzer.[21] The book traces how multinational corporations negotiated with national governments in

[20] Leonardo Maugeri, *The Age of Oil: The Mythology, History, and Future of the World's Most Controversial Resource* (Westport, Conn.: Praeger Publishers, 2006), 114, 123.
[21] Michael Tanzer, *The Political Economy of International Oil and the Underdeveloped Countries* (Boston: Beacon Press, 1969).

the developing world. Highlighted is the *modi operandi* of the major oil companies—their penchant for manipulating figures, framing debates, creating myths, and threatening capital flight if favourable concessions were not forthcoming from the local governments. A similar study emerged examining the interaction between the Sun Oil Company and the US government.[22] *Business and Government in the Oil Industry: A Case Study of Sun Oil*, was written by August Giebelhaus and published in 1980. The work discussed the extensive influence Sun Oil had on US government policy, from company executives shaping New Deal-era resources policies to corporate scientists providing research information and findings to government agencies and departments. These two studies offer a provocative glimpse into the tactics of major oil companies.

While scarcity fears returned to the international oil industry during the 1990s and into the new millennium, a number of key works emerged that engaged substantively with social and environmental analyses of oil and gas development. These new studies operate with a number of theories and methodologies that move beyond the economic and political analyses that had dominated oil scholarship to-date. These analyses are also the first to emanate from the fields of history and anthropology, not political science or economics. Despite the changes in theoretical and methodological backgrounds, however, the underlying themes continued to highlight the destructive and corrupting consequences of oil and gas development.

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[22] August W. Giebelhaus, *Business and Government in the Oil Industry: A Case Study of Sun Oil, 1876-1945* (Greenwich, Connecticut: JAI Press, 1980).

The first such work is *Petrolia: The Landscape of America's First Oil Boom*, by Brian Black.[23] The author engages in a perceptive study of the transformations occurring throughout the Pennsylvania landscape after the initial petroleum discovery by Colonel Drake. The central thesis emphasizes the destructive changes taking place in communities most affected by oil discoveries. For example:

> [With fragmented surface holdings] so too went any commitment to permanent life in this region. The confused morass of lease trading and abandoned wells left landowners with almost no ability to monitor or control the actual activities carried out on their land.[24]

The villains in this example were the faceless oil speculators—the outsiders—with no stake in sustainability or permanence. For local residents, oil discovery meant suffering, hardship, and environmental degradation. The development of oil resources, Black concludes, "has a way of warping human logic."[25]

It is interesting to compare the consequences of commodification, as discussed in *Petrolia*, with those discussed in William Cronon's *Nature's Metropolis: Chicago and the Great West*.[26] The divergences between the two point to an intriguing ontological understanding of oil. In *Nature's Metropolis*, Cronon sets out to explore the "linkages between the commodities of our economy and the resources of our ecosystem."[27] With the development (commodification) of grain, timber, and beef, Cronon discusses the changes wrought on the land: forests were felled, fields planted and enclosed, and

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[23] Brian Black, *Petrolia: the Landscape of America's First Oil Boom* (Baltimore: Johns Hopkins University Press, 2003).
[24] Black, *Petrolia*, 55.
[25] Black, *Petrolia*, 191.
[26] William Cronon, *Nature's Metropolis: Chicago and the Great West* (New York: W. W. Norton & Company, 1991).
[27] Cronon, *Nature's Metropolis*, xvii.

landscapes were transformed. All were major changes, certainly, but they were *transformative* rather than *destructive* changes, and they operated under some degree of control by Chicago-based capitalists and the landscape itself.

The Black study paints a stark contrast. The author argues "The industry of the Oil Creek valley… proceeded with only one rule: the rule of capture, which acted as one of the major forces stimulating—not limiting or regulating—massive development… The rule, in essence, gave the industry the right to have no rules restricting its development."[28] The consequences, massive environmental destruction, fires, poverty, social ills, and death, destroyed the local landscape and alienated the majority of persons unfortunate enough not to strike it rich. Even the long-term consequences of the competing commodification processes differ, with grain, timber, and beef industries maturing into stable, if not completely sustainable, communities, while the Petrolia townscape disappeared altogether after oil reserves had been depleted.[29] What makes oil a unique and dangerous commodity is the degree to which its production and consumption are disassociated from the landscape, and the consequences of its development hidden from view and thus uncontrolled and misunderstood.

This interpretation surrounding the commodification of oil plays a central role in this thesis. The central argument—that Albertans are disconnected from their resources—is underpinned by an understanding of commodification that centres on the masked and misunderstood relationships inherent in oil and gas development. Indeed, the vast majority of debate and discussion surrounding energy resources in Alberta have

[28] Black, *Petrolia*, 40.
[29] Black, *Petrolia*, 1-12.

historically failed to engage Alberta citizens. The opacity of resource politics in the province has allowed corporate and political elites to direct oil and gas development in a self-serving manner, with Alberta citizens largely disconnected from the debate.

This phenomenon is captured in Suzanna Sawyer's *Crude Chronicles*.[30] The author, an anthropologist, examines the way in which multinational oil companies, operating under the rubric of neo-liberal trade reforms, interacted with the indigenous peoples of Ecuador. Like Black, the author does not paint a positive picture surrounding the effects of oil development. For Sawyer, the arrival of drilling rigs represented political turmoil, environmental degradation, and the destruction of communities. She focuses on instances where the Ecuadorian state and multinational oil corporations interacted to advance petroleum development under the banner of 'environmental sustainability', or framed debates in ways that "effectively precluded any discussion of social, cultural, political, and economic issues of great concern to the Indians."[31]

The Sawyer work is also notable for its focus on indigenous populations, which leads to a number of interesting questions surrounding Alberta's own oil history and First Nation communities. For example, the Samson band, located just south of Edmonton, experienced a petroleum boom in the mid-1960s with the discovery of large oil reserves on their land (which was managed by the Federal government through the Department of Indian Affairs). The community saw rising income levels, but also increased drug use, violence, and social stresses. The massive influx of petrodollars

[30] Suzana Sawyer, *Crude Chronicles: Indigenous Politics, Multinational Oil, and Neoliberalism in Ecuador* (Durham: Duke University Press, 2004).
[31] Sawyer, *Crude Chronicles*, 54, 120.

brought serious challenges to the band, and for a full five decades residents have fought the negative consequences of oil and gas development. Questions surrounding First Nations and oil development are important and have significant ramifications that require further study, although they are beyond the scope of this thesis.

The Sawyer work also relies heavily on the concept of 'neoliberalism'—introducing another important concept to the Alberta case. David Harvey's *A Brief History of Neoliberalism* sketches some of the major tenets of the 'neoliberal' system:

> Neoliberalism is in the first instance a theory of political economic practices that proposes that human well being can best be advanced by liberating individual entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.[32]

While the particularities of Canadian federalism may limit some of the possible actions of 'the state' for our case, this passage provides an interesting conceptualization of the province's (and federal government's) role in resource development. This system, with its emphasis on private property and free markets, also important facts about resource development—mainly that citizens, not private capital, actually own the majority of the Alberta's oil resources.[33] The pervasiveness of the neoliberal paradigm clouds understandings of resource politics, a theme explored throughout this thesis.

Harvey similarly speaks of a situation where the "state and key business interests collaborate closely together to co-ordinate their activities around the aim of enhancing capital accumulation. The result is that 'public' decision-making becomes

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[32] David Harvey, *A Brief History of Neoliberalism* (Oxford: Oxford University Press, 2005), p. 2.
[33] Karl, *Paradox of Plenty*, 9-10.

ever more opaque."[34] Alberta politics mirrors this situation, with politicians continually attempting to circumvent the Legislature, and instead make decisions by Cabinet or Committee. Oil companies themselves sought to circumvent the government regulations, and fought any intrusion into the oil and gas sector. The public, even through their elected representatives, had little influence on key resource decisions in Alberta.

It is important to note that most, but not all, contemporary works on oil and gas development have, as a unifying theme, a narrative of dispossession, displacement, and suffering for the majority of the actors, including natural actors, affected by extraction. These works, taken together, highlight the unequal effects of resource extraction, and seek to emphasize the injustices associated with the workings of the international oil industry. Moreover, they offer a starting point for a historiographical discussion surrounding major works in Canadian and Alberta history that focus resource development in a provincial setting.

Alberta: Power, Politics, and Resources

The following historiographical discussion presents some pertinent resource development literature in the Canadian context, and allows us to further refine our understanding of the particularities in the provincial setting. This includes interpretations of the Alberta electorate, ever-present political traditions, and a few focused studies of the Alberta oil industry itself. A key theme of this literature is the

[34] David Harvey, *Spaces of Global Capitalism: Towards a Theory of Uneven Geographical Development* (London: Verso, 2006), p. 27.

difficulty facing political jurisdictions in the management of natural resources. The disparity of interests between governments, private corporations, and citizens is a constant subject through much of this literature.

H. V. Nelles's influential *The Politics of Development*, first published in 1974, remains one of the definitive works on resource development in Canada.[35] The analysis of Ontario's lumber, mining, and hydroelectric industries was undertaken "not [as] a celebration of things as they were and must be." Rather, the main thrust of the study "points to paths not taken and to failures in democratic practice that can be corrected."[36] A belief in the centrality of legislative bodies and active democratic participation are echoed throughout this thesis. The author similarly highlights "the extent to which Ontario governments were prepared to bend regulations in order to accommodate timid capital" and the "great deal of cunning and self-confidence on the part of any level of Canadian government to erect a durable policy to contain the power" of multinational resource corporations, issues that are ever-present in the Alberta context.[37]

The Nelles work also serves to introduce the important role of provincial governments in resource development. The British North America Act bestowed significant powers upon the provinces regarding control over Crown Lands and natural resources. Canadian provinces, and the mechanism of Confederation, have exerted profound influences on resource development in Canada. Beginning our examination of

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[35] H. V. Nelles, *The Politics of Development: Forests, Mines, and Hydro-Electric Power in Ontario, 1849-1941*, 2nd edition (Montreal: McGill-Queen's University Press), 2005.
[36] Nelles, *The Politics of Development*, xxi.
[37] Nelles, *The Politics of Development*, 113 and 106-107.

the Alberta context, we confront the University of Toronto's 1950 series studying the "Rise of Social Credit," the first series of focused academic works on the province. The series' authors began many themes that remain relevant today. In the realm of federal-provincial relations, L. G. Thomas' study of the Liberal Party in Alberta emphasized the growing disillusionment of Albertans with the federal government and emergent feelings of "provincial nationality."[38] Similarly, J. R. Mallory's account of the bitter legislative struggles surrounding the enactment of Social Credit legislation (which was eventually declared *ultra vires* by the federal government) situated federal-provincial tensions as an omnipresent theme in Alberta history.[39]

John Irving's *The Social Credit Movement in Alberta* argued that the Alberta populace was an easily manipulated and uncritical receptor of political rhetoric. The author contends that the electorate suffered from what amounted to mass psychosis, and would turn towards any leader with a positive message during times of stress.[40] Framed differently, Irving argues that the Alberta electorate can be manipulated by political elites against perceived external threats, and that the idea of a 'provincial interest' is often murky and undefined—a situation benefitting those with an agenda and the power to advance it.

The most enduring work to emerge from the Social Credit series is C. B. Macpherson's *Democracy in Alberta*. The author's discussion regarding the nature of governance in the province, and the attitude of the governing party towards the

[38] L. G. Thomas, *The Liberal Party in Alberta: A History of Politics in the Province of Alberta, 1905-1921* (Toronto: University of Toronto Press, 1959), 114.
[39] J. R. Mallory, *Social Credit and the Federal Power in Canada* (Toronto: University of Toronto, 1954).
[40] John Irving, *The Social Credit Movement in Alberta* (Toronto: University of Toronto, 1959).

electorate, is particularly relevant. Macpherson interpreted many of the Social Credit political doctrines (as espoused by both Major Douglas and William Aberhart), as being seriously anti-democratic. These include the Social Credit emphasis on 'government by experts' and desire to forgo voting and elections.[41] Similarly problematic for Macpherson was the electorate that not only tolerated this anti-democratic trend, but supported it. Jumping forward to the Klein era, we can see ideas of Irving and Macpherson still influencing interpretations of Alberta's citizen involvement in the political process. Trevor Harrison, in a scathing indictment of the Progressive Conservative Party's rule in Alberta, argues that the "tendency to conformity" in Alberta "is fuelled by an illusion, long-cultivated by the province's political and economic elites, of a general interest." For the author, the perceived need to protect the 'general interest' among Albertans "has stifled internal dissent and squelched such questions as whose interests are really being served."[42] Indeed, Harrison describes the relationship between private companies and the government of Alberta as corporatism, and argues passionately that democratic ideals in the province are continually usurped by the collusion of corporate interests and political leaders.

A number of interpretations of the budding post-Leduc provincial oil industry have highlighted the positive effects on the province. Eric Hanson's *Dynamic Decade*, published in 1958, discussed the cascading major discoveries (Leduc, Redwater, Pembina) and the positive economic effects associated with their development. These

[41] C. B. Macpherson, *Democracy in Alberta; the Theory and Practice of a Quasi-Party System* (Toronto: University of Toronto, 1953), p. 158.
[42] Trevor Harrison, "Making the Trains Run on Time: Corporatism in Alberta," in *The Trojan Horse: Alberta and the Future of Canada* (Montreal: Black Rose Books, 1995) ed. Trevor Harrison and Gordon Laxer, 120.

included employment revenue associated with pipeline and facility construction, increased revenues to the provincial government through royalties and land sales (which were used to modernize health, transportation, and education services in the province), and the influx of migrants drawn to the province because of its booming oil economy.[43] Similarly, James MacGregor's *A History of Alberta* (published in 1972) recounted the profound effects that "oil money," stemming from the Leduc discovery, had on the province.[44] For MacGregor, the province could celebrate the "way it administered the oil industry and the way in which it handled the resulting revenues" to pay for hospitals, roads, schools, and other projects that benefited the public good.[45]

The province's oil industry became the focal point of Alberta-based political scientists and economists in the 1970s. With the province gripped in an oil boom, and new political leadership in the Legislature, academics witnessed first-hand the transformation of the province at the hands of oil. Larry Pratt, a professor at the University of Alberta, penned two important works on this topic. In 1976, after the dramatic negotiations surrounding the Syncrude project concluded, Pratt produced *The Tar Sands*—written as a warning against the nature of the oil company-government relationship in the province.[46] Introducing his study, Pratt states:

> … every Canadian should know something of Syncrude and the remarkable power of the oil lobby in our political system… the oil lobby necessarily must be reckoned as one of Canada's fundamental power blocs. The documents which are discussed… illustrate the oil industry's easy access to the highest level of political leadership in the country, and confirm its strong influence…

[43] Eric Hanson, *Dynamic Decade: The Evolution and Effects of the Oil Industry in Alberta* (Toronto: McClelland and Stewart, 1958).
[44] James MacGregor, *A History of Alberta* (Edmonton: Hurtig Publishers, 1972), 287-315.
[45] MacGregor, *Alberta*, 302.
[46] Larry Pratt, *The Tar Sands: Syncrude and the Politics of Oil* (Edmonton: Hurtig Publishers, 1976).

> This private power—and the absence of any countervailing power representing the public interest—is a phenomenon which most analysts of Canadian politics… conveniently ignore.[47]

Pratt concludes by arguing that Alberta's politicians had been manipulated into making a number of concessions regarding the project, against the province's best interests.

Pratt's second contribution is the 1979 collaborative work with John Richards (an economist working at Simon Fraser) entitled *Prairie Capitalism: Power and Influence in the New West*.[48] The two authors trace the dramatic evolutions in the political and economic fabric of both Saskatchewan and Alberta. The discussion surrounds the "province-building thesis," describing how provincial governments became active entrepreneurs in resource industries and challenged the hegemony of large, multinational corporations (and the federal government) in the process. The central interpretative framework of both Pratt's works are the nature of power—between governments and corporations—and the ability to capture economic rents.

This 'power and rent' framework is echoed in the works of Ed Shaffer, an economist working from the University of Alberta in the 1970s. Shaffer speaks of the increasing budgetary "dependence of the province on the oil industry" and analyses the impact of this change on the provincial government's ability to negotiate resource rents.[49] Speaking to the attitude of the international oil companies, Shaffer states that:

> The oil companies, for their part, are encouraging the local bourgeoisie. In general, the oil companies would prefer to deal with a host of relatively weak provincial or regional governments than with a strong federal

[47] Pratt, *The Tar Sands*, 9-10.
[48] John Richards and Larry Pratt, *Prairie Capitalism: Power and Influence in the New West* (Toronto: McClelland and Stewart, 1979).
[49] Ed Shaffer, "The Political Economy of Oil in Alberta," in *Essays on the Political Economy of Alberta* ed. David Leadbeater, (Toronto: New Hogtown Press, 1984), p. 175.

> government. In this way they can play one province against the other and the provinces against the federal government. Through such a policy they can prevent various governments from extracting the maximum possible economic rents.[50]

For Shaffer, the central question surrounds the ability of the provincial government to ensure a reasonable return on the exploitation of its natural resources. The author states that the system currently in place—development by private corporations, with frequent government subsidies and tax breaks—does not provide an adequate return to the owners of the resource. Shaffer's work is notable, however, for its nascent discussion of some of the social effects of oil and gas development. For example, he argues provincial governments have historically used oil revenues "to buy social harmony" and "paper over existing conflicts" in Alberta society.[51]

The next major work examining Alberta's oil and gas industry is a history of the province's main regulatory agency (known variously as the Oil and Gas Conservation Board, the Energy Resources Conservation Board, and the Energy and Utilities Board throughout its history) commissioned by the agency itself and written by historian David Breen.[52] The study is a comprehensive and complicated piece that advances a number of important conclusions. The bulk of the Breen study focuses on policies and programs put forward by the provincial government (through its arms-length regulatory agency) that promoted conservation and sought to ensure a maximum long-run recovery of oil and gas resources. Lauding the Board for it's mitigation of the 'tragedy of the commons'

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50 Shaffer, "Political Economy of Oil," p. 188.
51 Ed Shaffer, "Oil, Class and Development in Alberta," in *Essays in Honour of Grant Notley: Socialism and Democracy in Alberta*. Ed. Larry Pratt (Edmonton: NeWest Press, 1984), 118.
52 David Breen, *Alberta's Petroleum Industry and the Conservation Board* (Edmonton: University of Alberta Press, 1993).

that defined early oil and gas development in Texas, Oklahoma, and Kansas, Breen makes a strong argument for the Board's success in resource conservation. Celebrated is "how the Board, confronted by individuals and an industry often preoccupied by the short-run perspectives emanating from constant focus on the yearly balance sheet, managed to promote long-range conservation policies."[53]

The Breen study and the Pratt/Shaffer works on Alberta's oil and gas development remain the definitive works on the topic. Their respective conclusions—and their implicit commentary on the ideology, desirability, and effects of petroleum development on Alberta—frame the focus of this thesis. At their most basic, Breen and Pratt/Shaffer make strong arguments concerning the rationality and effectiveness of provincial energy development policies. Pratt and Shaffer contend, correctly, that policies pursued by the province have resulted in an ineffective capture of economic rents by the government. Breen, forgoing an economic analysis, argues, also correctly, that the province has effectively worked to ensure the maximum long-term recovery of its oil and gas reserves. What remains absent from both analyses, and what this thesis hopes to address, is the 'social' aspect of this question. Have Albertans been able to influence the development of oil and gas resources? And, most important, how have Albertans understood and interacted with the provincial oil and gas industry?

While the social side of Alberta's oil development remains an underdeveloped topic, there are number of recent works that touch on the issue. Andrew Nikiforuk, a reporter and freelance author, provided a glimpse into the hardships experienced by

[53] Breen, *Conservation Board*, xxii.

landowners in his exposé of the Wiebo Ludwig saga, *Saboteurs: Wiebo Ludwig's War Against Big Oil*, which was released in 2001.[54] He contends that the province's main regulatory agency, the Energy and Utilities Board, has a skewed understanding of 'the province's best interest' when it makes decisions guiding oil and gas development. For Nikiforuk, the problem with Alberta's main regulatory agency is its interpretation that economic development trumps social and health concerns—an issue that has yet to debated publicly.

In a similar vein, Arn Keeling provided an interesting essay examining the interaction between a southern Alberta rancher and the province's Energy Resources Conservation Board in "The Rancher and the Regulators."[55] Again, frustration, unequal power relations, and debates over what constitutes 'the public interest' form the basis for the Keeling discussion. Both Nikiforuk and Keeling emphasize the problems faced by landowners seeking to exert some degree of control over oil and gas development through the province's public regulatory bodies, and openly question the government's elevation of economic considerations over human health and social concerns.

The preceding discussion has provided two key points to remember as this thesis progresses to the four case studies outlined in the introduction. First, as writing from the international context has demonstrated, the development of oil and gas resources

[54] Andrew Nikiforuk, *Saboteurs: Wiebo Ludwig's War Against Big Oil* (Toronto: McFarlane Walter & Ross, 2001).
[55] Arn Keeling, "The Rancher and the Regulators: Public Challenges to Sour-Gas Industry Regulation in Alberta, 1970-1994," in *Writing Off the Rural West: Globalization, Governments, and the Transformation of Rural Communities*, ed. Roger Epp and David Whitson (Edmonton: University of Alberta Press, 2001): 279-300.

often has negative consequences for many of the actors involved. Environmental degradation, social ills, and political decline are common results of oil development. Similarly, oil companies will always seek to extract the highest possible economic rent, and will do much to limit the power of host governments to challenge their hegemony. Second, the writing on Alberta's political and economic history highlights ongoing clashes with the federal government, the machinations of political and economic elites, and the negative consequences of an undefined understanding of the 'public good.'

