

THE ENERGY
ROUNDTABLEAn invitation-only event
Calgary, September 30, 2008• www.energyroundtable.org
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Canada's oilsands future promising, yet uncertain

Finance, regulatory, environmental issues loom large

ENERGY BUILDERS



Will the wealth of all of Canada's vast oilsands be harnessed? How can it be done while mitigating environmental impact? And who will be the main beneficiaries: the people of Canada or foreign interests whose investments are needed to fuel oilsands development?

These and other pressing

questions will form the focal point of discussions taking place in Calgary September 29 and 30 during the Energy Roundtable, a high-level conference involving just 150 participants, including more than 40 energy-sector CEOs from around the world, whose interests heavily influence the future of this vast resource.

"Canada's total oil reserves are estimated at 173 billion barrels – enough to meet Canada's needs for 500 years," says Jason Langrish, president of event organizer, the Canada Europe Roundtable for Business. "Currently, oilsands production alone is about 1.2 million barrels a day. By 2020, Canada's conventional and oilsands produc-

tion is expected to rise to almost 5 million barrels a day.

"The future of the oilsands is inextricably related to the future of Canada. The interest in northern Alberta and Saskatchewan is enormous."

Yet key elements of that future remain undecided, experts agree.

For example, despite global energy demand and high oil prices, these factors alone are not enough to justify the billions of investment needed to finance proposed projects now on the table, says Shane Fildes, group head of the BMO Capital Markets Canadian energy group.

"Barring excessive cost inflation, current operators are unlikely to face financing challenges," he says. "They have strong balance sheets, cash on hand and a reliable track record. But when it comes to financing proposed projects, financial markets will be much more selective and look for ventures with the best management, the best technology and the greatest financial strength.

"About 18 months ago there was a gold rush mentality; we have now returned to a more measured approach. There is \$150-billion worth of projects planned, and our view is that not all of them will be built."

And what of environmental protection? That inevitable shakeout of competing proposals may, in fact, benefit those urging greater safeguards. What the oilsands

need most right now is time and political will to put environmental controls in place, says Simon Dyer, oilsands program director at the Pembina Institute.

"Most of the work that needs to be done such as land-use planning and a real water management plan for the Athabasca River could be done in six months," he says. "But we need the political will to set limits and demand that operators must use the best available technology."

In August, the Pembina Institute withdrew in "frustration" from an association created to establish oilsands development controls, says Mr. Dyer. While that group had been established in 2000, government has yet to act on the protection needed before future development takes place, he says.

And yet, Mr. Dyer says it is inevitable that demand for strict limits will continue to grow. The key is setting them in place before it is too late, he says.

"There is no need to approve new projects. Existing operators are already producing in large volumes, and that will rise significantly in the near future based on approved production. If we act now, we have time to protect a large portion of northern Alberta and Saskatchewan before more damage takes place," he says.

John Wright, president of Calgary-based Petrobank Energy and Resources Ltd., is

among those who favour the approval of proposals based on best-available, lowest-environmental-impact technologies. Like others, Petrobank is in a queue awaiting Alberta government project approval.

One of Petrobank's major pluses is a new extraction method that uses combustion below ground to extract the oil. Unlike current technology, this process yields partly upgraded oil not tarry bitumen, which needs further refining. Even better, it does so without needing to burn huge amounts of natural gas, or divert water from the Athabasca, says Mr. Wright.

"Part of our current challenge is that the province has approved expansion of projects using existing technology but held off on new projects, which would introduce the newest, lowest environmental impact technology to oilsands development."

Yet even with existing technology, he says the oilsands are indeed being developed responsibly.

"Petrobank's technology continues an industry-wide effort to reduce environmental impact," he says.

Jason Langrish says Canada's oilsands future is in many ways an international matter. "It's Canada's resource, and Canadian governments will determine the regulatory framework, but increasingly it's money, technology and interests from around the world that are influencing oilsands development." ■

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OILSANDS DEVELOPMENT

Foreign influence raises questions about future markets for Canadian oil

Multinational energy companies from the U.S., China, France, Britain, Scandinavia and even Abu Dhabi are among those with hands in future oilsands projects. Does this mean Canadian-derived energy will end up in faraway markets? Not necessarily, say experts.

"First and foremost, production will go to meeting Canadian needs," says Ian Anderson, president of pipeline company Kinder Morgan Canada Inc. "The second priority is to meet U.S. needs through treaties and contracts already signed. Then, as production ramps up and there is a surplus, producers

will look towards world markets."

Dick Cooper, national leader in the energy and resources practice at Deloitte & Touche LLP, says a variety of factors are attracting global energy players.

"Major foreign energy companies see the oilsands not just as the second-largest proven reserves in the world, but as a safe, politically secure supply. There is no fear of nationalization as in many major producing countries," he says.

The lifespan of those reserves is an added draw, he says. "Most conventional oil-fields have a useful life of

about 10 years; the oilsands probably have at least 50 years of production available now."

As for timing, Mr. Anderson says production should reach a level in perhaps 2011 or 2012 to be able to increase shipments to the U.S.

