

# THE EXPLORERS AND PRODUCERS ASSOCIATION OF CANADA

Rotary Club 2018

# EPAC Profile in Western Canada



- 160 members from start-ups to multi-billion dollar public companies
- 65,000 wells producing 1.5 million BOE/day of crude oil, natural gas and liquids
- 20% of Canada's total production
- 40% of Montney, Duvernay and Deep Basin Production
- 6 of Top 10 operators in 2018 (meters drilled) in Western Canada

# EPAC's Mission Statement

- **Advocate** to governments, policy makers and regulators
- **Communicate** our views to the public and news media
- **Educate** Canadians about our industry

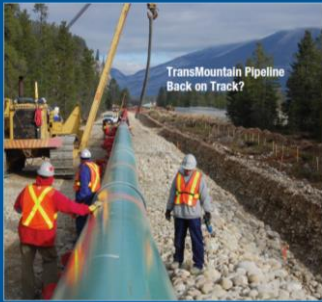




# The Voice of Canada's Oil & Gas Entrepreneurs™



**EXPLORER**  
Summer/Fall 2018



Also in this issue:  
• 2018 EPAC Awards  
• Alberta Methane Emissions

## Explorer Magazine

## EPAC Website

**Current News**

**September 22, 2018**  
EPAC comments on marine impact review for Trans Mtn pipeline  
[Read More >](#)

**September 19, 2018**  
EPAC comments on decline of publicly traded junior oil cos.  
[Read More >](#)

**September 17, 2018**  
Industry leader Clay Riddell passes away: will be missed  
[Read More >](#)

**September 14, 2018**  
Indigenous and Chinese backed refinery proposed for Alberta  
[Read More >](#)

[See More](#)

**Featured Topics**

- CERJ Report July 2018: Competitive Analysis of Canadian LNG
- EPAC joins over 100 organizations to support "Confidence in Canada"
- BP 2018 World Energy Outlook to 2040
- Int'l Energy Agency: World Energy Outlook

**Markets**

Name	Price	Change
TSX Composite	16,213.75	-10.38
Dow Jones	26,567.83	-175.67
S&P 500	2,916.67	-13.00
Natural Gas	3.03	+0.05
Crude Oil WTI	71.97	+1.19
CAD / USD	0.7725	-0.0018

