

Ottawa beefs up crude-by-rail rules

BY GEOFFREY MORGAN, FINANCIAL POST, WITH FILES FROM THE CANADIAN PRESS FEBRUARY 21, 2015 THE STARPHOENIX

Explosive train derailments, such as the one that killed 47 people in Lac-Mégantic, Que., have pushed the federal government to introduce new regulations for transporting oil on railways.

Transportation Minister Lisa Raitt said Friday the new regulations were created in response to the Lac-Mégantic disaster in 2013, and that railways moving large volumes of crude oil will now be required to carry insurance of up to \$1 billion to cover the costs of a potential accident.

Oil companies shipping their product in railway cars, meanwhile, will now face a levy of \$1.65 for every tonne of crude shipped, roughly 23 cents per barrel.

"In today's price environment, every little bit affects the economics," said Greg Stringham, Canadian Association of Petroleum Producers' vice-president of oilsands and markets. Crude oil prices have plunged more than 50 per cent since June, causing many producers to cut spending.

Stringham said about 200,000 barrels of oil were moving by rail in Canada every day at the end of 2014. At that volume, oil levies would contribute roughly \$16.8 million to Transport Canada's emergency fund annually. The money collected from the levy will be put into a new \$250-million fund that would provide compensation to accident victims.

Oil-by-rail shipments have skyrocketed in Canada and the United States in recent years as new oil production growth from North Dakota and the oilsands has outpaced the construction of new pipelines. At the same time, fiery train derailments - such as an incident near Gogama, Ont., last Sunday - have also become more frequent.

The Railway Association of Canada said Friday it supported Raitt's move to "have more stakeholders share in the costs associated with rail accidents involving dangerous goods."

However, RAC president and CEO Michael Bourque said "the regime can be improved by including other dangerous goods - such as chlorine - in the compensation fund right away."

Canada's two largest railways - CN and Canadian Pacific - already meet or exceed the top \$1-billion liability threshold, while smaller carriers will have two years to meet lower liability limits of \$25 million, \$100 million or \$250 million, depending on the type and volume of dangerous goods they ship.

Spokesmen for CN and CP said they were reviewing the new regulations.

The company whose trains exploded in Lac Mégantic, Montreal, Maine and Atlantic Railway, was carrying only \$25 million in insurance at the time of the explosion. Under the new regulations, that will be the minimum requirement for railway companies who ship little to no oil on their lines.