



GEORGE GOVIER

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Name of interviewer: Gordon Jaremko

Name of videographer:

Full names (spelled out) of all others present: N/A

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Initials of Interviewer: GJ

Last name of subject: GOVIER

GJ: The first question I have is very general. We'll take you back to when you came out of engineering and you were done at the refinery and you were coming out to Alberta to the university and the conservation board. This is way back, this is the 1940s. The question is: at that time, how did you perceive the oil sands if you perceived them at all? When you were just entering on the scene?

GOVIER: Well, I didn't think very much about them and I guess my only contact was through my friend, Karl -- what's his name? Karl Clark, the oil sands research man. But apart from that, Gordon, I didn't think very much about the oil sands. This would be back in 1940, '41 or '42. I was at that time preoccupied with developing and giving my courses at the university [the University of Alberta, engineering faculty].

GJ: When you were at university and taking those courses, did the oil sands ever come up?

GOVIER: No.

GJ: Why do you think that was?



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GOVIER: Well, you're asking me if the oil sands came up in connection with courses that I was teaching.

GJ: Yeah?

GOVIER: Now, I was teaching courses in chemical engineering and in natural gas engineering and oil sands were simply not on the agenda.

GJ: Okay. That was at the university?

GOVIER: Yes.

GJ: But, was that also true in a wider sense from a sort of, whole Alberta, whole industry point of view? That they really didn't figure that large?

GOVIER: Well, it's hard for me to speak from a very broad point of view. I should repeat though that Karl Clark was doing research on the recovery of the bitumen from the oil sands at that time in the early 40s. And, people were aware of his work and it was recognized as being important. But, I can't say very much about that.

GJ: Okay. Why would it have been recognized as being important at that time?

GOVIER: Well, it was common knowledge that the oil sands were very extensive and that the amount of hydrocarbon in place was enormous. People had at that time put numbers on it. The enormity of the resource was well understood. And, I think again it was recognized that if some economic, feasible way of recovering the bitumen could be developed it would be of great importance to the province.

GJ: So, even then in the 1940s would have been well known within the engineering community?

GOVIER: Yes.

GJ: But, not necessarily outside? But, it was well understood within those -- who had some knowledge that the oil sands were important.

GOVIER: Yes, I guess so.

GJ: Yeah, okay. Did you know him well?

GOVIER: Yes.

GJ: What was he like?



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GOVIER: He was very much a gentleman. He was quiet, conservative with a small "c". He was a good scientist. A very friendly person and he was very much my senior. I was a junior member of staff and Karl Clark was very senior.

GJ: Did he help you?

GOVIER: No, we didn't have that kind of a relationship. My area was quite different than his. He was associated with the department of mining and engineering and I was in the faculty of engineering and had responsibility for courses in chemical engineering.

GJ: Was it thought at the time, that he had come up with that way to make those resources economic?

GOVIER: Well, I can tell you what I thought and what others with some knowledge thought and we thought. And that was, that he had come up with something that was very promising. The use of heat and hot water to separate the bitumen from the sand, but I had made no appraisal of its economics.

GJ: Okay. So, even then he was thought of as having and made a significant sort of contribution?

GOVIER: Yes.

GJ: A genuine invention?

GOVIER: Yes.

GJ: Yeah, yeah. But then, what you're telling me is that after you recognized that then we get to the part that sets engineering apart from science when engineering tries to take that next step and say, "Is it economic? Will it work?"

GOVIER: Well, Dr. Clark didn't pretend to be a project design expert. He was a scientist and he studied the science of separating the bitumen from the oil sands.

GJ: Yes, okay. When you joined the conservation board in 1948, had all of this changed somehow?

GOVIER: Oil sands were not a big deal or a major factor in the work of the board at that time, in 1948.

GJ: Yeah. In fact, it was only a year after the big conventional oil discovery at Leduc.

GOVIER: That's right

GJ: Yeah, yeah. Clark in letters that are preserved by his daughter in two volumes of letters once wrote a letter to somebody who asked his opinion of the oil sands and the letter said, "Well, of



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course oil sands will not be a big deal right now. We have just made these big discoveries of light oil that is relatively low in cost." And, in that letter he said, "And that, in the long run will work to the great advantage of the oil sands because that light oil discovery is going to be big enough to generate lots of production, to lead to construction of pipelines, development of markets across Canada and exports. And, will cause an infrastructure to be built." And, he said, "When those conventional resources deplete the turn of the oil sands will come," he said in this letter. It is like reading a prophecy and this is way back about 1952 or something like that and he's writing this to some, I think it was some investor or something like that who was thinking about Alberta. Did many people see it that way? Did you see it that way? Or, did you even think about that kind of thing?

