Understanding the Environment: World and North America Supply & Demand

by
Peter Miles
Senior Vice President, Research
Canadian Energy Research Institute

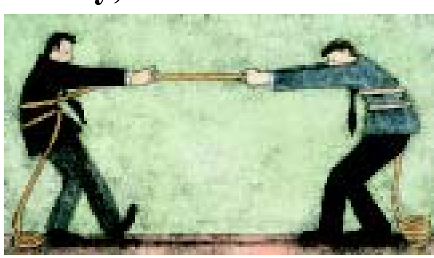
About the Canadian Energy Research Institute

- Founded in 1975
- Applied energy economics research
- Independent and objective
- Supported by public and private sector members

CERI Scenarios

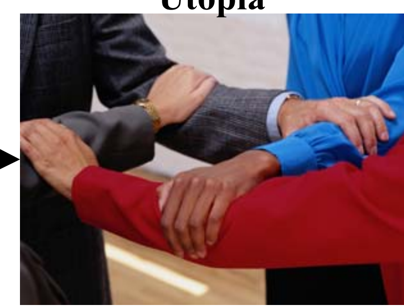
$22 (US$2000)
Material World

$18 (US$2000)
Nasty, Brutish and Short

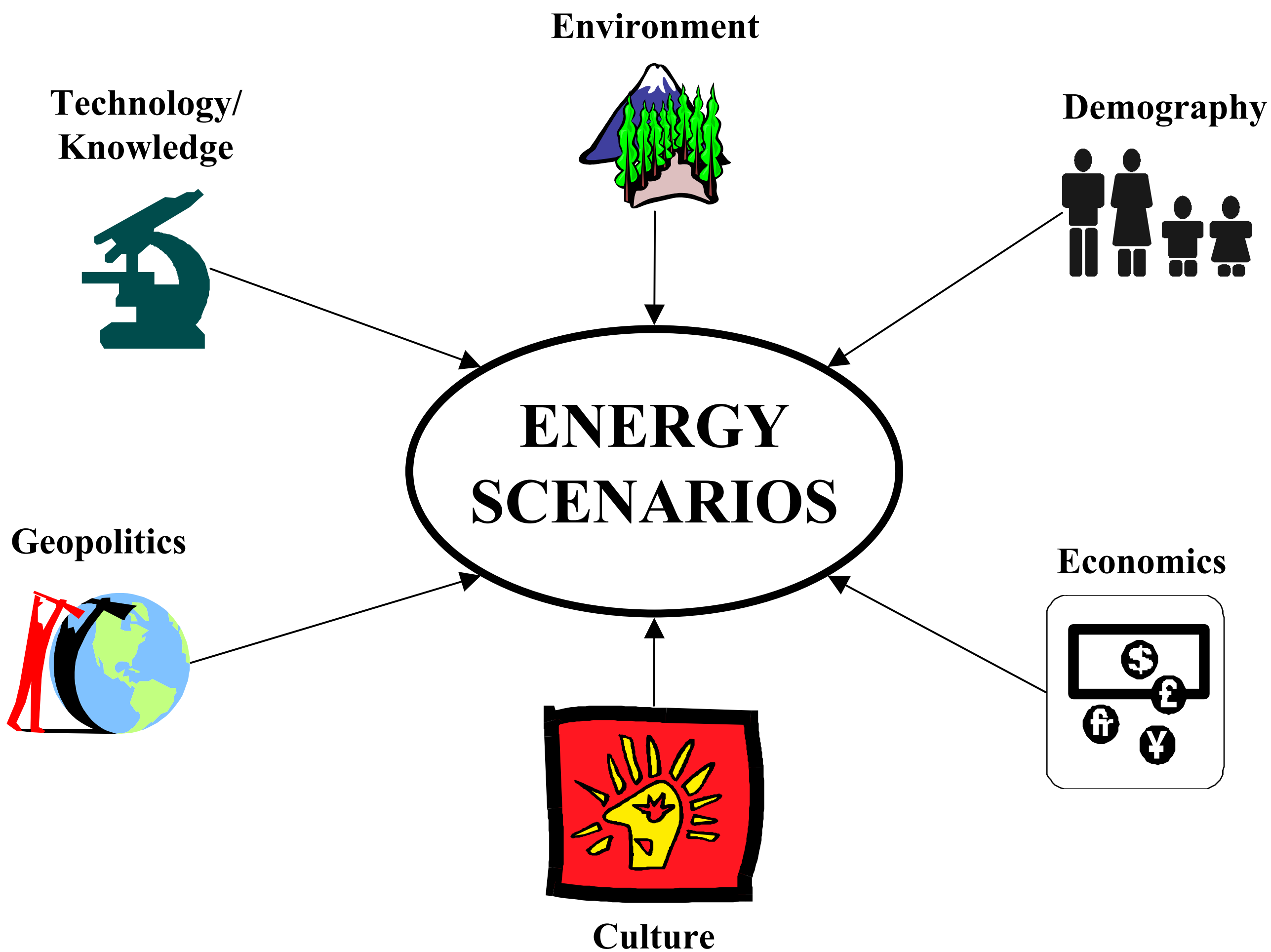


ENERGY SCENARIOS

$14 (US$2000)
Utopia



Scenario Drivers



Material World

- Economics dominates politics
- Information, knowledge, globalization
- Environmental degradation continues
- Prosperity abounds

Nasty, Brutish and Short

- Life is a zero-sum game
- Regional conflict destroys globalization
- Severe environmental destruction
- Lack of economic opportunity

Utopia

- Economic growth more evenly distributed
- Pragmatic environmentalism
- Global social contract

