
THE STANDING SENATE COMMITTEE ON TRANSPORT AND COMMUNICATIONS**EVIDENCE**

OTTAWA, Tuesday, November 1, 2016

The Standing Senate Committee on Transport and Communications met this day at 9:30 a.m. to study the development of a strategy to facilitate the transport of crude oil to eastern Canadian refineries and to ports on the East and West coasts of Canada.

Senator Michael L. MacDonald (*Deputy Chair*) in the chair.

The Deputy Chair: Honourable senators, this morning, the committee is continuing its study on the development of a strategy to facilitate the transport of crude oil to eastern Canadian refineries and to ports on the East and West coasts of Canada.

Appearing by videoconference this morning from Vancouver, British Columbia, our witness today is Ms. Vivian Krause, a researcher and commentator on Canadian public policy issues.

I invite Ms. Krause to make her presentation. Afterwards, honourable senators will have questions. Ms. Krause, the floor is yours.

Vivian Krause, Writer, as an individual: Thank you, Mr. Chair, and greetings from Vancouver.

Thank you for the opportunity to appear before your committee today. My understanding is that this committee is developing a strategy to get Canadian crude oil to overseas markets and that you seek input to this strategy.

In broad strokes, Mr. Chair, I would like to suggest that an effective strategy must ensure that industry meets the high expectations of Canadians in terms of environmental performance. Clearly, that is necessary but not sufficient. I would suggest, Mr. Chair, that anti-pipeline activism must also be addressed and that it cannot be ignored. False information must be refuted effectively and the big, multi-million dollar funders behind anti-pipeline activism need to be dealt with.

I believe there is also a need to bring more transparency and accountability to some parts of the charitable sector.

As I've explained in the *Financial Post* and elsewhere, it is clear to me that the anti-pipeline activism that we see today is part of a large international campaign funded substantially by American charitable foundations. Since 2009, more than 400 payments totalling \$35 million have been made via the Tides Foundation alone. That's at least 400 individual wire transfers and cheques that have gone from the Tides Foundation in San Francisco to various anti-pipeline groups in Canada, the U.S. and Europe.

Based on my observations, it seems to me that one of the important contributions that this committee could make to pipeline strategy development would be to get to the bottom of the motivations and indeed the identity of the big funders of anti-pipeline activism. I can speak to their identity and to some of their motivations based on what I have read from written strategy papers, grants and so forth, but there are a lot of important questions that will go unanswered until the U.S. funders themselves — the Rockefeller Brothers Fund, for example, and others — are asked to explain and in fact to testify. My hope is that perhaps this committee will bring these funders into the conversation in a way that others cannot.

All of the major pipeline proposals put forward today face staunch anti-pipeline activism, but this is not 1990s activism organized by unpaid volunteers. Today's anti-pipeline movement is a professionally staged effort designed and executed to grab the headlines and dominate the news. As the strategy paper for the anti-pipeline campaign says, the goal is to generate "a steady drumbeat of bad press." That's exactly, of course, what anti-pipeline groups have been doing.

Perhaps I will leave it to the senior adviser to the anti-pipeline Tar Sands Campaign, a man from British Columbia named Jason Mogus, to describe this new type of activism organized by paid employees. Mr. Mogus is the principal of a company called NetChange, formerly Communicopia, based on Salt Spring Island. Since 2012, he has been hired to orchestrate the anti-pipeline campaign. In his words, his job is to create the appearance of a movement.

Mr. Mogus' firm does ghost writing and provides support to some 60 First Nations and environmental groups involved in anti-pipeline activism. That is according to a job ad that Mr. Mogus posted to hire a new employee.

Describing how the Keystone campaign was organized, Mr. Mogus said that it involved "major PR support, daily media analysis and joint press work." He said about the anti-Keystone campaign that inside and outside it was totally coordinated, not an inch of daylight, describing it as a major inside game. Well, that doesn't sound like uncoordinated, amateur activism to me.

No doubt the employees who participate in anti-pipeline activism, who organize demonstrations and the thousands and tens of thousands of Canadians who have signed online petitions are concerned citizens. They're just as Canadian as we are, but the big, multi-million dollar campaign behind them, the

donors providing the funds for some 400 payments, for example, are not Canadian.

The problem with this campaign, as I see it, is the agenda. According to its original strategy paper, this campaign aims to embarrass Canada, to scare investors, to sway investment capital away from Canada and to delay pipeline projects or stall them indefinitely.

