Sign Up with the Oilfield News Online

Weekender
Oilfield NEWS
www.oilfieldnews.ca

Published By: NEWS COMMUNICATIONS since 1977

Saturday May 10th, 2014

CONFIDENCE IN SAFE TRANSPORT OF OIL FALLS, POLLS SUGGEST

Pipelines have most support, but confidence in Ottawa's ability to protect environment slipping

A series of public opinion polls on the shipment of oil released under Access to Information suggest the federal government is in a tight corner when it comes to convincing Canadians that developing resources is safe for the environment.

On the one hand, almost half of Canadians polled think pipelines can transport oil safely.

But on the other, people are increasingly wary of the environmental risks of shipping or exporting oil using any kind of infrastructure — pipelines, tankers or rail.

And Canadians are split over whether the need for energy outweighs the environmental risks of developing Alberta's oilsands.

"It really does give some indication that Canadians are really divided on the future of the industry," said Andre Plourde, who is an expert in energy and environmental policy and dean of Carleton University's faculty of public affairs.

The Harper government sees resource development as a major driver of the Canadian economy. But it's increasingly running into public protests against new infrastructure, such as pipelines and tankers, to get those resources to new markets.

Plourde said the polls suggest why the federal government is facing such resistance.

"It's a hard card to play if half of Canadians start off the debate by saying the environmental footprint is too large even from the get-go," Plourde said in an interview with CBC News. "It's a difficult place to be at."

Polls for departments, industry

The documents released to CBC are an aggregate of polls conducted for Environment Canada, Natural Resources Canada and the petroleum industry and by the CROP polling company from 2011 to 2013.

They are included in an internal document called Public Opinion on Oil produced by Environment Canada in November 2013.

Some highlights include:

• 51 per cent of 2,070 Canadians think developing the oilsands is worth the environmental risk, while 49 per cent do not, according to an online survey for the Canadian Association of Petroleum Producers in October, 2013.

• 64 per cent of 2,000 Canadians polled think the government is doing a "somewhat poor" or "very poor" job of balancing economic growth and environmental protection, according to an online survey of 2,000 Canadians by CROP in September, 2013.

• Fewer Canadians see new oil and gas markets as important, with support dipping to 52 per cent in late 2013 from 60 per cent in 2011, based on telephone surveys for Environment Canada of 2,000 to 3,000 Canadians.

• Fewer than three out of 10 (28 per cent) Canadians think the government can adequately respond to a significant oil spill on land, and even fewer (23 per cent) think it can adequately respond to a big oil spill on water, according to telephone surveys of 3,004 Canadians conducted for NRCAN in October and November, 2013.

• One out of five respondents has heard anything about government action to protect Canada from oil spills, according to that same NRCAN survey.

In response to CBC News's request for comment, Environment Canada spokesman Mark Johnson pointed to the government's steps to regulate emissions.

"Our sector-by-sector regulatory approach allows us to protect the environment and support economic prosperity. We have already put regulations in place for two of the largest sources of emissions in this country: the transportation and the electricity-generation sectors."

But the opposition reads the numbers a different way.

'Social licence'

"I found results around whether or not the government was in a good position to transport oil safely or deal with effectively with spills really stark and telling," said NDP environment critic Megan Leslie in an interview with CBC News.

Leslie thinks social licence is waning for big projects since the federal government streamlined its environmental regulations in 2012.

Some opponents to the Northern Gateway Pipeline project, which would carry oilsands bitumen from Alberta to Kitimat, B.C., fear effects of a potential oil spill on the B.C. coast. (Robin Rowland/Canadian Press)

"The gutting of our environmental legislation means people don't trust that we have the policies or procedures in place to take care of things like spills," said Leslie.

"They've made their own bed on this file and now they are going to have to lie in it. This is their own doing."

Johnson, however, argues the federal government has taken some big steps to respond to that public concern by working with Alberta on environmental monitoring of the oilsands and has made a series of announcements in the last two years on its "world class tanker safety strategy".

"The government of Canada believes that economic prosperity and environmental protection are not mutually exclusive goals," he said.

