



May 31, 2011

Dr. Howard Tennant
Co-Chair, Alberta Environmental Monitoring Panel

Mr. Hal Kvisle
Co-Chair, Alberta Environmental Monitoring Panel

Submitted to: <http://www.albertaemp.ca/>

Re: **Alberta Environmental Monitoring Panel: World-Class Environmental Monitoring for the Oil Sands Region**

Dear Sirs:

The undersigned institutions, representing over C\$ 1.2 trillion (U.S.\$ 1.3 trillion) in assets under management, invest in companies that operate in the Alberta oil sands. We commend the Government of Alberta for committing to create a world-class environmental monitoring system, beginning with the oil sands region, and for establishing an independent panel of experts – the Alberta Environmental Monitoring Panel (AEMP)¹ – to generate recommendations on developing the system. We also welcome the decision to engage the public on what the monitoring system should include. We write to submit our comments to the AEMP.

Environmental monitoring and investment risk in the oil sands

Awareness has been increasing among investment institutions that the environmental and social impacts of oil sands development could pose risks to the long-term value of the companies involved². Controversy and conflicting information about the extent of oil sands environmental impacts creates unwelcome uncertainty for investors. If the impacts are not understood, acknowledged and mitigated in a timely fashion, over the long term companies may be exposed to risks. These could include operating restrictions, reputational damage, erosion of the social license to operate, and litigation on health impacts or breach of Aboriginal treaty rights. Risk is heightened in the context of major projects with significant development costs and long investment horizons.

Establishing an effective and credible monitoring system is a key public policy intervention that can help to mitigate these risks and create greater certainty for investors.

¹ **Alberta Environmental Monitoring Panel.** World-class Monitoring. [Online] 2011. <http://www.albertaemp.ca/index.php>

² See, for example: **NEI Investments.** Lines in the Sands: Oil Sands Sector Benchmarking. [Online] 2009. http://www.neiinvestments.com/neifiles/PDFs/5.4%20Research/lines_in_the_sands.pdf

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We are aware that several independent reviews have identified deficiencies in the current monitoring of oil sands impacts³. While concerned at these findings, we are encouraged that the Government has responded by establishing a strong framework for addressing the issues, as described in the terms of reference for the AEMP⁴.

What should a world-class environmental monitoring system look like?

A world-class environmental monitoring system should produce credible information, backed by a credible process. It is imperative that all stakeholders should have confidence in the quality of the data being gathered, and confidence in the body responsible for gathering it.

Credible information:

The monitoring system must be science-based and science-driven. It should be peer-reviewed regularly by external experts, and there should be a requirement to respond to these reviews. It must also focus on monitoring for relevant impacts. Independent reviews have suggested that the design of some current monitoring activities is flawed⁵, and as a result they have not been generating the information that is needed to determine the extent of impacts and the risks associated with them. It is critical that the system should specifically address Aboriginal and stakeholder concerns (including the incorporation of Traditional Ecological Knowledge) and cover all areas of potential impact that are being raised in the current debate about oil sands development.

Credible process:

Sound governance is at the core of what we look for in the companies we invest in: good corporate governance underpins not only financial performance, but also environmental and social performance. It is essential that the design and implementation of the governance model for the monitoring system should be beyond reproach – all the more so because of the atmosphere of mistrust that has been generated by conflicting information on oil sands impacts. The monitoring system must not only be independent, it must also be perceived to be independent. Transparency should be an underlying principle of the system: this implies not only public disclosure of the data that is gathered, but also transparency about the selection of the governing body, about how it is funded, and about how decisions are made.

A number of studies contain recommendations relevant to the AEMP's goal of establishing a world-class monitoring system. In the Alberta context, the following two reports are germane to the issue:

- Oil Sands Research and Information Network: *Establishing a World Class Public Information and Reporting System for Ecosystems in the Oil Sands Region - Report*⁶. Utilizing the challenge dialogue process, this report integrates a wide range of relevant expertise.
- Alberta Innovates – Technology Futures: *2010 Regional Aquatics Monitoring Panel (RAMP) Scientific Review*⁷. This report provides valuable insights into the pitfalls and opportunities of operating a monitoring program in Alberta.

