

Canadian Crude Oil

A reliable and growing supply of North American energy.

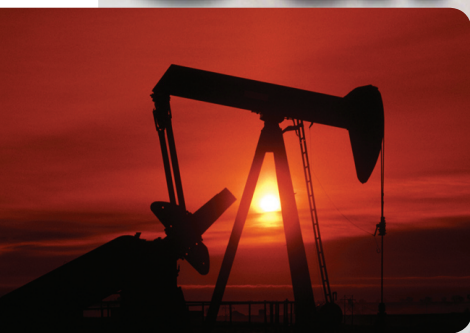


Image courtesy Syncrude Canada Ltd.

Canada's energy: secure, reliable and abundant.



CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

Canadian crude oil: a reliable and growing supply in a global market

Constant growth in global oil demand and sustained higher commodity prices has raised questions about the future of energy supply in North America. Canada is currently the eighth largest producer of crude oil in the world with enough oil to meet both its domestic needs and supply export markets. Vast oil sands deposits make Canada one of the few countries in the world able to make long-term increases in its oil production.

Canada is the largest supplier of imported crude oil and refined products to the United States, exporting 2.2 million barrels per day to our biggest trading partner – close to the entire oil consumption of countries such as India, France or the United Kingdom. Ten per cent of the oil consumed in the U.S. comes from Canada.

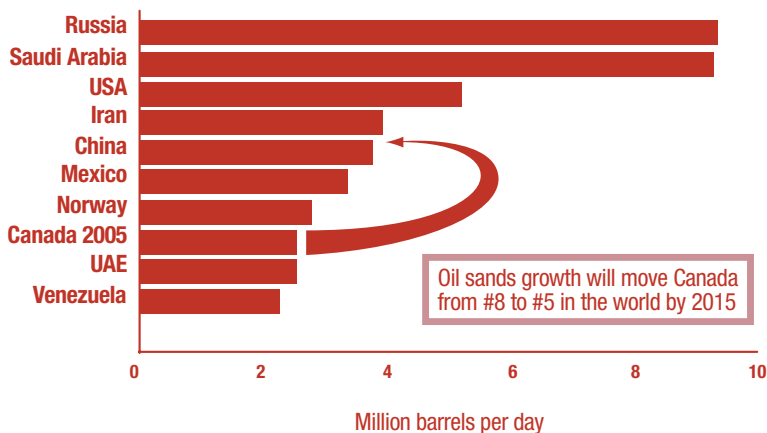
Oil production is traditionally from conventional basins in Western and Northern Canada and, in recent years, over 300,000 barrels a day come from projects offshore Atlantic Canada. The biggest increase in production in the last decade has come from oil sands, which continues to grow at a rapid pace.

Oil sands: producing an enormous resource

Production from Canada's vast oil sands reserves is close to 1.3 million barrels per day and is forecast to increase to close to 4 million barrels per day by 2020. Reserves are 175 billion barrels of economically viable oil with current technology. Canada's oil sands are second only to Saudi Arabia in global oil reserves.

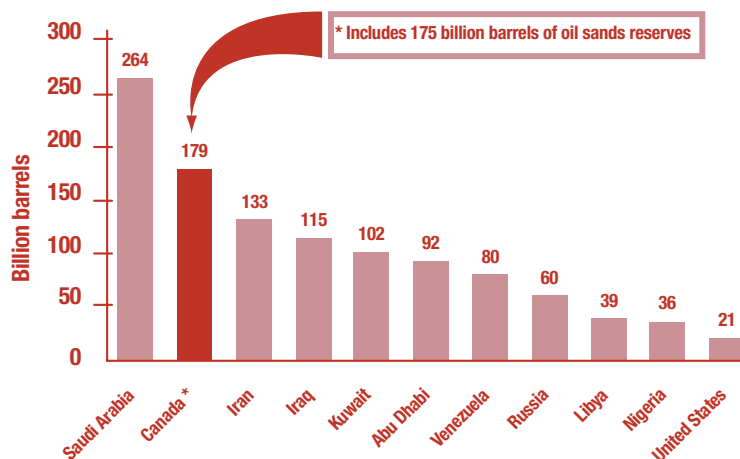
Capital spending on both mining and in situ (too deep to mine) projects in the oil sands totaled more than \$33 billion US from 1996 to 2005. Companies will spend at least another \$9 billion US on oil sands capital investments in 2006. There are more than 20 multi-billion dollar projects in the planning or expansion process.