Nonetheless, the documents show the Harper government has a big challenge in getting broad support for its so-called policy of responsible resource development, said Plourde.

"From a policy perspective, basically if you are the feds, you want to run away from this issue," he said. "In some sense you know you can't win."

Plourde, a former top bureaucrat with the federal Department of Natural Resources, said the polls suggest the current approach isn't working.

"On the energy-environment relationship, talk less and act more would be a good place to start."

CITY COUNCIL APPROVES NEW ENBRIDGE OIL TANK

City Council has given approval for Enbridge to replace an old oil tank between the Co-op Refinery and Ring Road.

Enbridge applied to replace a 50 thousand barrel crude oil tank, which is 50 years old with a new 190 thousand barrel tank to meet the needs of growing capacity.

Even though Enbridge met all provincial and federal regulations, councillors had many questions about safety and potential environmental hazards. Councillors asked whether there was a risk of a leak and how the larger volume would affect air quality and water quality of the aquifer situated below it.

Mayor Michael Fougere said they were assured the new tank – although bigger, is more reliable than the older one: "This is one of the benefits of having a new tank. There's new and better technology for storage and we're going to see that now. We have a 50 or 60 year old technology that's being replaced by the 2014 technology."

Enbridge says the life span of the new tank is a minimum 20 to 30 years.

ENCANA TO DOUBLE OIL OUTPUT WITH $3.1B US SHALE DEAL

Canada's largest natural gas company Encana Corp said on Wednesday it is buying producing assets in the Eagle Ford shale field in Texas from Freeport-McMoRan Copper & Gold for $3.1 billion, nearly doubling its oil output.

Encana has been concentrating on five shale fields that are rich in oil and natural-gas liquids to lessen its dependence on lower-value gas. This transaction will add a sixth focus area and is aligned with Encana's growth strategy, the company said.

"Gaining a position in a world class, oil-rich resource play like the Eagle Ford accelerates the transition of our portfolio and underscores our investment focus on high margin assets" said Encana's Chief Executive Doug Suttles, in a statement.

Calgary-based Encana has been focusing on five shale fields - Montney in British Columbia, Duvernay in Alberta, the DJ Basin in Colorado, the San Juan Basin in the U.S. Southwest and the Tuscaloosa Marine Shale in the U.S. South. It has sold natural gas properties in Wyoming's Jonah field and other acreage in East Texas to reduce its dependence on pure gas assets.

Encana said the Eagle Ford assets offer a large contiguous land position in the core of the play, fitting well with Encana's technical expertise in developing resource plays.

Canaccord Genuity analyst Phil Skolnick said he views the transaction as positive for Encana, as the deal will boost cash flows for the company.

The deal will give Encana 45,500 net acres in Karnes, Wilson and Atascosa counties in south Texas. The properties produced the equivalent of about 53,000 barrels of oil per day in the first quarter, the company said.

Encana said it expects to fund the deal with cash on hand combined with anticipated proceeds from previously announced transactions. The deal is expected to close by the end of the second quarter.

Freeport Debt Reduction

Freeport said it expects net proceeds of about $2.5 billion, roughly half of which would be used to repay debt and the rest for investment in the deepwater Gulf of Mexico. The proceeds would get the copper and gold miner more than halfway to its stated goal of monetizing about $4 billion of its energy assets.

Freeport had said it was looking to sell some assets to reduce its heavy debt load. Its debt levels spiked last year when it bought energy companies Plains Exploration & Production Co and McMoRan Exploration Co for $9 billion. At March 31, 2014, its consolidated debt was $20.9 billion.

"This transaction represents an important step in our ongoing debt reduction plan while providing additional capital to enhance our portfolio of assets with superior margins and growth characteristics," said Freeport's CEO James Moffett in a statement.

Scotia Waterous advised Encana on the deal. Barclays Capital Inc was Freeport's financial adviser.

Encana's shares, which gained 28 percent this year, closed at C$24.56 on the Toronto Stock Exchange on Tuesday. Freeport shares closed at $33.84 on the New York Stock Exchange.