GOVIER: No, I didn't think about it. Not in that fashion.

GJ: But yet, only 12 years later, 12 years after you joined the board in 1960 you are being called upon to make the decision on the first project, Great Canadian Oil Sands.

GOVIER: That's right. But, 12 years is quite a long time. You asked me about the 1948 and in 1948 the preoccupation was on the conventional oil industry, on prevention of waste.

GJ: Right.

GOVIER: And then, unilaterally in the later part of that period on pro-rationing. But, you're quite right. It was in the early 60s, I remember that because I moved from Edmonton to Calgary in mid-'63 and I was commuting between Edmonton and Calgary at the time of that first hearing, that Great Canadian Oil Sands hearing. I think it was '60 or '61.

GJ: Yes. But, 12 years in the grand scheme of things, or it was actually less than that by the time it's coming up, is not really all that long.

GOVIER: No, I quite agree. It's not that long. I guess what I was trying to say is, you asked me about something in the early 40s and I told you that we were preoccupied with the conventional industry. We were not looking at the oil sands. Now, in 1960 or 1961 whenever, it was a little different picture because we had this significant application from Great Canadian Oil Sands. Then, we focused on that as you well know. I remember the first hearing fairly well. But, I don't remember the second one. The first hearing they were applying for 30,000 barrels a day or thereabouts. That was denied, I remember, sort of with leave to reapply or words to that effect. Then later, they came back with a 45,000-barrel-a-day proposal. That is what it was.

GJ: In the meantime, Ernest Manning had announced a policy too, saying that the government wanted the oil sands to have 5% of the market for Alberta oil. And, it seems to me, the way they sized the project was pretty much bang on.

GOVIER: I don't recall that.



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GJ: Yeah, yeah. There was that 5%. There was always, if you go into your decision report, there was always a presumption that to make an oil sands project economic it could not be subject to pro-rationing.

GOVIER: We understood that.

GJ: Yeah. So, it became necessary that to exempt a big project from pro-rationing you needed a provincial policy that would tell the board to do this.

GOVIER: I don't recall.

GJ: Yeah, there was an Ernest Manning statement, yeah. Anyway, that was over on the political side. On the regulatory side, according to my notes, the first GCOS ruling was 1960. It was rejected but the exact words were it's not really rejected but the decisions were deferred because there were too many uncertainties particularly about its economics, because at that time the project was not very well structured.

GOVIER: That's correct. And, we were concerned about the sulphur too, I remember that.

GJ: Yes. Was the sulphur concern an environmental concern?

GOVIER: Yes. Well, it would bubble. It was a conservation concern also because we saw sulphur as a resource that should be conserved and we also saw sulphur as an environmental hazard if it was not conserved.

GJ: Yeah. That means it was an environmental issue if not conserved. That really means that if you didn't conserve it, it went into the atmosphere, up through the stacks?

GOVIER: If you conserve it?

GJ: If you didn't.

GOVIER: If you didn't conserve it, it goes into the atmosphere which is a pollutant.

GJ: Yeah. This was just about being concerned about a potential pollutant which takes me to my next question which is -- I had somewhat of a conversation with Gerry Desorcy, by now he's joined the board and he has told me, "We didn't use the same words but we had a lot of the same issues in mind. That we didn't want pollution, that we didn't want conflict between drilling and industry generally and any aspect of the environment, for instance water resources." And, I'm going to mention something here, I'm sure it would have gone from your mind entirely probably quite quickly after that case. When I go back into that decision document on GCOS there is a sort of inventory in there of potential pollutants and sort of byproducts coming out of the process. And, one of them that you talked about, it was just a short entry in the decision, but you actually calculated the amount of carbon dioxide the process as it was then used, could be expected to put



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into the atmosphere. So, this is way before anybody is talking about climate change and carbon emissions and all that sort of thing. So, the question is: did the ERCB always think that it should keep track of basically all aspects of production systems including byproducts? Was that just built into almost the DNA of the agency? It seems like it keeps track of absolutely everything.