The following chapters will couple these insights with four key events of the Lougheed period. It will be demonstrated that resource politics in Alberta are defined by failures of discourse—that discussions surrounding provincial resource policies, ownership, and development mechanisms have rarely engaged with citizens. Instead, political elites and private capital have exploited misconceptions, framed debates, and manipulated others to advance their interests and maintain the status quo. This engendered a situation that prevented Alberta citizens from participating in meaningful debates over the development of their resources.

Chapter II: Undefined Interests and Malleable Metaphors

While in Opposition, Peter Lougheed and the Conservative Party began to stake out their position on resource development in the province. An analysis of the events leading up-to, and during, the 1971 election demonstrates a number of key points regarding the discourse of oil and gas development in Alberta. First, the debates surrounding resource development prior to the election illustrate the intense political manoeuvring that took place in the Legislature, as parties vied for support and sought to define their positions on the various issues facing the province. Second, the period highlights the (undefined) concept of a 'provincial interest' that politicians used to further their political ambitions and agendas. Finally, the case of the Home Oil sale exemplifies the construction of metaphors in the provincial political arena; it describes the tactics that politicians employed to elicit emotional responses from Albertans, and the lack of a fundamental understanding that many Albertans possessed regarding the basic workings of the provincial oil industry.

Manning Moves on, Strom Stumbles, and Lougheed Ascends

Peter Lougheed took the helm of the floundering provincial Progressive Party in 1965. At the time, the organization had no elected members, no money, and very few organized constituency associations—it had even been without a president for over a year.[56] This situation did not deter the young Lougheed. He brought with him a number of ambitious and driven individuals, gathered from his years as a lawyer working for the

[56] David G. Wood, *The Lougheed Legacy* (Toronto: Key Porter Books Limited, 1985), 27-44 and *The Edmonton Journal*, 9 February 1965 and 17 February 1965.

powerful Mannix Corporation (the largest construction firm in Alberta). At Mannix he had acted as counsel on projects like the Great Canadian Oil Sands and the Alberta Resources Railway, two projects his party would later criticize.[57] He realized the Progressive Conservative path to power would entail not only revitalizing the party, but also differentiating it from Social Credit. To do this, he framed the party as "more modern and progressive" while still acting as "a free enterprise party" to best appeal to Albertans.[58] This offered the historic buttress to socialism that had worked so well for Social Credit since the 1930s, while opening the door to new ideas for the future.

Figure 1 Peter Lougheed preparing for one of his many television appearances during the 1971 election. Many commentators have argued the Progressive Conservative's use of television was one of the key factors in their victory over Social Credit, who seemed uneasy with the "new" media. Glenbow Archives photograph NA-2864-19590.

[57] Allan Hustak, *Peter Lougheed: A Biography* (Toronto: McClelland and Stewart, 1979), 55. Lougheed knew these projects intimately, and would later criticize the government's handling of them while in opposition.
[58] PAA, 72.0059 (Peter Lougheed Opposition Papers)/Box 20/Item 258, Letter from Lou Hyndman to Peter Lougheed, RE: Goals for the 1970 Legislative Session, dated 30 October 1969.

The Conservatives had an aggressive plan while in opposition; they sought to "embarrass and provoke" the opposing Socreds while "suggesting policy alternatives of their own."[59] Notably, the Conservatives were alarmed at the centralization of power in the Cabinet and Executive Committee, and sought to "restore the Legislature as the focal point of democracy" and decision-making in the province.[60] Lougheed and the Conservatives also immediately appreciated that petroleum revenues were the mainstay of the provincial budget, and focused much of their critiques on this issue.[61] Labelling the Socred management of the province's oil reserves "as selling one's house to pay for groceries," the Lougheed Conservatives promised to rationalize and improve the way oil resources were managed by the province.[62]

One such opportunity emerged with the debate surrounding the Benson White Paper on Taxation in Canada, released in 1969. The Benson Paper called for a number of federal tax reforms, including higher taxes for most businesses and industries as well as an increase in the inheritance tax (among other items).[63] The release of this paper prompted the Lougheed Conservatives to begin questioning Social Credit's ability to safeguard the Alberta oil industry against federal tax changes. Querying the Social Credit Minister of Mines and Minerals, A. R. Patrick, regarding provincial government

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[59] PAA, 72.0059/Box 20/Item 258. Confidential Notes from First Meeting of Alberta Conservative Caucus, Edmonton, 17 June 1967 and PAA, 72.0059/Box 20/Item 258. PC Caucus Meeting No. 4, Edmonton, 9 December 1967.
[60] *The Edmonton Journal*, 20 February 1968.
[61] PAA, 72.0059/Box 20/Item 258, Memo from Frank Calder to Peter Lougheed and T. Mills, RE: Current and Emerging Issues discussed at Caucus meeting of 6 July 1970.
[62] PAA, 72.0059/Box 21/Item 265. Press release by Peter Lougheed, 8 May 1967.
[63] For other Alberta perspectives on the Benson White Paper, see John J. Barr "Beyond Bitterness," in *The Unfinished Revolt: Some Views on Western Independence* ed. John J. Barr and Owen Anderson (Toronto: McClelland and Stewart, 1971) 15 and Owen Anderson "The Unfinished Revolt" in *The Unfinished Revolt*, 51.

‘protection’ of its oil industry, Lougheed felt his answers “were not all they should have been.”[64] The Conservatives further charged that the Strom government “was not doing enough to put across its position in Ottawa,” although what the Conservatives felt ‘its’ position should be was never made explicit.[65] When Premier Harry Strom did travel to Ottawa to discuss the Paper with Benson, he “denied his trip” was motivated by “Conservative Opposition prompting.”[66]

Defending his limited public statements on the issue against opposition probing, Strom argued it was “a very sensitive area” and that the debate was not something “we’d like to have aired in public, because of the difficulties involved.”[67] The Premier then argued his “style” involved “getting accomplishments rather than talking about them,” pushing back against Lougheed’s drive to bring the issue into the Legislature.[68] This further emboldened the Conservatives to continue hounding the government to publicize their (perceived) inaction on the issue; Lougheed felt he could gain further political points by framing Social Credit as incapable of defending Alberta’s ‘interests’. It is useful here to remember Trevor Harrison’s statements regarding the manufactured (and undefined) idea of a ‘general interest’ among Albertans.[69] The use of an ‘Albertan interest’ in the media elicits a response from voters. When that interest is vague and undefined, it can be bent to serve the needs of those employing it, which was for Lougheed’s purpose, discrediting the governing party. The Conservatives further

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[64] *The Edmonton Journal*, 12 March 1969.
[65] *The Edmonton Journal*, 27 February 1970.
[66] *The Edmonton Journal*, 8 March 1969.
[67] Quoted in *The Edmonton Journal*, 12 March 1969.
[68] An aide to Premier Strom, quoted in *The Edmonton Journal*, 27 February 1970.
[69] Harrison, “Making the Trains Run on Time,” 120.

charged that the Socreds were misrepresenting their stance on the issue, saying one thing to the public and the Legislature and another to their federal counterparts in Ottawa.[70]

What emerges from the Benson debate is the obvious conclusion that both the Conservatives and Social Credit were unsure of the proper response to the Benson Paper. The Conservatives realized there were political points to score if they could convince the public that Social Credit was not doing enough to protect the province. The Socreds, on the other hand, were stuck in the unfortunate position of being subjected to opposition criticism and yet unable to influence the situation beyond asking Ottawa to change the proposal. Furthermore, it is apparent that both parties interpreted their mandate to serve the people of Alberta as one that necessitated the defence of private capital in the province against taxation from Ottawa. This is almost an exact echo of the industry stance on the issue. Weighing in on the Benson paper, the President of Shell Canada argued "because of its predictably unfavourable impact on the Canadian economy," the proposed tax changes "would not be in the country's best interests." Again, the interpretation of 'best interest' was the free operation of capital against taxation.[71] Both parties in the Legislature argued economic decline would ravage Alberta if oil companies were subjected to a different level of taxation than currently in place. Lougheed even predicted "social and economic upheaval" if the changes were enacted.[72]

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[70] *The Edmonton Journal*, 23 March 1969.
[71] H. Bridges, President of Shell Canada, quoted in *Oilweek* 15 June 1970, 5.
[72] Quoted in *The Edmonton Journal*, 2 March 1970.

The Benson White Paper period highlights an understanding of the provincial oil industry by politicians that conflated the taxation rate of private enterprise with the over-all economic health of the province. 'Alberta's interest' became the interest of oil companies—a focus on revenues, profits, and returns to investors. While the Conservatives and Social Credit fought back and forth to present themselves as the defenders of (this narrow interpretation of) Alberta's interest, the NDP's Grant Notley was the only one to bring the issue to the public. He suggested "Albertans read the white paper for themselves" instead of being led by "latter-day Social Credit and Tory pied pipers."[73]

The Debate Surrounding Government Support for Industry, 1965-1971

Moving beyond the issue of federal taxation and the provincial interest, we now turn to the debate surrounding the role of the Alberta government in supporting provincial industry. The Lougheed Conservatives felt that "industrial development, and the lack of provincial support" was one of the key issues for their party.[74] Their 'free enterprise party' also saw an activist role for government in supporting industry—if making a stand on the issue allowed them to gain political points. They frequently called for sizeable government expenditures to support firms already operating in the province, as well as attract new ones to the region.[75] One party strategy was to publicly

[73] Quoted in *The Edmonton Journal*, 2 March 1970.
[74] PAA, 72.0059/Box 20/Item 258, PC Caucus Meeting, Edmonton, 4 September 1968.
[75] See *The Edmonton Journal*, 29 July 1971. See also: a resolution introduced in the House by Don Getty regarding Social Credit's inability to 'sell' the province, *The Edmonton Journal*, 3 April 1968; a debate in the House instigated by Getty regarding smaller industrial centres, *The Edmonton Journal*, 18 February 1970; the Tory urging of a provincial development fund, *The Edmonton Journal*, 28 February 1970; Getty's

"take up the case of an individual or small operator" to garner support, highlight Social Credit inaction, and demonstrate the Conservative's encouragement of local industry.[76]

Hugh Horner, in a letter to the owner of a small lumber mill who had complained over a lack of government support for his company, touted the party's support for "policies that allow for individual Albertans to take part in the development of our resources."[77] Yet party correspondence, like that between Horner and the mill operator, usually offered only platitudes to those complaining—the party would 'highlight their support for local industry', and do little else. However, the Conservative stance on local industry did, on occasion, translate to lobbying the provincial government on behalf of Alberta-based firms. When the provincial government opened up tenders for a civil service life insurance plan in 1968, the owner of the Rocky Mountain Life Insurance Company of Edmonton wrote Lougheed encouraging him to "lobby" on behalf of "good old Alberta companies." Lougheed in turn wrote the provincial treasurer Anders Aalborg, saying "I trust that consideration will be given to Alberta Companies when this matter is being considered by you and your colleagues." Rocky Mountain Life was awarded the contract within a month, and in turn, went bankrupt four years later.[78]

The support of 'Alberta' industry and government involvement in resources would be a constant area of focus for the Conservative party. Yet the line between local industry and major international firms often became blurred, and the idea of supporting

comment to Socred Minister of Industry and Tourism that "he had no recourse but to resign" over his lack of activity on supporting industry in the province, *The Edmonton Journa*l, 1 April 1970.

[76] PAA, 72.0059/Box 20/Item 258, Memo from Lougheed to Caucus, 4 September 1970.

[77] PAA, 72.0059, Box 1, Item 139. Letter from Hugh Horner to Jack Stokes. DATE

[78] PAA, 72.0059/Box 17/Item 217. Various correspondence between W. L. Walsh of the Rocky Mountain Life Insurance Company, Peter Lougheed, and Anders Aalborg, May to June 1968.

Alberta companies became conflated with supporting industry in general across the province. In one Conservative reply to the throne speech, MLA Bill Dickie argued “there was no mention of any assistance for the oil and gas industry,” stating that the industry was beset by problems and “something [had] to be done for them.”[79] The large percentage of American firms in the provincial oil patch was not discussed—the industry as a whole was to be supported. In another debate, Lougheed said the “lack of government action in stimulating crude oil exploration” was causing “Alberta’s unemployment,” generalizing the connection of economy-wide employment problems to oil industry activity.[80] Yet the party also needed to balance these statements in order to keep up their appearance as ‘free enterprise’; in one interview Lougheed felt it would be “premature to consider whether a Conservative government would directly intervene” in resource industries, demonstrating the short-term and contradictory resource politicking that beset the Legislature.

The Conservative party obviously struggled in its bid to differentiate itself from Social Credit and still maintain it was a free enterprise party. Lougheed moved issue-by-issue through his years in opposition, conveniently calling for government intervention if the Socreds could be framed as uncaring, and other times calling for a ‘hands off’ approach if the administration was perceived as becoming too involved. Short-term political thinking, and not long-term ideological stances, dictated the nature of opposition stances to Social Credit resource policies in this period. The Conservative support for local industry mirrors the debates surrounding the general role of industry

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[79] *The Edmonton Journa*l, 19 February 1965.
[80] *The Edmonton Journal*, 4 June 1971.

support by government in Alberta politics. Looking at examples in the 1960s and 1970s, we can discern no consistent pattern; instead, support seems to be haphazard and unfocused, tied to short-term fluctuations in employment rates or commodity prices, and political whims.

For example, in early 1965 the government of Saskatchewan announced it would subsidize the construction of a heavy water plant via tax breaks and other forms of support. Premier Ernest Manning called the move "unsound" and said it indicated the province was "desperate for industry." He further stated: "this government has no intention of following a similar course."[81] Yet, one week later, he introduced legislation that guaranteed government financing for the construction of the Alberta Resources Railway (ARR), providing a similar level of support as was given to the heavy water plant in Saskatchewan. The ARR was a program to connect northwestern Alberta with the main Canadian National line running through Hinton, and it was hoped the rail would foster economic development in the region.[82] Manning's statements regarding the issue speak to the awkward path he was attempting to navigate—he assured Albertans that the government "doesn't want to go into the railway business" yet called for the establishment of a crown corporation, run by the Cabinet, and empowered to "own and operate railways."[83] Editorials called the move "big, bold and iffy" and commended the government for "balancing imaginative enterprise against cold hard sense."[84] The

[81] Story in *The Edmonton Journal*, 12 February 1965.
[82] *The Edmonton Journal*, 19 February 1965.
[83] *The Edmonton Journal*, 24 February 1965.
[84] *The Edmonton Journal*, 25 February 1965.

editorial was attempting to navigate the same awkward path as Manning, trying to balance ‘support for industry’ with ‘free enterprise ideals’ without alienating its readers.

It is evident that the Conservative support for ‘local’ industry wavered when they sensed political points could be gained by questioning government involvement in the project. Although the ARR was designed to facilitate coal and timber resource development in northwestern Alberta, the Conservatives attacked government involvement in the project relentlessly. After Provincial Treasurer Anders Aalborg admitted the project was “beset” by problems, the Conservatives pounced.[85] Internal Conservative party memos labelled the issue a “$100 million dollar white elephant” and singled it out for attack.[86] Lougheed, in particular, seized the issue. He would go on to make a number of criticisms which, ironically, could easily be applied to his government’s handling of the Syncrude deal a mere seven years later (an analysis of Syncrude is presented in a later chapter).

As the ARR debate gained momentum in the Legislature and politicians began making inflammatory statements, a crucial debate emerged between Aalborg on one side and Lougheed and Getty on the other. When pushed in the House, Aalborg commented that “I do have a feeling that some of the [public] criticisms” being made by the Tories regarding the project’s viability, were hampering “negotiations” between the government and industry concerning coal and timber developments along the railway. He framed Lougheed’s attacks as being detrimental to the development of the very

[85] *The Edmonton Journal*, 22 March 1968.
[86] PAA, 72.0059/Box 20/Item 258. PC Caucus Meeting No. 3, Edmonton, 5 November 1967.

same local industries the Conservatives sought to support. Lougheed was "most disappointed" with this statement, and argued

> The public of Alberta has a right to know and hear explanations with respect to the circumstances of building the railroad. I am very disappointed the honourable provincial treasurer did not resist the temptation to reduce this to petty politics by saying criticism itself has an effect on the project.

Furthermore, Lougheed said it was "unfortunate that the term 'criticism' was used rather than 'inquiry.'"[87] Yet 'petty politics' was the game Lougheed had been playing since 1965. Hugh Horner, a year later, criticized the Social Credit government for their "mismanagement" of the project and commented that "parliamentary tradition demands the resignation" of the Ministers involved, "because of incompetence."[88] Despite the fact that the railway was designed as a catalyst for industrial development of the province's coal and timber reserves in an under-developed region, for the Lougheed Conservatives it was more important to embarrass the Social Credit government than work towards a constructive solution of the problem suitable to all parties and beneficial to local industry. This again demonstrates that provincial resources policies were determined more by short-term politicking than any sustained long-term program.

Home Oil: Metaphors and Misunderstandings

The Home Oil episode of the early Lougheed period serves to illustrate another important facet of resource policies and politics in the province—simultaneously highlighting the way politicians manipulated the public by creating issues, and the lack

[87] Discussion and quotations taken from *The Edmonton Journal*, 22 March 1968.
[88] Comments in *The Edmonton Journal*, 6 March 1969.

of public understanding regarding the basic operation of the provincial oil industry. Beginning in late January 1971, the possible sale of Home Oil (the largest Canadian 'independent' based in Calgary) to Ashland Oil of Kentucky began to surface in provincial newspapers. Home Oil was perceived as a uniquely Albertan player in the province's oil patch.[89] The mythology around Home Oil is particularly intriguing—it was widely believed that the company achieved early success because of its high-risk exploration choices, and it embodied many of the traits cherished by Albertans. The company was seen to be a true 'wildcatter'; "an unusual breed of man [or corporate entity], to whom the taking of risks is as natural—and essential—as breathing."[90] Yet the Home Oil-Alberta connection was not as strong as many believed. For most of its early history Vancouver-based financiers controlled the company, and for a number of years the majority of shareholders lived in Quebec.[91]

What the Conservatives did with Home Oil was turn the company into a metaphor, a symbol of Alberta—this transformation served to highlight certain issues and conceal others.[92] The sale of Home thus represented a 'threat' to the province, and with skilful manipulation of the issue, the Conservatives realized they could gain substantial political points. The Conservatives vowed to fight to keep the company 'Albertan', or at least 'Canadian'. In doing so, they intersected with a large, on-going debate regarding foreign ownership of companies operating in Canada and economic nationalism.

[89] For a more elaborate discussion surrounding the rise of Home Oil and some of the mythology surrounding the company's Calgary roots, see Philip Smith, *The Treasure-Seekers: The Men who Built Home Oil* (Toronto: Macmillan of Canada, 1978). See also article on the death of R. A. Brown in *Oilweek*, 10 January 1972, page 5.
[90] Smith, *Treasure-Seekers*, vii.
[91] Smith, *Treasure-Seekers*, 65.
[92] George C. Edwards III and Ira Sharkansky, *The Policy Predicament: Making and Implementing Public Policy* (San Francisco: W. H. Freeman and Company, 1978), 76.

On 9 February 1971, Donald Getty and the Progressive Conservatives sent out a news release to the major newspapers in the province. It begins:

> A Progressive Conservative Government in Alberta would be actively involved in keeping ownership control of Home Oil Company in Alberta and Canada. Home Oil has its roots sunk deeply in Alberta soil. Its development has been uniquely Albertan and the majority of its assets are in fact held in our province…[93]

The news release tried to engender an emotional connection between Albertans and Home Oil; Getty then called for Albertans to "express themselves" in the "strongest possible manner" on the issue. The Conservatives felt public pressure on MLAs would lead to a united stand by the House. The "weight" of that stand "may be the factor that keeps the Company Canadian." If the House was unable to act, its silence "could be construed as not caring, or even being in agreement with these takeovers."[94]

House Speaker Art Dixon, in denying a Conservative motion for an emergency debate on the issue, stated there was nothing the Legislature "can do to prevent the sale of any oil company." Indeed, owners and shareholders of oil companies could buy and sell as they wish, and outside of the 'majors' like Imperial and Gulf, oil companies were bought and sold frequently in Alberta. Getty responded to the Speaker's statement with shock, saying he was "astonished the Speaker felt the Legislature couldn't do anything." Yet when challenged, it became clear the extent of the Conservative plan for the Legislature was simply the drafting of a motion to federal Resources Minister J. J. Greene. The Conservatives, like the government, realized that

[93] PAA 99.922 (Don Getty fonds)/File 62, PC News Release, 9 February 1971.
[94] PAA 99.922/File 62, taken from a draft copy of Getty's speech to the Legislature.

the Legislature's power extended only to asking the federal government to intervene.[95] Furthermore, the Conservatives, as a 'free enterprise party' could not advocate outright purchase of the company by the province, despite making the sale an issue in the House. There was an ideological boundary on the options they could advocate to prevent the sale. One constituent wrote to Lougheed arguing the party which was "dedicated to private enterprise" should "advocate the principals" of private property and "affirm the right of the owners of that property" to sell to whomever they wanted. Indeed the government should have "no say in this or any other matter as regards private property."[96] Lougheed's awkward response captures the difficult path his party was now walking due to their vocal opposition to the Home Oil sale.

