

# CEE/BEG University of Texas

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## Canada: Big Projects Update

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# Outline

- Significant changes to the policy context for oil and gas industry
- Project Update & Outlook

# Federal Government: Historic Political Come-back

(October 19<sup>th</sup>)

Promises re. Energy/Environment: “will price carbon” (w/ Provinces)

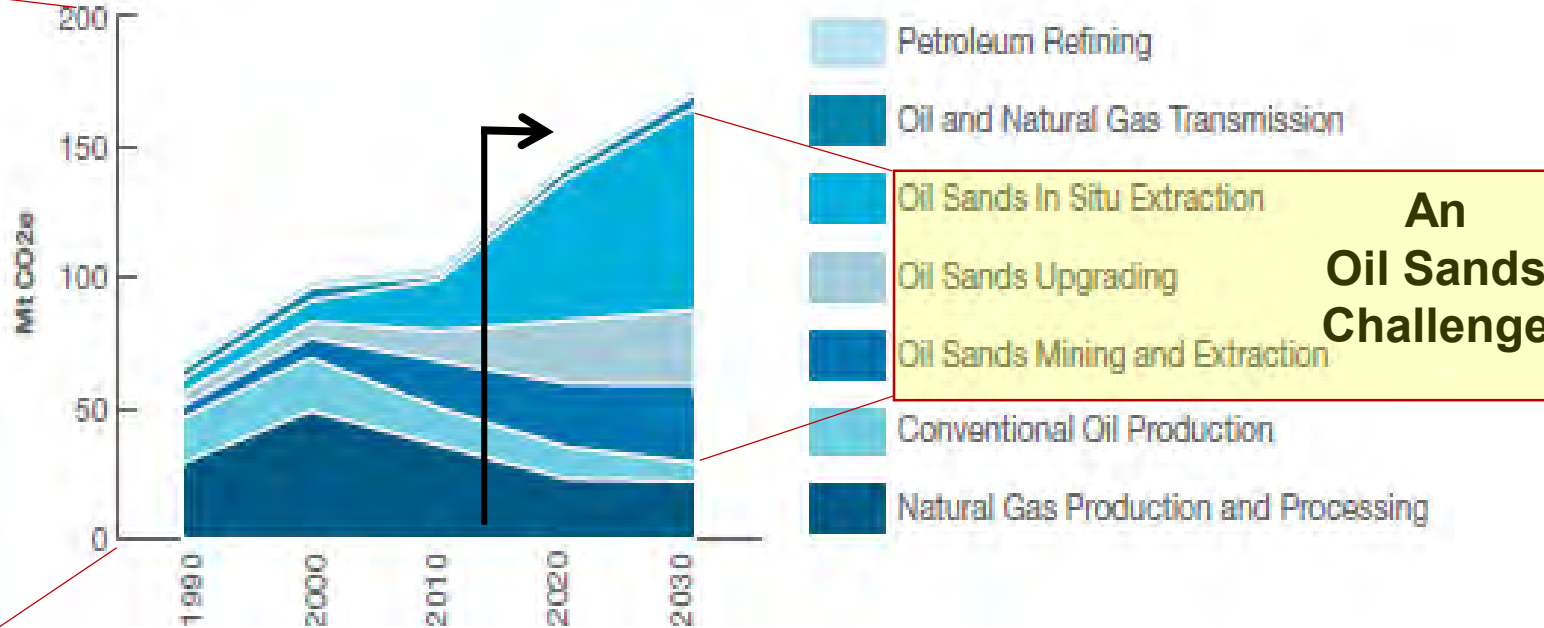
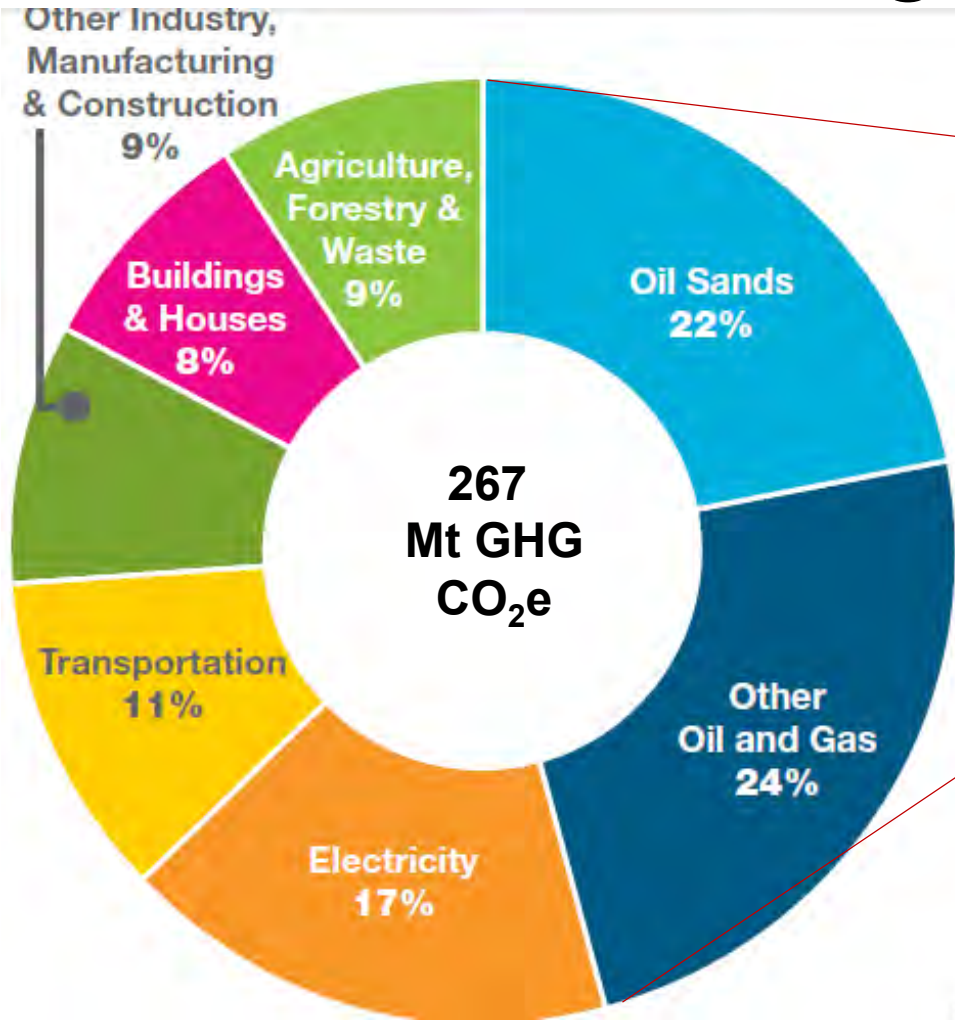
- **Fiscal:** End F.F. tax credits (*Accelerated* Capital Cost Credit and Exploration Expense Credit on *unsuccessful* wells) 100% → 30%; Green Renovation tax credit; Renewable Power Production Incentive
- **Regulatory:** Liberal Government position on pipelines ‘neutral’—opposes Northern Gateway PL & will formalize moratorium on crude oil tankers north coast of BC;
- Rely on independent regulators’ but committed to reviewing recent changes to NEB process, improving EA process, require consideration of climate change and greater involvement of Aboriginal communities.

