WEBVTT

00:00:10.376 --> 00:00:20.916
<v SPEAKER_2>Hello, everyone, and welcome to Energy Security Cubed, one of the world's foremost energy security podcasts presented by the CGAI, or Canadian Global Affairs Institute.

00:00:20.916 --> 00:00:24.596
<v SPEAKER_2>I'm Kelly Ogle, Managing Director here at CGAI.

00:00:24.596 --> 00:00:32.536
<v SPEAKER_3>And I'm Joe Calnan, Vice President of Energy and Calgary Operations at the Canadian Global Affairs Institute.

00:00:35.436 --> 00:00:47.876
<v SPEAKER_2>For today's podcast, we're featuring a discussion with Marty King, where we had a great conversation about whether current Canadian oil export infrastructure is sufficient considering the volumes that are coming on in the near term.

00:00:47.876 --> 00:00:54.756
<v SPEAKER_2>But before we dive into that, let's have a quick discussion with Joe about some of the new stories affecting global energy security this week.

00:00:54.756 --> 00:00:56.316
<v SPEAKER_2>How are things, Joe?

00:00:56.316 --> 00:00:58.616
<v SPEAKER_3>Oh, I'm doing well, Kelly.

00:00:58.616 --> 00:01:01.716
<v SPEAKER_3>Never a dull moment, although we are going right into summer here.

00:01:01.716 --> 00:01:04.096
<v SPEAKER_3>So a lot of people are on vacation.

00:01:04.096 --> 00:01:13.976
<v SPEAKER_3>So this is kind of a time to reflect and to take into account what we've done throughout the years so far and kind of think what we're about doing going forward.

00:01:13.976 --> 00:01:17.456
<v SPEAKER_3>But that's not what we're going to be talking about for the intro here, though.

00:01:17.456 --> 00:01:19.136
<v SPEAKER_2>What do you want to talk about?

00:01:19.136 --> 00:01:30.316
<v SPEAKER_3>Well, I'd like to start with a quick response to a global mail op-ed published on Tuesday, which is titled, Canada, Don't Make the Same Mistake with LNG that Australia Did.

00:01:30.616 --> 00:01:38.296
<v SPEAKER_3>This article is written by Mark Ogg, Principal Advisor at Australian Public Policy Think Tank, the Australia Institute.

00:01:38.356 --> 00:01:55.556
<v SPEAKER_3>It provides an interesting perspective from Australia about LNG and the impact on the larger economic security of Australia, as well as some ways we can think about international energy policy and Canada's role in it.

00:01:55.556 --> 00:01:56.796
<v SPEAKER_3>In this op-ed, Mr.

00:01:56.796 --> 00:02:08.496
<v SPEAKER_3>Ogg argues that the development of LNG in Australia in Australia resulted in quote expensive gas, rolling gas shortage fears, and few economic benefits unquote.

00:02:08.496 --> 00:02:14.016
<v SPEAKER_3>He warns against Canada building out LNG and quote making the same mistake unquote.

00:02:14.016 --> 00:02:17.936
<v SPEAKER_3>So this article of course brings up some interesting points about energy security.

00:02:17.936 --> 00:02:27.896
<v SPEAKER_3>And the question about whether energy autarky, which is kind of cutting off energy trade, is a good policy for preserving the affordability of domestic energy supplies.

00:02:28.696 --> 00:02:29.756
<v SPEAKER_3>Specifically, Mr.

00:02:29.756 --> 00:02:43.316
<v SPEAKER_3>Ogle's argument is that Australia would be better off if its natural gas reserves were not sold internationally, but instead were supplied at far below international prices to domestic households and industries.

00:02:43.316 --> 00:02:50.016
<v SPEAKER_3>This argument comes up regularly in discussions about broader energy security, and this isn't just on natural gas, it's other resources.

00:02:50.016 --> 00:03:09.796
<v SPEAKER_3>For example, Norway's opposition to exporting more hydropower electricity to mainland Europe or the historical American crude oil export ban, which were both policies that were adopted with very similar arguments about preserving domestic energy supply and domestic low energy prices.

00:03:10.996 --> 00:03:21.676
<v SPEAKER_3>The idea is that by disconnecting a resource from the international market, domestic consumers will benefit from energy which is essentially trapped in the jurisdiction.

00:03:22.576 --> 00:03:29.176
<v SPEAKER_3>This sort of energy policy may sustain some domestic industry and reduce costs for households in the short run.

00:03:29.176 --> 00:03:34.876
<v SPEAKER_3>But I think the sort of energy autarky implied here does not serve Canada very well.

00:03:34.876 --> 00:03:41.756
<v SPEAKER_3>First of all, trapping Canadian natural gas in the domestic market comes with major opportunity costs that are borne by the taxpayer.

00:03:41.756 --> 00:03:48.956
<v SPEAKER_3>So opportunity costs basically money that you're not getting that you otherwise would have gotten if you pursued a different path.

00:03:50.156 --> 00:03:56.336
<v SPEAKER_3>The lion's share of natural gas in a province of Canada is not owned by the companies producing it.

00:03:56.876 --> 00:04:00.716
<v SPEAKER_3>It is instead owned by the people of the province.

00:04:00.716 --> 00:04:04.676
<v SPEAKER_3>Companies pay for the right to produce the resource through royalties.

00:04:05.716 --> 00:04:14.296
<v SPEAKER_3>Alberta and BC royalty incomes, so these are incomes the provincial governments, are directly tied to the price of natural gas.

00:04:14.296 --> 00:04:22.476
<v SPEAKER_3>Higher prices mean higher royalties, and therefore, more services provided by the province at lower tax rates.

00:04:22.476 --> 00:04:45.536

<v SPEAKER_2>You know, Joe, you make an interesting point about Australia, and I would ask you to link the paper I wrote and a subsequent op-ed, I think back in about 2018, maybe 2019, about comparing Canadian LNG development to Australian LNG development, and the gas thereof that makes up the sale of gas from either jurisdiction.

00:04:45.536 --> 00:04:52.416
<v SPEAKER_2>And firstly, all Australian states are, touch the ocean.

00:04:52.416 --> 00:04:58.696
<v SPEAKER_2>So each state can deal with its natural resources directly without any federal intervention.

00:04:58.696 --> 00:05:09.076
<v SPEAKER_2>Therefore, the West Coast of Australia and Northern Australia and the Northern Territory, they can export gas without any inhibition.

00:05:09.076 --> 00:05:17.596
<v SPEAKER_2>And most of their gas that they produced was offshore, like the, their big platforms that produce gas in Australia, that's for sale.

00:05:17.596 --> 00:05:22.336
<v SPEAKER_2>Second, most of the domestic supply in Australia is coal bed methane.

00:05:22.336 --> 00:05:26.376
<v SPEAKER_2>Low producers need thousands of wells, like that's an issue.

00:05:26.376 --> 00:05:36.116
<v SPEAKER_2>Like it, and it really reflects your autarky comment because that type of gas is autarkic in the, in the essence because it's expensive to produce.

00:05:36.116 --> 00:05:37.936
<v SPEAKER_2>Low volumes need a whole lot of wells.

00:05:37.936 --> 00:05:39.456
<v SPEAKER_2>So that works.

00:05:39.456 --> 00:05:42.716
<v SPEAKER_2>But the idea that they would take away, I'd like to read Mr.

00:05:42.716 --> 00:05:44.376
<v SPEAKER_2>Ogle's article.

00:05:44.516 --> 00:05:47.076
<v SPEAKER_2>And I will at a point in time.

00:05:47.076 --> 00:05:57.116
<v SPEAKER_2>The idea that you would take away the natural resource that feeds a whole bunch of revenues into the country is really non, it's a non-starter for me.

00:05:57.116 --> 00:05:59.596
<v SPEAKER_2>But anyways, that's just a little bit of comment about Australia.

00:05:59.596 --> 00:06:02.456
<v SPEAKER_2>And I would encourage people to read the paper I wrote.

