

CEE Think Day on Canada Energy Issues

Overview on Key Energy Sector
Developments & Issues

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First a word of appreciation...

...to those who have done so much, particularly in the last 5 years, to make Canada the global energy hotspot that it now is...

Why Canada?

- Extraordinary policy and regulatory stability since mid-80's (recent political change doesn't mean policy change)
- Great experience of market functioning in NAFTA context (good public buy-in)
- Where else can you purchase in-place oil (well, bitumen) for 1 cent/barrel?*

* Chevron: 7.5 billion barrels in place for \$70 million—announcement March 2, 2006

Where else can you grow?

- Colombia? Nigeria? Peru? Russia (good luck BP)? Venezuela?
- Other OPEC and Mexico, doors are locked
- Trinidad obviously interests, N Sea good opportunities for big projects in the north, “work-overs” in the south, plus Buzzard
- Just what are the others...? OK you Texans, USA Gulf of Mexico!

Highlights

- Oil sands again and again (Dr Knapp)
- CBM--want to learn more (Mr Kin Chow)
- Significant high productivity onshore gas wells still coming-in (Talisman)
- Conventional gas shows surprising strength. Issues:
 - Capability of drilling fleet
 - (as always) Future prices

Consumer-level dereg?

- Gas—patchwork
- Electricity—an even worse patchwork
- Can't see political will to significantly advance either

Lowlights

- East Coast gas: Sable, Deep Panuke and the continental slope disappointments
- East Coast oil: no large new pools-- working off the discovery inventory of the 1980's
- West Coast oil and gas: 1960's time warp

Still unfolding

- Mackenzie Gas Project (MGP)
- Mackenzie gas (and oil) potential outside of the three MGP anchor fields (watch for results of Devon's '06 well)
- Alaska pipeline:
 - New Canadian minister*, new energy
 - Who are we waiting for?(*Jim Prentice, Indian & Northern Affairs—why? Because “pipelines in the North=First Nations”?)

And what about utilities?

- Didn't suffer from Enron blight
- Exited Argentina just in time
- Cdn pipes ambitious for growth:
 - Enbridge “Spearhead”, “Gateway”(?), TCPL Foothills Alaska
- Cdn utilities present attractive targets for larger USA companies:
 - Westcoast, Terasen

Issues

- There are no big policy, fiscal or regulatory issues for the western basin
- First fundamental issue is “will global environment support currently-foreseen activity levels?”
- Second issue is “can the industry mobilize the people and materiel to support those levels while reasonably containing costs?”

Conclusion

- The Western Basin looks extremely strong
- The East Coast has been rescued by high commodity prices
- The West Coast continues in a 30-year plus limbo
- The North frankly hasn't been handled well by anyone (exception: the Norman Wells project of the early 80's)