ENBRIDGE INC SEES OPPORTUNITIES FOR GROWTH IN B.C.'S EMERGING LNG INDUSTRY

Enbridge Inc. is eyeing business opportunities in British Columbia tied to the emerging liquefied natural gas industry as Canada's No. 1 pipeline company seeks new growth projects beyond 2017.

Chief executive Al Monaco said Wednesday potential West Coast exports would drive a lot of demand for natural gas processing and gathering infrastructure.

Royal Dutch Shell PLC, Chevron Corp. and Malaysia's Petronas are proposing multibillion-dollar refrigeration plants designed to convert natural gas into a liquid for export by tanker in hopes of capitalizing on higher prices for the fuel in Asia. A series of major pipelines is proposed to connect gas fields in the province's northeast to the coast.

Related

"I think generally people talk about the LNG plants themselves or the long-haul pipes," Mr. Monaco said. "But certainly [there's] a lot of requirement for gathering and processing infrastructure. We think, given the magnitude of those projects and the number of them, a company like Enbridge can play a very strong role."

Enbridge, Canada's main crude oil shipper, last year paid about $20 million for a parcel of land at Grassy Point, B.C.

The company said the move was related to possible LNG-related business opportunities. Energy giant CNOOC Ltd. has secured a parcel of land in the vicinity and is assessing a possible export terminal with partners JGC Corp. and Japan's Inpex Corp.

Mr. Monaco was mum on details when asked about potential uses for the property. The company has said the land is not related to its $7.9-billion Northern Gateway oil pipeline project.

A decision on the contentious oil pipeline is expected by June from the federal cabinet. Gateway would transport up to 525,000 barrels of oil sands-derived crude a day to a super-tanker port at Kitimat, B.C., with another pipe importing 193,000 barrels daily of bitumen-thinning condensate.

Enbridge has said it expects a "significant" increase in costs for the project, pending completion of a revised engineering analysis of the pipeline route and marine terminal.

The project remains deeply unpopular among some First Nations, environmental groups and municipalities.

Enbridge would also consider building rail-loading terminals to compensate for regulatory delays building new pipelines, Mr. Monaco said, although a spokesman later said the company is not actively pursuing any opportunities.

Enbridge in March unveiled a $7-billion plan to replace its Alberta-to Wisconsin Line 3 pipeline, one of six tubes that comprise its huge mainline shipping network. Applications to the NEB and to the Federal Energy Regulatory Commission in the U.S. are expected later this year, Mr. Monaco said.

The company is waiting on U.S. State Department approval to boost capacity of its Alberta Clipper pipeline to the Chicago region to 800,000 barrels per day. Assuming the U.S. authorities sign off on the plan, Mr. Monaco said he expects the project to start-up by the third-quarter of 2015.

The company also expects to increase deliveries of Alberta heavy crude to the U.S. Gulf Coast by 600,000 barrels a day via its Flanagan South project and expansions to its Seaway line starting in the third-quarter this year.

Canada's federal energy regulator recently approved plans to deliver up to 300,000 barrels a day of Western crude to Montreal along the company's Line 9.

Enbridge said first quarter profits rose to $390-million, or 47¢ per diluted share, from $250 million, or 31¢ a year ago. Revenue totaled

$10.52 billion, up from $7.9 billion in the first three months of 2013.

The company is on track to be within its full-year earnings guidance range of $1.84 to $2.04 per share, Mr. Monaco said.

FRACKING REPORT VALIDATES ENVIRONMENTAL CONCERNS IN N.W.T.

'This report ties it all in a bow and says yes, in fact, we don't really know a lot of the impacts'

A director of the Pembina Institute in Edmonton says a new report on the risks of shale gas development validates northerners' concerns about fracking, and points out the importance of public consultation.

The report released this week by the Council of Canadian Academies was commissioned by the former federal environment minister two years ago because of growing health and environmental concerns about fracking.

In it, a group of North America's top scientists advocate a go-slow approach and says industry and government need to know more about the long-term effects and environmental impacts of fracking before allowing projects to go ahead.

