

Oilsands bouncing back

think tank Output expected to double in less than five years

BY JOHN MORRISSY, CANWEST NEWS SERVICE SEPTEMBER 3, 2009

Output from Canada's oilsands will double and profits in the oil business will triple by 2013 as rising crude prices kick-start megaprojects delayed by the economic downturn, the Conference Board of Canada said yesterday.

The board's summer outlook for the Canadian oil-extraction business forecasts that crude prices driven south by the economic downturn will slash pre-tax profits for Canadian producers by 24 per cent from the record \$15.3 billion in 2008 to \$11.6 billion in 2009.

But as the U.S. economy recovers, rising oil demand will lift prices to the point that Canada's expensive and controversial oilsands projects become profitable again, said board economist Todd Crawford.

"The Canadian oil industry has long been a boom or bust industry, and that has been the case over the past year ... but stimulus packages around the world will lead to improved performance starting in 2010.

"Accordingly, oil prices will resume their long-term upward trend, eventually reaching \$103 U.S. by 2013. Surging revenue growth related to higher prices will result in profits topping \$32 billion by the end of the forecast," he added.

Moreover, the resumption of delayed oilsands projects and production increases at existing oilsands facilities will boost output from non-conventional sources from today's 1.22 million barrels a day to 2.4 million barrels a day by 2013, Crawford forecast.

The Obama administration's apparent distaste for Alberta's environmentally challenged oilsands has cast a cloud over the sector's future. But PetroChina's \$1.9-billion investment this week in a private oilsands player showed the world is still ready to beat a path to the country with the world's second-largest oil reserves outside of Saudi Arabia.

It also changed the tone out of Washington, which suddenly became concerned about China's participation in the sector. Canada is currently the largest supplier of oil to the U.S. and will become the world's sixth-largest producer by 2015, according to the Canadian Association of Petroleum Producers.

Surpassing an average break-even point of \$80 will spur new or additional output from Imperial Oil's Kearl Lake project, Opti/Nexen's Long Lake project and the Horizon project run by Canadian Natural Resources, among others, Crawford said.

While output from conventional wells will continue to fall along with production offshore Newfoundland, oilsands growth will boost Canadian totals to 3.5 million barrels a day by 2013, the study said.

Revenues will subsequently more than double from the \$93 billion forecast for 2009 to \$209 billion in 2013. And profits will nearly triple from 2009's forecast of \$11.6 billion to \$32 billion in 2013 despite the tighter margins caused by a greater reliance on lower-cost heavy oil, Crawford said.