GOVIER: I don't think we intended to go that far.

GJ: How far did you intend to go though?

GOVIER: Well, we assumed that our responsibility was for the oil and gas resources of the province and when you talk about gas, a lot of the gas in its natural state contains sulphur. Sulphur as we mentioned earlier are both a valuable resource and a potential pollutant if it's not conserved. So, our interest in what happened to the sulphur stem from two reasons, as I've said before: it is not only the methane, propane and so on content of natural gas.

GJ: Okay. Did you as a matter of course though, look at everything that would come out of an industrial project or that might come out of an industrial project in a large way? Because, carbon dioxide -- obviously, there was an entry in that decision. It was thought then to be harmless. But, nevertheless it was something that was going to be happening on a large scale. That's the kind of meaning I took of that.

GOVIER: Gordon, I don't think we were especially concerned about the carbon dioxide. We were concerned about the sulphur for the reasons I've discussed. The CO2 we may have done some arithmetic relating to it. But, we certainly were not considering it either as a significant pollutant or as a resource.

GJ: Yeah, okay. You also gave considerable thought to tailings ponds.

GOVIER: Yes.

GJ: From a conservation point of view though, the danger was that you would put this pond there and if you didn't have a way to reclaim and get rid of it then all of the oil sand ore that was underneath that pond would be lost, was the way I recall that.

GOVIER: Yeah, I think that's correct. At that time, we didn't understand nearly as well as it is now understood that there is a settling problem with the fines in that tailings waste. That was not fully appreciated I think by anyone at that time.

GJ: But you know, if you go back into that decision you didn't understand it really well but there is a reference to that. There is a sentence in there that actually says, "A lot of work needs to be done to understand the issue of the clay fines and the water layer around the sand."

GOVIER: Yeah.



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GJ: And, that's really the key to the tailings issues.

GOVIER: Yes, that's right.

GJ: Yeah. So, you spotted the issue. Was it the objective then -- when you look at those decisions because it surprises me as a modern reader; at the time while this is going on, I was like 12 or 13 years old. So, I didn't really know anything about this. But, when I look back at these decisions and I see this concern with sulphur and a concern with the tailings ponds and a mention of the clay fines and a mention of the CO₂, it's like looking back and saying, "These people really had their eyes open." Is that what this regulatory process was partly about, to try and understand as completely as possible the consequences?

GOVIER: Yes, certainly. I should get a copy of that report and look at it again.

GJ: It is surprising how much -- okay, you didn't have the answers but it will surprise you how much you knew about the problems even then. It surprised me because I hadn't thought of it that way. I put some of those things in this book. See, because part of history is that you're looking at the past through the eyes of the present. And, your history is relevant if you ask the past a question that relates to things that are on our minds now. And, I think it's important to realize that in a way what those early decisions, the pioneering decisions, GCOS were doing was laying ground work. Because, at least you had an understanding of well here is what the issues are and you had all kinds of estimates about tonnages of this and contents of that. So, you are providing the critical thing which was the information. There's even a sentence in that decision and I've quoted this too, saying, "There is undoubtedly going to be considerable environmental regulation developed for this sector." And, that should be taken into account in trying to decide whether the project is economic because its costs are going to go up.

GOVIER: Yes.

GJ: Would you have been thinking about the tailings ponds pretty much in the same way as the sulphur? On the one hand, it's a conservation issue, potentially sterilizing bitumen. On the other hand, it's also potential pollution.

GOVIER: Yes.

GJ: In the early 1960s when you're making these decisions at the regulatory level has the environment already become something that is part of regulatory thinking?

GOVIER: Part of the board's regulatory thinking?

GJ: Yeah.

GOVIER: Yes, it clearly is.



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GJ: Was that a new thing at the time?

GOVIER: No, not really. Our concern for the environment, I guess it wasn't advertised so much of course. But, it was present in almost all activities. Our field inspectors when they inspected the conventional oil leases and drilling sites, one of their jobs was to see that the site was clean and tidy and that there was no oil escaping and running over the land. That was a concern of the environment. We didn't even use the word environment very much at the time. It was just well-site inspection. And, of course, the concern over sulphur was not only in relation to the oil sands but in any sour gas wells.

GJ: Yes. And, processing plants?

GOVIER: Right.