# Historic Political Shift in Alberta –

(May 7, 2015)

- After 42 years of Conservative government, New Democratic Party elected under Premier Rachel Notley
- She promised to:
  - **Increase Corporate Income Tax from 10% to 12%** Done
  - Move away from flat 10% personal income tax to progressive tax brackets above \$125k Done
  - Increase Minimum Wage to \$15/hr by 2018 Done
  - Ban corporate & union donations to political parties Done
  - **Change Alberta's Climate policies** Done...details to come
  - **Review Royalties** Panel reviewing...details to come
  - Diversify the Economy (away from Oil & Gas) Industry et al Adv Panel
  - Review province's capital needs David Dodge Report
  - Cancel funding of CCS projects Oops!

# Climate Change Policies Announced



(Projected emissions before recent policies)

# Alberta Climate Policies

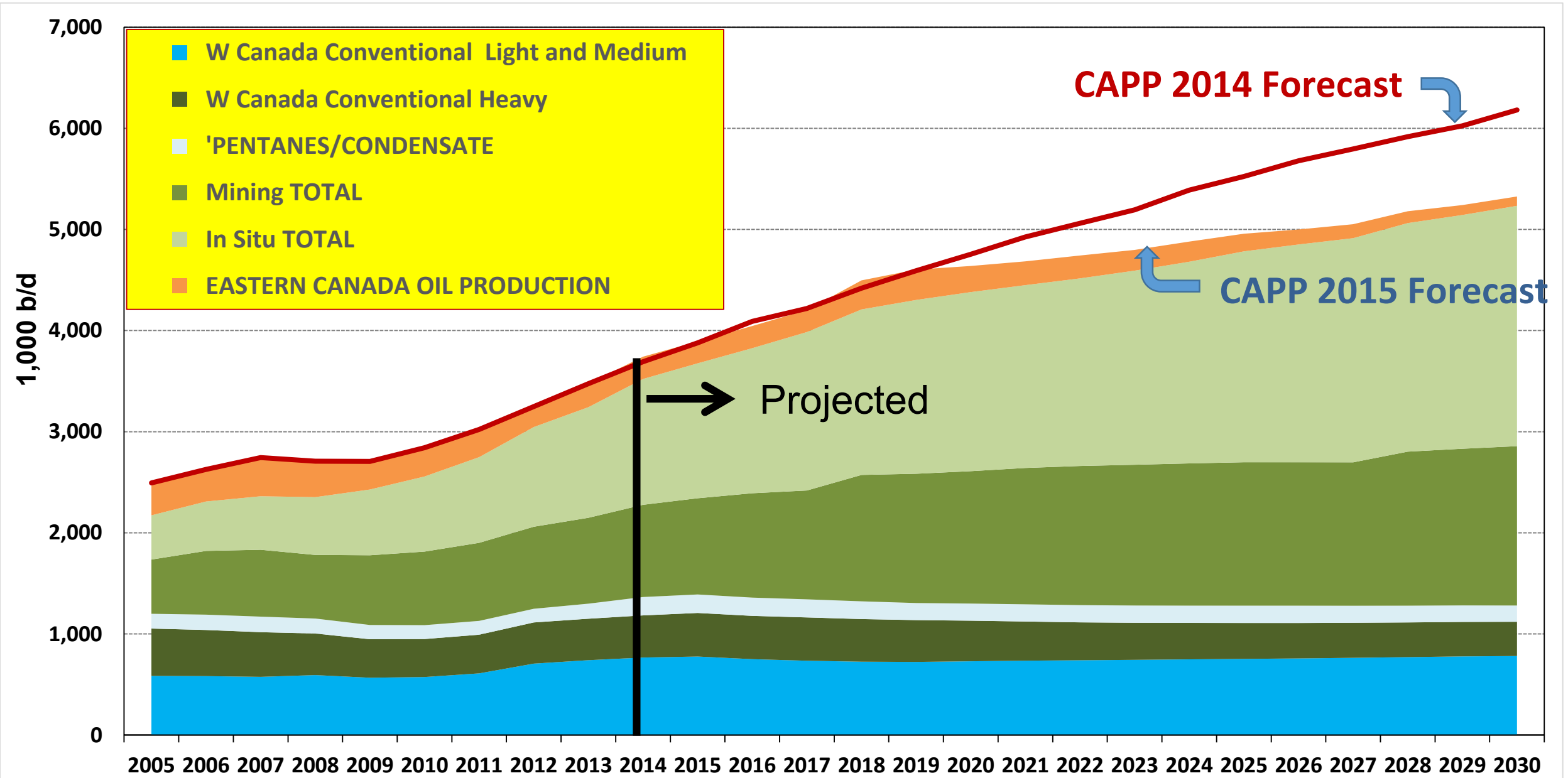
1. **Economy-wide carbon tax:** \$20/t in 2017, \$30/t in 2018; possible increases @ CPI+2%/y\*
2. **Electricity:** a) Phase out all coal by 2030; replace 2/3s with renewables, 1/3 *capacity* by gas such that 30% of electricity *generated* from renewables, b) 2018, \$30/t for emissions > AB's cleanest gas-powered plant generating equivalent power
3. **Cap** on emissions from oil sands = 100 Mt (vs ~70 Mt today)
4. **45%** reduction of CH<sub>4</sub> emissions by 2025
  - Renewables support & Province-wide energy efficiency program
  - Provinces & Ottawa to meet 90 days after COP 21