> ...I believe that there may be some confusion as to our position on this issue. Don Getty, in speaking about the sale of Home Oil shares made it very clear that we do not advocate preventing the major owner (Mr. Brown) from selling to whomever he pleases. However, at the same time, we feel that effective steps could be taken to find Canadians who would be willing to put up the money... The Conservative M.L.A.'s do feel that greater Albertan and Canadian participation in our own economy should be encouraged in every way possible - but we support a free enterprise economy and in no way advocate forcing individuals to sell only to government approved buyers...[97]

The debate in the House went back and forth between the Socreds and the Tories. The sole NDP representative called for the province to purchase the company outright. He said the $10 to $15 million-dollar investment (equal to what was being offered by the American firm) was "well within the capacity of the province" and would give the

[95] *The Edmonton Journal*, 23 February 1971.
[96] PAA 99.922/File 62. Letter from Guy H. Vaughan to Lougheed, 9 February 1971.
[97] PAA 99.922/File 62. Letter from Lougheed to Vaughan, 10 March 1971.

province “an important direct share in oil and gas production as well as a significant role in future exploration.”[98] This suggestion fell on deaf ears in the House.

Premier Harry Strom felt Albertans were “unduly concerned about the dangers of foreign ownership of domestic industries.” Indeed, he asked if it was “fair for a government to tell the owner of Home Oil that although he had found a buyer for his firm the sale could not go ahead because of the buyer’s nationality.”[99] Social Credit saw the sale essentially as business as usual in the oil industry. His comments were in sync with the stance of the industry. The Independent Petroleum Association of Canada (IPAC), a major industry lobby group, was “extremely concerned” with the debate, fearing it could create “a dangerous precedent” where governments were “forced to purchase any number of industries because of political pressure.”[100] They worried that “emotional concerns” emanating from parties seeking to score political points would distort the economics of the industry.[101]

The response from citizens varied, and illuminates a number of attitudes, beliefs, and understandings held by Albertans concerning the basic mechanics of the provincial oil industry. On the pragmatic side, a number of individuals wrote the government offering to buy Home Oil shares, if a mechanism was available[102]—despite the fact that Home Oil shares had been listed on a number of Canadian stock exchanges since the 1920s, and obviously were available for purchase by interested Canadians or anyone

[98] *The Edmonton Journal*, 22 February 1971.
[99] *The Edmonton Journal*, 26 February 1971.
[100] Independent Petroleum Association of Canada statement, in *Oilweek*, 22 March 1971, page 15.
[101] Alastair H. Ross, President of IPAC, *Oilweek*, 5 April 1971, page 20.
[102] PAA, 99.922/File 62. Letter from Ellen G. Rudzki to Getty, 9 February 1971. Letter from Eugene Maltais to Getty, 20 February 1971. Letter from Bruce E. Jacquest to Getty, 11 February 1971. Letter from Wayne W. Brideaux to Getty, 10 February 1971. Letter from Joan Bryant to Getty, 22 February 1971. Letter from Jean Lamb of Willow Investments of Calgary to Lougheed, 15 February 1971.

else. Indeed, the individual trying to sell Home Oil shares had himself attained control of the company by purchasing shares on the open market.[103]

Another batch of writings continue to highlight the grave misunderstandings on the part of Albertans regarding the operation of the oil industry. One writer asked "When our province is blessed with so much oil, are we not entitled to own one company?"[104] Another commented, "there could never be a more golden opportunity [for the province to take over Home Oil] to put into action what we have been giving a lot of lip service to, namely, retaining control of our natural resources."[105] Finally, a despairing letter worried that if Home Oil was sold, the province "would never regain it for our children."[106] A newspaper editorial commented that "we're getting all we deserve… we have sold ourselves out… We shouldn't have waited until 80 percent of our oil was American owned."[107] The writers of these letters seem to believe that the nationality of a company exploiting a resource indicated that the resource was no longer under Canadian control. In reality, of course, the provincial and federal governments own over 95 percent of the mineral rights in the province, and lease them to oil companies (both Canadian- and foreign-owned), and retain complete 'control' over the resource through policy decisions regarding exploitation, development, and marketing. The above examples demonstrate that the "public knowledge of even the most rudimentary aspects of politics is not extensive"—this misunderstanding allowed

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[103] Smith, *Treasure-Seekers*, 115.
[104] PAA, 99.922/File 62. Letter from Lela Gilchrist to Getty, 9 February 1971.
[105] PAA, 99.922/File 62. Letter from W. J. Broceed [illegible signature] to Getty, 15 February 1971.
[106] PAA, 99.922/File 62. Letter from W. Carlin to Getty, no date.
[107] *The Edmonton Journal*, 23 February 1971.

politicians like Getty and Lougheed to turn Home Oil into a symbol and garner electoral support through their framing of the issue.[108]

What makes this conflation of company ownership-resource ownership even more puzzling is the omnipresent theme of 'provincial ownership of resources' in Alberta history. Albertans fought aggressively for the 1930 *Natural Resources Transfer Act*, and have been highly sensitive to federal intrusions into provincial matters since. By all accounts, Albertans had effectively asserted their ownership of, and control over, provincial resources by the 1970s. Why then were these events forgotten in the debate surrounding Home Oil? Moreover, why did the pending sale of Banff Oil Company (another major Calgary firm) to Aquitaine Oils of France fail to generate a discussion in the media? The conclusion—that Home Oil was seen as important because politicians made it important, and that the emotional appeals of provincial politicians inhibit rational and more serious discussions of resource politics—is troubling. Albertans, both citizens and politicians, seeking to engage in a substantive debate over provincial resources, must be wary of the tendency to oversimplify and manipulate issues for short-term political gain.

This chapter has demonstrated that debates regarding resource politics in the Alberta legislature frequently over-simplified complex issues, were characterized by politicking and appeals to emotion, and lacked any connection to long-term agendas or development plans. The Conservative response to issues like the Benson White Paper or

[108] Edwards and Sharkansky, *Policy Predicament*, 24.

the Alberta Resources Railway show the preoccupation with political spectacle, and how framing debates could resonate with voters. Similarly, the Home Oil example establishes that many Albertans remained confused over the basic operation of the provincial oil industry, and were easily manipulated by ambitious politicians more concerned with scoring political points than actually engaging their constituents. Finally, we have seen how important issues, like the idea of a 'provincial interest', were used by political and economic elites to protect the status quo and quash serious debate over the province's potential policy options. Taken together, these examples reinforce the serious disconnect between Albertans and their resources. We now turn to an analysis of the 1972 royalty review, and examine the tactics employed by oil companies in their bid to frustrate the province from its goal of extracting a higher economic rent from the depletion of its non-renewable resources.

Chapter III: The Royalty Review - Limiting Debate and the Abusive Rhetoric of Capital

Royalties, along with lease sales, rental payments, and taxes, were the main avenue through which the Province of Alberta collected revenue from the development of its oil and gas resources. In its bid to entice oil development in the province after the Leduc discovery, the Social Credit government of Ernest Manning had extended generous royalty provisions to the oil and gas industry, offering low rates and long-term contracts. While it was customary to periodically review royalties, the difficulties in marketing Alberta oil between the 1950s and the 1970s created an incentive for the government to keep royalties low, so the per barrel price of Alberta oil remained competitive with other sources. Prior to the 1971 election, royalty reviews rarely generated debate. With the ascension of Lougheed, however, and the new Premier's ambitious plans to remake the province, the 1972 royalty review became an important issue. The stakes of the review were high—a change in a few percentage points in the royalty rate could translate into hundreds of millions of dollars. It is no surprise then that the 1972 royalty review was a highly contentious issue for the province, its citizens, and the Alberta oil industry.

An analysis of the royalty review yields a number of points that support the thesis of flawed discourses surrounding resource development in Alberta. The first section examines the period leading up to the release of the tentative *Natural Resources Revenue Plan*. It demonstrates that Lougheed, the opposition parties, Alberta citizens, and energy companies all attempted to frame the upcoming review and position themselves as the true advocate of the (as always, undefined) provincial interest.[109] This jockeying for position obscured issues, polarized debate, and pushed the parties further away from any meaningful discussion of royalties. Moreover, the government deliberately limited citizen participation in the issue to 'manage' potential debate and avoid an "excess of democracy" that could threaten its entente with the oil industry.[110] The second section explores the various reactions to the announced *Plan*, in both the media and submissions to the royalty review itself. This section highlights the response of industry to the proposed changes, and illustrates a number of rhetorical tools oil companies used in their attempt to browbeat the provincial government into submission and preserve the status quo.

Framing the Issue and Democracy in Alberta

Prior to the review of May 1972, the Government of Alberta had last discussed its royalty structure in late 1961 and early 1962. At that time, it had extended a maximum royalty rate to producers of 16 2/3 percent, for a indefinite period, on current and future wells. Peter Lougheed, while in opposition, had questioned whether the province was receiving a sufficient return on its energy resources on a number of

[109] Framing is a broad concept with a number of definitions currently in use. For the purpose of this thesis, framing is concerned with "choosing the language to define a debate, and, more importantly, with fitting individual issues into the contexts of broader story lines." Quotation from Matt Bai, "The Framing Wars," *New York Times*, July 17, 2005. For other examples of framing in action, consult Sheldon Rampton and John Stauber, *Trust Us, We're Experts!: How Industry Manipulates Science and Gambles with your Future* (New York: Tarcher, 2002). A more academic exploration of framing is available in Erving Goffman, *Frame Analysis: An Essay on the Organization of Experience* (Boston: Northeastern University Press, 1974).

[110] Noam Chomsky, *Necessary Illusions: Thought Control in Democratic Societies* (Toronto: Anansi, 1989), 2-3. Michel J. Crozier, Samuel P. Huntington and Joji Watanuki, *The Crisis of Democracy: Report on the Governability of Democracies to the Trilaterial Commission* (New York: New York University Press, 1975).

instances. It is no surprise then, that during the first few months of his government's mandate, the royalty issue came to the forefront of political debate in the province through the 1972 royalty review. The government, the oil industry, and Albertans began to make normative statements on the royalty question. In doing so, they used a number of tactics to strengthen support for their stance and cast doubt on competing ideas. It was also during this period that Peter Lougheed began to proactively manage the royalty issue—privately taking steps to assure industry its interests were understood and setting in place structures to limit the length and scope of any public participation in the 'public' royalty review.

The 'royalty issue' was an integral part of Peter Lougheed's strategic planning long before he became Premier of Alberta. Early Conservative Party documents speak to his desire to revisit the royalty rate and secure a higher return to the province from the sale of its depleting non-renewable resource. The increased revenues would be used to finance a remaking of the province, including a program of economic diversification that would wean Alberta off of its dependence on the oil industry. The early documentation also demonstrates the future Premier's concern regarding the oil industry's response to a possible increase in royalties. For example, correspondence between Lougheed and a local consulting firm in 1969 and 1970 shows Lougheed gently probing the consequences of a possible royalty bump. The respondent outlined a list of reasons why the Province should forgo a royalty increase: reducing demand by increasing production costs, reduced competitiveness of Alberta fuels, long-term consequences (like switching to alternative fuels), and breaking royalty contracts ("changing the rules" in the middle of the game). Despite these concerns, Lougheed felt it was indeed possible to increase the royalty rate.[111]

Adding to the caution generated by the informal surveys undertaken by Lougheed was the stance taken by the industry on previous proposals to augment returns to the public purse. It had consistently and vociferously fought suggested increases of oil royalties and taxes throughout its history. Prior to 1972, this threat had primarily originated with the federal government. With debate surrounding the Benson White Paper raging (with its planned increases in corporate income tax), the oil industry's response was typical: threaten economic decline if a 'stable investment climate' was not maintained, raise the spectre of capital outflow, and make statements about the 'morality' of breaking contracts. The President of Shell Canada said increased royalties "would not be in the country's best interest" because it would hamper the "attraction of capital and talented manpower necessary for Canada's future."[112] Industry news pieces warned the increase "would seriously impair the development of Canada's resources."[113] And various editorials accused the government of "a breach of faith" that would "shake investor confidence in Canada" and lead to economic decline.[114]

The potent response to the White Paper obviously shaped how Lougheed broached the royalty issue. In a February 1971 interview with *Oilweek* magazine, the Opposition Leader carefully avoided making any statement on royalties. Lougheed

[111] PAA, 99.922/Box 1/File 9. Correspondence between Don Getty, Peter Lougheed, and Gordon Pearce of Foster Economic Consultants, December 1969 and January 1970.
[112] H. Bridges, President of Shell Canada Limited, comments in *Oilweek*, 15 June 1970, 5.
[113] *Oilweek*, 8 June 1970, 26.
[114] *Oilweek*, 18 May 1970, 3.

instead repeatedly directed the discussion to his party's desire to maintain incentives to attract investment and protect the provincial oil industry from federal intrusion.[115] At no point were royalties mentioned. Indeed, Lougheed was quite careful to tiptoe around the issue of oil royalties in the period leading up to the election, in contrast to other parties like the provincial New Democrats. In July of 1971, after the election had been called, NDP leader Grant Notley campaigned on a platform of higher royalties on provincial oil reserves—the "rightful heritage of the people of this province, not the preserve of private interests."[116] The provincial Liberal Leader, Bob Russell, also stated "that the market can stand an increase in natural resources royalties."[117] Even oil-friendly Social Credit commented on the "unlimited market" for Alberta oil, and hinted at a thorough re-evaluation of the royalty rate.[118]

Some of the province's major newspapers echoed this stance. *The Edmonton Journal*, for example, argued that oil-rich states "have been holding the world oil industry's feet to the fire." Royalty payments in the Middle East had been increased significantly, and governments had "even forced the international companies to stop cooking the books" and "disgorge profits which previously went untaxed."[119] Public opinion continued to suggest the province could raise royalties and still attract investment. Another editorial sympathized with the "hard decisions" facing the province, yet argued "what might have been justified as policy twenty years ago is not

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[115] The Lougheed interview is found in *Oilweek*, 15 February 1971, 8-9.
[116] Grant Notley's discussion of the NDP platform, quoted in *The Edmonton Journal*, 26 July 1971.
[117] *The Edmonton Journal*, 27 August 1971.
[118] Story in *The Edmonton Journal*, 24 August 1971.
[119] *The Edmonton Journal*, 31 July 1971.

necessarily acceptable now."[120] A number of Alberta citizens, aware of "political unrest in other petroleum producing parts of the free world," argued the province should no longer "take severe concessions" to keep the oil industry happy.[121] Yet the cacophony of voices arguing for higher royalties elicited little response from Lougheed, who was vigilant in his desire to avoid sending too strong a signal over oil royalties during the campaign. Instead, he made policy statements about protecting Alberta's water resources from export to the US, effectively "making an issue out of a non-issue."[122]

After the election, with his mandate secure, Lougheed began to stake out a more concrete position on the royalty review. In his first post-election interview with *Oilweek*, Lougheed stressed he would not make basic changes in the province's management of the industry "just for the sake of change." Yet in the same interview, he also suggested changes were likely in the areas of "surface rights compensation, pollution control and the traditional 10-year revision of royalty rates."[123] Lougheed then had the Provincial Treasurer launch the first major volley into the public sphere. Shortly after the election, Gordon Miniely said the province was studying "new approaches to increase [the] over-all revenues to the province," and that "industry representatives are being involved in the consideration 'as much as possible.'"[124]

The industry was also sending signals to the government and the public. One industry periodical published a piece titled "A Warning – Industry is Sensitive," which

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[120] *The Edmonton Journal*, 18 August 1971.
[121] PAA 85.119 (Grant Notley fonds)/Box 2/File 35. Letter from William Dascavich to a number of Alberta-based newspaper editors and Grant Notley. Dated 3 December 1971.
[122] *The Edmonton Journal*, 6 August 1971.
[123] *Oilweek*, 6 September 1971, 22.
[124] *The Edmonton Journal*, 13 October 1971.

expressed worry that Lougheed's ambitious agenda would be financed by the oil industry. The President of Decalta Petroleums asked "how far can [Lougheed] turn the screws… before the fabric of the industry started to crack?" Similarly, a Bank of Montreal energy analyst suggested the government "not forget" it was the "largest single beneficiary of the oil and gas business." His advice was: "Remember not to kill the goose that lays the golden egg when looking around for new sources of revenue."[125] The industry warnings continued to mount. In a lengthy *Oilweek* editorial, the industry's suggestions for the government were presented:

> It [higher royalties] would presumably not provide… any inducement to get more active in exploration and development…
>
> The awkward feature about being a provincial government in Alberta right now is that the evidence is pretty clear about the relative attractions of other regions. Alberta's petroleum economy is in a maturing stage. The region is no longer a frontier… Consequently the government that is faced with declining cash bonus revenues, because the bonanza of huge high-priced land sales is gone, has to make a difficult decision.. Any substantial increase in royalty scales will be self-defeating. It will drain off revenue which can be ploughed back into exploration and development.[126]

The message was simple: raise royalties, see investment flow elsewhere, and suffer the consequences. Other statements emanating from the industry were saturated with similar warnings against government regarding possible royalty rate changes.

Industry had a number of chances to warn the government against changing the status quo. In a 'Preview of 1972' piece, *Oilweek* editors asked oil company executives to share their opinions on how the industry would fare throughout the year. Each respondent took pains to emphasize the role of government in maintaining a stable

[125] *Oilweek*, 27 September 1971.
[126] *Oilweek*, 25 October 1971, 5.

investment climate. The President of Shell Canada, John K. Brookout, said the development of Canada's resources would depend on the industry's ability "to attract continual flow of investment capital on an adequate scale." The President of Voyager Petroleum, Sydney Kahanoff, said his company required support "from both the provincial and federal Governments which will encourage the expenditure of exploration funds." William Dalton of the Canadian Gas Association warned readers they "must not allow decisions which affect the effective operation of the industry to remain unresolved for long periods of time." Finally, the President of the Independent Petroleum Association of Canada (IPAC) warned of the "increasing financial and regulatory demands being made on the industry by governments at all levels."[127] Similarly, in a pre-Christmas press release, the Chairman of the Canadian Petroleum Association (CPA) stated the petroleum industry needed a "free climate" and "co-operation" from governments if the industry was to continue to meet consumer's energy needs.[128] These statements, all implicitly addressing the royalty question, sought to influence the government's approach to royalties. The oil industry repeatedly emphasized the role that government played in ensuring continued economic growth, and warned against any changes that threatened the prevailing business climate.

It was during this period that Peter Lougheed also began to sketch out the parameters of the royalty review. In a statement to the *Edmonton Journal* in November 1971, Lougheed said "the public will have an opportunity to comment on new oil and gas agreements," yet he "[was] not sure whether the government will conduct public

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[127] "Industry Executives Optimistic", *Oilweek*, 3 January 1972, 12-14.
[128] *Edmonton Journal*, 16 December 1971.

hearings." He also reminded the public that the government could implement royalties "by an order-in-council from Cabinet" and that support from, and debate in, the Legislature was not required.[129] This statement should of course be contrasted with one of Lougheed's major promises while in opposition, which was to "restore the Legislature as the focal point of democracy" and decision-making in the province.[130] Both the provincial New Democrats and Liberals were calling for public debates on the royalty issue, and advocating for an increase in the prevailing rate.[131] Even newspaper editorials argued the royalty review should be open to public participation, to allow the government to "more properly execute its role as trustee of the public interest." The benefits of public participation were also outlined by *The Journal's* editorial staff: "the public at large can't help but gain a better understanding of the delicate balance between maximum returns from the province's natural resources and the phenomenon commonly described as killing the goose that lays the golden egg."[132]

Grant Notley, the leader of the provincial NDP, was also trying to mobilize public support for increased royalties, and expand the terms of the debate to include all aspects of the oil industry, including foreign ownership and export policies.[133] In late February, he warned Albertans that an increase in royalties was unlikely "without substantial public pressure on the government."[134] While the New Democrats were trying to engage Alberta citizens, key Cabinet members in the Lougheed government

[129] Press conference, quoted in *The Edmonton Journal*, 8 November 1971.
[130] *Edmonton Journal*, 20 February 1968.
[131] *Edmonton Journal*, 8 November 1971.
[132] *Edmonton Journal*, 12 November 1971.
[133] Howard Leeson, *Grant Notley: The Social Conscience of Alberta* (Edmonton: University of Alberta Press, 1992), 150.
[134] *Edmonton Journal*, 24 February 1972.

were trying to set limits on the extent that of participation. After the royalty review date had been finalized, the government prepared for an influx of correspondence. As part of the process, the secretary to Peter Lougheed (Harry Hobbs) drafted a form letter that would be sent to individuals suggesting higher royalties. The editing of the letter by the Minister of Mines and Minerals, Bill Dickie, is illustrative of the Conservative's desire to limit public participation. While the first draft of the letter read: "The final decision on this matter will be made by the Legislature after public hearings and a full review of the tentative position paper presented," Dickie's edit shortened the line to "The final decision on this matter will be made by Cabinet."

ALBERTA

OFFICE OF THE PREMIER
LEGISLATIVE BUILDING
EDMONTON

SAMPLE LETTER - PETROLEUM ROYALTIES

Dear:

Thank you for your recent letter concerning petroleum royalties.

The final decision on this matter will be made by the ~~Alberta Legislature after public hearings and a full review of the~~ Cabinet. tentative position paper presented by the Cabinet. This position paper is tentative because of the anticipated representations from groups and individuals.