North American Oil Market

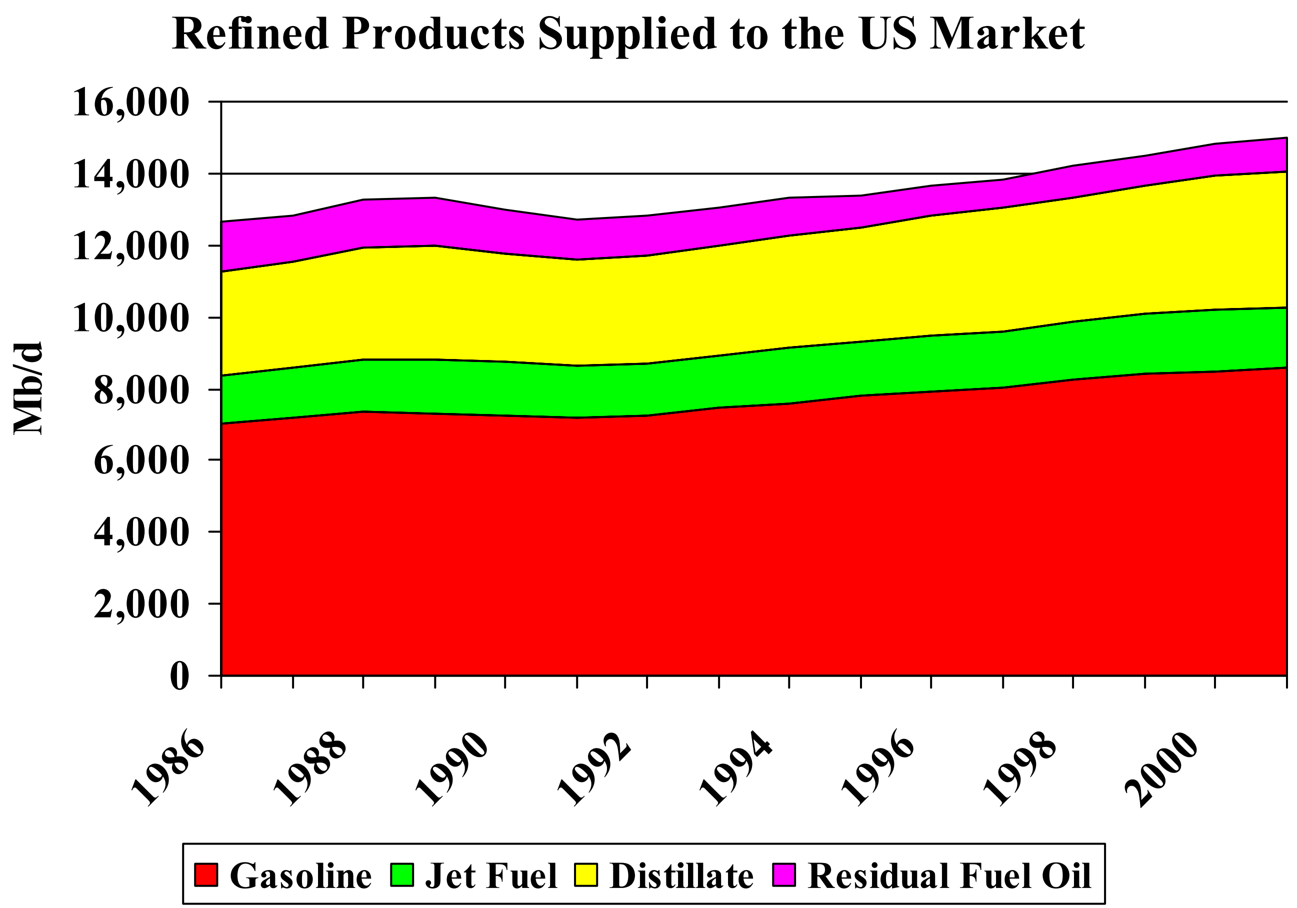
	1999	2005	2010
Crude Oil Supply (MMb/d)	14.0	14.9	15.3
Crude Oil Demand (MMb/d)	23.8	25.1	26.3
Import Dependency (%)	41	41	42

The Canadian Contribution

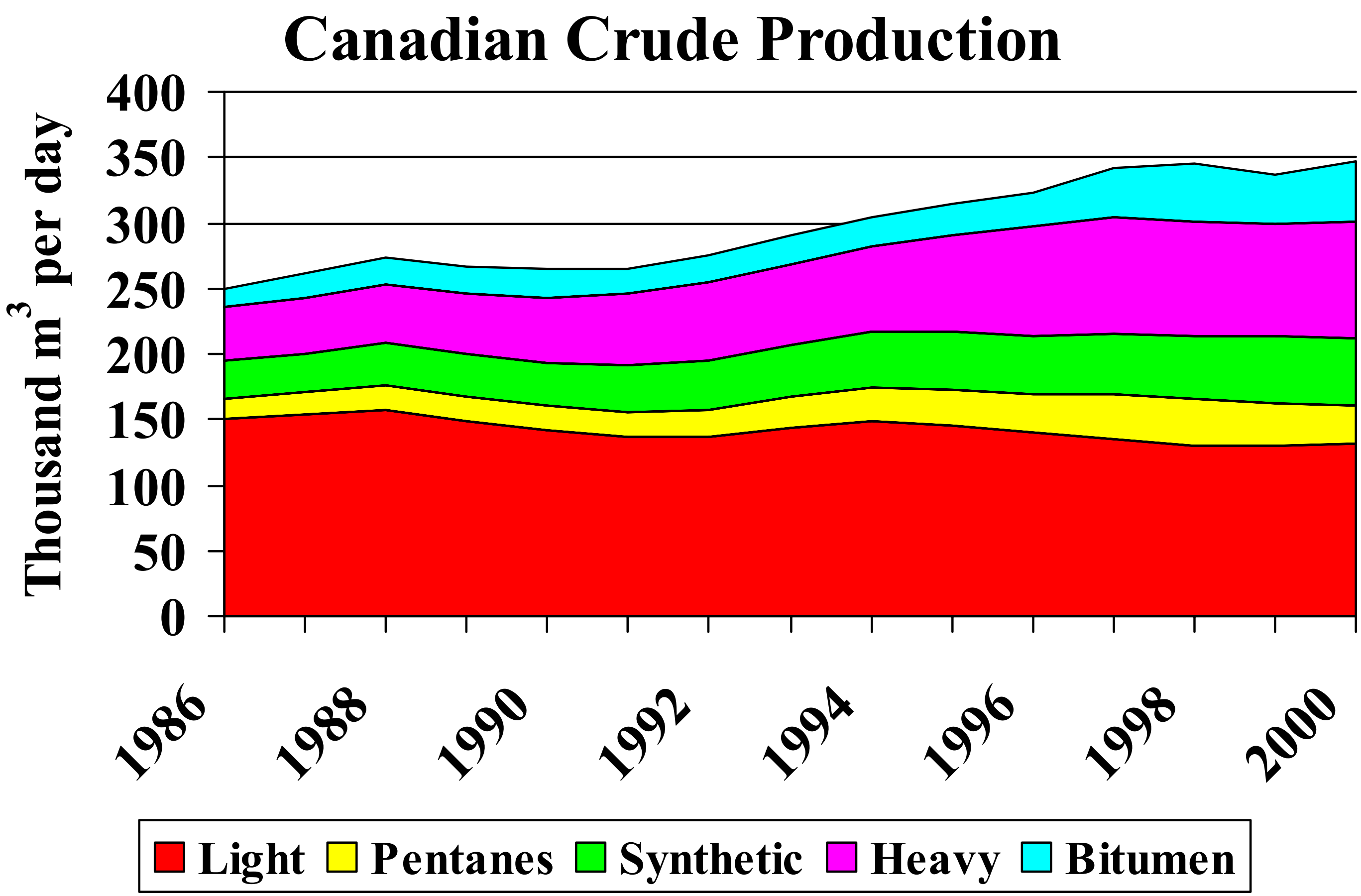
(billion barrels in place)