So how do we break the gridlock? Canadians, as we know, will not support an industry that is feared to pose a risk of environmental catastrophe, so it goes without saying that industry must operate well, especially when things go wrong, as we saw in Saskatchewan this summer.

I believe there is also a need to address this funded organized activism. First, as I mentioned earlier, the industry needs to refute the false information. Too many times I've heard industry executives say they don't want to dignify activists by acknowledging what they are saying, but when they are on the evening news and in the papers, taking that approach is a costly mistake.

For years, more than 20 environmental groups have been saying systematically that the production of Alberta oil is associated with carbon emissions that are three to four times higher than conventional oil. There is some truth to this because, of course, oil produced from the oil sands is associated with somewhat higher emissions than conventional oil, but those are in the order of 10 to 20 per cent higher, not 300 to 400 per cent. Unfortunately, activist groups have not been called on the carpet regarding the incorrect information they have been providing, and the misconception is now widespread that Canadian oil is substantially dirtier than other oil.

Second, I believe that, as I have already suggested, industry and government need to deal directly with the funders of anti-pipeline activism. As long as this campaign continues to be funded to the tune of tens of millions of dollars, it is to be expected that the individuals who are employed to run this campaign will do what they are paid to do.

My understanding is that the funders of anti-pipeline activism, the large American charitable foundations, have four main objectives, and I believe we can agree with them on three out of four. These are renewable energy, energy efficiency and energy security. It is the fourth objective where I believe as Canadians we need to object, and that is that they aim to stop the growth of the Canadian oil industry.

The problem is that there is no such multi-million dollar campaign against Texas or North Dakota or any of the other states where, in recent years, oil production has been booming. It is this inconsistency and unfairness that I believe must be exposed and addressed.

I would be glad to answer any questions that you may have, either in French or English.

The Deputy Chair: Thank you very much, Ms. Krause.

Senator Doyle: Good morning, and thank you for your interesting presentation. I notice you had an article recently published in *Alberta Oil* — you have had several, of course — indicating that Canada's oil and gas industry needs a team of people with a political strategy that is every bit as good and every bit as resourceful as the green machine. Can you expand on that a little bit and share with the committee your views on what form a political strategy might take and who would be involved in it?

Ms. Krause: Thank you. I would be glad to. As we know, the industry does lobbying, what you might call working the inside channels of government. The environmental movement today is working by what it calls outside power; in other words, what they call mass grassroots power on the outside. In the words of Ben Brandzel, one of the advisers to this campaign, not Pollyannaish sweet talk on the inside but mass grassroots power on the outside.

In other words, they are trying to influence politicians via what politicians and regulators read in the newspaper and see on the news. They are trying to line up voters by the millions to put pressure on politicians to implement the types of laws, policies and regulations that the activists and their funders are seeking.

Senator Doyle: We have had many people before our committee and, as we travel, quite a number of people come forward and say that the federal government should be doing a little bit more than what they're currently doing to restore public trust in pipelines. Do you think that's a valid criticism? What could the federal government be doing to restore a little bit more confidence in pipelines and how they compare with rail, tankers and what-have-you? Do you have any thoughts on that?

Ms. Krause: I do, especially living in Vancouver. I attended some of the hearings in September and August about the three-person panel looking into the decision on the Kinder Morgan pipeline. Two things were repeated quite often by city council leaders and other municipal officials.

One was that people are concerned that there is a lack of a plan for a major catastrophe — in other words, a worst-case scenario. What if there were an earthquake, a tsunami or a major industrial accident? People are not satisfied that there is a plan for a worst-case scenario. The second point that I heard repeatedly was that people felt there is not enough coordination among the various first responders and other parties that would be involved if there was a spill. For instance, with the Port of Vancouver, it would be the fire departments and other groups. Those were two points that came to light.

But what I see happening is that on the side of those who oppose the pipelines and the side of the campaign, there are dozens of people working on it, filing FOIs and doing everything they can to dig up information that will delegitimize and discredit the government and the pipeline proponents. By the admission of the funders and the payments they make, they are trying to generate a steady stream of bad news to undermine the industry and the government.

It's an enormous challenge for the government to try to keep up with that. That needs to be brought to a stop so that industry and government have a fair chance. That's why it's important to talk to the funders and bring this campaign of this one-sided activism to an end.

Senator Black: I appreciate the work you have been doing. I'm a senator from Alberta. I have been following your work for some time. The work you do is important, and I would say to you it's courageous, so thank you very much for what you're doing.

