

Oil Sands Industry in Canada, 2011 - Market Analysis, Competitive Landscape and Production Forecasts to 2015

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“Oil Sands Industry in Canada, 2011 - Market Analysis, Competitive Landscape and Production Forecasts to 2015”, is the latest report from GlobalData, the industry analysis specialists, that analyzes the oil sands industry in Canada. The report provides information about Canada’s oil sands market until 2015. The report provides information on key oil sands projects and key companies in three major oil sands regions of Alberta: Athabasca, Cold Lake and Peace River. The report also provides key drivers and challenges for the industry in the current industry environment. The report is built using data and information sourced from proprietary databases, primary and secondary research and in-house analysis by GlobalData’s team of industry experts.

The high crude oil price in the global market has made it economical and lucrative to develop the oil sands in Canada that require unconventional methods for the extraction of crude oil. Unconventional methods of extraction incur higher costs than conventional methods due to the use of advanced and complex technology.

Oil sands are the largest reserves of unconventional oil in Canada are expected to serve the Canadian oil and gas industry for a long time. The high oil consumption of the neighbouring US provides further impetus to the development of Canada’s oil sands industry.

Over 97% of Canada’s Oil Reserves are in the Form of Oil Sands

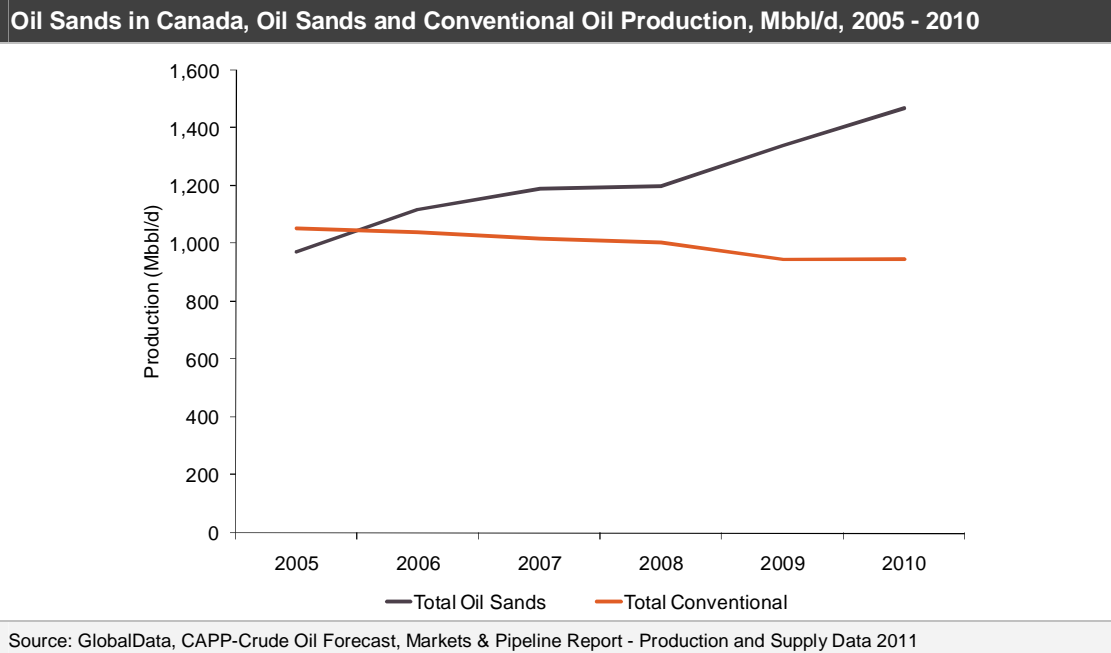
Oil sands in Canada have gained importance due to the fact that about 97.1% of the country’s total economically recoverable oil reserves are in the form of oil sands. Canada has about 176.7 billion barrels (bbl) of initially established oil reserves.

At a global level, about 21% of the total oil reserves are accessible to private investors, 56% of which are located in Canada’s oil sands. This makes Canada an important destination for global E&P companies. As a result, Canada’s oil sands industry is witnessing an increase in mergers and acquisitions (M&As), asset transactions and capital expenditure (capex). In 2010, the oil and gas industry in Canada spent nearly 31% of its total capital expenditure on the Canadian oil sands, next only to the capital expenditure spent on the Northern Canada conventional oil and gas region.