Unfortunately, the public ~~hearings~~ will not be able to hear representations ~~from individuals~~, because we feel strongly that M.L.A.'s are ~~elected~~ to represent their constituents and we are asking individual citizens to contact their M.L.A. with their views. Those groups appearing at the hearing will be those representing province wide interests or not having a tie-in with a particular constituency.

repudiate contract

In our tentative position paper we take the view that petroleum royalties should not be increased on established leases but that a tax should be imposed on petroleum reserves.

alternatives consider

While accomplishing the objective of increasing revenues, this procedure would not break faith with old contracts made by the previous administration. To break those contracts would make Alberta a highly questionable place for investment by Albertans and non-Albertans with a resulting decrease in job opportunities.

I appreciated hearing your views and would also like to suggest that you contact your M.L.A. on this matter.

one industry & public invited to consider

Yours truly,

Peter Lougheed.

PL/

Figure 2 Bill Dickie's edits to the form letter for individuals suggesting a higher royalty rate. PAA 85.0401/File 3386

The draft letter also stated "Unfortunately, the public hearings will not be able to hear representations from individuals, because we feel strongly that M.L.A.s are elected to represent their constituents."[135] This statement is interesting, as the difficulties of Members representing individual citizen opinion was debated in the Legislature just days earlier, and Lougheed's Secretary would have no doubt been aware of the issue. During a lively debate on the proper way to engage Alberta citizens in the review, a number of Members had voiced concern over being the sole conduit for disparate constituent voices. Veteran Social Credit MLA Gordon Taylor spoke:

> When the hon. Premier suggests that the MLA can represent the individuals, I would say this is really impossible. I can't represent the thinking of every individual in my constituency, neither can he, neither can any hon. member of this Legislature, because there may be ten or 15 very divergent points of view… To say we represent the individual, every minority view, would not be right.[136]

Despite the protestations of the opposition parties, and an obvious public desire to have a voice in the hearings, the terms of the royalty review limited submissions to organizations (companies, non-profits, associations, et cetera). Lougheed even threatened to exclude the sole NDP Member, Grant Notley, from the debate on the basis of an obscure and seldom-invoked procedural rule.[137] The debate then witnessed twenty-two oil companies and industry associations (along with the Town of Drayton Valley and the University of Alberta Students' Union) making representations condemning increased royalties. No 'citizen' voice was present at the hearings, and MLAs were the only ones allowed to question or debate the submissions. Thus, while the debate was 'public' in name, the government had succeeded in marginalizing public participation and limiting the scope of debate on the issue. Similarly, despite citizen

[135] PAA 85.0401 (Peter Lougheed fonds)/File 3386, correspondence between Harry Hobbs and Bill Dickie, 2 May 1972.
[136] Alberta *Hansard*, 24 April 1972, 35-63.
[137] See "Lougheed Tactic Disturbing", in the *Edmonton Journal*, 25 April 1972.

desire that the review—which was "the most important fiscal decision of the decade"—be expanded to 'as long as necessary' to incorporate citizen input, the review was limited to less than one week—automobile insurance and provincial parks received more debate than royalty rates in the first Lougheed session.[138]

"Ritual Incantations and Prognostications of Doom and Horror"

While the preceding section sketched the ways in which governments, citizens, and capital understood, debated, and framed the impending royalty review, this section will discuss the language employed by capital in its bid to threaten, cajole, and manipulate the province into preserving the status quo after the tentative *Revenue* plan was announced. In their attack against the Government of Alberta's royalty revenue plan, the oil industry relied on a number of tactics to pressure politicians and Albertans. These included the ever-popular threats of capital outflow and the movement of exploration dollars to other jurisdictions, and extended to creating visions of the future where Alberta would revert to Depression-era poverty. The royalty review also provided a platform for other parties to voice support for increased royalties. A number of organizations, ranging from the Communist Party of Canada and the provincial New Democrats to the City of Edmonton and "Some Concerned Youths of Fairview,"

[138] The "fiscal decision of the decade" quote was made by Grant Notley after Lougheed had announced plans to limit debate, *Edmonton Journal* 30 March 1972. Arguments against the abrupt timeline of the review can be found in much of the correspondence to Lougheed prior to the royalty review. See PAA 85.0401/Box 280. It is also interesting to note that well over half of the correspondence regarding royalties came from the Spirit River-Fairview riding of Grant Notley.

demanded higher royalties to fund social programs, ease the tax burden on farmers, and redress a perceived pattern of exploitation.[139]

Taken together, the broad array of attitudes held concerning provincial royalties speaks to a dynamic collection of ideologies regarding resource development in the province. It is clear that there was little consensus regarding the role royalties should play in the provincial economy. The majority of Albertans had participated (to some degree) in the rising standard of living since the Leduc discovery; many feared 'killing the goose that lays the golden egg', and returning to a more meagre past. Others, more confident in the ability of provincial energy resources to sustain economic growth well in to the future, argued the province should capture more of the economic rent from oil and gas. What was unequivocal, however, was the oil industry's stand against increased royalties, and that is where our discussion now turns.

Two things about Lougheed's royalty proposal upset the oil industry—the amount of money ("between $50 and $90 million a year") and the manner it would be collected (a tax on oil reserves in the ground, a method to increase revenue that avoided breaking contracts since many leases had long-term contracts with maximum royalty provisions).[140] When the Government released its tentative "*Natural Resources Revenue Plan*" in late April 1972, industry reaction was quick, and fierce. The initial response was led by the editorial board at *Oilweek* magazine. Their first salvo contended that "a stunned, confused Canadian oil industry was preparing for battle" against the

[139] PAA 85.0401/Box 49/File 550. One of the submissions to the Royalty Review Session came from a group of youths from Fairview, Alberta (NDP MLA Grant Notley's riding).
[140] PAA 85.0401/Box 13/File 99. For an explanation of the Government's plan, see the "Position Paper: Tentative 'Natural Resource Revenue Plan.'"

$50 to $90 million dollars sought by Lougheed. Unnamed interviewees predicted an "accelerated move by the majors" away from the province because they found "conditions in Saskatchewan and British Columbia more lucrative" than Alberta. Another unnamed source said the government should not "forget that most of the prospects in Alberta right now are marginal." Yet another 'oilman' opined "its time the gloves came off" in the industry's dealings with the province.[141] Industry representatives immediately labelled the plan "impractical, unworkable, and unfair."[142] The possible breaking of royalty contracts was also addressed; one industry representative argued that if the agreements were repudiated, Alberta would be "classed as a banana republic and might never [receive] another dollar of exploration money."[143] The plan was further condemned publically by both the Canadian Petroleum Association and the Independent Petroleum Association of Canada.[144]

Another piece in *Oilweek* screamed "Can Alberta Really Be Serious?" in its headline. The article compared the government proposal to the much-maligned Benson White Paper, and argued "in a time of rising production, declining reserves, long times between major discoveries and exploration dollars being poured into frontier areas, Alberta cannot afford… a drop in exploratory activity."[145] According to this *Oilweek* article, it would appear that May 1972 was indeed a bad time for Alberta to tinker with royalty rates. But examining industry data, like drilling statistics and reserve volumes (conveniently found in *Oilweek*) another story emerges. For example, just two weeks

[141] *Oilweek*, 1 May 1972, 28-29.
[142] *Edmonton Journal*, 25 April 1972.
[143] *Edmonton Journal*, 25 April 1972.
[144] See comments in the *Edmonton Journal*, 26 April 1972.
[145] *Oilweek*, 1 May 1972, 5.

earlier, *Oilweek* had given prominent feature to an article titled "How North America's Oil Reserves Have Grown," which showed Canada's proven reserves growing by 2,086 million barrels between 1970 and 1971, with a cumulative gain of 5,413 million barrels between 1962 and 1971. Alberta, as the centre of the Canadian oil industry, was the source of the majority of these reserve increases. Although discoveries of "elephant" oil fields had dropped significantly, numerous small- to medium-sized oil plays were still being found. The "Reserves Finding Record for Alberta, 1962-1971" in the same issue showed 7,862 million barrels being discovered in the province. *Oilweek* had also commented that for the current year (up to April 1972), there was a $515 million dollar surplus of revenue over expenditure for Western Canada.[146] All these figures indicate that Alberta was, in fact, in a healthy position going in to May 1972. What then do we make of the *Oilweek* editorial that was so unequivocal about Alberta's perilous situation? It demonstrates that oil companies (and oil industry trade periodicals) have a tendency towards ignoring countervailing facts in their rhetorical machinations. Indeed, the industry mouthpiece was so desperate to engender a climate of fear that it was willing to contradict statements made just weeks earlier, all in the name of protecting the current royalty rate.

The selective framing of facts continued with *Oilweek*. The 12 June 1972 (after the *Revenue Plan* announcement) issue gave prominent coverage to an article titled "History Making Decline in Alberta Proven Reserves." To add particular emphasis, the

[146] *Oilweek*, 17 April 1972, 26, 35, and 52. Also see "New Life in Alberta Oil Exploration" in *The Edmonton Journal*, 28 January 1972, and "Drilling at Best Level since 1969" in *The Edmonton Journal*, 9 February 1972.

piece begins by stating: “For the first time in Alberta’s history, a net decline in remaining recoverable reserves… has been recorded in the province.” Later in the article the 3 percent decline is explained—the Energy Resources Conservation Board re-evaluated the performance of waterflooding (a process where water is injected into reservoirs to push remaining oil out) in the Pembina field.[147] *Oilweek* also used more visible means to pressure the government into changing its stand on royalty rates. A number of covers appeared in mid-1972 that are illustrative. These included a picture of Premier Peter Lougheed with the caption “This Man Needs Help,” a picture of a derelict farm house in front of a barren field with the question “What Would Alberta Be Like Without the Oil Industry?”, and a facsimile of a cheque to the Alberta Treasury Branch for $90 million dollars in “Exploration, Development, and Jobs.”[148]

[147] *Oilweek*, 12 June 1972, 16-17.
[148] *Oilweek*, 12 June, 19 June, and 26 June 1972,

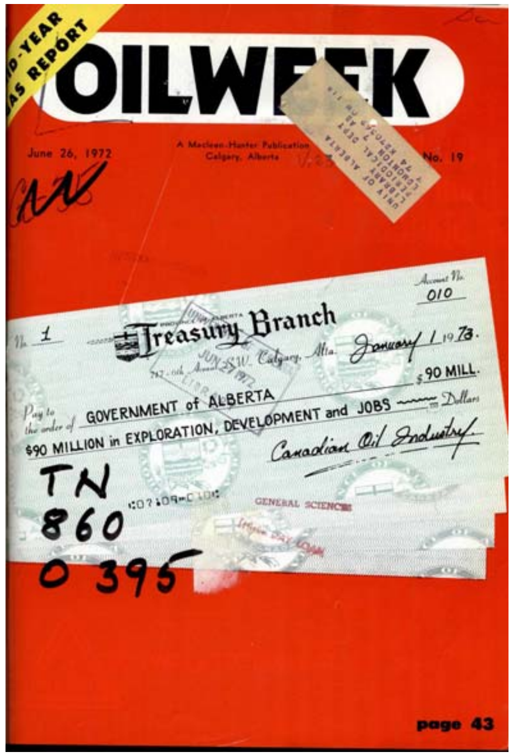

Figure 3 The *Oilweek* covers. Top left: "This Man Needs Help" 12 June 1972. Top Right: "What Would Alberta Be Like Without the Oil Industry?" 19 June 1972. Above: A cheque to the Government of Alberta for "$90 Million in Exploration, Development and Jobs" 26 June 1972.

The criticism of the royalty plan reached its apex during the review. During the three-day session in May, submissions by oil companies and industry associations sought to pressure the province against adopting new royalty rates. The Independent Petroleum Association of Canada (IPAC) stated "the suggestion that substantial additional revenues should be paid by the oil and gas industry at this critical stage of the industry's development is most untimely." What criteria the Association used to determine this was a "critical" time is not explained, but considering the healthy profits, reserves, and exploration activity documented by industry publications just weeks prior to the review, we can wonder if the word choice was made to present the industry as fragile and vulnerable to increased costs. Similarly, the Association brief warned that "if the wrong decision was taken, the promise of continued growth for the industry and the Province would be compromised" while "the promise of Alberta becoming an even more-important administrative and service headquarters… may be lost forever."[149] Another company, Forest Oil, warned that any new costs "would detract from and reduce the competitive position" of the province, and warned that companies "must have confidence in the governments [with] which is it dealing."[150]

The most hostile submission came from Hewitt Oil Limited, an independent firm based in Calgary. The use of explicit threats in the submission is striking; it is quoted at length below:

> The present proposal increases the cost of doing business to the extent that it will be significantly less attractive to investors to spend their money in Alberta.
>
> We can certainly start spending our funds in Saskatchewan which we have in the past avoided as a matter of policy because we did not wish to support that government and its method of administering petroleum and natural gas resources. It has always scared us, and we have stayed away.
>
> Within the past two weeks, however, Alberta has worried us to the extent that we have acquired 400,000 acres of lands in Saskatchewan. This is the first time we have ever operated on a significant scale in that province. We may continue to do so…
>
> Do not implement any program that will increase the cost of doing business…
>
> Do not interfere with free market forces…[151]

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[149] PAA 85.0401/Box 48/File 549. Submission of the Independent Petroleum Association of Canada to the Alberta Natural Resources Revenue Hearing, May 1972.
[150] PAA 85.0401/Box 48/File 549. Submission of Forest Oil to the Alberta Natural Resources Revenue Hearing, May 1972.
[151] PAA 85.0401/Box 48/File 548. Submission of Hewitt Oil Limited to the Alberta Natural Resources Revenue Hearings, May 1972.

Similarly, a Vice-President of Albany Oil and Gas Limited of Calgary argued that the proposal was "more reminiscent of the historical socialism of the NDP party in Saskatchewan prior to the withdrawal of funds in that province."[152]

While the most brazen comments came from mid-size independent companies, the 'majors' broached the subject much more cautiously. The submission by the Canadian Petroleum Association (CPA), for example, offered more detailed critiques of the Natural Resources Plan on a number of points. While the organization first framed the proposal as a "breach of faith" between the government and the industry, the submission focused on substantive points and generally employed respectful language.[153] The major oil companies, speaking through the CPA, had spent the 1960s dealing with increased demands from oil-producing states around the world, and likely realized that inflammatory rhetoric and explicit threats would do little to help their case.

The industry's stance during the actual hearings frustrated Conservative Party Members. Hearing notes from Dave King, an Edmonton-area MLA, suggested that the "oil industry did not take the government seriously" and that the industry associations "irritated and frustrated MLAs by being alternatively ambiguous and patronizing, by skirting some questions, by only partially answering others, and by using selected or manipulated statistics."[154] Many Albertans were similarly dismayed by the oil industry's tactics, writing to Lougheed that "I do not credit people in the oil industry with much

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[152] PAA 85.0401/Box 280/File 3385. Letter form K. P. Bottoms, Vice-President of Albany Oil and Gas Limited to Lougheed, 26 April 1972.
[153] In *The Edmonton Journal*, 18 May 1972.
[154] PAA 85.0401/Box 49/File 552. Letter from Dave King to Bill Dickie, "RE: Tentative Resource Revenue Plan Hearings," 30 May 1972.

concern for Albertans when they resort to the 'what if' threats that are recently so liberally issued."[155]

Despite the prominent position of the oil industry in the hearings (twenty-two organizations, mostly oil companies, opposed the *Plan*, while only twelve groups supported it), a vocal group argued strongly for increased royalties. The submission by the provincial New Democrats, for example, stated:

> The purpose of this submission is to strengthen the resolve of the Alberta government to obtain a greater share of the revenue from the petroleum industry. There will be numerous expert pleaders on behalf of the industry, but few on behalf of the public. This is an attempt to redress that balance…
>
> As soon as the Position Paper was released, the Petroleum Industry Uncle Toms and their friends in the news media went into the usual ritual incantations and prognostications of doom and horror…[156]

The supporters of increased royalties were well-aware of the industry's penchant for inflammatory rhetoric, and urged the government to look past the "rituals" of the industry response, and defend what the NDP felt was the public interest.

Others echoed the NDP stance. A group calling itself "Some Concerned Youths of Fairview" told the Government it had "a tremendous responsibility" because the royalty decision affected all Albertans for generations to come.[157] Similarly, the City of Edmonton commended the government "upon the clarity and logic" of the proposal, and fully supported the need "for Albertans to realize additional income from this depleting natural resource."[158] The Alberta Federation of Labour's submission, while encouraging the government to raise royalties, also suggested "direct Government

[155] PAA 85.0401/Box 280/File 3387. Letter from Kenneth Nielsen to Lougheed, 19 July 1972.
[156] PAA 85.0401/Box 48/File 548. Submission of the Calgary Metro Council of the NDP, May 1972.
[157] PAA 85.0401/Box 49/File 550. Some Concerned Youths of Fairview submission to the royalty review.
[158] PAA 85.0401/Box 48/File 548. Submission of the City of Edmonton to the royalty review.

participation in exploration and development"—one of only a few submission to do so.[159]

The most interesting opinions on the royalty review came from Albertans. Through the various letters to politicians, newspapers, and other media, we see contested understandings of the role that royalties (and the energy industry in general) should play in the province. Many Albertans, for example, held firmly to a rigid worldview that saw little role for government in influencing market decisions. One writer argued that ideas of the "common good" only appealed to "those in this world who think that there is something to be had for no effort." Similarly, discussions of a "fair return for natural resources" were "another generality which is really meaningless." The writer's advice was simple: "make Alberta a haven for free market capitalism."[160] Another Albertan suggested the writers of the *Plan* had led Lougheed "astray." He suggested the government "admit its error" in its proposal, and absorb any "loss of political face" before the next election.[161] Yet another critic suggested that the "Arab brand of 'negotiation' will not work" for the province.[162]

Individuals employed in the oil industry wrote the majority of letters condemning the plan. Many prefaced their arguments with comments that their interests "were not altogether altruistic" because of their employment situation.[163] Similar comments speak to an understanding that other Albertans may not have shared

[159] PAA 85.0401/Box 48/File 538. Alberta Federation of Labour submission to the royalty review.
[160] PAA 85.0401/Box 342/File 3947. Letter from Mr. J. Lorne Kangas to Peter Lougheed, 18 September 1972.
[161] PAA 85.0401/Box 280/File 3385. Letter from D. K. B. Fenwick to Lougheed, 26 May 1972.
[162] PAA 85.0401/Box 280/File 3387. Letter from Mr. M. S. Stanton to Lougheed, 2 June 1972.
[163] Phraseology in a letter from Alan F. Griffith to Lougheed, dated 19 May 1972. PAA 85.0401/Box 280/File 3387.

their position on royalties, and that their desire to see the royalty structure maintained was driven in large part by their desire to see the health of the overall industry protected—seeing their interests and that of the industry as identical. Put otherwise, many felt that their "enviable standard of living is a direct result of the oil industry" and "that a threat to industry represented a threat to themselves.[164]

Misunderstanding over the role (and powers) of government was also evident in some of the correspondence to Lougheed. For example, one writer argued:

> In the first place, any tax [in reference to the *Plan*] which is instituted upon a specific group of individuals is unfair because of the fact that no one else has to pay. This is notwithstanding that such a tax is as immoral as stealing per se. What is the difference between actually robbing a group of its/their possessions by using physical force with weapons, and passing legislation which accomplishes the same end?
>
> …What I am saying is this: it is philosophically and morally dishonest to impose any confiscatory tax because of the fact that no matter what our objectives may be, there are none noble enough to justify robbery.[165]

There are serious implications inherent in this attitude. For example, the oil industry is referred to as 'individuals', and not simply corporate entities given certain rights under the legal system. Furthermore, the government right to levy taxes is apparently considered equal to violent theft (victims of an actual robbery may contest this point). Similarly, taxes targeted at a specific group are apparently unfair (despite examples like progressive income taxation of high-income earners, or a tariff on the import of certain products designed to protect local industry, or a tax on cigarettes to deter smokers). Similarly, the revenue plan is referred to as 'confiscatory', bringing in the spectre of

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[164] PAA 85.0401/Box 280/File 3385. Letter from J. Norman Blair to Lougheed, 7 March 1972.
[165] PAA 85.0401/Box 342/File 3947. Letter from J. Lorne Kangas to Lougheed, 18 June 1972.

expropriation to engender an emotional reaction, despite no intent to expropriate in the *Plan*.

These statements, displaying a misunderstanding, or ignorance, of the workings of the petroleum industry and the role of government taxation, were driven by an emotional connection between some Albertans and the oil industry. With so many individuals dependent on the oil industry, the ability to have a rational debate regarding the role of royalties in the provincial economy was inhibited. Even the *possibility* of economic decline was repulsive to many Albertans, and the debate surrounding royalties immediately became saturated with oversimplifications and misunderstandings that made it difficult to openly discuss the role of royalties in the provincial economy.

The 1972 royalty review was a contentious issue. With the upcoming review in mind, the oil industry, citizens, and the government all worked to stake out their respective positions in the public discourse. Each attempted to frame their statements in a manner that would increase support for their perspective. Moreover, the Lougheed government went to considerable lengths to control the nature of the debate—minimizing Party communication on the issue during the election, barring public participation, only allowing organizations and corporations to submit briefs, and limiting the review to three days. During the actual review, a large number of oil companies presented submissions that argued strongly against increased royalties, in many cases employing fear tactics and threatening language to strengthen their case. The government eventually settled on modest increases. This led industry observers to state that, "from all indications [the industry] appears to have won its battle against Alberta's tax."[166]

[166] *Oilweek*, 7 August 1972, page 3.