\* Depending on cost of carbon in competing jurisdictions

# Alberta Climate Policies: Issues & initial thoughts

**Aim:** Alberta emissions ~ at 2013 level by 2030

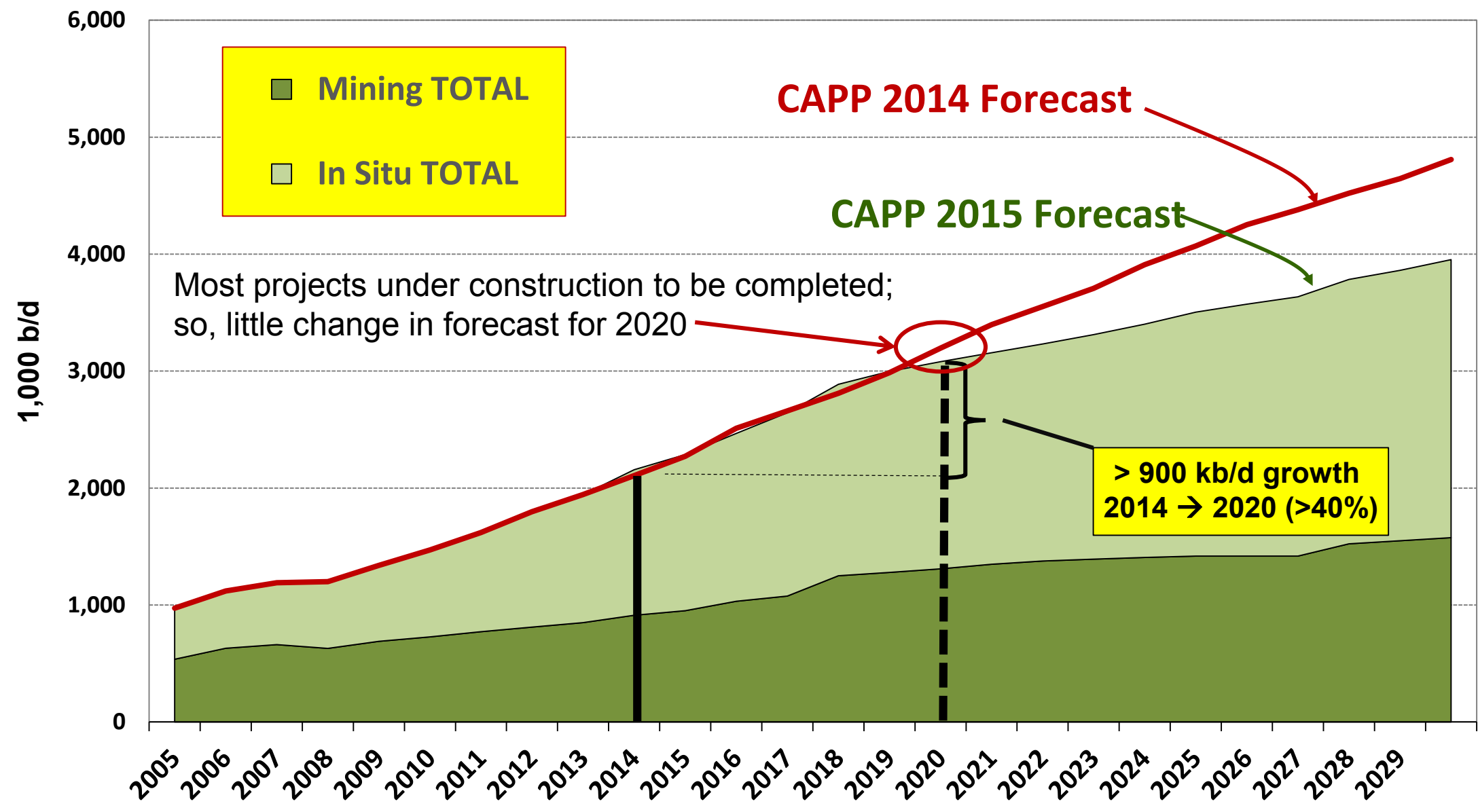
- Carbon Tax NOT Revenue Neutral (money spent on renewables, efficiency & technology); some rebates for low/medium income
- Large emitters (>100 kt) to get emissions permits; top quartile performers pay no tax (start 2018)
- Uncertain if performance based on Company, Technology, Project or Phase? Uncertain if stringency increases post 2018?
- Oil Sands Cap → Room for Cogen, new Upgrading & efficiency gains in current projects, ~ 10 Mt each.
- Distributors of fuel are the 'tax collectors'
- CH<sub>4</sub> reductions to align with EPA; tax to apply to conventional oil and gas site-use & flaring in 2023