**EPAC Events**

**2018 EPAC AWARDS – March 21 2018**  
For more information click here.

**2018 EPAC AGM**  
Please log into the members only section for more information.

**Explorer Magazine**

Summer / Fall 2018



## EPAC Awards

**EPAC**  
CANADA'S OIL & GAS ENTREPRENEURS™

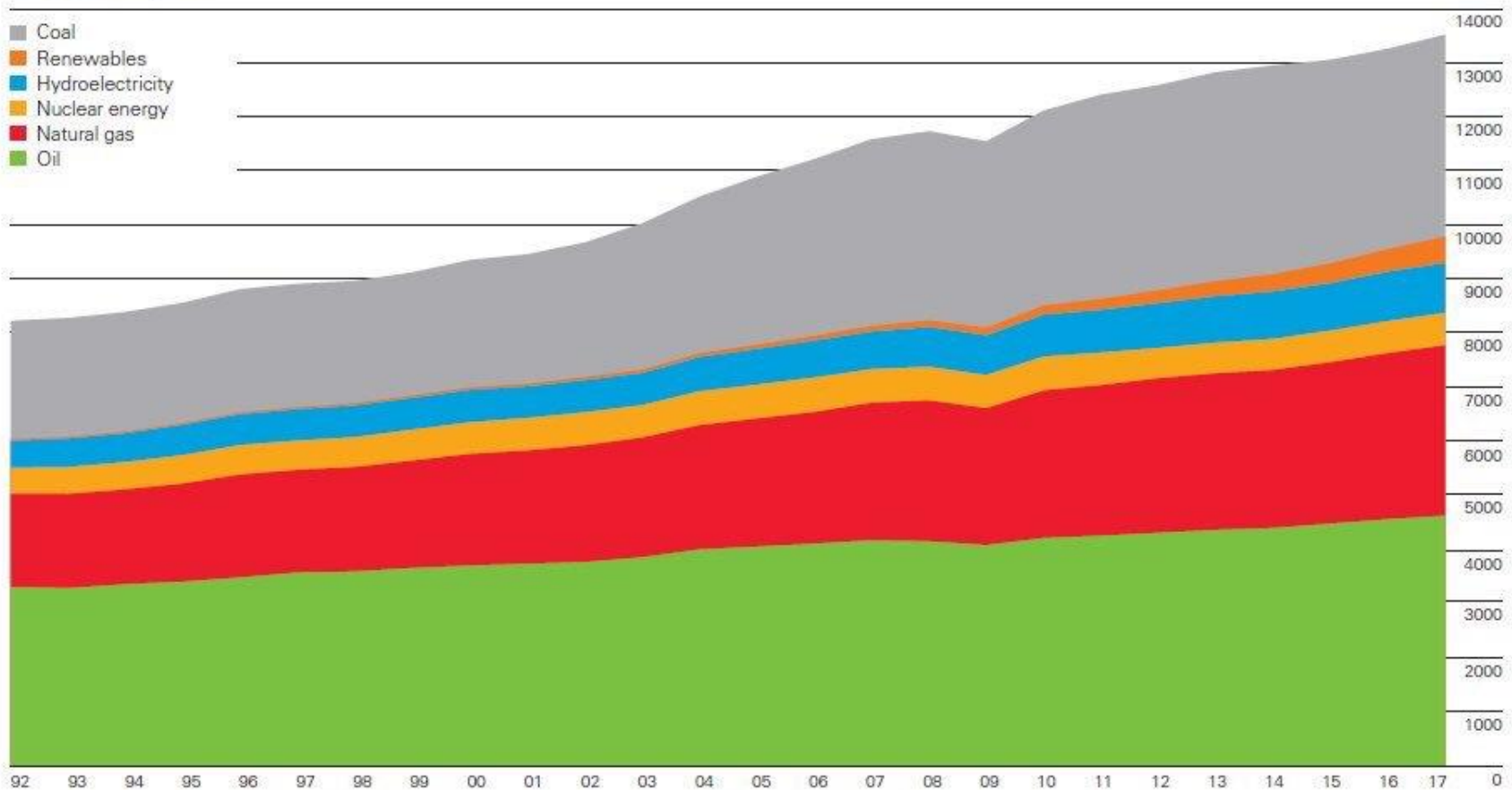
*Advisory*

## Newsletters & Advisories to Members

## World consumption

Million tonnes oil equivalent

BP Statistical Review of World Energy: June 2018



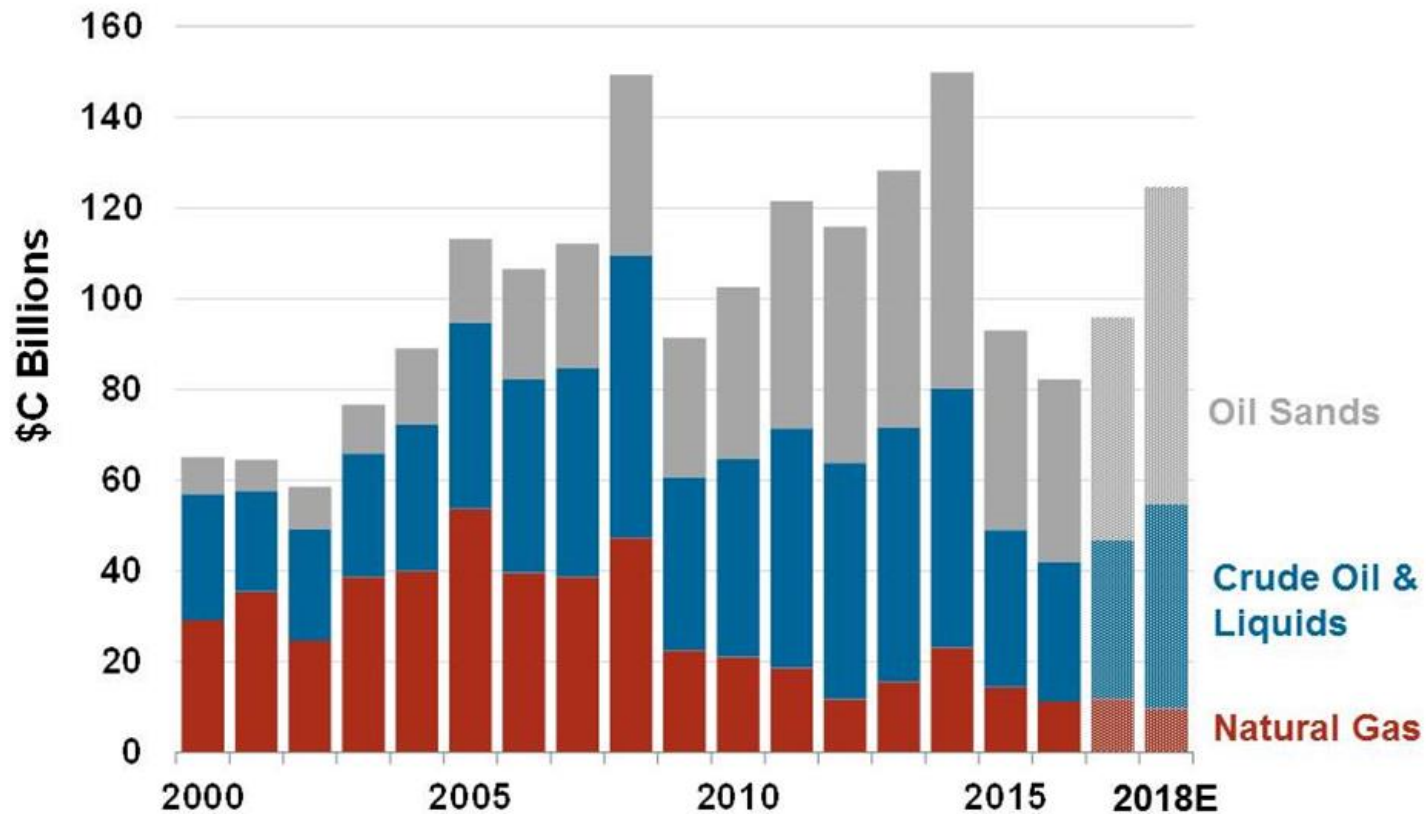
World primary energy consumption grew by 2.2% in 2017, up from 1.2% in 2016 and the highest since 2013. Growth was below average in Asia Pacific, the Middle East and S. & Cent. America but above average in other regions. All fuels except coal and hydroelectricity grew at above-average rates. Natural gas provided the largest increment to energy consumption at 83 million tonnes of oil equivalent (mtoe), followed by renewable power (69 mtoe) and oil (65 mtoe).

## Canada Oil & Gas Upstream Revenue Comparison of 2017E and 2018E

	2017E	2018E	Change
Average WTI oil price (\$US/B)	\$50.87	\$67.00	+\$16.13
Average AECO gas price (\$C/GJ)	\$2.10	\$1.70	-\$0.40
	<i>\$C billions</i>	<i>\$C billions</i>	<i>\$C billions</i>
<b>Revenue</b>			
Oil sands	49	70	+21
Natural gas, liquids and other oils	47	55	+8
Total upstream revenue	<b>96</b>	<b>125</b>	<b>+29</b>
<b>Cash Flow</b>			
Oil sands	20	36	+16
Natural gas, liquids and other oils	19	25	+6
Total upstream cash flow	<b>39</b>	<b>61</b>	<b>+22</b>

Source: ARC Energy Research Institute. 2018E does not include any hedging gains or losses and assumes Canadian light oil price averages near \$C 85/B for H2 2018

## Canada Oil & Gas Upstream Revenue 2000 to 2018E



Source: CAPP (historical); ARC Energy Research Institute (forecast). 2018E does not include any hedging gains or losses and assumes Canadian light oil price averages near \$C 85/B for H2 2018