GJ: Okay. According to my notes from the dates on the decisions, there were two Great Canadian Oil Sands decisions. One in 1960 which kind of deferred everything saying, "You haven't completed your job. Your costs are higher than what you think they are, than what you're saying. We're not too sure about really the economic core of the project. By 1962, that's been fixed. They've recruited some support. They've sorted out the ownership situation. That was very late 1962, said "Recommend approval," and they expanded the size of the plant. They made a whole bunch of changes so that this version could go ahead. That was the recommendation to the cabinet.

GOVIER: There was a second decision report, wasn't there?

GJ: Yes, there was. It was quite short. But, most of the issues had been...

GOVIER: They were in first...

GJ: But, then you have simultaneously within a year you had a bunch more oil sands applications. You had the original Syncrude. There was a Shell. I guess, well it was Cities Service was the original version.

GOVIER: Yeah, Cities Service.

GJ: Cities Service and I think it was one other, but anyway. Those were all rejected for being too big.

GOVIER: Yeah

GJ: So, they went away for a while. But, they only went away for five years. So, they come back and there is another decision report, 1968, December that deferred decision on Syncrude. But then, in 1969 there is another decision because Syncrude came right back at you.

GOVIER: That's on Syncrude.



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GJ: On Syncrude, yeah. And, it said, "We can approve this." That's the one where I saw the only time I came across a bit of a dissenting opinion in there. You and Vern Millard had kind of an open debate about when you could allow this production to begin and avoid having it do significant damage to the conventional industry. And, you and Millard had quite a lengthy debate over predicting, trying to predict, well actually trying to predict almost everything. Like, what would global oil supply be? What would be the state of Alberta conventional reserves because they were showing signs of peaking. And especially what would be the reserves and production numbers coming out of Prudhoe Bay in Alaska? That was the really big issue.

GOVIER: It was.

GJ: And, going along with that. What would be the attitude of the U.S. Government towards Canadian imports? Would they enforce import quotas against Canada because they had all this stuff from Alaska? That is a really complicated decision. One of the things that Gwyn Morgan said – he was at a junior level participant in all this, was 'It taught him the futility of trying to predict how the universe moves.' By that time, was the perception of the oil sands changing? And, was the perception of the conventional Alberta industry changing? Was there starting to be a view that the conventional industry had sort of hit a peak? And, you will get a peak and you will get a natural depletion creating an opening for the oil sands? Did that idea develop by then?

GOVIER: In whose mind? Are you talking about the oil?

GJ: In your mind, yeah, in your mind.

GOVIER: We are talking about late, the end of the 60s are we?

GJ: End of 60s, early 70s.

GOVIER: Early 70s?

GJ: Did something happen in there?

GOVIER: Well, I am trying to associate that with the conventional industry and whether -- I do not think we had had any large discoveries in the conventional industry around that period.

GJ: Right.

GOVIER: Well, I'd put it this way, Gordon. I doubt if we thought the conventional had peaked. But, I am sure we thought that we might not get very many more large discoveries. And, if the question had been put to us, I am sure we would have said, "Yes. This will probably mean an opening for oil sands."

GJ: Right. Just to refresh your memory, it seems to me that is the way it came out in the Syncrude decision.



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GOVIER: Mm-hmm.

GJ: There is reference to the fact that you had not had a large, a really large Alberta discovery for some years. The large discovery was Prudhoe Bay and the uncertainty was, well how big would that turn out to be?

GOVIER: Yeah.

GJ: In Alberta, it had been actually a fair number of years, I think. I think, was it West Pembina the last one in the -- anyway, I would have to look that up.

GOVIER: I would have to look it up too.

GJ: So, all this leads me to my next question. And again, this is in hindsight. It was 1955 or 1956 that the Texan geologist, Hubbert, developed his peak oil theory. Was ERCB aware of that?

GOVIER: Yes. That was common knowledge among people that were working in the oil industry. And, it was not universally accepted of course. Some people thought it was and others didn't.

GJ: What did you think of it?

GOVIER: I thought it had merit but the timing was uncertain.

GJ: Why did it have merit from your point of view?

GOVIER: Well, the whole reason for Hubbert's theory or statement was a recognition that we were dealing with a limited resource. It was not an infinite resource. And, the time would eventually come when despite drilling efforts only small results would be obtained. And, there would in fact be a peak.

