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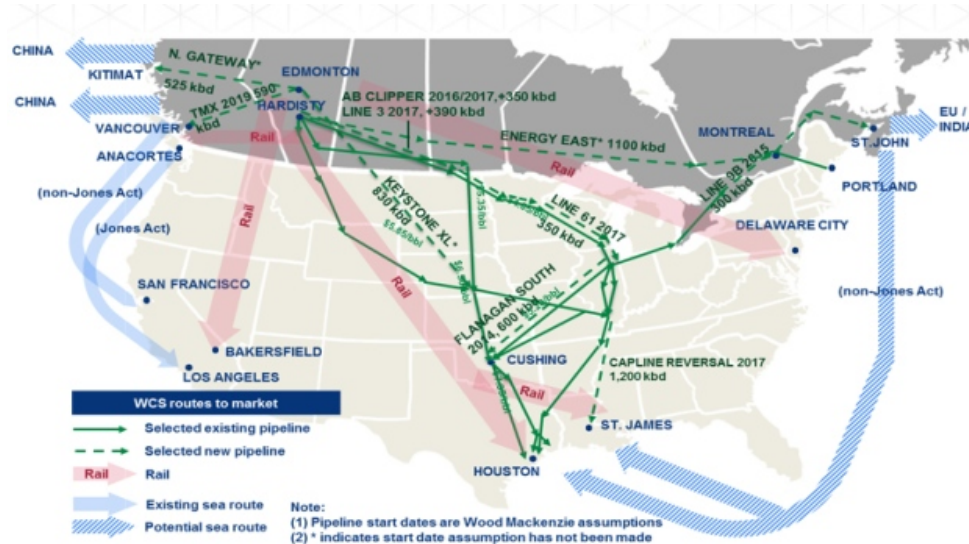
CBCnews Business

IN THE NEWS

Oilpatch could lose \$100B without new pipelines, researchers warn

Energy research firm suggests Western Canada producers won't receive full value for oil exports

By Kyle Bakx, CBC News | Posted: Jun 22, 2015 11:41 AM ET | Last Updated: Jun 22, 2015 5:59 PM ET



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Western Canadian oil producers are at risk of losing \$100 billion in the next 15 years if no new pipelines are constructed in North America, according to energy research firm Wood Mackenzie.

Canadian oil production continues to rise and pipeline capacity remains constricted, pushing 200,000 barrels of oil a day onto the railways.

"In the past several years, we have seen big increases in supplies of oil from the United States and Canada," said Afolabi Ogunnaikie, a senior research analyst in refining and oil product markets for Wood Mackenzie. "Most of the supply is from parts of the country far removed from refining demand centres. That has led to price discounts."

The discounts are the lower prices Canadian producers receive for oil purchased by refineries in the southern U.S. The differential is between the price of Western Canada Select (WCS) and West Texas Intermediate (WTI), the North American benchmark.

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Oil transportation bottlenecks can cause oil differentials to rise. The differential, dubbed the "bitumen bubble" by former Alberta premier Alison

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Redford a few years ago, can potentially reduce the earnings of energy companies and the royalties collected by provincial governments.

Currently, the differential between WCS and WTI is narrow, at about \$7 a barrel compared with \$20 last summer.

Groups battle pipelines

Wood Mackenzie expects \$100 billion in value is at stake over the next 15 years based on how much the differential will grow, multiplied by the anticipated oil production of Western Canada. Wood Mackenzie expects oilsands growth to reach 3.5 million barrels a day by the mid 2020s, up from 2.3 million barrels a day now. The \$100-billion figure assumes the worst case scenario for industry, that no new pipelines will be constructed.

That is precisely what some environmental groups are pushing for. Without any new pipelines, future growth of the oil sector would be affected. The strategy of many environmental groups is to indirectly constrict oilsands production, by opposing pipelines, whether they be conversions, expansions, or new construction. The analysis by Wood Mackenzie puts a number on what is at stake for the energy sector if that opposition is entirely successful.

More than \$40 billion worth of pipeline projects are proposed in North America, although many are stalled, including TransCanada's Keystone XL and Enbridge's Northern Gateway. While a few projects such as Northern Gateway try to export Alberta oil through the West Coast, most pipelines aim to move crude south to refineries on the Gulf Coast.

That's the mission of Keystone XL, although Wood Mackenzie does not expect that pipeline to be constructed before 2020. Instead, the firm points to other projects that have a better chance of being constructed and operational in the next five years such as Enbridge's Alberta Clipper and Line 3 replacement. Both projects involve expanding current pipelines.

"We see heavy Canadian crude making inroads into the Gulf Coast refining market," said Ogunnaik. "Of course this is predicated on a set of pipeline assumptions."

Canadian heavy oil to Gulf Coast

Ogunnaik expects heavy oil from Canada to increasingly replace supply from other countries such as Mexico and Venezuela. Mexican production continues to decline, while increasingly Venezuela is sending heavy oil to Asia, in part to pay back debt.