00:06:02.456 --> 00:06:03.876
<v SPEAKER_2>It was well received.

00:06:04.916 --> 00:06:10.236
<v SPEAKER_2>Going back to your discussion about Alberta and BC royalty incomes, etc.

00:06:10.236 --> 00:06:21.976
<v SPEAKER_2>It's second to a person we should keep in mind that even a major expansion of LNG export is very, very unlikely to result in security of supply concerns for Western Canadian natural gas.

00:06:22.316 --> 00:06:31.036
<v SPEAKER_2>If LNG Canada Phase 2 is approved, the coastal gaslink pipeline will be expanded to carry 5 billion cubic feet per day of natural gas.

00:06:31.036 --> 00:06:36.176
<v SPEAKER_2>Running all out 365 days a year, that's equivalent to 1.8 trillion cubic feet per year.

00:06:37.156 --> 00:06:44.416
<v SPEAKER_2>The Montenegro alone is estimated to hold 450 trillion cubic feet of recoverable resource gas.

00:06:44.416 --> 00:06:52.316
<v SPEAKER_2>This means that the coastal gaslink pipeline, running all out, would take 247 years to empty the Montenegro alone.

00:06:52.316 --> 00:06:56.836
<v SPEAKER_2>That's not the only gas that's filled with Alberta and British Columbia.

00:06:56.836 --> 00:07:01.736
<v SPEAKER_2>Thirdly, we should be happy to support the energy

security of our allies and partners across the Pacific.

00:07:01.736 --> 00:07:06.236
<v SPEAKER_2>There's a good reason why Japan and South Korea are willing to pay so much for our natural gas.

00:07:06.236 --> 00:07:07.836
<v SPEAKER_2>They need it.

00:07:07.836 --> 00:07:23.376
<v SPEAKER_2>We should not be so myopic about keeping our resources at such bargain-basement levels effectively encouraging waste, when these resources can instead be used to firm up energy security with our allies and reduce energy poverty with new friends and partners abroad.

00:07:23.376 --> 00:07:32.116
<v SPEAKER_2>Canada's big problem is, and always will be, that we have far, far more resource than we could possibly consume and an over-dependence on the United States for trade.

00:07:32.896 --> 00:07:39.576
<v SPEAKER_2>We should not kneecap our LNG industry to try to keep the prices at such incredibly low current levels.

00:07:43.236 --> 00:07:46.716
<v SPEAKER_2>The argument just doesn't stand up, it's a straw man argument, Joe.

00:07:48.716 --> 00:08:01.036
<v SPEAKER_3>I don't think that Mark Ogle is looking to preserve the integrity of Canadian affordability for energy.

00:08:01.696 --> 00:08:04.796
<v SPEAKER_3>I'm not sure if he actually cares that much about that.

00:08:04.796 --> 00:08:10.056
<v SPEAKER_3>I think he cares more about preventing the expansion of Canada's natural gas industry.

00:08:10.056 --> 00:08:11.456
<v SPEAKER_3>And I'll just be frank about that.

00:08:11.656 --> 00:08:13.796
<v SPEAKER_3>He's very much a climate focused person.

00:08:13.796 --> 00:08:14.416
<v SPEAKER_3>Sure.

00:08:14.416 --> 00:08:21.156
<v SPEAKER_3>And I think that if you're going to take that argument,

then absolutely that's a fair argument to take, like climate change is an important thing.

00:08:21.436 --> 00:08:22.276
<v SPEAKER_2>But let's say that.

00:08:22.436 --> 00:08:25.376
<v SPEAKER_3>You should be clear about your actual perspective.

00:08:25.376 --> 00:08:32.996
<v SPEAKER_3>You shouldn't be trying to present this as though it's a big appeal to Alberta, to the affordability of Alberta households.

00:08:32.996 --> 00:08:42.776
<v SPEAKER_3>Next up, let's talk about a move by Hungary to shore up energy ties with Russia in contravention of EU moves to separate itself from Russian infrastructure.

00:08:42.836 --> 00:08:53.316
<v SPEAKER_3>On Monday, Hungarian Foreign Minister Peter Szijarto, and I encourage people to email me if I mispronounce that.

00:08:53.316 --> 00:09:00.876
<v SPEAKER_3>He announced a new agreement in conjunction with Serbia and Russia to build a new oil pipeline for importing Russian crude oil.

00:09:00.876 --> 00:09:05.296
<v SPEAKER_3>And this is specifically bringing more Russian crude oil to Serbia.

00:09:05.296 --> 00:09:15.956
<v SPEAKER_3>We should note that elections will be held in Hungary in 2026 and in Serbia in 2027, raising a major political hurdle before this project could possibly move forward.

00:09:15.956 --> 00:09:20.516
<v SPEAKER_2>It's important to note that this project has been in the works for some time.

00:09:20.516 --> 00:09:25.576
<v SPEAKER_2>The original agreement between Serbia and Hungary to build a pipeline dates to June 2023.

00:09:26.776 --> 00:09:29.496
<v SPEAKER_2>In June, Serbia state owned, is that June of this year?

00:09:29.496 --> 00:09:30.996
<v SPEAKER_3>Yeah, June of this year, yeah.

00:09:30.996 --> 00:09:43.576
<v SPEAKER_2>In June of this year, Serbia state owned oil pipeline company Transnefta and Hungarian oil company MOL signed off on an initial route for the spur line out of the Drusba pipeline.

00:09:43.576 --> 00:09:50.316
<v SPEAKER_2>This pipeline won't be huge, its capacity will be about 100,000 barrels per day, but the political implications are important.

00:09:50.316 --> 00:10:00.456
<v SPEAKER_2>While the European Union is looking to support Ukraine struggle against Russia, countries like Hungary and Serbia are maintaining a tricky middle ground void by the promise of cheap Russian energy.

00:10:00.456 --> 00:10:05.156
<v SPEAKER_2>Kind of sounds like 1914 in a roundabout way.

00:10:05.596 --> 00:10:06.436
<v SPEAKER_3>Yeah.

00:10:06.436 --> 00:10:08.176
<v SPEAKER_3>Something in the Balkans.

00:10:08.176 --> 00:10:24.376
<v SPEAKER_3>But yeah, I'd say that there's a little bit of trouble there because, for example, Serbia, I think their current oil supplies are sourced through the Balkans, through the, I forget which country, it might be Croatia.

00:10:24.376 --> 00:10:31.816
<v SPEAKER_3>But there's of course all sorts of security concerns for between Serbia and its neighbors and its neighbors in Serbia.

00:10:32.136 --> 00:10:36.736
<v SPEAKER_3>You know, there's all sorts of tensions in the region, let's just say that.

00:10:36.736 --> 00:10:51.576
<v SPEAKER_3>And so although Russia is pursuing a war against Ukraine, some of these countries are a little bit more nervous about each other and about different aspects of geopolitical importance in the region.

00:10:51.576 --> 00:11:01.196
<v SPEAKER_3>So we should be cognizant that these countries are treading a middle ground between Russia and the European Union.

00:11:02.656 --> 00:11:10.676
<v SPEAKER_3>And that this poses a major problem for kind of the Western Alliance, especially since these countries are part of the

European Union.

00:11:10.676 --> 00:11:17.116
<v SPEAKER_3>But at the same time, like in order to counteract these moves by Russia, we need to understand why these countries are doing so.

00:11:17.116 --> 00:11:17.436
<v SPEAKER_3>Sure.

00:11:17.436 --> 00:11:20.416
<v SPEAKER_3>And what's bringing their energy security concerns to the fore.

00:11:20.416 --> 00:11:25.976
<v SPEAKER_2>Well, they don't have optionality and that's a function of the way they thought the EU's operated for two decades.

00:11:25.976 --> 00:11:30.636
<v SPEAKER_2>I don't blame the countries, all three, any of them.