By 2015 or 2016, however, increased production and a planned pipeline to B.C.'s west coast could allow shipments of oil to Asian countries such as China, Japan and Korea.

"The market will sort out where that surplus oil goes," he says. "Right now, there are so many factors in play all we can do is stay close to the producers' market development." ■

This report was produced by RandallAnthony Communications Inc. (www.randallanthony.com) in conjunction with the advertising department of The Globe and Mail. Richard Deacon, National Business Development Manager, rdeacon@globeandmail.com.

A Canadian perspective on energy issues



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CANDU the right choice to meet Canada's growing electricity needs



By Don MacKinnon
President, Power Workers' Union

With Ontario, Alberta, Saskatchewan and New Brunswick scheduled to make major nuclear decisions in the coming months, Canadians expect our provincial leaders to make the right technology choice. Atomic Energy of Canada Limited's (AECL) world leading CANDU technology is the right choice for Canada.

Building more CANDU reactors will ensure reliable, affordable, secure electricity for the future. This is what CANDU reactors have done successfully and safely for over 46 years, both here and abroad. In 2007, Ontario received 51 per cent of its electricity from CANDU plants; New Brunswick 30 per cent; and Quebec three per cent.

In the last decade, AECL has built more new reactors than any competitor in export markets, and leads the industry in on-time and on-budget construction. Worldwide, the CANDU 6 reactor fleet has an average capacity factor of 87.4 per cent, the highest in the world and well ahead of the competition.

Choosing CANDU will mean billions of dollars worth of jobs for our manufacturing, construction and high-tech research and development sectors. According to the Canadian Nuclear Association, our nuclear industry: is worth \$5 billion per year; creates 30,000 high-skill jobs (with another 70,000 jobs in supplies and services); and supports 150 Canadian companies. Each new domestic CANDU plant adds an estimated \$2.6 billion to Ontario's Gross Domestic Product (GDP) and 40,000 person years in construction jobs, while each exported CANDU reactor adds about \$1.75 billion to the GDP and creates about 2,000 direct jobs each year over 5 years.

Building and exporting more CANDU reactors can help Canada tackle climate change in a rapidly growing worldwide electricity market. Since CANDU reactors use uranium in a controlled nuclear reaction, there are no greenhouse gas (GHG) emissions from combustion products.

CANDU technology provides a made-in-Canada solution to challenges being faced across the country. Alberta and Saskatchewan want to continue to develop and reap the economic benefits from their oilsands, but they are facing growing opposition because of rising GHG emissions. Ontario requires a major re-investment in electricity infrastructure and needs to deal with a manufacturing sector in decline. Meanwhile, New Brunswick's premier wants to make his province an "energy hub." All four provinces are considering whether to use CANDU technology or to select another, non-Canadian nuclear technology to help address these challenges.

Selecting CANDU should be the decision of every province, starting with Ontario. The benefits are evident. All four provinces would receive low-cost, reliable and secure electricity without generating additional GHG emissions. Alberta and Saskatchewan would address environmental concerns that could otherwise slow down oilsands development. Building another CANDU reactor in New Brunswick would create jobs and provide competitively priced energy for export to its neighbours in Canada and the

United States.

Ontario stands to benefit the most. Many CANDU-related suppliers are located in Ontario, and CANDU technology has already proven to be a reliable source of afford-

able electricity, critical to Ontario's manufacturing sector. CANDU technology also offers an opportunity to further improve the environment while revitalizing Ontario's ailing automotive sector. In the

short term, CANDU's low-cost, night-time base load electricity could be used to enable development and widespread use of electric vehicles, while in the longer term, CANDU-produced hydrogen could fuel

the next generation of "Ontario built" zero-emission vehicles.

CANDU technology is a Canadian success story and should be the choice of Canadians. It's the best technology

available in a growing global market, and choosing CANDU ensures a bright future for Canada's nuclear-related expertise, infrastructure and businesses. CANDU is the right choice. ■

ONTARIO CAN'T DO WITHOUT CANDU.

Let reason prevail on the issue of CANDU technology for Ontario.

By building more CANDU, we can help keep the wheels on Ontario's economy and maintain Canadian leadership in the global nuclear industry.

**Today,
CANDU technology means:**

- Billions of dollars worth of jobs in Ontario's manufacturing, construction and high-tech research sectors.
- Low-cost, reliable, safe electricity for Canadian businesses and consumers.

- Real environmental progress due to millions of tons of reduced greenhouse gases.
- Global technological leadership for Canada in a growing nuclear market.

**Tomorrow,
CANDU technology promises:**

- Clean base-load electricity to power electric cars, trains and light rapid transit.
- Hydrogen to fuel "zero emission" cars and trucks made in Ontario.
- Environmentally better ways to develop Canada's oil sands resources.

- Much cleaner, more secure electricity to help meet our neighbours' growing energy demands.

Building on the CANDU success story means a strong, vibrant and competitive economy for Ontario, and expanded technological and energy leadership for Canada.

Please visit our website at www.abetterenergyplan.ca for a thorough and informative discussion about why CANDU technology is good for Ontario and for Canada.



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