"People have been saying exactly this," says Pembina's Duncan Kenyon. "And it's not even necessarily people saying, 'No, don't you dare ever do shale gas in my backyard.' It's actually people just saying, 'Whoa, let's think about this because we don't really know what's going on.'

"This report ties it all in a bow and says yes, in fact, we don't really know a lot of the impacts on this development."

Kenyon says the report also calls for strong public engagement as projects move forward.

"There have been some challenges in other jurisdictions where they've just kind of rolled in and checked the box for local engagement, but they never really asked locals and local communities," he says.

Kenyon says local engagement is especially important in the North, where projects can have a large impact on traditional land.

He notes that communities and aboriginal groups often have different ideas about what it means to consult, and that's just one thing that needs to be made clear as more fracking projects are proposed.

Elder afraid for youth

Some people in the Sahtu region of the Northwest Territories say the report confirms their fears about fracking.

David Etchinelle, an elder who's lived in Tulita, N.W.T., his whole life, says companies interested in fracking near his community have consulted with leadership in his community, but not the general public.

Ethcinelle says that makes it hard for him to trust any new developments.

"I'm really not happy about it and … I hope they let people know how it's working. They're using so much water, but I think they're using more than what they're saying."

Etchinelle says his fears though, are mostly for the youth in his community, who will inherit the potential problems that come with fracking.

"My young people are in a black pitch. They don't know where they're going. We'll have to try so hard for them to work with that kind of stuff."

This winter, ConocoPhillips was the first company to start fracking in the Sahtu region of the Northwest Territories.

The company is now seeking to expand that program.

A proposal by Husky Energy to drill and frack four wells in the same region has drawn considerable controversy.

'Environmental impacts... not typically anticipated'

The report found that so little is known about the long-term impacts of extracting gas by fracturing rock beds with high-pressure fluids that scientists and regulators need to start now to understand how to develop the resource safely and cleanly, said co-author Rick Chalaturnyk, an engineering professor at the University of Alberta.

It also warns against being blinded by the lure of big bucks.

"The lessons provided by the history of science and technology concerning all major energy sources and many other industrial initiatives show that substantial environmental impacts were typically not anticipated," the report says.

"What is perhaps more alarming is that where substantial adverse impacts were anticipated, these concerns were dismissed or ignored by those who embraced the expected positive benefits of the economic activities that produced those impacts."

OFFSHORE OIL AND GAS BIDS BEING ACCEPTED FOR SCOTIAN SLOPE

CNSOPB issued a call for exploration bids on four parcels of the Scotian Slope

The Canada-Nova Scotia Offshore Petroleum Board has issued a call for exploration bids on four parcels of the Scotian Slope.

The slope area lies in water that extends 850 kilometres from the United States international border in the southwest, to the Newfoundland provincial border in the northeast.

The board says the four parcels, which have potential for both oil and gas, are found at depths between 100 metres and 4,100 metres.

Parcels one and two are in the western area and extend from the outermost shelf to the lower slope, while parcels three and four border the Newfoundland and Labrador provincial boundary and are adjacent to several active exploration licences managed by the Canada-Newfoundland and Labrador Offshore Petroleum Board.

Board CEO Stuart Pinks says successful bids will be awarded an exploration licence subject to federal and provincial ministerial approval.

The board says the bids must be submitted by Oct. 30.

OIL-RICH SAUDI ARABIA HAS A CLEAN-ENERGY PLAN. WHY NOT CANADA?

Think of oil-rich Saudi Arabia and the first words that come to mind are not necessarily "renewables" or "sustainability." Yet King Abdullah University of Science and Technology (KAUST) in Jeddah is a showcase for sustainable energy – the world's largest LEED Platinum campus, which includes a solar roof of approximately 900,000 square feet.

It's a sign of how Saudi Arabia, the world's second-biggest producer of crude oil, aims to signal both at home and internationally that it is moving beyond fossil fuels for domestic consumption. The Kingdom is investing heavily in alternative energy over the next two decades.