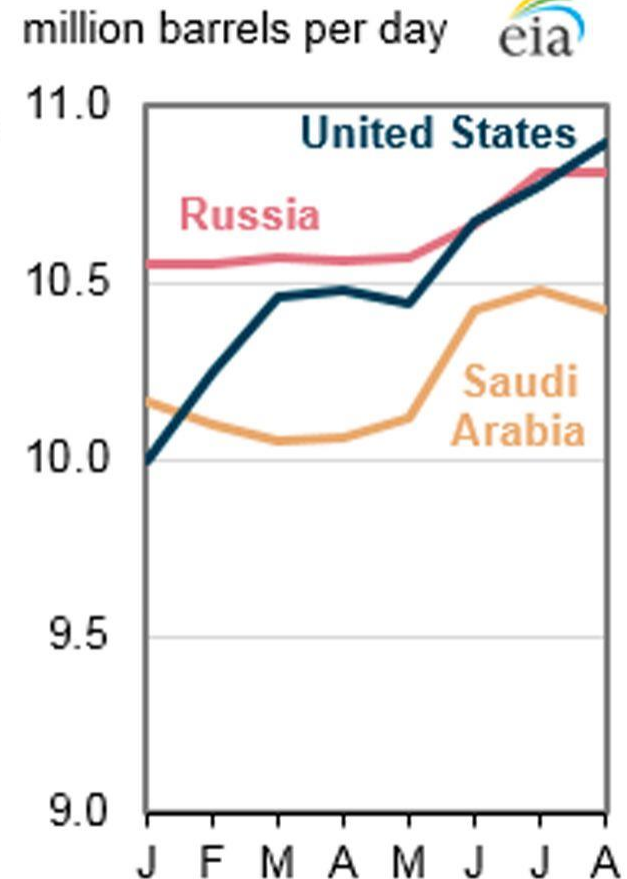
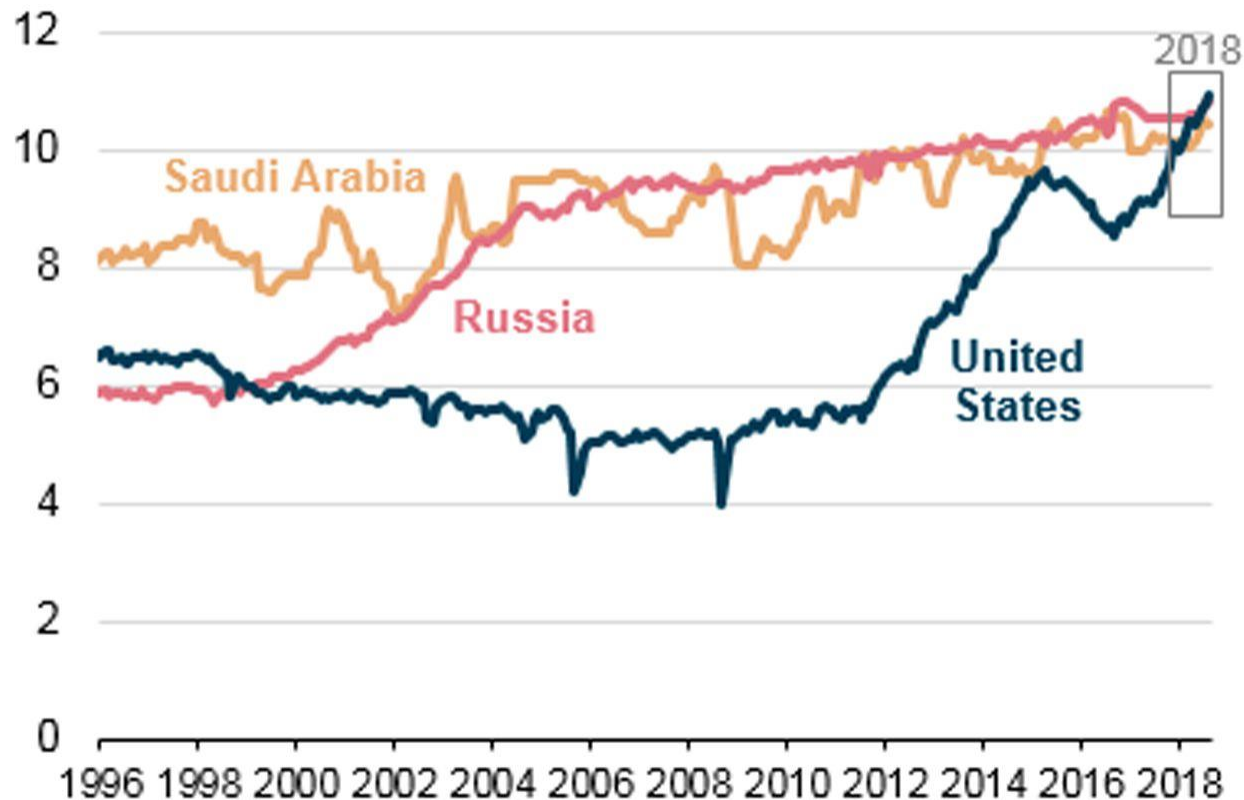
- Corporate income tax reductions
- Accelerated capital cost deductions
- Regulatory burden eased
- No carbon taxes
- GHG emissions 11.5% below 2005 levels in 2015





