



# Continuing Challenges in the Oil and Gas Sector

# Canadian Association of Petroleum Producers

- Represents large and small producer member companies
- Members explore for, develop and produce natural gas, natural gas liquids, crude oil, and oil sands throughout Canada
- Produce about 85 per cent of Canada's natural gas and crude oil
- Associate members provide a wide range of services that support the upstream crude oil and natural gas industry

# The Story of the Past Few Years...

# Shale Revolution

- Horizontal drilling combined with multi-stage hydraulic fracturing
- Allows access to shale gas and tight oil deposits
- Leads to large North American supply

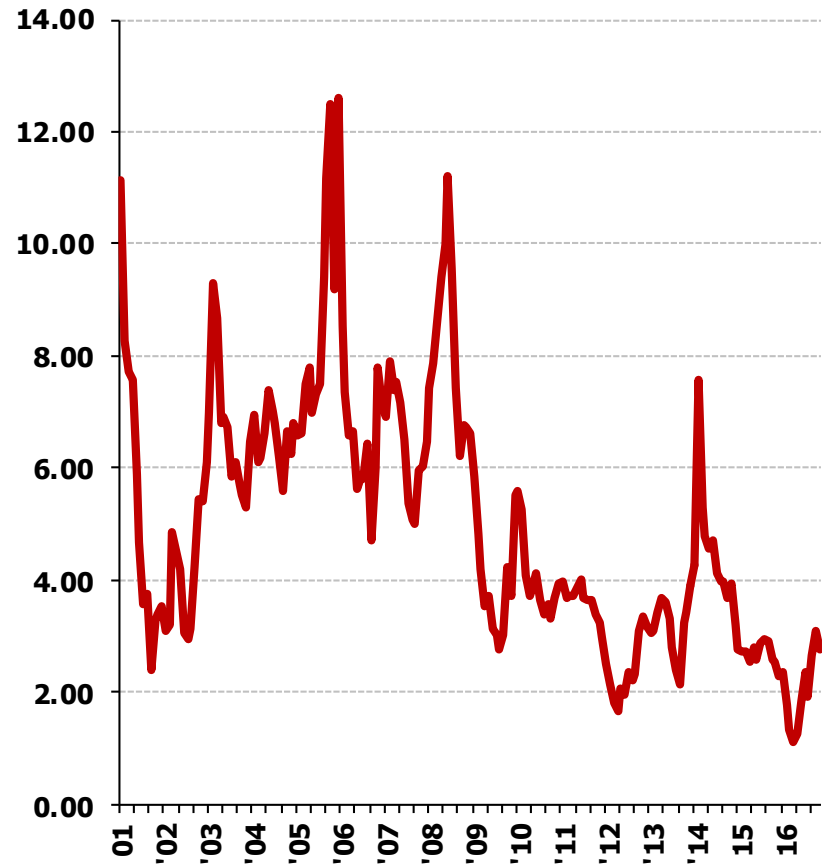


# Crude Oil and Natural Gas prices

Crude Oil Prices  
(WTI NYMEX)  
\$US per barrel

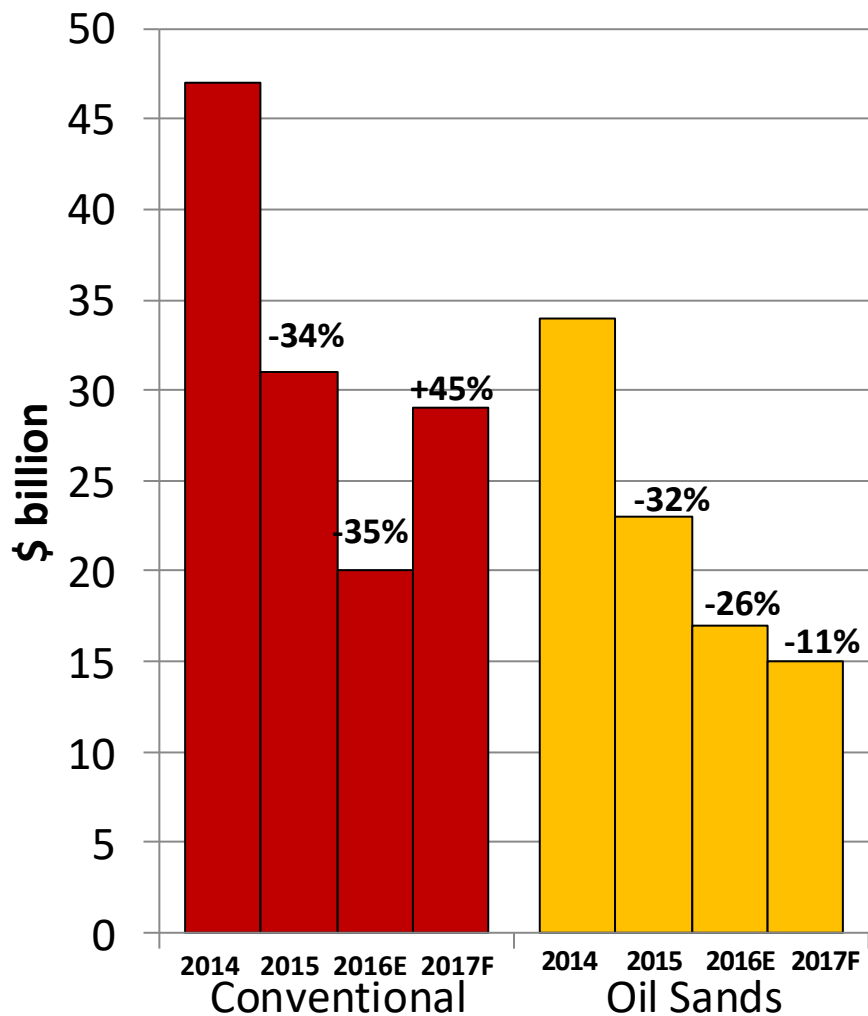


Natural Gas Prices  
(AECO Daily Spot Price)  
\$Cdn/mcf

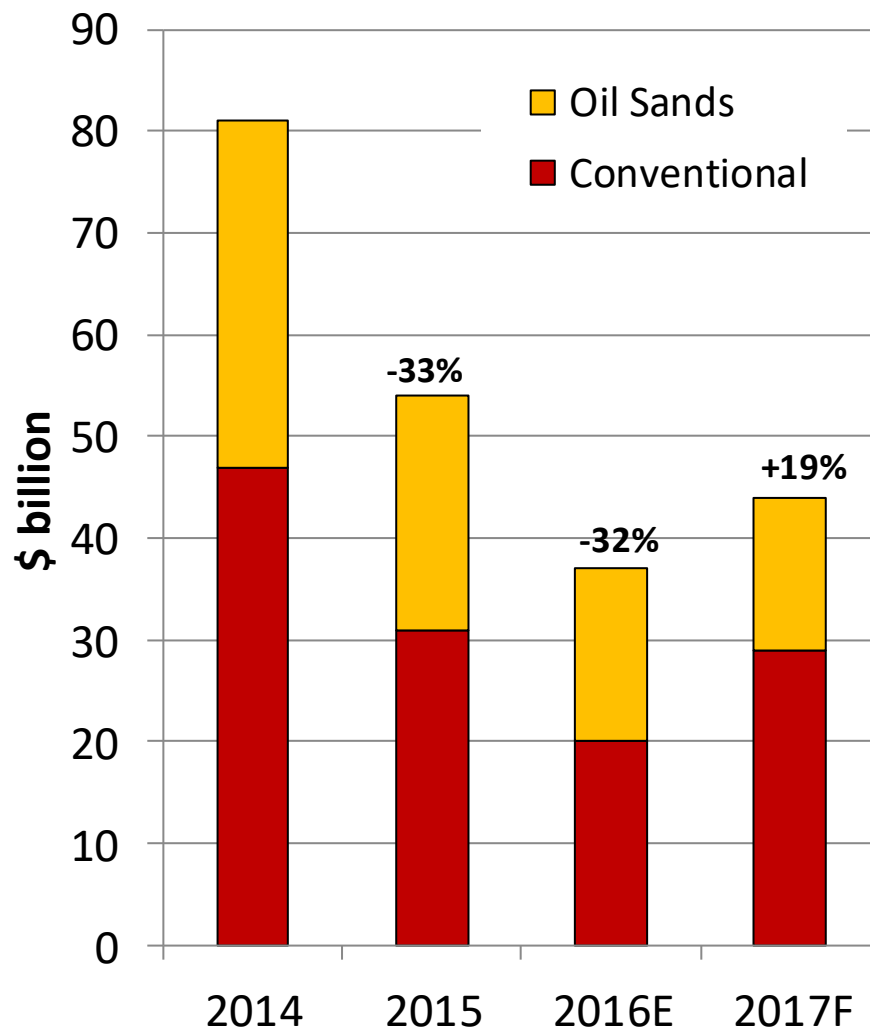


