
THE RIGHT HONOURABLE EDGAR PETER LOUGHEED, PC, CC, AOE, QC

Date and place of birth (if available): Born July 26, 1928

Date and place of interview: April 13, 2011, at 10:00 a.m. at Mission Room, Lougheed House, Calgary

Name of interviewer: Peter McKenzie-Brown

Name of videographer: Peter Tombrowski

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

Consent form signed: Yes No

PMB: Okay we are now recording.

VIDEOGRAPHER: Okay, let me just start this.

LOUGHEED: Do you mind if I refer to you as Peter, or do you want me to use the last name?

PMB: Oh by all means, please call me Peter.

PMB: Mr. Lougheed would you please give us a brief summary of your career?

LOUGHEED: [laughs]

PMB: Now I know that's a bit of a challenge.

LOUGHEED: No that's fine. Well I was born in Calgary. And my grandfather came here when there were only 100 people who were not Native Indian in Calgary and he came here actually before the Railway. And my Father was born in this very house we are sitting in right now, the Lougheed House on 13th Avenue, because my grandfather built this residence here. And there was my Father and his brothers and sister grew up in this very house, so they were very much a part of the growth of Calgary. And my grandfather from where we are sitting there was nothing between here and his office on Stephen Avenue, and he used to walk across way back, walk across right through the Prairies to the house. So building this house was an incredible situation of decision about the future of Calgary and of Alberta. And then my Father grew up here in this house and so it's very relevant to me that we have this discussion in this particular place because quite a bit of the history that we will be getting into with regard to the oil and gas industry involves my grandfather as we will discuss as we continue to go on.

PMB: And your career?

LOUGHEED: Well what happened with me, it seems to me when I was a young guy and my career was 365 days of sports, of team sports. I played team sports all the time, I went to Earl Grey and Regal Park School here in Calgary and then I went to Central High School, a very small school at that time, and I was the president of the Student Union at



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Central High School and then I went on to the University of Alberta, where I met my wife Jeanne, and I was there for, I got degrees in Arts and Law and graduated, I guess it was 1952. I graduated from the University of Alberta with those two degrees, and then I immediately married my wife Jeanne, who was from Forsberg, Alberta via Camrose, and I met her at the University of Alberta. I was the Student Union president at the University of Alberta and when that ended, I went to Harvard Business School for two years and then returned to Calgary and practiced law with Bill McGillivray with the Fenerty Law Firm, and then I went with the Mannix Company. I would test you, when I say the Mannix Company, does anything come to your mind.

PMB: I do remember the Mannix Company.

LOUGHEED: They were the largest...

PMB: The Mannix family....

LOUGHEED: (Name?) Mannix Senior and I worked with him as a young fellow between about the ages of 27 to 32 and I was their General Counsel. They were the largest construction, heavy construction company in all of Canada at the time, based here in Calgary and they did dams, and powerhouses, and highways and heavy construction stuff. Wonderful experience for me in terms of my political career to follow, and then I moved into the political arena. I always wanted to do that and I was 35 years of age when I became the leader of the Progressive Conservative Party and was elected the Leader of the Opposition at age 37 and elected Premier at 43. And that's the background.

PMB: And you were the Premier for 15 years.

LOUGHEED: 14 years.

PMB: 14 years.

LOUGHEED: To yes, to...'85.

PMB: You're a born Albertan, but when did you initially hear about the oil sands and what was your sense of their importance? What did business leaders say about the oil sands in your earlier life?

LOUGHEED: That's a very interesting question because there wasn't a lot of focus on the oil sands, it was primarily the focus on the conventional oil and gas industry at the time and that's where all the focus was. There was a knowledge of the oil sands, obviously and because of the history of it and the development of it. Then came the development of the Great Canadian Oil Sands project, I'm saying right, Great Canadian Oil Sands. And more attention being paid to it, so when I was first starting the political life, it was not a subject that was very much a focus of the industry, the industry was focused on a conventional oil and gas business, but then that started to change for a multitude of reasons which I'm sure in our discussions we will get into.

PMB: Very good. What led to your personal involvement in the oil sands?