Source: CAPP Crude Oil Forecast June 2015; 2014

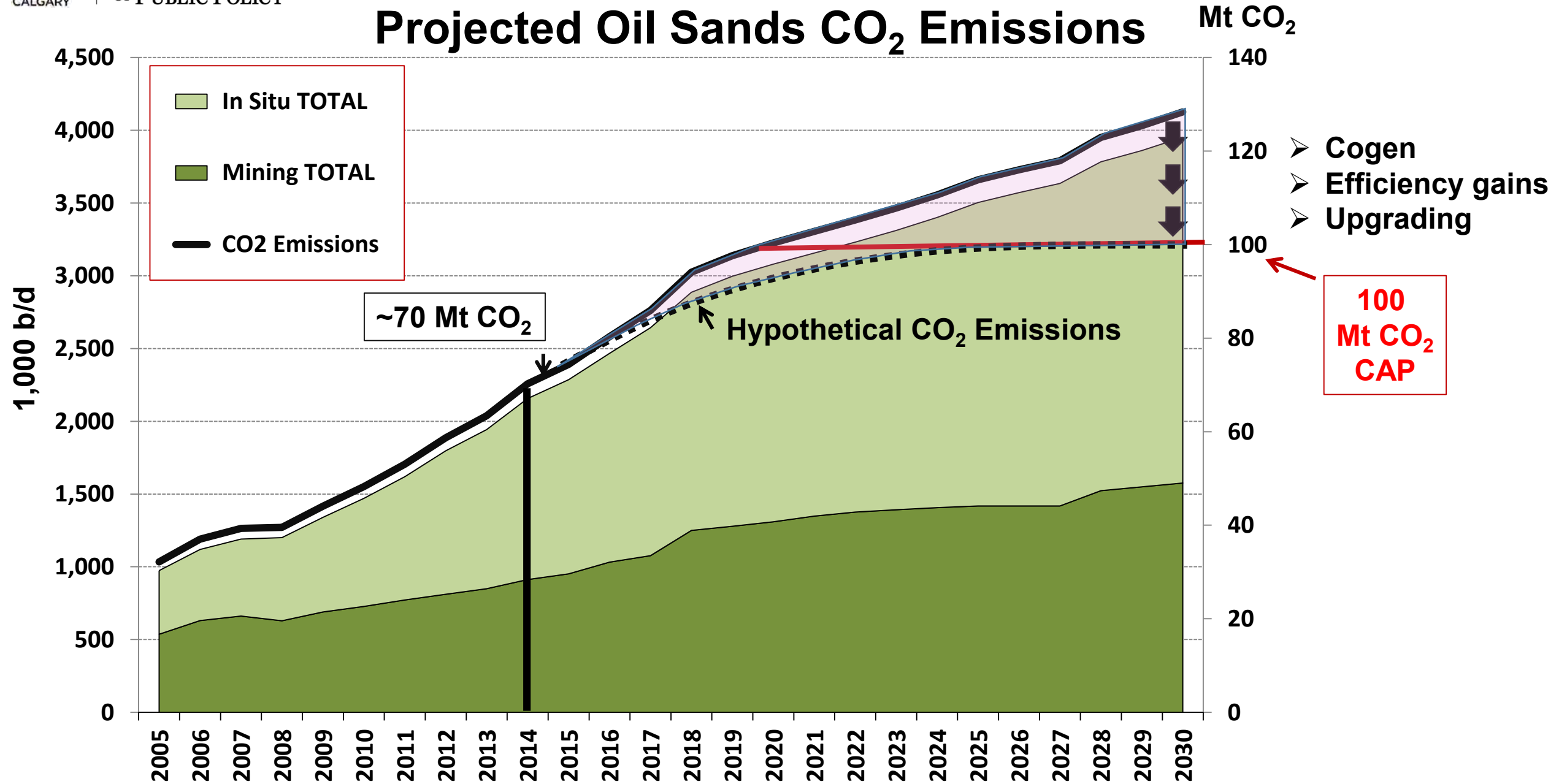


# Oil Sands Project Momentum

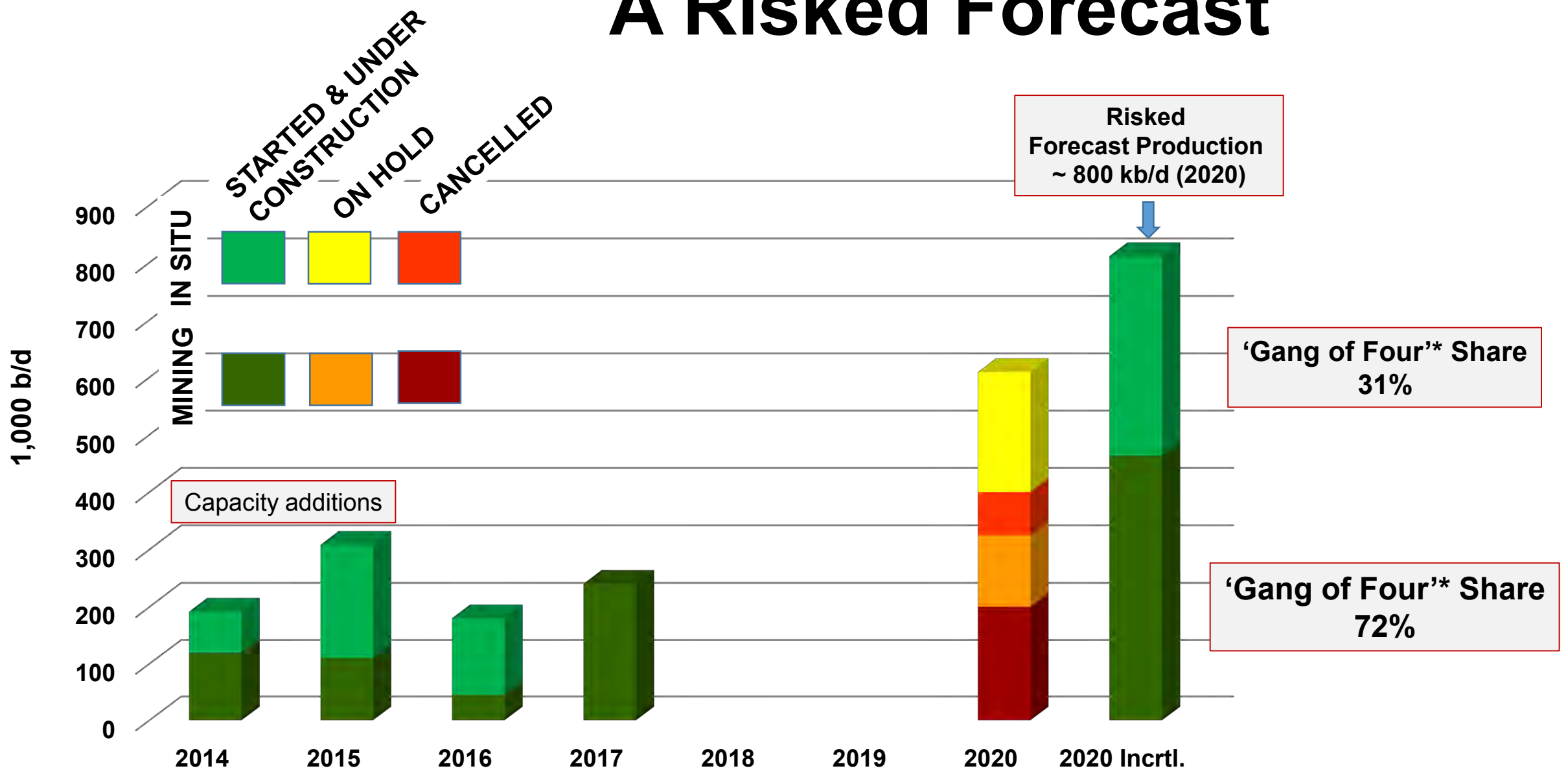


Source: CAPP Crude Oil Forecast June 2015; 2014

# Projected Oil Sands CO<sub>2</sub> Emissions



# A Risked Forecast



\* CNRL, Suncor, Shell, Cenovus: operate ~ 50% of 2015 oil sands capacity

Peter Foster <http://business.financialpost.com/fp-comment/peter-foster-the-gang-of-fours-oil-cap-blunder>; Risked production estimates, R. Skinner