# Upstream Capital Investment in Canada

% = Year/year change

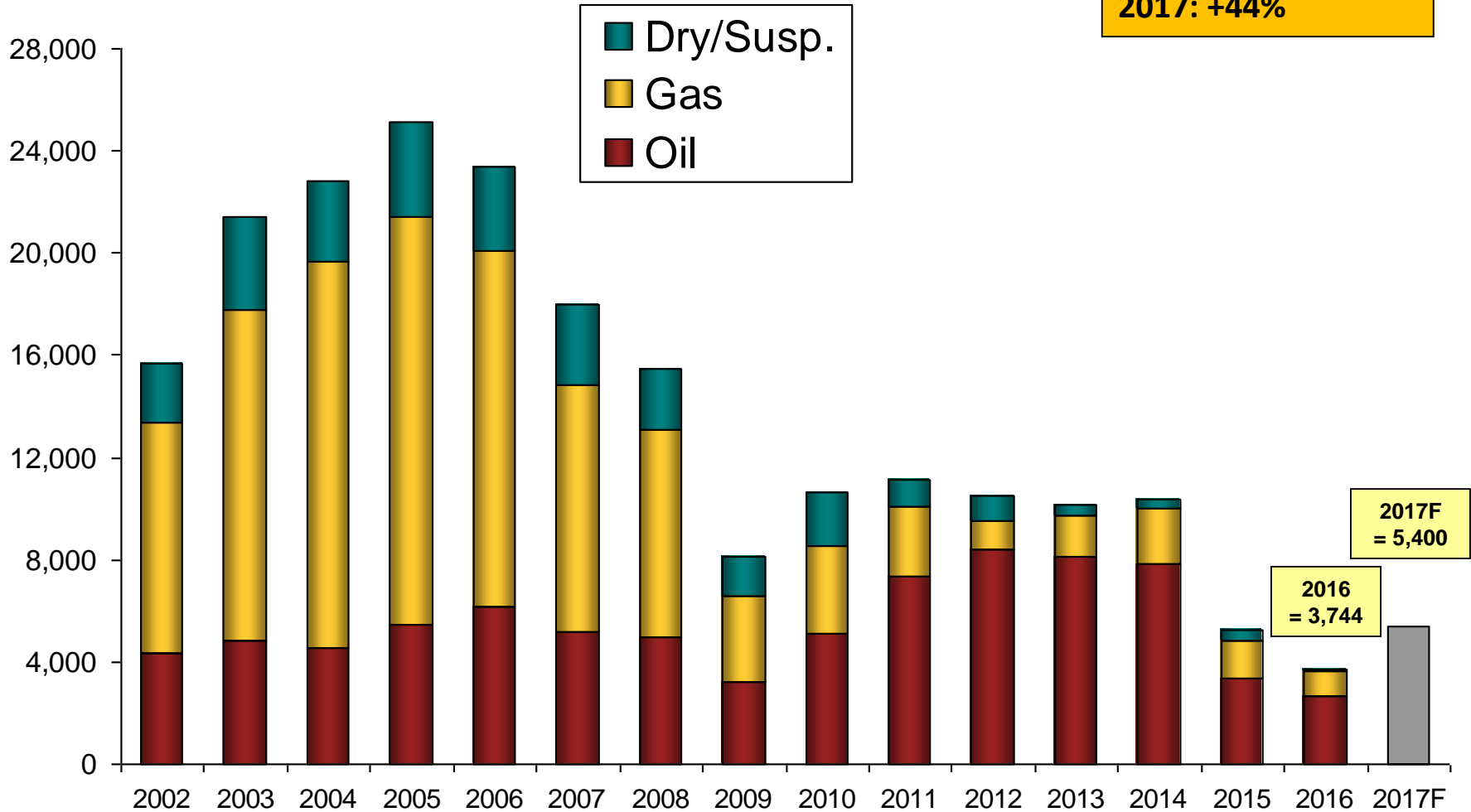


## Combined Capital Investment



# Total Wells Drilled in Western Canada

Yr/yr change in drilling:  
 2015: - 49%  
 2016: -28%  
 2017: +44%



Source – CAPP. Based on Rig Release

# Current Challenges



# Price Uncertainty

OPEC 



# Cost Structure



- Still key focus of producers
- Disciplined in operations
- Efficiency and productivity
- Targeting best resource plays
- Government policy...?