LOUGHEED: Well, it was obvious that the oil sands were owned by the people of Alberta, hence it was a major responsibility of the Government of Alberta for the development of the oil sands. So we were, as owner, we consistently and constantly made sure that the industry understood that the Government of Alberta was the owner and we weren't just there in a supervisory or regulatory way. We were there as owner and that was the constant stress of our time in government, that we were the owner of the resource, so clearly we were very extensively involved, because we were the owners.



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PMB: It's an interesting coincidence that your political career as a Parliamentarian in Alberta began in the same year that the Great Canadian Oil Sands Project was commissioned.

LOUGHEED: Isn't it [laughs]!

PMB: Was there a lot of excitement there at that time?

LOUGHEED: There wasn't as much as you would've thought, I think there was a lot of, I wouldn't say sceptism, maybe that's too strong of a word, but it was just a new thing for everybody and we had, of course the oil sands. As you know the history goes way back and the development of the early days, and the discovery of the oil sands and the development... what was the name of the original person that discovered the oil sands?

PMB: Peter Pond.

LOUGHEED: Peter Pond, Peter Pond. So there was a knowledge of it, but it was more of a knowledge in an historical way, rather than in a real life way, taken with the industry whose focus was on the conventional oil and gas business. But along came the Great Canadian Oil Sands and there were a lot of sceptics at the time as I recall, but it started to work out pretty well, but it was the exact time, within months as when I was elected to be leader of the party and Leader of the Opposition, that that occurred.

PMB: Of course that was also the year of the Canadian Centennial, wasn't it?

LOUGHEED: That's right, we were preoccupied with other things! [laughs]

PMB: What were the main achievements, or highlights of your involvement with the oil sands?

LOUGHEED: Oh I can't answer that now, I need to do more homework to answer that question. Let's put that one off for later.

PMB: Okay, we'll come back to this section so can think about this.

LOUGHEED: I think that obviously setting up Alberta Oil Sands and Research Authority, which we can discuss for the balance of this interview, was AOSTRA, was a major one and then the Syncrude Project was a major one, but there were others as well.

PMB: Great, we will follow-up on that later. Notable figures that you encountered in your career, specifically involved with the oil sands.

LOUGHEED: Well Frank Spragins was the one who comes to my mind, who was the head of Syncrude, because I had to, my colleagues worked very closely with Frank Spragins and he was really the key guy that headed the Syncrude consortium at the time and he was excellent too, and we spent a lot of time negotiating, but he negotiated probably primarily with Don Getty, because Don was the main Minister. But Frank Spragins comes to my mind, but there were a lot of other personalities but he's the one that comes front and center to me when you ask about the people involved.

PMB: Eric Newell?

LOUGHEED: Eric was later and Eric was very important in the latter stages of it, but the earlier stages it was Frank Spragins.

PMB: Well I believe Bill Mooney was a key player in the Syncrude negotiations.



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LOUGHEED: Bill Mooney was an amazing player, of course Bill was the sort of a fellow that everybody sort of, well everybody does, sort of shouldn't put it in past tense, because Bill is very active today. Everybody knew Bill and he just had a way with him of getting people involved and he's one of the funniest guys I've ever met. And he's terrific, but Bill Mooney played a major behind the scenes role in getting people together over the years with regard to the oil sands in general.

PMB: Great, okay, Bill Mooney is one of the people that we will be interviewing in this series.

LOUGHEED: Oh I'm glad, good for you.

PMB: Frank Spragins, if I recall, died shortly after Syncrude opened?

LOUGHEED: Not shortly after, he died but, I would double check that fact.

PMB: I'll check that fact.

LOUGHEED: He died, he's dead obviously, and it wasn't very long, but I don't think the word "shortly" is right.

PMB: When did your involvement in the oil sands end or are you still involved with it in any way? I know for example, you were a critic of development a few years ago.

LOUGHEED: Well I don't think that because it was such a major part of my time in office that it will ever end. I am very involved with it, I made, I just had a discussion after I left government in '85 with my successor, Don Getty, and I said, Don I will stay out of most things that are involved in what you're doing, because I don't think it's fair for your predecessor to be involved in many of them, but the one thing I'm going to stay involved in is the oil sands, because I am very interested in its evolution and its development and I think because of that and because of things that happened so quickly, and involving Premier Klein, I have stayed involved in the oil sands in a more public way and I have discussed it frequently with Premier Stelmach as well, so that's the one subject perhaps more than any other subject that I have stayed involved in since I left government.