Oil Sands Contribute About 60% of Canada’s Total Oil Production

As of 2010, production from Canada’s oil sands region accounted for about 60% of the country’s total crude oil production. The share of oil sands in Canada’s total crude oil production increased from 48% in 2005 to 60% in 2010 as a result of the sharp increase in oil sands exploration and production activities in the country. In 2010, bitumen production accounted for 78% of Alberta’s total crude oil and raw bitumen production. Canada’s total oil sands production is approaching a daily production of 1.47 Mbb/d.

The figure below shows the trend in crude oil production from oil sands and from conventional sources in Canada from 2005-2010.



Canada Needs to Export its Heavy Oil to Markets Beyond the US

The US is currently the largest market for Canada's crude oil, accounting for more than 95% of Canada's total crude oil exports. The US, after the successful development of shale gas, is trying to increase its domestic crude oil production from shale oil resources. With the increase in domestic crude oil production, the US will curtail some of its oil imports. This will affect the growth of oil sands development in Canada unless Canada develops new export markets for its crude oil.

Canada is trying to develop new exports markets for its crude oil production. Consequently, the country is allowing foreign oil and gas companies to invest in oil sands projects. Oil and gas companies from Asia-Pacific have been at the forefront of securing participation in oil sands projects in Canada. In January 2011, China Petroleum & Chemical Corp (Sinopec), in a consortium with other companies, announced an investment of \$100m in the Northern Gateway pipeline project. The pipeline will connect Canada's oil sands area to British Columbia, from where the oil can be shipped to Asian countries.

Increasing Water Recycling by Oil Sands Producers will Reduce the Industry's Water Requirements

In order to find a solution to its huge water requirements, Canada's oil sands industry has been trying to increase water recycling and the usage of non-potable water. The oil sands industry in Alberta currently recycles about 80-95% of the water that it uses. The industry is increasingly utilizing non-potable water for in situ projects where steam is used to heat the bitumen in order to allow it to flow to the surface through wells. Such projects are helping to reduce the need for fresh water by increasing the utilization of non-potable water and enhancing the recycling process.

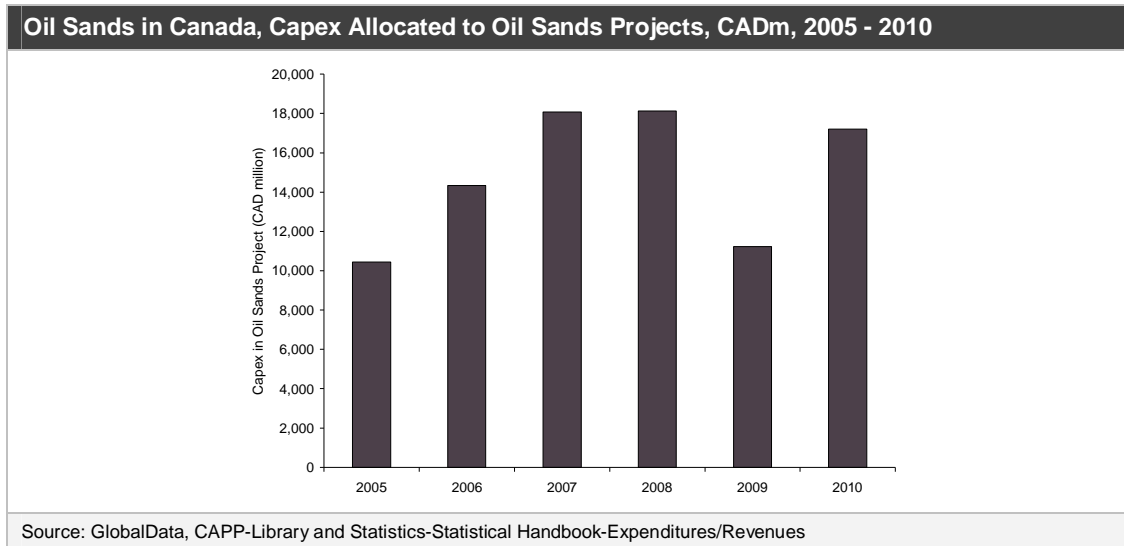
The amount of water utilized in the extraction of bitumen from oil sands is huge compared to the conventional oil extraction process. Producing each barrel of synthetic crude oil takes 2 to 4.5 barrels of water from the Athabasca River. However, the in situ method uses half a barrel of fresh water per barrel of oil produced.

