Sign Up with the Oilfield News Online

Oilfield NEWS

www.oilfieldnews.ca

Published By: NEWS COMMUNICATIONS since 1977

Wednesday June 3rd, 2015

OIL-PRICE DROP IMPACT ON CANADA LESSENED THANKS TO FOREIGN OWNERSHIP

Finance department memo says foreign ownership of energy sector higher than reported by StatsCan

Canada has been partly insulated from the sharp drop in oil prices because so much of the energy sector is foreign owned, says an internal Finance Canada document.

The Feb. 20 memo says up to half of Canada's oil and gas sector is owned by foreign investors, higher than reported by Statistics Canada using different calculations.

"As a result, the potential negative wealth effects of lower oil prices on consumption may be considerably less than might appear," says the memo for Paul Rochon, deputy minister of finance.

Statistics Canada reported in December that about 37 per cent of Canada's oil and gas extraction sector was under foreign control in 2012, or about $206 billion of the $563 billion total. But the agency uses a method that ignores who owns shares in widely held Canadian energy companies.

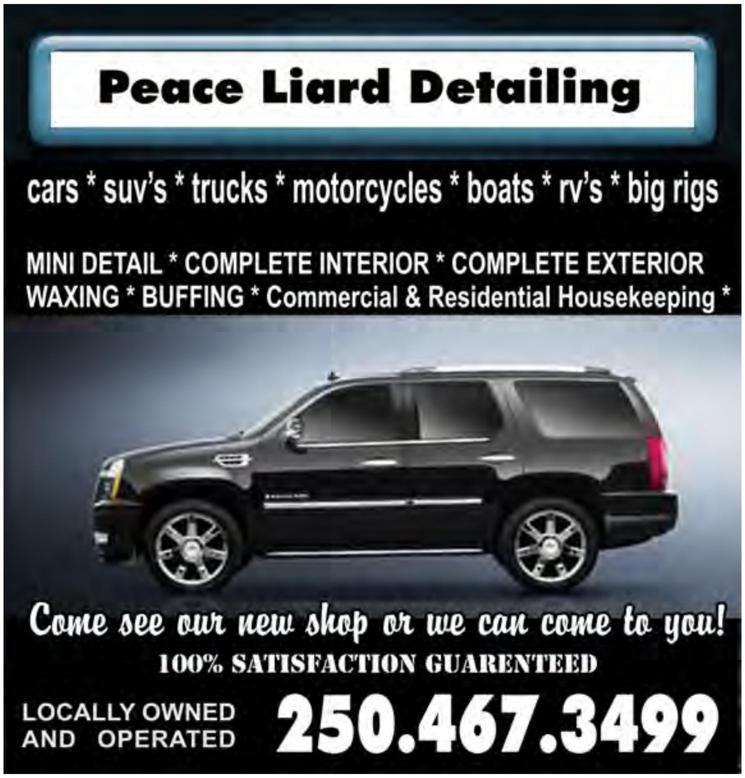
By estimating the number of foreign stockholders, and adding them to foreign owned or controlled firms, Finance Canada economists suggest that between 40 per cent and 50 per cent of the energy sector is in non-Canadian hands.