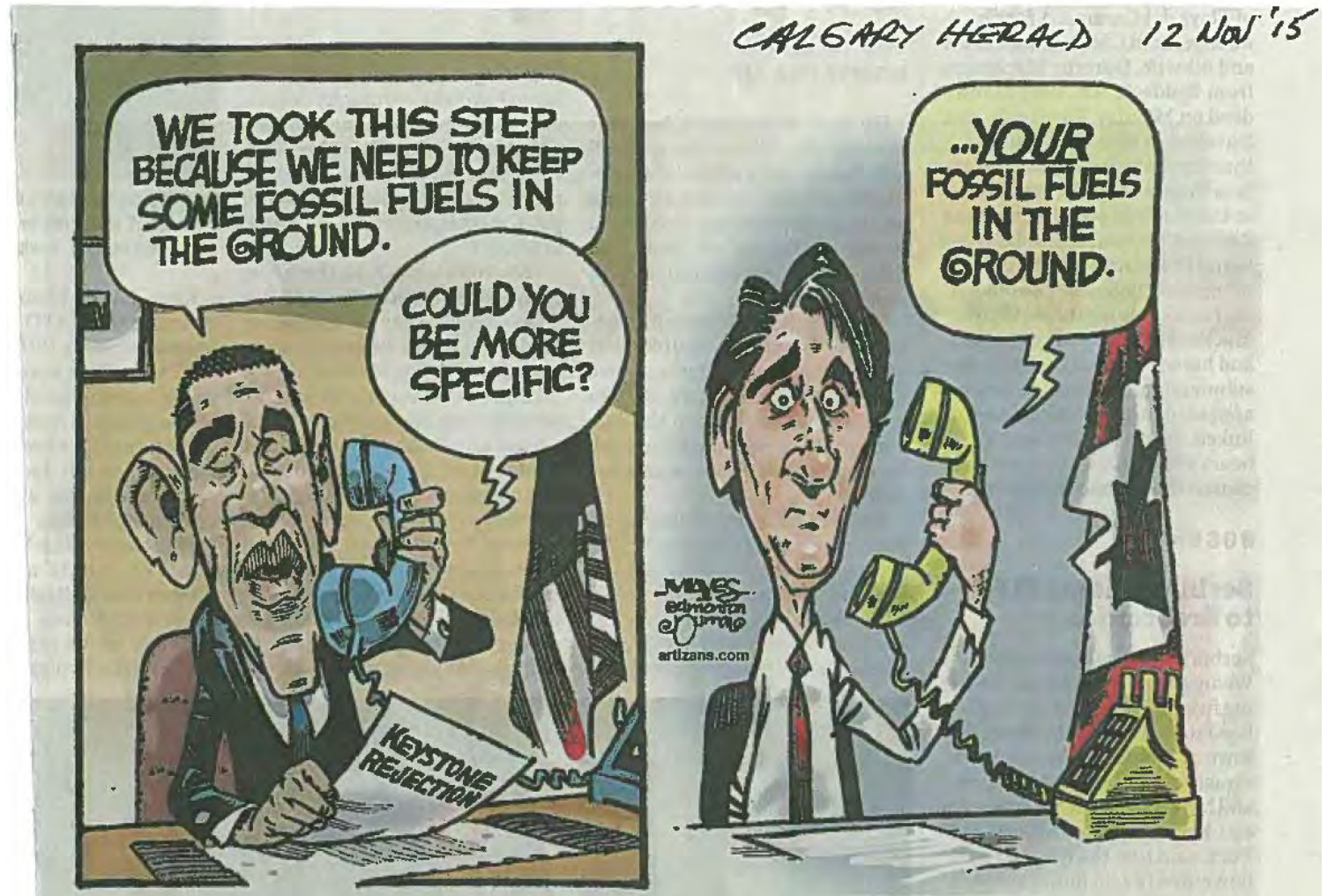
# Pipelines

- **Line 9 're-reversal'**; currently starting up
- **Trans Mountain Kinder Morgan** to Burnaby B.C. (NEB review adjusted after procedural challenges, the 'Kelly Affair', Burnaby politicians oppose but election voted for 'balance' and court deferred to NEB and assigned costs to Burnaby)
- **Northern Gateway**; approved, 200+ conditions, court challenge by Aborigines; probably 'Dead' (Trudeau does not support)
- **Energy East**, Hearings to start next fall; FNs lining up
- **Keystone XL** (Dead or just in deep sleep?)
- **Enbridge Line 3** Pipe replacement, review underway
- 'Work-around' with rail and expansions to existing pipe

