

2018 Crude Oil Forecast,  
**MARKETS AND TRANSPORTATION**



CANADA'S OIL & NATURAL GAS PRODUCERS

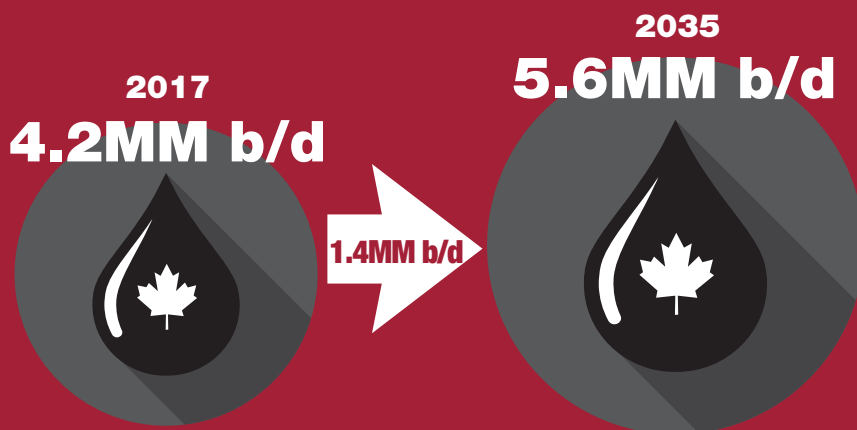
# EXECUTIVE SUMMARY

## Executive Summary



It has been a challenging past few years for Canada's oil industry. Despite facing a number of obstacles since the economic downturn in 2014, producers have worked hard to maintain consistent oil sands and conventional crude oil production across the country.

In its *Crude Oil Forecast, Markets and Transportation* report, CAPP forecasts Canadian crude oil production will jump 1.4 million barrels per day (b/d) by 2035 to 5.6 million b/d. Every year CAPP provides a long-term outlook for Canadian crude oil and an update on oil markets and transportation.





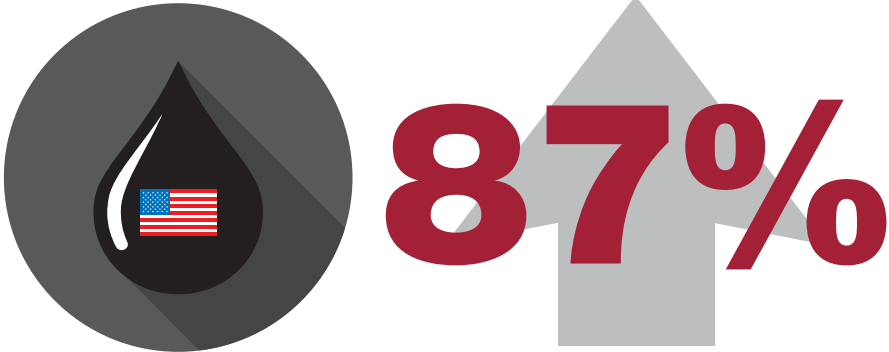
# COMPETITIVENESS

Canada's ability to remain competitive with other energy-producing jurisdictions has eroded in recent years as a result of increasing regulatory cost burdens, climate change policies, and its inability to get pipelines built. Canada is attracting more uncertainty, not investment.

- Rising government costs, more red tape and federal approvals that do not lead to construction, are leaving many wondering if Canada is open for business.
- Capital investment in the energy sector is on the rise around the world, but not in Canada. Oil sands investment is expected to decline for the fourth consecutive year.
- Canada needs fair rules and regulatory decisions that stick. Instead, the oil industry is being hit with unfair costs, project delays, and new rules that only apply to Canadian energy but not to foreign energy.