00:11:30.796 --> 00:11:32.296
<v SPEAKER_2>It's opportunity.

00:11:32.296 --> 00:11:34.096
<v SPEAKER_2>Events, dear boy, events.

00:11:34.096 --> 00:11:35.456
<v SPEAKER_3>Yeah.

00:11:35.456 --> 00:11:37.136
<v SPEAKER_2>Okay, Joe, very good stories.

00:11:37.136 --> 00:11:43.636
<v SPEAKER_2>Thanks for grabbing these and allowing me to put a little diatribe on Australian gas.

00:11:43.636 --> 00:11:44.756
<v SPEAKER_3>Yeah, for sure.

00:11:44.756 --> 00:11:46.096
<v SPEAKER_3>Absolutely not a problem, Kelly.

00:11:46.096 --> 00:11:55.836
<v SPEAKER_3>And I'll make sure that we're just covering stories directly more from now on, because I feel like I'm getting too much into the op-eds recently.

00:11:55.836 --> 00:12:00.576
<v SPEAKER_3>But I just feel as though sometimes you need to correct

the record a little bit, especially-

00:12:00.576 --> 00:12:01.516
<v SPEAKER_2>No, I agree, Joe.

00:12:01.856 --> 00:12:04.776
<v SPEAKER_2>Our listeners will appreciate what you're doing here.

00:12:04.776 --> 00:12:06.276
<v SPEAKER_2>These are good stories.

00:12:06.276 --> 00:12:14.436
<v SPEAKER_3>Well, now I suppose we'll get into our discussion with Marty King about oil pipeline infrastructure.

00:12:14.436 --> 00:12:18.116
<v SPEAKER_4>Hi, I'm Dave Perry, the president and CEO of The Canadian Global Affairs Institute.

00:12:18.116 --> 00:12:22.616
<v SPEAKER_4>I hope you're enjoying Energy Security Cubed, Canada's leading podcast on energy issues.

00:12:22.616 --> 00:12:32.196
<v SPEAKER_4>If you're listening and you'd like to help us keep bringing informed discussion of Canadian energy issues to key government decision makers, thought leaders, and the business community, then consider sponsoring the podcast.

00:12:32.196 --> 00:12:37.836
<v SPEAKER_4>Reach out to us at contact at cgai.ca for options and pricing.

00:12:37.836 --> 00:12:40.296
<v SPEAKER_4>That's contact at cgai.ca.

00:12:41.776 --> 00:12:47.976
<v SPEAKER_2>For today's interview recorded July 10th, 2025, yahoo, right in the middle of Stampede.

00:12:47.976 --> 00:12:55.956
<v SPEAKER_2>We discussed the outlook for Western Canadian crude oil production growth and whether current and future pipeline expansions will be enough to prevent a major differential blowout.

00:12:56.856 --> 00:13:00.156
<v SPEAKER_3>With us to talk about this is Marty King.

00:13:00.156 --> 00:13:08.056
<v SPEAKER_3>Marty is an economist and managing director of North

America Energy Market Analysis at RBN Energy.

00:13:08.056 --> 00:13:19.356
<v SPEAKER_3>He has previously held positions in economic and energy analysis at the Bank of Canada, the National Energy Board, now known as the CER, and First Energy Capital.

00:13:20.656 --> 00:13:43.936
<v SPEAKER_2>Really glad to have you on the podcast, Marty, and to reminisce a little bit about the glory days of your work with First Energy and my participation in the great decade of 95 to 2005 when small oil and gas companies and breakout public markets were really, really a lot of fun to be involved in.

00:13:43.936 --> 00:14:01.276
<v SPEAKER_1>Yeah, it was a lot of fun in those days with First Energy and it was just busy, busy time and lots of activity and you know, kind of laid the groundwork for the very topic that we're going to discuss today in terms of very much so and building all the crude oil production growth that we're still seeing today.

00:14:01.276 --> 00:14:07.056
<v SPEAKER_2>Yeah, with that, let's start off with a quick introduction to your organization.

00:14:07.056 --> 00:14:14.556
<v SPEAKER_2>What is RBN Energy, Marty, and what distinguishes your organization from other energy analytics firms?

00:14:14.556 --> 00:14:17.596
<v SPEAKER_1>Well, RBN Energy, it's a company based in Houston.

00:14:17.596 --> 00:14:19.036
<v SPEAKER_1>I'm the Canadian contingent.

00:14:19.036 --> 00:14:23.336
<v SPEAKER_1>I'm based in Calgary, but it's a Houston-based company founded in Houston.

00:14:23.336 --> 00:14:33.536
<v SPEAKER_1>They look at research and advisory services on all aspects of North American energy markets, so crude oil, natural gas, natural gas liquids.

00:14:33.536 --> 00:14:38.616
<v SPEAKER_1>They do strategic advice for clients for market analysis.

00:14:38.616 --> 00:14:39.916
<v SPEAKER_1>We look at various projects.

00:14:39.916 --> 00:14:52.456
<v SPEAKER_1>Whenever the client comes to us, they want to examine how, for instance, a recent client project we did, we looked at how will gas supply availability in Western Canada be affected by the startup of LNG projects.

00:14:52.456 --> 00:14:55.316
<v SPEAKER_1>We've got LNG Canada kicking off right now.

00:14:55.316 --> 00:15:02.216
<v SPEAKER_1>We provide third-party advice, independent advice in terms of due diligence for mergers and acquisitions.

00:15:02.216 --> 00:15:06.496
<v SPEAKER_1>We also provide advice to clients on legal and regulatory matters as well.

00:15:06.496 --> 00:15:18.596
<v SPEAKER_1>So if they're making a regulatory application to say, the Federal Energy Regulatory Commission in the US or the Canada Energy Regulator up here in Canada, we provide background information like that.

00:15:18.596 --> 00:15:26.196
<v SPEAKER_1>We also have a variety of subscription services covering propane markets in the States, crude oil.

00:15:26.196 --> 00:15:32.436
<v SPEAKER_1>I'm an author of a weekly natural gas report card, can call it Canadian Night Gas Billboard.

00:15:32.436 --> 00:15:36.676
<v SPEAKER_1>We are in the very early stages of building one that actually covers crude oil and diluent.

00:15:36.676 --> 00:15:38.256
<v SPEAKER_1>We can talk about diluent later on.

00:15:39.016 --> 00:15:52.676
<v SPEAKER_1>There is a wide variety of stuff there concerning data, advice for clients, hard information on what's happening with the energy markets in North America, and to some degree, the global.

00:15:52.676 --> 00:15:59.016
<v SPEAKER_1>In terms of what distinguishes RBN from other firms out there, I think is just the span of knowledge.

00:15:59.016 --> 00:16:05.016
<v SPEAKER_1>Rusty Brazil, who is the founder of the company, he's been involved in energy for around 50 years at a minimum.

00:16:05.016 --> 00:16:07.356
<v SPEAKER_1>He's got a lot of smart people who work under him.

00:16:07.756 --> 00:16:10.956
<v SPEAKER_1>He's well known in the US energy side of the equation.

00:16:10.956 --> 00:16:13.356
<v SPEAKER_1>He's well known up here in Calgary.

00:16:13.356 --> 00:16:24.796
<v SPEAKER_1>And I think just the degree of depth and analysis, and one of the things that we say to people when we take on a project is that we don't send it out to experts, we are the experts.

00:16:25.596 --> 00:16:39.776
<v SPEAKER_1>We bring them the data, we make this stuff understandable, we put it in a form they can understand, and if the market is something new to them, we explain it in straightforward everyday language to the client and just bring it to light for them in terms of the energy analysis.

00:16:39.776 --> 00:16:50.496
<v SPEAKER_1>And I think that's where RBN really stands apart from other companies in the consulting field, and especially with their endless music references as well.

00:16:50.496 --> 00:16:57.476
<v SPEAKER_1>So that keeps it fun as well for people in terms of types of songs and the names of songs and that sort of thing.