I'm looking for a bit of help from you on a couple of points that will perhaps inform our recommendations. I work from the premise that Canada should not prohibit investment. If an organization in the U.S. wishes to invest in cultural lobbying in Canada or whatever, I think "Fine, we don't want to be preventing investment." But I do completely agree with you that the light needs to be shone on investment. That's what I want to discuss with you this morning.

You make the very important — and I would say worrying — point that one of the objectives of the charitable foundations investing in Canadian environmental activism is to stop the Canadian oil industry. I believe that was your comment. There were four objectives, and that was number four. I'm interested in your evidence for that. Where does that come from?

Ms. Krause: I could quote many times where the word "stop" is used. There are many grants that say explicitly they want to stop the growth of the industry. Let me read what they call the theory of change from that written strategy paper for this campaign.

Senator Black: Who is "they"?

Ms. Krause: I'm going to read from the original strategy written by a man named Michael Marx. At the time, he was the executive director of an organization called Corporate Ethics International, which received \$3 million initially to begin this campaign. It was the initial organization that was funded, and it has since branched out into about 100 organizations.

Senator Black: If I may, I don't want to take other senators' time. You're saying that, in response to my question, there is hard evidence that there is an expressed agenda to stop the Canadian oil industry?

Ms. Krause: Yes. That is undeniable.

Senator Black: If you have not already, please be good enough to provide information around that specific point.

Ms. Krause: Yes. I'm sure we need to move on, so this is not to belabour the point, but I did provide to the clerk a series of documents showing excerpts on payments. That ought to enable the committee to compare what the Tides Foundation has said in its tax returns versus what it said in the covering letters on payments for the same amount of money. You will find it doesn't match, and I think it's worthy of your study.

Senator Black: Thank you. That brings me to my two questions: Are you able to suggest that there is any connection between those foundations that give money to the causes we are discussing here today and shareholdings in American energy firms? That is to say, could anyone suggest plausibly that there is an interest from existing interests in other countries to stop development in Canada for competitive reasons? Is there any evidence on that?

Ms. Krause: I haven't seen any, no.

However, I have seen evidence of billionaire philanthropists who simply are concerned with the well-being, the economy, the economic competitiveness and the energy security of their own country. I do not see commercial interests; in other words, a specific oil refinery that's trying to secure its supply.

That said, a number of the trusts are trusts that originated from individuals who have been involved in oil: The Pew Charitable Trusts, Getty Oil and others. But that doesn't mean, I don't think, that those trusts are representing commercial interests.

Senator Black: I wanted to test whether you had a view on that.

My last question is around transparency. What do you think we could do or the Canadian government should be doing to ensure that — take a firm like Tides, which is making a very strong contribution to the agenda they have set forward. How can we ensure there is complete transparency around their sources of funding? Or does that exist already?

Ms. Krause: No, that doesn't exist. I would suggest, as I suggested the first time I testified to a Senate committee four years ago, that Canada needs to simply bring the disclosure requirements of the CRA in keeping with those of the IRS. We don't need to reinvent the wheel. We just need to do in Canada the same thing the Americans are doing.

Senator Black: If we did that, your view is that all Canadians would have a clear understanding of where the funds are coming from for opponents to the energy industry, or opponents to any cause?

Ms. Krause: It would not be a perfectly clear picture, but it would be a big improvement, a good first step.

If I could just elaborate a little bit, in the U.S., you can look at the tax returns of a charitable foundation and see the size of the donations. You can tell right away whether a charity has one very large donor or whether it's getting \$10 donations from a large number of people — how it's funded. That gives you an idea of whether there is one big interest behind the charity.

In terms of transparency, the other thing that is important is that, a few years ago, the CRA did a series of audits. They started out as audits of political activity. Last year, in the 2015 annual report, the CRA put forward that they had completed 21 audits, and of those 21, they were going to revoke the status of five, which is an unusually high number. To audit 21 charities and decide that you need to revoke the status of five of them is quite unusual. It is important that we know what happened to those audits and what the end result was.

Senator Black: Were those five firms involved in opposing pipelines?

Ms. Krause: The names of the charities, as per normal protocol, were not given, but one of the charities, with great fanfare, announced in the news and elsewhere that it was under audit is Tides Canada Foundation. They subsequently told me in writing that in fact they were never even audited for a political activity, but they were audited for something and the results are no doubt in, and now they don't want to say what they were audited for.

