

## Canada Oil Industry Response to War in Ukraine (Mar. 27, 2022)

1. Assume that every incremental barrel of oil produced in Western Canada and Newfoundland will displace one barrel of oil incoming to Eastern and Central Canada, particularly Saint John, NB, and Montreal refineries. Canada imports roughly 475,000 to 675,000 barrels per day (bpd). Two-thirds to three-quarters are from the USA. Overseas imports are ~160,000 to 250,000 bpd.
2. Every displaced barrel frees up a barrel that can go to Europe instead of Canada.
3. Federal and provincial governments need to suggest, cajole and implore oil producers to increase oil production across the spectrum, but particularly in light oil.
  - a. Oil companies should shift their laser focus on dividends and share buybacks to increasing vendor workforce wages to attract people to the industry. There are lots of idle service rigs in Saskatchewan, but not enough staff to man them all. This is why the pay must go up substantially. They will still make lots of money, just not as much.
  - b. Additional service rigs will allow for increased production through workovers. This is the lowest hanging fruit to increase incremental production in the quickest time.
  - c. No tax incentives should be required. WTI is US\$110 and WCS is \$101 per barrel. They will be making plenty of money and should not require additional incentives.
  - d. There are many drilling rigs in Saskatchewan that did not work this winter. Despite high oil prices, many companies, including Cenovus and Crescent Point, had dramatically reduced drilling programs. This needs to be reversed.
  - e. Enhanced oil recovery, such as waterfloods, can be implemented to boost production
4. The argument has been “We don’t have pipelines to tidewater.” The reality is by 2014, Saskatchewan had enough **crude-by-rail** infrastructure in place to ship every barrel we produce by rail, if we chose to. This needs to be reactivated to ship additional, incremental oil to Central and Eastern Canada. A typical crude-by-rail train is around 70,000 bbls. Facilities here include:
  - a. Crescent Point Stoughton 45,000 bpd
  - b. Altex Lashburn 88,000 bpd
  - c. Altex Unity 29,000 bpd
  - d. Plains All American Kerrobert 80,000 bpd
  - e. Kindersley Unknown but sizeable.
  - f. Additional sites <https://www.oilsandsmagazine.com/projects/crude-oil-by-rail>
  - g. Total 461,000 bpd province-wide if all implemented/reactivated
5. Alberta has also built sizeable crude-by-rail facilities including loop tracks at Edmonton, Hardisty and Bruderheim. Total 802,000 province-wide if all implemented/reactivated
6. Manitoba has an idle 60,000 bpd facility at Cromer meant for Saskatchewan and Manitoba oil. It is directly tied to the Westspur System from southeast Saskatchewan.
7. Additional rail tankers and engines will need to be built and crewed.
8. Start by shipping incremental oil by rail to Montreal, and then St. John. Eventually all incoming tanker traffic will be displaced. At this point, Canada has become energy independent, and we have freed up 675,000 barrels from the world market for Europe. Russia 4.5 million bpd to Europe.
9. The same hardware that offloads oil from tankers should be capable, with minimal work, of loading tankers. As our production increases, we start exporting oil to Europe via tanker.
10. Concurrently, we **build the Energy East Pipeline**, or at least parts of it.
  - a. TC Energy has all the plans for Energy East sitting in storage, including all the surveys.

