Alberta oil sands producers in their own words: the bitumen bubble is good for business

Millions in profits for world's largest companies but Albertans facing cuts.

Albertans are facing big cuts to health care, education, cities and towns, seniors' care and children's services.

Meanwhile, our largest industry – the oil sands – is posting record profits.

The so-called 'bitumen bubble' – the excuse used by the government for cuts in this week's budget – is actually great news for oil sands companies.

But Albertans aren't getting their fair share of the value of our oil and gas resources. So while oil companies rack up millions – even billions – in pure profit, Albertans are left with crowded classrooms, crowded emergency rooms, fewer long-term care beds for seniors, a shortage of family doctors, and dwindling services for children, people living with disabilities, and families.

Cheap bitumen is good for anyone involved in upgrading and refining

"Results for the segment continued to be strong, reflecting lower feedstock costs for Suncor's inland refineries and strong refinery utilization.

> *"Effective January 1, 2013, Suncor increased the nameplate capacity of the Edmonton refinery to 140,000 bbls/d from 135,000 bbls/d, due to demonstrated reliability and continuous improvement in operating efficiency."*[1]
>
> *-Suncor 2012 Fourth Quarter Results, released February 5, 2013*

Oil sands companies with upgraders are doing very well

> *"Pricing for our high quality SCO blend averaged a discount of only $2.50 per barrel relative to WTI, demonstrating the value of our upgrader."* [2]
>
> *-Canadian Oil Sands (Syncrude) 2012 Final Results, Released January 31, 2013*

[1] Suncor 2012 Fourth-Quarter Results – Released February 5, 2013. www.suncor.com/pdf/Suncor_Q4_2012_Report_en.pdf
[2] 2012 Financial Results, Canadian Oil Sands. Released January 31, 2013. http://www.cdnoilsands.com/files/FinancialReports/Q4%202012%20Quarterly%20Report%20-%20FINAL.pdf

Alberta Federation of Labour
10654 – 101 Street, Edmonton, Alberta T5H 2S1
Telephone: 780-483-3021; Toll-free: 1-800-661-3995
http://www.afl.org

Many of the largest oil companies are vertically integrated, so their refining operations are making huge profits off a lower price for bitumen. There's good money in upgrading and refining – but not for Albertans!

> *"We're actually … on track for probably a record first quarter in terms of refining cash flow," Mr. Ferguson said in an interview on Thursday … Brian Ferguson said the differential is actually a benefit to the oil giant's downstream businesses.*[3]
>
> *-Cenovus CEO Brian Ferguson Interview with the Globe and Mail, February 13, 2013*

> *"Fourth quarter downstream earnings were $549 million, the strongest single quarter earnings on record. Solid refining operations allowed us to capture strong mid-continent refining margins."*[4]
>
> *-Imperial Oil*

> *"Earnings for the full year 2012 were $3,766 million, the second highest in our company's history and up 12 percent from 2011."*[5]
>
> *-Imperial Oil, 2012 Financial Results*

There is still a good profit margin for oil sands operators — and they are ramping up production despite the drop in the price of bitumen

> *"Cash operating costs for Oil Sands operations averaged $38.00/bbl in the fourth quarter of 2012, compared to $39.00/bbl in the fourth quarter of 2011. Cash operating costs per barrel were lower due to **higher production volumes** from the ramp up of Firebag volumes and consistent total cash operating costs, as compared to the fourth quarter of 2011."*
>
> *-Suncor, fourth-quarter 2012 results*

Oil companies are saying the lack of market access drives down the price. Are companies decreasing production as a result? They're ramping it up; keeping the price low

> *"In releasing its fourth-quarter and year-end results on Thursday, Cenovus said average daily oil production grew by 23 per cent in 2012 – and 35 per cent in the oil sands."*[6]
>
> *-Cenovus, as quoted in the Globe and Mail, February 13, 2013*

> *"Record annual and exit production volumes, exceeding 2012 guidance."*[7]
>
> *-MEG, a Calgary-based in situ oil sands producer,*
> *15% owned by CNOOC, funding partner for the Northern Gateway pipeline*

[3] "How Cenovus is coping with the Canadian oil price discount," Globe and Mail, February 13, 2013. http://www.theglobeandmail.com/globe-investor/how-cenovus-is-coping-with-the-canadian-oil-price-discount/article8658473/
[4] "Imperial Oil announces estimated fourth-quarter financial and operating results," February 1, 2013. http://www.imperialoil.ca/Canada-English/about_media_releases_20130201.aspx
[5] Imperial Oil Q4 News Release, February 1, 2013. http://www.imperialoil.ca/Canada-English/Files/Earnings_Release_Q4_2012.pdf

[7] MEG Final Results, 2012. Released January 31, 2013. http://www.megenergy.com/news-room/article/meg-energy-reports-record-quarterly-annual-and-exit-rate-production-volumes

Even companies that aren't vertically integrated are doing just fine; even with the low price of bitumen

> *"Annual production for 2012 averaged 28,773 bpd, an increase of 8% over 2011 volumes of 26,605 bpd, marking MEG's fourth consecutive year of production gains."-MEG, 2012 final results, released January 31, 2013*
>
> *"Record quarterly production and low operating costs contribute to very strong fourth quarter netbacks."*
>
> *-MEG, 2012 final results, released January 31, 2013*

Operations costs per barrel for in situ producers are extremely low – there is plenty of room to require upgrading for extraordinarily profitable companies

> *"Net operating costs for the fourth quarter of 2012 were $8.95 per barrel, expected to be among the lowest in the industry for the period. Comparable fourth quarter 2011 results, the best in MEG's history, were $8.50 per barrel. The difference in net operating costs is primarily due to lower per barrel power sales and higher non-energy operating costs during the fourth quarter of 2012 compared to the fourth quarter of 2011. Non-energy operating costs for 2012 were $9.71 per barrel, beating MEG's 2012 target of $10 to $12 per barrel."*
>
> *-MEG 2012 Final Results, Released January 31, 2013*

SP*cep445:kp*cope#458
File: G:\Communications\NEWS\AFL\2013\Fact Sheet_Oil Companies' Profits.docx
March 2013

Alberta Federation of Labour
10654 – 101 Street, Edmonton, Alberta T5H 2S1
Telephone: 780-483-3021; Toll-free: 1-800-661-3995
http://www.afl.org