PMB: Did you expect it to become such a high profile topic, to be so productive in terms of oil production so soon?

LOUGHEED: Well you added the caveat of "so soon" at the end of the question. I guess when I think about your question, my problem is the "so soon" part of it. I always expected that it would be because of the vastness of the resource, potential that was involved, the issue which I'm sure we should get into, the surface mining vs. in situ, I knew once we made the shift and got into the in situ part of it, which most people understand is under the 200 foot level, the deeper oil sands can't be scraped out and they have produced in a different way. So I knew that it would get bigger and bigger, particularly the in situ part of it, which we can discuss as we go along here because it's important to do and I wish this happened but I guess the stress with the media, because even today, constantly, writers, and I'm critical of this, publicly critical, writers who write about the oil sands do not distinguish between the surface binding oil sands and the in situ oil sands and for our discussions and for discussions throughout, let's make sure that we're trying to define, when we talk about oil sands, whether we are talking about in situ or we're talking about surface mining. It's a crucial, crucial difference.

PMB: In terms of your own understanding and knowledge of it now, would you say that use of SAGD ("Steam-Assisted Gravity Drainage") is a better approach to oil sands development than surface mining or do you have a thought on that?

LOUGHEED: Oh I have strong thoughts on it, I think SAGD, Steam Assisted Gravity Drainage, is a much more significant one for the Province, should be encouraged by the owner and is being encouraged by the owner. It's the



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longer term asset for the Province, the surface mining has its limitations. It has much more environmental concerns, much more water concerns. So there is a clear and important distinction when you get into oil sands and that's what the Alberta Oil Sands Technology and Research Authority of course had been focusing on too. And that is so, throughout all of our discussions here, let's make sure that we are drawing a distinction between the SAGD Operations and the in situ, if you like, and we can use those words interchangeably, probably and the surface mining and the we need to use the word mining when we talk about surface, because it's surface mining, a mining operation.

PMB: Well when you first became Premier, the real focus in Alberta was the development of conventional oil and conventional natural gas.

LOUGHEED: That's right.

PMB: But the two systems the oil sands and conventional oil are given quite different royalty arrangements. Why was that and what are the differences?

LOUGHEED: That's probably the most crucial question we could have in the interview. Why did we set up a different royalty arrangement for the oil sands as compared to the conventional oil and natural gas.

Well when we look at it, first of all, remember we're in a fairly experimental period with the oil sands. We had the Great Canadian Oil Sands which was struggling, but starting, but when Syncrude came along and we got into the negotiations, it was clear we could not approach from a gross revenue point of view. The most important thing to remember in the whole history of all of this, is that we had inherited that from the Social Credit Manning Government, a good system, of royalties paying the conventional oil and gas system, which was a percentage of gross revenue, and that system worked, it was developed way back. We modified it from time-to-time in the time we were in government, but the conventional oil and gas business was based on a percentage of the gross revenue.

When it came to oil sands, and right from the start, this brings in Frank Spragins again, right from the start it was clear that it wasn't really fair because of the risk element that being involved in such a new process. You know, a lot of people wondered, was it going to work? Would be economic? All of those questions, and also the question of the pricing and everything else, so it became clear and we accepted as owner, the argument that was made, in fact, I'm not sure it was a proposal so much as it was an evolution of a discussion between the owner – the Government of Alberta – and Syncrude of what kind of a royalty scheme would we have? And it rather evolved, which was interesting to me, into the whole question of a net profits approach. And it was completely different than, as I've mentioned, in the conventional oil and gas industry.

So I think one of the highlights of any discussion like the one we're having is to remember that important distinction that we started with the Syncrude Project based on a net profits basis rather than traditional conventional gross revenue basis.

PMB: Remind me, what was arrangement for the Great Canadian Oil Sands Project?

LOUGHEED: Well, it was, I'm not sure, I need to check that. I'm not sure whether it had to have elements of profit sharing, because it had the high risk too because it was an experimental project, but I think I better leave that for further checking.

PMB: I heard T. Boone Pickens tell a story about that; he lived in Calgary at that time.

LOUGHEED: Yes he did.



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PMB: When the Suncor plant – GCOS – opened, he said he had a meeting at the Petroleum Club and he was talking to some buddies. He said oil would have to go up to \$5.00 a barrel before that damn thing would become profitable.