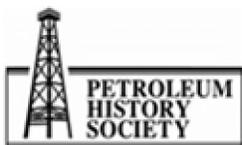
GJ: Is that theory in fact, just a kind of elaboration on the basic idea of conservation, that recognition that it is limited? I mean, trying to figure out well, what is the limit? What are the bounds? How can you predict it?

GOVIER: I do not know that it is so much related to conservation as it is just related to arithmetic.

GJ: Oh, okay.

GOVIER: If there are, say only 100 units available in total then we have discovered 60 of them, it is going to take a lot more effort to get the remaining 30 or whatever it is.

GJ: Yeah. Would there also have been a thought though, that the arithmetic, the results of the projection describe only the material that has gone into the projection. I mean, his theory was about conventional oil that flows freely from sedimentary rock traps that are porous and permeable.



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GOVIER: That's right.

GJ: Oil sands are different. They are not part of that arithmetic.

GOVIER: That's right.

GJ: That would have been understood at the time, I guess?

GOVIER: Oh, I think so.

GJ: Do you know nowadays, it is a big issue how much of the oil sands is going to be sold just as crude bitumen and how much of the oil sands will be synthetic, re-manufactured, really high-quality oil. And, in that Syncrude decision, one of the Syncrude decisions the issue came up. And, you know the ERCB recommended the system we now have where it said that the royalties should only be on the bitumen so as to encourage value added upgrading to synthetic crude oil. In other words, if you had your royalty on the synthetic oil, then you would be taking your percentage, whatever it was, off the end product; which is kind of a manufactured product. As opposed to doing it in a comparable fashion, with the regular oil which is just to collect it on its crude, original form. That was in that decision.

GOVIER: Oh, was it? Mind you, that was none of the board's business. That is a matter of government policy.

GJ: Okay.

GOVIER: Really. But, I think in principle that is correct, that the royalties should be on the raw material. I'm surprised the board would have made a statement on that.

GJ: You did. It may have been that you may have been asked to?

GOVIER: It's possible.

GJ: It could have come up at the hearing. In those days, they were pretty big hearings.

GOVIER: Oh, yes.

GJ: They covered a lot of ground. You had lots of conventional industry stepping forward and saying, for various reasons, do not do this. Did that sway you on the board or did it sway the board when it like -- that somehow the board should protect the original version of the industry from a new version of the industry?

GOVIER: Well, it was obviously a factor that we considered and that came out in our reports, didn't it?



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GJ: Yeah.

GOVIER: Yes, we did consider that. Mind you, it became less and less significant as the market of demand grew faster than the productive supply. In the 60s, we still had pro-rationing.

GJ: Yes. Well, at that time that was a very serious issue as I recall, because the capacity of the province at times was like twice, two times what the output was.

GOVIER: At one time, it was, yeah.

GJ: We had more oil than we know what to do with. The other thing that was going on here was 1960 was the birth year of the organization of OPEC.

GOVIER: Oh, yes. That's right.

GJ: And, I looked that up for a magazine piece I did in my last year of magazine. What's going on? Why was it born? It was not born to get price increases, it was born so that especially the Arab countries could cooperate to prevent the international oil companies from cutting prices even farther than they already had. Because, they thought, well the international companies they will cut our crude oil price. And, they'll still make money but they'll do it down at the refining and sales end instead of our end and so we'll lose and all that. And, for ten years, that was all they did was they defended that price. And, their international price according to the tables I have seen sort of dropped to a \$1.90 in the late 1950s per barrel, the international price and it stayed there pretty much, from their point of view anyway on the international market, until well, for about ten years. They were not able to get a price increase. I think it was until late '71 or early '72. And, even then it was only very small. So, the whole world had this problem.

GOVIER: Yes.

GJ: The only other thing I wanted to ask you about was I remember seeing you after you left the ERCB, well after. This would have been in the 1980s and you were then operating -- you had a consultancy and you had an office in the old Royal Bank building.

GOVIER: Yes.

GJ: And, we went and saw you from the newspaper because at that time, the oil price had gone down, the industry was having lots of problems and you were involved with, I think it was called the Major Projects Association.

GOVIER: Oh, yeah.

GJ: Do you remember what that was all about? What were you trying to do?