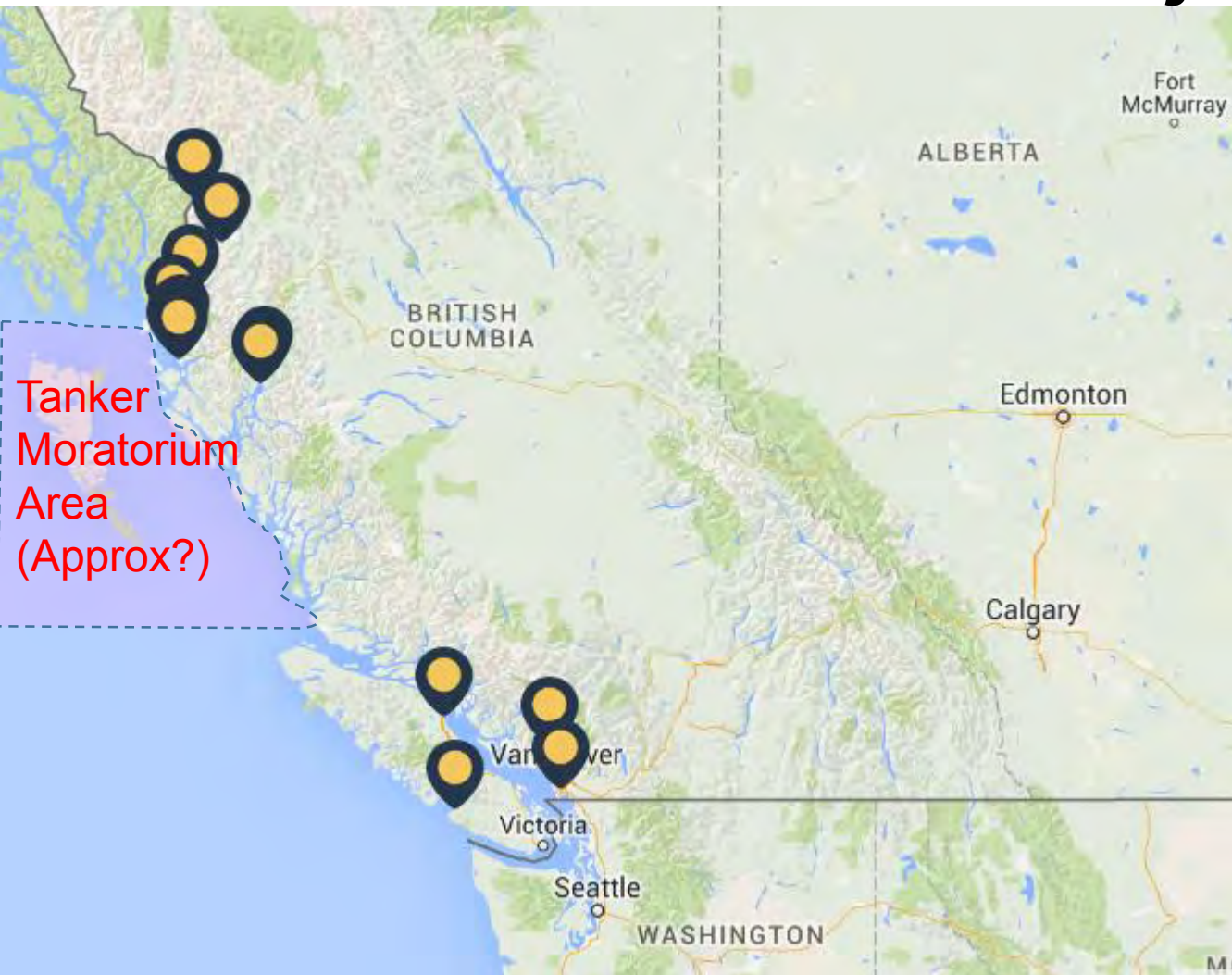
# Carbon Atoms in Oil Sands are the *Worst!*



The carbon in this molecule are 'special': They imperil the Earth more than others.



# West coast LNG Projects



- 20 Projects Proposed, > 40 Bcf/d
- 13 with NEB export license approvals (27 Bcf/d)
- At least 6 significant pipeline projects
- B.C. government gung ho.
- Petronas project (2 Bcf/d) made “conditional FID” (June 2015)
  - Federal Environmental Review,
  - Provincial Approvals,
  - FN’s concerns)

For Update & Recent Analysis, refer to:

- <http://engage.gov.bc.ca/Inginbc/lng-projects/>
- [http://www.ceri.ca/images/stories/CERI\\_Study\\_148.pdf](http://www.ceri.ca/images/stories/CERI_Study_148.pdf)

## **SUMMARY**

### **Canadian Oil & Gas sector under major stress**

- **Low prices (thankfully a US\$0.74 Loonie!)**
- **Some of the highest cost O&G in the world**
- **Details of Alberta Climate Policy & Royalties unknown**

**The most critical issue for Canada's O&G Industry is Market Diversification & Access to Tide Water →A 'deal' with the NGOs: '100 Mt cap for access to markets' ?**

**Financing of oil and gas a challenge, especially small companies**

*Thank You*