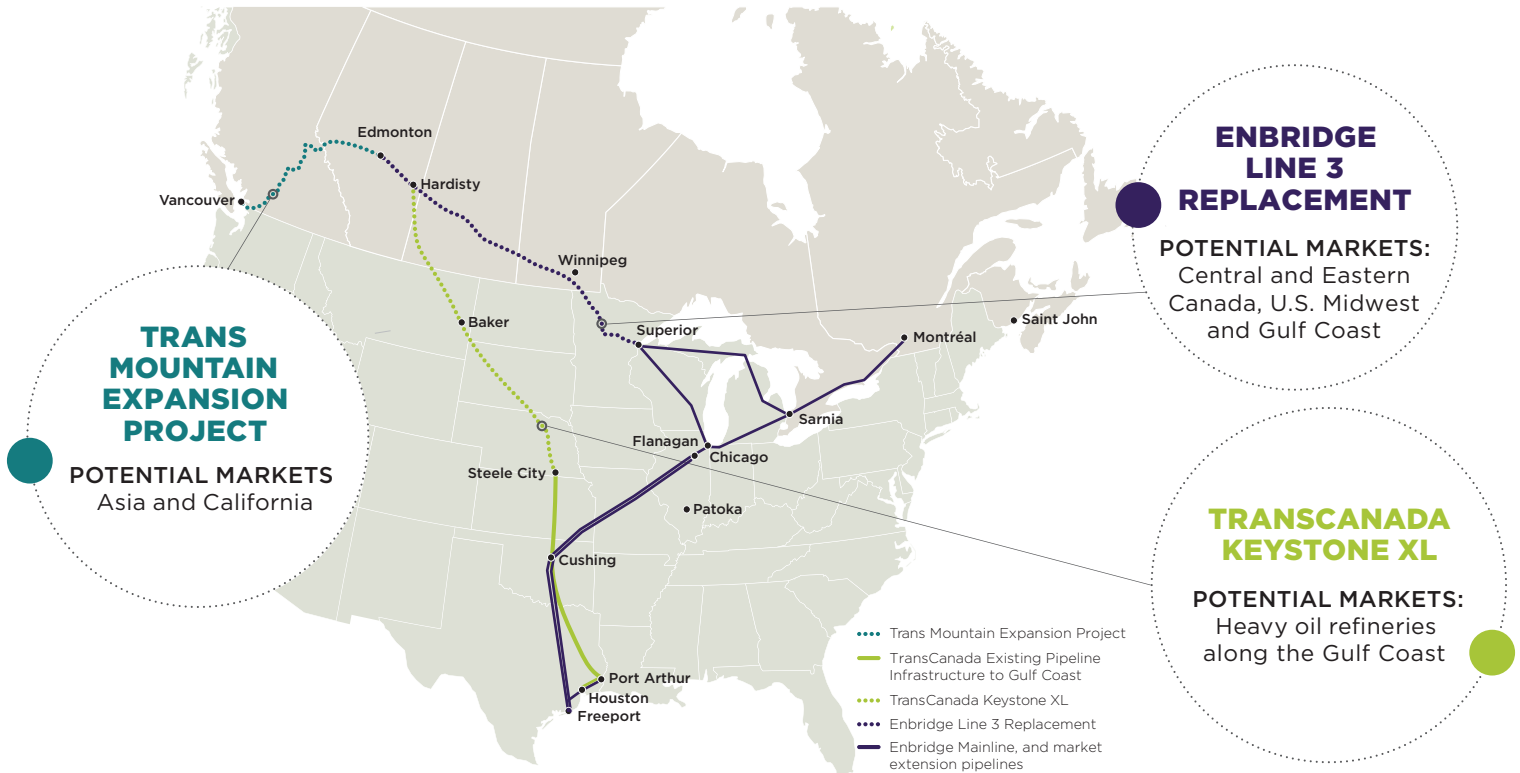
The United States is Canada's largest customer and its biggest competitor. About 99 per cent of Canada's crude oil exports – 3.4 million b/d in 2017 – were exported to the U.S.

## **BETWEEN 2008 AND 2017 THE U.S. HAS INCREASED CRUDE OIL PRODUCTION:**



**Canada is attracting more uncertainty, not investment.**

**Building pipelines is a matter of building Canadian prosperity. It opens the door to energy trade between Canada and the world, including growing markets in China, India, and Southeast Asia.**



## PIPELINES

The biggest challenge facing Canada's crude oil industry is the need for pipelines. In 2017, crude oil supply\* grew to 4.2 million b/d – exceeding total pipeline capacity exiting Western Canada.