Chapter IV: Syncrude, the Divisive Megaproject and Its Meaning for Alberta

The Athabasca oil sands are one of the most important deposits of hydrocarbons in the world. While estimates vary from government to government and agency to agency, the sands are believed to hold more than 1.7 trillion barrels of oil, with at least 170 billion barrels recoverable using current technology.[167] Naturally, the development and commercialization of such a mammoth resource has been an important focus for politicians, corporations, and citizens since the emergence of petroleum as a major world commodity. The story of the Athabasca oil sands has been told by a number of authors, each employing their own interpretive framework and analyses.[168] This study's intersection with the oil sands saga surrounds the events leading up to the construction of the giant Syncrude plant, the second major extraction operation. By virtue of its significance, it offers an important perspective on the social side of resource development in Alberta.

The Syncrude debate illustrates a number of key points. First, it demonstrates how the participating oil companies continually framed the project as fragile to secure concessions from the provincial government. Second, it highlights the intense cleavages

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[167] Government of Alberta, *Alberta's Oil Sands 2006*, Edmonton: 2007.

[168] George De Mille, a geologist working for Imperial Oil, in his *Oil in Canada West: The Early Years* (Calgary: Northwest Printing and Lithographing, 1970) discusses the early 'discovery' of the resource by explorers, fur traders, and developers, and provides insights into the first attempts at developing the resource. Barry Glen Ferguson, in *Athabasca Oil Sands: Northern Resource Exploration, 1875-1951* (Regina: Canadian Plains Research Centre, 1985) discusses early extraction procedures, the clash of personalities between Karl Clark and Sidney Ells, and the complex and often-tenuous interaction of the federal and provincial governments. Finally, Paul Chastko, in *Developing Alberta's Oil Sands: From Karl Clark to Kyoto*, (Calgary: University of Calgary Press, 2004) offers a comprehensive history of development attempts and the crucial role the provincial government has played in supporting the sand's development. Larry Pratt's *Tar Sands*, as discussed earlier, examines the negotiations between the consortium companies, and the federal and provincial governments.

that existed between the civil service and elected officials regarding the most desirable method of developing the resource; a similar debate took place between Albertans, and was reflected in the media coverage of the day. Finally, the Syncrude story also demonstrates the shift in the provincial attitude that occurred after the federal government entered negotiations, when the provincial government found its agenda aligned with private capital instead of Ottawa.

Fragile Capital

The Syncrude story begins in 1962, when the four oil companies that would comprise the Syncrude consortium (Atlantic Richfield Refining, Imperial Oil Limited, Canada Cities Service, and Gulf Oil Canada Limited) first applied to the Oil and Gas Conservation Board to begin operations near Fort McMurray. They proposed the construction of a $300 million plant to create synthetic crude on one of the largest mineral leases in the oil sands area. At the time, the Manning government was cautious with oil sands projects. The government knew the potential value of the reserves, but was hesitant to support any development that could decrease the relative importance of the province's conventional oil industry (oil exports were determined on a pro-rationed basis, and new oil from the oil sands would 'push' conventional oil export levels down).[169] The Manning government's ambivalent stance is evidenced through its wavering levels of support for the Syncrude project, as well as the earlier Sun Oil-sponsored Great Canadian Oil Sands (GCOS, now Suncor). A common pattern developed

[169] PAA 85.0401/Box 39/File 424. Part 1, October 1962. For an example of Manning's attitude, see his 1962 "Government Policy Statement with Respect to Oil Sands Development."

in the province's relationship with oil sands plants: applications would be filed with, and approved by, regulators, then re-examined, and re-examined again. Similarly, elected officials would make public statements in support of GCOS and Syncrude, and then contradicted their statements with defences of the conventional industry—the entire process continued throughout the 1960s as Cabinet debated the role of the oil sands in Alberta's industrial future.

The political pressure surrounding the Syncrude project was amplified by concerns over declining provincial oil reserves. During the 1960s, discussions regarding the long-term viability of Alberta's conventional oil supply proliferated. Politicians and citizens were beginning to appreciate the finite nature of non-renewable reserves, and the fast-approaching decline in provincial production (and provincial oil revenues) made many in the province anxious. Against this backdrop, the potential of the oil sands grew in importance as both politicians and citizens came to view the commercialization of the sands as a means to sustain the massive economic growth enjoyed by province since the 1947 Leduc discovery. As Alberta began to psychologically place more emphasis on the sands, the Syncrude project came to symbolize, for better or worse, the future of the province. This in turn magnified the ramifications of the project, and further distorted discussions of the Syncrude proposal.

The Manning stance exerted a formative influence on Syncrude's relationship with the Government of Alberta. The province's hesitation became a major cause of concern for the Syncrude companies, who sought regulatory and economic certainty for their project. In response, Syncrude began to make public statements regarding the project's health in order to spur the provincial government into action. In late February of 1969, for instance, Syncrude delivered a press release that stated "unless it gets early approval for its $300,000,000 oil sands project—the plant—and the company—could be scrapped." They further added that the companies "were finding it exceedingly difficult" to "continue financial support for oil sands development without any foreseeable goals," and that "any additional delay" in the application "may well have the same effect as a denial."[170] This tactic—framing the health of the oil sands plant as "fragile and evanescent" and hinting at collapse—would be a recurring move of the Syncrude group.[171]

The hesitation on the part of the Manning government, designed to assuage the concerns of the conventional industry, came under fire from the Conservative Opposition of Peter Lougheed. Like other resource projects, the Conservatives felt political points could be gained by exposing the Socred 'mismanagement' of the oil sands. Donald Getty called the Oil and Gas Conservation Board's evaluation of the Syncrude project a "meaningless exercise" and opined "there is no reason to hold back the Syncrude application."[172] The Syncrude plant, like other resource projects in Alberta, generated much politicking in the Legislature. Another example occurred in early April 1970, when Getty sensationally demanded an assurance from the government that Great Canadian Oil Sands was not on the verge of a shutdown. When queried regarding where he obtained information regarding a possible shutdown, Getty stated his stance

[170] *The Edmonton Journal*, 21 February 1969.
[171] John Kenneth Galbraith discusses the mythology of 'fragile' capitalism in *American Capitalism: The Concept of Countervailing Power, Sentry Edition* (Boston: Houghton Mifflin Company, 1956), 4.
[172] *The Edmonton Journal*, 25 February 1969.

was based on “rumours.” When pushed further, he stated “he could not evaluate the precise credibility” of the rumours, but felt strongly enough about their authenticity to raise the issue in the Legislature.[173] Throughout the early Syncrude era, discussions of the project in the Legislature lacked substance. ‘Debate’ in this case was simply the manoeuvring of political parties to gain support.

The rising importance of Syncrude vis-à-vis conventional oil supplies was further emphasized in the consortium’s proposal to increase the size of their plant (where the approval had yet to be finalized) from 80,000 barrels per day (bpd) to 125,000 bpd in 1971. The Syncrude consortium used the rhetoric of declining oil reserves to justify the move, which they argued would address the “foreseeable energy gap” facing the province.[174] Lougheed’s criticism of the Socred ‘stalling’ on Syncrude’s expansion proposal prompted then-Premier Harry Strom to publicly state that Syncrude would receive its expanded production allowance from the Oil and Gas Conservation Board—before the proposal was discussed by the agency—prejudicing the decision of the supposedly independent Board.[175] It is worth noting that the Oil and Gas Conservation Board had been in place since 1938, and had proven itself to be one of the more competent regulators of oil and gas production on the continent.[176] Yet politicians, with concerns about their public image in mind, interfered with the board’s independence as a matter of political expediency.

[173] *The Edmonton Journal*, 2 April 1970.
[174] Reported in *Oilweek*, 16 August 1971, 16.
[175] See editorial in *Oilweek*, 13 September 1971, 5.
[176] See Breen, *The Conservation Board*.

While in Opposition, the Lougheed Conservatives suggested the government revisit provincial royalty rates and secure a better return for Albertans on the sale of their non-renewable natural resources. With the election victory, the Lougheed plan for royalties immediately intersected with the Syncrude plant trajectory, and was seized by the business press as a threat to the project. Shortly after the election, *Business Week* ran a publicity piece on the Syncrude plant, celebrating the consortium's progress in commercializing the Athabasca oil sands. The article touched on the major themes of the Syncrude story: the partner companies, the excavation and separation technology, and the difficulty that past entrepreneurs have faced in trying to develop the sands. The tone of the article was celebratory, although it concluded with a section called "Possible Hitch" that discussed the singular threat to Syncrude's success—royalties. The article stated: "there could still be one snag to the full-scale development of the Athabasca tar sands. The Alberta government said it wants to increase its oil royalty revenues by $50-million to $90-million… the government has not said whether the proposal will include tar sand reserves."[177]

Already, the rhetoric emanating from the business press framed the project as fragile (paralleling the stance taken by the Conservatives while in opposition) because of possible government tax changes—not the perennial problems of isolation, extraction of a unique and difficult resource, issues surrounding labour supply or the availability of credit, et cetera, that had plagued the industry since the early 19th-century. Part of this stance was a sincere belief that the Syncrude companies had finally "solved" the

[177] *Business Week*, 10 June 1972, 36-38.

problem of oil sands extraction and separation—a belief tinged by hubris, as the Great Canadian Oil Sands plant, with a similar (although not identical) production method, had been losing money for a number of years to that point. It was hoped that the major evolution between the two projects, using draglines instead of bucketwheel mechanisms for strip mining, would help Syncrude quickly turn a profit. But the business press also had little to gain by highlighting technical and scientific issues—these were not leverage points that could be used against government, and readers could not write their elected officials to pressure them over a topic as complex as oil sands extraction technology. Indeed, speaking out against government taxation and royalties was a tactic used to pressure for favourable concessions, and again, succeeded in simplifying the issue in its presentation to the public.

The fragile and time-sensitive nature of the Syncrude plant remained the dominant issue between the province and the consortium after the 1971 election. Syncrude, for its part, wanted to see development occur rapidly and with minimal government interference or regulation. To achieve this, they selected a number of issues they felt would put 'time pressure' on the provincial government. Creating a sense of urgency and rushing the government to approve the project echoed the construction of risks that Syncrude had attempted in the 1960s, when they first sought regulatory approval for the project. During the early 1970s the consortium began to construct a substitution risk, in this case the Colorado Oil Shales in the United States. In one letter from F. K. Spragins, President of Syncrude, to W. D. Dickie, the Minister of Mines and Minerals, Spragins commented that the government's suggested royalty structure was "in direct contrast to the incentives now available and being considered to spur development of the two main alternative sources, oil from oil shale and oil from coal." The rate being considered could "only place Alberta's tar sands at a distinct disadvantage" to these other sources.[178]

The pressure placed on the government to fast track the process increased with turmoil in the Middle East and the ensuing 'oil crisis' of late 1973. Substitution risks now became shortage risks. In a presentation to the Edmonton Chamber of Commerce in November, Spragins commented that North America was in a "war time situation," and that Syncrude would the aid the nation by "averting a fuel crisis in Canada in the coming months." Considering the project's completion was still well over four years away, the likelihood of synthetic oil being available in "months" was unlikely. A discussion of the inability of Syncrude to satisfy immediate energy demands even surfaced in the Legislature, but the Conservative government's reply succeeded in closing the debate and emphasized urgency above all-else.[179]

The consortium companies fabricated the majority of the risks to the Syncrude project presented to the public. Indeed, they shifted from 'delays' that threatened to derail the project, to the loss of 'lead time' against the Colorado oil shales, to an energy shortage precipitated by war in the Middle East. It mattered little what the crisis was, just that a crisis existed; these were "emotionally potent oversimplifications" designed to shape public perception, increase public support for the project, and force the

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[178] PAA, 85.401/Box 10/Item 58. Letter from F. K. Spragins to W. D. Dickie, dated 3 May 1973,
[179] Alberta, *Hansard*, 9 May 1974, pages 1941-1943.

government to bargain on Syncrude's terms.[180] The Syncrude consortium understood that threatening the project's health would elicit the strongest reaction from Albertans, which they encouraged relentlessly.

Internal government planning documents warned the government against this kind of coercion. *The Athabasca Tar Sands Development Strategy* commented, "Alberta is not under any pressure to develop synthetic crude oil from the bituminous tar sands for the purpose of meeting either Albertan or Canadian petroleum requirements. The pressure to develop synthetic crude from the tar sands emanates from markets external to Canada."[181] Moreover, the report stated "nuclear energy, geothermal energy, or the Colorado oil shales as a substitute for petroleum products will not be competitive economically or technologically with the tar sands for some time."[182]

The resistance against rapid development also surfaced in the provincial Legislature. Grant Notley, leader and sole New Democrat MLA, suggested slowing the "crash programs" of development being pushed for by the consortium. He commented that the oil sands represented an unlimited future oil supply, and that Alberta "must not rush into the Syncrude proposal."[183] This issue even divided the Conservative Cabinet, with Environment Minister Bill Yurko stating "it was not in the best interest of this province" to rapidly develop the sands because of environmental pressures.[184] Moreover, editorials in pro-oil newspapers like *The Calgary Herald* resisted the

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[180] Reinhold Niebuhr, *Moral Man and Immoral Society*, ed. Langdon B. Gilkey (Louisville: Westminster John Knox Press, 2001), xxvii.
[181] The Conservation and Utilization Committee, *Fort McMurray Athabasca Tar Sands Development Strategy* (Edmonton: n. d., 1972), 5.
[182] *Tar Sands Development Strategy*, 46.
[183] Quoted in *The Calgary Herald*, 3 September 1973.
[184] Quoted in *The Edmonton Journal*, 17 April 1974.

substitution argument regarding the Colorado Shales, demanding the "assertion [of substitution] be more justified."[185]

Public discussions of the Syncrude project where defined by the consortium companies' blatant construction of risks to the project's viability, all in order to influence government regulatory and policy decisions. The actors involved, including politicians, treated the Syncrude issue as they did most other resource projects—simplifying debates, appealing to emotions, conflating interests, and avoiding any substantive discussion of the issue itself. As the Syncrude project became politicized, it corrupted debate of the project.

Competing Ideologies: The Civil Service and Elected Officials

Against the backdrop of growing emphasis on the sands and public volleys between government and capital, the provincial civil service quietly went about planning for the impending development of the Athabasca oil sands. The documents and statements emanating from this period illustrate the cleavages between public servants and elected officials, and add important nuances to understandings of the development of government policy directions.[186] The historical record highlights a significant cleavage between the attitude of the civil servants and that of the Tory government. The crucial file to emerge from the civil service regarding the sands is the *Fort McMurray Tar Sands Development Strategy*, a comprehensive planning document

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[185] Editorial in *The Calgary Herald*, 21 September 1973.
[186] This section hopes to address comments made by observers contending that the "public service is a badly neglected institution in the study of Alberta politics," in Allan Tupper, Larry Pratt, and Ian Urquhart "The Role of Government" in *Government and Politics in Alberta*, ed. Allan Tupper and Roger Gibbins (Edmonton: The University of Alberta Press, 1992), 61.

written with the input of over 100 high-level civil servants and presented to Lougheed and the Executive Council in the summer of 1972.

To properly situate the *Strategy*, however, we first must understand the environment in which Alberta's bureaucrats operated. The Alberta civil service under Ernest Manning had been shaped by an ideology that emphasized facilitating access to resources by major industrial concerns, and, apart from a few exceptions, was not focused on long-term strategic planning in relation to resource development. After the Lougheed election, however, the civil service underwent a rather significant shift—new staffs were hired from industry and universities, and intellect and ability began to be rewarded over tenure and personal connections. The attitude of the civil service also changed markedly—educated and ambitious bureaucrats were now encouraged to participate more fully in decision-making surrounding the province's future. Pratt and Richards argue the new civil service was "a state-administrative elite" that was "confident of its own administrative competence and committed to a provincial strategy of development." These bureaucrats were "fiercely loyal to the province" and were "deeply involved in the process of 'province-building.'"[187] Another author contends that the Lougheed bureaucrats were not "traditional public administrators," but rather politically active individuals with much power to shape outcomes in the provincial policy arena.[188]

[187] Pratt and Richards, *Prairie Capitalism*, 167-168.
[188] Cynthia J. Bojechko, "Lougheed's "Energetic" Bureaucrats: A Study of Senior Civil Servants in Province-Building Departments" (MA Thesis, University of Alberta, 1982), 2.

What did these civil servants have to say about the development of Alberta's oil sands? Significantly, these bureaucrats proposed a major ideological evolution from the provincial energy policies that had been in place since the early Turner Valley discoveries. The *Fort McMurray Tar Sands Strategy* begins: "Alberta should regulate and control the Athabasca tar sands development for the socio-economic benefit of Albertans."[189] While these sort of platitudes prefaced most government documents, the significance of the 1972 strategy is that the remainder of the document clearly outlined what this constituted, and did not leave "for the socio-economic benefit" up for interpretation by politicians. These civil servants were *explicit* about how the sands should be developed, and predicted a difficult 'push-back' from industry concerning their stance.

The strategy begins with an unequivocal, and rare, condemnation of the previous 70 years of provincial development strategies:

> On one hand we can continue the policies of the conventional crude oil developments creating tremendous and unregulated growth and developments resulting in short term benefits accruing to the Province as well as the long term costs arising from exported energy, technology, job opportunities and environmental damages, in addition to the depletion of non-renewable resources.
>
> Conversely we can regulate the orderly growth and development of the bituminous tar sands for the ultimate benefit of Alberta and Canada in order that Canadian technology will be expanded, Albertans will find beneficial and satisfying employment within its diversified economy, and our environment will be protected and enhanced for future use. But when the magnitude of the areal, fiscal and manpower requirements and

[189] The Conservation and Utilization Committee, *Fort McMurray Athabasca Tar Sands Development Strategy* (Edmonton: n. d., 1972), 1.

> environmental consequences are visualized, it becomes apparent that the latter course of action is imperative.[190]

This is particularly forceful language from civil servants. It did not mince words when describing the *rentier* mentality that had developed in the province under Manning.

The authors of the report were also careful to warn the government of the expected resistance they would face if the resource were actually developed along the suggested lines. They commented, "conflict will arise when the principles of government and the individual corporation do not coincide."[191] The study added "the attitude and expectations of the multi-national oil corporations will be the same in the development of the tar sands as has persisted in the conventional crude oil industry. Their interests lie in the rate of return on their investment within their entire corporate structure spread across many parts of the world."[192] The civil service understood the rationale that drove major multinational energy companies, and sought to mitigate its effects on the province by influencing elected officials.

The stream of warnings coming from the civil service was unique for its comprehensive breadth and explicit nature. The bureaucrats knew that the commercialization of the sands was a priority for the government, and that the manner of development would have profound and long-lasting effects on the province. They sought to shape how elected officials—the ultimate decision makers—interpreted 'the public interest' against the inertia of seven decades of decision-making and the vicissitudes of resource politics. Whenever possible, they inserted warnings, highlighted

[190] *Tar Sands Development Strategy*, 3.
[191] *Tar Sands Development Strategy*, 37.
[192] *Tar Sands Development Strategy*, 43.

risks, and emphasized pitfalls of the development-as-usual policy. Premier Lougheed and Cabinet, however, ignored the advice of the civil servants. Evidence of the bureaucracy's frustration with being marginalized appeared when someone 'leaked' the document to local activist Mel Hurtig, who briefly managed to raised some publicity around the issue. Despite the rare civil service tactic, with at least one local activist arguing that Lougheed and Cabinet effectively "thumb[ed] its nose at its own top advisors."[193]

Another example of competing ideologies is found in the progression of the Syncrude project through the environmental regulatory process. Concerns began to surface regarding the environmental consequences of the proposed hot-water separation process employed by Great Canadian Oil Sands, and as proposed, by Syncrude. The Lougheed bureaucrats had warned that in seeking to "maximize their profits" the oil sands companies would "externalize as many of the costs arising from the projects as can be legitimately done" and that "the environmental costs of this development are extremely high."[194]

Documents created outside the provincial government echo this stance. The federal government, for its part, spoke of "deficiencies" in Syncrude's environmental assessment of the project, and warned of the "likelihood of major environmental damage" if the tailings plan was approved.[195] Another document, prepared by an external engineering firm for Alberta Environment and labelled confidential, warned "in

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[193] Phraseology found in Pratt, *Tar Sands*, 22.
[194] *Tar Sands Development Strategy*, 54.
[195] PAA 85.401/Box 11/File 71. Letter from the Federal Minister of the Environment, Jean Sauvé to the Alberta Minister of the Environment, Bill Yurko, dated 11 September 1974.

future the storage of tailings in dyked ponds on the banks of the Athabasca River be prohibited" and that "four years of operating experience at [GCOS] have demonstrated" a "continual accumulation of water in the tailings pond" that shows no sign of abating. Furthermore, "the possibility of overflow conditions, river or wind erosion of the sand dykes and/or structural failure would result in consequences too serious to justify continuation of this practice."[196] The current presence of massive tailings ponds along the Athabasca River at the Syncrude site, with millions of litres of contaminated tailings leaking into local groundwater each year, demonstrates that the Lougheed Cabinet's understanding of resource development valued resource extraction above environmental protection.[197]

The civil service critique of the nature of resource development in the province was by no means confined to the Athabasca oil sands. A similar cleavage emerged over government initiatives for development in the Grande Cache area of northwestern Alberta. The discovery of significant coal reserves in the area had prompted numerous government incentives in the region to encourage development, especially in regards to the main coal operation—the McIntyre Porcupine Mine (this was also the region where Lougheed had opposed government support for the Alberta Resources Railway while in opposition).[198] A number of studies were commissioned when it became apparent the provincial government need to make significant financial contributions to the project.

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[196] PAA 85.436 (Department of Lands and Forests fonds)/Box 4/Document: *Athabasca Tar sand Study – Interim Report on Constraints and Research Priorities for Mining/Hot Water Extraction Technology (Confidential)*. Prepared for Alberta Environment by Intercontinental Engineering of Alberta Limited. August 1972.