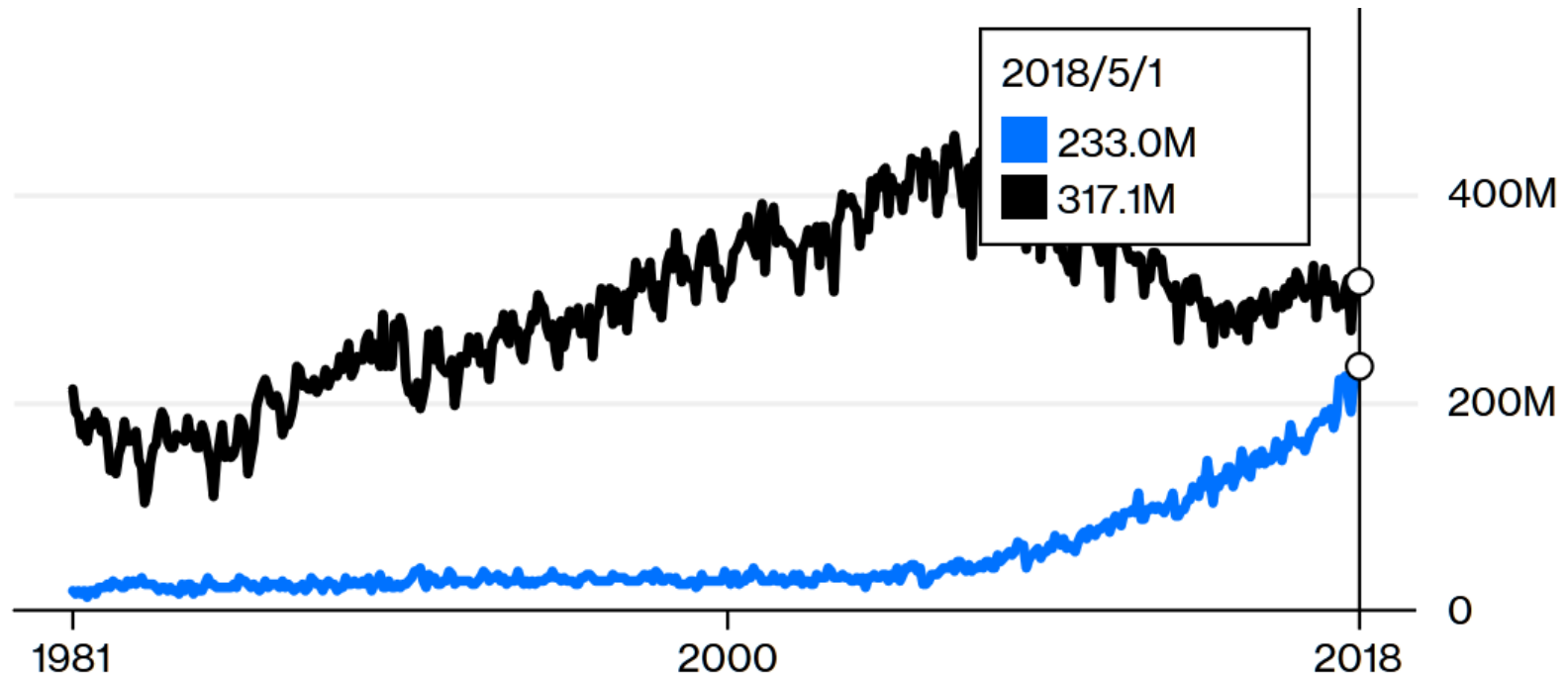
# US Oil Production Soars

**Monthly crude oil production (Jan 1994-Aug 2018)**  
million barrels per day



# Closing the US Oil Trade Gap

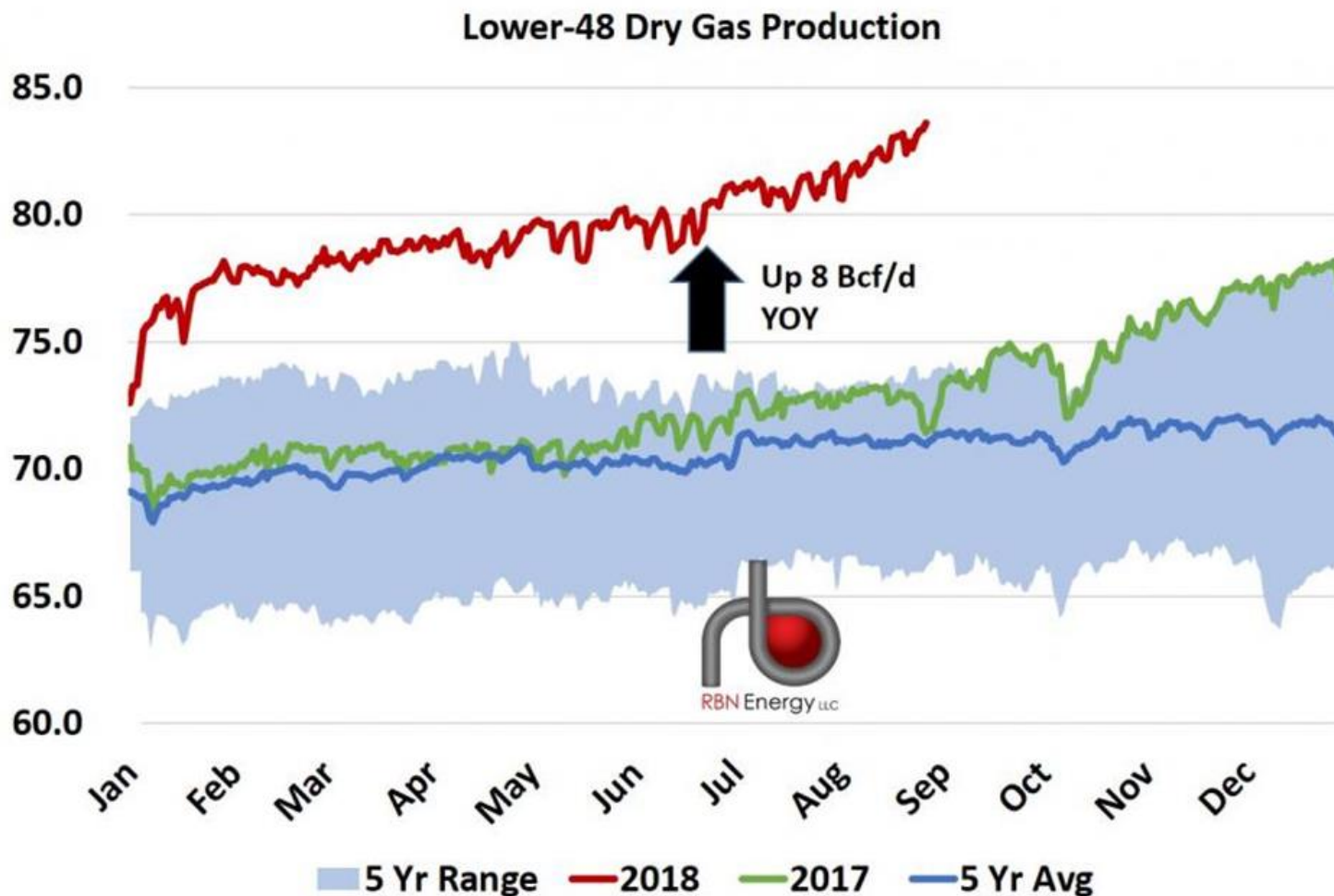
U.S. monthly trade in crude oil and petroleum products, in barrels