	Produced	Remaining	Total
WCSB	17.2	13.5	30.7
Mackenzie/Beaufort	0.0	6.7	6.7
Grand Banks, Nova Scotia	0.3	5.0	5.3
Other Frontier	0.0	9.4	9.4
Sub-Total	17.5	34.6	52.1
Oil Sands			315

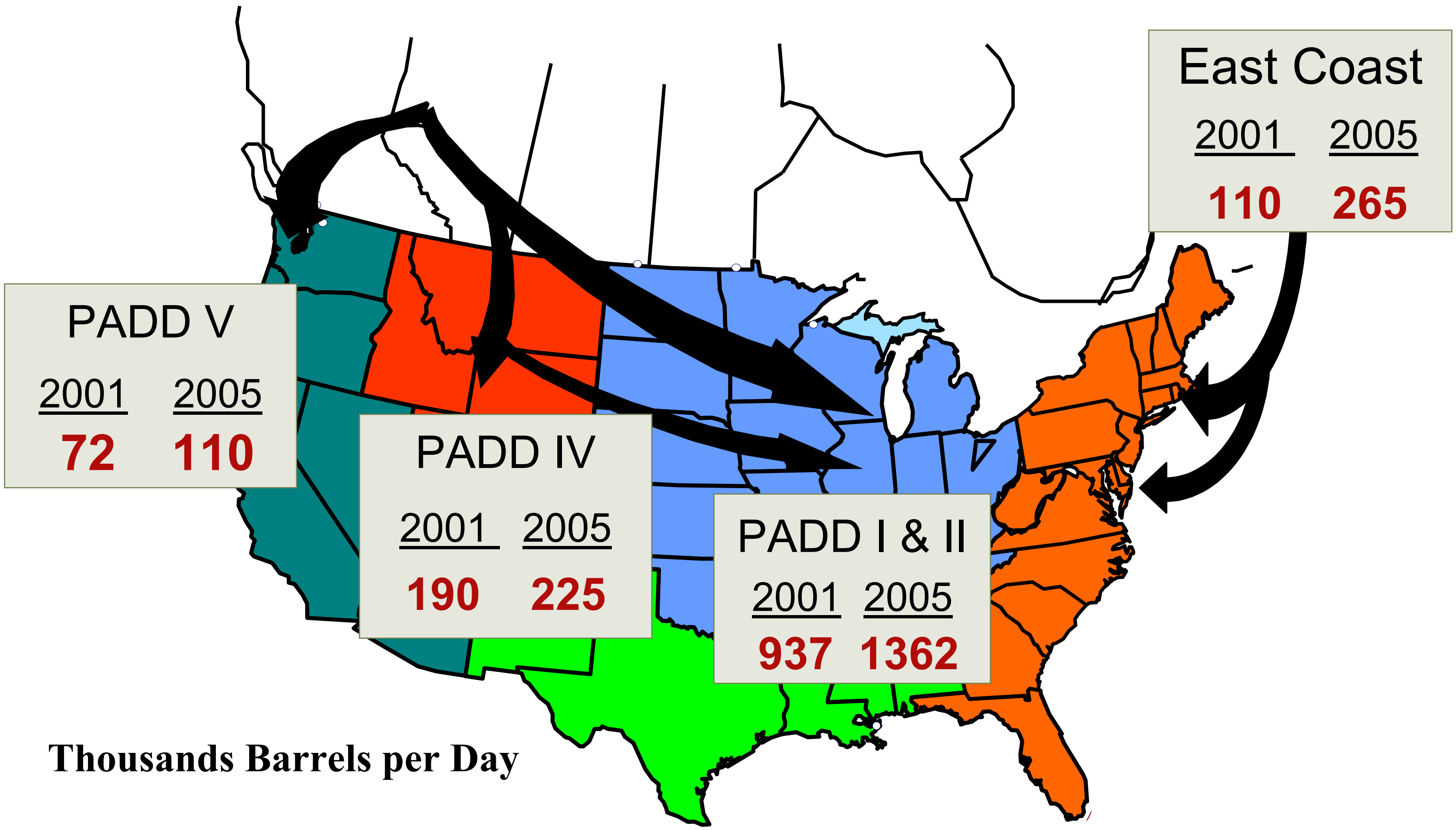
The Thirst for Adventure



The Darkening of the Barrel



Logistical Challenges

