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SMA backs province on carbon tax

The Saskatchewan Mining Association (SMA) supports the Government of Saskatchewan action asking the Saskatchewan Court of Appeal to answer the question on the constitutionality of the legislation the federal government has introduced to impose a carbon tax on the province.

While the Saskatchewan mining sector is a very minor contributor of total provincial GHG emissions (3%), it is very important for our sector to get clarity on this question, given the significant impact it will have on mining operations. The federal Greenhouse Gas Pollution Pricing Act (GGPPA) as proposed would result in costs to the Saskatchewan mining industry in the order of hundreds of millions of dollars over the first five years that the Act is in force.

The Saskatchewan mining sector is particularly sensitive to a price on carbon as it represents an additional direct cost for producers that international competitors aren't paying. "Ensuring the mining sector remains globally competitive is vitally important to contributing to Saskatchewan's quality of life," said Pam Schwann, SMA President. Saskatchewan mining companies are already global leaders in the management of GHG emissions and as a source of clean baseload power, uranium from Saskatchewan mines plays a significant role in reducing global GHG emissions. "We need to be mindful that as we work to reduce GHG emissions, mining investments and jobs are not being exported to international jurisdictions such as Russia and Africa. These competitors do not have the robust environment and safety regulatory framework that exists in Saskatchewan and they do not pay a carbon tax."

The SMA encourages the federal government to work closely with the Government of Saskatchewan to come to an arrangement whereby Saskatchewan's Climate Resiliency Plan to address climate change would be "accepted" by the federal government. Schwann says, "Until the Court has provided clarity on the question of the constitutionality of the federal legislation, we ask that the federal government delay the implementation of the Greenhouse Gas Pollution Pricing Act".


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SMA unhappy with Bill C-49

The Saskatchewan Mining Association (SMA) echoes the profound disappointment and frustration voiced by the Mining Association of Canada (MAC) with respect to the Government of Canada's legislation amending The Canada Transportation Act (Bill C-49) as it fails to address the existing imbalance between the mining sector, as captive shippers, and the railways.

"Mining companies must have the ability to get their products to market in a timely and reliable manner. As a land-locked trading province, rail service is the only cost-effective mechanism to move bulk mineral products, like potash, to ports and ultimately reach our international customers," says Pam Schwann, President of the Saskatchewan Mining Association. "If we don't get the product to market in a predictable fashion, our global competitors will jump at the chance to increase their market share. That will be at the expense of Saskatchewan mining operations and Saskatchewan jobs. Last week's announcement of the temporary shut-down of Nutrien's Vanscoy and Allan operations and the resulting layoff notices to 610 employees was a direct consequence of inadequate rail service," says Schwann.

The failure to modernize Bill C-49 that would have worked towards balancing the interests of shippers and railways will result in the status quo in terms of rail service, which is unsatisfactory. As stated by Pierre Gratton, President and CEO, MAC, "the effectiveness and reliability of rail freight service is critical to Canada's mineral investment competitiveness, and this move by the government will diminish that competitiveness."

Trans Mountain debate is about how we function as a country

BY ALEX POURBAIX AND TIM MCKAY

The clock is ticking down to Kinder Morgan's decision about whether to proceed with the Trans Mountain expansion pipeline. Meanwhile, Canadian oil continues to trade at a discount with transportation bottlenecks that keep it from reaching new markets – even with global oil prices at a three-year high.

It should be clear now – if it wasn't before – this is no longer about one pipeline, one industry or one province versus another. It's about how we function as a country – a single economic unit operating within a global market.

We have world-leading environmental standards, but inefficient regulations and rising costs as a result of decisions made by multiple levels of government. Our inability to get major projects built is eroding global investor confidence in Canada.

Today, the Trans Mountain expansion pipeline still faces numerous roadblocks that are jeopardizing significant potential benefits for the entire country in the form of taxes, royalties, jobs and economic growth.

