

KEYSTONE XL: IN THEIR OWN WORDS

WITHOUT TRANSCANADA'S PIPELINE, VAST AMOUNTS OF THE TAR SANDS STAY IN THE GROUND

There is a peculiar idea in American policy circles that Canadian tar sands production will be expanded at the same rate whether the Keystone XL pipeline is built or not. This view is not shared by Canadian government and industry officials; In other words, it is not shared by experts who observe the industry on a daily basis.

If the crude does stay underground, that will be a good thing for the climate. The tar sands are thought to contain as much as 240Gt of carbon, about half of what scientists say we can burn to stay below 2 degree Celsius of warming.

You don't need to listen to those who oppose the pipeline to know this. Experts, industry leaders, and economists have known that the Keystone XL tar sands pipeline is the industry's best hope to expand tar sands production and profits. Hear it from them, in their own words:

"Production is coming, you're going to need a home for it, and there's simply not enough take-away capacity in the basin right now."

GERRY HANNOCHKO, DIRECTOR, STANDARD & POOR'S RATING SERVICES

[Pipeline export constraints will continue curbing oil industry enthusiasm in 2013](#), *Oil and Gas Inquirer*, January 1, 2013

"All of the crude oil export pipelines are pretty much full, running at maximum capacity... And we're not likely to see any meaningful capacity added to these networks until the end of next year."

VERN YU, VICE-PRESIDENT OF BUSINESS DEVELOPMENT AND MARKET DEVELOPMENT, ENBRIDGE INC.

[Canada's crude export pipelines clogged](#), *The Globe and Mail*, November 21, 2012

"When I talk to producers in Alberta, as long as Keystone XL goes ahead, they view that there's pretty sufficient takeaway capacity to get us to late in the decade."

ALEX POURBAIX, PRESIDENT OF ENERGY AND OIL PIPELINES, TRANSCANADA

[Oil sands producers fighting for pipeline space](#), *Bloomberg News*, October 11, 2012

“The shortfall in take-away capacity is absolutely going to weigh on realized prices for the Canadian producers over the near term on both heavy and light oil... But especially heavy oil, which is at a pretty substantial discount to WTI right now ... It’s a challenging market for Canadian upstream crude producers.”

CHRIS FELTIN, ANALYST, MACQUARIE RESEARCH.

[Full pipelines to cut into Canadian oil producers’ profits](#), *Reuters*, January 14, 2013

“And conditions are not improving — pointing to an even weaker first quarter as Canadian prices continue to weaken. ‘If this persists it really points to (the first quarter) as being a really, really ugly quarter for heavy oil producers...”

“But for the growth to continue, all the proposed export pipeline capacity and more will need to be built, and soon, according to CIBC World Markets institutional equity research executive director Andrew Potter. ‘Even if you build every single pipe that’s on the table right now...you’re still short pipeline capacity,’ he noted.”

“Even if all the pipelines being planned were built, there would not be enough capacity to handle the growth that companies have laid out in their expansion plans. And Mr. Potter said there is “less than a 50-50 chance” that the two proposed pipelines through B.C. — Enbridge’s Inc.’s Northern Gateway and Kinder Morgan’s Trans Mountain expansion — will be completed.”

**ANDREW POTTER, EXECUTIVE DIRECTOR OF INSTITUTION EQUITY RESEARCH,
CIBC WORLD MARKETS**

(1) [Full pipelines to cut into Canadian oil producers’ profits](#), *Reuters*, January 14, 2013

(2) [Pipeline export constraints will continue curbing oil industry enthusiasm in 2013](#), *Oil and Gas Inquirer*, January 1, 2013.

(3) [Pipelines, glut of cheap crude raise doubts over oil sands expansion](#), *The Globe and Mail*, August 17, 2012

“We are hedging and making sure we are going to have pipe capacity for most of our product as we get through what will continue be a couple of tough years here in 2013 (and) 2014.”