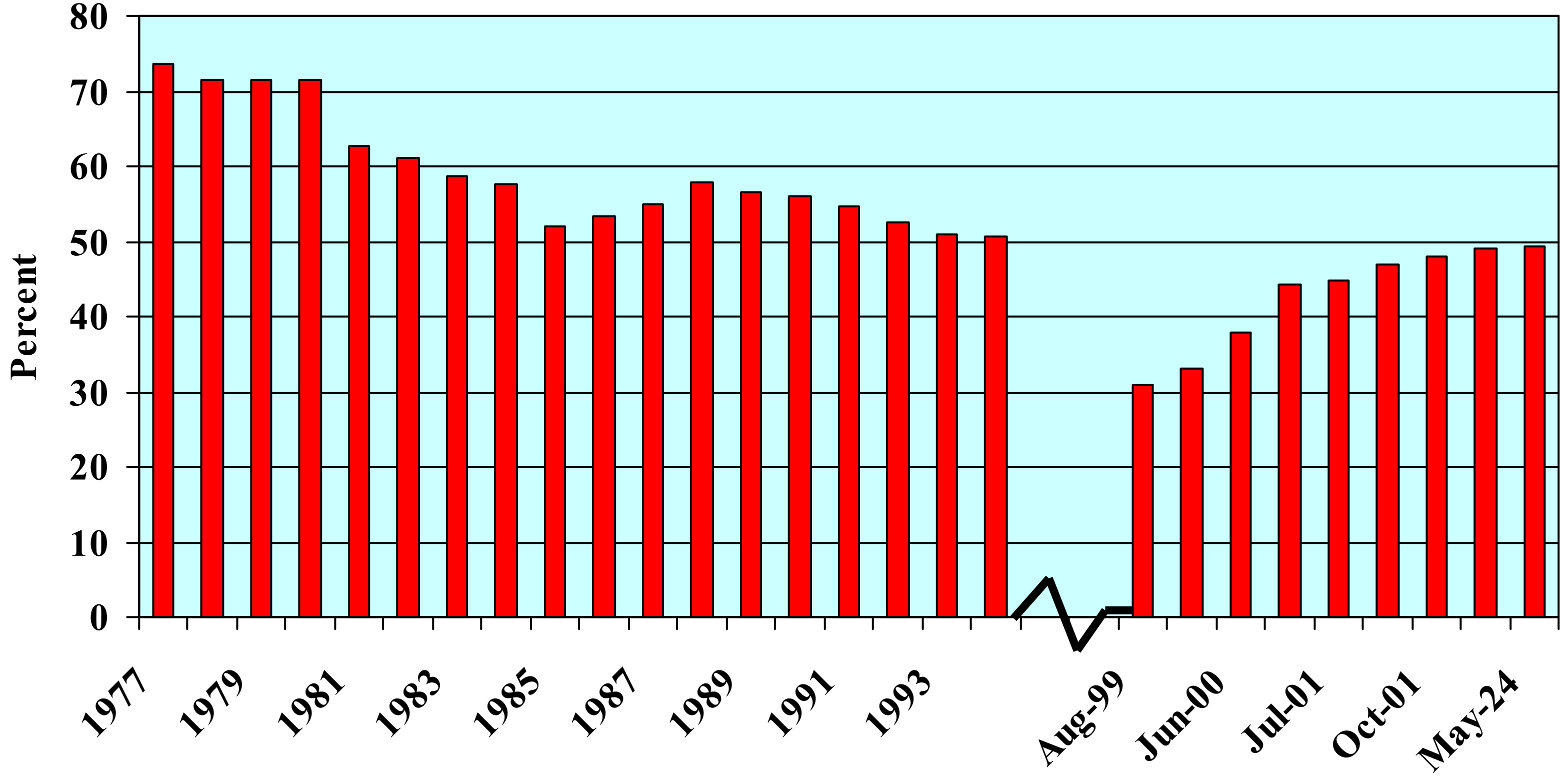


Thousands Barrels per Day

SOURCE: CAPP.

Influencing Our Destiny

Foreign Ownership in the Upstream Sector



SOURCES: (1) 1977-1994 Petroleum Monitoring Agency; and (2) 2000-01 CAPP: Based on residency of ownership of shares and boe production.