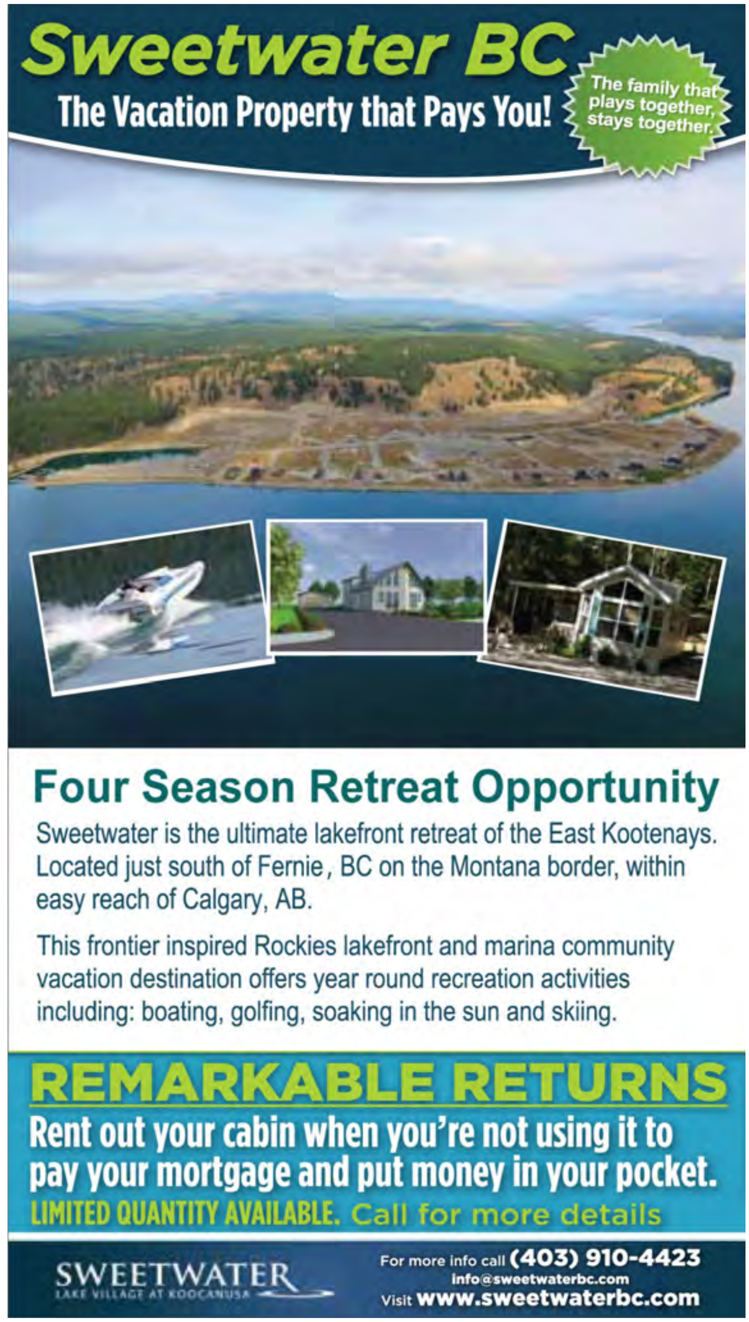
"A significant amount of foreign capital was brought into Canada to expand oil and gas production," says the document. "These foreign investors benefited as energy prices increased, but are sharing capital losses with Canadians as prices fall."

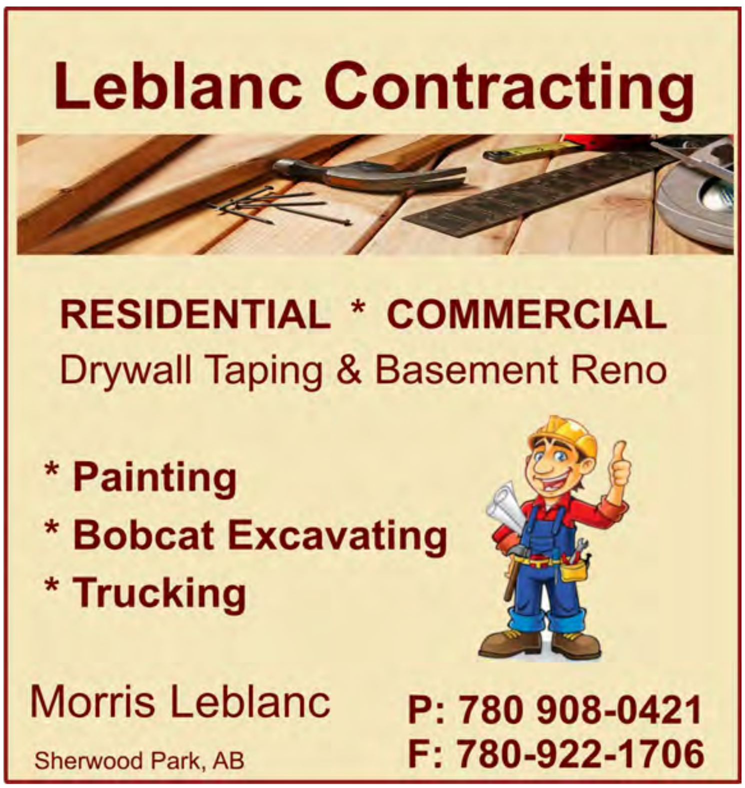
A copy of the memo, with a key section blacked out, was obtained by CBC News under the Access to Information Act.

A spokesman for Finance Canada confirmed that the analysis was to help assess how the collapse in oil prices last year affected the economy.