[197] For information on leaking tailing ponds, see report in *The Calgary Herald*, 9 December 2008.

[198] See discussion in Ira M. Robinson, *New Industrial Towns on Canada's Resource Frontier* (Chicago: University of Chicago Department of Geography, 1962).

The Crump Report, based on the work of the Grande Cache Commission, questioned "the nature of the government-developer relationship" surrounding resource extraction. The Report highlighted the need for better assessment practices before "substantial government funds are committed for new towns, roads, utilities and other infrastructure costs" prior to new developments. It also warned that provincial resources should not be committed without rigorous investigations of the feasibility of the project.[199]

While the civil service warned the government to be cautious spending provincial money to support resource industries, the Conservative Cabinet was aggressively spending substantial amounts of provincial money to support resource industries. Bill Dickie, Minister of Mines and Minerals, in a glowing letter to Syncrude stated:

> I further confirm that all of the other provincial government departments involved [Health, Transportation, Municipal Affairs, et cetera] have taken the necessary action to set in motion in the aggregate the vast provincial infrastructure of services which will be required during the construction and operating phases [of the Syncrude plant]. For your information, our estimate of the initial government investment on all public infrastructure exceeds $60 million.[200]

Government money continued to flow to Syncrude- and oil-sands related investments, despite numerous warnings from the civil service. With the founding of the Alberta Oil Sands Technology and Research Authority (AOSTRA) in 1974, the government committed $100 million to a fund specifically geared to the further commercialization of

[199] PAA, 85.436/Box 4/Document: *Grande Cache Commission (Crump Report): Review*. March 1974.
[200] PAA, 85.401/Box 10/Item 58. Letter from W. D. Dickie, Minister of Mines and Minerals, to Syncrude. Date 3 August 1973.

the sands through research projects. Evidence that civil service warnings were being heeded came with a government warning that the investment of provincial tax dollars should "not result in a slackening-off of private efforts" since "$100 million of the public's money is at stake."[201]

The Research Authority situation illustrates a weakening of the civil-service stance. Unable to shape outcomes to the degree initially imagined with the *Development Strategy*, the public service accepted that the government would continue to subsidize industrial development. Bureaucrats now resigned themselves to pushing for a more clear distinction between government and corporate money in resource schemes. When the *AOSTRA Act* was being drafted in early 1974, government lawyers had been instructed to make the act "as flexible as possible" but warned that some areas needed clarification, including the organization's relationship with the private companies. Counsel commented that "there is nothing in the Act to indicate how close a relationship is planned with the private sector" and that this topic necessitated future discussion.[202]

The opposition Social Credit Party seized the AOSTRA issue as well. In one debate of the bill, James Henderson commented that the "Minister [Dickie] was being extremely naïve" in his understanding of how provincial funds were going to be used, and that the money was "going to be a pork barrel for somebody" and "would largely be a waste."[203] The civil service and the Social Credit opposition were making valid points

[201] Bill Dickie, quoted in *The Edmonton Journal*, 28 May 1974.
[202] PAA 77.196 (Alberta Oil Sands Technology and Research Authority fonds), file 1. Letter from E. J. Wiggins to Bill Dickie re: AOSTRA Act, dated 31 January 1974.
[203] Alberta, *Hansard*, 9 May 1974, page 1947.

about restraining government investment in the project. World oil prices had recently doubled because of turmoil in the Middle East, and the Athabasca oil sands were increasing in economic desirability, owing to their location in a politically stable regime. This should have engendered a situation where *less* government incentives were needed to encourage development, not more. Indeed, the sands represented a "reserve of the greatest magnitude which does not require highly speculative investment to find and prove," another factor that theoretically reduced the need for incentives.[204]

Marked changes occurred in the Alberta public service after the Lougheed election. A number of authors have spoken to the revitalised and ambitious cadre of bureaucrats that sought to influence provincial policy in a manner almost unthinkable under the Manning governments. This burgeoning agency manifested itself in the *Development Strategy*, a document compiled by senior civil service members that sought to dramatically alter the province's relationship with major oil companies. The response of elected officials to the strategy—disregarding the advice of the bureaucracy and proceeding with development as usual—demonstrates the divergent viewpoints held regarding resource development in the province.

Outside Pressure, Converging Interests, and Alberta Workers

The civil service was one of many actors seeking to shape outcomes of the Syncrude project. While negotiations over the Syncrude plant dominated media in the province, local companies began to lobby the government for the insertion of pro-Alberta business clauses in the soon-to-be-announced agreement. In early 1972, the

[204] *Tar Sands Development Strategy*, 16.

Alberta Chamber of Commerce released a number of statements directed at the government. One such release lamented that no major contracts had been awarded to provincial firms, and that "the developers have done little if anything to develop Alberta competency to handle major projects." Furthermore, the release stated it was "imperative" that the Government of Alberta "take positive action" to ensure that Alberta companies "have maximum opportunities to participate in major resource and industrial development projects."[205] This led Lougheed to demand a number of clauses granting more contracts and providing additional positions to Alberta firms.[206] Lougheed's eagerness to fight for employment clauses (in contrast to his stance on environmental regulations or provincial funding, as discussed in the previous section) speaks to his belief that one of the major benefits of megaprojects like Syncrude was employment opportunities for Albertans. This is the classic *rentier* attitude, and stands in contrast to the advice in the *Development Strategy*.

As opposition to government support for Syncrude in the Legislature and the local media increased, and federal-provincial tensions over oil prices rose dramatically against the backdrop of the Middle East Crisis, the discourse between the province and Syncrude began to shift. It is worthwhile to examine the flux of values and interpretations that took place against this dynamic backdrop. As the sands increased in value (with rising oil prices), and oil supplies to central Canada became threatened, the government of Primer Minister Pierre Trudeau began to take a more focused interest in

[205] PAA, 85.401/Box 10/Item 62. Memorandum from Alberta Chamber of Commerce to Peter Lougheed, dated 19 January 1972.

[206] PAA, 85.401/Box 10/Item 62. A letter form the Alberta Association of Professional Engineers, Geologists, and Geophysicists to Lougheed, dated 13 December 1972, celebrated the "significant involvement" of Alberta firms because of the "public support by the provincial government."

the resource. This pushed the province's elected officials to see an alignment with the Syncrude consortium as a better vehicle for achieving their policy goals than an agreement with the federal government. Alberta's hypersensitivity to federal intrusions in provincial resource decisions also pushed the province towards an entente with Syncrude. Personality and ideological conflict between two levels of government engendered a situation where private capital achieved many of its goals. As economist Ed Shaffer has argued, conflict between the province and the federal government ultimately benefits oil companies.[207] While the federal-provincial conflict did add an element of 'instability' to the political climate, Syncrude realized the instability was different in nature from that in the Middle East—*id est*, nationalizing oil companies or seizing assets were never raised in the conflict. Thus, the company felt confident exploiting the conflict between the two governments.

This blurring of interests between Alberta and Syncrude is demonstrated by Lougheed's echoing of the time-sensitive rhetoric of the Consortium; the Premier publicly stated that if the Syncrude deal was not finalized, the province risked "losing the lead of four to five years [it had] over Colorado oil shale technology." In the same press conference, the Premier argued it was "imperative" for the next "50 years" of the province's growth that the plant be built.[208] Local capital, in this case the Edmonton Chamber of Commerce, also pushed for a rapid development programs as growing fears of project failure began to outweigh 'Alberta-first' business concerns. The organization worried that Syncrude's scheduled production "time slots with manufacturing and

[207] Shaffer, "Political Economy of Oil," p. 188.
[208] *The Calgary Herald*, 11 October 1973.

forging industries [would] be lost" to other mega-projects and that the ensuing time delay would be "indefinite," internalizing the Syncrude rhetoric and supporting the construction of another risk to the project.[209]

The conflation and confusion of interests is perhaps best demonstrated by correspondence between Syncrude, the province, and the federal government. In one letter to the Provincial Minister of Mines and Minerals, Frank K. Spragins, the President of Syncrude, appended a brief document titled "Impact of the Syncrude Project on the Province." The piece outlined the reasons the province should fast-track approval of the plant:

> 1. The tar sand development is essential to the economics of Alberta and Canada…
> 2. Alberta gains a second tar sands project, necessary to demonstrate the economic viability of large-scale tar sands oil production (Without such a demonstration, investors will be reluctant to proceed from expressions of interest to actual commitment to commercial ventures)
> 3. Alberta gains a capital investment of one billion dollars from this development and in the order of one billion dollars in tax revenues and royalties over the 25-year life of the project.
> 4. Alberta gains, in addition to 2000 jobs during the construction period, 1600 permanent new jobs employed directly in the project plus a substantially larger number of new jobs in support activity.
> 5. Alberta gains major new job and income opportunities for residents of northern Alberta.[210]

One month later, in a letter to Prime Minister Pierre Elliot Trudeau asking for concessions in federal tax policies for the Syncrude project, Lougheed appended the same page of arguments for the project, with "Canada" substituted for "Alberta" in each

[209] PAA, 85.401/Box 10/Item 62. Letter from the Edmonton Chamber of Commerce to Pierre Trudeau, carbon copied to Peter Lougheed. Dated 22 October 1973.
[210] PAA, 85.401/Box 10/Item 58. Letter from Spragins to Dickie, 15 August 1973.

applicable point. The province literally copied, and uncritically adopted, oil company rhetoric in their dealings with the federal government.

The rhetoric of Syncrude, the business press, and Lougheed frequently emphasized employment opportunities and job creation. Oil companies often touted jobs and salaries as some of the largest benefits accruing to province as it allowed foreign capital to exploit its resources. When concern arose over the 'Americanization' of Alberta's oil fields in the 1970s, *Oilweek* editorials commented that instead of direct government involvement in the oil business, it made "more sense to take in outside capital, skin a good over-riding royalty on any success, and provide high-valued employment for construction labor and operational management for many years afterwards."[211] The notion that returns on investment to oil companies, which were often in the double-digit percentages and could potentially accrue to the province, was not mentioned.

When Lougheed announced a breakthrough in negotiations with Syncrude in September of 1973, one of the main conditions was the company signing "fair labor agreements" for the duration of construction, and hiring a large number of Albertans to work onsite.[212] Just months later, when the project was again put in question by cost increases, the provincial government quietly began taking a different stance on the labour issue. In the minutes from the Syncrude Economic Planning Committee—a high-level group of Cabinet ministers and the Premier—we see the government responding to Syncrude requests for labour stability and no-strike clauses for workers in Fort

[211] *Oilweek*, 7 September 1970, 5.
[212] Quoted in *The Vancouver Sun*, 19 September 1973.

McMurray. Bert Hohol, the Minister of Labour, even had government lawyers examining the province's Labour Act to determine the feasibility of 'site agreements', with more strict anti-strike clauses, being signed on the Syncrude site.[213]

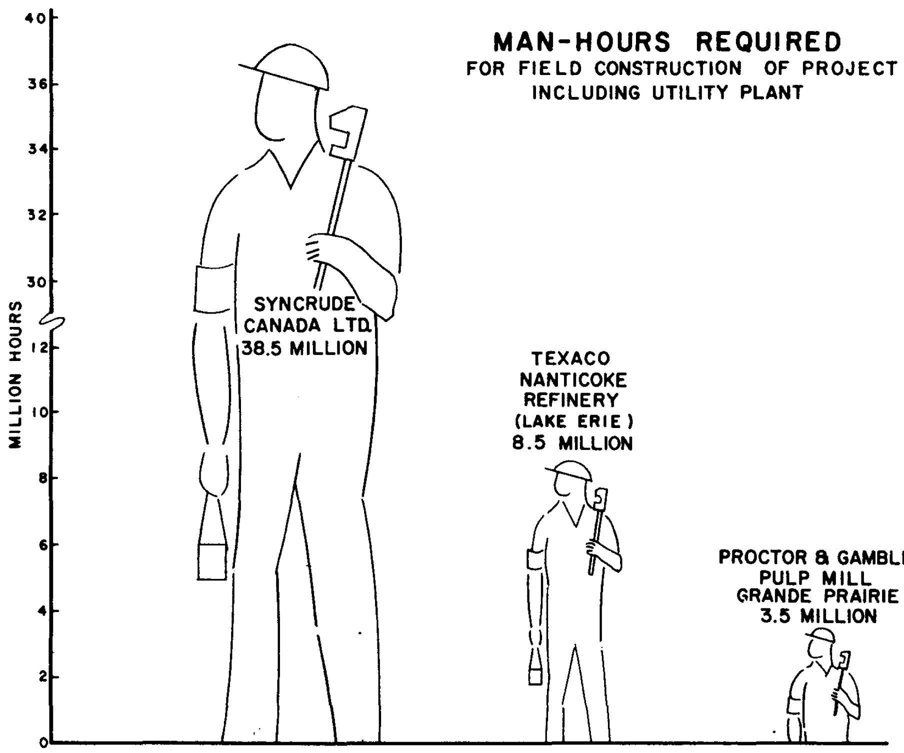

Figure 4 Syncrude's employment impact, from company promotional material (PAA 85.0401/69).

Employment would continue to be a major leverage point of the Syncrude project. When the consortium again sought to pressure the government for concessions, they turned to the spectre of job losses as their major negotiating tool. In early January 1975, as another round of negotiations between the companies and the

[213] PAA 85.401/Box 10/Item 60. Syncrude Economic Planning Committee Minutes, 6 February 1974.

government took place, Syncrude's main contractor, Bechtel Canada, let 400 workers go from the Syncrude work site. John Barr, Public Affairs Manager for Syncrude, commented "further layoffs would be announced" in the future because of uncertainty over the project. NDP member Grant Notley accused Syncrude of "creating a climate of fear" and "playing politics with jobs" through their use of such tactics.[214] Furthermore, commentary from the workers at the site indicated they felt like "ping-pong balls" being "manipulated by big business and big government."[215] Both Syncrude and the province were willing to play politics with jobs, demonstrating Lougheed's commitment to employment for Albertans was as flexible as his commitment to the environment.

Syncrude's bargaining tactic worked. Local newspapers ran a number of 'fear and loathing' articles that dramatized the plight of the Syncrude workers. The *Calgary Herald*, for instance, began one story with: "Only a few trucks vibrate the ground. Cement foundations sit here and there, and steel beams are silhouetted against a grey sky painted orange by the low January sun. But no workmen walk those beams, and nothing is being built on the foundations." Other local organizations began to worry about job losses as well. The President of the Alberta Building and Trades Council worried that "many jobs would be lost" if the Syncrude project was further delayed.[216] Similarly, a *Calgary Herald* editorial reminded the government of the "built-in political incentive to keep the project going" since "literally thousands" of jobs depended on the

[214] *Fort McMurray Today*, 9 January 1975.
[215] A mechanic at the Syncrude site, quoted during the middle of the 1975 layoff/bargaining period. In *Fort McMurray Today*, 13 January 1975.
[216] Lawrence Leclair, President of the Alberta and Northwest Territories Building and Construction Trades Council, as reported in *The Edmonton Journal*, 31 January 1975.

project's successful execution.[217] When the Lougheed government did provide respond to Syncrude's demands, the Premier cited jobs in order to justify the deal.[218]

The (Editorially) Divided Province

The final analysis of the Syncrude saga examines how Albertans understood the negotiations, as well as the breadth of their reactions to the deal struck between the province and the consortium. The negotiation of the Syncrude project was one of the most important in Alberta's history, and its coverage by local media was intense. Accepting that newspapers, magazines, and other media reflect and reinforce the "deeply ingrained values and views" of their audiences, what does the media coverage of the Syncrude deal say about Albertans, and their understanding of resource projects?[219] Of particular importance is the period in early 1975, when the possible failure of the Syncrude deal pulsated through the media, and when the consortium companies extended an ultimatum to the province in order to secure government financing after budgeted expenditures for the project ballooned to $2 billion.

The actors themselves were well aware of the need to secure public support for their tough bargaining stances. In early January, the Energy Committee meeting minutes comment "the public is to be prepared psychologically for a possible Syncrude collapse."[220] Similarly, internal memos at Syncrude comment that Lougheed had "become a hero in the eyes of 'the man on the street'" and that any criticism directed

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[217] *The Calgary Herald*, 5 February 1975.
[218] *The Calgary Herald*, 6 February 1975.
[219] Mary Vipond, *The Mass Media in Canada* (Toronto: James Lorimer and Company, 1989), 101-106. Edward Bernays, *Crystallizing Public Opinion* (New York: Boni and Liveright, 1923), 85-86.
[220] PAA, 85.401/Box 10/Item 61. Provincial Energy Committee Meeting Minutes, 4 January 1975.

against the Premier had been "meaningless and ineffective."[221] Caught between the two powerful forces of government and business were Alberta citizens, who were equally divided and unsure on what constituted the proper role of the provincial government in the Syncrude project.

Newspaper editorials explicitly spoke to the issue and made very little effort to hide their ideological leanings. With the Syncrude ultimatum for concessions in January of 1975, writers across the province sharpened their pen on both sides of the debate. *The Calgary Herald*, for example, offered:

> Even Calgarians, the nation's most vocal critics of the government's oil and gas policies, will be shocked by this attempt to force the hand of their government…
>
> The long and short of it is that the Canadian Government has been told to change gears by three American oil companies. This simply does not sit well even with those such as *The Herald* who have argued long and hard against Ottawa's energy policies.[222]

The *Herald*'s counterpart, the *Edmonton Journal*, on the same day, took a different editorial stance on the issue. Their piece began: "There are times in history when declarations are as important as deeds" and continued by demanding a "ringing reaffirmation by the governments of Alberta and Canada that the development of the oil sands will be carried through, with determination and dispatch." The *Journal* editor even suggested that the "shaken confidence of the public" was the result of the

[221] A number of internal Syncrude documents were leaked to University of Alberta Political Science professor Larry Pratt during the negotiation of the Syncrude deal. These were used in his book *The Tar Sands*, which, when released, prompted outrage on the part of the provincial government. A number of investigations were undertaken to determine how the documents arrived in Pratt's hands. They were later used as evidence in a court case between Peter Lougheed and the CBC, after the latter had broadcast a television series on the Syncrude deal. These documents can be found in Peter Lougheed's files at the Provincial Archives of Alberta, accession 85.401/Box 11/File 71, Syncrude internal memo, dated 21 September 1973.
[222] *The Calgary Herald*, 18 January 1975.

province resisting Syncrude demands.[223] The *Journal's* attack on the government is made more significant by the hostile reception that awaited reporters that were critical of Lougheed's policies. The Premier was well-known in media circles for punishing those that questioned his agenda.[224]

The fact that the province's two major daily newspapers could present such different interpretations of the same event speaks to the ambivalence that the media, and many Albertans, experienced regarding the Syncrude project. The province wanted to see the resource developed on its own terms, but feared the collapse of the project if Syncrude demands were not met. There are few resource issues in Alberta history where a comparable divergence in editorial stances emerges. Examining the *Natural Resources Transfer Act* of the 1930s or the National Energy Program, consistency among the province's major media outlets is plainly evident. Albertans, and their media, shared an understanding of what constituted the best interest of the province, and rallied behind a single stance on the issue. Yet the Syncrude negotiations provoked a significant disagreement, indicating the divisiveness of the issue.

A second means of exploring this ambivalence on the part of Albertans also looks at the media, but instead of focusing on editorials, examines the "placement, tone, and repetitions" that surrounded stories on the Syncrude deal.[225] Here again we see uncertainty regarding the role of the project in Alberta's future, with newspapers taking an almost schizophrenic stance on the issue. Articles supporting and condemning the

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[223] *The Edmonton Journal*, 18 January 1975.
[224] Denise Savage-Hughes and David Taras, "The Mass Media and Modern Alberta Politics" in *Government and Politics in Alberta*, 207.
[225] Noam Chomsky and Edward S. Herman, *Manufacturing Consent: The Political Economy of the Mass Media* (New York: Pantheon Books, 1988), p xii-xv.

project would appear side-by-side in daily media, emphasizing at once support for the project and what it represented for the province's future, while simultaneously condemning the bargaining tactics of the consortium, the federal government, or the provincial government.

Beginning in late January 1975, major papers like *The Edmonton Journal* and *The Calgary Herald* were printing at least five separate articles on Syncrude in every edition. One *Journal* article outlined the "hurt" local companies would feel if the Syncrude project collapsed—stating the fallout would affect "more than 100 local manufacturers, suppliers, construction companies, transportation groups, and engineering firms." It further commented that "45 subcontractors, 41 manufacturers, 10 subcontractors and 12 engineering companies" would be hurt.[226]

The same day, the *Herald* gave prominent positioning to an article that quoted extensively from J. A. Cogan, a Syncrude representative, who repeatedly demanded assurances from the provincial government and agreed that "there are certainly some gloomy angles at the moment."[227] Also on the same day, *The Calgary Albertan* gave prominent positioning to the comments of two Cabinet Ministers—Treasurer Gordon Miniely and Attorney-General Marv Leitch—who "expressed doubt about the province putting substantial funds" into salvaging Syncrude.[228] This inconsistency continued for a number of days, with news media presenting conflicting understandings and interpretations of the project..

[226] *The Edmonton Journal*, 29 January 1975.
[227] *The Calgary Herald*, 29 January 1975.
[228] *The Calgary Albertan*, 29 January 1975.