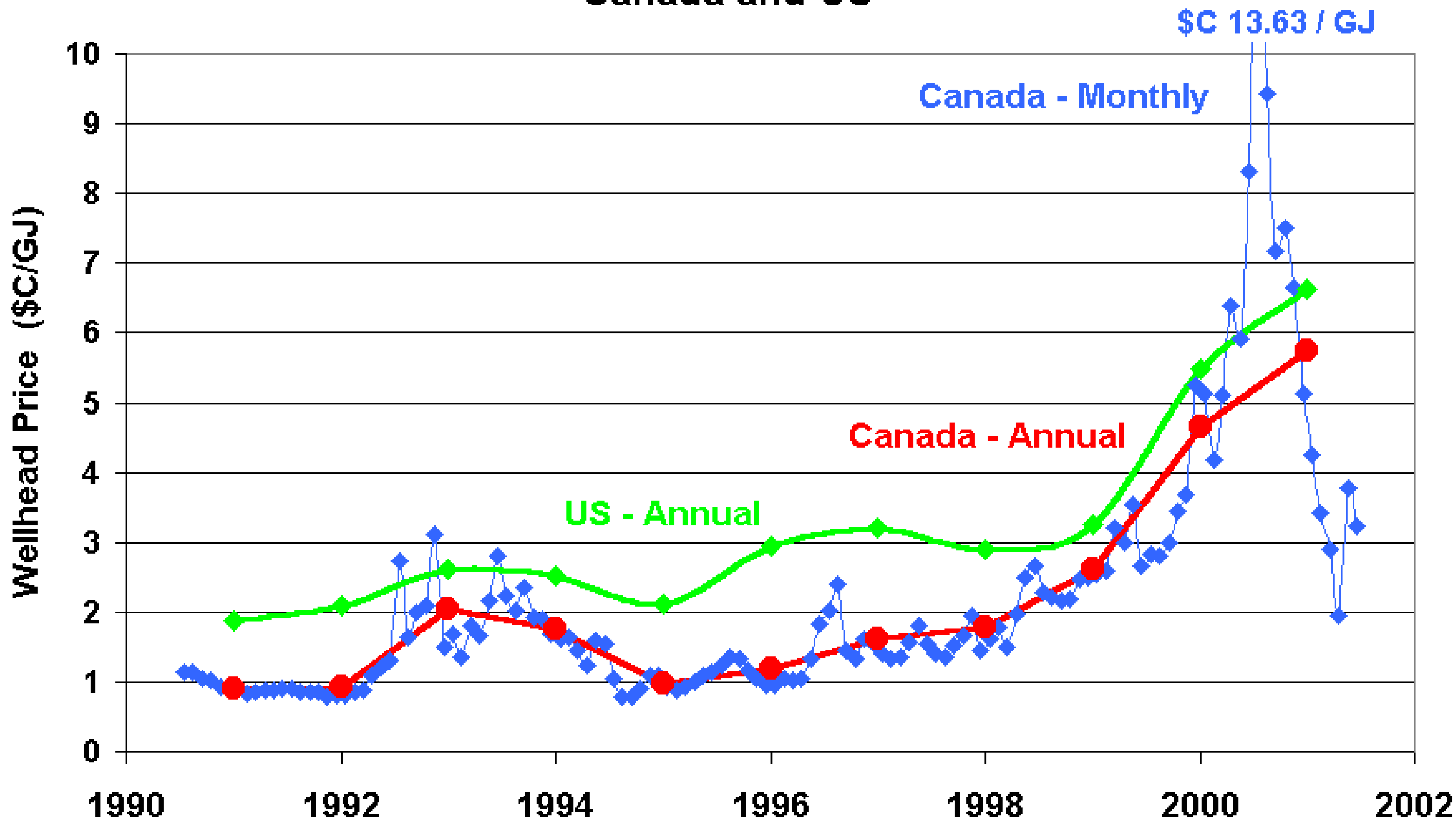
Building for the Future

($billions investment)

	1999	2000	2001	2002
WCSB	11.0	17.0	20.0	18.0
Northern Canada	0.2	0.3	0.4	0.5
Oil Sands	2.4	4.2	5.0	5.0
East Coast Offshore	2.7	1.8	1.5	1.0
International	1.7	2.1	3.5	3.0

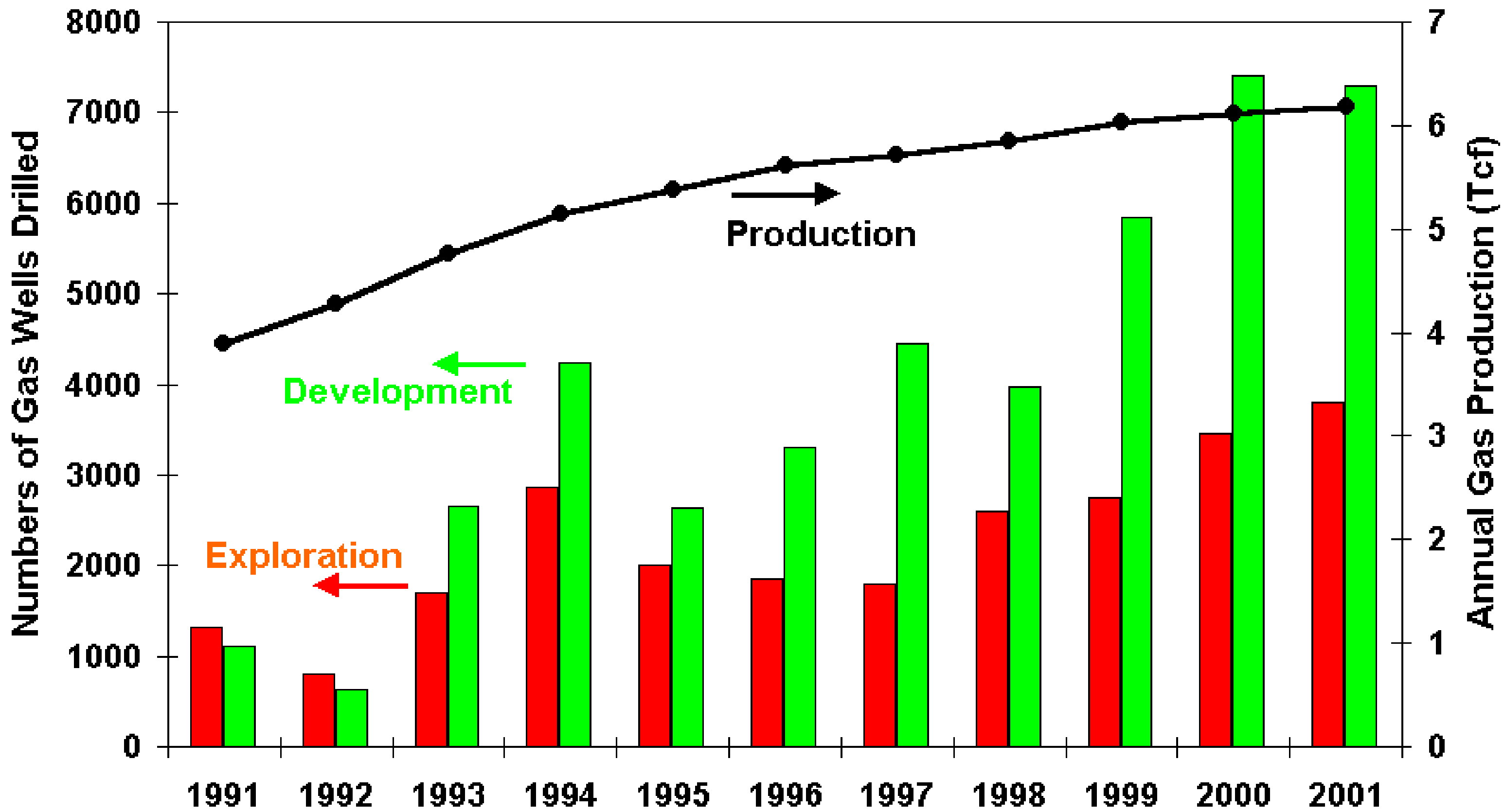
SOURCE: CAPP.

