

Canadian Oil Sands Supply Costs and Development Projects (2008-2030)

David McColl

Martin Slagorsky

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The recent unprecedented volatility in the price of crude oil and weakening global economy will have an impact on smaller companies proposing oil sands projects. When we couple the weak economy and volatile price of oil with continued rising costs for oil sands operators the margins for Greenfield producers are shrinking. Throw in the uncertainty pertaining to what the future price of carbon emissions could be and we have exciting, if not tense, times ahead for the oil sands industry.

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.

Margins for producers are being absorbed by continued cost increases, much of which is due to professional and skilled labour, materials and equipment, and GHG emissions costs.

- ***How much have costs of production continued to escalate?***
- ***What impact could future GHG emissions legislation have on costs?***
- ***What is the impact of the new royalty regime on costs?***
- ***What other cost areas have significantly changed?***
- ***What are the implications for production levels and timing?***
- ***What are the implications for oil sands supply cost and economic viability?***

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. Under current economic conditions, global oil prices need to be closer to C\$90 WTI to support new prototypical oil sands projects over the next 30 years, with a high end of over C\$100 per barrel WTI.

This CERI Report provides an up-to-date assessment. Our previous edition was a best seller; the new and significantly updated version will be available November 10, 2008.

The report will be of great interest for those involved directly or indirectly with the oil sands industry and professionals in government, investment banking, legal, and engineering and other support services sectors.

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