Source: U.S. Energy Information Administration

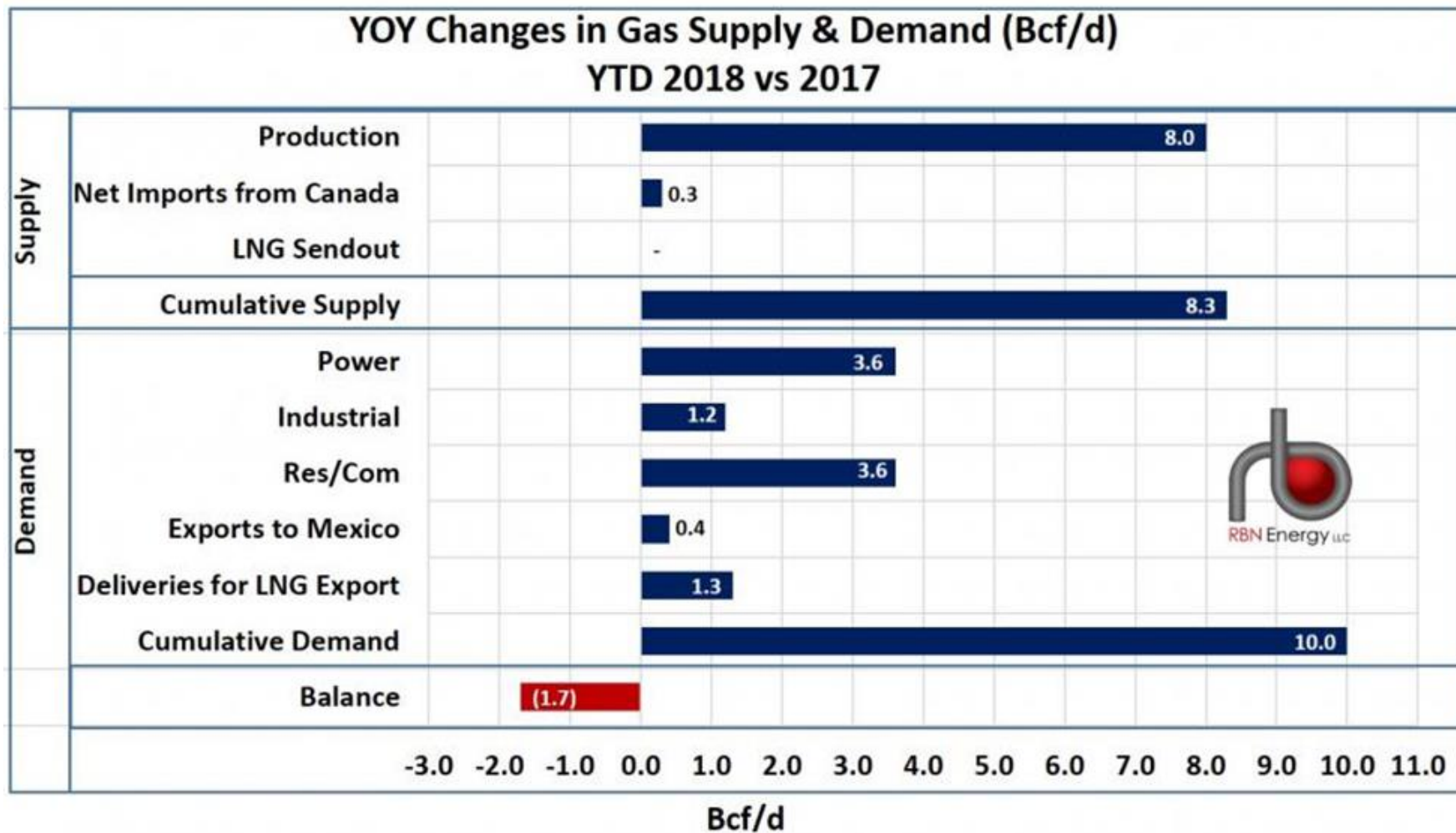
- Net natural gas exporter for the first time in history – January 2018
- 5 LNG projects under construction / online 2018 & 2019
- Total US LNG export capacity would be 11 bcf/day
- 4 more LNG projects approved with close to 7 bcf/day
- Natural gas production at 80 bcf/day in 2018