In 2011, Canada was supplying five per cent of the heavy oil refined in the Gulf Coast. That could rise to 50 per cent by 2025. Gulf Coast refineries are set up to process heavy oil, rather than lighter oil like the output from U.S. shale fields.

While Wood Mackenzie does not expect Keystone XL to be constructed in the next five years, the firm does not dismiss the project altogether. Keystone still makes economic sense to transport Canadian crude to the Gulf Coast compared to alternatives such as TransCanada's Energy East project or shipping crude by rail. With so much production possible from Western Canada, the oil industry could use both of TransCanada's proposed projects.

"Energy East is a more expensive path than Keystone XL to the Gulf Coast, but there still is a need for additional capacity," Ogunnaik said.



Wood Mackenzie predicts \$100 billion in value is at stake for the oil sector. (CBC)



The death of the stick shift?

2:07

Young Drivers of Canada is phasing out its stick-shift program in N.L. for the simple reason that almost no one uses it



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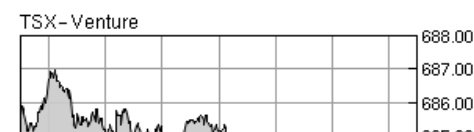
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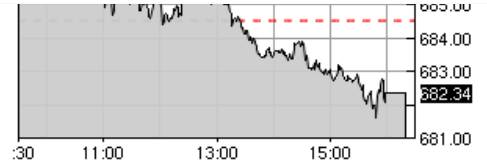


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SP 500	2122.85	12.87 ↑
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CaptainCanada

Why should I care? I didn't invest in the tar-sands... I don't even get a break at the pump?!?!?

Now I'm supposed to feel bad for multi-billion dollar companies losing some profit? Um, Nah! I don't care at all!

I guess they invested poorly... I'll invest in renewables thanks! The times are changing...

7 hours ago 128 Likes

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DonThompson

@CalTim Boy you have swallowed ALL the Kool-aid.

Government can raise the money much faster than corporations, but if they do and try to make what in Canada we call Crown Corporations, all the "capitalists" run off at the mouth about socialism and communism, etc.

We have a great standard of living because after WWII we had a decent balance between empire builders who thought long term corporate growth and governments that wanted long-term power so pleased the electorate. Now we have companies... » more

22 minutes ago 2 Likes

Like Reply Share



TheRover

@edmontonhere Wanna talk about idiotic statements? Where do you think the majority of electricity comes from?! And why this east vs west crap (wow u sound childish)?! Pipelines are good for all Canadiansoil moves through eastern Canada as wellif we choose to delay and debate pipelines we will have more rail disasters meanwhile painting the safer alternative as the devil.

19 minutes ago 0 Likes

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Acecanadian11

The article should be called, "The environment of Western Canada will gain 1000 years" if these pipelines are blocked.

7 hours ago 77 Likes

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Free Manz

@freedomlovin Don't kid your self about the heath of the great lakes.Research it.Remember Google is your friend. <https://www.ec.gc.ca/grandslacs-greatlakes/default.asp?lang=En&n=9889A192-1> Read "State of the great lakes report" You may in fact change your views.Peace.

2 hours ago 0 Likes

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Rexxar

@Acecanadian11 Unfortunately this is a common misconception, the oil is still getting to market, just by a much more risk prone solution: rail. The amount of oil transported by rail has steadily increased over the past couple of years (more than quadruple from 2012-2014).

Feel free to look for yourself:

<https://www.neb-one.gc.ca/nrg/sttstc/crdlndprlmpdct/stt/cndncrdlxprttrnsprtstms5yr/2014/cndncrdlxprttrnsprtstms5yr2014-eng.html>

23 minutes ago 0 Likes

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Dont bore me

If the Tar companies lose 100B too bad. Don't have all your tar in one basket.

7 hours ago 60 Likes

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Travler

@Dont bore me....Say there Boring, it is very simple for Canadians..Do you want heavy oil from Canada and light oil from the Bakken region of the United States, or do you want to import oil from Venezuela and other OPEC nations to feed our & US refineries?" Which only buys military armaments...& FORCE us to send humanitarian aid to the middle east etc while our unemployment rises to Asia & Mexico.... Daaaaa.....

1 hour ago 0 Likes

Like Reply Share



DonThompson

@andee You may be right about socialists not facilitating free enterprise, but don't blind yourself into believing Capitalists facilitate free enterprise. The two, Capitalism and Free Enterprise, are radically different things.

Capitalism keeps the means of production in the hands of a very few already rich and powerful (and, interestingly unelected) while Free Enterprise allows the means of production into the hands of the efficient and inventive.