The Syncrude project, and the debate surrounding provincial support for the project, remains one of the most contentious in Alberta history. Many Albertans sincerely believed (and do so today) the development of the sands was (and continues to be) the only method of ensuring Alberta's continuing prosperity as conventional oil and gas reserves decline. This strengthened the negotiating hand of the Syncrude consortium; they constructed the project as fragile and unstable in order to alarm Albertans and ensure government support for the project. The Syncrude case is also important because it demonstrates the clash between civil servants and elected officials. Competing ideologies of the province's 'best interest' prompted significant debate over the most desirable method of developing the sands. The Syncrude debate illustrates the Conservative Party's interpretation of provincial interest as rapid commercialization, with little concern for the environment or balanced growth. Instead, the government saw its major role as securing employment for Albertans, although their willingness to 'play with jobs' speaks to the fluidity of their stance. The Syncrude case also illustrates the intervention of the federal government, and how that involvement pushed the province and private capital to work closely together. Finally, the Syncrude case is important for the divisions it exposed in the province, with some seeing the consortium's bargaining tactics as offensive, while others wanted above all else to see the project proceed.

Chapter V: The Lodgepole Sour Gas Blowout – The Golden Egg is Actually Full of Dangerous Hydrogen Sulphide

The final case study in this thesis concerns the Lodgepole blowout, one of the largest industrial disasters to strike Alberta's oil and gas industry. On 17 October 1982, a wildcat (exploratory) well operated by Amoco Dome experienced an "unexpected pressure kick" and began to vent deadly hydrogen sulphide (sour gas) into the atmosphere. Flow from the well varied between 56,000 and 283,000 cubic meters per day.[229] The dangerous gas prompted the evacuation of a number of surrounding communities, sickened Edmonton residents with what became known as the 'Amoco flu', and brought the dangers of oil and gas extraction to the forefront of public discussion, at least for a few months. It took sixty-eight days to cap the wild well, and two oil workers died in the process. The subsequent inquiry undertaken by the Energy Resources Conservation Board generated over 12,000 pages of documentation, and created a number of new regulations for sour gas operators.

Sour gas is generally defined as natural gas containing significant amounts of hydrogen sulphide (H_2S), usually 5.7 milligrams of H_2S per cubic meter of natural gas.[230] The gas is labelled "sour" (as opposed to "sweet" – regular natural gas) because of its distinctive rotten egg smell. Before commercial use, sour gas is treated to remove the hydrogen sulphide, which is considered an impurity in the gas. The by-product of this

[229] *Oilweek*, 25 October 1982, pages 8-9.
[230] Natural Gas Supply Organization, "Processing Natural Gas," http://www.naturalgas.org/naturalgas/processing_ng.asp

extraction is sulphur, which has a number of commercial uses, including conversion to sulphuric acid, a key component in fertilizer manufacturing.[231]

The Lodgepole case study presents two themes that offer insights into the social side of Alberta's oil and gas industry. First, the Lodgepole blowout occurred at the end of a 10-year period of expansion for the provincial oil industry, one that saw increasing land conflicts between human communities and dangerous sour gas fields. The provincial government's management of the issue—which was shifting, poorly communicated, and timid—indicates their uncertainty over the preferred balance between demographic and industrial growth and human health and safety. Second, the analysis demonstrates that understandings of the disaster varied by geographic location and economic relationship to the oil and gas industry. For Drayton Valley, a town whose existence was almost entirely dependent on the surrounding oil fields, the dominant (although not unchallenged) narrative framed the blowout as business-as-usual in the oil patch. In doing so, it minimized debate and avoided discussions of the rationale behind sour gas drilling. Conversely, Edmonton, farther removed from the incident both geographically and economically, saw the gas leak as a very serious problem. Many Edmonton residents began to question the need for sour gas drilling. These divergent interpretative frameworks highlight one final component of social understandings of the oil and gas industry—that discussions are profoundly influenced by economic connections to the industry itself.

[231] Wolfgang Nehb and Karel Vydra, "Sulfur" in *Ullmann's Encyclopedia of Industrial Chemistry* 6th Edition (New York: Wiley, 2000). See also Roger Smith, "A Short History of Hydrogen Sulfide" in *American Scientists* volume 98 number 1 (January 2010), 6-9.

Curbing Growth, the Sour Gas Fields of Alberta

Alberta during the 1970s experienced one of the largest economic expansions in the province's history. With world oil supplies in a constant state of flux and shrouded in uncertainty because of OPEC actions, Alberta's 'politically stable' hydrocarbon resources became a hotbed of investment and exploration. One author describes the period:

> It struck with the fury of a prairie thunderstorm, fed by the surges and spikes of oil prices in a global market that spun out of control after October, 1973. It ran a euphoric course for seven frenzied years… Albertans called it the Oil Boom—a time of fortune-seeking that surpassed any previous Canadian mineral rush, from the Klondike gold fields to the precious-metal mining camps of the Canadian Shield.[232]

The boom changed Alberta dramatically. Economic growth and seemingly unlimited employment opportunities brought many new residents to the province. The population increased throughout the decade as inter-provincial and international migration flourished. These new Albertans moved into cities big and small. The province's two main centres, Edmonton and Calgary, saw their population grow exponentially, while smaller communities, like Red Deer, Camrose, Lethbridge, and others, found themselves annexing land and creating subdivisions overnight to cope with the influx of residents.

The growing number of Albertans, and their appetite for land, soon came into conflict with the oil and gas industry. The majority of Alberta's sour gas fields are found in the densely populated region along the Edmonton-Calgary corridor.[233] As the 1970s progressed, disagreements between municipalities, government planners, and the oil

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[232] Frank Dabbs, "The Black Gold Rush of the '70s fuels Alberta's Biggest Boom," in *Alberta in the 20th Century, a Journalistic History of the Province, Volume 11: Lougheed & the War with Ottawa, 1971-1984*, ed. Paul Bunner (Edmonton: United Western Communications, 2003), 14.

[233] PAA 83.125 (Alberta Environment fonds)/Box 1/File: "Sour Gas General – 1974", Report by the Alberta Industry-Government Sour Gas Environmental Committee on Guidelines for Urban Development in Relation to the Sour Gas Industry.

industry multiplied. The desirability (and process) of developing of sour gas fields represented an important issue for the province. With conventional oil production in decline (but still acting as the main economic driver in the province), the possibility of reduced economic growth was becoming a major concern for Albertans. Developing sour gas fields was one way to offset this potential decline, but safety concerns warranted debate. The government's awkward handling of the sour gas issue spoke to their uncertainty over the desired tradeoffs between economic expansion and quality of life for Albertans. The question became: to what degree would the province regulate a source of economic growth? Throughout the decade the Government of Alberta attempted a number of management schemes to control growth, reduce risks associated with the sour gas industry, and "safeguard the interests of the community, the compan[ies], and many Albertans."[234] The government's evolving sour gas management plans successively alienated industry, municipal planners, residents, and MLAs. The province's sour gas policies remained ambivalent and in flux until the Lodgepole blowout, when safety concerns were finally pushed to the forefront of the public debate, even if only briefly.

One of the first planning initiatives sponsored by the province, the Sour Gas Industry Subcommittee of the Alberta Advisory on Pollution Control, embodies the uncertainty of the government's stance. Notes from the first meeting reads: "No member present at the meeting had any suggestions as to any projects that might be

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[234] Progressive Conservative MLA David Russell, *Hansard*, 6 April 1977, p. 668, "Ministerial Statement on the Department of the Environment". The speech quoted referred to Amoco Canada safety operations in the Crossfield, Alberta area.

undertaken in the near future by our sub committee. It was left that should any suggestions occur to a member in the future or if any serious problems were brought to the attention of the chairman, a further meeting would be called to deal with such matters."[235] This 1968 report, with its benign stance on the issue, set the tone of government policy for the next half-decade.

It took an H_2S release to prompt the government into further action. In 1973, residents of New Norway, Alberta, a small community between Edmonton and Red Deer, were exposed to a sour gas leak from a wild well. Fourteen people were sent to hospital for monitoring, and two required further medical care. This incident forced the government to update its sour gas management plans. Members of the Legislative Assembly raised the issue when they reconvened for the fall session. Dr. Hugh Horner, one of the key members of Lougheed's Cabinet, spoke to the issue in October of 1973. In debating the new *Disaster Services Act*,[236] Horner commented that "with the kind of petroleum production we have in Alberta" planning for unexpected sour gas releases was crucial. He warned Albertans of the "very toxic nature of hydrogen sulphide" and urged the province to update its emergency responses.[237]

Building on the regulatory push engendered by the New Norway release, and the growing awareness of the threats inherent in sour gas drilling near population centres, the government attempted a number of regulatory adjustments to increase the safety

[235] PAA, 79.151 (Alberta Environment fonds)/Box 5/File: Sub-Committee Reports. Title: "Report to the Alberta Advisory Committee on Pollution Control by the Air Pollution Control - Sour Gas Industry Subcommitee" Released March 1968.
[236] The *Disasters Service Act* was designed to modernize the province's ability to respond to emergencies. Previous disaster planning had been extensively focused on Cold War era threats, like nuclear attacks.
[237] *Hansard*, 12 October 1973, page 60-3228.

of sour gas operations through monitoring and more stringent safety regulations—trying to address the problem at the wellhead or plant. This prompted a significant 'push-back' from the industry, which complained that the new regulations were too strict and would render their operations uneconomical. Chevron wrote the Energy Resources Conservation Board complaining of the "increasing number of standards, controls, and procedures imposed on the operation of this plant [near Kaybob, Alberta] and other plants." Similarly, Chevron reminded the ERCB that their new regulations "did not have the blessing of legislation" nor were they "submitted for consideration to industry prior to being imposed."[238] The company also complained that conforming to the new regulations was an "onerous task which [was] being accomplished at a substantial physical and economic cost."[239] Chevron's response attempted to create a wedge between the main regulatory board and the government. The company's statement reminded the ERCB that although there was a public push for more stringent sour gas regulations because of the New Norway release, the provincial government had yet to make any clear statements on the issue, and that the Board may have been over-stepping its bounds.

The government was unable to sustain this 'point source' approach to sour gas regulation for long. As communities continued to grow and further encroach on sour gas fields, and the risks associated with sour gas grew, the calls for more comprehensive government action became louder. Prior to the 1970s, the government could take a

[238] PAA 83.125/Box 1/File: "Sour Gas General." Letter from K. B. McNamara of Chevron Oil to Mr. D. R. Craig, Vice-Chairman of the ERCB, 19 April 1973.
[239] PAA 83.125/Box 1/File: "Sour Gas General." Letter from L. C. Zerr of Chevron to Mr. R. Briggs, Director of Pollution Control for Alberta Environment, 28 November 1973.

‘hands off’ approach to most sour gas issues, since few sour fields were being developed, and those that were had few people living nearby. The province now had to participate directly in planning activities, act as a broker between oil companies and municipalities, while continually assuring the public of their safety. The practice of referring municipalities to field operators for technical and safety information, as the province had attempted with Calgary in 1974, was simply no longer tenable.[240]

The government attempted to develop a new management framework through the “Alberta Industry-Government Sour Gas Environmental Committee on Guidelines for Urban Development in Relation to the Sour Gas Industry.” The group was a collection of industry representatives, civil servants, and a few outside experts chartered with producing recommendations for a new provincial sour gas management strategy. The committee’s first report concluded that:

> There is a need for examination of this problem by urban planners and developers before residential districts are constructed near sour fields. This is an area where presently little information is available.
>
> Insufficient regulations or procedures exist at the present time to adequately control the encroachment of population centres on sour gas operations.

Furthermore, the report recommended:

> In general, no new subdivision development be permitted within a 100 parts per million hydrogen sulphide isopleth of any sour gas operation...
>
> Appropriate legislation or mechanisms be enacted so as to limit any other

[240] PAA 83.125/Box 1/File “Sour Gas – General 1974”. Letter from E. R. Brushett, Assistant Manager, Environmental Protection, Alberta Environment, to Mr. Jim Anderson, Planning Department, City of Calgary, 13 December 1974. The government attempted to absolve itself of all responsibility in regards to sour gas development near Calgary, instead suggesting the city and companies themselves determined how to best manage the issue. This prompted accusations that the government was avoiding responsibility.

human habitation in proximity to sour gas facilities...[241]

The province now faced a difficult decision. There was little desire in Cabinet for limitations on the development of sour gas fields—energy revenues underpinned the 'province-building' agenda of Premier Lougheed and were the key to continuing economic prosperity. Yet there was also a powerful urge to avoid dabbling in municipal planning—the government was aware of the negative publicity that would stem from limiting municipal expansion at a time of exponential population growth. The outcome of this tension was an undefined, shifting, and awkward stance on the sour gas issue.

The government's inability to provide clear policy directions created uncertainty and frustration. When planning commissions received contradictory advice from the province, they communicated their frustration to bureaucrats. The Battle River Planning Commission, for example, was "confused on what legal stand to take" when a subdivision plan was submitted that would be near a sour gas field. The Commission's letter reminded the government that "it is in the greater public interest to not create confusion and unnecessary concern." Furthermore, it sarcastically commented that the planning board "certainly learned that the comments made at the technical meeting on enforcement sound totally different in political reality."[242] Even oil companies wrote the government, wondering "if we are correct in assuming that there is no law, or clear

[241] PAA 83.125/Box 1/File "Sour Gas – General 1974". Report by the Alberta Industry-Government Sour Gas Environmental Committee on Guidelines for Urban Development in Relation to the Sour Gas Industry, September 1974.

[242] PAA 82.165 (Department of Energy and Natural Resources fonds)/Box 33/File 258. Letter from R. H. Bothman of the Battle River Planning Commission to A. J. Suelze of the Provincial Planning Board, 19 December 1975.

policy governing the matter."[243] This uncertain stance of the government was reflected in the awkward regulatory actions of the province's main regulator, the ERCB. Confusion over municipal planning even prompted MLAs to ask the government to "check into the rather strange actions" of the Board.[244]

Government planners were forced to admit there was no clear direction on the sour gas issue. In one letter to a regional planning commission, the Provincial Planning Board Secretary accepted that "no one has attempted to define the problem" and that the province lacked "any guidelines which would have universal application as a general guide for the benefit of all concerned."[245] The unwillingness of the province to chose between (in this case) the mutually-exclusive principals of economic or demographic growth created many problems, as cities crept closer to sour gas fields. For example, the City of Calgary expressed shock when it became aware of sour gas development on its northern boundary. Mayor Rod Sykes, in an angry telegram to Environment Minister Bill Yurko, stated:

> ...If you believe that the operation of sour gas wells outside the city limits by Occidental Petroleum represents a danger to the health of city residents, then we must insist that you order an immediate closure of the wells in question. Your government is directly responsible for any hazard to health since it is the only agency with the power and therefore the responsibility to act to terminate the risk of one. Resolution of long term policies takes second place to protection of life and health.[246]

[243] PAA 83.125/Box 1/File "Sour Gas – General 1974." Letter from MacKimmie Matthews (Law firm for Western Decalata Petroleum) to ERCB (Attn: Mr. E. R. Brushett), 30 January 1976.
[244] *Hansard*, 4 September 1974, 1377.
[245] PAA 82.165/Box 33/File 258, Letter from the Provincial Planning Board, signed by Secretary-Member A. J. Suizie, to Mr. R. H. Botham, Director, Battle River Regional Planning Commission, 2 January 1976.
[246] PAA 82.165/Box 33/File 258, telegram from Calgary Mayor Rod Sykes to Environment Minister William Yurko, 21 January 1975.

The City firmly placed the responsibility for planning and public safety on the shoulders of the provincial government. Municipalities could only assert their legislative reach within their boundaries, and looked to the province to manage industrial growth on their outskirts.

Much of the public outrage over sour gas risks was amplified by the secretive nature of planning by the government. In many cases, municipalities were not opposed to co-existing with sour gas fields *per se*, but felt the process by which oil companies, the ERCB, and government communicated information was sorely lacking. One MLA wrote to Getty (then minster of Energy) complaining of the process:

> The Board may feel that a public hearing is unnecessary with regard to granting a well license to drill into a sour gas field within close proximity to an urban area, but, I feel that the public, such as myself, would be better informed if the companies involved were required to advertise their intention to apply for a drilling permit in a local newspaper in the area affected.[247]

The debate over heavy-handed and secretive planning of sour gas development continued throughout the decade. Another case saw the City of Camrose become "appalled" when they were never "informed, advised or consulted." They also demanded an explanation for the "gross neglect and complete disregard toward the local government" when they learned of a sour gas well near the town.[248]

By the late 1970s, the government had yet to develop an acceptable, and balanced, policy response to sour gas. The Vice-Chairman of the ERCB confessed that

[247] PAA 82.165/Box 33/File "Sour Gas Fields." Letter from Fred Bradley, MLA for Pincher-Creek to Don Getty, Minister of Energy, regarding the ERCB's handling of sour gas drilling near Blairmore, Alberta, 27 May 1976.

[248] PAA 82.165/Box 33/File "Sour Gas Fields." Letter from R. A. Mackwood and William Grant, Managers, City of Camrose to Mr. E. R. Brushett, Assistant Manager, ERCB, 8 January 1976.

"The Board sees no obvious solution to this problem" in a letter to Getty, while the government continued to push for more on-site monitoring and safety precautions.[249] This ambivalent situation would continue unchallenged until the Lodgepole blowout, when disaster finally forced the province to confront the hazards of sour gas drilling. By avoiding giving clear direction to municipal planners, the government demonstrated its uncertainty regarding the preferred tradeoffs between economic and demographic expansion. Public discussions of the issue were almost non-existent, only emerging when incidents like the New Norway release forced politicians to act. The majority of discussions took place in ERCB meetings, or in correspondence between the government, companies, and planning commissions. This offered little opportunity for citizen input on an important issue. Ironically, while seeking to create a situation where no one group was disadvantaged or harmed, the government engendered a situation where the potential for public health risks was immense and industry operated under significant uncertainty regarding sour gas drilling regulations.

Interpreting the Blowout – Geography and Economics

The Lodgepole blowout began as a minor news item. For a province whose material prosperity was heavily dependent on oil and gas, drilling accidents were an accepted and commonplace occurrence. Every year, Albertans would read stories of rig collapses, explosions, accidents, and even occasional oil worker deaths in their local newspapers. As time progressed, however, and it became clear the Lodgepole well was

[249] PAA 82.165/Box 59/File 442. Letter from Vernon Millard, Vice Chairman of the ERCB to Don Getty, re: ECA report on Sour Gas, 15 September 1977

not going to be capped easily or quickly, a growing amount of attention became focused on the blowout. Examining reporting and commentary regarding the blowout during the sixty-eight days it ran wild demonstrates that geographic and economic linkages with the provincial oil industry influenced understandings of the blowout, and in turn, discussions of sour gas drilling in general. Communities whose prosperity was contingent on oil and gas development took a markedly more sympathetic stance on the blowout than those less dependent on the oil and gas industry. This is demonstrated by both the reporting of the blowout in newspapers and citizen reaction to the disaster.

Drayton Valley, a community of a few thousand residents, was the closest major settlement to the Lodgepole blowout. The modern town emerged in 1953 after the discovery of the massive Pembina oil field. Almost overnight, a sleepy hamlet of 30 people, with an economy based on lumbering, fur trading, and subsistence agriculture, transformed into a booming community of thousands. Drayton Valley existed because of oil, and town residents understood that the valuable resource was the lifeblood of the community (as discussed in Chapter III, the Town of Drayton Valley also opposed an increase in royalty rates at the 1972 review). This relationship with energy resources, and sour gas in particular, prompted many in the community to see the blowout as 'business as usual' and react strongly to *any* criticism of the oil industry, including that of the well owners—Amoco Dome. However, there was a segment of the Drayton Valley population that did speak out against the sour gas blowout. Yet this group did not challenge the hegemony of oil and gas—instead it focused on (relatively) marginal matters, like the role of government regulators, while continuously seeking to reassure others that it was not attacking the oil industry as a whole.

In the first local media report on the blowout, 27 October 1982, the *Drayton Valley Western Review* recounted the details of an Amoco-sponsored press conference. Prominent placement was given to company spokesperson Ron Findlay's statement that the hydrogen sulphide levels pose "no health hazard to area residents" and that the "concentrations [were] more in the obnoxious range."[250] In the early stages of the blowout, Amoco Dome sought to contain (both literally and figuratively in terms of the media) the uncontrolled well and present it as a harmless nuisance. Importantly, the local news media relayed the Amoco stance uncritically. No government sources were quoted (provincial or municipal), and readers were not informed of any role government officials were playing in the blowout. The sole source of information was the company drilling the well, hinting at the esteem the community held for Amoco Dome.

