

Alberta oilsands world's largest source of new crude oil by 2010

By Jeff Rubin, CIBC World Market, Jan. 10, 2006

Alberta's oil sands will become the most important source of new oil in the world by 2010 as conventional crude dries up, CIBC World Markets says in its latest monthly report.

Alberta will sit on one of the most valuable energy sources in the world by that time, and one of the few still open to private investment, said Jeff Rubin, chief economist at CIBC World Markets, the bank's wholesale banking arm.

He added that conventional oil production around the world apparently peaked in 2004.

Rubin found that total oil supplies around the world grew by less than one million barrels a day last year. None of that growth came from outside the OPEC sphere.

That finding was particularly surprising because oil prices have doubled in recent years, making exploration of many new areas economically feasible for the first time.

Rubin looked at 164 upcoming oil fields in his study and found that new oil is, in fact, being discovered and it is coming on stream. But more than half simply balances declining production from existing fields in the North Sea and Kuwait's Burgan region.

Rubin does expect a net gain in oil production in coming years, but it will be small and getting smaller.

Rubin expects 3.6 million barrels of new oil to come on stream in 2006, but 2.2 million barrels will go to replace declining reserves elsewhere, leaving just 1.4 million barrels of new oil.

He expects 1.5 million barrels of new oil in 2006 and 2007, but less than a million barrels a day in 2008.

Energy companies are finding new oil, but most of it will come from non-conventional sources. Ocean oil rigs are the primary source of new oil today, with Alberta's oil sands tomorrow, with expansion projects rivaling those of Saudi Arabia.

Suncor Energy Inc. and its predecessor, Great Canadian Oil Sands, have been developing the oil sands near Fort McMurray in northern Alberta since 1963. But the project was hobbled by the difficulties and expense of extracting crude oil from what is essentially a oily sand.

Forty years later, production has risen to about 270,000 barrels a day, with plans to expand to more than half a million barrels a day by 2012.

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About: "CIBC World Markets is the wholesale banking arm of the Canadian Imperial Bank of Commerce (CIBC), one of North America's first and largest financial institutions."