"The analysis was conducted in order to help understand the impact of the fall in oil prices," David Barnabe said in an email, adding the calculation should not be compared with Statistics Canada's conclusions







on foreign-ownership levels.

"There is no discrepancy with the Statistics Canada data," he said. "Those data were not addressing the same issue as was being analyzed in the note; rather they were an input into it."

NDP's finance critic Nathan Cullen said the Harper government has previously argued that the energy sector was the engine of the Canadian economy, yet now appears to be playing down its importance.

"I don't quite see how they get to have the argument both ways, that one day it's central and the driving force and nothing else matters," he said in an interview.

"And then the next day the same government says, well, if the market falls out of the bottom, it's not a big deal."

The higher foreign ownership level suggested by Finance Canada also help explains why there's so little value-added activity in Canada's energy sector, he said.

"To me it speaks volumes.... If most of the ownership is foreign, then there's an incentive to add value to the oil elsewhere, where the money can be made for other countries."

The rookie NDP government of Alberta Premier Rachel Notley has signalled its interest in more value-added activity for the oil patch. And her new chief of staff, party heavyweight Brian Topp, has previously raised concerns about foreign ownership of Canada's natural resources, citing China, Brazil and the United States as competitors.

"Canada has no energy strategy, no industrial strategy, and no trade strategy other than to invite countries that do have these policies to come and help themselves to our raw, unprocessed resources, to thebenefit of themselves," he wrote in a 2012 opinion piece.

WHY RACHEL NOTLEY'S ALBERTA NDP IS STILL CONSIDERING BUILDING AN OIL REFINERY

Under Alberta's new government, the argument against a new oil refinery may have sprung a leak

Rachel Notley's new Alberta NDP government is kicking a dead horse by even considering a new oil refinery, at least according to downtown Calgary.

Accepted oilpatch wisdom suggests the market, which hasn't put up the cash for a new refinery in North America since 1984, has already made the decision for her.

Why, then, is Notley's government still pledging to crack open the file and take another look?

"I believe there is a better way to

build Alberta's economy, to put refineries like these at the heart of our future growth and prosperity," Notley told supporters at a campaign event in April held in front of a row of upgraders near Edmonton.

For oil types, such talk is like seeing the smoking gun that proves an NDP government simply doesn't understand how the industry works.

And yet, the pro-refinery camp remains undeterred in its belief that Canadians should be more than just hewers of wood and drawers of water.

Assuming that both sides of the debate are working with the same dispassionate figures about North American refining capacity, shouldn't the number crunchers be able to arrive at a consensus about whether a refinery makes economic sense?

Clearly, the answer is no. What's more, deep ideological and practical differences exist between the two sides that make a meeting of the minds unlikely.

The bedrock of the argument against spending billions on a refinery, whether the money is private or public, is based in part on the supply and demand fundamentals of the North American refining business.

Since refineries on the U.S. Gulf Coast are already working with spare capacity, why would anyone commit to building a new plant? The refinery game isn't easy. Plants are expensive to build, tough to operate and prone to cost overruns.

"Unless you see some sort of policy that's coming from the government that's saying, 'We'll jump on board and we'll help you get this value-added sector of the provincial economy started,' I can't see a stand-alone commercial development happening," says Dinara Millington, vice-president of research at the Canadian Energy Research Institute.

Alberta may contain vast oil reserves, but as a hub for converting that crude into gasoline, diesel, or jet fuel, it's hamstrung by geography.

An ideal location for a refinery would include access to tidewater, so the end product could be easily shipped to where it's needed; existing infrastructure; and proximity to big markets to limit transportation costs.

Compared to the Gulf Coast's refinery row, landlocked Alberta comes up short.

The case against building an upgrader for oil sands crude as opposed to a refinery is similar, but also comes with nuances.

To name one, the poor outlook for Alberta's current foray into that game, the North West Upgrader, now known as the Sturgeon Refinery, certainly counts as a strike against the idea that constructing a value-added plant will actually result in adding value.

In terms of job creation, economists such as the University of Alberta's Andrew Leach also mount a convincing argument that simply shifting employment from extracting oil sands to the refining side of the business isn't a net benefit to the provincial economy.

Additionally, spending public money on a refinery comes with an opportunity cost to other government priorities such as education and health care.

Although the hard market logic of building a new refinery would seem to be stacked against the idea, proponents say not so fast. A decision to build a refinery needs to include market-based factors such as the spread between crude prices and refined products, but those aren't the only considerations.