Average Wellhead Natural Gas Prices
Canada and US



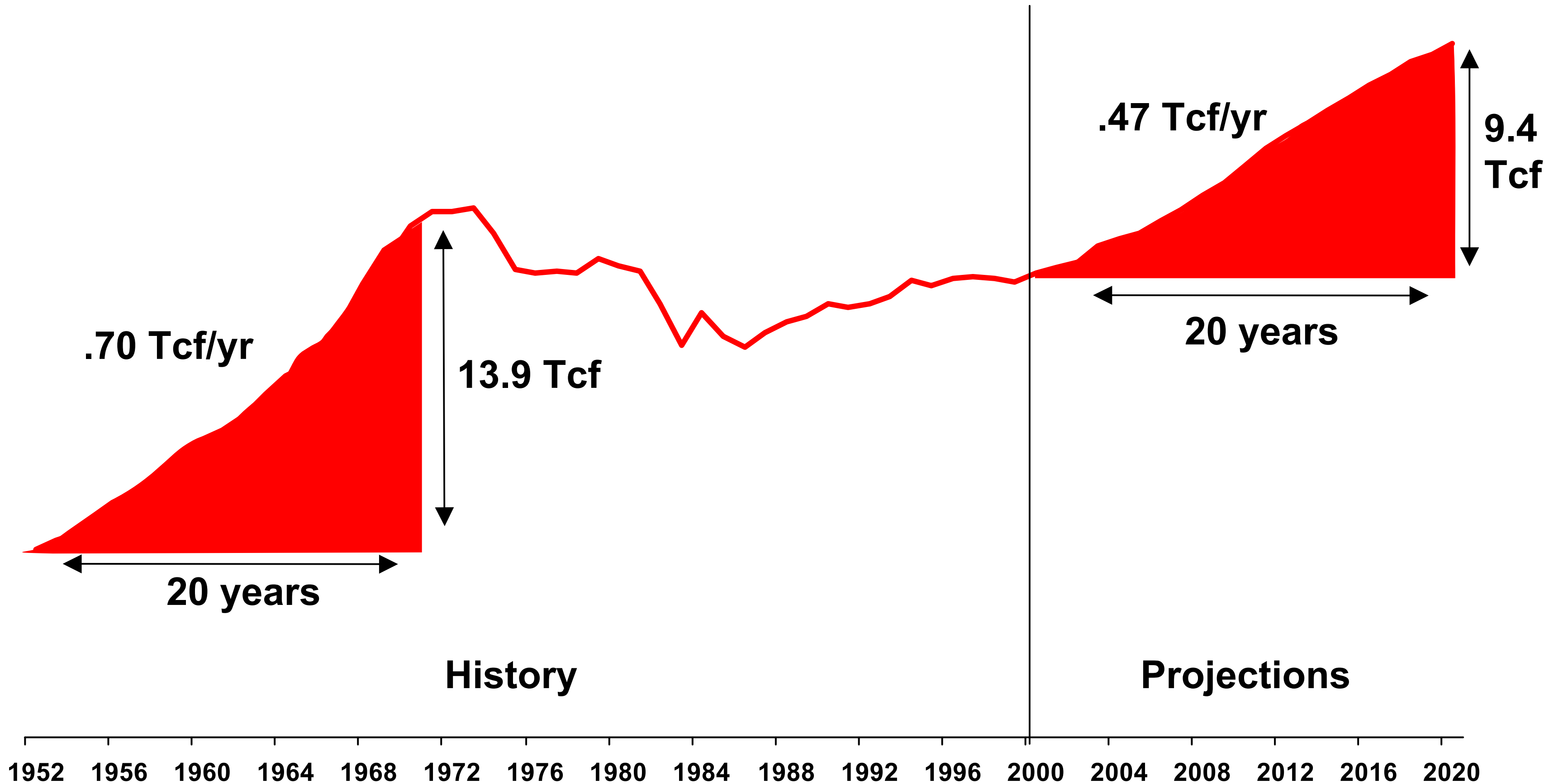
CANADIAN ENERGY RESEARCH INSTITUTE

Western Canada: Gas Production and Drilling



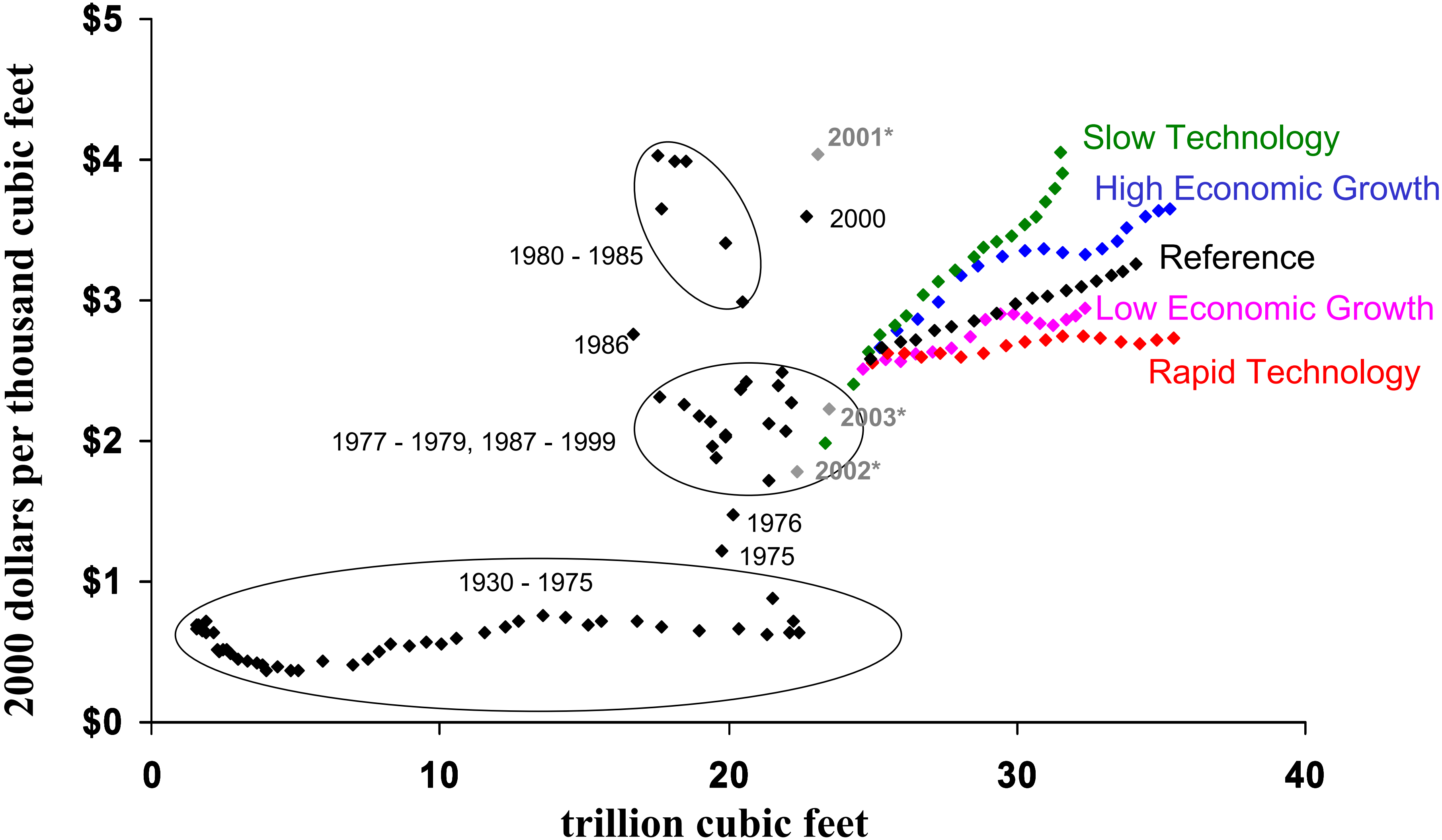