For decades one of the world's largest oil exporters, the Saudi kingdom is allocating $109-billion toward alternative energy, with the goal of becoming the world's biggest market for renewables by 2032. The plan calls for 20 per cent, or 41 gigawatts, of the country's power to be solar by that time, with additional energy to come from wind, geothermal, energy-from-waste and nuclear plants.

The Saudis want this shift to happen through partnerships with private sector companies. It may seem counterintuitive for a petro-state to even consider a tilt toward sustainability, but the Saudis have their reasons.

These certainly don't include running out of oil and gas: Saudi Arabia produces and exports more petroleum liquids than anyone, and it's just behind Russia (and ahead of Canada) in crude oil exports. One Saudi oil field alone, the 3,263-square-kilometre Ghawar field, has more oil than all the reserves in all but six countries, and the Kingdom also holds the world's fourth largest proven natural gas reserves.

The Saudi government wants alternatives because it depends on oil and gas for its livelihood, drawing up to 90 per cent of total revenues and more than 40 per cent of the country's GDP just from oil. There is plenty to export, but domestic demand is high and has been rising.

In 2009, Saudi Arabia consumed 2.4 million barrels of oil per day, up 50 per cent since 2000. Gas at the pumps costs about 23 cents (Canadian) per litre, so there's little incentive to avoid driving. Some of the demand comes from industry. Saudi power plants burn crude oil directly for electricity and natural gas is used for petrochemical production.

It all adds up, which is why the 2032 target for 20-per-cent renewable energy was chosen. The head of the Kingdom's electricity regulatory authority warned in 2011 that peak demand will nearly triple by that year; and a senior Saudi electricity official said that more crude oil is needed already to keep up with current demand.

More renewable energy can also help Saudi Arabia meet the near-insatiable demand for electricity to run the country's more than 30 desalination plants. Desalination plants, which provide at least half of the Kingdom's municipal water, are massive users of energy.

The Saudis are intent on developing a long-term strategy. In September 2013 they held their third annual solar energy summit, and a similar summit on smart electric grids is scheduled for the autumn of 2014.

The country's national strategy is in stark contrast to Canada, also energy-rich, which seems to muddle along. "We don't have a long-term energy strategy in Canada?" says Benjamin Thibault, Program Director, Electricity for the Pembina Institute, an energy and environmental NGO.

"Basically, it has been left to the provinces to develop their own, and the provincial strategies are a patchwork." He says Ontario and Nova Scotia took an early lead on renewable energy policy, while British Columbia seems to be retreating from previous initiatives. Alberta's former premier Alison Redford called for a national strategy but that province "has so far chosen to leave the potential for growth [in renewable energy] on the table. So there's no national strategy in Canada on the level of what Saudi Arabia is doing," Mr. Thibault says.

There's ample sunshine in Saudi Arabia, but going solar and switching to other renewables won't be easy. Policies sometimes work at cross-purposes; for example, oil for domestic use is subsidized to cost as little as $5 per barrel in some cases, compared with the $100 range it can fetch in overseas markets.

Keisuke Sadamori, a director at the International Energy Agency, says "policy uncertainty is the largest risk for renewable investment. Every country, including Saudi Arabia, should introduce long-term policies to provide a predictable and reliable framework to support renewable deployment."

PREMIER SIGNS LETTER OF INTENT WITH PETRONAS FOR POSSIBLE $11 BILLION LNG PLANT

Premier Christy Clark announced the provincial government has signed a letter of intent with Malaysian energy giant Petronas to develop an LNG facility in B.C.

The Premier was in Kuala Lumpur, Malaysia today as part of a week-long Asia trade mission.

The deal is to secure long-term investments in B.C's LNG industry and it could lead to a multibillion-dollar LNG project in the Prince Rupert area.

The project would be an $11 billion investment.

Petronas and the provincial government hope to have a deal hammered out by November 30, 2014.

Clark hopes to create 100,000 jobs in LNG in the province. 13 projects are already approved, and the province says if just five of these projects go forward, B.C.'s GDP could benefit by $1 trillion.

58,700 workers will be required at the peak of LNG-related construction in 2018 if all goes according to plan.