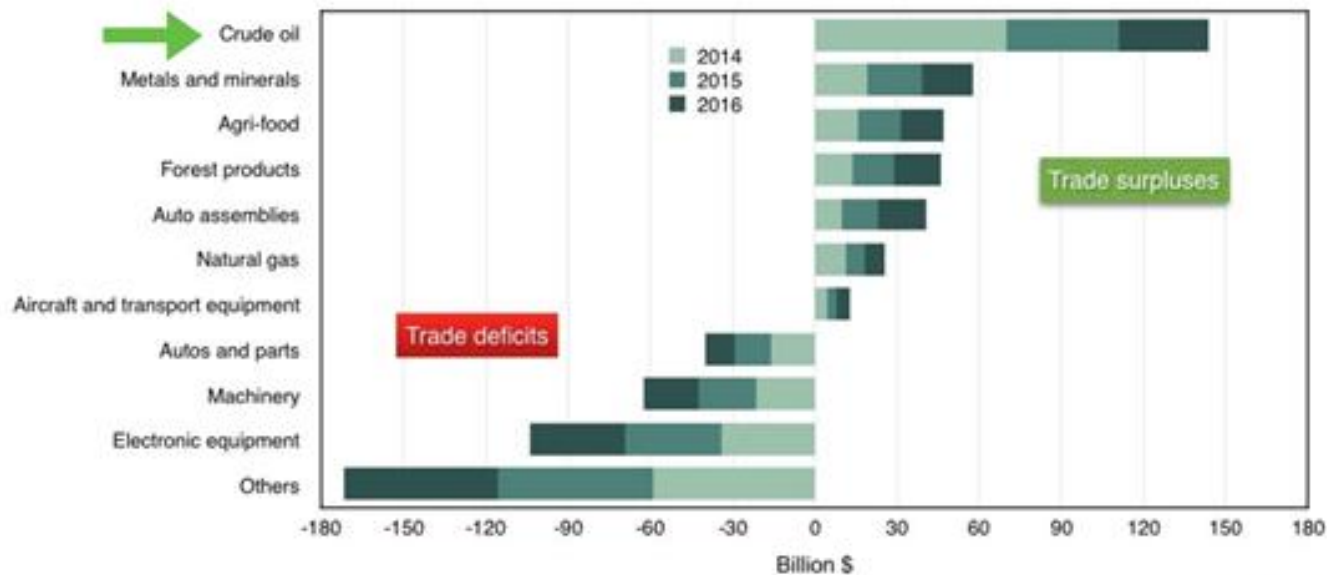


# US Natural Gas Demand Growth Robust Too



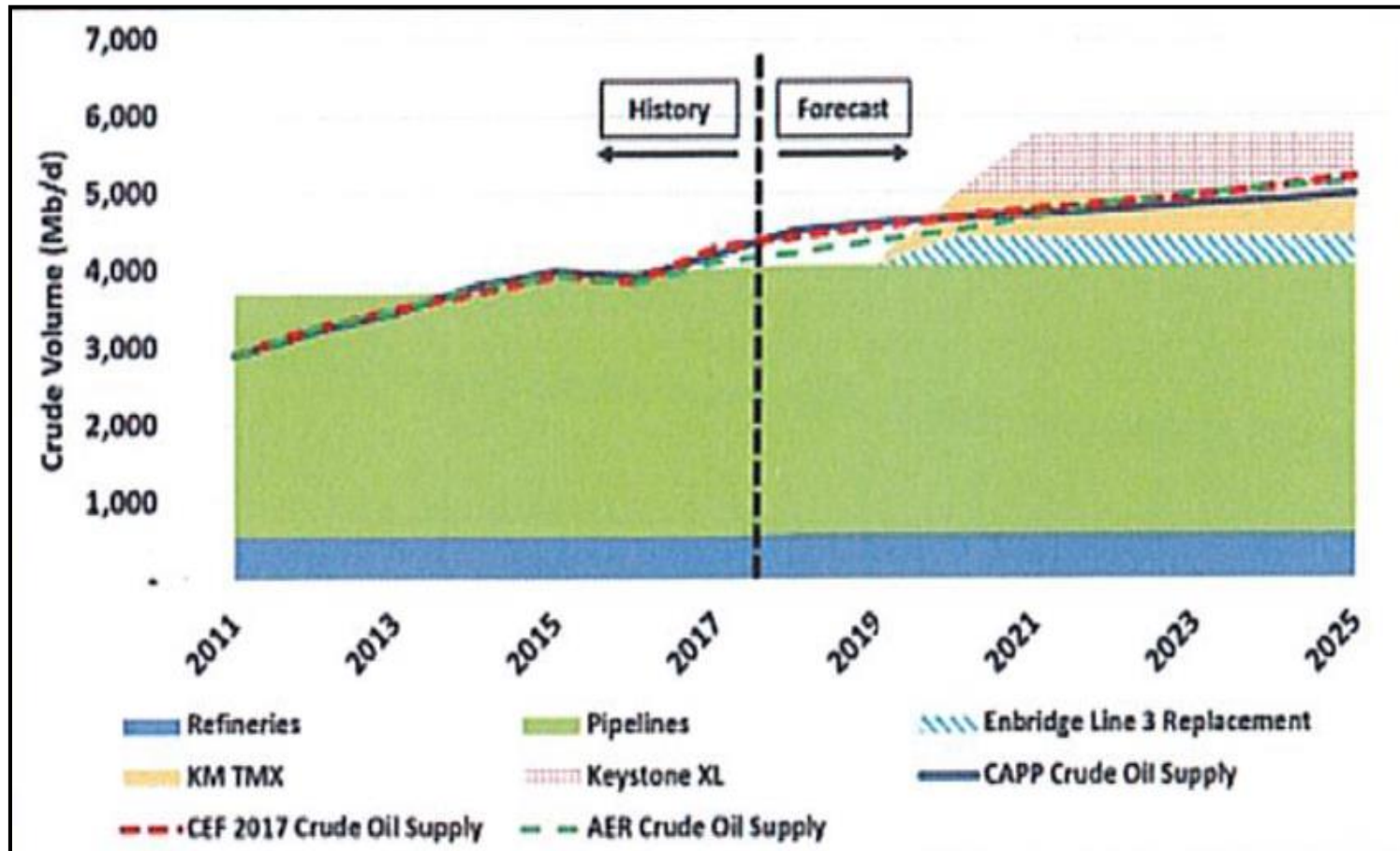
## Why oil pipeline capacity to the B.C. coast is vital for Canada's economy

It's really simple. Crude oil exports pay for the imports we consume.