Data Sources: CAPP with analysis by CERI

Natural Gas Production,1952 - 2020 (trillion cubic feet)



www.eia.doe.gov

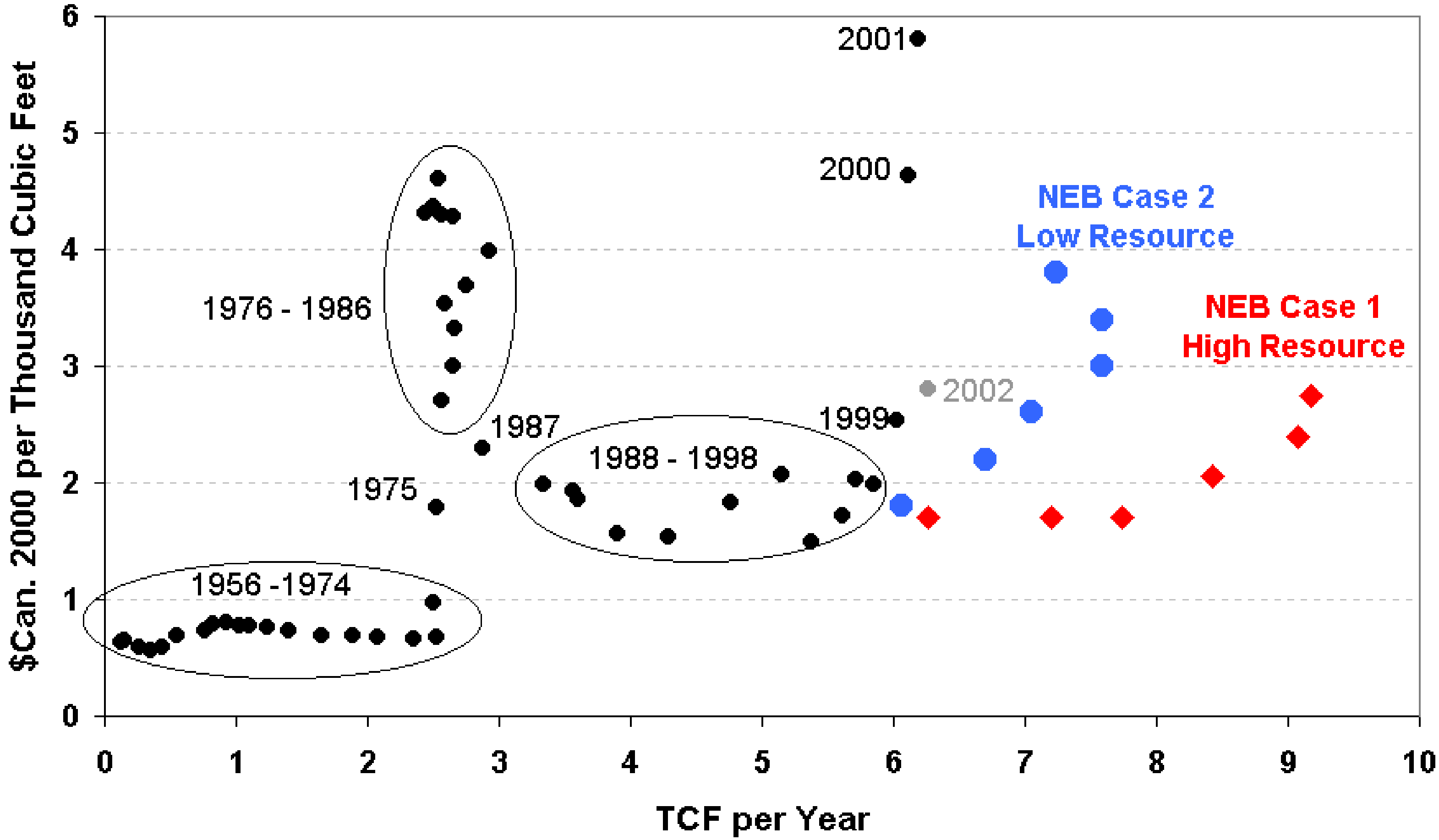
Natural Gas Wellhead Prices vs. Total Supply, 1930 - 2020