00:16:57.476 --> 00:17:08.196
<v SPEAKER_2>I would really encourage folks to search out RBN because there's a lot of stuff available that you don't need to pay for it and they don't have a horse in the game really.

00:17:09.016 --> 00:17:14.196
<v SPEAKER_2>There really is independent analysis of what's going on and it will give you the straight goods.

00:17:14.196 --> 00:17:15.396
<v SPEAKER_2>It's great.

00:17:15.396 --> 00:17:17.856
<v SPEAKER_2>We really appreciate it, Marty.

00:17:18.156 --> 00:17:18.596
<v SPEAKER_1>Yeah.

00:17:18.596 --> 00:17:24.556

<v SPEAKER_3>I really recommend people check them out and check out their blogs.

00:17:24.556 --> 00:17:27.296
<v SPEAKER_3>Like I said, it's really fun to have those music names.

00:17:27.336 --> 00:17:30.136
<v SPEAKER_3>Quick follow-up question, Marty.

00:17:30.136 --> 00:17:33.116
<v SPEAKER_3>What does RBN stand for?

00:17:33.116 --> 00:17:38.456
<v SPEAKER_1>Well, that was a question I asked a number of years ago because it seemed to be a little bit of a misnomer.

00:17:38.456 --> 00:17:41.016
<v SPEAKER_1>Now, I mentioned the name of the company founder.

00:17:41.016 --> 00:17:43.056
<v SPEAKER_1>He goes by the nickname Rusty.

00:17:43.056 --> 00:17:47.156
<v SPEAKER_1>Rusty Brazil is his name and the family company's name.

00:17:47.156 --> 00:17:52.736
<v SPEAKER_1>So RBN stands for Rusty Brazil's Network.

00:17:52.776 --> 00:18:05.636
<v SPEAKER_1>So it's just his web of, which seems to be an infinite number of people he knows in the energy industry, other knowledgeable types, specialists, engineers, geophysicists, etc.

00:18:05.636 --> 00:18:11.276
<v SPEAKER_1>It's wide-ranging and I'm glad you did mention the blog because that's a free log off the RBN website.

00:18:11.676 --> 00:18:13.896
<v SPEAKER_1>I'll put the plug in here, rbnenergy.com.

00:18:16.956 --> 00:18:23.276
<v SPEAKER_1>He just pulls on all sorts of people across the industry and along with all the whole team at RBN.

00:18:23.276 --> 00:18:30.256
<v SPEAKER_1>So if they know somebody, they know somebody who knows somebody who knows somebody to get the right kind of information into the company.

00:18:30.636 --> 00:18:32.436

<v SPEAKER_1>It's really quite incredible.

00:18:32.436 --> 00:18:33.156
<v SPEAKER_3>Yeah, and that's great.

00:18:33.156 --> 00:18:44.276
<v SPEAKER_3>And I actually do want to talk about one specific blog post that was recently put up on RBN that we'll be drawing heavily on for this base of this entire conversation.

00:18:44.276 --> 00:18:52.196
<v SPEAKER_3>So this is a blog post that you published last month, focused on the possibility of an oil pipeline capacity crunch.

00:18:52.196 --> 00:18:59.536
<v SPEAKER_3>And we'll make sure to link this post in the show notes and then the listeners can check out the wider website through that.

00:18:59.536 --> 00:19:12.976
<v SPEAKER_3>But first of all, before we get into the discussions of the pipeline capacity, could you give us a quick overview of projections of Canadian oil production and kind of what is driving this increase in production?

00:19:12.976 --> 00:19:17.716
<v SPEAKER_1>Well, Canadian crude oil production, and this is total crude oil production averaged.

00:19:17.716 --> 00:19:21.896
<v SPEAKER_1>I'm just going to check one of my numbers here for a second so I don't misspeak.

00:19:21.896 --> 00:19:25.976
<v SPEAKER_1>In 2024, average just under 5 million barrels a day.

00:19:25.976 --> 00:19:27.296
<v SPEAKER_1>It was about 4.9 million.

00:19:27.296 --> 00:19:29.236
<v SPEAKER_2>Does that include liquids?

00:19:29.236 --> 00:19:29.856
<v SPEAKER_1>It does, yeah.

00:19:29.856 --> 00:19:42.496
<v SPEAKER_1>So, well, in this case, it includes liquids, Kelly, in the sense that it's a production from the wellhead, or from synthetic crude oil operators, or it's a bitumen production.

00:19:43.696 --> 00:19:45.756

<v SPEAKER_1>Plus, along with conventional.

00:19:45.756 --> 00:20:02.956
<v SPEAKER_1>Now, we're going to be making a little bit of a distinction here in the sense that there's total crude oil production and then there's going to be total liquids output, because a portion of that crude oil production called bitumen also requires some additional amounts of diluent, which is an extremely light form of crude oil.

00:20:03.396 --> 00:20:12.576
<v SPEAKER_1>And that's roughly about another 400,000 barrels a day that's added into that total liquids flow, if you want to call it that, that reaches markets.

00:20:12.576 --> 00:20:18.296
<v SPEAKER_1>So it goes to refineries in Western Canada, it goes to pipelines, some of it goes out on rail.

00:20:18.296 --> 00:20:29.376
<v SPEAKER_1>So the total production number was just under 5 million, the total liquids that has to leave Western Canada or be consumed in Western Canada, that total amount was about 5.4 million barrels a day roughly.

00:20:30.616 --> 00:20:35.336
<v SPEAKER_2>So in effect, the third biggest producer in the world.

00:20:35.336 --> 00:20:36.356
<v SPEAKER_1>Yes.

00:20:36.356 --> 00:20:37.296
<v SPEAKER_2>Yeah.

00:20:37.296 --> 00:20:39.956
<v SPEAKER_2>Sometimes people seem to forget that.

00:20:39.956 --> 00:20:50.876
<v SPEAKER_2>After Russia and the United States, sorry, Saudi, fourth Saudi Arabia, Russia and the United States, Canada is the fourth largest producer in the world.

00:20:50.876 --> 00:20:51.936
<v SPEAKER_1>Yeah, I'm glad you correct me.

00:20:51.936 --> 00:20:56.016
<v SPEAKER_1>I was going to say fourth, but yeah, it's, it's, you know, pretty elite league of companies.

00:20:56.136 --> 00:21:05.716

<v SPEAKER_1>And for a country with a small population, and you know, one of the smaller economies in the G7, you know, we do punch above our weight in terms of crude oil production.

00:21:05.716 --> 00:21:06.696
<v SPEAKER_3>Yeah, fantastic.

00:21:06.696 --> 00:21:17.436
<v SPEAKER_3>And so, but looking forward though as well, like, so currently, like you said, 5 million barrels per day of production as of earlier this year.

00:21:17.436 --> 00:21:21.476
<v SPEAKER_3>Do we have any idea about where oil production is going?

00:21:22.316 --> 00:21:31.016
<v SPEAKER_3>Like, how much can we anticipate it increasing just based on what we know right now over the next, say, 5, 10 years?

00:21:31.016 --> 00:21:44.316
<v SPEAKER_1>Well, based on what we know right now, Joe, it's, you know, the numbers that we have in our outlook, we expect growth between now and 2030 in the range of about 600,000 barrels a day.

00:21:44.316 --> 00:21:45.376
<v SPEAKER_1>That number I just gave you.

00:21:45.376 --> 00:21:49.936
<v SPEAKER_1>So that would put us in terms of crude oil production around 5.6 million barrels a day.

00:21:49.936 --> 00:21:53.916
<v SPEAKER_1>And if you throw in the additional deal, you want to be north of 6 million barrels per day.

00:21:54.796 --> 00:21:58.496
<v SPEAKER_1>So it's still going to be solid production growth.

00:21:58.496 --> 00:22:01.376
<v SPEAKER_1>You can see it already in terms of the numbers.