LOUGHEED: [laughs].

PMB: What organizations or associations have been really influential, in your view, in oil sands development?

LOUGHEED: What do you mean by that?

PMB: Well you can include governments in this, but are there any organizations, any trade associations that have been particularly important, in your view, or has it mostly been consortia of companies and the Alberta Government?

LOUGHEED: When we initially were underway, the Canadian Petroleum Association was at that time, different than it is today, was at that time primarily the larger companies, the companies that we referred to as the “majors” I guess. Then we had the Independent Petroleum Association of Canada, which was IPAC and they were separate at that time – a separate entity and we weren’t very much involved with them. Well, not extensively with them, since they were mostly interested in conventional oil and gas.

We knew the people and when it came time to get involved in the oil sands, clearly the Canadian Petroleum Associations was a player in it, but not as big a player as you would have thought, because it became a one-on-one negotiation between the owner, the Government of Alberta, and the Syncrude Consortium.

PMB: Now there has been quite a change over the last, let’s say 10 years, where, you know, individuals, a few people would get together and buy a piece of oil sands property and begin to develop a project in the sands. How and why has that occurred and how radically different is this than what happened in the early days?

LOUGHEED: That is a very difficult question, I’m not sure I can answer it without further thought. I think in part of this, is that when you get to the in situ project, you’re not in the same magnitude of total dollars, there are smaller projects than the total dollars in the surface mining projects, therefore, it’s possible, well it’s been shown, that some of the smaller SAGD projects have gone ahead, with smaller companies. The surface mining, because of the magnitude of the surface mining project has almost entirely become the area of activity by the major companies or larger companies.

PMB: Now you mentioned AOSTRA a little while ago and of course, it was AOSTRA which essentially developed Steam-Assisted Gravity Drainage, SAGD. I believe that was at the end of AOSTRA’s life. Can you comment on that, please?

LOUGHEED: I’d like to do more checking before we get into that.

PMB: Okay. I have heard that AOSTRA was the biggest research project in North America, outside of NASA.

LOUGHEED: [laughs] I think that is true, it was a very big project, and was a great initiative by our government, but I need to do more homework before we get into AOSTRA, I’d be more comfortable.

PMB: Okay, that’s great. What do you think about the social effects of oil sands developments, and I’d like you to hear, if you will, please, what you think about the overheating of the economy a couple of years ago, the impact on aboriginal communities and of course some of the environmental concerns.

LOUGHEED: It’s hard to generalize on that, because the oil sands development has gone in phases. The initial phase that is, was Syncrude, following Suncor. The earlier phase there I think was extremely positive to the Alberta economy, Fort McMurray grew rapidly and was stressed but it had the capacity to deal with it at that time, with quite a bit of stress, so



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it's gone in phases, so when you ask that question, you can't answer that without taking (into account) the phases the development of the oil sands, the initial phases, the development of other surface mining projects, the start of the SAGD process and the current situation that it's involved. So I think it's a question that only is answerable in the phases that in which we went through.

PMB: Now there are been two approaches that I'm hearing from our aboriginal communities. On the negative side there are suggestions that it might cause cancer. And then the other part, of course, is that the oil sands are by far the biggest employer of aboriginal people in the country.

LOUGHEED: Ya, it's a very difficult question, it's complex and it develops in a complex way. The various groups that are involved from the native side, they have quite a diversity of view. You can't generalize when you deal with the oil sands relative to the native groups because they have a very significant diversity of views. Some of the groups have been, and that's good, been successful in participating in terms of contracts and sub-contracts, other groups have stayed away from it and they're worried about the pollution and other aspects of it. Whatever you do when you deal with the native people vis-a-vis the oil sands, you have to make sure you don't generalize, because there really are two quite distinctive groups that are involved, distinctive attitudes of the groups that are involved.

PMB: Environmentalists raise questions about the impact on wildlife habitat, impact on the land, impact on the water, impact on the air, carbon dioxide emissions, things which could have long-term adverse effects on the global environment. What's your thinking about that?

LOUGHEED: I think there's a lot of validity to it, but I think, unfortunately, the environmental groups, generally, in the majority have been too extreme in their comments. But there is, in my judgement, a clear concern and needs to be a greater emphasis, particularly the air and water pollution issues that are involved – surface mining in particular, in that case with regard to the water issue as well. So it's a complex question that can't be easily answered.

