[Canadian Oil Sands Supply Costs and Development Projects (2012-2046)]
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Another year has passed and 2012 was a year of growth for the oil sands amid transportation issues, lack of market diversification, increasing production of tight oil in the US and Canada, and on-going skilled labour shortages and rising project costs. It is clear that among all these hurdles, one dominated the most – transportation challenges. While the skilled labour shortage remains a significant concern, the new oil sands projects will not come online due to pipeline constraints regardless of whether or not there are enough skilled personnel to work on these projects. Hence, when the US government rejected TransCanada’s Keystone XL project, originally intended as a 700,000-900,000 barrel per day (BPD) line to carry mainly oil sands streams from Hardisty, Alberta to the Gulf Coast via Cushing, it was a major impediment for the industry and provincial economy and has become a focal point of the political and environmental pro- and anti-oil sands debate in the US. In the meantime, the future of Enbridge’s Northern Gateway project that would initially take 525,000 BPD of heavy oil sands streams west to British Columbia’s port of Kitimat – and then to markets mainly in Asia – has become the centre of heated support and intense resistance in Canada. Given current constraints and opposition to expansion of existing pipeline capacity and new pipeline developments, companies have been proactive at exploring other transport options such as rail. While rail is emerging as a serious option to pipeline transportation, it is subject to limited availability of rail cars, terminals, and storage capacity, not to mention that rail, as pipelines, has a finite capacity along with safety and environmental concerns.

Last year’s report concluded that collaboration within the industry as well as with other stakeholders is of paramount importance to see this industry flourish. This year we would like to add that the future growth of provincial and federal economies as well as the industry’s growth may become increasingly uncertain if market opportunities are seized or strained, social license to operate is revoked, and the debate over the future of oil sands among Canadians, governments and industry is unproductive.

This is the Canadian Energy Research Institute’s (CERI) eighth annual oil sands industry update, examining production, supply costs, and constraining factors for oil sands development. CERI monitors and reviews all the oil sands projects (used in the unconstrained case), and also develops a more realistic assessment – the CERI Reference Case Scenario – based on likely timing conflicts, contingencies, and project delays and deferrals. From the Reference Case Scenario stems the projections of production, investment, royalties, natural gas requirements, GHG emissions and demand for diluent, as well as supply costs for primary recovery, SAGD, surface mining recovery, and bitumen upgrading.

To view the data behind the report, please click here