00:22:01.376 --> 00:22:10.416
<v SPEAKER_1>And the companies that have laid out their capital spending plans for 2026, 2027, looking into 2028, you started adding up these numbers.

00:22:10.416 --> 00:22:11.776
<v SPEAKER_1>Look at the projects.

00:22:11.776 --> 00:22:14.796

<v SPEAKER_1>And virtually all of this is locked in with the oil sense.

00:22:14.796 --> 00:22:18.076
<v SPEAKER_1>So this is just essentially spending the money and the production comes.

00:22:18.076 --> 00:22:21.116
<v SPEAKER_1>It's not about drilling wells and missing a target.

00:22:21.336 --> 00:22:24.536
<v SPEAKER_1>That's 15,000 feet below the surface of the earth.

00:22:24.536 --> 00:22:26.876
<v SPEAKER_1>This is reserves we know are in place.

00:22:26.876 --> 00:22:28.876
<v SPEAKER_1>You just have to develop and spend the money.

00:22:28.876 --> 00:22:34.116
<v SPEAKER_1>So we know the production growth is coming at us over the next five or six years.

00:22:34.116 --> 00:22:44.836
<v SPEAKER_1>And then reference to the blog, Enbridge, when they did their investor update earlier this year, they talked about growth that they think could be as much as a million barrels a day by 2035.

00:22:44.836 --> 00:22:53.656
<v SPEAKER_1>So I mean, there's going to be different views out there, but I would consider that a pretty good ballpark number if you're looking at about roughly about a decade.

00:22:53.936 --> 00:22:54.976
<v SPEAKER_2>Marty, could we go out?

00:22:54.976 --> 00:22:56.676
<v SPEAKER_2>Sorry, Joe, could we go off the script a little bit?

00:22:57.196 --> 00:23:09.876
<v SPEAKER_2>In the news for us oil production nerds in the past week, and I don't know that the CEO of Aramco did this on purpose or not, but it came out that Aramco's decline rate is about five and a half percent per year.

00:23:09.876 --> 00:23:11.036
<v SPEAKER_2>I've seen this in the last few days.

00:23:11.036 --> 00:23:12.996
<v SPEAKER_2>They never used to disclose this.

00:23:12.996 --> 00:23:15.256
<v SPEAKER_2>What's the Canadian decline rate?

00:23:15.616 --> 00:23:16.856
<v SPEAKER_2>You guys must calculate that.

00:23:17.116 --> 00:23:31.436
<v SPEAKER_2>On that $5 million, what's the slippage that needs to be made up with new development that in addition to, or new production in addition to that $400,000 of added that you were projecting for the next five years?

00:23:31.436 --> 00:23:31.676
<v SPEAKER_1>Yeah.

00:23:31.676 --> 00:23:36.596
<v SPEAKER_1>Of that production, let's call it the $5 million as of the end of 2024.

00:23:36.596 --> 00:23:43.976
<v SPEAKER_1>In the range of certainly north of three million barrels a day, I just want to check two numbers here and make sure I add my head correctly.

00:23:45.416 --> 00:23:53.196
<v SPEAKER_1>We had about roughly say 1.6 million barrels a day of what's called synthetic crude oil production, which is effectively oil sands.

00:23:53.196 --> 00:23:56.376
<v SPEAKER_1>And then on top of that, we had about 2 million barrels a day of bitumen.

00:23:56.376 --> 00:24:00.236
<v SPEAKER_1>So that's 3.6 million of the five.

00:24:00.236 --> 00:24:03.276
<v SPEAKER_1>And of that, that essentially has almost zero decline.

00:24:03.276 --> 00:24:04.376
<v SPEAKER_2>Zero decline, right.

00:24:04.416 --> 00:24:24.356
<v SPEAKER_1>Yeah, so if you weight it all out against conventional light and heavy production and what we call pentanes plus or diluent sometimes is or not, I shouldn't say diluent condensate, the decline rates in that are definitely higher, probably anywhere from 15 to 25 percent a year could be higher depending on the project.

00:24:24.356 --> 00:24:27.496
<v SPEAKER_1>But most of that production is weighted towards the oil sands.

00:24:27.496 --> 00:24:29.876
<v SPEAKER_1>The decline rate in that is effectively zero.

00:24:29.876 --> 00:24:31.456
<v SPEAKER_1>It's just a resource in place.

00:24:32.536 --> 00:24:35.716
<v SPEAKER_1>It's not coming out of some kind of pressure reservoir.

00:24:35.716 --> 00:24:36.916
<v SPEAKER_1>We know the resources there.

00:24:36.916 --> 00:24:39.796
<v SPEAKER_1>It's just about spending the money and developing it.

00:24:39.796 --> 00:24:43.356
<v SPEAKER_1>And it doesn't go through any kind of real decline rate per se.

00:24:43.356 --> 00:24:48.476
<v SPEAKER_1>So the weighted average decline rate for Canada would be much lower, I would suspect.

00:24:48.476 --> 00:24:50.216
<v SPEAKER_1>Certainly under 10 percent.

00:24:50.216 --> 00:24:59.176
<v SPEAKER_1>I don't know the numbers exactly off the top of my head, but it's definitely going to be under 10 percent because so much of it is weighted to oil sands production, which effectively has no decline rate.

00:25:00.636 --> 00:25:07.656
<v SPEAKER_2>That's the point I wanted to make to the listener, is that this is a stable, it's like a factory.

00:25:07.656 --> 00:25:09.276
<v SPEAKER_1>Yes, very much so.

00:25:09.276 --> 00:25:25.816
<v SPEAKER_2>It can be produced in widgets here for a long, long, long time without a lot of capital required, other than brownfield and turnarounds in the big, same as you'd change the spark plugs in your car.

00:25:25.816 --> 00:25:29.836

<v SPEAKER_2>So anyways, I just wanted to digress about that because it's important.

00:25:29.836 --> 00:25:32.056
<v SPEAKER_2>Joe, did you have anything else to?

00:25:32.056 --> 00:25:34.456
<v SPEAKER_2>I interrupted Marty when he was going to.

00:25:34.756 --> 00:25:42.516
<v SPEAKER_3>Yeah, no, I just think that setting up this framing around what's the future of Canadian oil production.

00:25:42.516 --> 00:25:55.456
<v SPEAKER_3>I mean, I'm not sure what prices we're assuming, but I do know that in discussions with oil sands players, there's been a lot of talk about oil sands being a relatively high cost producer.

00:25:56.136 --> 00:25:59.556
<v SPEAKER_3>But I think that's only for kind of greenfield projects.

00:25:59.836 --> 00:26:04.696
<v SPEAKER_3>And at this point, these oil sand players are not pursuing greenfield expansions.

00:26:04.696 --> 00:26:13.236
<v SPEAKER_3>They're pursuing brownfield expansions and kind of expansions on their own with existing facilities, which are much, much cheaper.

00:26:13.236 --> 00:26:23.676
<v SPEAKER_3>And they can increase production with these sorts of investments at a much lower break even per barrel price.

00:26:24.256 --> 00:26:32.776
<v SPEAKER_3>So we will be expecting increased oil production even at these relatively restrained prices that we're seeing right now.

00:26:32.776 --> 00:26:38.216
<v SPEAKER_3>And that it does necessitate some consideration for additional infrastructure.

00:26:38.216 --> 00:26:43.556
<v SPEAKER_3>So Kelly, I think I scheduled a question for you to ask about pipeline capacity.

00:26:43.556 --> 00:26:44.936
<v SPEAKER_3>So do you want to take that on?

00:26:44.936 --> 00:26:50.976

<v SPEAKER_2>Well, Marty kind of mentioned that in the projection given out to 2035 by Enbridge.

00:26:51.036 --> 00:27:00.496
<v SPEAKER_2>And I'd like to go there, because as Joe just mentioned, there's been lots of discussion about big greenfield expansion.

