Will Driverless Trucks Save Canada's Oil Sands?

Description

Canada's oil sands are under two very big threats that could keep a lid on future growth. The biggest outside threat is from environmentalists, who would rather see Canada's oil stay in the ground because it's viewed as being dirtier than conventional oil. It's a threat that oil producers are working to mitigate through new technologies to reduce their carbon footprint. However, those technologies add to the cost of production, which is already much higher for oil sands than most other sources of oil. That said, the overall cost of production could be coming down as producers like **Suncor Energy Inc.** (TSX:SU)(NYSE:SU) embrace new technologies, including driverless trucks for the oil patch.

Using technology to save a bundle

According to a report by the *Financial Times*, Suncor Energy has entered into an agreement with a Japanese heavy duty truck-maker to purchase new heavy hauler trucks for its mining operations in western Canada. What's unique about these trucks is the fact that they are "autonomous-ready," which means they are capable of operating without the need of a driver. According to the report the company could buy upwards of 175 driverless trucks, which, once fully deployed, could end up saving Suncor Energy a lot of money.

Currently, Suncor Energy employs about 1,000 heavy-haul truck drivers, which cost the company upwards of $200,000 per year per driver according to the *Times* report. This implies that the company could save $200 million annually if it can move to a completely autonomous heavy-haul fleet. Further, driverless trucks could also boost productivity as the trucks could run continuously.

Bringing the oil sands into the 21st century

While this move might sound far-fetched, like something out of science fiction, global mining giants **BHP Billiton Limited** (NYSE:BHP) and **Rio Tinto plc** (NYSE:RIO) already use driverless trucks in their mining operations. Rio Tinto uses autonomous trucks in the Pilbara region of western Austria for its iron ore mining operations, and has done so for several years now. In fact, Rio Tinto views the trucks as safer than trucks with a driver because autonomous trucks do exactly what they are programmed to do, whereas a truck with a driver has the potential for human error due to lack of sleep or distractions.

Likewise, BHP also uses driverless trucks in its mining operations in the Pilbara, and has been using them since late 2012. More recently, the company expanded its use of the trucks to its coal mines in Australia. It's a move that's expected to save the company money and boost the viability of its coal business, which has come under pressure from very weak pricing. Given the success of its recent trials the company could continue to grow its driverless fleet in the future.

Investor takeaway

The high cost of oil sands production has always been an issue for producers, but with oil prices down, companies like Suncor Energy are really looking to cut costs to improve profitability. Suncor is turning

to driverless trucks, which will not only reduce operating costs, but also boost productivity. It’s a move that, if successful, could spread to other producers as the industry looks to increase profitability amid weak oil prices. While driverless trucks won’t save the sinking industry alone, they are a step in the right direction.

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