Sign Up with the Oilfield News Online

Oilfield NEWS

www.oilfieldnews.ca

Published By: NEWS COMMUNICATIONS since 1977 **Wednesday June 8th 2016**

PETRO-CANADA GAS STATIONS IN B.C. AND ALBERTA RUNNING OUT OF GAS

Dan McTeague with GasBuddy.com says Suncor has had recent production problems

Petro-Canada gas stations in Kelowna, Kamloops, Edmonton and Calgary are running out of petrol from their parent company, Suncor. In Kelowna, an employee at the Petro-Canada at Glenmore and Kane roads said they ran out of regular grade gas at 2:45 p.m. PT on Thursday and were out of premium grade by 5 p.m. Similarly, a staffer at the Petro-Canada on Highway 33 said they hadn't run out of gas yet, but they expected to soon. “We're out of gas and unless we can get it from a third party then we'll be out three to five weeks,” said Tianna Byers, an employee at the Petro-Canada on Highway 97 in Kelowna.”The fire in Fort Mac has reached a place called Wood Buffalo in Alberta, which is our supplier so we can't get any more gas.”Buyers said the location she works at ran out of mid-grade gas and diesel yesterday and out of premium at 8:30 p.m. on Thursday. She said the shortage is mostly affecting gas stations in Western Canada, including B.C.In Calgary, a Petro-Canada employee at a station on 37th Street S.W. also said they were completely out of gas, and had heard that other locations in the city were as well. “There have been issues both with crude production because of [the wildfires in] Fort McMurray,” said Dan McTeague, senior petroleum analyst with GasBuddy.com.”But most importantly on Friday of last week one of the refineries that supplies gasoline into the B.C. market and into Kamloops and Kelowna experienced an unknown problem in which production has been curtailed.”McTeague said most of the Okanagan's gas comes from Edmonton via Kinder Morgan's TransMountain pipeline, which is he says is usually “jam packed.”He said although he couldn't confirm the shortage was due to the Fort McMurray wildfire specifically, one clue is that pipeline operators recently issued a call for nominations because they had extra space. “That is really a significant clue given it's rare that it happens,” McTeague said.

He said the Suncor refinery in Edmonton processes140,000 barrels of oil a day and supplies gas stations as far as Thunder Bay, Ont. McTeague said he has heard anecdotally of 20 gas stations shutting down in both Edmonton and Calgary because of lack of supply. He wasn't sure how many have closed in B.C. because of the issue.

Shortage can be predicted, he said, explaining that in the U.S. refiners are required to issue a weekly summary of supply and demand.”In Canada no such thing is available and apparently it doesn't seem to be on anyone's radar screen and it should,” he said.

Gas shortages are rare, McTeague said, but last summer Shell stations were on allocation — meaning their supplies were rationed instead of set by demand.

MACKENZIE GAS PROJECT IN CANADA'S NORTHWEST TERRITORIES GETS EXTENDED DEADLINE

The long-planned and frequently delayed Mackenzie Gas Project, a C$16 billion ($21.21 billion) pipeline that would carry 1.2 Bcf/d from the gas-rich Mackenzie Delta in Canada's Northwest Territories to pipelines in northern Alberta, was given a life extension Thursday. In an announcement, Canada's National Energy Board said it would extend the sunset clauses for the project developers until December 31, 2022.The project developers, led by Imperial Oil, last summer had asked for an extension of a December 2015 deadline for a project investment decision.In a letter to the developers, the NEB said the project “is still in the public interest” and that the original conditions attached to the project will require that it be designed, constructed and operated in a way that is safe and protects the environment.The project is a joint venture of Imperial, Shell, ConocoPhillips, ExxonMobil and the Aboriginal Pipeline Group. The proposed 1,842-km (1,144-mile) pipeline is designed to carry 1.2 Bcf/d from the gas-rich Mackenzie Delta near the Beaufort Sea south through the Northwest Territories to link with pipelines in northern Alberta. Proponents of the project still face many challenges, not the least of which is building a major gas pipeline to bring gas into markets already awash with the output of shale plays. Imperial asked the NEB to extend the sunset clauses on August 20, 2015. On November 9, NEB extended the sunset clauses to September 30, 2016 so it could consider the application.Also in November, the board and Government of the Northwest Territories Regulator of Oil and Gas Operations coordinated their respective reviews and invited the public to submit their comments on the requested extensions.The board received comments from 14 groups and individuals, mostly in support of the application. Four of the parties opposed the extension.The extension to the sunset clause for the Mackenzie Valley Pipeline will not come into effect until it is approved by the Canadian federal government.

