Canada threatens trade war with EU over oil sands
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Canada has threatened to lodge a World Trade Organization complaint against the European Union if the bloc labels oil from Alberta's tar sands as highly polluting, documents published Monday show.

Environment group Friends of the Earth Europe obtained a copy of a letter sent in December by Canada's ambassador to the EU, David Plunkett, to EU climate commissioner Connie Hedegaard, which contains the explicit warning.

The group was then released to Canadian media and excerpts were published on Monday.

Canada would "explore every avenue at its disposal to defend its interests, including at the World Trade Organization" if a new EU fuel directive were to single out oil sands crude in a "discriminatory, arbitrary or unscientific way," Plunkett wrote.

The proposed EU fuel quality directive would limit use of non-conventional fuel, such as the oil extracted from the vast tar sands in western Canada, saying that exploitation of the oil sands threatens the environment.

Such fuels would be labeled as causing more highly polluting than other sources of crude.

A key bloc committee is due to vote Thursday on the measure.

Canada currently does not export crude to Europe, but Ottawa and the oil industry fear that if passed, the EU measure would have ramifications for its sales in other markets.

Canada's natural resources minister Joe Oliver criticized the EU proposal in October and said Ottawa would defend its interests if the EU were to discriminate against oil sands crude.

Canada and the EU are in the process of negotiating a free trade agreement, which both sides hope will go into effect this year.

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