

S&P Global Commodity Insights Raises 10-year Production Outlook for Canadian Oil Sands for First Time in More than Half Decade

Latest forecast expects oil sands production in 2030 to be 3.7 million barrels per day—half a million barrels per day higher than current levels

CALGARY, AB, May 25, 2023 /PRNewswire/ -- Higher crude prices and continued optimization improvements have driven the first upward revision to the S&P Global Commodity Insights [10-year oil sands production outlook](#) in more than half a decade.

The new forecast, produced by the [S&P Global Commodity Insights Oil Sands Dialogue](#), expects Canadian oil sands production to reach 3.7 million barrels per day (mbd) by 2030—half a million barrels per day higher than today. The new projection represents an increase of 140,000 b/d in 2030 from the previous outlook.

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"Higher oil prices have driven record returns for the Canadian oil sands," said Celina Hwang, Director, North American Crude Oil Markets, S&P Global Commodity Insights. "Although producers continue to demonstrate capital discipline, stronger balance sheets are now giving oil sands companies renewed confidence in regard to their intentions for capital spending."

The main driver of the upward revision has been the identification of additional opportunities to improve efficiency and/or optimize output, the analysis says. The ongoing ramp-up and operational efficiency gains from learning by doing and step-out optimization projects are the most significant contributors.

Step-out optimizations are a relatively new phenomenon and include, as the name suggests, stepping out from existing operational areas into new high quality adjacent lands.

Capital expenditures for oil sands production in 2022 reached their highest levels since 2015 and could rise further this year. However, most of that increase occurred to offset increased inflation and there has not been a resurgence in large-scale greenfield or even brownfield oil sands projects, the analysis says.

"The Canadian oil sands have entered an 'era of optimization'," said Kevin Birn, Vice President, Canadian Oil Markets Chief Analyst, S&P Global Commodity Insights. "Learning by doing and step-out optimizations account for nearly 90% of our overall production outlook. The remainder of additions are expected to come from yet another form of optimization—debottlenecking projects. Optimizations now dominate the S&P Global Commodity Insights oil sands production growth outlook."

S&P Global Commodity Insights expects Canada to continue to post record crude oil production (both oil sands and non-oil sands crude) and export levels annually for the remainder of this decade. A deceleration in growth is expected to begin around the mid to late 2020s, but a very shallow decline only begins to emerge in the early 2030s. The reasons that the decline is expected to be particularly shallow is due to the long, flat production profile of Canadian oil sands assets.

Continued upside potential exists for the production outlook given the organic nature of how optimization projects emerge, the analysis says. Policy remains the most likely source of downside risk. In particular, the advancing federal oil and gas cap which intends to establish an absolute oil sands emissions target could temper investment if the targets prove too stringent and unattainable in the time provided, the analysis says.

"When oil prices were last at the levels experienced in 2022, the oil sands experienced a surge in development," Birn said. "Today, with over 3.2 million barrels per day of output, the optimization of that large existing base of

assets can lead to material additions—all while maintaining capital discipline sought from upstream oil and gas investors."

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