Top 10 World Crude Oil Producers in 2005



Canada is one of the few countries in the world with the ability to make long term increases in its oil production.

Global Crude Oil Reserves by Country



Canada, with 175 billion barrels in oil sands reserves, ranks second only to Saudi Arabia in global oil reserves.

More pipeline and refinery capacity is essential

Current North American pipeline capacity must be expanded to move the growth in oil production to markets – enough to accommodate an additional 2.5 million barrels of crude oil a day by 2020. Some new pipeline capacity has recently opened up to the U.S. Midwest and Gulf Coast. There is potential to further increase Canadian supply to these areas as well as to the U.S. West Coast and Asian markets.

In addition to sufficient capacity to transport oil, more refinery capacity is also necessary. Canada's primary markets are taking as much Canadian oil sands production as they can. Refineries will need to be built, expanded or new markets accessed to accommodate this rapidly growing supply. This is vital in order to convert crude oil into commercial and consumer products such as gasoline.

Heavy oil and bitumen prices have not increased with light oil prices

Almost 50 per cent of the crude oil that Canada produces is classified as heavy oil, which is denser, thicker and more costly to produce and refine into other products. The market price for heavy oil is only about one-half that of light crude oil, which is the price generally quoted by the media.

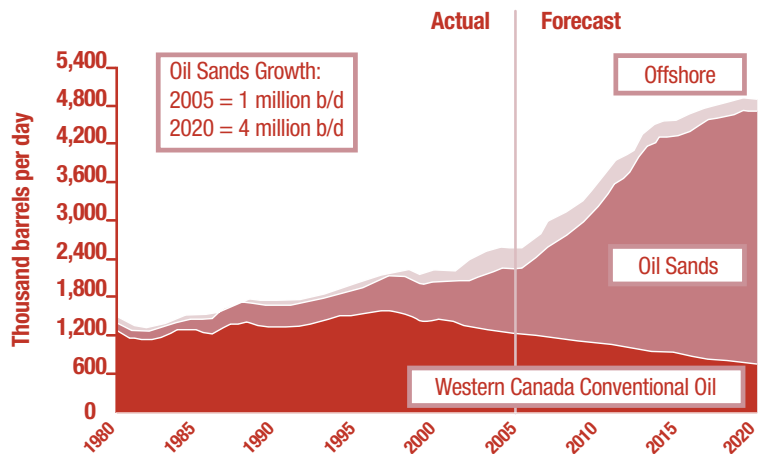
The discount for heavy oil has grown since the 1990s, clearly demonstrating the need for more upgrading or heavy oil conversion capacity.

