1 Company Making Big Plans to Clean Up the Oil Sands

Description

Norway's **Statoil** (NYSE: STO) is planning to clean up its Canadian oil sands operations. Over the next five to 10 years the company will employ up to 14 new technologies that are designed to reduce energy and water usage, which should lower its overall carbon footprint.

Statoil's goal is to reduce carbon emissions by 20% by the end of the decade and 40% by 2025. The hope is that cleaning up its carbon footprint will help improve its profitability, as these greener technologies will actually improve returns.

Carbon intensity is heading in the wrong direction
Statoil's production from the oil sands dropped from 16,000 barrels per day in 2012 to 15,000 barrels per day last year. However, despite the decline in production, Statoil's carbon intensity headed higher. The company produced 69.7 kilograms of carbon per barrel last year, which was well ahead of the 55.5 kilograms of carbon dioxide it produced per barrel in 2012. The carbon intensity of the oil sands is one reason why environmentalists continue to push back on future projects, especially pipelines, which would allow production to continue growing.

In order to combat this problem, Statoil has set aggressive targets to push its carbon intensity lower. Among the technologies it will be using include applying solvents to its steam-assisted bitumen extraction process as well as valves to better direct the steam. This will allow the company to use less steam to get out more oil.

Cenovus Energy (TSX: CVE)(NYSE: CVE) already uses solvents to improve the steam-to-oil ratio of its projects in the oil sands. At Cenovus Energy's Narrows Lake project, for example, solvents actually decrease the steam-to-oil ratio by 30%. Because of this and other improvements, Cenovous Energy's oil sands projects have the lowest steam-to-oil ratio in the industry. This keeps its capital and operating costs lower, allows it to use less water while also lowering its energy usage and emissions, which therefore improve returns.

The next wave of carbon reductions
Statoil isn't the only oil sands producer looking to reduce its carbon footprint in the oil sands. Last year **Royal Dutch Shell**

(NYSE: RDS-A) chose to use natural gas to fuel its big mining trucks. The company will use natural gas engines designed by **Westport Innovations** (TSX: WPT)(NASDAQ: WPRT) in trucks built by **Caterpillar** (NYSE: CAT). While the trucks won't be deployed until 2016, these could have a big impact on the carbon footprint of the oil sands.

Heavy mining trucks spew a lot of dirty diesel emissions into the air. However, natural gas emissions from a Westport-designed engine will be far lower than diesel emissions. So, if more producers switch to mining trucks and other equipment like the trains that transport oil to natural gas, it will have a noticeable impact on carbon emissions coming out of the oil sands. Not only that but natural gas is cheaper so going green will save producers green over the long run.

Foolish bottom line
Oil produced out of Canada's oil sands might never be clean enough for environmentalists. That's still not stopping the industry from taking the dirty image of the oil sands seriously and working to clean up the carbon footprint of production. Statoil is just the latest company that's focusing on cleaning up its operations, which should also yield improved returns over the long-term showing that oil and the environment can coexist in a winning environment.

CATEGORY

1. Investing

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