³ The Royal Society of Canada Expert Panel. [Environmental and Health Impacts of Canada's Oil Sands Industry](#). 2010; Oil Sands Advisory Panel. [A Foundation for the Future: Building an Environmental Monitoring System for the Oil Sands](#). 2010; Water Monitoring Data Review Committee. [Evaluation of Four Reports on Contamination of the Athabasca River System by Oil Sands Operations](#). 2011; Alberta Innovates – Technology Futures. [2010 Regional Aquatics Monitoring Panel \(RAMP\) Scientific Review](#). 2011.

⁴ Alberta Environment. Provincial Environmental Monitoring Panel For Monitoring Evaluation & Reporting for the Lower Athabasca River - Terms of Reference. [Online] 2010. http://environment.alberta.ca/documents/Environmental_Monitoring_Panel_TOR_December_2010.pdf

⁵ See references under footnote 3.

⁶ James, D.R. and T. Vold. Establishing a World Class Public Information and Reporting System for Ecosystems in the Oil Sands Region – Report. Oil Sands Research and Information Network. [Online] 2010. <https://era.library.ualberta.ca/public/view/item/uuid:7df75ac3-198c-40a8-8e53-3bcc04532b6>

⁷ Alberta Innovates – Technology Futures. 2010 RAMP Scientific Review. [Online] 2011. See footnote 3.



In making recommendations for establishing a world-class system, the AEMP will also wish to draw on lessons learned in other jurisdictions around the world. The 1995 review of the U.S. Environmental Protection Agency's Environmental Monitoring and Assessment Program has been highlighted by a number of stakeholders as being relevant to the AEMP's mandate⁸.

Conclusion

As investors in companies that operate in the Alberta oil sands, we commend the Government of Alberta's commitment to implement a world-class environmental monitoring system in the oil sands region, and we look forward to the recommendations of the AEMP on how to make this goal a reality. To contribute to the mitigation of long-term investor risk, the monitoring system should produce credible information, and be backed by a credible process. Anything less will result in continuing uncertainty for companies and investors alike.

If you have any questions regarding this submission, please contact Michelle de Cordova, Manager, Public Policy & Research, NEI Investments (mdecordova@NEIinvestments.com, 604-742-8319).

Sincerely,

NEI Investments

A handwritten signature in black ink, appearing to read "Robert Walker", with a long horizontal line extending to the right.

Robert Walker
Vice President, ESG Services

CC:
Hon. Rob Renner
Minister of Environment, Government of Alberta
via Office of the Minister

Mr. Albert Poulette
Director, Science, Evaluation and Reporting Branch, Alberta Environment

Dr. Dan Wicklum
Director General, Water Science and Technology, Environment Canada

⁸ **National Research Council**. Review of EPA's Environmental Monitoring and Assessment Program: Overall Evaluation. [Online] 1995. http://www.nap.edu/catalog.php?record_id=4931#toc



These comments are also submitted on behalf of the following investment institutions:



Eva Halvarsson
CEO
Andra AP-fonden (Second Swedish National Pension Fund)



Erik Jan Stork
Senior Sustainability Specialist
APG Asset Management



François Meloche
Gestionnaire risques extra-financiers
Bâtirente



Doug Pearce
CEO/CIO
British Columbia Investment Management Corporation (bcIMC)

Manchan Sonachansingh
Treasurer
British Columbia Teachers' Federation



Paul Bugala
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Canadian Labour Congress
Congrès du travail du Canada

Les Steel
Executive Director – Operations
Canadian Labour Congress



Darwin Park
Chair of the Board
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Gary Hawton
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OceanRock Investments Inc. (Meritas Funds)



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Marcel Jeucken
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Bill Boothman

Bill Boothman
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Head of Communications & Sustainable Investments
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Vancity Investment Management

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Dermot Foley
Manager - ESG Analysis
Vancity Investment Management



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Hans-Martin Buhlmann
CEO
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