

Canadian Oil Sands Supply Costs and Development Projects (2009-2043)

David McColl

Mellisa Mei

Dinara Millington

Martin Slagorsky

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This year will mark the release of the Canadian Energy Research Institute's (CERI's) fifth annual oil sands industry update, examining production, supply costs, and constraining factors for oil sands development. The past year can be characterized as uncertain, and a "blood bath" for the global oil and gas industry. Fortunately, the dire predictions of a recession that is "worse than the Great Depression" have proven to be off the mark, as the North America economy is showing signs of an economic recovery. The recovery is already raising hopes that oil demand will once again surge and prices will follow.

While announcements have been made by Imperial Oil that they are staying course and proceeding with the Kearl oil sands projects, other major producers such as Royal Dutch Shell and Total have raised concerns that current oil prices are insufficient to justify new oil sands projects. The critical word is current. As the developed world moves forwards with its economic recovery and the BRIC nations (Brazil, Russia, India, and China) return to high levels of growth, it does not take much of an imagination to see oil prices (WTI) pushing north of US\$80 to US\$90 per barrel. This CERI Report provides an up-to-date assessment of oil sand production and supply costs, and will answer the question of "what is the trigger price that will bring Alberta back to a period of oil sands expansion?" Our previous edition was a best seller; the 2009 updated version will be available November 3, 2009.

CERI monitors and reviews all the announced oil sands projects (used in the *unconstrained* case), but also develops a more realistic assessment—the *CERI Reference Case*—based on likely timing conflicts, contingencies, and project delays and deferrals.

- ***How have costs of production changed over the past year?***
- ***What is CERI's long term view on oil sands capital and operating costs?***
- ***What impact does GHG emissions legislation have on costs?***
- ***What other cost areas have significantly changed?***
 - ***How depressed natural gas prices impact oil sands costs could over the next decade, and what is CERI's view of long term natural gas prices?***
- ***What are the implications for production levels and timing?***
- ***What are the implications for the economic viability of the oil sands?***

CERI calibrated the supply costs for the gamut of development systems—SAGD, cyclic steam stimulation (CSS), surface mining recovery, and bitumen upgrading—comparing updated costs with previous study results and industry operating costs.

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