OILSANDS GROWTH MAKES IT NEARLY IMPOSSIBLE FOR CANADA TO MEET PARIS AGREEMENT TARGETS REPORT

Petroleum industry disputes an assumption in report, which also says no new pipeline capacity is needed Even with provincial climate plans in place, anticipated growth in Alberta's oilsands and British Columbia's natural gas sector will make it nearly impossible for Canada to reduce emissions to agreed-upon levels under the Paris Agreement, according to a new report.”Short of an economic collapse, it is difficult to see how Canada can realistically meet its Paris commitments in the 14 years remaining without rethinking its plans for oil and gas development,” author David Hughes, an earth scientist, said in a release.The report comes from the Parkland Institute, a research centre within the University of Alberta, and the Canadian Centre for Policy Alternatives, a left-leaning think tank.If oilsands production grows to Alberta's new annual limit of 100 megatonnes and B.C. builds the five liquefied natural gas (LNG) export terminals it is proposing, Hughes estimates it would be nearly impossible for the rest of the country to reduce emissions fast enough to compensate.Meeting the Paris Agreement targets under that scenario would require everyone else to reduce emissions 55 per cent below 2014 levels, Hughes said.If oil and gas grows at anticipated rates, the report's calculations suggest Canada can't meet its commitments under the Paris Agreement without unrealistic emissions reductions in other sectors. (Parkland Institute) Even if just one LNG terminal is built in B.C., the report estimates emissions in sectors other than oil and gas would have to contract by 47 per cent by 2030.Hughes also says in the report that new pipelines are not needed, as Canada has enough capacity with existing pipelines and rail lines to handle even a 45-per-cent increase in oilsands production, which would take the industry to the 100-megatonne annual limit under Alberta's new climate policy.Alex Ferguson, vice-president of policy and performance with the Canadian Association of Petroleum Producers (CAPP), said the challenges Canada faces in meeting the Paris Agreement targets are well known, but the report fails to account for the role of technology and innovation in reducing emissions."If you look at the investments that we're making, the federal government is making, the provinces are making in the technology piece, that's truly the solution that's going to get us to that target," he said.Ferguson said the oilsands industry fully expects to increase production in the coming years while staying below Alberta's 100-megatonne annual emissions limit through a variety of technological advances.The report's projections, however, assume emissions per unit of production to be held constant at the average level from 2010 to 2014.The report even describes that assumption as conservative, suggesting emissions rates are actually likely to increase in the future, "as bitumen is increasingly being recovered using in situ methods that produce more greenhouse gases than surface mining."But Ferguson said the industry's growth depends on bringing per-unit emissions down, especially given the hard cap Alberta has imposed as part of its new climate plan."The amount and effort going into investing in the technology and innovations that are going to drive our ability to increase production over time and yet still stay under the emissions limit — that's the fundamental go-forward piece for this sector, and this economy," he said.

ENERGY EAST PIPELINE BENEFITS QUESTIONED IN SECRET GOVERNMENT MEMO

Getting Alberta's oil to the East Coast might not result in the higher prices once expected

The market conditions that once made TransCanada's proposed Energy East pipeline an attractive conduit for Alberta's oilsands bitumen have now largely vanished, according to an internal finance department memo.Pipeline carrying crude to Canada's East Coast from Alberta was meant to capitalize on the price differential between North American (West Texas Intermediate) and world (Brent) oil prices. But that price differential has shrunk significantly since 2012, with OPEC unleashing torrents of oil on the market, Chinese demand weakening and the end of the U.S. ban on oil exports. "The National Energy Board currently forecasts that WTI will trade at $77.54 and Brent at $81.62 in 2020," reads the memo, marked secret and dated Dec. 10, 2015."In that context ... the benefits of the Energy East pipeline would only be $1.48 per barrel compared to oil shipped by existing pipelines to the U.S. However, the benefits of Energy East would be up to $6 per barrel if compared to shipping oil to the east by rail."According to the memo, it costs $14 per barrel to ship oil from Alberta to the east coast by rail, compared to $8 if done by pipeline. Alberta's heavy oil is more expensive to process, so refineries generally ask for a $9 discount per barrel in order to offset the extra refining cost, according to the report. That, combined with Canada's reliance on the U.S. market, has meant a sometimes sharp discount for the country's oil. "At several points in 2011-12 the price received for oil shipped to the Atlantic would have been $20 per barrel higher than oil shipped to the United States," reads the report. The report also said "the low price environment has led to oil production forecasts being revised downward; meaning that sufficient capacity (from both rail and pipelines) is projected to exist to transport oil until at least 2025."Sections of the report have been redacted, including the conclusions and all but one paragraph on the effect of carbon pricing. The report notes setting a price on carbon will affect producers directly with increased costs, and indirectly through anticipated reduction in demand caused by the related price increases. TransCanada has already invested $700 million in the Energy East project, which would transport 1.1 million barrels of oil a day to Quebec and New Brunswick. The project, once complete, is estimated to cost $15.7 billion.The company, however, is facing stiff regulatory hurdles and opposition to the pipeline. TransCanada submitted an amended application with the federal regulator in December, with 700 changes meant to minimize the environmental impacts of the pipeline. The finance department memo, which does not deal with the potential of a rebound in pricing, was sent to deputy minister Paul Rochon from Jean-Francois Perrault, then the assistant deputy minister of the Department of Finance's economic and fiscal policy branch and now Scotiabank's chief economist.