Based on the analysis that I have done from my lay perspective, it is clear to me that Tides Canada is breaking the law — violating the Income Tax Act by acting as a conduit of funds. I think the committee has in its hands a paper that I wrote describing in detail one case of this involving a travel agency in Pawtucket, Rhode Island and a registered Canadian charity in Mississauga that has given Tides Canada \$3 million. As far as I can tell, that money went from Pawtucket to Mississauga, Ontario, to a registered charity, to Tides Canada Foundation in Vancouver and then to Tides in San Francisco and then back to Pawtucket.

That was my original concern and, as we know, our new government discontinued the political activity audits at the beginning of this year. But I think it is important that the results of the audits that were done are made public.

Senator Black: Thank you very much.

Senator Eggleton: Have you provided that description of money going back and forth within Tides to the CRA?

Ms. Krause: I provided to the CRA a number of things going as far back as 2010. My original concern in fact had nothing to do with pipelines. It was about payments made to the companies of the directors of a charity that is in fact part and parcel of Tides. This charity is called the Endswell Foundation. Between 2004 and 2009, the charity didn't fund any organization except for Tides Canada, and the treasurer, the president, the directors were the same people at the two charities. Essentially, these two charities were two pockets in the same pair of pants and the charity was just passing money from one pocket to the other.

I reported to the CRA that Endswell Foundation has granted \$8.7 million to Tides Canada Foundation, and that's fine, but why do they need to spend \$11.4 million in the process, and why is a charity — the Endswell Foundation — making payments on the order of millions of dollars to the private investment firms of the president of the charity, in addition to his handsome salary of some \$186,000?

That was my original concern — nothing to do with the pipelines. For a charity to fund the private investment company of its president is not okay.

Senator Eggleton: I guess the CRA didn't find anything wrong because my understanding is that the audit is complete and they are still in good standing as a registered charity.

Ms. Krause: I don't know if that's a fair assumption.

Senator Eggleton: I have another question. You talk about anti-pipeline activism, but there is pro-pipeline activism as well, and there is foreign money involved in that too. The Canadian Association of Petroleum Producers puts out — we all see it — millions of dollars of advertising every year. They have a board of directors and an executive made up of various companies, some domestic and some foreign-owned and foreign-controlled, American-controlled and Dutch-controlled. Other companies have their source of ownership in other countries as well. You talk about the concern about international campaign funded primarily by American charitable foundations, but there's a very clear link in the pro-pipeline activism to American dollars and other foreign dollars as well.

Ms. Krause: Well, there's a big difference, and it's that until the funding behind this anti-pipeline activism was drawn to the public's attention, no one knew that there was one, single big campaign behind more than 100 groups.

I agree with you that the issue is transparency and disclosure, and it should be out in the open about who is funding this campaign. On the other side, I would agree with you if what you're saying is that, as Canadians, we need to know who is investing in our country and who the foreign investors are. I agree with you if that's what you're saying.

Senator Eggleton: Who pays for the research you do?

Ms. Krause: No one has funded the research that I do.

Senator Eggleton: Are you employed otherwise? Is this a volunteer effort?

Ms. Krause: I started doing this about 10 years ago, and for the first five years no one was really interested. However, I could see that this was going to be an issue of major national importance because it's keeping one of our most important exports from getting to overseas markets so I began to write articles, and over the last couple of years I've been invited to give presentations at conferences, and that has been my living for the last couple of years.

Senator Eggleton: It has been your living. Who pays for that? Does the oil industry pay for that?

Ms. Krause: Most of those conferences where I have given presentations are from resource-based industries — mining, aquaculture, oil and gas — yes.

Senator Eggleton: Okay, thank you.

Ms. Krause: I've been upfront about that since the very beginning, sir. I think that's the issue. Everyone deserves to earn a living. The issue is that you're upfront about it.

Senator Eggleton: It's also important that you get your facts straight, and I think you have a lot of innuendo but not a lot of facts that you seem prepared to back up.

Ms. Krause: Please specify.

Senator Eggleton: Well, the facts that Senator Black asked you about. I didn't hear you back those up. I haven't heard that this accusation you make against Tides in fact has been proven at all. You're just throwing out a bunch of accusations, and it appears that they've gone through the CRA process and they're still a charity.

Ms. Krause: Excuse me, sir. Did you receive the paper that I provided to the committee?

Senator Eggleton: Well, I do have your paper, yes.