A broader cost-benefit analysis, they argue, that includes measures such as job creation, engineering know-how, and other valuable economic spinoffs to industry shows that a refinery project has the potential to be a big win for the province in the long term.

"I wouldn't for an instant say, 'Damn the torpedoes, build a new refinery, no matter what,'" says Jim Stanford, an economist with Unifor, the country's largest private sector union. "But I do think the assumption that the private market can make an accurate decision on this unfettered by government is fantasy."

What's in Canadians' public interest, he says, isn't always the same as what's in the best interest of a company such as Exxon. For a company, wanting to put spare refining capacity in to good use is sensible. Whether it's in Canada's best economic interests to see oil sands bitumen refined on the Gulf Coast is another question.

"If you're just looking at it solely as a private company, then you don't care about the jobs that are created, you don't care about the taxes that are paid, you don't care about the engineering capabilities that are developed because you can do this type of thing in your country," says Stanford.

"There are reasons we should pay attention to it from a policy perspective, rather than just assuming that if the market thinks it makes sense then the market will do it."

Whether the market should be the final arbiter of investment decisions or if government intervention has a place is a fundamental question that not only divides the two camps in the refinery debate, but also promises to take on a new currency in provincial politics.

Other NDP platform issues, such as a royalty review, higher corporate taxes and limiting carbon emissions, may be getting more attention, but that doesn't mean the refinery plank was just a calculated throw-in to appease the party's base.

It may not make economic sense to Big Oil, but in Notley's Alberta it appears that may no longer be the only opinion that matters.

OP-ED: CABINET MINISTER SPEAKS AT SECRET OIL INDUSTRY STRATEGY SESSION

Natural Resources Minister in the Canadian federal government, Greg Rickford was recruited by an oil industry lobby group to both give a pep talk and strategic planning advice to 40 to 50 oil industry executives.

The secret, closed door meeting was held last October at the luxurious Banff Springs Hotel in the Rocky Mountains. The meeting was the annual strategy session of the Canadian Association of Petroleum Producters (Capp). Rickford's speech was never made public but a copy was obtained by the Greenpeace campaign under the Freedom of Information Act and made available to the Guardian newspaper. The speech makes no mention of climate change or studies that show the effects of development of the tar sands on global warming. Rickford describes the debate on the side of those scientists and other campaigners against development of the tar sands as being governed by myth and emotion that "crowded out the real facts." The Harper government has been accused of itself trying to hide the real facts about issues by silencing scientists who do not agree with the official facts.

Last year, the Alberta tar sands producers launched a new public relations campaign replete with ads showing how oil sands development produced jobs not just in Alberta but elsewhere in Canada. The oil producers are attempting to counter concerns about tar sands development causing climate change, worries about pipeline breaks, and accidents involving oil tanker cars. Keith Stewart, of Greenpeace Canada said: "This is a government minister giving political and communications advice to the industry he is supposed to be regulating." However a spokesperson for Rickford, Christopher McClusky said that the minister regularly attended events in order to help promote Canada's energy industry. That is fair enough, but it does not explain the fact that this meeting was secret and that his speech was not made public. Nor does it address the issue of his actually giving advice to the industry.

The close relationship between the Harper government and the oil industry is hardly new nor is the government view that aboriginal activists and environmentalists are adversaries. They are listed as such in a government plan "Pan-European Oil Sands Advocacy Strategy" dated March 2011 and obtained under the Freedom of Information Act. Allies are the National Energy Board, Environment Canada, business and industry associations.

Back in 2009 senior representatives from Natural Resources Canada and the Alberta government met with Capp in Washington and agreed to set up a steering committee to develop a joint messaging strategy. Cassie Doyle the Deputy Minister of Natural Resources Canada told the meeting that "we need to meet an active organized anti-oil sands campaign with equal sophistication."

This sophistication includes the funding of fake grass-roots organizations or astroturf NGOs. Energy Citizen, allegedly a grass-roots organization, was launched in 2009 with the support of the American Petroleum Institute. It was quite helpful in defeating climate legislation in the US. Last July, Keith Stewart wrote in a Greenpeace blog:My personal bullshit detector went off when the Canadian Association of Petroleum Producers' (CAPP) launched its own version of "Energy Citizens" (www.energycitizens.ca) six weeks ago. They advertise it as a "movement of Canadians who support Canada's energy", but anyone who's been following climate politics knows that Energy Citizens (www.energycitizens.org) was actually launched by the American Petroleum Institute (API) back in 2009.Capp even imported Derek Spooner, senior director of external mobilization of the American

Petroleum Institute to talk to the Canadian version of Energy Citizen about the API's successful grass-roots mobilization efforts in the US.