# Markets, Markets, Markets

## ● Natural Gas:

- U.S. threat
- Losing Eastern U.S. and Canada
- Challenges in oil sands
- Need new foreign and domestic markets

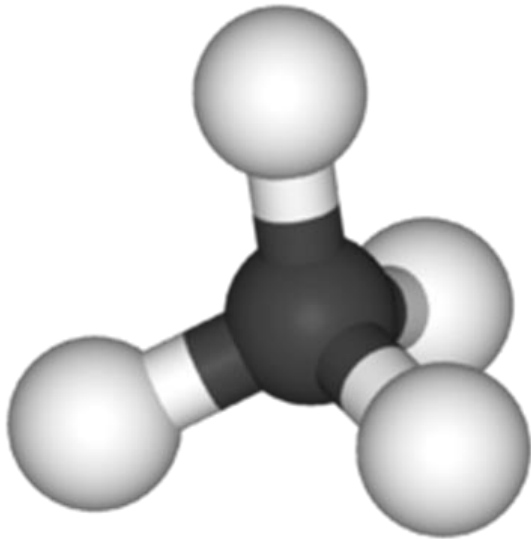
## ● Oil:

- Capacity filling
- U.S. threat
- Need capacity and pipes

# Challenges from the United States



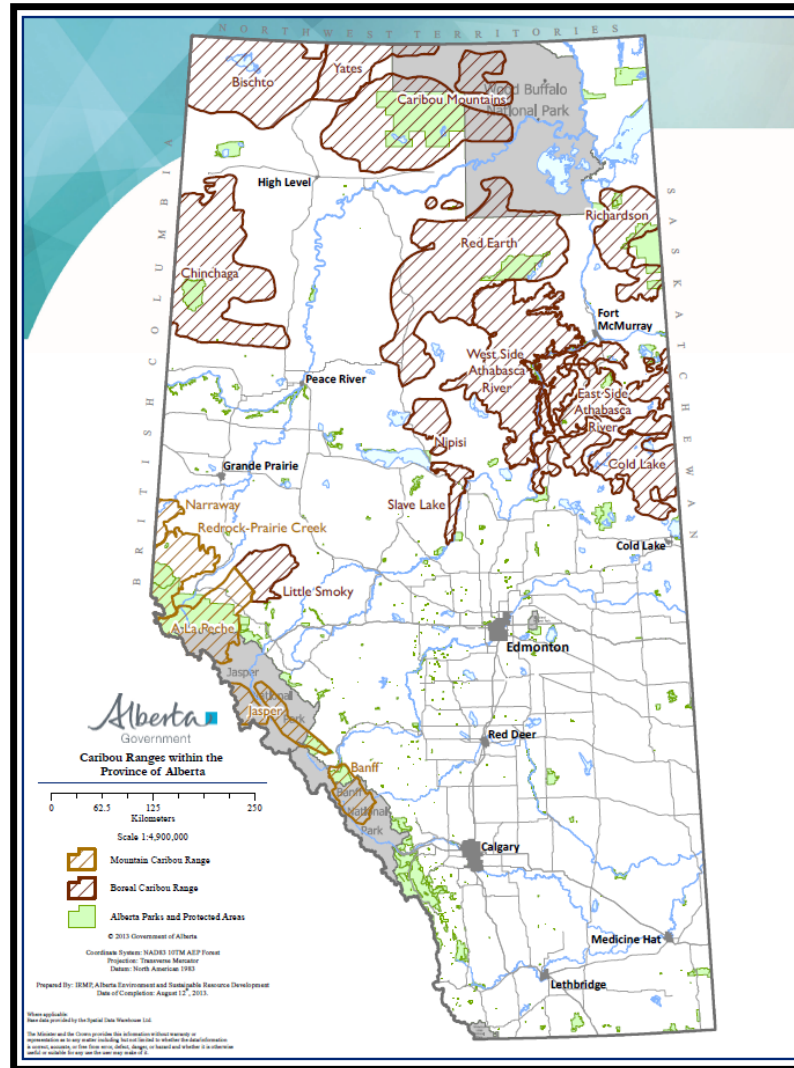
# Climate Policy



- Support move to lower carbon future
- Flexibility to allow for best business decisions
- Protection from carbon leakage

# Caribou





**What does it mean?**



## Looking ahead...

- **Improved economic conditions leading to increased activity levels but price uncertainty remains**
- **Not all areas of the province likely to come back equally**
  - Producers focusing on highest value resource:
    - Montney
    - Duvernay
    - Cardium
    - Viking
- **Other areas of the province likely to see continued challenges/declines:**
  - Different sets of issues to be managed

## **It's no longer about supply...**

- **Shale revolution has opened up vast oil and natural gas resources here, in the United States, around the world**
- **10 years ago, North America was running out of natural gas**
- **Have a world class resources in Alberta**
- **Need access to the resource**
- **Need to be competitive to attract investment**
- **Need access to world markets**

# Canadian Advantage...?



**Thank you!**