Ms. Krause: Tides Canada and Collette Travel, Pawtucket, Rhode Island. Do you have that paper in front of you?

Senator Eggleton: I don't think I have that paper in front of me. However, I asked if you presented that to the CRA, and you said you had, but there's no evidence that that, in fact, is true.

Ms. Krause: As I said, sir, the CRA itself has announced that it intended to revoke 5 of the 21 charities —

Senator Eggleton: Yes, and it didn't revoke Tides, though. Tides Canada is still a charitable foundation and is still very much operating on the basis of a

charitable licence.

Ms. Krause: That is true. The issue that seems unusual to me is that Tides Canada made such a fuss when it announced voluntarily that it was under audit, and now that the results are in, they don't want to say what the results are. If Tides Canada has been exonerated, then why don't they say so?

Senator Eggleton: Isn't the proof in the pudding, as the old saying goes? The fact that they still have their charitable licence indicates that there has not been anything found against them. In this country, you're innocent until proven guilty, and there hasn't been any guilty proof against Tides Canada that I can see, and they still have their charitable licence. You're making accusations you can't back up.

The Deputy Chair: Senator Eggleton, the report she been referred to is here. If you haven't seen that, we'll make sure you get it.

Senator Eggleton: Okay, it hasn't been distributed.

Senator Unger: Thank you, Ms. Krause, for the work you are doing and have done. I have listened from Alberta — I'm from Edmonton — with great interest every time there was a story based on the research that you were doing, and I thank you for that. Someone is trying to stand up and expose what these activists are doing.

I have to say to my colleague Senator Black I don't know that I would call this investment, because they are attacking Alberta's main industry, one that has been the economic engine of Canada for many years.

My question was to be about the fact that you had to go to the IRS in the United States to get information that our CRA basically is not asking. In your opinion, what could they do better? How can we challenge them about not providing information that they should? I'll stop there. I do have another question.

Ms. Krause: Sure. My understanding is that the issue isn't that the CRA doesn't have the information. In fact, I think that they collect all the same information as the IRS, but it is kept confidential. In other words, it is not made publicly available.

For instance, if you were to go to the website of the CRA and the charities directorate, you can see the tax returns of all the charities, some 80,000 of them. But there are certain schedules on there that are not accessible to the public, and I would suggest that it would be a good idea that we bring more transparency so that we have a more robust charitable system that is not susceptible to the type of scam that I described in my paper. I think that would go a long way in a very cost-effective manner to making our charitable sector not only more transparent in terms of those charities that are working in the public policy sphere, but it would also make it more robust to fraud.

Senator Unger: Thank you. I'm also wondering if you have any understanding or can give any information — I know we can get it — but the Trudeau government discontinued the audits that were being done. Can you comment any further about that? To me, the key to this is in getting audits done, resulting in transparency on this whole issue.

Ms. Krause: Yes. Well, we're coming back to the point I was raising earlier, which is that in its annual report for 2015, the CRA announced that it was completing 28 audits and 21 of them were done already. The CRA announced that they found no serious problems with regard to political activity, and I wasn't expecting them to find that either, but the CRA said they did find serious compliance issues. They specified one of them as being "undue benefit to a member involved with a charity." Those are the exact words that the CRA used in its report. It's online. Anyone can read it.

That was precisely my initial concern six years ago, and that's why I'm bringing this up today. As the previous speaker mentioned, and I totally agree, in our country, we need to operate on the presumption of innocence. It's a very serious matter to make the kinds of comments I have made today. However, six years down the road, I think it's about time. These audits have been done. The CRA announced more than a year and a half ago that the results were in and that five of the charities were to have their status revoked.

One thing the committee might want to look into is — I have been told; I do not have a legal background, so this is not my area of expertise — that if the charities were to appeal the CRA's ruling and the government were to drop the case, that's the end of it and the public would never know what happened.

That's why I think it's important to know where the results of these five audits stand. Are those charities in fact, with the change of government, going to get off scot-free?

Senator Unger: Thank you very much.

Senator Runciman: Ms. Krause, thank you for being with us today and for getting up so early on the West Coast. I don't know what the time is, but it is three hours difference. That's getting up early.

With respect to Senator Eggleton's concerns, you cited a document you had provided to the committee to outline some of the research you've done. To make you aware, that has not yet been circulated to the committee, so that's unfortunate. Perhaps once it is, Senator Eggleton may have a different view of things. Who knows.