While opponents call groups such as Energy Citizen "fake" grass-roots organizations, they are real grass-roots in the sense they are not paid lobbyists but ordinary people who have been convinced that environmentalists and aboriginal activists are wrong and should be stopped. The ubiquitous ads promoting energy development as good for Canada and Canadians and their own government's equally strong support for energy development no doubt aid in promoting such views. To call them "fake" is probably counter-productive since it ignores the fact that the people involved believe in what they are doing. A better tactic would be to show that they are being used by the oil industry along with a persuasive presentation of the reasons for not developing the tar sands.

SUNCOR ENERGY INC. TO ISSUE QUARTERLY DIVIDEND OF C$0.28 ON JUNE 25TH (SU)

Suncor Energy (TSE:SU) declared a quarterly dividend on Wednesday, April 29th, AnalystRatings.Net reports. Shareholders of record on Thursday, June 4th will be given a dividend of 0.28 per share on Thursday, June 25th. This represents a $1.12 dividend on an annualized basis and a yield of 3.08%. The ex-dividend date is Tuesday, June 2nd.

SU has been the subject of a number of recent research reports. Analysts at Barclays raised their price target on shares of Suncor Energy from C$45.00 to C$50.00 and gave the company an "overweight" rating in a research note on Monday, May 4th. Analysts at TD Securities raised their price target on shares of Suncor Energy from C$43.00 to C$44.00 and gave the company a "buy" rating in a research note on Friday, May 1st. Analysts at Scotia bank raised their price target on shares of Suncor Energy from C$40.00 to C$42.00 and gave the company an "outperform" rating in a research note on Friday, May 1st. Finally, analysts at National Bank Financial raised their price target on shares of Suncor Energy from C$40.00 to C$43.00 and gave the company a "sector perform" rating in a research note on Friday, May 1st. One investment analyst has rated the stock with a hold rating and eight have given a buy rating to the stock. The stock currently has an average rating of "Buy" and an average target price of C$45.82.

Shares of Suncor Energy (TSE:SU) opened at 36.35 on Monday. Suncor Energy has a 52 week low of $30.89 and a 52 week high of $47.18. The stock's 50-day moving average is $38. and its 200-day moving average is $37.. The company has a market cap of $52.55 billion and a price-to-earnings ratio of 61.51.

Suncor Energy Inc (TSE:SU) is a Canada-based integrated energy company. The Company operates under three segments: oil sands, exploration and production, and refining and marketing. The Company is focused on developing petroleum resource basins-Canada's Athabasca oil sands.

TRANSCANADA REACHES DEALS WITH THREE MORE B.C. FIRST NATIONS FOR PIPELINE

Latest agreements are with the Doig River First Nation, Halfway River First Nation and Yekooche First Nation.

TransCanada Corp. says it has reached project agreements with three more First Nations in northern British Columbia to build a pipeline across the province to a proposed liquefied natural gas terminal on the coast.

Specifics of the agreements weren't announced, but TransCanada said they provide for annual legacy payments over the commercial life of the Prince Rupert Gas Transmission pipeline plus benefits upon signing and at other milestones.

The latest agreements are with the Doig River First Nation, Halfway River First Nation and Yekooche First Nation. TransCanada has previously reached four other agreements with Lake Babine Nation, Nisga'a Lisims Government, Gitanyow First Nation and Kitselas First Nation.

According to the project website, the 900-kilometre pipeline is expected to deliver natural gas from Hudson's Hope to the proposed Pacific NorthWest LNG facility on Lelu Island south of Prince Rupert.

Last month B.C. Premier Christy Clark said the province had reached an agreement in principle with Pacific NorthWest LNG, owned in majority by Malaysia's Petronas, for the $36 billion project on B.C.'s northwest coast.

But members of the Lax Kw'alaams First Nation in northwestern British Columbia have rejected a $1.15-billion offer from Malaysia's Petronas to build the LNG terminal on Lelu Island, because of concerns over the project's potential impact on neighbouring Flora Bank, a marine ecosystem immediately adjacent to Lelu Island.

2-Jun-15			
PROVINCE	ACTIVE	DOWN	TOTAL
AB	66	460	526
SK	35	96	131
BC	16	66	82
MB	0	15	15
QC	0	1	1
Canada	117	638	755