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GOVIER: Well, there were a group of people got the idea that quite a bit could be learned if the experiences in connection with the development of large projects could be shared. And, by large projects they meant any kind of a project that would run into the hundreds of millions of dollars. So, this informal group was established. And, the idea was it would hold meetings periodically. And, its members would report on some major project that they were aware of. And, I was asked to chair this group which I did for not a very long period, two or three years, something like that.

GJ: Did that arise from the famous tendency of big projects to have huge cost overruns?

GOVIER: Yes. That was a factor. That would have been of the factors involved, Gordon. What the group hoped to do was to actually learn from the experience of others so that future projects could be more effectively planned. And, of course, that would include the control of costs.

GJ: Did you ever come up with a way to do that?

GOVIER: I think things were learned as a result of these sessions. I couldn't put my finger on specifics.

GJ: One thing you hear from industry, I remember I was at the Edmonton Journal, like the last wave of oil sands projects they all went about 50% over the original estimates.

GOVIER: That was when costs were escalating and it was very difficult for anyone to be accurate in their forecasts of costs.

GJ: So, would one of the lessons, maybe not necessarily of that group, but maybe even just plain engineering and experience and regulatory experience, be that whenever you are putting together one of these truly big projects, you should do allowance for things like costs...

GOVIER: Cost escalation?

GJ: Yeah.

GOVIER: Yes.

GJ: Was that an important thing? Is that a whole area of engineering that maybe could use some more work?

GOVIER: I don't know. I think the nature of engineering contractors is they have got a pretty good handle on things now. But, there will always be uncertainty in cost estimation.

GJ: Why is that?

GOVIER: Why is there uncertainty in estimating future costs?



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GJ: Yeah.

GOVIER: Because, estimating anything into the future is an uncertainty.

GJ: Okay. You just can't control it.

GOVIER: No.

GJ: You can't control what steel is going to cost because if somebody...

GOVIER: Somebody else's...

GJ: ...demand or, yeah. Okay. And, there was one more question I was supposed to ask: nowadays, I am sure there is lots of criticism of the oil sands. Is it fair?

GOVIER: Is it a fair criticism?

GJ: Yeah.

GOVIER: In my opinion, it is not.

GJ: Okay. Why is that?

GOVIER: Well, to single out oil sands as a generator as excess CO₂ and not deal with coal fired power plants, the bulk of the electricity generated in the US generate from coal fire plants.

GJ: Yeah.

GOVIER: I think, Gordon, we have to recognize that if we want to recover the hydrocarbons in bitumen there is a price to be paid. And, part of the price is there is going to be some environmental impacts, which they want to keep to a minimum. But, I think to single out the oil sands and to refer to the product as "dirty oil" is quite unreasonable. You might as well also refer to dirty electricity in the United States that is generated by burning coal.

GJ: Yeah. What is the answer then? How do you stop unfair criticisms like that? Is there an answer?

GOVIER: I do not know an answer.

GJ: When I ask you questions like that, I'm taking you over to the political realm aren't I.

GOVIER: Absolutely.

GJ: Which is not

GOVIER: Not where I come from.



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GJ: No. And that is what I wanted to ask you.

GOVIER: Okay. So, now we come back to this?

GJ: Yeah.

GOVIER: Well, I want to be provided with a transcript to review. Any substantive corrections, clarifications or enhancements should be made in a written addendum or in an additional recording to be appended. So, if I should have made a substantive error then that has to be corrected this other way.

GJ: Yeah.

GOVIER: I don't think I made any substantive errors.

GJ: See, what I have done here and the way around that problem is just for me not to ask, "What did you think of Frank Spragins?" Or, do you even remember Frank Spragins or whatever, you know. We will just stay away from personalities. That is what they are worried about.

GOVIER: When I get this draft, certainly I could delete something, couldn't I?

GJ: Oh, sure. Oh, yeah

GOVIER: Okay, Gordon. I'm prepared to sign the release.

GJ: I thought you'd say.

GOVIER: Do you want my date of birth? I don't care.

GJ: Sure. That's up to you.

GOVIER: I'm proud of my place of birth: Nanton, Alberta.

GJ: Nanton, Alberta.

GOVIER: Date of birth, I never know how I am going to put -- 15 June 1917. And, here's my signature. And, this is April 3? April 4?

GJ: Four, yeah.

GOVIER: Okay, Gordon.

[END OF RECORDING]



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