You talk about transparency, and I certainly agree with you with respect to that, but in a column you did in the *Financial Post* — we've been focusing on Tides — you reference something called the New Venture Fund, which receives and re-grants money, like Tides apparently does.

You also mention keeping the original donor anonymous. In your initial comments, I had the impression that in the United States, that kind of information is available through checking the tax returns, but here you're saying the original donor remains anonymous and the money is distributed through various other organizations. Can you explain that, please?

Ms. Krause: Yes, I'd be glad to. There are various ways that organizations are funded. In some cases, the money changes hands four or five times from an original donor, a foundation to Tides or the New Venture Fund or perhaps Sustainable Markets Foundation — that's another one — and then perhaps to a larger organization, perhaps Tides Canada Foundation or Ducks Unlimited and then to smaller environmental groups. There are a number of stages, and it's very difficult to trace the money all the way through.

There are a few cases, and I'll give you one example. Warren Buffet funds a foundation called the NoVo Foundation. It has given \$48 million to the Tides Foundation, and then the Tides Foundation funds various groups. Not always, but sometimes in the tax returns of the NoVo Foundation — bear in mind this is 100 per cent Warren Buffet's money — they specify, for example, that \$75,000 a year goes to Idle No More. That's one example where you can see in the tax returns of both the Tides Foundation and its funder, the NoVo Foundation, that the money is for Idle No More.

To answer your question about the New Venture Fund, the way to figure out who's funding them is you have to look at the tax returns of the donors. At this stage, I'm quite familiar with who the donors are, so I just check their tax returns every year and see if they've made grants to the New Venture Fund.

The New Venture Fund, in the space of less than 10 years, has become an organization with almost \$200 million in revenue. I think it's around \$190 million now, if I'm not mistaken, \$180 million or \$190 million. They have more than 200 employees with a salary of over \$100,000 each, so a powerhouse of activism on a wide range of causes. Many of them are important, noble causes and social causes, such as stopping violence against women, homophobia, racism, discrimination, causes I think all of us would agree with. They also fund the anti-pipeline campaign. For instance, the Rockefeller Brothers Fund funds the New Venture Fund specifically for that. They funded the New Venture Fund to stop the growth of the Alberta oil industry. I can provide that documentation to the committee, if that would help.

Senator Black: I would very much like to see that, Mr. Chairman.

Senator Runciman: Yes. Senator Black indicated — and I'm sure we all share the view — that if you could provide that, it would be helpful.

In this column as well, you conclude by calling this "economic protectionism." You talk about the fact that this money is coming into Canada to keep Canadians from having the expanded ability to export product from the oil sands in contrast to what's happening in the United States, especially in Texas, where production has doubled in recent years. The United States is now competing with Saudi Arabia and a few others to be the number one oil producer in the world. The fact is that none of this money is being directed towards keeping oil in the ground in United States jurisdictions. Your conclusion is to describe that as economic protectionism.

I'm just wondering if you could expand on your argument. It seems to me, on the surface, in any event, to indeed be the case in terms of your allegation, and something the Canadian government could look at through NAFTA or the World Trade Organization, for example. That's a thorough investigation that could be undertaken to determine where these monies are coming from and what the real purpose is behind them. Do you wish to comment?

Ms. Krause: Sure, thank you. I'm grateful for the opportunity to clarify. What I have been saying and what I mean to say is that the net result of this activism is tantamount to economic protectionism.

What I'm trying to say is that whether or not it was the original intention of these charitable foundations to landlock our oil within North America, that is the net result. They have funded the opponents coast to coast to coast. There's the Mackenzie pipeline, the West Coast, and the creation of the Great Bear Rainforest, which has become a great, green trade barrier. On the East Coast, they're now funding a dozen organizations in Quebec and in Eastern Canada.

I'm not saying that I have seen written down anywhere that their intention was to landlock Canadian oil within North America. What I am saying is, look, that's what's happening, because these pipeline projects are getting more and more difficult all the time, and this is the situation that we're getting into.

Senator Runciman: In your communications with Tides — you've said you've talked to them and had correspondence with them — you've never posed this question with respect to as to why there is this contrast and the significant involvement in stopping Canadian production while there have been significant increases in production in the United States. Why haven't they taken the same approach or expressed the same kind of concern? Have you had any discussions about that to try to find out what the rationale is?

Ms. Krause: I have tried for going on nine years now, but Tides is not forthcoming with explanations.