Each sector in Alberta makes an application to the government for its water needs. The government then allocates water based on these applications. The government has already warned companies about the potential unavailability of water to meet the needs of all currently planned oil sands projects.

The Capex on Oil Sands Projects Increased at an AAGR of 10% from 2005 - 2010

The oil sands region has witnessed a significant increase in capital expenditure (capex) by companies operating in the region from 2005-2010. Capex trends are linked to the prices of a number of commodities and project equipment, such as structural steel, pipes, pumps and exchangers.

The figure and table below show the capex allocated to Canada's oil sands projects from 2005-2010.

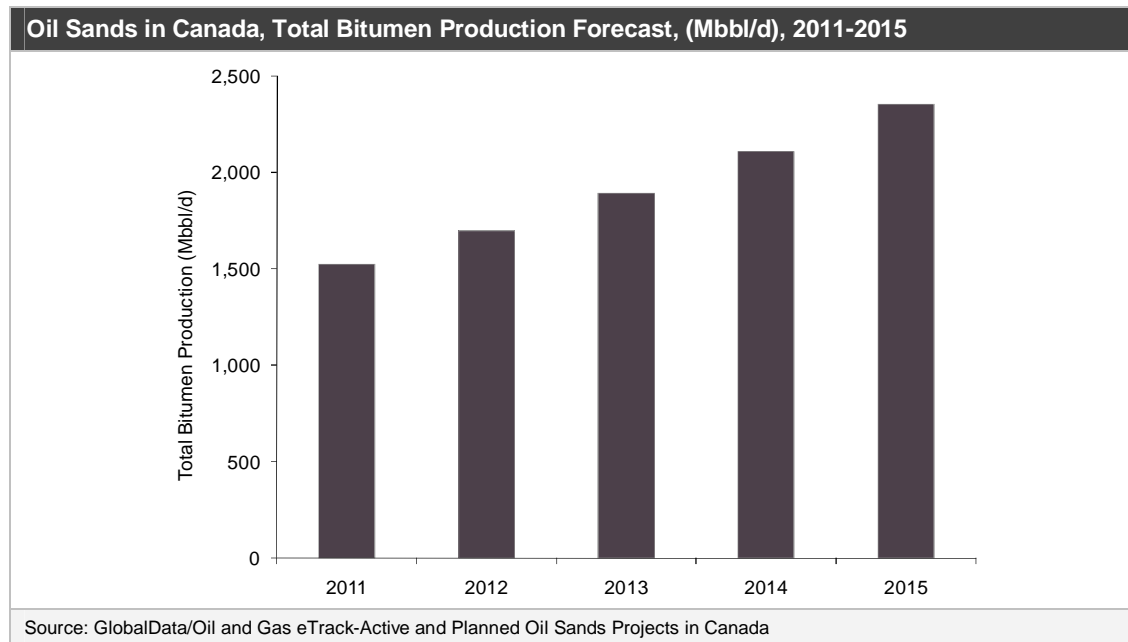


As highlighted in the figure above, the capex allocated to oil sands projects increased at an AAGR of 10% from 2005-2010. The capex saw a decline in 2009 due to the global financial crisis, which led to a decline in oil prices that rendered new investments in oil sands projects uneconomical. The capex allocated to oil sands projects witnessed a major decline representing the low enthusiasm for new oil sands projects. The capex allocated to oil sands projects resumed growth in 2010.

Bitumen Production from Oil sands will Increase at an AAGR of 10.8% from 2011-2015

Bitumen production from Canada's oil sands regions is estimated to increase from 1,528.1 Mbb/d in 2011 to 2,353.7 Mbb/d in 2015 at an AAGR of 10.8%. Of the estimated 2,353.7 Mbb/d of bitumen production in 2015, about 1,197.5 Mbb/d will be achieved through mining and the remaining 1,156.2 Mbb/d will be achieved using in-situ technology. Production using in-situ technology is expected to increase at an AAGR of 11.9%. The increase in mining production will grow at an AAGR of 9.8% from 2011-2015. The contribution of bitumen recovery using the in-situ method is expected to increase from 47.0% in 2010 to 49.1% in 2015.

The figure below provides the estimated bitumen production from Canada's oil sands from 2011-2015.



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Our highly qualified team of Analysts, Researchers, and Solution Consultants use proprietary data sources and various tools and techniques to gather, analyze and represent the latest and the most reliable information essential for businesses to sustain a competitive edge.

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