Amoco Dome continued to dominate the information conduit to local news outlets. Company spokesmen or representatives of firms hired by Amoco were frequently the first, if not the only, source cited in most articles on the wild well.[251] Furthermore, the majority of the articles during the well-capping efforts were technical pieces, explaining the process of capping the well, the challenges faced by workers at

[250] *Drayton Valley Western Review*, 27 October 1982.
[251] For example, see *Drayton Valley Western Review*, 10 November 1982 (Amoco spokesman Paul Pavey), 17 November 1982 (Amoco district superintended Wayne Heth), 24 November 1982 (Joe Bowden, owner of firm hired by Amoco Dome to cap well), 8 December 1982 (Amoco spokesman Don Smith), 22 December 1982, 29 December 1982 (Boots Hansen, owner of firm hired by Amoco Dome), 5 January 1983 (Mike Miller, President of Safety Boss, hired by Amoco Dome), and 26 January 1983 (Amoco spokesman Don Smith).

the site, and relaying company reassurances that the hydrogen sulphide being released did not pose a danger. Local reporting on the wild well avoided discussions of the negative personal or social effects of the blowout. Even when two workers died from H_2S exposure, the newspaper did not give the accident prominent space. Indeed, the deaths were only acknowledged in the eleventh paragraph of the article, on the twelfth page of the twenty-page newspaper, buried in a larger piece about the failed attempt to lower a blowout preventer onto the well (a key piece of equipment in the capping effort). When one reader questioned the paper's decision to give a more prominent placement to a story on local horses than worker deaths, they faced harsh criticism from other local residents. One writer commented "well, horses are a BIG part of our heritage" and the critic was "the one with warped values."[252]

Beyond the framing of the event that took place in articles, local newspaper editorials also immediately began to construct an 'outsider' interpretation of the blowout. The editor of the *Review* commented that one of the biggest problems facing Amoco's public relations team (the fact that the editor chose to highlight the PR problems of the company is itself an interesting point) was "dealing with journalists who don't know their way around the oil patch."[253] The editor opined:

> Here we are in Drayton Valley and suffering far more from the effects of the situation, but we realize that it's one of the hazards of the oil and gas industry. It's as though some of the complainants think Amoco had the blowout on purpose, yet how many of them heat their homes with natural gas and drive cars?[254]

[252] Original letter from Lynda Wolff and Robert Turner, *Drayton Valley Western Review*, 1 December 1982, critical response from Arlene Lauer, *Drayton Valley Western Review*, 8 December 1982.
[253] *Drayton Valley Western Review*, 27 October 1982.
[254] *Drayton Valley Western Review*, 3 November 1982.

The local newspaper continued to attack those who voiced criticism of the faltering capping efforts. Another editorial felt that the largest problem was "some of the public's reaction to the situation." The author further argued that the "thundering headaches," burned eyes, and stomach trouble were "part of the price we pay for being an oil industry-based community." Similarly, individuals who felt companies should not be allowed to drill dangerous wells close to communities should "turn off [their] furnaces for the winter—make it [their] own personal protest."[255] This stance—setting up impossible criteria for outsiders to meet before their opinion can even be considered in the debate—is not conducive to a discussion of sour gas drilling practices.

Feeling the pressure of the uncontrolled well and the attention it brought to their community, Drayton Valley residents reacted strongly to any criticism of the blowout. The defence of the industry necessitated the use of arguments that silenced criticism, not engaged with it. Knee-jerk reactions, like telling critics to turn off their furnaces during the winter, avoided any substantive discussions of the hazards of sour gas or drilling practices. Editorializing continued in this vein for the duration of the blowout. A 24 November opinion piece argued that

> The gas is poison, but so are a lot of other things we breathe and ingest. Cigarettes are not good for you, yet they are sold by the millions. Alcohol and the abuse of pharmaceutical drugs aren't good for you, yet they are consumed in tremendous quantities. The bottom line appears to be that we have a choice as to whether or not we want to poison ourselves with the aforementioned articles. The only difference is natural gas heats our homes, is a source for synthetics – a part of everyday lives. It also puts the bread on the table for many of us."[256]

[255] *Drayton Valley Western Review*, 10 November 1982.
[256] *Drayton Valley Western Review*, 24 November 1982.

Even local residents downplayed the blowout, telling critics to do some "research" where they would find that "the smell is just that—a smell," and that "roses do come with thorns."[257]

There were a number of dissenting voices within the Drayton Valley community. However, the large majority of these internal critics framed their criticism of the wild well in a manner that emphasized marginal issues, and avoided direct criticism of the oil and gas industry. For example, the 'citizen's action committee' which formed in response to the blowout prefaced its media comments by stating "We're not out to black ball Amoco or any other oil company." When that same committee stood before the Lodgepole Inquiry Panel they insisted they were "in no way" an "anti-sour gas group" and that "none of the members wish to damage the sour gas or oil industry."[258]

The dominant theme for the Drayton Valley critics was the 'problem' of the un-coordinated response by company and government authorities.[259] The concerns of residents centred on poor management of the blowout, not Amoco drilling practices that led to the wild well, or government regulators that sanctioned the drilling of a sour gas well near a community. Opinion pieces commented, "While blowouts are as inevitable as ships sinking, the ERCB should be able to inform the public as to the dangers they face from the results."[260] This limited criticism of the issue, criticism that focused on narrow questions, and failed to acknowledge larger structural issues, speaks

[257] *Drayton Valley Western Review*, 8 December 1982 and 1 December 1982.
[258] PAA 90.25 (Department of Health)/Box 210. The Energy and Resources Conservation Board, "*Lodgepole Inquiry Proceedings, no. 830007*", comments by J. C. Prowse, a lawyer speaking for the Pembina Area Sour Gas Exposure Committee, 1 November 1983.
[259] Pembina Area Sour Gas Exposures (PASGE) Committee representative Rob McIntosh, *Drayton Valley Western Review*, 15 December 1982.
[260] *Drayton Valley Western Review*, 1 December 1982.

to beliefs held by local residents who, dependent on the oil and gas industry for their livelihood, refused to see the blowout as a symptom of systemic and chronic problems in the provincial oil industry.[261]

Your Comment

How has the blowout affected you?

Wolf Schwalbe
Drayton Valley
Not too badly I guess. You have to have a little discomfort every once in a while. If they didn't take those chances, they'd have to quit drilling.

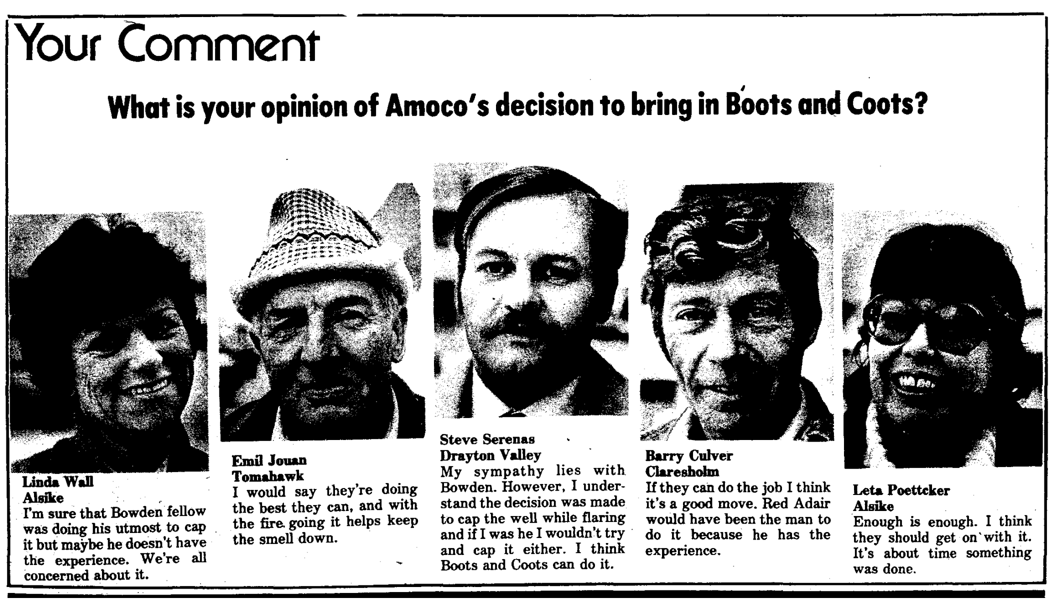
Leonard Fald
Drayton Valley
What's a guy going to do? Hopefully they'll get it capped soon.

Brian Borley
Drayton Valley
I haven't been sick. It stunk pretty bad, though. One morning I woke up and my whole room smelt of it.

Gerald Grayson
Drayton Valley
We just put up with it. There wasn't too much we could do about it, really.

Kurt Habel
Buck Creek
Sleepless nights. I woke up because of that rotten smell. It's about damn time they got it capped.

Figure 5 Opinions of Drayton Valley residents regarding the blowout, *Drayton Valley Western Review*, 17 November 1982.



Your Comment

What is your opinion of Amoco's decision to bring in Boots and Coots?

Linda Wall
Alsike
I'm sure that Bowden fellow was doing his utmost to cap it but maybe he doesn't have the experience. We're all concerned about it.

Emil Jouan
Tomahawk
I would say they're doing the best they can, and with the fire going it helps keep the smell down.

Steve Serenas
Drayton Valley
My sympathy lies with Bowden. However, I understand the decision was made to cap the well while flaring and if I was he I wouldn't try and cap it either. I think Boots and Coots can do it.

Barry Culver
Claresholm
If they can do the job I think it's a good move. Red Adair would have been the man to do it because he has the experience.

Leta Poettcker
Alsike
Enough is enough. I think they should get on with it. It's about time something was done.

[261] Records from Alberta Environment indicated that gas plants handling sour gas had violated provincial air standards 1,104 times in 1980, although no prosecutions were pursued. Information taken from an *Edmonton Journal* article on hydrogen sulphide, 18 November 1982.

Figure 5 Opinions of Drayton Valley residents regarding the blowout, *Drayton Valley Western Review*, 8 December 1982.

There also existed a secondary current of criticism that emerged from local residents, one that did not take an appeasing stance on the blowout. For example, a number of individuals voiced concern over the one-sided media presentation of the blowout that portrayed *all* residents as understanding and supportive of Amoco. Indeed, a small but vocal section of the Drayton Valley population attacked the oil industry as a whole. One letter raged "farmers need not to be expected to accept sour gas as stoics. Oilmen voluntarily choose a high risk job… Farmers are innocent victims, trapped in circumstances beyond their control."[262] Another opinion letter argued that the television coverage was "ridiculous," and that the two Lodgepole residents interviewed "who smiled and said they weren't worried" was not balanced by a piece on those who "feel discomfort at very low levels of hydrogen sulphide."[263] These criticisms, although vocal, represent only a minute portion of the debate on the blowout, and were given little coverage by the press.

The Drayton Valley response to the blowout stands in stark contrast to the response that emerged in Edmonton. Whereas Drayton Valley avoided discussions of the most negative effects of the blowout, and even its criticism was framed in a manner that discounted serious probing, Edmonton residents became virulently angry with Amoco, the provincial government, and the oil industry as a whole—all very quickly. Initial Edmonton newspaper reports on the well discussed the dangers of sour gas and

[262] *Drayton Valley Western Review*, 24 November 1982.
[263] *Drayton Valley Western Review*, 3 November 1982.

the monitoring systems put in place, paralleling the Drayton Valley approach. However, when it became clear the well was not going to be capped within days, the similarities between the two communities ceased.

Edmonton Journal reporters interviewed a gamut of government officials for their major news stories. Representatives of Alberta Environment, the provincial Department of Health, the Energy and Resources Conservation Board, and the City of Edmonton provided much of the substance for the newspaper stories. Amoco officials were quoted, although infrequently and usually near the end of an article. Certainly, Edmonton-based reporters benefited from easier access to government sources, explaining part of the preference for consulting government officials. But *Journal* reporters were also sensitive to the fact that Edmonton was not built on oil, and did not need oil and gas to survive. The esteem that smaller, oil-dependent communities felt for Amoco was not echoed in Edmonton; indeed, anger quickly became the dominant theme in the provincial capital.

Only four days after the blowout, Alberta Environment and the City of Edmonton received over 150 complaints about the sour gas smell and breathing difficulties, a story which the *Edmonton Journal* featured prominently.[264] By the 30th of October, Edmonton residents were informed that an inquiry into the blowout would "almost certainly be called" by the province.[265] Two weeks after the blowout, Amoco was on the receiving end of a statement of claim in the Court of Queen's Bench, delivered by a University of

[264] *The Edmonton Journal*, 20 October 1982.
[265] Alberta Environment spokesman Al Poullette, quoted in *The Edmonton Journal*, 30 October 1982.

Alberta law professor and sixteen of his students.[266] As the blowout continued, *Journal* readers came across headlines like "Foul smell brings on foul mood" and "Sulphide's deadly legacy."[267] The editorial handling of the blowout in Edmonton made little effort to frame the blowout as minor or inconsequential, even in the earliest days of the uncontrolled well. Editorials in the capital city were nearly unanimous in their condemnation of almost every aspect of the blowout, from Amoco's drilling practices to the government response. One writer "question[ed] whether this whole incident might, in fact, have been avoidable," while another lambasted the government's values when "the benefit of the doubt is being given to the violator—the gas—instead of the violated—the people that have to put up with the smell."[268]

There was an attempt by a small section of Edmonton population to frame the blowout in a manner that diminished its relatively severity and impact. When faced with a rising number of complaints over 'flu-like symptoms' many attributed to the blowout, the Environment Council of Alberta suggested polluted drinking water might be responsible.[269] Others defended the blowout by pointing to the prosperity created by the development of the province's oil and gas reserves. One writer stated: "I, for one, am willing to put up with… the discomfort of the foul-smelling relatively [sic] unharmful air. It seems such a small price to pay: no lives have yet been lost in this wild well incident."[270] While sympathy for Amoco, and support for the oil and gas industry in general, continued throughout the sixty-eight day blowout period, it remained a minor

[266] Law professor Jeremy Williams, *The Edmonton Journal*, 2 November 1982.
[267] *The Edmonton Journal*, 16 November 1982 and 18 November 1982.
[268] *The Edmonton Journal*, 16 November 1982 and 19 November 1982.
[269] *The Edmonton Journal*, 13 November 1982.
[270] *The Edmonton Journal*, 16 November 1982.

voice in a cacophony of criticism directed at the wild well. Indeed, Edmontonians were "unanimous in their anger" over the well, and blamed both "Amoco and the Alberta Government for their failure to end the crisis."[271]

Edmonton also began to ask questions probing the deeper issues surrounding the blowout. One prominent editorial, entitled "Urgent Questions," discussed the 1977 blowout of a sour gas well in the Lodgepole area (also owned by Amoco) and asked why the company had never been fined because of "inadequate drilling practices." The author suggested "some oil operators shave corners because they know they will probably get no more than a tap on the wrist from regulatory bodies." Similarly, the editorial asked:

> Are Alberta's drilling standards adequate, and did Amoco meet existing standards and safeguards?
>
> Did Amoco consult with the ERCB and Alberta Environment to explore the options to cap the Lodgepole well? What were all the options? At what point did the provincial government get involved? ...
>
> Why have responsible government ministers, or the premier, not made public statements to clarify the facts about hydrogen sulphide and to allay public fears?[272]

The willingness of Edmonton residents to push farther and criticize the oil and gas industry for its threats to human health and safety leads us to our final point in the analysis of resource discourse—the relationship of an individual or group to the energy industry influences the nature and extent of conversations about resources. Geography and economics play a profound role in structuring conversations and limiting what is deemed "acceptable" debate. John Kenneth Galbraith speaks of the "adaption of social

[271] *The Edmonton Journal*, 26 November 1982.
[272] *The Edmonton Journal*, 25 November 1982.

attitudes towards the goal[s]" of an industry or economy.[273] Thus, while the Lodgepole blowout presented an opportunity for Albertans to debate the role that sour gas should play in the provincial economy, much of the discussion was constrained by a relationship to the oil industry that pushed certain topics beyond the scope of debate.

The Lodgepole sour gas blowout was a relatively minor event compared to the Lougheed Opposition period, the royalty review, or the Syncrude deal. Yet our analysis of the sour gas issue highlights a number of points that act as a bookend to the discussion surrounding failures of discourse in resource politics in Alberta. First and foremost, the government's mishandling of sour gas operations in the period leading up to the blowout speaks to uncertainty regarding the tradeoffs between continuing economic growth and civilian safety. The province's inability to firmly regulate sour gas development, or urban encroachment on sour gas fields, highlights the risks inherent in avoiding engagement with an issue and forgoing direct policy statements that have consequences for public health. There was little or no public discussion of sour gas prior to the blowout, and the government never queried the attitude of Albertans towards the dangerous gas. Politicians simply decided that the prosperity of development trumped human health concerns, and acted accordingly. Similarly, examining how the blowout was reported in both Drayton Valley and Edmonton emphasizes the effects that geography and economics exert on discussions of resource issues. Drayton Valley, more intimately tied to the oil industry than Edmonton, was more forgiving of the blowout.

[273] John Kenneth Galbraith, *The New Industrial State* (New York: New American Library, 1967), 172-173.

Residents there framed the accident as business as usual, and reacted strongly to any criticism that saw the blowout as a systemic aspect of the energy industry.

Conclusion

Resource politics are complicated issues that easily lend themselves to misunderstanding, manipulation, and failed communication. Resource politics are defined by "failures of discourse" which prevent citizens from participating in and influencing debates. As this thesis has demonstrated, discussions of Alberta's energy industry did not challenge this paradigm. While billions upon billions of dollars of energy resources—owned by the citizens of Alberta—were extracted and developed, discussions of resource policy in the province faltered. Repeatedly, politicians, private capital, and citizenry failed to engage in meaningful debate over the role of oil and gas in the provincial economy. This inability, or unwillingness, to engage in open, transparent, and sincere discussion created a situation where Alberta citizens were manipulated, patronized, and ignored while government and business managed provincial energy resources according to their own narrow views of the provincial interest.

The historiography of oil and gas development has, as a central (although not unchallenged) theme, the negative consequences of oil and gas development, be they social, economic, or environmental. This thesis demonstrates how some of those social consequences emerge in a provincial setting. While the issues discussed—political manoeuvring over the sale of an oil company or the language employed by business leaders in their comments to the press—may seem trivial, they have very real consequences. They influence and degrade discussions of important issues in the province, and succeed in alienating resources owners from decisions that have massive impacts on their future.

From the early Lougheed period, we saw a young ambitious politician with the desire and capacity to challenge the aged inertia of a party in power for decades, a party that was perceived to be ‘selling the province’ short on the sale of its oil and gas resources. We also saw the Conservatives striving to “embarrass” the Social Credit government by seizing minor issues and framing debate in a manner that elicited an emotional reaction from Albertans—all the while promising to “restore the Legislature” as the centre point of decision-making in the province. We saw how this ambition led the Progressive Conservative Party to attack the government to score political points, and contradict some of its own policy statements in the process—simply to appear as the defenders of the provincial interest, all with deleterious consequences for meaningful citizen engagement. We also witnessed the bizarre Home Oil saga, where Peter Lougheed and Don Getty seized a mundane and commonplace issue in the provincial oil patch, and manipulated constituents through extensive myth-making, all to appear as the defenders of Alberta’s interest.

The royalty review period demonstrated that despite their rhetorical support for open and transparent democracy, the Progressive Conservative Party was diligently working behind the scenes to manage issues, prevent public uproar, and limit the scope of public debate in an issue that would define the province for decades to come. This excluded Albertans from one of the key debates of the province’s history, and would have massive fiscal ramifications for decades. The period also demonstrates that capital, either in the guise of multinational corporations or local 'mom and pop' operations, would use any rhetorical tool at its disposal to threaten the government and preserve the status quo. Although a sizeable number of Albertans urged the government to resist industry arguments, the royalty increase that emerged from the review suggests that the government failed to extract a higher economic rent from the development of its non-renewable resources.

The Syncrude story, for its part, elaborated on the ways in which capital sought to influence governments and citizens. The continual framing of the oil sands project as 'fragile and evanescent' by the Syncrude Consortium (and when convenient, politicians and other Albertans) was instrumental in bringing about massive government support to the project. Similarly, Syncrude demonstrated the intense cleavages between the civil service and elected officials, and the differing conceptions over what constituted resource development in the public interest. The oil sands plant also demonstrated the plight of Alberta workers, as both "big oil" and "big government" used Alberta labour as pawns in their bid to control the project. Finally, Syncrude also touched on the divisive nature of the project, and the wide disparity of views held by Albertans on the role the project would play in the province's future. Despite the crucial role the project would play in the province's future, citizen engagement with the debate was limited.

The final case study, the Lodgepole blowout, raised a number of issues concerning flawed discourses. First, during the 1970s it was obvious that Alberta's conventional oil production was in decline, and that new types of resources would need to be extracted to maintain the economic growth of the province. This new resource was sour gas, a potentially deadly substance that was located in fields along the densely populated Edmonton-Calgary corridor. For years leading up to the blowout, the province vacillated in its management of the sour gas issue—simultaneously trying to stringently regulate sour gas while encouraging its further development, and making a multitude of contradictory statements to urban and municipal planners. The end result was an unclear stance on sour gas, with the consequences illustrated by the Lodgepole blowout. Similarly, the divergent interpretation of the blowout in Edmonton and Drayton Valley demonstrates how economic ties to the energy industry influence the nature of debate and discourse.

This thesis is not intended as a simple condemnation of Peter Lougheed or the Progressive Conservative Party. Rather, it demonstrates that fostering rational and open debate regarding resources is a taxing goal, discussions of oil and gas particularly so. The challenge to Albertans is to overcome the vagaries of resource discourse, and to push past the framing, manipulation, and un-democratic tendencies to fully exert their role as an electorate, and owners of vast energy resources. We citizens have to remember "political language is designed to make lies sound truthful and murder respectable, and to give an appearance of solidity to pure wind."[274] When a politician, corporate executive, or other prominent 'public' figure discusses resources, they likely are operating with an agenda that does not coincide with that of Alberta citizens. We must be aware of this. The current relationship between citizens, government, and business

[274] George Orwell, "Politics and the English Language" in *Why I Write* (New York: Penguin Books, 2004), 120.

has reduced Albertans to “the role of secondary participants,” and inhibited us from participating in the management of our provincial resources, to our own detriment.[275]

[275] John Ralston Saul, “Corporatism” in *The Doubter’s Companion: A Dictionary of Aggressive Common Sense* (Toronto: Penguin Canada, 1994), 74.

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