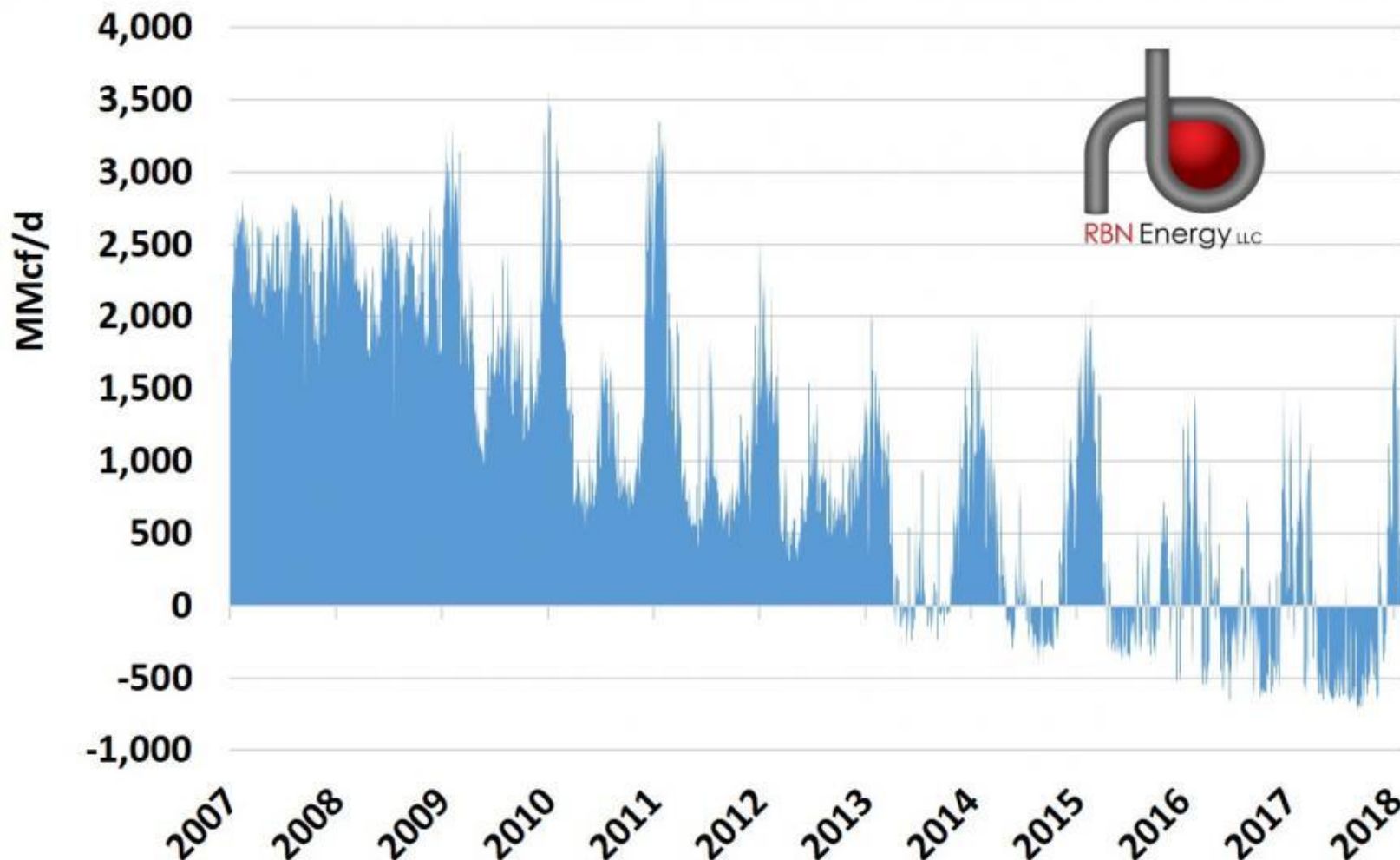


Canada's merchandise trade balance by product. Research by Patricia Mohr.

# Canada's Oil Export Bottleneck



## Net Canada Gas Flows to the U.S. Northeast





# How Did We Get Here?

- 10 years of legal confusion over indigenous rights
- Environmental activists have unprecedented influence
- Northern Gateway – denied
- North Coast tankers – banned
- Energy East – withdrawn
- LNG Petronas – cancelled
- Trans Mountain  
nationalized & blocked



# How Did We Get Here?



- Paris targets 2030
- Carbon taxes
- Clean fuel standards
- Methane emissions
- Species at Risk Act

# How Did We Get Here?

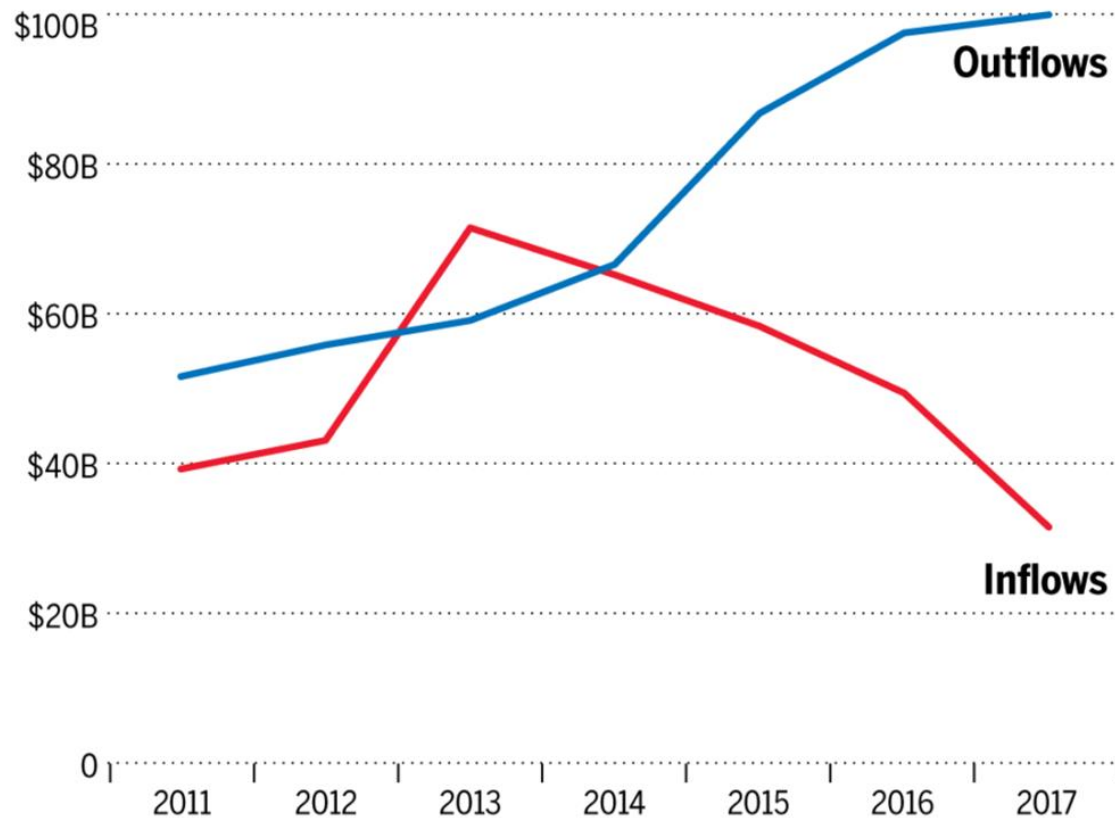
- De-legitimize and dismantle National Energy Board
- New Environmental Assessment Process for major projects
- New Canadian Energy Regulator
- Regulatory certainty does not exist for major projects in Canada





