Weekender

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OIL COMPANIES GIVE ARCTIC THE COLD SHOULDER

Exxon, BP, Chevron and Shell back off amid mix of risk, red tape and runaway costs

It's not every day that environmentalists and the shareholders of an oil and gas company are on the same side of an argument. But there were smiles all around on Monday when Royal Dutch Shell said it was no longer looking for oil in the Arctic.

Shell abandoned its Arctic search "for the foreseeable future" after spending about $7 billion US exploring the Chukchi and Beaufort seas — an about-face that came as a relief to those worried about the long odds it would ever pay off and the perhaps shorter odds that it would lead to environmental trouble.

Doing pretty much anything in the Arctic is a challenge. And the unforgiving climate, combined with government regulations and the recent drop in oil prices, did much to pour icy water on Shell's plans, according to industry analysts.

"When you get up into very cold water and highly sensitive environmental conditions — where sometimes regulators want all sorts of additional measures to be taken to protect the environment — there's essentially a doubling of capital expenses," says Patricia Mohr, a commodities analyst at Scotiabank.

For example, U.S. and Canadian regulations require a second rig to be standing by in case a drilling rig suffers a blowout.

The idea is that the backup rig can drill a relief well and douse the fire immediately. Another rig might take too long to arrive if summoned from elsewhere in the world or might not make it at all if the accident occurred too late in the year and the sea had turned to ice.

Oil companies questioned whether the rule was necessary, according to oil and gas analyst Doug Matthews, noting there's no such rule for the cold, treacherous waters off the East Coast.

"We're talking about some pretty specialized equipment that in many cases has to be purpose-built," says Matthews

"It's not like you can take these rigs, when you're finished with them here, and take them to the Gulf of Mexico. They have to be purpose-built. That's very expensive."

And sometimes, the Arctic is too much for even the toughest equipment, an embarrassing lesson Shell learned when bad weather got the better of one of its rigs.

The Kulluk was being towed, on a tight schedule, through choppy waters in December 2012 when its tow line snapped. It ran aground off the Alaskan coast. Nothing was spilled but the Kulluk had to be scrapped.

Tight schedules are a constant problem, says Laura Lau, a senior portfolio manager with the Brompton Group, an investment and advisory firm.

"You have a very short window in which to drill" in the Arctic, says Lau, who travelled through the region six years ago. "It's hard to predict when the ice will come. It's a much more difficult environment than I expected."

It's also hard to know when exploration might pay off. The geology of the area is so poorly understood that oil companies are in many ways "drilling blind," according to Lau, a situation that adds to the amount of time before any crude might make it to market and earn a return.

"It can take two summers to drill a well," she says, and as much as a decade before that well is a source of marketable crude.

Environmentalists — after fighting so many battles on land against pipelines and other petroleum issues — also brought fierce and effective criticism against anything offshore in the Arctic, she says.

"The environmentalists got stronger, overall."

These and other complications had already nudged other petroleum companies out of the Arctic.

Exxon Mobil backed out of the Russian Arctic after the annexation of Crimea brought sanctions down on Moscow. Exxon and BP are part of a consortium that in June suspended plans to explore the Canadian

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Arctic because there wasn't enough time to begin test drilling before its lease ran out in 2020.

And Chevron recently put its Arctic plans on ice because of low oil prices.

For the time being, analysts say oil and gas companies are more likely to stick with what works — shunning risky exploration on "the frontier" in favour of established sources like the Alberta oilsands and the Mideast.

The oilsands, now suffering with oil at less than $50 a barrel, could see more business as companies leave the Arctic, Matthews says.

"So much development costs have already been sunk into them, they might as well keep producing."

Beyond that, he thinks low oil and risk-averse investors could help bring greener energy sources into the mainstream.

"The longer oil stays down and we don't go to the frontier, the more time the world economy may begin moving to a less oil-dependent, less petroleum-dependent economy."

The pressure, he notes, is mounting on both sides of the divide. Criticism has also come from other voices, including religious and political leaders and others in the business sector.

"If I'm hearing the same thing from my banker and my Pope, I better start paying attention."

KEYSTONE XL: THE GAP BETWEEN NO AND 'INEVITABLE'

Keystone XL is no longer just a pipeline: it's a symbol

Right now, the smart money is betting that U.S. President Barack Obama will reject the Keystone XL pipeline in the six weeks between the end of Canada's federal election and the start of the upcoming climate change summit in Paris.

