

Rail cars could take bitumen to Alaska

Group seeks \$10M from province for feasibility study

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Alison Redford's cabinet is expected to decide in January whether the government will spend \$10 million to study the idea of building a rail line to ship oilsands products to a port in Alaska.

The money would help pay for a \$40-million study that will investigate the feasibility of a proposed 2,400-kilometre rail line to carry landlocked oilsands products from Fort McMurray to Delta Junction, Alaska.

From there, Alberta's oil would flow through the Trans-Alaska Pipeline system to the Valdez Marine Terminal, and on to booming Asian markets.

The proposal has been in the works for more than two years and is backed by a business consortium called Generating for Seven Generations, or G7G.

"Nation-building began with construction of the railroad over 100 years ago, and we're saying this new purpose-built rail will truly make the nation stronger," G7G CEO Matt Vickers said.

"There's a decision going to be made in cabinet, we believe, next month in Alberta with respect to financial support," he said, referring to the feasibility study.

Alberta's government and oilsands producers are eager to find a way to get the province's landlocked energy resources to thirsty markets in China and India, where they will command higher global prices and generate more royalty money for provincial coffers.

Alberta relies on royalty money to fund more than a quarter of its \$40.3-billion annual budget, and the heavy discount applied to Alberta oil in the U.S. market is having an impact on revenue. The government has said it is facing a deficit as high as \$3 billion in the current fiscal year.

Energy Minister Ken Hughes said in December that securing new markets for Alberta oil is among the most important challenges facing the province.

"For Alberta, the strategic imperative is that we get our products to the ocean, so that we secure global prices for our products," Hughes said.

"The solutions are additional pipelines to the West Coast, to the East Coast, to the Gulf Coast and also train-car delivery of bitumen and oil products to the coast."

The idea for the proposed G7G Railway came from feasibility studies commissioned in 2005 and 2007 by the Yukon and Alaska governments.

Initially the focus was on mining exports, but members of the consortium started to think about shipping landlocked bitumen to the coast instead.

Vickers said the group has been corresponding with the Alberta government for two years and has met with members of Alberta Energy's strategic initiatives team.

He said the rail line could circumvent strident opposition to Alberta's other export options, including construction of Enbridge's Northern Gateway pipeline to Kitimat, B.C. That pipeline and others have been subject to heavy public scrutiny, including criticism from aboriginal and environmental groups as well as provincial, state and federal governments in both Canada and the U.S.

Vickers said his group has already secured written support from aboriginal groups along the proposed rail line, including Alberta's Treaty 8 First Nations. Grand Chief Roland Twinn could not be reached for comment.

Environmental groups have yet to take public positions on the proposal.

Pembina Institute spokesman Simon Dyer said that moving bitumen comes with risks that will need to be evaluated.

"Transporting dangerous goods by rail has a higher frequency of incidents than pipeline, granted pipeline (spills) tend to be of a larger magnitude," Dyer said, recalling the 2005 Wabamun Lake derailment that spilled 1.3 million litres of heavy fuel oil into the water.

Dyer said the province should instead be focused on meeting emissions-reduction commitments.

Vickers said early estimates suggest a single-track rail line would cost \$8.4 billion to build and could carry 1.5 million barrels a day, while a double-track rail line would cost \$10.4 billion to build and could carry five million barrels each day.

The proposed Northern Gateway pipeline to the B.C. coast is expected to cost \$5.5 billion to build, and would ship 525,000 barrels a day.

National Post columnist Diane Francis reported in November that the consortium has estimated oilsands producers would pay between \$6 and \$8 per barrel to move bitumen by rail to Valdez, compared to \$5 per barrel to ship to Kitimat via the proposed Northern Gateway pipeline.

Francis also reported that shipping oil to Asia by rail via Valdez would be faster, by up to four days.

Vickers said his consortium has asked federal and provincial governments, as well as industry and investors, to help fund the feasibility study. The group asked the B.C. government for \$2.5 million but B.C. rejected the request, citing fiscal constraints.

The feasibility study will be conducted by Aecom engineers and is expected to take one year to complete.

Vickers said the group doesn't believe the rail line needs approval from the National Energy Board, and that with help from the Harper government's expedited approval process, the project could be completed by 2018.

The feasibility study, he said, "will scope out the actual route for the engineering.

"Right now, it's a red line on a piece of paper."