BEG/CEE U of Texas Annual Meeting

Canada: A Resource Economy & its Discontents

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6 months of unconventional hydrocarbons in Canada (2013)
Non-OPEC & Unconventional liquids expected to play increasing roll in incremental oil supply; OPEC less
Canada’s gas resources have increased (2000 – 2010)

2000
390 TCF*
70 years of supply

2010
700 - 1300 TCF*
100+ years of supply

Montney Formation
• 449 Tcf
• 1.125 Gb marketable crude
• 14.5 Gb NGLs
Nov 6, 2013 National Energy Board

*Estimated Recoverable Marketable Gas; Source, CAPP after GSC, NEB & others
The Issues

• A resource economy whose elites tend to oppose resource development
• Canada’s oil & gas: high cost in a softening and competitive market
• Aboriginals (‘First Nations’) can stop resource development
• Natural Gas: Revenues down; west → east flows declining, US shale gas moving into central Canada market
• Industry: Access to capital (for some), labor & markets
• Market diversification but opposition inside & outside Canada, in particular in traditional US market
High gas supply cost
- 10s of 1000s of HF wells over decades in remote NE corner of province,
- New infrastructure to Greenfield coastal/fjord sites
- Labor supply for several concurrent large industrial projects
- Local people involvement critical to success
- BC Gov’t rents still uncertain
- CO₂ emissions
- ‘Window of opportunity’? Others competing for same market
- Price arbitrage?
Future Natural Gas Supply & Demand in Asia (Bcm)

>100 Bcm of projects with no start-date

US LNG
- Planned
- FEED completed

Major Suppliers
- Planned
- FEED completed
- Under construction

CHINA
- Pipeline imports
- Own shale/tight gas
- Conventional gas

Asian Imports 2011

Asian Demand

Sources: IGU 2012, BP 2013, IEA 2012, after Canada West Foundation October 2013
Projected Canadian crude exports
(2000 → 2035 mmb/d)

Canada’s Oil & Gas ‘Discontents’

LNG
First Nations, Trade Unions, CO2, Provincial Rent, Costs, Competition

Oil Sands

SOE Investment Policy
Access to capital

GHG Regulations
Water
Land
First Nations

BC Gas

WCSB Gas production decreasing

Market Diversification
WEST – Strong resistance

A National Energy Strategy?

EAST:
Convert Gas Line to Crude Oil

PQ Gov’t?
Reverse old crude line

SOUTH
Obama’s Legacy?

Imports of US gas (Marcellus) increasing

NO frack!