By all indications, Obama, who was quoted recently as saying "I'm dragging the world behind me to Paris," is hyper-focused on the importance of the United Nations Climate Change Conference. If he wants to make a statement, the thinking goes, then what better card to play than Keystone XL, the defining symbol of the climate change divide in his country. Out of courtesy, an announcement will wait until after Canada's election, but after that it's fair game.

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And yet, as with two ships passing on a moonless night, there's Stephen Harper in the most recent leader's debate maintaining that Keystone's construction is "inevitable."

No doubt the pipeline's backers nodded vigorously when he said the project makes too much economic and environmental sense to stay on the drawing board. Surely critics were equally inclined to dismiss his arguments as empty talking points made in the froth of an election debate. To do so, though, may be shortsighted.

In the context of Obama's expected denial of the Keystone application, Harper's unflinching use of the word "inevitable" seems telling of a larger disconnect that distinguishes not only the prime minister from the president, but also industry from environmentalists and climate doves from climate hawks.

By now, the pro-Keystone arguments — whether it's the economics of the $8-billion project, security of supply for the United States or the environmental benefits of moving oil by pipeline versus rail — have been made.

At this juncture, though, any debate about the project's merits or drawbacks is missing the point.

Keystone is no longer a pipeline: it's a symbol.

"We've basically been arguing about global policy through the lens of a 36-inch steel pipe now for several years," Jason Grumet, the president of the Bipartisan Policy Center, a Washington-based think-tank, told CBC News. "The issue has become unhinged from substantive consideration and is now really kind of a crucible for many larger desires, aspirations and disagreements. Its symbolic resonance is driving the question and has been for some time."

In Obama's second term, environmental concerns have become a priority. Internationally, the U.S. sealed a major greenhouse gas agreement with China. At home, the White House has gone after dirty coal-fired power plants, pushed clean energy alternatives like wind and solar, and doubled fuel efficiency standards for cars.

Approving Keystone wouldn't just be inconsistent with Obama's recent policy moves, but more importantly it could also undermine his larger ambitions to fight climate change. By all accounts, the president is keenly aware of his obligations to the planet.

"People have to see it and feel it and breathe it. And that makes things a little scarier, because it indicates that we're already losing a lot of time," he said in a recent hour-long interview with Rolling Stone. "But, potentially, it gives us the chance to build the kind of political consensus, not just in America but internationally, that's going to be necessary to solve this enormous problem."

In his remaining time in office, Obama appears dedicated to convincing Americans and the rest of the world to share his urgency about climate change.

Fair or not, that means he can't approve Keystone XL, now a type of shorthand for picking sides in the climate debate, even if he wanted to.

And here's the thing. He actually might want to.

Obama's energy policies recognize the world still runs on fossil fuels. Under his watch, U.S. oil supply has increased by millions of barrels a day. He also hasn't stood in the way of fracking, liquefied natural gas export terminals, or offshore drilling.

Rather than curtail supply, his approach to the long game is wrapped up in reducing demand.

All of that makes little difference to Keystone.

Harper can undoubtedly see the writing on the wall, which is why he's looking past Obama's pending rejection and towards the 2016 U.S. election.

"We're past it right now with this president, but the process is still open," said Eric Johnson, a political consultant at Strategy Corp. in Ottawa. "You get a veto, you get a decline, you come back with a renewed process that meets whatever criteria you missed and you reapply."

If a Republican takes the White House, Harper knows Keystone will have the full support of the Oval Office. All of the Democratic candidates, on the other hand, oppose the project. At face value, that means a Democratic win would push Keystone back another four years, at best.

For the $8-billion project to make financial sense, TransCanada will need to keep the pipeline full of bitumen for decades. When the line was broached in 2008 that wasn't much of a concern.

If the project is pushed back until 2023 or beyond, it's worth wondering what the world will look like then. With Elon Musk busy building Teslas and Apple eyeing an electric car, will Americans still be driving the same way in 2035? How about 2045?

This is the world Obama sees coming. Harper, clearly, sees it differently.

Inevitably, one of them will be right.