I will say that a couple of years ago there was a point at which the Tides Foundation had a large number — 2,700 — of covering letters on payments that totaled more than 5,000 pages. These covering letters were searchable PDF documents. They were on a part of the server called a file transfer protocol that didn't have a password, so these documents just popped up in Google. That's how I came across them. They were publicly accessible. I took a look at them — they were publicly available documents online — and a couple of things struck me that I think the committee would be interested in.

One is that out of 2,700 payments, the only payments where the identity of the donor was kept secret, even from the recipients of the funds, were the payments for the anti-pipeline campaign. Those payments referred to the donor as "an existing fund," whereas on all the other thousands of payments the name of the donor was given, or it at least said "an anonymous donor." That was unusual, and in that respect, the payments on the pipeline campaign were different from the payments for any of Tides' other programs.

Secondly, I noticed the payments for the anti-pipeline activism were made in a batch. For example, one set was 27 consecutively numbered payments. These payments were to recipients in alphabetical order, first the American recipients and then the Canadian recipients, in the exact same way they appear in the tax returns. It was obvious to me, because of the consecutive numbering of these payments, that they had been made in a batch.

The total amount of the 27 payments was \$1.92 million, which, as we know, is precisely 96 per cent of \$2 million. We also know there are several donors, like the William and Flora Hewlett Foundation, as well as the Sea Change Foundation, that have given precisely \$2 million to the Tides Foundation in a single grant. It looks to me like what we have here are large multi-million dollar grants that are then dispersed to a team of organizations.

The third thing I noticed was that the Tides Canada Foundation Exchange Fund, which is an entity of some sort used between Tides Canada Foundation and its parent organization, was making batches of payments for the tar sands campaign. For one batch — I provided excerpts of these covering letters to the committee — the committee will notice that what's interesting is how the payments were handled. The payments to organizations that were registered charities went through the Tides Canada Foundation Exchange Fund. They did not appear in the American tax returns of the Tides Foundation. In contrast, the payments to organizations that are not registered charities do appear, so those two types of organizations — registered charities versus non-profits — were handled differently.

Those were some of the things that I noticed. Because of the way those payments were handled, the payments from the Tides Foundation to Canadian charities would not be publicly disclosed. There would be no information about them had I not unexpectedly come across those covering letters.

The Deputy Chair: Thank you, Senator Runciman. Before going to the second round, Ms. Krause, I have one question for you. With regard to these U.S. foundations, do you believe we should ask them to come as witnesses to this committee and explain to Canadians why they are apparently obsessed with stopping the development of pipelines and oil and gas in Canada?

Ms. Krause: I'm sorry, Mr. Chairman, you broke up there a little bit. Were you asking if I believe American foundations should be asked to testify? Was that your question?

The Deputy Chair: That was my question.

Ms. Krause: Yes, sir. Virtually every presentation I've given at conferences of industry associations over the past three or four years has ended with the equivalent of, "Pick up the phone." We need to have a conversation with these people: lunch, golf, testimony, whatever.

These foundations are working as a group. They have \$70 billion among them and they give away \$3 billion a year. We cannot outspend them, but we do share three common priorities: We all want more renewable energy, we all want more energy efficiency and we all want energy security. I think there are ways we can bring the best minds together and work on those three priorities.

Meanwhile, I think it's quite reasonable for us, as Canadians, to say to our neighbours that it's not okay for them to put a tombstone on the growth of our industry while the United States has markedly increased its own oil production in recent years and has now begun to export oil.

I think it's a reasonable position to say we would work together on our joint priorities but that it is not acceptable for our industry to be stymied while theirs is not. As we move in this great shift, this great green transition that we're undertaking as a global community, it's important that no country gets an unfair economic competitive advantage. I think what we need to insist on is fairness.

The Deputy Chair: Thank you.

Senator Unger: Just a clarification: What do you see as the motivation for these donor groups with regard to their activism against the oil sands? Are they environmental or anti-oil or both?

Ms. Krause: I would say they have multiple motivations. I think it's dangerous to oversimplify here. I would never suggest that they don't care about the environment. I'm convinced they care profoundly about the environment. However, by their own admission, they are also concerned about the economic competitiveness of their own country and their own country's energy security. As Canadians, we need to see the whole picture.

Here in British Columbia in particular, we've known for years that the environmental movement was heavily funded by American foundations. What we didn't know was that at the same time these foundations were funding conservation initiatives, they were also funding large-scale energy policy and energy security initiatives. In fact, the Tides Foundation, for example, has a sister organization called the Tides Center. The Tides Center was the hub of an initiative called the Apollo Initiative. This started in the late 1990s and really got under way in 2003-04. That's 10 years ago that these funders came together and decided that they needed to get serious about American energy security.

