The ‘de-manning’ of Canada’s oilsands sector

By Max Fawcett
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Workers at the Cenovus Christina Lake oil sands facility steam-assisted gravity drainage (SAGD) pad southeast of Fort McMurray, Alta., on Wednesday, April 24, 2024. Company representatives say this pad, using the most current technology, requires less energy per wellhead to harvest bitumen than earlier versions. Left to right is Reg Curren, Mike Clark, Andy Cepuch, and Scott MacDonald. File photo by: Amber Bracken / The Canadian Press

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For more than half a century now, the oilsands have been a powerful magnet for capital, controversy and global concerns about climate change. After beginning as a government-funded science experiment and evolving into one of the global oil and gas industry’s most prominent (and polluted) frontiers, the sector that accounts for less than three per cent of Canada’s GDP somehow managed to capture more than 90 per cent of its political attention. Now, with renewed promises from both federal and provincial leaders to build more pipelines and get Canadian oil to global markets, the oilsands are being counted on to kick start another economic boom.

That’s the political talk, anyway. In reality, they’re already in the midst of a decline phase that began more than a decade ago — one that will almost certainly continue

indefinitely. That doesn't mean we're about to see the number of barrels flowing south and west out of Fort McMurray decline any time soon. The federal government's decision to buy and build TMX has ensured that existing oilsands production will remain economically viable for many, many years to come, and it could well make room for hundreds of thousands of additional barrels if global prices allow. So much for the Liberal government's supposed plan to "kill" the industry.

But when it comes to the number of people required to extract a barrel of oil, the top is very clearly in. According to a new report from the Pembina Institute, direct employment in Canada's oil and gas industry actually peaked in 2012 at 220,060. Over the following decade, despite Canada's oil production growing by almost 50 per cent, direct employment declined by 17 per cent.

This isn't Justin Trudeau's fault, no matter how much Conservative politicians and pundits try to pretend otherwise. In Texas, a state where climate policy is little more than distant rumour and pipelines practically build themselves, the same trend of declining employment and rising production has played out. Data from the Texas Workforce Commission shows that employment in the state's oil and gas industry peaked in December 2014 at 308,900 people, and has since dropped to 205,400 as of this past June despite oil production soaring from 3.5 million barrels to 5.75 million barrels per day. That's a 33 per cent drop in employment on the back of a 63 per cent increase in production.

In both Texas and Alberta, the sudden crash in prices driven by the OPEC cartel's decision to flood the market — in large part a reaction to soaring production from places like Texas and Alberta — forced companies in the oil and gas sector to run far leaner operations than they had gotten used to. Some of that involved reining in the excesses that had come to define the last true oil boom, one defined by stories of high-school dropouts earning six-figure incomes and company executives routinely running up thousand-dollar tabs at lunch. But a far bigger part of that reckoning revolved around replacing people with technology wherever possible. As former Cenovus executive vice president Kieron McFayden told his company's investors in 2017, "if we can put production systems on the seabed, we can de-man oilsands."

For better or worse — better for the companies, worse for the people who work for them — the oilsands industry has come a long way on that front. Suncor's announcement this past June that all of the ore at its signature base plan was now being moved by more than 100 autonomous haulers is yet another example of the extent to which the business of oil and gas extraction is being de-manned. If you're wondering why the industry and its political proxies spend so much time attacking Ottawa, it's because they don't want Albertans looking too closely at who's actually responsible for the jobs being lost. A hundred autonomous haulers working around the clock represents several hundred well-paid jobs that no longer exist — and are never, ever coming back.

It's not just front-line employees who ought to be worried about getting replaced. The 2020 merger of Husky and Cenovus resulted in 2,150 office jobs being cut, and it was

just one example of a broader trend in the industry towards consolidation and concentration. As the Pembina Institute's Janetta McKenzie and Megan Gordon write, "companies tend to engage in mergers and acquisitions in order to achieve larger economies of scale, reduce costs by streamlining operations and reduce workforce while increasing output and overall market share." Cenovus's recently announced $7.9 billion takeover of MEG Energy will almost certainly produce similar "streamlining" (read: workforce slashing) efforts.

A new report shows why the days of Canada's oil and gas industry being a source of job creation is almost certainly in the past. Will the politicians that are so clearly in its thrall finally start looking to the future?

This ought to inform the thinking of governments in Ottawa and Edmonton as they work to address the ongoing threat posed by Donald Trump's tariffs and try to reposition the Canadian economy accordingly. For well over a decade now, the oil and gas industry has not been a reliable creator of net-new jobs. All the pipelines in the world won't convince oil companies to sink tens of billions into building the sort of labour-intensive oilsands projects that defined the last true boom in Canada, given their multi-decade payback period and the looming threat of an energy transition that may yet kick into higher gear. Indeed, if by some miracle countries actually implement the climate commitments they've already announced, the Pembina report forecasts a further 44 per cent decline in oil and gas jobs between 2020 to 2050.

At some point, Albertans are going to have to face up to this reality — and, more importantly, abandon the fantasy that this is the work of a malicious federal government intent on sabotaging their hard-won prosperity. The pace of the energy transition may blunt some of the job losses that are ahead, and many of those may take the form of attrition rather than layoffs. But it should be clear by now that the oil and gas industry's days as a meaningful creator of new jobs are over — and that it's technology, not politics, that's to blame for this new reality.

Where should governments be placing their bets if they want to support the creation of new jobs? Renewable energy, of course. A 2023 report from Clean Energy Canada and Navius Research showed that a net-zero economy in 2050 would have 700,000 *more* energy jobs in Canada, with the 2.2 million new direct and indirect jobs in clean energy more than offsetting the 1.5 million lost jobs associated with the production and transportation of fossil fuels. A disproportionate number of those would be created in Alberta, which for all of its current government-fueled antipathy towards renewable energy has some major advantages on that front. Case in point: a recent report by Delphi Group, Foresight Canada and Cleantech Group found that Edmonton and Calgary "have high potential to attract foreign direct investment in agtech and agriculture, carbon capture, electrification, energy efficiency, and hydrogen production and utilization."

We know where the puck is going, in other words, even if the team on the ice right now doesn't seem to want to skate towards it. The big question is how much time and money

we’ll waste until we finally get around to retrieving it — and how far behind we'll be when they do.

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