MARCEL COUTU, CHIEF EXECUTIVE, CANADIAN OIL SANDS

[Full pipelines to cut into Canadian oil producers’ profits](#), *Reuters*, January 14, 2013

"We're trying to get the pipelines in as fast as we can... Of course, I'm concerned [about the impact of bottlenecks on prices]."

BRUCE MARCH, CHIEF EXECUTIVE OFFICER, IMPERIAL OIL

[Oil sands producers fighting for pipeline space](#), *Bloomberg News*, October 11, 2012

"U.S. production is forecast to increase before expansions and new lines are built, worsening the backlogs, said Jackie Forrest, senior director of global oil at IHS CERA in Calgary. Though capacity exceeds western Canadian production, which averaged 2.7 million barrels a day last year, producers can't get good prices due to competition from U.S. oil extracted from so-called tight formations. "Over the next decade, our outlook is that tight oil will grow at twice the pace of oil sands in North America. We think new markets are urgently needed."

JACKIE FORREST, SENIOR DIRECTOR OF GLOBAL OIL, IHS CERA

[Oil sands producers fighting for pipeline space](#), *Bloomberg News*, October 11, 2012

"TransCanada's proposed KXL pipeline will offer access to the Gulf of Mexico rather than the Pacific Rim. And though the project has been halted by the US government, there is a very good chance that it will be given the go-ahead once the 2012 US Presidential election is over. KXL is likely, therefore, to be moving Canadian bitumen before any of the other major pipeline projects considered in this report. In fact, with KXL in place and operating at capacity, bitumen production could increase substantially and have a major effect on the overall supply/demand situation throughout the North American continent."

CANADIAN ENERGY RESEARCH INSTITUTE

[Pacific Access: Part I — Linking Oil Sands Supply to New and Existing Markets](#), July 2012

"Unless we get increased [market] access, like with Keystone XL, we're going to be stuck... We're heading into the same situation with crude oil as we did with natural gas, in that we're going to hit a wall at some point in time and our..."

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production is going to be the one backed out of the system, like natural gas has been backed out of the U.S. system. I think it will have a dramatic impact.”

RALPH GLASS, ECONOMIST AND VICE PRESIDENT, AJM PETROLEUM CONSULTANTS

[Without Keystone XL, oil sands face choke point](#), *The Globe and Mail*, June 8, 2011

“For the oil patch, the possibility that the XL project will falter is so outside expectations that many haven’t even considered it. Indeed, companies have already signed up for the majority of its capacity. ‘None of us are really planning for that,’ Devon Canada president Chris Seasons said.”

CHRIS SEASONS, PRESIDENT, DEVON CANADA

[Without Keystone XL, oil sands face choke point](#), *The Globe and Mail*, June 8, 2011

“Growing conventional oil, including tight oil, and oil sands production has created an urgent need for additional transportation infrastructure. New pipelines, expansions to existing infrastructure and increased transportation by rail are all required to meet this need for capacity.”

CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS

[Crude Oil Forecast and Market Outlook](#), June 5, 2012

“The oil sands region is one of the costliest in the world to develop. And as oil prices tumble, it is vulnerable. ‘Oil sands projects display some of the highest break-evens of all global upstream projects,’ the firm said. ‘The potential for wide and volatile differentials could result in operators delaying or cancelling unsanctioned projects.’”

WOOD MACKENZIE INTERNATIONAL ENERGY RESEARCH FIRM

[Crude glut, price plunge put oil sands projects at risk](#), *The Globe and Mail*, June 2, 2012

“Canada needs pipe — and lots of it — to avoid the opportunity cost of stranding over a million barrels a day of potential crude oil growth.”

CIBC

[Oil industry faced with ‘serious challenge’ as pipelines fill up, TD warns](#), *Financial Post*, Dec 17, 2012

“Canada’s oil industry is facing a serious challenge to its long-term growth. Current oil production in Western Canada coupled with significant gains in U.S. domestic production have led the industry to bump up against capacity constraints in existing pipelines and refineries.”

TD ECONOMICS

Oil industry faced with ‘serious challenge’ as pipelines fill up, TD warns, *Financial Post*, Dec 17, 2012