KINDER MORGAN PIPELINE SUGGESTION FROM RACHEL NOTLEY 'COMPLETELY INAPPROPRIATE'

New suggested terminal in Delta would put 'most critical habitat in Canada' at risk

Elected officials in British Columbia say they were caught off-guard by a suggestion from Alberta Premier Rachel Notley to shift the Trans Mountain Pipeline terminal to Delta, B.C., instead of Burnaby.

Notley made the comment at a Bloomberg Live conference in New York on Wednesday. She said Kinder Morgan, the company building the expanded pipeline, may need to move the proposed terminal to win support for the project.

Mayor Lois Jackson told CBC News it was presumptuous of Notley to make the statement without talking to anyone in B.C. And at least one Delta councillor said the project would be "completely inappropriate" for the region.

"I think people are ready to set their hair on fire and run through the streets if this is yet one more thing coming through South Delta," said Coun. Sylvia Bishop.

"South Delta has faced enough industrialization. We've lost enough farmland."

Bishop added that residents of Delta are already grappling with the potential construction of a new Port Metro Vancouver container facility at Roberts Bank.

Vicki Huntington, the independent MLA for Delta South, also rejected Notley's suggestion.

"I'm sure the Premier of Alberta doesn't understand that the Fraser River delta is probably the most critical habitat in Canada," said Huntington.

"It's home to one of the greatest wildlife migrations in Canada, and the Fraser River is the greatest salmon spawning river in Canada. It's just an inappropriate place to even consider putting an oil bitumen pipeline."

B.C. Premier Christy Clark's reaction was lukewarm on the subject, falling back on the province's previously stated environmental requirements.

"It bears more discussion but, ultimately, whatever the solution is that Alberta lands on, it's going to have to meet the five conditions," said Clark.

Those conditions are:

- Environmental review needs to be passed.
- World-leading marine oil spill prevention, response.
- World-leading practices for land oil spill prevention, response.
- First Nations opportunities, treaty rights respected.
- Fair share of the fiscal and economic benefits for B.C.

Kinder Morgan maintains that the Trans Mountain project is an expansion of its existing pipeline, and that its current Westridge terminal in Burnaby is the best option from both a financial and environmental perspective.

"Trans Mountain is confident that expanding our existing facilities is the best option, and the one we chose to pursue," the company wrote in a filing with the National Energy Board last year.

"We feel Westridge terminal is the safest location that will also result in the least environmental impact."

In an email, Trans Mountain Expansion project spokeswoman Ali Hounsell said the company is not currently considering other terminal options and its application is only for an expansion of its current facility.

The Trans Mountain Expansion project would increase capacity on the pipeline between Edmonton and Burnaby from 300,000 barrels per day to 890,000 barrels per day.

NOTLEY SAYS ALBERTA MUST REMAIN COMPETITIVE AMID OIL SHOCK

Alberta is considering a plan to balance its budget in 2018 but it won't be at the expense of competitiveness in Canada's third largest provincial economy, Premier Rachel Notley said.

Her government, which drew criticism for raising some taxes as the province grapples with an oil-industry downturn, may cut levies in some areas and won't introduce a sales tax during its current mandate, she said Wednesday at Bloomberg LIVE's Canadian fixed income conference in New York.

Balancing the budget must be done "within the context that Alberta maintains its current position of being one of the most competitive places to invest in Canada," Notley said.

Alberta expects its biggest-ever deficit this fiscal year as slumping oil prices send the western Canadian province into a recession. This year will be the first recession for Alberta since 2009.

Notley is juggling the oil price crash and job cuts in Alberta's most important industry with the need to spend on roads, schools and hospitals that have been neglected in recent years as the population grew at one of the fastest rates in Canada. Her government has raised income taxes to compensate for declining oil and natural gas royalties.

The provincial government cut its economic growth forecast for next year to 1.3 per cent, the finance ministry said in August. That forecast doesn't reflect the recent drop in crude prices that sent West Texas Intermediate below $40 a barrel in August.

"We're going to look at how we balance the budget" as the oil price projections come in at the end of the year, Notley said. "The drop in the price of oil has caused a price shock for the people of Alberta and we need to be the shock absorber."

The premier, whose party came to power in May to end a four-decade reign by the provincial Conservative Party, said she supports Kinder Morgan Energy Inc.'s Trans Mountain pipeline and TransCanada Corp.'s Energy East pipeline, saying TransCanada's Keystone XL, which would carry Alberta crude to the Gulf Coast, would restrict the province's access for its resource to one market.

