



## Will Climate Change Make the Oil Sands Worthless?

### Description

If I were to venture a guess, I'd say the long-term future of oil will likely slowly decline starting about 20 years from now.

While many parts of the world continue to industrialize and use more energy, the focus in North America and Europe is to consume less of it. Hybrid cars are commonplace, and I don't think it'll be much longer until a significant portion of us are driving full electrical vehicles. Better recycling will reduce the amount of plastics we'll need to make. And if heavy industry can find a way to use less fuel and save a few bucks in the process, you know it will.

Of course, there's the climate change issue. I'm no scientist, but I do follow what some of the smartest minds out there are saying about greenhouse gas emissions. And at least to me, the solution is simple. We're going to have to emit less bad stuff into the atmosphere, or else suffer the consequences of a warmer planet. While I'm not sure I buy the various doomsday scenarios thrown about by folks in the know, I'd still rather be safe than sorry.

Recently, there was a study posted in the scientific journal *Nature* which tackled the issue of climate change. A worldwide goal of limiting the global temperature rise to less than two degrees has been agreed to by 195 countries, including Canada. In order to stay under the agreement's global temperature limit, the maximum is 2,000 gigatonnes of carbon dioxide in the atmosphere. We're currently at 1,000 gigatonnes, and there's an additional 3,000 worth of reserves still underground.

At some point, we need to start slowing down.

According to the study, Canadian oil producers would be hit especially hard by this upcoming limitation. To stay under the target, scientists estimate that 99% of Alberta's oil sands would need to stay in the ground, and that no more than 7.5 billion total barrels can be produced in the region by 2050. Current production is about 2 million barrels of oil per day, which means that production could only continue for another decade or so at its current pace.

So does this mean you should rush out and sell your shares of oil sands companies like **Suncor Energy Inc.** ([TSX:SU](#))([NYSE:SU](#)), **Husky Energy Inc.** (TSX:HSE), or **Canadian Oil Sands Ltd.**

(TSX:COS), getting out of these names before the inevitable happens?

Hardly.

The recent collapse in the price of oil has been caused in part by a supply/demand imbalance. The world needs about 94 million barrels of oil per day, and we're producing approximately 94.5 million barrels. That is a lot of oil, and it will likely take decades before we make a meaningful dent in that number. Even then it'll be a gradual change. There are millions of machines on the planet that run on oil. It takes time to convert them all to more fuel efficient models, let alone changing over to full electrical engines.

Think about the changes in technology we've seen in our lifetime. My smartphone has the approximate computing power as a late-1980s PC. The technological advances in computers have been mind boggling, but it still took nearly 25 years to make that big of a jump. That's a long time period when it comes to investing. You'll have plenty of time to see the trend coming and exit the energy sector if a day comes where we start using significantly less oil.

I'd like to live in a world where cars are electric and we can get unlimited energy from the sun, wind, and inside the earth. I'm optimistic that I'll see such a time in my lifetime, but I'm not exactly holding my breath. Oil will continue to be important for decades, and Canada's oil sands will continue to be an important source of crude. There are plenty of reasons to avoid buying oil stocks, especially considering the short-term outlook of the price of the commodity. The possibility of bitumen from the oil sands not getting extracted isn't one of them.

## CATEGORY

1. Energy Stocks
2. Investing

## TICKERS GLOBAL

1. NYSE:SU (Suncor Energy Inc.)
2. TSX:SU (Suncor Energy Inc.)

## Category

1. Energy Stocks
2. Investing

## Date

2025/09/18

## Date Created

2015/01/22

## Author

nelsonpsmith

default watermark