# Investors Have Noticed

## DIRECT FOREIGN INVESTMENT INTO AND OUT OF CANADA



- Foreign investment capital fleeing
- Domestic capital leaving too

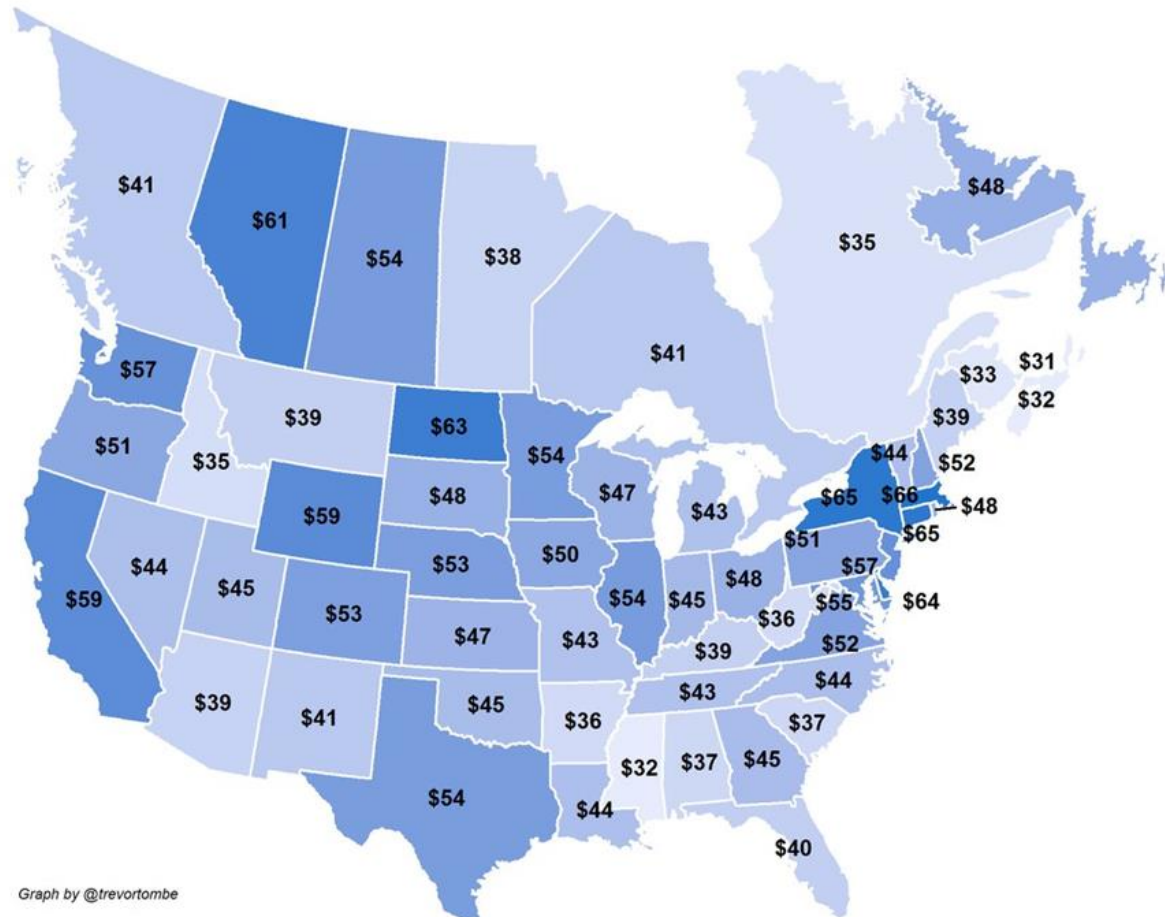
NOTE: Annual figures generated by author from quarterly data.  
All figures are net, i.e., foreign direct investment in Canada is equal to new investment minus past investment moved out of Canada (by foreign owners).  
Outflows are equal to new investments abroad minus investments brought back to Canada (by Canadian owners).

SOURCE: STATISTICS CANADA

NATIONAL POST



Note: USD dollars, exchange rate adjusted



Graph by @trevortombe

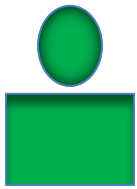
# Diversifying Our International Trade Will Depend On Energy

- Canada's trading partners looking for energy

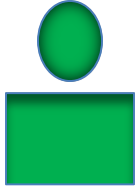
- Japan
- China
- Korea
- India
- Europe



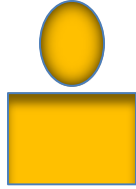
# Canadian Public Opinion on Oil and Gas Industry



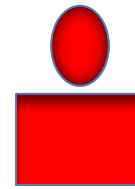
Core  
Support  
21%



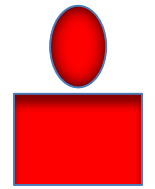
Conditional  
Support  
21%



Disengaged  
33%



Conditional  
Opponent  
13%



Core  
Opponent  
12%





**Right Hon. Justin Trudeau**  
[PM@pm.gc.ca](mailto:PM@pm.gc.ca)

Principal Secretary, Gerry Butts  
[gerald.butts@pmo-cpm.gc.ca](mailto:gerald.butts@pmo-cpm.gc.ca)



**Thank you**