

## **FURTHER NAIL IN THE COFFIN OF TAR SANDS AND OTHER UNCONVENTIONAL FOSSIL FUELS?**

**16 December 2008**

The Co-operative Financial Services (CFS) today (16 December) urged MEPs to vote in favour of new rules for a European Low Carbon Fuel Standard.

These new rules, which are being put to a vote on 17 December as part of the Fuel Quality Directive, would come into effect in 2010 and require a six per cent reduction in the lifecycle carbon emissions of transport fuels by 2020. This would create serious obstacles within the EU to the use of unconventional fossil fuels such as tar sands, shale oils and coal to liquids.

The production of synthetic crude from tar sands emits on average three times more carbon dioxide than producing conventional oil, whilst shale oil and coal to liquids would produce up to eight times more emissions. This would result in significantly more lifecycle 'well to wheel' carbon emissions and make it almost impossible for unconventional fossil fuels to make a significant contribution to the EU's transport fuel mix from 2010.

In July 2008, Co-operative Financial Services and WWF-UK published a report, 'Unconventional Oil: Scraping the bottom of the barrel?' which highlighted the ecological and financial risk associated with these fuels and recommended that governments introduce low carbon fuel standards. It concluded that the financial sustainability of unconvensionals was dependent on a scenario with limited regulation, a high oil price and a low carbon price.

Paul Monaghan, Head of Social Goals and Sustainability at The Co-operative said:

“When The Co-operative released its report earlier this year we were convinced the business case for unconventional oil was flawed. Since then, the price of oil has plummeted, planned investments in tar sands have been moth balled and we are now seeing barriers to market access in what is an effective ban on their use in Europe.

“Notwithstanding the fact that exploitation of unconventional oil could be the tipping point for runaway climate change, they are becoming an increasingly toxic investment.”

- ENDS -

Notes to Editors:

1. The Fuel Quality Directive regards the specification of transport fuels and introduces a mechanism to monitor and reduce greenhouse gas emissions. Article 7a of which was amended in the Directive's first reading on 26 November 2009 and specifies a Low Carbon Fuel Standard as follows:

*"Suppliers should reduce lifecycle greenhouse gas emissions per unit of energy supplied for use in any type of road vehicle or non-road mobile machinery. They should achieve a reduction of at least 6% by 2020, compared to the EU average level of lifecycle greenhouse gas emission per unit of energy from fossil fuels in 2010."*

The European Parliament will debate the Directive on 16 December and vote on 17 December. <http://www.europarl.europa.eu/>

2. 30 October - Shell announced it was deferring indefinitely a second expansion phase of its Athabasca tar sand reserves near Fort McMurray, Alberta, Canada. Shell stated it still expected to be producing 250,000 barrels of oil per day from these operations by 2010, but the deferred expansion would have increased production by a further 100,000 barrel per day.  
[http://business.timesonline.co.uk/tol/business/industry\\_sectors/natural\\_resources/article5051270.ece](http://business.timesonline.co.uk/tol/business/industry_sectors/natural_resources/article5051270.ece)

27 November - Shell announced it was to delay its Carmon Creek Canadian tar sands project which it had envisaged would produce an extra 100,000 barrels per day from its Peace River tar sand reserves.  
[http://www.bloomberg.com/apps/news?pid=20601082&refer=Canada&sid=aqQ21jXShl\\_U](http://www.bloomberg.com/apps/news?pid=20601082&refer=Canada&sid=aqQ21jXShl_U)

3. Canadian oil sand reserves are thought to be 1.7 trillion barrels, with 315 billion probable reserves using technology currently under development and 175 billion proven reserves. US oil shale deposits are estimated at 1.5 trillion barrels, with 800 billion barrels estimated to be recoverable. More than US\$125 billion of unconventional oil projects have been announced for development by 2015. High energy, labour and material costs mean that developing an oil sands project is up to 20 times as capital intensive as conventional oil projects. In addition to investing heavily in the development of US oil shales, Shell has announced an intention to produce 670,000 barrels of oil daily from Canadian oil sand by 2020, while ExxonMobil and BP are also both hoping to produce several hundred thousand barrels each per day.
4. The majority of unconventional fuels production is presently destined for the US. California has already developed legislation that stipulates a Low Carbon Fuel Standard, which would effectively prohibit fuels with lifecycle carbon emissions greater than those resulting from conventional oil by 2020. Other states are considering following suit. Producers and shippers are currently assessing pipeline proposals to Canada's west coast, the US east coast and Gulf of Mexico, to broaden the potential market for oil sands. The 2008 Conference of US Mayors also passed a resolution backing lifecycle assessment of fuels, and restricting public procurement of unconventional fuels.
5. If all 1.1 trillion barrels of probable extractable North American unconventional oils were exploited within the next century, it would result in emissions of 980 Gt CO<sub>2</sub>, equating to an estimated increase in atmospheric CO<sub>2</sub> levels of between 49 and 65 parts per million. The consequences of these additional emissions could be catastrophic given that global atmospheric levels are already at 430ppm CO<sub>2</sub>e and exceeding 450ppm CO<sub>2</sub>e significantly increases the risk of dangerous climate change.

Dangerous climate change is defined as warming of more than 2°C above pre-industrial levels, whereby stresses upon the world's water resources, food production capacity and ecosystems increase significantly. To stand a reasonable chance of avoiding this, atmospheric concentrations of key greenhouse gasses must not exceed 450ppm CO<sub>2</sub>e. Achieving this will require global emissions to peak by around 2015 and at least halve by 2050, with developed nations making more substantial cuts of around 80%.

6. The Co-operative Financial Services / WWF-UK report "Unconventional oil: Scrapping the bottom of the barrel?" can be downloaded from: <http://www.goodwithmoney.co.uk/servlet/Satellite/1217920887556,CFSweb/Page/GoodWithMoney>
7. The Co-operative Investments organised an institutional investor event, in conjunction with the UK Social Investment Forum (UKSIF), on 16th September 2008 to present the report's findings and garner support for collective shareholder action during 2009. This is ongoing and reflects its customer-led Ethical Engagement Policy to use its influence as a shareholder to push for positive change in the companies in which it invests.
8. In January 2009, Co-operative Financial Services is launching a new 'Customers Who Care' campaign called *Toxic Fuels*, in partnership with WWF-UK. The campaign will raise public awareness of the emerging global trend to extract oil from unconventional sources such as tar sands and shale oils, and highlight that

if this continues unchallenged it could make attempts to avoid dangerous levels of climate change almost impossible.