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CANADIANS NEED TO UNDERSTAND THE IMPORTANCE OF OIL EXPORT PIPELINES

Much has been said and written about the vital need to build oil export pipelines to the coasts of British Columbia and Atlantic Canada. Yet many Canadians still appear unaware of how critically important this is to our economy. Canada owes its economic prosperity to trade – we are a trading nation – and crude oil dominates. In 2014, before the oil-price downturn, oil generated a \$70-billion trade surplus, far outstripping any other export category, and virtually covered large, chronic deficits in autos and auto parts (minus-\$15.9-billion), machinery & equipment (minus-\$21.5-billion) and electronics (minus-\$34.3-billion). Even at the bottom of the oil-price correction early this year, crude remains the largest positive contributor to Canada's merchandise trade, contributing more than \$30-billion annualized in net export revenue as of August. Canada's trade performance shifted from surplus to deficit in 2015 and is currently minus-\$23.3-billion, with the impact of the oil price decline not nearly offset by

a pickup in non-oil exports. Strong oil export revenue has much to do with the ability of governments to fund social services across Canada. Western Canada's forte is heavy oil – both blended bitumen from the oil sands as well as conventional heavy from Saskatchewan and Alberta. Strong U.S. refinery demand for heavy oil (a cheaper feedstock than light oil) in the Midwest and in Houston partly accounts for Canada's slight gain in export volumes to the United States in 2015-16, despite the increased availability of U.S. light oil from shales. However, it is risky to rely largely on one key export market, the United States, as we were reminded by the denial of a presidential export permit for the Keystone XL pipeline. What's more, insufficient pipeline capability to tidewater has reduced the price paid for Canadian crude. Western Canada's crude trades off West Texas intermediate oil, the key reference price for North America. U.S. refinery outages or seasonally slower U.S. demand often widen the price discounts off WTI endured by Canadian producers. This pattern has been noticeable for some time. Building additional export outlets to the Asia-Pacific or Europe would

allow producers to divert volumes to other markets, boosting prices by stepping up international competition for Canadian crude. Equally important, heavy oil prices in China and Singapore could be significantly higher than in the United States. In October, 2015, Basrah Heavy from Iraq sold in China and Singapore at a price discount off light oil that was half the level for Western Canadian Select heavy crude in the United States, at a time when the light crude marker Oman/Dubai traded at the same price as WTI. Basrah Heavy, similar in quality to WCS, was introduced to world markets as a new crude in 2015 and partly accounts for an enormous 970,000 barrels-a-day increase in Iraqi production since late 2014, much of it bound for China and the rest of Asia.

There is little doubt that refineries in China and India, as well as in Japan and South Korea, would welcome Canadian crude if only the necessary infrastructure were available. Tanker costs in an Aframax vessel (100,000 deadweight tonnes or dwt) from Vancouver to Asian markets can be less than \$4 (U.S.) a barrel, and in a Very Large Crude Carrier (350,000 dwt) from Saint John (the Atlantic



terminus for the proposed Energy East Pipeline), they have been a mere \$1 a barrel to Europe and \$3 to India.

The proposed doubling of Trans Mountain Pipeline capability from Edmonton to British Columbia would also allow increased exports of light crude to four refineries in Washington state, where demand and prices have recently been high, owing in part to declining Alaskan supplies. Timing is critical, before competing crudes gain an even stronger foothold. Canada's oil patch is stepping up efforts to reduce its carbon footprint

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through new technology, such as solvent-extraction techniques, to displace natural gas used in bitumen extraction. Research and development funds from the Alberta and federal governments aimed at cutting greenhouse-gas emissions are also advancing innovation. As part of Alberta's Climate Leadership Strategy, Emissions Reduction Alberta is one of the largest public investors in technology to reduce GHG emissions in Canada. An enhanced marine protection and emergency oil-spill response program is planned for the West Coast, of particular concern in British Columbia. Should the Trans Mountain Pipeline expansion proceed, tugs will accompany oil-laden tankers all the way between the Inner Harbour of Vancouver and the 12-mile territorial limit in the Pacific Ocean, well past Victoria. The Western Canada Marine Response Corp. will double the capacity of the emergency spill response system and establish five new bases. Double-hulled tankers have been required by the International Maritime Organization since 2014. Canada's oil reserves are the third-largest in the world. This is a huge source of national wealth for all Canadians, including First Nations. It is vital that we create the infrastructure for its timely development.