I think the industry has made in my judgement, over particularly the last decade, pretty significant progress, from a technological point of view and have been pretty inventive in terms of some of the things that they've done and they deserve a lot of credit in my judgement. It is one of those issues that from a media point of view, I'm distressed with because the media put it into a black and white scene. I've commented on this a number of times, publicly because I think you have to find that there's, I don't want to use the word middle ground, perhaps that's the best way to describe it. There's been a lot of technological development by the industry on their own initiative that's been very effective over the last period of time, both on the surface mining and the in situ, with regard to water and air pollution. It's not a question that can be easily answered.

PMB: Okay, thank you very much.

LOUGHEED: It's one that I would like us to return to later on in our discussions.

PMB: Okay, I would be happy to return to that. How do you expect the oil sands industry to evolve in the future?

LOUGHEED: Well it will depend on the basic decision with regard to the in situ development, it will depend on the policy of the Government of Alberta. What does the Government of Alberta want to do? Do they want to have development continue without any constraints? Because we have now run into a situation, which is a problem for the Government of Alberta, in the inflation and overheating of the oil sands, particularly the surface mining side of it, has created a cost factor that's been a negative to the whole Province of Alberta.

I think the industry is uncomfortable with these statements and so is the Government, but I've gone public about it, because I think when you create a situation, if you have too rapid development or too extensive development of the oil



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sands, what you're going to get is an overheating of the economy, not just in Fort McMurray but you're going to have it in Claresholm as well, and for anybody that's listening to this, Claresholm is near Lethbridge in Southern Alberta. So what we mean by that is that it's going to reflect on the cost factor of Alberta and that the cost factor puts us into a high cost environment compared to the rest of Canada. So it's a very complex question, the impact of what is involved.

PMB: And you mentioned a while ago that the media have a way of making the questions about the environment, about the oil sands very black and white. What's your thinking about the bad press that Alberta's getting, there have been demonstrations in Britain, all over North America. Alberta has a bad name because of this.

LOUGHEED: It's distressing how it's happened, because the Government of Alberta and the industry have worked very hard to counter it, and they've had some success in countering it and they have to keep it up. It's just the very fact of the use of the word "tar sands" vs. "oil sands." I mean oil sands is what we produce, that's after we clean it up and that's why we use the word oil sands, we never, when we came to Government, we never used the word tar sands and we struck it from the vocabulary. But the opponents of the development of the oil sands use the word tar sands. I think it's the best way to sort of describe the nature of the extremity of the conflict. We can't even agree on the term. To me tar sands is what it is before you clean it up. And we clean it up in Alberta and make oil sands. That's why it's the Oil Sands Research and Technology Authority.

I think we've almost done enough for today.

PMB: I have two more quick questions for you. Could you tell me... no, I'll save that one for the next time. Could you suggest other people we should interview for this project?

LOUGHEED: Well that's a very good question.

PMB: One of the people who we were going to interview was Ralph Klein.

LOUGHEED: Well he would have a different view than I.

PMB: He would have been excellent, but of course he's not really interview-able now. But I think that's a comment of the importance of what we're doing.

LOUGHEED: I would think that you would, should get summary from the current Alberta Government, like Mel Knight or somebody of that nature that's involved in renewable energy, I think you should, mind you we're in a political environment, makes it...I think you should get somebody speaking on behalf of the Alberta Government, maybe the Minister of Environment, might be a good one. But I think you certainly want to go to the owner and make sure you've got... because I'm talking from the past-tense to you, as the owner, and commenting on the current situation about the owner, but I think you do need, for a program like this, to get reflection by somebody in the government in a major portfolio, perhaps it's the Minister of Environment, perhaps it's the Minister of Sustainable Development. But you should consider that.

PMB: Any people that go back in time? That were with you in the old days?

LOUGHEED: I have to think about that.

PMB: Okay, I'll ask you that question again next time. Okay, well it's been a real pleasure, thank you very much Mr. Lougheed and we will do this again, perhaps in a couple of weeks.

LOUGHEED: Now you get your tie back!



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END OF INTERVIEW NO. 1 - LOUGHEED



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