00:27:00.496 --> 00:27:03.696
<v SPEAKER_2>Let's talk about that from a pipeline perspective.

00:27:03.696 --> 00:27:21.056
<v SPEAKER_2>Your article quietly points out that Enbridge is planning continued expansion of its main line, which is, you know, the current pipeline capacity, even though people jump up and down about TMX only being at 80% or if the pipelines run over 80%, they're kind of fully loaded.

00:27:21.056 --> 00:27:26.476
<v SPEAKER_2>That's just the way it is, because there's so much oil in the market that needs a spot price per day.

00:27:26.476 --> 00:27:32.896
<v SPEAKER_2>The people need to get and their excess production that sits around in inventories and they run it about that all the time.

00:27:32.896 --> 00:27:38.516
<v SPEAKER_2>So could you talk a bit about what you folks see about Enbridge and their expansion, Marty?

00:27:38.516 --> 00:27:43.416
<v SPEAKER_1>Well, in terms of Enbridge, they laid out a lot of it at their investor day.

00:27:43.416 --> 00:27:49.676
<v SPEAKER_1>But of course, they have the biggest pipeline in Canada and that's where a majority of Canada's creel production flows.

00:27:49.676 --> 00:27:58.176
<v SPEAKER_1>It goes down to the United States, to the Midwest, to the Gulf Coast, and it passes through several pipelines that go into southern Ontario.

00:27:58.176 --> 00:28:06.556
<v SPEAKER_1>Those pipes pass through the US into southern Ontario, into the refineries down near, I can't think of the name now in southern Ontario.

00:28:06.596 --> 00:28:11.296
<v SPEAKER_1>They're what's it called, not around Dunn, it's Sarnia, thank you.

00:28:11.296 --> 00:28:13.436
<v SPEAKER_1>Yeah, Sarnia region.

00:28:13.436 --> 00:28:19.496
<v SPEAKER_1>And then going further east, there is some crew that makes its way to the refineries in Montreal as well.

00:28:19.496 --> 00:28:29.976
<v SPEAKER_1>So in terms of the pipeline expansions that Enbridge is talking about right now, they're going to spend a whole bunch of money in terms of making the existing mainline more efficient.

00:28:29.976 --> 00:28:42.336
<v SPEAKER_1>And on top of that, currently, they're considering the possibility of doing work that would increase the capacity of the mainline by roughly about 150,000 barrels per day.

00:28:42.336 --> 00:28:50.216
<v SPEAKER_1>Now, they do have another export pipeline that goes directly south from Alberta into the rocky states.

00:28:50.216 --> 00:28:52.376
<v SPEAKER_1>That's called the Express Pipeline.

00:28:52.376 --> 00:28:55.376
<v SPEAKER_1>They are currently working on a 30,000 barrel a day expansion.

00:28:55.376 --> 00:28:58.116
<v SPEAKER_1>They're considering the possibility of another 30.

00:28:58.116 --> 00:29:02.676
<v SPEAKER_1>And on top of the 150 for the mainline, they are actively pursuing right now.

00:29:02.676 --> 00:29:06.296
<v SPEAKER_1>They are also mooting the possibility of another 150,000 barrels a day.

00:29:06.816 --> 00:29:08.696
<v SPEAKER_1>Of expansion on that mainline as well.

00:29:08.696 --> 00:29:09.816
<v SPEAKER_1>So they add that up.

00:29:09.816 --> 00:29:12.936
<v SPEAKER_1>That's about 360,000 barrels a day.

00:29:12.936 --> 00:29:20.556

<v SPEAKER_1>And of the million barrels a day that they are kicking around, that covers roughly about a third of that total supply expansion.

00:29:20.556 --> 00:29:27.936
<v SPEAKER_1>So they are working ahead to, because I think they see the writing on the wall, like a lot of other people, that there's more supply growth coming.

00:29:27.936 --> 00:29:39.156
<v SPEAKER_1>The most efficient, safe way to get it to market is to expand capacity on existing pipelines and maybe another player will come forward at some future time and build a new pipeline.

00:29:39.156 --> 00:29:48.796
<v SPEAKER_1>But they know more work needs to be done and the existing pipeline players can see that and they're working towards capacity expansions.

00:29:48.796 --> 00:29:49.796
<v SPEAKER_3>Yeah, that's great.

00:29:49.796 --> 00:29:53.016
<v SPEAKER_3>And I think that leads into this further question.

00:29:53.016 --> 00:30:05.996
<v SPEAKER_3>And I think this kind of is, some of this come up quite a bit lately about how pipelines nowadays seem to be effectively just-in-time projects.

00:30:05.996 --> 00:30:15.336
<v SPEAKER_3>And like you said, like Enbridge is planning out their projects based upon essentially providing that extra capacity just when it's needed.

00:30:15.336 --> 00:30:39.676
<v SPEAKER_3>And something that pops out to me from a chart that you included in your article, in your blog post, is about how future-proofed Canada's pipelines were in previous times, back in 2015, 2016, and before then, Canada's pipeline capacity additions were built with a plan for, we're going to be hitting much higher production.

00:30:39.676 --> 00:30:48.896
<v SPEAKER_3>We need to be building these pipelines well, well in advance of when we're going to hit those full capacity on these pipelines.

00:30:48.896 --> 00:30:52.576
<v SPEAKER_3>However, today pipelines do seem to be built just-in-time.

00:30:52.576 --> 00:30:56.616
<v SPEAKER_3>So basically, maybe even a little bit after the time that they're actually needed.

00:30:56.996 --> 00:31:06.076
<v SPEAKER_3>So we have big differential blowups, and then finally a new pipeline capacity addition comes on, and then we could even see another differential blowup pretty soon here.

00:31:06.076 --> 00:31:24.376
<v SPEAKER_3>So you say in your article that you anticipate spare pipeline capacity including TMX will be completely exhausted by the spring of 2027, and if we include these Enbridge expansions though, the capacity crunch is delayed, but this is only delayed by another maybe year and a bit to late 2028.

00:31:27.436 --> 00:31:40.216
<v SPEAKER_3>So, Marty, are there additional projects that can come online in time for late 2028, or are we really kind of looking at another expensive differential blowout that will happen around that time?

00:31:41.716 --> 00:31:51.696
<v SPEAKER_1>There's always that possibility, of course, but I think if certainly the industry is nimble in terms of getting more capacity before we'll avoid that to a large degree.

00:31:51.896 --> 00:32:00.476
<v SPEAKER_1>Now, I think just in time, maybe that's not necessarily the best way to describe it, in terms of the companies try to do what they can.

00:32:00.476 --> 00:32:02.656
<v SPEAKER_1>They look at production growth.

00:32:02.656 --> 00:32:18.036
<v SPEAKER_1>I mean, part of the issue is that when you're going to build pipeline capacity expansions, or maybe potentially a new pipeline, the pipeline themselves obviously spend a lot of money building these things, and before you build these things, you have to have committed shippers on the pipeline.

00:32:19.516 --> 00:32:24.536
<v SPEAKER_1>Now, we do know that production growth is happening.

00:32:24.536 --> 00:32:28.976
<v SPEAKER_1>Whether the shippers are going to commit to this pipeline or that pipeline, that has to be determined.

00:32:28.976 --> 00:32:37.356
<v SPEAKER_1>And then there is a very long regulatory runway, which in recent years had that runway seemed very, very long.

00:32:37.356 --> 00:32:39.476
<v SPEAKER_1>Maybe it will get shorter now.

00:32:39.476 --> 00:32:42.396
<v SPEAKER_1>But, you know, there is a lot of work that has to be done in advance.

00:32:42.396 --> 00:32:54.116
<v SPEAKER_1>A lot of money spent for these things ever really see the light of the day in terms of an improvement, committed shippers, in terms of approval, I should say, and getting committed shippers on getting those things built.

