

## **BUSINESS IN THE NEWS: ETHICAL QUANDARIES (BIN)**

### **CASE: Enbridge: building a controversial oil pipeline in Canada**

#### **BACKGROUND**

Enbridge is an energy company based in Calgary that transports, generates and distributes oil, natural gas, solar, geothermal, fuel cell and wind power to customers across North America. It claims to be one of the 100 most sustainable corporations in the world. Pipelines that carry oil, natural gas and other chemical liquids are Enbridge's core business. The company has indicated that it will aggressively pursue new opportunities for its pipeline business. One of these is the proposed Northern Gateway pipeline, which it hopes to build across Alberta from the tar sands through northern British Columbia to the small coastal town of Kitimat (pop. 8,000) where the crude will be shipped by oil tankers from a new marine terminal to energy-hungry Asian markets. There will actually be two pipes, each about 1,150 kilometres long, stretching overland from Bruderheim, Alberta to Kitimat.

Powerful interest groups are lobbying for and against the pipeline's construction. In BC there is heated opposition because of fears about spills and the damage a ruptured pipeline would cause to the environment. Enbridge has developed a comprehensive corporate social responsibility stance and strives to conduct its business in an ethically responsible manner that protects the environment, the safety of people and universal human rights. In practice though, Enbridge has suffered some very public setbacks recently that challenge its CSR claims. In August 2012, 1,200 barrels of crude oil spilled from a pipeline in rural Wisconsin. This same line also spilled 1,500 barrels of crude five years earlier. While damaging, such spills are considered small. More significant is the incident that happened in July 2010 when more than 843,000 gallons of oil spilled into a tributary of Michigan's Kalamazoo River. The light crude, flowing from Canada's tar sands in Alberta to refiners in the US, spread 40 miles along the Kalamazoo waterway and contaminated nearby wetlands. The bill for cleaning up this accident has risen above \$800,000 US and is now the worst on-shore oil spill in US history.

The US National Transportation and Safety Board (NTSB), which investigated the Kalamazoo spill, was highly critical of Enbridge's response to the accident. A 30-inch diameter pipeline ruptured at 5.58pm on July 25, 2010. Alarms were triggered at Enbridge because of falling pressure, but the oil giant's workers did not interpret them correctly and the line was not shut off – instead the workers assumed the alarm was an error and kept the oil flowing. As a result, 81 percent of the oil spilled did so over a 17 hour time period after the pressure alarms had sounded. The NTSB's chairman Deborah A.P. Hersman called the accident a wake-up call to the industry, the regulator (the US Pipeline and Hazardous Materials Safety Administration) and the public. She also accused Enbridge of knowing about cracks in the pipeline as early as 2005 and doing nothing about them. Hersman called for tougher oversight by the Pipeline and Hazardous Materials Safety Administration, a US regulatory agency that has shown few teeth in the past when reviewing pipeline companies, because allowing Enbridge and other hazardous materials' companies to oversee their own businesses and to assess their own system risks is, according to Hersman, 'tantamount to the fox guarding the hen house.'

The 2010 Kalamazoo spill has put the oil industry under an intense spotlight. Those living on North America's west coast also have vivid memories of what happened in 1989 when the Exxon Valdez, a supertanker loaded with oil, ran aground in Alaska's Prince William Sound. 250,000 barrels of oil were spilled into the pristine wilderness, destroying fishing grounds, killing wildlife

and soaking the rugged Alaskan coastline. It cost Exxon Mobil \$4.3 billion in compensatory payments, cleanup costs, fines and settlements and is considered one of the lowest points in the company's 125 year history. If the Northern Gateway pipeline is built, environmental groups in British Columbia say it's not a matter of if there will be a spill, but when. Enbridge is not giving up though and remains hopeful that government will green light construction of the Northern Gateway pipeline.

The political process is not straightforward though. The pipeline will pass through northern BC and premier Christie Clark has demanded that Alberta give up some of its oil royalties to compensate BC for the environmental damage a potential spill would cause. If a new royalties deal is not struck, Clark says her government won't approve the pipeline. This may be a moot point, because the Clark government has low approval ratings and may be voted out of office at the next provincial election, scheduled for May 14, 2013. Ultimately though, it's not even clear if Enbridge needs BC's approval because jurisdiction for this kind of national interest project lies with the federal government and not at the local or provincial level. Ottawa has created a review panel that has until December 2013 to complete its report on the Northern Gateway pipeline. The federal cabinet will make the final decision, which is due by June 2014.