- Canada needs pipelines – not barricades – to move Canadian crude oil to the world.
- Industry has the potential to grow in the coming decades but only if governments lift barriers to investment and new pipelines get built.
- Canada loses out on an estimated \$15.6 billion per year because of our pipeline shortage – less public money for schools and teachers, hospitals and nurses.

Source: Scotiabank, 2018

Western Canadian crude oil supply is forecast to grow from 2017 levels by about two million b/d to 6.2 million b/d by 2035. The growth of Canada's crude oil industry depends on new pipelines and new policies. It will need all three proposed pipeline projects – Enbridge's Line 3 replacement, TransCanada's Keystone XL, and Kinder Morgan's Trans Mountain expansion pipeline – if it wants to succeed as a global supplier.

\*Crude oil supply is crude oil production after accounting for the practice of blending heavy oil and bitumen with diluent and upgrading yield losses. By volume, supply is greater because of the inclusion of imported diluent.



## OIL SANDS

Driving Canadian crude oil growth is the oil sands. Despite a projected decline in capital spending for the fourth consecutive year to \$12 billion in 2018. The oil sands will continue to lead production growth and increase more than 1.5 million b/d to nearly 4.2 million b/d by 2035.



## CONVENTIONAL & OFFSHORE CRUDE OIL

Western Canada accounts for about 95 per cent of the country's total oil production. While the oil sands contribute two-thirds of the 3.96 million b/d produced in the region, conventional crude oil production – including pentanes and condensates – accounts for the remainder.

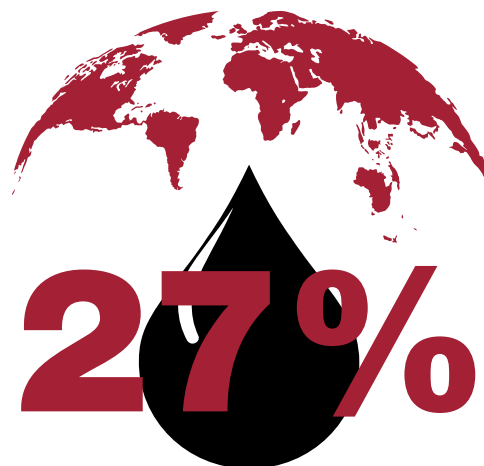
Through to 2035, total conventional production in Western Canada will remain flat, rising to a forecasted 1.33 million b/d from 1.32 million b/d in 2017. The greatest potential for growth, compared to 2017's forecast, is in the liquids-rich Montney and Duvernay formations. As such, pentanes and condensates will peak at about 500,000 b/d by 2026.

Offshore crude oil production in Eastern Canada will rise to 290,000 b/d by 2025, primarily due to production from the Hebron offshore project ramping up, but will begin to decline thereafter to hit 70,000 b/d by 2035.

## ENERGY FOR TOMORROW

In its 2017 *World Energy Outlook*, the International Energy Agency forecasts the global population will rise to nine billion people by 2040. Oil will continue to be the world's largest source of energy, accounting for 27 per cent of the total future energy mix.

- Canadian energy is innovative and can provide the world with the energy it needs with less impact.
- Scientific breakthroughs by innovators in Canada's oil industry at Canada's Oil Sands Innovation Alliance (COSIA) and the Petroleum Technology Alliance Canada (PTAC) are showing the world how to break the link between energy growth and emissions growth.



**Oil will continue to be the largest source of energy at 27%.**

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The Canadian Association of Petroleum Producers (CAPP) represents companies, large and small, that explore for, develop and produce natural gas and crude oil throughout Canada. CAPP's member companies produce about 80 per cent of Canada's natural gas and crude oil. CAPP's associate members provide a wide range of services that support the upstream crude oil and natural gas industry. Together CAPP's members and associate members are an important part of a national industry with revenues from oil and natural gas production of about \$110 billion a year.

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