Initially, the Apollo Initiative had two goals: good jobs and energy independence. Over the years, they rebranded that as "good jobs and clean energy." Energy independence was rebranded as clean energy. There's a document produced by the Rockefeller Brothers Fund and the Aspen Institute called *Talking Global Issues with Americans*. You can read it, and you will notice in there that they discuss how they wanted to phase out the term "energy independence" and use "sustainable energy" instead because they didn't want to create an "us versus them" mentality in the world.

Of course, what we are seeing is that by pursuing clean energy we are achieving energy independence in a round-about way because clean energy is domestic; it's not imported. When you develop clean energy, you develop domestic energy and contribute to energy independence.

Senator Unger: You suggested we should try to get to the bottom of the identity and motivation of these groups. Do you have any uncertainty as to their identity and motivation, or is there simply a need for more documentation?

Ms. Krause: I could give you a list of some of the donors; I could list at least dozen of them. That would be a place to start.

The donors put money into Tides and then Tides makes payments out. I can't tell you exactly which donor's money went to which recipient.

But I'm trying to suggest a conversation with these donors. There may be others that I'm not aware of, but the ones we already know of would be a good place to start, even if you were to start simply with the Rockefeller Brothers Fund, the William and Flora Hewlett Foundation and the Tides Foundation. Beyond that, there's the Sea Change Foundation, the Oak Foundation, the Wilburforce Foundation, Brainerd, Bullet and several more. If you were to start with those and look at where we can work together on a better energy plan going forward as neighbours — we're very important trading partners. We're family. But we need to recognize as a country that our only big customer is quickly becoming our biggest competitor. We need to realize that.

I'm hopeful that there is common ground with these charitable foundations. If they were to not be willing to work on common ground and discontinue this campaign, then something else needs to be done.

I will just say one thing and then I'll conclude my remarks. If everything that is said negatively about Alberta oil — this is the same thing I said four years ago when I testified — were true, it would make sense to boycott and ban Alberta oil. The problem is that the core premises of this campaign are such egregious exaggerations that they are to the point of being false.

For example, the environmentalists have been saying for years that the oil sands industry is degrading an area the size of England or Florida. That would be atrocious. That's not what they're doing. The fact is that they're using a minuscule percentage of that amount of land, and it must be reclaimed. I mentioned earlier that they have been grossly exaggerating the carbon emissions that are associated with oil sands production.

We have to bring into the public conversation the fact that some of the basic, core premises of this campaign are false and have been false for years. We need to get back to the facts and look at them through the lens of fairness. It's not fair to do to Alberta what is not being done to Texas.

Senator Black: This has all been very helpful.

Recognizing the importance of dialogue, which I agree with, and recognizing that dialogue may or may not happen — it certainly hasn't happened over the last decade; I think we can agree on that — I am looking for some avenue whereby we can endeavour to ensure that Canadians understand what you have been sharing with us today.

I want to go back to what you said when I was discussing this with you earlier. Is it your view that if we were to urge CRA to adopt the same disclosure principles vis-à-vis all charities in Canada that have been adopted by the IRS in the U.S., then we move closer to a regime of transparency that might be helpful to facilitating dialogue?

Ms. Krause: It's important to get to the bottom of the CRA audits because — and I'll speak plainly here — as far as I can tell, there's corruption there. There's a tax scam. There's fraud. The same people who have been running roughshod over our economy have been gaming the system, as I have described: circulating money — millions of dollars — through Tides Canada Foundation. There are no accountability —

Senator Black: If we can just end that, because I'm very uncomfortable with that kind of allegation — who knows. But I am interested in your view as to whether the disclosure and transparency standards applied by the IRS — if we were to adopt that in Canada, does that go some way to assisting with the objectives you are urging upon us today?

Ms. Krause: That would be a big step forward, but it wouldn't exactly hit the reset button. Canadians would sit up and take notice if the same charity that has been running roughshod over our economy were found to be playing the sort of tax shenanigans that they have been playing.

The Deputy Chair: Our time is up. I'd like to thank Ms. Krause for participating in our hearings.

Honourable senators, our next meeting will be tomorrow at 6:45. We will be hearing from four witnesses from Saint John.

(The committee continued in camera.)

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