B.C. FINANCE MINISTER MIKE DE JONG MEETS WITH INDIAN FINANCE MINISTER ARUN JAITLEY

B.C. Finance Minister Mike de Jong met with Indian Finance Minister

Arun Jaitley in New Delhi on Monday to discuss ways to continue to strengthen economic ties between India and British Columbia. De Jong said: "I was impressed by Minister Jaitley's interest in mutual economic investments in both India and Canada by companies, such as Indian Oil. India is an important economy with a young and growing middle class that represents an important opportunity for B.C. partnership, trade and investment, particularly in the areas of forestry, energy, international education and clean technology." The meeting builds on bilateral discussions and activities since the visit by Prime Minister Modi to Vancouver in 2015, where Modi and senior Indian government officials showed great support and enthusiasm for formalizing relations between India and British Columbia. Meeting topics included: the recent approval by the Canadian federal government of the Pacific North West LNG project; the successful issuance of B.C.'s Indian Rupee (INR) bond; and future opportunities to expand two-way trade and investment. The Government of British Columbia has been actively working to make India and B.C. long-term partners in economic and social prosperity. It's a strategy that's focused on: * Building the foundation of the India-B.C. relationship based on mutual economic growth; * Identifying targeted opportunities for B.C. to help address specific needs of the Indian market and; * Making India top-of-mind among B.C.'s exporters.

On September 9, British Columbia was the first foreign government to

issue a bond in the Indian Rupee (INR) offshore market - or what is known colloquially as a Masala bond. The bond issue demonstrates the Province's confidence in the outlook for India, and positions B.C. to participate in internationalization of the INR and India's economy.

In addition, with Budget 2016, the Government of British Columbia committed \$5 million over three years to promote a stronger B.C. wood brand in India. This investment is helping B.C. companies establish themselves as the world's leading suppliers of sustainably harvested wood products to a market that includes the world's largest middle class. Earlier this week, Air Canada launched a direct flight from Vancouver to Delhi, demonstrating that India and B.C. are closer than ever before. This flight now provides a direct link for businesses to come together, and families to stay connected, the province said in a press release. Quick Facts: * By 2030, India is expected to be the world's third-largest economy behind the United States and China. * Real GDP in India was 7.2% in 2014, and estimated to grow to 7.6% in 2015, and in 2016 is expected to be 7.4%.

* B.C. exports to India have jumped from \$201 million in 2011 to \$623 million in 2015, making India B.C.'s fifth-largest trading partner.

TRILOGY ESTIMATES PIPELINE SPILL AT 250,000 LITRES OF OIL AND WATER

Trilogy Energy Corp. estimates a leak from its pipeline in west-central Alberta released 250,000 litres of oil

and water before it was discovered in early October. The company announced the preliminary estimate Tuesday, the same day the Alberta Energy Regulator formally launched an investigation of the spill 16 kilometres northeast of Fox Creek, Alta. The regulator said it would determine its own estimate of the size of the spill, which was made up of equal parts oil and produced water, and consider potential enforcement actions. The AER said the pipeline has been shut down and is being purged, and that staff remain on site to ensure safety and environmental requirements are being met.

Trilogy said on Oct. 11 it estimates the affected area at three hectares, or about the size of five CFL football fields. The company said it found two dead birds on site within the first 48 hours but has not reported any further wildlife affected by the spill.



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