* February 2002 STEO

www.eia.doe.gov

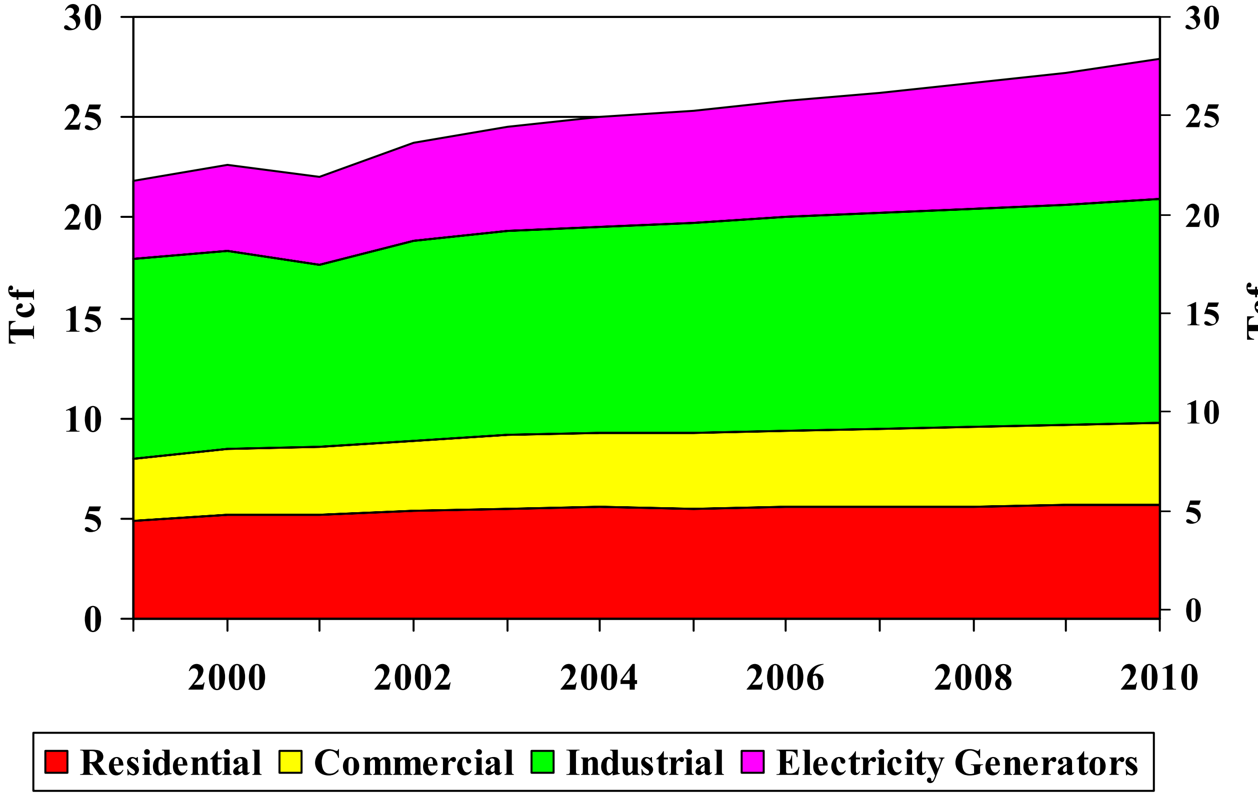
Canada: Natural Gas Wellhead Price Vs. Production



Data Sources: CAPP, NEB with analysis by CERI

The Thirst for Power

Lower 48 Natural Gas Demand



The Far-Away Future?

Natural Gas Ultimate Potential
(Tcf)

Region	Produced	Remaining	Total
Alberta	220	50	270
British Columbia	37	13	50
Saskatchewan	4	5	9
Mackenzie/Beaufort	0	64	64
East Coast Offshore	0.5	62.5	63
Other Frontier	0	183	183

SOURCE: NEB.

Patience Rewarded?

- 6-9 Tcf discovered before 1975 (2-3 Tcf since?)
- Current production 4.5 Bcf/yr
- $650 million work bids in Mackenzie/ Beaufort since end of 1998
- $118 million work bids in Central Mackenzie since end of 1994
- $29 million work bids in Southern NWT since end of 1994

Mexico's Standoff

	Mexico	Canada
Reserves (Tcf)	55.7	60.7
Production (Bcf/d)	3.3	16
Gas Wells in 2000 (estimated)	300	9,200
Annual Investment ($US millions)	200	6,000
Export Revenues in 2000 ($US millions)	35	12,000
Upstream Participants	1	600

Bringing It All Together

- Timing is everything – remember the winter of 2000-2001
- Frontier enthusiasm waning?
- Watch for commitments that bind supplies to markets
- Mexico remains a wild card

Fortress America

- Increased investment in energy processing infrastructure – particularly refineries
- Opening of ANWR to exploration
- Natural gas pipeline subsidies: What's up with that?

Conclusions

- Continued opportunity for higher-cost supplies
- Canada is still viewed as part of the solution
- The Northern debate continues