

THE ALBERTA OIL SANDS FROM BOTH SIDES OF THE BORDER*

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ABSTRACT. The United States produces less than half of the oil it consumes, a dependence unlikely to subside without drastic improvements in domestic production, development of renewable resources, and greater energy efficiency. All three of these actions, even if ultimately meaningful, will take time to produce results, so the United States is likely to continue to depend on outside suppliers. The most tempting of these suppliers is Canada, especially its massive oil sands in northeastern Alberta Province. In this article I ask why that is true and, more important whether the arrangement is mutually beneficial. The answers are strongly related to location; that is, the location of supply and the location of demand. The view from the south favors Canada above all other countries as a likely source for meeting the growing U.S. oil needs, yet not without accompanying unintended consequences. When viewed from the north, the monetary attraction of the oil sands is weakened by the environmental costs that are likely if their development expands as expected. Weighing these perspectives, the question is whether the combination of demand and environmental concerns leads to, accelerates, or discourages development. Viewing such a prospect from both sides of the border challenges the view that development of natural resources is always inevitable or wise, regardless of apparent profitability and need. Much depends on location. *Keywords:* *Alberta, Canada, natural resources, oil sands.*

Unconventional fuels are strategically important . . . resources that should be developed to reduce the growing dependence of the United States on foreign oil imports.

—*Energy Policy Act of 2005*

After more than a century of temptation, setbacks, anticipation, and challenge, one of the world's great storehouses of energy finally appears ready to give up its treasure. Thousands of workers and their families, plus billions in capital investment from the United States and many other countries, have poured into northeastern Alberta Province, especially in the past several years, in the hope that the oil-rich sands there will turn an often-slighted "back of beyond" into a modern bonanza (Figure 1). Governments and corporations around the world, but especially in the United States and Canada, recognize the advantages of developing such huge reserves. The Alberta oil sands, for so long little more than an enticing possibility, today are being prepared for continued large-scale expansion, even as oil prices fluctuate.

Many circumstances, including the demand for oil on the world stage, are inciting this change from promise to reality, but the most important factor is geographi-

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