OIL SANDS-CONCENTRATED PRODUCER CAPEX ($M)

Source: Bloomberg New Energy Finance
1970-2000 ZOOM IN

High prices lead to increased output from North Sea & Cantarell

High-cost regions continue to grow production

1973: OPEC Embargo – end of Seven Sisters
1979: Iranian Revolution – oil shock #2
1990: Saudi produces at full throttle in response to quota violations, leading to a decade of low prices

Source: Bloomberg New Energy Finance
WHY OIL SANDS PRODUCTION WON’T DECLINE IN THE NEAR TERM

Oil sands: mining
- Large upfront investment
- 5+ year lead time
- Long-life asset – minimal sustaining capex required
- Low lifting costs

Oil sands: in-situ
- Medium/large upfront investment
- 4-5 year lead time
- Long-life asset, but individual wells exhibit declines after ~5-10 years – need for sustaining capex
- Medium/low lifting costs

Tight oil
- Small upfront investment
- High initial decline rates (65-80% in first year)
- Low lifting costs

Investments into new oil sands projects require a long view on commodity prices...

... adding capacity/sustaining capex requires a medium-term view...

... only two-three years of hedge-ability needed for tight oil/gas wells.
Our forecast – July 2014

Our forecast – March 2015

Source: Bloomberg New Energy Finance, CAPP, AER
TAKEAWAY OPTIONS AND PRODUCT THROUGHPUT (KBPD)

Total product throughput (SCO, dilbit, railbit and conventional) adjusted for pipeline delays

Source: Bloomberg New Energy Finance, CAPP, AER

Note: Pipelines shown at 90% of capacity; rail shown at 60%
2013 OIL SANDS TRANSPORTATION LOGISTICS AND VOLUMES

Conventional (1,069 kbpd)

Mined bitumen (891 kbpd)

In-situ and Enhanced Recovery (989 kbpd)

Diluent (356 kbpd)

Upgrader

SCO: 757kbpd

Dilbit

Coke/Naphtha/LPG

Pipeline Capacity (3,411 kbpd)

Rail (263 kbpd)

Source: Bloomberg New Energy Finance, CAPP, AER

14 August 2014
DILBIT (PIPELINE) VS. RAILBIT (RAIL) LOGISTICS COMPARISON (KBPD)

Source: Bloomberg New Energy Finance
This publication is the copyright of Bloomberg New Energy Finance. No portion of this document may be photocopied, reproduced, scanned into an electronic system or transmitted, forwarded or distributed in any way without prior consent of Bloomberg New Energy Finance.

The information contained in this publication is derived from carefully selected sources we believe are reasonable. We do not guarantee its accuracy or completeness and nothing in this document shall be construed to be a representation of such a guarantee. Any opinions expressed reflect the current judgment of the author of the relevant article or features, and does not necessarily reflect the opinion of Bloomberg New Energy Finance, Bloomberg Finance L.P., Bloomberg L.P. or any of their affiliates ("Bloomberg"). The opinions presented are subject to change without notice. Bloomberg accepts no responsibility for any liability arising from use of this document or its contents. Nothing herein shall constitute or be construed as an offering of financial instruments, or as investment advice or recommendations by Bloomberg of an investment strategy or whether or not to "buy," "sell" or "hold" an investment.
MARKETS
Renewable Energy
Energy Smart Technologies
Advanced Transport
Gas
Carbon and RECs

SERVICES
Americas Service
Asia Pacific Service
EMEA Service
Applied Research
Events and Workshops

Unique analysis, tools and data for decision-makers driving change in the energy system

sales.bnef@bloomberg.net

Charles Blanchard
cblanchard1@bloomberg.net

Bloomberg
NEW ENERGY FINANCE