



## Canada's Oil Sands: Are Royal Dutch Shell plc (ADR), Suncor Energy Inc., and Canadian Natural Resources Limited Cleaning Up Fast Enough?

### Description

According to a report in *The Wall Street Journal*, **Royal Dutch Shell plc** (ADR) (NYSE: RDS-A)(NYSE: RDS-B) is having trouble meeting promised targets for reducing toxic wastes from the oil sands.

It's not alone, as oil sands mines owned by **Suncor Energy Inc.** ([TSX: SU](#))([NYSE: SU](#)) and Syncrude Canada Ltd. have also failed to meet cleanup goals in the recent past. That said, oil sands producers are working overtime on cleaning up their act, even if some producers are having trouble meeting mandated waste reduction targets.

### Understanding the oil sands

Shell, Suncor Energy, and Syncrude all operate [oil sands mines](#), which use open pit mining to extract the bitumen that's closest to the surface. It's not the most environmentally friendly extraction process, as it disturbs a large surface area, uses large quantities of fresh water, creates a lot of greenhouse gas emissions, and leaves tailing ponds behind that contain trace amounts of oil and other toxic waste.

It's also not the only process used to extract the bitumen, as some producers use in situ, or in place, drilling. Combined, these two methods produce oil that is 17% more carbon-intense than conventional oil. Because of these environmental concerns, producers have been under pressure to clean up their operations.

### Cleaning up the oil sands

The industry is working on a variety of technologies and solutions to clean up its operations. While Shell might be struggling to meet some of the goals for cleaning up its operations, it is making long-term progress. The company plans on bringing in [natural-gas-powered mining trucks](#) by 2016 to help reduce both its costs and greenhouse gas emissions.

On top of that, it's working on building the region's first carbon capture and storage project. The Quest CCS project, which is now 70% complete and scheduled to come online next year, will cut the carbon emissions at Shell's bitumen upgrader by 35%.

Meanwhile, Suncor, **Devon Energy Corp** ([NYSE: DVN](#)), **Canadian Natural Resources Limited** ([TSX: CNQ](#))([NYSE: CNQ](#)), Shell, and other producers are [working on the water issues with a new \\$165 million water technology testing facility](#) that's expected to be operational in 2017. In another water project, Suncor, **ConocoPhillips** ([NYSE: COP](#)), and Devon Energy recently completed a \$20 million expansion of a produced water treatment pilot project to reduce water use, energy consumption, and emissions.

Overall, the industry is working collaboratively on sustainability in the oil sands. Suncor, for example, is working to reduce its freshwater consumption by 12%, increase reclamation of disturbed land area by 100%, improve energy efficiency by 10%, and reduce its air emissions by 10%, all by next year.

Meanwhile, Canadian Natural Resources and other companies have invested hundreds of millions of dollars in research and development to find innovative ways to limit their impact on the environment. Because of this, Canadian Natural Resources' Horizon Compensation Lake and Horizon Wildlife Management System have won awards for protecting wildlife from accessing and being harmed by its tailing ponds. Thus, progress is being made despite the road bumps.

### Investor takeaway

All that aside, the industry does still have a lot of work to do. Because of this, investors need to keep an eye on the companies that are having trouble cleaning up their oil sands operations, as these could have an impact on the industry as a whole. These issues could further delay critical pipeline projects, as well as new phases of growth, which could weigh down profits and investor returns.

### CATEGORY

1. Investing

### TICKERS GLOBAL

1. NYSE:COP (ConocoPhillips)
2. NYSE:DVN (Devon Energy Corporation)
3. TSX:CNQ (Canadian Natural Resources Limited)
4. TSX:SU (Suncor Energy Inc.)

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