



## 5 Jaw-dropping Facts About The Sands

### Description

All Canadians are probably aware of the oil sands. But few appreciate the true scale of this development. It's no exaggeration to say that the project taking place in northern Alberta is on par with building the pyramids of Egypt or the Great Wall in China. So to put this development into perspective, here are five jaw dropping facts from the oil sands.

#### **1) Oil sands production is expected to grow 3x to 5.3 million barrels per day (bpd) by 2030.**

The oil sands cover an area about 142,000 square kilometres in size. To put that figure into context, that's larger than the provinces of Prince Edward Island, Nova Scotia, and New Brunswick *combined*. Sitting underneath this land is 168 billion barrels of recoverable oil. This represents over half of the world's oil reserves available to private investment.

And since the oil sands were developed in earnest over 40 years ago, the production statistics coming out of the region are truly remarkable. Since 1968, production has increased more than 100 fold to 1.8 million bpd. And according to estimates provided by the Canadian Association of Petroleum Producers, output is expected to hit 5.3 million bpd by 2030.

#### **2) The oil sands will contribute \$2.1 trillion to the Canadian economy.**

Oil sands expansion has become one of the largest drivers of economic growth in the country. According to a report from the Canadian Energy Research Institute, oil sands development is expected to contribute \$2.1 trillion to the Canadian economy over the next 25 years. During that time, the industry will pay \$783 billion in taxes and royalties and create 830,000 jobs through 2035.

Of course, projections from an industry trade group are likely to be optimistic. But here're some numbers that can't be fudged by energy interests. Alberta's unemployment rate is 4.3% versus 6.9% nationwide. In Fort McMurray, the industry's hub, average household income is \$189,000 per year. It's evident that the oil sands is having a major impact on the economy.

#### **3) Crude by rail shipments have increased 3x over the last three years.**

Oil sands development has had far reaching implications for the entire petroleum industry. In order to accommodate this growth, Canadian pipeline capacity is expected to double in upcoming years to 3.1

million bpd.

Whether the industry will be able to keep up is an open question. Increasingly oil sand producers are relying on rail transit to ship their output to market. **Cenovus** (TSX: CVE, NYSE: CVE), one of the largest players in the region, plans to massively expand its crude-by-rail program. The company expects to triple rail shipments to 30,000 bpd by 2014.

This has become a major growth opportunity for Canada's major railroad companies. **Canadian Pacific** (TSX: CP, NYSE: CP) expects crude shipments to hit 70,000 carloads by the end of this year. The company projects crude shipments to double to 140,000 carloads by the end of 2015.

#### **4) The oil sands emit 55 megatonnes of greenhouse gases annually**

The biggest risks to further oil sands expansion could be government regulation. To avoid the worst impacts of climate change, the IEA has calculated a carbon budget of one third of the world's fossil fuel reserves. This means that in order to avoid a two degree centigrade rise in average global temperatures, over two thirds of existing petroleum reserves will never be monetized.

Not all fossil fuels are created equal. The oil sands are some of the most carbon intensive assets in the world and would likely be stranded first if any carbon controls were ever put into place.

And these risks don't just apply to carbon. In 2011, the oil sands consumed 158 million cubic metres of fresh water. Indirect regulations, such as constraints on water usage or population controls, could slow growth.

#### **5) The oil sands have a reserve life of 272 years.**

Environmental risks aside, the oil sands aren't going away anytime soon. Based on current production rates, the play has an estimated reserve life of 272 years.

Keep that figure in mind the next time you see a headline like 'American Shale Boom Threatens Oil Sands' or 'Bitumen Bubble Could Halt Growth'. U.S. shale production is expected to peak as early as 2020 and decline afterwards. Pipelines and refineries will eventually be built.

The companies developing the play have an investment horizon measured in decades not quarters. The oil sands will be cranking out barrels long after American shale production has peaked.

#### **Foolish bottom line**

It's worth taking a step back to fully appreciate the scale of the oil sands. The sheer size of this project is jaw-dropping. Yet for all of the impressive statistics, it's important to remember that the industry is still in the infancy of its development.

#### **CATEGORY**

1. Investing

#### **TICKERS GLOBAL**

1. NYSE:CP (Canadian Pacific Railway)
2. NYSE:CVE (Cenovus Energy Inc.)
3. TSX:CP (Canadian Pacific Railway)
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