Previous Story Next Story

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THE OILSANDS' CANADIANIZATION

After a couple of decades of globalization, the oilsands are back to being owned and run by a tight oligopoly of Canadian companies.

The rush of foreign players brought capital, research and development, employment and an international flavour to the industry. But it also pushed up costs because of an escalation of competition, moved control and profits abroad, slowed down decision making and attracted a lot of bad publicity to the deposits by making them the poster child for the international anti-fossil fuel movement.

You won't find too many complaints in Calgary about the international retreat, which hit a high point last week with Royal Dutch Shell PLC's oilsands' sell-off.

The last time so many oil multinationals backed out of Canada in the 1980s the Canadian oil and gas industry flourished and spawned scores of startups.

One of them was Canadian Natural Resources Ltd., which from a penny stock grew aggressively and gobbled up Shell's oilsands operations at a bargain and will likely do a lot more with them than Shell ever could. CNQ used the same playbook when it moved into the oilsands in the late 1990s by acquiring BP Amoco's historic Canadian oil business at a bargain price.

The "delicious irony" is that the Canadianization of the oilsands is happening without "the clever hand of Ottawa's policy-makers," said Robert Skinner, executive fellow at the University of Calgary's School of Public Policy.

Protecting Canadian resources from foreign ownership has been a Canadian preoccupation for the past 150 years, Skinner said. Major efforts included John A. Macdonald's National Policy of 1870, where he advocated a tariff to favour Cape Breton coal in Quebec and Ontario at the expense of coal from Pennsylvania; Walter Gordon's Royal Commission on Canada's Economic Prospects in the 1950s; the great pipeline debate that led to the creation of the National Energy Board; massive expenditures to Canadianize the energy sector in the National Energy Program of 1980, and most recently Stephen Harper's policy against Chinese state-owned enterprises buying into the oilsands, Skinner said.

Current governments have been more focused on heavy-handed carbon policy to make the oilsands more acceptable to environmentalists.

By exiting, international companies are showing they don't have faith in the strategy and are not willing to pay the price. They are saying: "Let's get out of this," Skinner said. "It's not worth the flak."

Shell, the first major international company to go big in the oilsands, backed out last week when it sold its Albian oilsands mines and other oilsands assets to Canadian Natural for $8.5 billion, adding to an international exodus that included Norway's Statoil, France's Total and the U.S.'s Murphy Oil Corp.

Shell's hightailing is particularly annoying given that it supported Alberta's climate change policy, which led to a widely unpopular provincial carbon tax, and that it received massive provincial and federal government subsidies to build the Quest carbon capture project near Edmonton.

The result is that the oilsands' remaining stalwarts are two large Canadian companies, Canadian Natural and Suncor Energy Inc., plus Imperial Oil Ltd., which as the country's oldest oil company remains deeply entrenched in Canada despite being controlled by Exxon Mobil Corp.

Before the international buying spree, the deposits were dominated by two companies — Suncor and Syncrude, which was absorbed by Suncor last year.

Oilsands pioneer Eric Newell, the former chairman and CEO of Syncrude who is now the chancellor emeritus at the University of Alberta, said there is upside in the return to Canadian control.

"It's pretty obvious to me that the oilsands is still one of the aces in the hole that Canada has got in terms of our economy," Newell said. "And if you get interest consolidated within very large and reputable Canadian enterprises, then they do have more of an interest in seeing Canada do well."

In contrast, with their departure, international companies have yet again demonstrated they are short on commitment and long on chasing the latest fad, which today is shale gas and tight oil,

regardless of where it is.

Newell expects to see more success with cost reduction efforts now that they are gone, and more harmonious relations with affected communities.

"In the early days it was basically ourselves at Syncrude and Suncor and we really worked well with the community," he said. "As we got more and players in there, it got more and more complicated, and we didn't, in my view, serve the community quite as well. So by consolidating back to the major players it may make the community interface more straight forward."

The new landscape has the potential to re-invigorate the industry through faster decision-making and development, more head office jobs, and a lower international profile. If oil prices firm up, the diehards will reap the benefits — assuming governments stop destroying investor confidence with ineffective policies.

Previous Story Next Story