Alberta has begun a review of its oil and natural gas royalty regime, which Notley said Wednesday the province, will manage with a "light touch." Dave Mowat, chief executive officer of Alberta Treasury Branches, was appointed to lead a panel that includes ARC Financial economist Peter Tertzakian.

The industry lobby group, the Canadian Association of Petroleum Producers, has said uncertainty because of the review is holding back investment in new projects.

The oil sands are Canada's fastest-growing source of the climate-changing gas, and Alberta is the country's largest emitter. The province plans to introduce a new climate strategy before the end of the year and is considering all the options to help reduce emissions.

Pressure from investors and other governments is forcing Notley to act, she has said. The California State Teachers' Retirement System and investors overseeing a total of $3.5-trillion are calling for the Alberta government to introduce a "credible" price on carbon as well as a climate strategy to prevent economic disruption.

A climate strategy will provide "assurance to investors," especially in the energy sector, and allow companies to transition to a future with lower greenhouse-gas emissions, the investors said Sept. 9. Alberta is raising its current requirement that large emitters pay $15 a metric ton for emissions that don't meet their reduction targets.

MUNRO ACADEMY GETS HONOURABLE MENTION IN GREENEST SCHOOL IN CANADA CONTEST

In January, the school won a $100K grant through the international Zayed Future Energy Prize

A school in Balls Creek, Cape Breton has garnered more attention for its renewable energy projects.

Christian school Munro Academy got an honourable mention this month in the Canada Green Building Council's "Greenest School in Canada" contest.

It follows on the heels of a major award earlier this year.

In January, the Academy won a $100,000 grant through the international Zayed Future Energy Prize.

Since then, the school has been adding to its renewable energy infrastructure.

"What the Zayed Future Energy Prize allowed us to do was just expand sort of beyond anybody's wildest dreams," said teacher Leslie Donovan.," To the point that right now, we are in excess of 90 per cent renewable energy usage at this school."

And the students have had some hands-on involvement. Part of the grant money was used to pay for a new entrepreneurship course at the school.

Grade 12 students are working to market a passive solar air heater that was designed by their fellow students.

Alex Whyte, a Grade 9 student, helped to design the original prototype. Her model used recycled pop cans.

She says the Grade 12s refined her design using layers of wire screen. It's now in use on the side of the school.

"The cold air comes in from the outside of the building and the screen which is like black, will heat it up, and the air will just rise and go into the top of the vent into the classroom. If you put your hand in it, you can feel like a ton of heat."

The prize money has afforded the school to install an array of photovoltaic panels on its roof.

There are also plans to build a wood pellet storage facility for the school's biomass burner.

CANADA'S NATIVE CHIEFS REVIEWING TREATY TO BLOCK OIL INDUSTRY EXPANSION

Native chiefs in the Western Canadian province of British Columbia voted on Wednesday to join some of their eastern counterparts opposed to a major pipeline project, in a move some leaders described as a step toward a national alliance aimed at blocking expansion of Alberta's oil sands industry.

The chiefs from British Columbia agreed to join opposition to the

Energy East project – proposed by TransCanada Corp at the meeting, also attended by chiefs from the Canadian provinces of Ontario, Manitoba and Quebec. If approved, the Energy East pipeline would carry up to 1.1 million barrels of crude oil per day from Alberta's oil sands to the Atlantic coast, along a 4,200 km (2,850-mile) route.

Canada's oil sands in northern Alberta are home to the world's third-largest crude reserves but they also represent the country's fastest growing source of greenhouse gas emissions due to their energy intensive production methods. While the industry has said it needs to expand pipelines to give it access to new markets and promote responsible expansion, environmental and aboriginal groups and some municipalities across the country have opposed new projects, due to the risk of spills and the climate change impacts.

The native leaders also released a draft national treaty at the meeting, to be circulated among First Nations across the country, that would call for them to prohibit, challenge and resist use -whether by pipeline, rail or tankers – of their territories for expansion of oil sands production.

In related news, First Nations being courted to back tar sands refinery projects on their land.

Some British Columbia First Nations have opposed pipeline expansion projects proposed to the Pacific coast from Alberta.

"So I think that governments need to take notice that our groups are organizing in a very serious way and forming formal alliances that will amplify our voices," said Stewart Phillip, grand chief of the union in British Columbia, which represents more than half of the First Nations communities in the province.

