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Oil Sands to Continue to Grow but Heightened Energy Security Concerns Have Not Yet Boosted Outlook

S&P Global Commodity Insights 10-year forecast expects oil sands production in 2030 to be 3.5 million barrels per day—17 percent higher than current levels

CALGARY, AB, July 27, 2022 /PRNewswire/ -- While the Russian invasion of Ukraine has increased the incentive to raise Canadian oil sands production in the short-term, it has not fundamentally altered the production outlook over the longer-term, according to the latest forecast by the S&P Global Oil Sands Dialogue.

The updated 10-year forecast expects Canadian oil sands production to reach 3.5 million barrels per day (MMbd) in 2030, an increase of about half a million barrels per day compared to 2021 production levels, according to the S&P Global Commodity Insights forecast. The previous forecast expected production to reach 3.6 MMbd in 2030—a difference of 100,000 barrels per day (b/d).

"The Russian invasion of Ukraine has heightened interest in the ability of Canada—and oil sands specifically—to contribute more crude supply to the global oil market," said **Kevin Birn, vice president, Canadian oil markets chief analyst, S&P Global Commodity Insights**. "While this has increased the incentive to raise oil sands production in the near-term, a longer-term focus on strengthening returns to shareholders as well as decarbonizing the industry continue to weigh on growth for the longer-term."

The latest revisions to the 10-year outlook reflect newer trends, such as investor priorities shifting toward greater returns on capital, as well as ambitious greenhouse gas reduction expectations announced by the Government of Canada and plans announced by the industry that would require large-scale investments over multiple years in decarbonization projects such as carbon capture and storage.

S&P Global Commodity Insights had already expected the coming decade to be one of sustained-but-slower growth for the oil sands due to a lack of adequate long-distance pipeline transportation capacity contributing to regional price insecurity in the past that lowered past growth expectations.

The latest 10-year forecast expects a continuation of the trend by which most production growth comes from the ramp-up, optimization and completion of projects where some capital has already been invested. More than 80% of the growth in the new outlook is expected to come from these areas. Nearly half of the growth is expected to come from the ramp-up of existing operations alone. The emphasis on production growth from existing projects means that the strongest oil sands production growth will occur within the next few years.

Conversely, nearly all of the 100,000 b/d reduction compared to the previous 2030 forecast comes from output associated with new projects that would have been expected to come online later in the forecast period.

"Existing oil sands projects are attractive from an investor's perspective because of their long operational life, low-decline production profile and relatively low maintenance cost," Birn said. "On the other hand, bringing online new oil sands operations requires large upfront expenditures over multiple years. While investor interest in future large-scale investments has fallen, projects that are now online are in a position to realize oil sands free cashflow potential."

Nevertheless, the latest 10-year forecast could still prove conservative if higher crude prices and energy security concerns persist long enough.

"If current price levels are sustained it is possible that upstream operators may be able to satisfy shareholders with sufficient returns, advance larger-scale decarbonization efforts and invest in growing production," said **Celina Hwang, director, North American crude oil markets, S&P Global Commodity Insights**.

However, any upward revisions to the outlook are still most likely to come from greater than expected optimization as opposed to new larger scale projects, according to the analysis. Even minor improvements in optimization have the potential for significant gains. A 1% per annum improvement of a system of more than 3 MMbd could result in 250,000 b/d more output by 2030.

"The story of Canadian oil sands today is one that is looking to be increasingly less about production growth," said Hwang. "It is more about investor returns, output optimization and maintenance while also accelerating technologies to lower emissions that puts the industry in a position to compete on carbon."

Please see the following blog post for more information about the S&P Global Oil Sands Dialogue 10-year production forecast: https://ihsmarkit.com/research-analysis/longterm-oil-sands-outlook.html

Media Contacts:

S&P Global: Jeff Marn +1-202-463-8213, Jeff.Marn@ihsmarkit.com
S&P Global Commodity Insights, Global/EMEA: Alex Ortolani + 1 917-618-0709, alex.ortolani@spglobal.com
Americas: Kathleen Tanzy + 1 917-331-4607, kathleen.tanzy@spglobal.com
Asia: Melissa Tan + 65-6597-6241, melissa.tan@spglobal.com

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