00:32:54.116 --> 00:33:04.316
<v SPEAKER_1>Now, in terms of the actual capacity expansions, to get to your question, yes, it looks like if Enbridge was not to do anything, it looks like we could be running out of capacity by, say, early 2027.

00:33:05.676 --> 00:33:11.516
<v SPEAKER_1>And I've seen other industry analyses suggesting it could be even as soon as the middle of next year.

00:33:12.836 --> 00:33:18.616
<v SPEAKER_1>Allowing for those Enbridge capacity expansions on our math, it just could be into 2028.

00:33:18.616 --> 00:33:31.196
<v SPEAKER_1>Now, what Enbridge is, I think I already alluded to, is that they are already considering the potential to do more capacity expansions on the main line and also for the express pipeline.

00:33:31.196 --> 00:33:35.816
<v SPEAKER_1>And maybe that will delay some of that potential for congestion.

00:33:35.816 --> 00:33:40.776
<v SPEAKER_1>But we do have other players out there that are moving possibilities for capacity expansions.

00:33:40.896 --> 00:33:48.396
<v SPEAKER_1>One of those has been the Trans Mountain Pipeline, and the CEO of that company has come out and stated, you know, we're examining this.

00:33:48.396 --> 00:33:50.196

<v SPEAKER_1>We're looking at these various issues.

00:33:50.196 --> 00:33:55.176
<v SPEAKER_1>We know we can do certain things along the way here in the next couple of years.

00:33:55.176 --> 00:34:08.076
<v SPEAKER_1>One of the things they've kicked around is potential for more pumping capacity on the existing pipeline, adding something called drag-reducing agents, which allows essentially for more efficient use of the pipeline space and allows you to get more crude oil down it.

00:34:08.836 --> 00:34:14.276
<v SPEAKER_1>That could add as much as potentially as 300, I think around 300,000 barrels a day.

00:34:14.276 --> 00:34:25.856
<v SPEAKER_1>The current pipeline capacity on Trans Mountain all in is about 890,000 barrels a day, so throwing another 300,000 on top of that, it gets you close to 1.2 million barrels a day.

00:34:25.856 --> 00:34:46.856
<v SPEAKER_1>Between Enbridge, let's just say by late 2020, 2029 Trans Mountain adds another 300, throw in all those other capacity expansions Enbridge is allowing for, that gets you into the range of about 650, 660,000 barrels a day of capacity expansion that could potentially be online by 2030.

00:34:46.856 --> 00:34:51.396
<v SPEAKER_1>That deals with a good portion of that production growth by the end of the decade.

00:34:51.396 --> 00:34:56.376
<v SPEAKER_1>But timing is, of course, is always something that's uncertain.

00:34:56.556 --> 00:35:05.056
<v SPEAKER_1>It takes time to get through the regulatory process and to get the shippers committed and get them signed on for using that pipeline capacity space.

00:35:06.996 --> 00:35:15.976
<v SPEAKER_2>Before we close up, Marty, I think that you've really laid out for folks what the rest of this decade looks like.

00:35:15.976 --> 00:35:25.316
<v SPEAKER_2>But this week here in Calgary, Premier Smith and Premier Ford talked about a corridor to James Bay that would include an oil pipeline.

00:35:26.416 --> 00:35:35.516
<v SPEAKER_2>There's lots of rumors around re-examining a pipeline to Rupert or into Kitimat oil line.

00:35:35.516 --> 00:35:43.376
<v SPEAKER_2>You could follow the railroad to Rupert or you could follow the LNG right away into Kitimat.

00:35:43.376 --> 00:35:59.456
<v SPEAKER_2>It seems to me that in the 2030s, given that low decline rate of zero or near zero, and we never did talk about Greenfield oil expansion in the oil stands, like Imperial Oil and the bigger players have Canadian natural.

00:35:59.456 --> 00:36:06.816
<v SPEAKER_2>They have all kinds of opportunity where you'd have to build a new set, build out SAGD production or even a new mine.

00:36:08.216 --> 00:36:10.836
<v SPEAKER_2>What do you think about that?

00:36:10.836 --> 00:36:14.116
<v SPEAKER_2>Let's talk about in closing, what do the 2030s look like?

00:36:14.116 --> 00:36:21.476
<v SPEAKER_2>Because it seems to me that we could easily fully fill another million barrel a day pipeline.

00:36:21.836 --> 00:36:22.496
<v SPEAKER_1>I would agree.

00:36:22.496 --> 00:36:26.676
<v SPEAKER_1>I mean, certainly based on the resource availability that is there.

00:36:26.676 --> 00:36:44.636
<v SPEAKER_1>And then if you believe the rough math that I just laid out, or in terms of a million barrels a day grossed say by 2035, capacity expansion on existing pipelines of say, probably roughly 600,000 barrels a day, that leaves another 400,000, that's going to need room to get to a market somewhere.

00:36:45.996 --> 00:36:48.716
<v SPEAKER_1>You know, and allow for future growth through the 2030s.

00:36:48.716 --> 00:36:53.516
<v SPEAKER_1>Yes, you probably could fill a brand new greenfield pipeline.

00:36:53.516 --> 00:36:56.356
<v SPEAKER_1>Now the question is, where will it go?

00:36:56.356 --> 00:37:01.556
<v SPEAKER_1>This is, and I had this question yesterday from a member of the media asking me this question.

00:37:01.556 --> 00:37:04.496
<v SPEAKER_1>Do you think there will be enough supply growth for a new pipeline?

00:37:05.356 --> 00:37:07.296
<v SPEAKER_1>Whoever gets built and to wherever it gets built?

00:37:07.296 --> 00:37:09.956
<v SPEAKER_1>And I said yes, I think there's more than enough.

00:37:09.956 --> 00:37:11.176
<v SPEAKER_2>Totally agree.

00:37:11.176 --> 00:37:14.016
<v SPEAKER_1>In the oil sands, yeah, to fill a new pipeline.

00:37:14.016 --> 00:37:18.236
<v SPEAKER_1>Now the question is, can it get through this regulatory hoops?

00:37:18.236 --> 00:37:23.216
<v SPEAKER_1>There's a lot of process that needs to go through in terms of building this thing.

00:37:23.216 --> 00:37:28.036
<v SPEAKER_1>You need to evaluate the corridor where it's going to be built.

00:37:28.036 --> 00:37:31.756
<v SPEAKER_1>You have to have indigenous participation and acceptance for that.

00:37:31.756 --> 00:37:34.096
<v SPEAKER_1>There's a lot of things that need to happen along that process.

00:37:34.256 --> 00:37:36.496
<v SPEAKER_1>But certainly, there is the potential.

00:37:36.496 --> 00:37:41.456
<v SPEAKER_1>And Premier Smith has been talking about this in terms of building a new pipeline to the West Coast.

00:37:41.456 --> 00:37:53.016
<v SPEAKER_1>And that also gets us away from this idea of a dependency on the United States in terms of either consuming Canadian crude or shipping it through the States and then exporting it off the Gulf Coast.

00:37:53.016 --> 00:38:10.416
<v SPEAKER_1>If we did build a brand new pipeline, whether it would be, say, some trunk line expansion of Trans Mountain or a brand new pipeline running from Alberta to the West Coast, be it Prince Rupert or Kitimat, that's something that would help to diversify the consumption base of Canadian crude oil.

00:38:10.416 --> 00:38:25.916
<v SPEAKER_1>And having more options as consumers for your product is always good instead of having a very narrow few number, say one country or just one or two countries, it's always good to have a diverse base of multiple countries to consume that crude.

00:38:25.916 --> 00:38:41.976
<v SPEAKER_1>So at some point, given the supply growth that we're looking at over the next, certainly over the next decade, and if you run out some big numbers into the late 2030s, we're certainly probably going to need an additional million barrels a day of capacity at some point for crude oil pipelines.

00:38:41.976 --> 00:38:46.556
<v SPEAKER_1>And the, you know, people talk about the future of energy, et cetera.