When asked about the vote, TransCanada spokesman Tim Duboyce said the company has taken comprehensive steps to consult with First Nations, and wants to hear their concerns to improve the Energy East project.

Serge Simon, chief of the Quebec Mohawk community of Kanesatake, near Montreal, said the proposed alliance of First Nations would be designed to ensure that aboriginal leaders are aware of their right to oppose projects on their territory.

The ruling Conservative party, now in the middle of a tight three-way election race with the opposition New Democrats and Liberals, has supported pipeline expansion, saying it is taking a responsible approach to development, while protecting the environment.

METLAKATLA SIGNS GAS PIPELINE AGREEMENT

The Metlakatla First Nation has signed an agreement related to a natural gas pipeline that will service a controversial North Coast LNG project.

The specific terms of the Project Agreement are confidential, but TransCanada Corporation says it will provide the Metlakatla access to employment, training, and payments for the life of the Prince Rupert Gas Transmission project.

The proposed 900 km pipeline would feed the Pacific NorthWest LNG facility to be based at Lelu Island.

The neighbouring Lax Kw'alaams Band is opposed to using Lelu Island as the site of the LNG facility and recently initiated an aboriginal title claim to the island.

In a news release, Metlakatla Chief Harold Leighton says both the pipeline and the Petronas-backed LNG facility will benefit his members for years to come.

Leighton says he's also confident TransCanada will work to ensure that Lelu Island and the Metlakatla way of life will not be negatively affected by the project.

NOVA SCOTIA'S OFFSHORE YIELDS 'GOOD EVIDENCE' OF OIL, NOT JUST NATURAL GAS

Core samples support the claim of petrogenic hydrocarbons beneath 2,600 metres of ocean

With energy companies lining up to explore Nova Scotia's offshore offerings, this week the provincial government will release new evidence that supports the claim that oil — not just natural gas — awaits investors.

In June, the Nova Scotia government began a two-week research expedition in the Shelburne Basin off the southeastern coast. The goal was to extract core samples from the ocean floor, roughly 2,600 metres beneath the surface.

At least two of those core samples show "good evidence of petrogenic hydrocarbons," according to the government's analysis.

"This supports the suggestion that we happen to be in an area that's oil dominant as opposed to gas dominant," said Sandy MacMullin, head of the provincial Department of Energy's petroleum branch.

He said an earlier seismic analysis — called the Play Fairway Analysis — suggested there is currently 121 trillion cubic feet of natural gas and 8 billion barrels of oil off Nova Scotia's coast.

These latest core samples offer more data to support the claim that oil exists offshore.

"Oil tends to attract a premium," said MacMullin. "There are more things that you can do with oil."

Shell Canada is preparing to drill exploratory wells off Nova Scotia's coast. In 2012, the company made it clear it was looking for oil, not natural gas. Shell said extracting gas would not be a profitable venture. Since that time, the value of natural gas has further dropped.

That price drop, coupled with the falling price of oil, has made it a difficult year for energy companies.

"What we're seeing is a pretty challenging environment," said Lance Matlock, a partner with Ernst & Young LLP.

Along with Shell Canada, a consortium led by BP has also committed to exploring Nova Scotia's offshore. However, a BP official warned the company may soon start cancelling projects in various parts of the world.

"Many of them will fall off the table," said Robert O'Connor, the Canada Exploration Manager for BP. "We will need to do fewer things. We will do things that have the best opportunity to succeed."

The government hopes the latest core samples stir renewed interest in Nova Scotia's offshore.

"If Shell ends up finding gas, it'll depend on how much they find," said MacMullin.

"But companies are looking for oil."

TRANSALTA COULD PAY $56M SETTLEMENT FOR INFLATING ALBERTA ENERGY PRICES

Agreement to be reviewed by the Alberta Utilities Commission later this year

TransAlta has agreed to a $56-million settlement for inflating electricity bills in Alberta.

The Alberta Utilities Commission (AUC) found in July that TransAlta had manipulated prices by shutting down six coal-fired generators during periods of peak electricity demand in 2010, and again in 2011.

The province's Market Surveillance Administrator — whose mandate is to help ensure fair, efficient, and openly competitive electricity and retail natural gas markets in Alberta — said TransAlta's profit during the shutdowns was $16 million and that consumers paid between 10 per cent and 60 per cent more for their power.