Technology continues to unlock resources

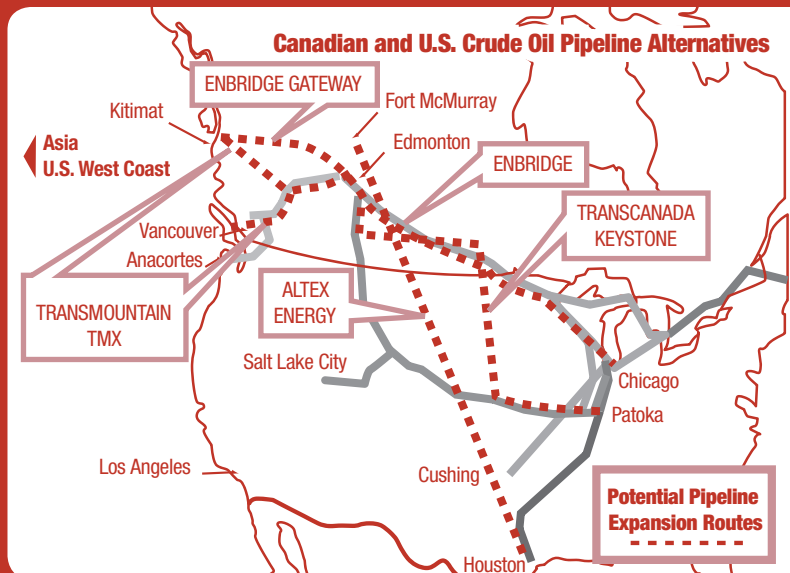
There are several technologies to extract oil sands bitumen. Mining operations are used to produce reserves close to the surface. For oil that is deeper underground (more than 150 feet), thermal methods such as Steam-Assisted Gravity Drainage (SAGD) and Cyclic Steam Stimulation (CSS) are used. New technologies are being developed to increase recoveries and lower costs.

Canadian Oil Production

Conventional, Oil Sands and Offshore



Canadian crude oil production will be 5 million barrels per day by 2020.



Current North American pipeline capacity must be expanded to move the growth in oil production to markets.

Natural gas consumption in Canada's oil sands

With oil sands production forecast to increase significantly, there have been questions raised about how much natural gas will be required to produce the oil. In fact, oil sands projects now consume 0.5 thousand cubic feet per barrel of oil sands production - less than in the past. As higher natural gas prices equate to higher costs for oil sands operators, companies are developing and implementing new technologies to reduce or eliminate use of natural gas.

Canada and the United States: a strong energy partnership

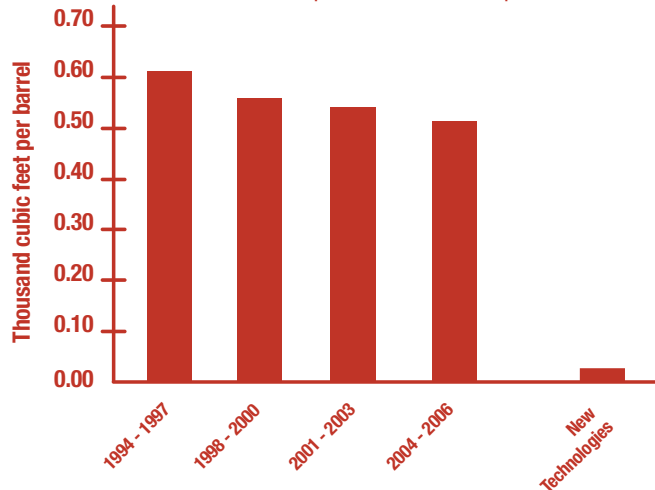
Canada is the largest supplier of energy to the United States through crude oil, natural gas and petroleum products. This partnership emerged as part of the North American Free Trade Agreement and is a model of how trade relationships can work successfully.

The Canada-U.S. energy partnership benefits both sides of the border. For Canadians, it means economic benefits that come from a thriving oil and gas industry with access to open markets. For Americans, it means a secure and reliable supply of energy for many years to come.

The strong partnership was reinforced in the aftermath of Hurricanes Katrina and Rita in August 2005. When the hurricanes knocked out much of the oil and natural gas processing facilities on the Gulf Coast, Canada and its energy producers responded by exporting as much extra oil and natural gas as possible to assist with recovery efforts in the area.

Natural Gas Use in Oil Sands Declining

Natural Gas consumed per barrel of oil sands production



Oil sands companies are finding new ways to reduce use of natural gas in their production.



The Canadian Association of Petroleum Producers (CAPP) represents 150 companies that explore for, develop and produce more than 95 per cent of Canada's natural gas and crude oil. CAPP also has 150 associate member companies that provide a wide range of services that

support the upstream oil and natural gas industry. Together, these members and associate members are an important part of a \$100-billion-a-year national industry that affects the livelihoods of more than half a million Canadians.

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