19 minutes ago 1 Like

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Sask man

The people of Alberta will lose billions if those same oil companies don't build a new refineries and stop sending raw product the USA so they can refine it and send it back and

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screw us over on the price. We will build you all the pipelines you want as long as they are going to new Alberta based refineries.

7 hours ago 48 Likes

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IBonEdge

@NB. Dude And that almost makes sense .. except American Refineries are currently swimming in cash ,because of the huge spread between raw product and finished ... A nice way of saying we are being gouged at the pump

2 hours ago 1 Like

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NB. Dude

We buy crude from Venezuela and refine it here in Canada. How do the `` American ` refineries fit into that equation . How are They gouging us

1 hour ago 1 Like

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Jim Atherton

We really don't care how much income they "lose".

7 hours ago 38 Likes

[Like](#) [Reply](#) [Share](#)

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LeeWilbur

@highfashion you should be more worried about high rise office towers killing birds.They kill literally tens of thousand birds a year. windmills, not so much.

4 hours ago 3 Likes

[Like](#) [Reply](#) [Share](#)



Destitute in Alberta

@highfashion Oil is the only thing you can make money from??? People are blinded by greed even if it ruins the world.

4 hours ago 3 Likes

[Like](#) [Reply](#) [Share](#)



David Kovach

Blah Blah Blah..More Lies..You mean more American OWNED Pipes ...Tk Yu

6 hours ago 36 Likes

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Wilde West

@Semi Retired

And Plains All American.

4 hours ago 0 Likes

[Like](#) [Reply](#) [Share](#)



John.m2167

@tkkat1949 - You sound really ignorant - do you save for retirement like the rest of us?

2 hours ago 0 Likes

[Like](#) [Reply](#) [Share](#)



Passionate Canadian

Expect hysteria from oily interests to pressure Rachel and Federal candidates.

Best reply to this: the planet will lose trillions if we do not switch off fossil fuels.

6 hours ago 32 Likes

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highfashion

@Passionate Canadian And you are an expert in what? The planet will lose trillions of what - dollars. Really, we will need trillions to support all of the non-workers. Wonder how all those products that are made of fossil fuels will be made of. Hmm - is there some connection to fossil fuel and how bikes are made? You might have to park yours.

4 hours ago 1 Like

Like Reply Share



Destitute in Alberta

@Passionate Canadian I agree with your comment. I have noticed that it is the people whom work in the oil industry complain the most and could give 2 sh1ts about the environment.

4 hours ago 2 Likes

Like Reply Share



You're probably stupid

If you people want social program spending, at least pick Liberals over Dippers. Liberals understand that the budget must balance (not the Ontario ones, and Trudeau, but Swann at least cared about a balanced budget...). Liberals at least have some successful people in their ranks.

7 hours ago 27 Likes

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caring canuck

@You're probably stupid
Give us a break. Too bad for you that reality gets in your way.
"Of the 52 years the NDP has formed governments in Canada since 1980, they've run balanced budgets for exactly half of those years and deficits the other half. This is a better record than both the Conservatives (balanced budgets 37 per cent of years in government) and the Liberals (only 27 per cent)."
<http://blogs.windsorstar.com/open-newsroom/letters/ndp-govt-has-best-fiscal-record>

4 hours ago 4 Likes

Like Reply Share



IBonEdge

@Ron Alberta Yep.. just like the Dirty PC's .. Gone ..

2 hours ago 0 Likes

Like Reply Share



Brad 76

More pipeline propaganda.

6 hours ago 25 Likes

Like Reply Share

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Skepticaemia

@Valley Farmer

So what you are saying is that it is a valuable raw material. Probably too valuable just to waste burning it for energy, and, incidentally, polluting the atmosphere and adding CO2.

3 hours ago 0 Likes

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FranksAndBeans

@Valley Farmer - I agree. There are lots of people who really cannot make this connection. They just say no to petroleum products without an understanding that it goes beyond fuel. I would like to see a reality show where some of these people (not the utria greenies) but those who think no petroleum is needed, asked to live their life for a year without anything made with petroleum based products. They would have 3 months to plan their 9 month existence without and asked to live a "normal... » more

1 hour ago 0 Likes

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FOUND A COMMUNIST

Yet the Dippers will support none of it and over the next four years will drive our economy into the ground. Alberta now has higher taxes than many other provinces. I might have to vote Wildrose next time if the AB PCs and AB Liberals can't get their act together.

7 hours ago 17 Likes

[Like](#) [Reply](#) [Share](#)

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quebarb

@FOUND A COMMUNIST

Wrong and wrong. And nobody cares what you might have to do.

2 hours ago 3 Likes

[Like](#) [Reply](#) [Share](#)



IBonEdge

@FOUND A COMMUNIST Perhaps you should re listen to Rachel's pre election discussions around Pipelines.. She isn't against them , she was against wasting money perusing some of the current projects that have no support .. eg .. the one Obama said wouldn't be approved ..








2 hours ago 0 Likes

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