David Gray, an electricity consultant who is organizing a class-action lawsuit, says the proposed settlement is a lot of money but "the trouble is none of that will go back to consumers."

"Consumers don't get a cent of this settlement money and they were still harmed by TransAlta's actions, so our view is that — yes — there's still a very good case to be made for compensation to consumers from TransAlta."

TransAlta is Canada's largest investor-owned power producer and wholesale marketer.

In a news release, the company states it will "pay a total amount of $56 million, including approximately $27 million as a repayment of 'economic benefit' under the legislation, $4 million to cover the MSA's legal and related costs, and a $25-million administrative penalty."

The company said it will make the payment in two installments — the first of $30 million will be paid a month after the deal is approved and the remainder would be paid one year later.

"This is a proposed settlement. It's our job now to take a careful look at this and determine given all the factors around the original contravention whether in fact this number is the one that's in the public interest," said AUC spokesman Jim Law.

The agreement will be reviewed at a hearing later this year, and Law says any money recouped will go into Alberta's general revenue fund.

"It is important that government allows the AUC to evaluate the proposed settlement independently, so we won't be commenting further at this time," said Alberta's Energy Minister Marg McCuaig-Boyd. "We will continue to watch the process closely."

Last year, TransAlta paid a nearly $150-million US settlement after allegations were raised that it manipulated the electricity and natural gas markets during California's energy crisis 15 years ago.

In 2011, the company also admitted it had manipulated electricity imports, driving up prices so that consumers had to pay an extra $5.5 million for power.

SCOTIABANK TRIMS CANADIAN OIL SANDS TARGET PRICE TO C$10.00 (COS)

Canadian Oil Sands (TSE:COS) had its price objective decreased by Scotiabank from C$11.00 to C$10.00 in a report released on Tuesday, StockTargetPrices.com reports.

Shares of Canadian Oil Sands (TSE:COS) opened at 6.20 on Tuesday. The firm's market capitalization is $3.00 billion. The company has a 50-day moving average price of $6.47 and a 200 day moving average price of $9.29. Canadian Oil Sands has a 1-year low of $5.61 and a 1-year high of $20.16.

Canadian Oil Sands (TSE:COS) last released its quarterly earnings data on Thursday, July 30th. The company reported $0.12 earnings per share (EPS) for the quarter, beating analysts' consensus estimates of ($0.12) by $0.24. On average, equities research analysts predict that Canadian Oil Sands will post ($0.84) EPS for the current year.

A number of other equities analysts have also weighed in on the company. Raymond James upgraded Canadian Oil Sands from an underperform rating to a market perform rating in a report on Tuesday, August 4th. CIBC dropped their target price on Canadian Oil Sands from C$12.50 to C$10.50 and set a sector underperform rating for the company in a report on Wednesday, July 22nd. raised Canadian Oil Sands from an underperform rating to a sector perform rating and upped theirprice target for the company from C$8.00 to C$9.00 in a research report on Tuesday, August 4th. AltaCorp Capital decreased their target price on Canadian Oil Sands from C$12.00 to C$11.00 in a research report on Tuesday, August 4th. Finally, Barclays raised their price objective on Canadian Oil Sands from C$6.00 to C$8.00 and gave the company an underweight rating in a research report on Monday, July 13th. Two research analysts have rated the stock with a sell rating, six have given a hold rating and one has assigned a buy rating to the company. Canadian Oil Sands has a consensus rating of Hold and an average price target of C$11.00.

Canadian Oil Sands Limited is a Canada-based investment company. The Firm is the majority owner of the Syncrude Joint Venture (TSE:COS), a producer of high quality, low sulphur, light, synthetic crude oil (SCO). The Company's possesses around 36.74% working interest in Syncrude, creating earnings from its share of production, and represents the only public opportunity for undiversified investment directly in Syncrude. Syncrude is involved in the mining and upgrading of bitumen. The Syncrude Project is comprised of open-pit oil sands mines, utilities plants, bitumen extraction plants and an updating complex that processes bitumen. It really is jointly commanded by seven owners. SCO is produced by Syncrude by taking out the bitumen from the sands, mining the oil sands, updating the recovered bitumen into lighter oil fractions and uniting those fractions into just one SCO product.