00:38:46.556 --> 00:38:57.096
<v SPEAKER_1>You know, but all these projects, they generate revenue, these companies pay taxes, they pay royalties, these things go to pay for schools, they keep high paying jobs in the system.

00:38:58.476 --> 00:39:07.596
<v SPEAKER_1>Schools, police officers, doctors, nurses, hospitals, all these things that we like to talk about as Canadians that we call civilization that has to be paid for.

00:39:07.596 --> 00:39:22.176
<v SPEAKER_1>And these things can be paid for by high revenue, high net worth, high value add projects like crude oil, pipelines that help to diversify the base and say lessen our dependence on the United States.

00:39:22.176 --> 00:39:33.716
<v SPEAKER_1>So I think that is one of the big holistic ideas that's behind putting a brand new pipeline to the West Coast and trying to exploit that value add for the whole nation.

00:39:34.256 --> 00:39:35.416
<v SPEAKER_1>It's a much bigger thing.

00:39:35.416 --> 00:39:44.656
<v SPEAKER_1>And if we're talking about nation building projects, as the Prime Minister is, that's certainly one that I think should be near the top of the queue in terms of consideration.

00:39:45.696 --> 00:39:50.936
<v SPEAKER_3>Yeah, I think this is one of the major foundations for the entire Canadian economy.

00:39:50.936 --> 00:40:06.916
<v SPEAKER_3>I mean, it's not the only foundation, but let's just say that if this, the foundational building block is taken out by another big differential blowout, and you do see those differential blowouts in Canadian GDP numbers, then it causes big problems for Canada.

00:40:06.916 --> 00:40:07.496
<v SPEAKER_1>Exactly.

00:40:07.496 --> 00:40:13.176
<v SPEAKER_1>And by having more pipeline capacity, more capacity takes you to more customers.

00:40:13.256 --> 00:40:26.256
<v SPEAKER_1>You're not reliant on one, and you avoid this value loss of these differential blowouts that you're mentioning, because that's essentially economic rent that's being granted to another country rather than being captured here in Canada.

00:40:26.256 --> 00:40:27.396
<v SPEAKER_1>So it's something that...

00:40:27.396 --> 00:40:29.076
<v SPEAKER_3>And that other country is the United States.

00:40:29.076 --> 00:40:30.876
<v SPEAKER_1>Yeah, the other country could be the United States.

00:40:31.416 --> 00:40:36.216
<v SPEAKER_1>It could be China, Japan, South Korea or India.

00:40:36.216 --> 00:40:46.176
<v SPEAKER_1>So the whole idea is to build that value out and keep the economic rent here in Canada, where it does things for Canadians in terms of all those things I mentioned, building roads, etc.

00:40:46.176 --> 00:40:54.036

<v SPEAKER_1>It's about building growth, making the country more affluent, better and more resilient for the long run.

00:40:54.036 --> 00:40:54.716
<v SPEAKER_3>Yeah.

00:40:54.716 --> 00:41:01.316
<v SPEAKER_3>And if we're going to get that pipeline built before 2035, we better start thinking about what route it's going to be right now.

00:41:01.316 --> 00:41:02.636
<v SPEAKER_1>Yeah, exactly.

00:41:02.636 --> 00:41:04.756
<v SPEAKER_1>It's a long process to get through these things.

00:41:04.756 --> 00:41:13.236
<v SPEAKER_1>So and I think that's why it's being pushed hard by Premier Smith, that we heard Doug Ford talk about that as well.

00:41:13.236 --> 00:41:18.696
<v SPEAKER_1>These things need to be, the wheels need to start turning on this process right now.

00:41:18.696 --> 00:41:19.776
<v SPEAKER_2>Great, Marty.

00:41:19.776 --> 00:41:22.316
<v SPEAKER_2>Wonderful having you on the podcast.

00:41:22.316 --> 00:41:23.076
<v SPEAKER_1>Well, thanks, gentlemen.

00:41:23.076 --> 00:41:24.676
<v SPEAKER_1>I certainly appreciate the opportunity.

00:41:24.676 --> 00:41:30.876
<v SPEAKER_1>And as I said before, I'll put in a shameless plug here, rbnenergy.com is the place to go.

00:41:30.876 --> 00:41:33.936
<v SPEAKER_3>Yeah, really recommend people check out the website.

00:41:33.936 --> 00:41:42.816
<v SPEAKER_3>And one last question before we finish off the podcast here, Marty, and this is something our listeners are always interested in hearing from our guests.

00:41:42.816 --> 00:41:51.376

<v SPEAKER_3>And this ideally is something you're reading for pleasure, but also would be happy to take a thick technical tome if that's all you have time for.

00:41:51.376 --> 00:41:53.816
<v SPEAKER_3>What are you reading these days?

00:41:53.816 --> 00:41:57.396
<v SPEAKER_1>It's a great question and I'm glad you asked it.

00:41:57.396 --> 00:42:03.196
<v SPEAKER_1>Ninety-five percent of the time, I'm just reading industry stuff about oil and gas and subscription service, etc.

00:42:03.196 --> 00:42:04.916
<v SPEAKER_1>But I'm a bit of a history buff, actually.

00:42:05.156 --> 00:42:07.876
<v SPEAKER_1>I've got a book that I've been kind of flipping through slowly.

00:42:07.876 --> 00:42:10.236
<v SPEAKER_1>It's called The Dynasties of China.

00:42:10.276 --> 00:42:18.356
<v SPEAKER_1>It's running from roughly 3000 BC up to, I guess, the end of the very last emperor, and I guess that was 1949.

00:42:18.356 --> 00:42:22.696
<v SPEAKER_1>I'm actually also reading a lengthy biography of the Emperor Augustus.

00:42:23.396 --> 00:42:31.436
<v SPEAKER_1>He's one of the very more interesting emperors in the history of the Roman Republic, and I guess very late Roman Republic in the early Roman Empire.

00:42:31.436 --> 00:42:33.996
<v SPEAKER_1>So it's kind of stuff that kind of turns by a crank.

00:42:33.996 --> 00:42:36.036
<v SPEAKER_1>I really enjoy reading that type of material.

00:42:37.396 --> 00:42:51.916
<v SPEAKER_3>And very relevant, I'm sure, for the current moment as well, as we have great power competition between China, which of course is the descendant of the Chinese dynasties and the United States, which is the descendant of Rome.

00:42:51.916 --> 00:42:56.476

<v SPEAKER_3>So, yeah, very relevant issues there.

00:42:56.476 --> 00:42:57.176
<v SPEAKER_2>Great, Marty.

00:42:57.176 --> 00:42:58.816
<v SPEAKER_2>Thanks a lot for coming on.

00:42:58.816 --> 00:42:59.096
<v SPEAKER_1>Okay.

00:42:59.096 --> 00:42:59.736
<v SPEAKER_1>Thanks a lot, Janem.

00:42:59.736 --> 00:43:01.136
<v SPEAKER_1>I'd appreciate the opportunity.

00:43:01.136 --> 00:43:01.356
<v SPEAKER_3>Yeah.

00:43:01.356 --> 00:43:02.856
<v SPEAKER_3>Thank you so much, Marty.

00:43:02.856 --> 00:43:03.156
<v SPEAKER_1>Okay.

00:43:03.156 --> 00:43:03.676
<v SPEAKER_1>Take care, guys.

00:43:07.856 --> 00:43:13.976
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00:43:13.976 --> 00:43:18.496
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00:43:18.496 --> 00:43:20.676
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00:43:20.676 --> 00:43:25.916
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00:43:25.916 --> 00:43:32.596
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00:43:33.616 --> 00:43:37.176

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00:43:37.176 --> 00:43:42.256
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00:43:42.256 --> 00:43:43.176
<v SPEAKER_2>I'm Kelly Ogle.

00:43:43.176 --> 00:43:45.176
<v SPEAKER_2>Thanks for joining us on Energy Security Cubed.