The Canadian Energy Research Institute estimates the western Canadian oil industry will contribute about $1.5-trillion in provincial and federal taxes, as well as provincial royalties that will benefit all Canadians over the next 20 years. We can expect this contribution to increase with construction of the pipeline expansion.

People who support Trans Mountain – and polling shows that's a majority of Canadians and British Columbians – understand these benefits.

So why does the project remain stalled?

Opponents like to say that it comes down to the oil and natural gas industry's environmental record and poor performance, which is simply not true. Much of Canada's oil sands production has a greenhouse gas emissions intensity that is at, or comparable to, the average intensity for North American crude oil – with a pathway to be even lower.

In reality, Canada has worked hard to strike the right balance between economic growth and environmental sustainability with the introduction of initiatives such as leading climate policy that incentivizes and supports the development of carbon-reducing technologies. In fact, the country has some of the most stringent environmental policies in the world. The challenge is, with the cumulative impact of climate regulation, higher corporate taxes, project reviews that drag on for years and a lack of market access, Canada's energy industry is quickly losing its competitive edge.

Foreign investment that should be flowing in to help develop our world-class energy resources, is leaving to go to the United States and other oil-producing jurisdictions where there's more investment certainty, but in some cases far weaker environmental standards. Instead of gaining new markets for our oil and natural gas, we're becoming more dependent than ever on a single customer – the United States – which has also become our biggest competitor for energy investment.

Make no mistake – driving energy investment out of Canada will do nothing to reduce greenhouse gas emissions. Global oil demand remains strong and that oil will be produced in other jurisdictions, with the associated jobs and economic benefits going to those countries instead of to Canadians. That's an effective wealth transfer out of Canada.

We believe the better path is to keep those jobs and economic benefits in Canada by building the pipeline expansion and moving ahead with well-implemented climate change initiatives that leverage our industry's proven track record for innovation and technology development to address carbon emissions. That would put Canada on the path to becoming a preferred supplier of responsibly produced oil and natural gas to the world. At the same time, we could begin to achieve full value for our country's tremendous energy resources.

Canada and its economy are at a crossroads. To compete on the world stage, we need more than a pipeline to get our products to international markets. We need a thriving, ambitious and productive climate for business.

Let building the pipeline be that first step.

Alex Pourbaix is president and CEO of Cenovus Energy. Tim McKay is president of Canadian Natural Resources Limited.

Manitoba oil industry facts

Manitoba has two potential areas for oil and gas production, southwest Manitoba and the Hudson Bay lowlands.

Oil was discovered in Manitoba and has been produced since 1951.

Manitoba's current oil production is located in southwest Manitoba along the northeastern flank of the Williston Basin, a sedimentary basin that also occupies portions of southern Saskatchewan, North Dakota, South Dakota and Montana.

Potential hydrocarbon bearing-formations in southwest Manitoba occur to depths of up to 2 300 metres (7,500 feet).

The majority of the approximately 8,500 wells drilled in Manitoba have only been drilled to Triassic, Mississippian or to the Bakken; this represents approximately one half of the potential hydrocarbon bearing formations.

Production in 2015 was 2,685,255.3 m^3 or 16.9 million Barrels. The month of January 2015 had the highest production at 255,242.3 m^3 (1.6 million Bbls) or 51,813 Bbls per day.

There is over 76 kilometers of core from wells drilled in Manitoba available for examination.

All pre-1980 oil production originated from Mississippian Lodgepole and Mission Canyon formations at depths that range from 600 to 1 050 metres (2,000 to 3,500 feet). These formations accounted for approximately 68 per cent of Manitoba's cumulative oil production.

Oil was discovered in 1980 above the Mississippian in the Triassic Amaranth Formation. Approximately 21 per cent of Manitoba's 2015 production originates from the Amaranth Formation in the Pierson-Waskada area.

In 1985, oil was discovered in the Bakken Formation in the Daly area.

In 1993, oil was discovered in the Jurassic Melita Formation in the St. Lazare area.

In 2004, oil was discovered in the Devonian Three Forks Formation in the Daly Field, marking Manitoba's first pre Mississippian Production. In 2015, it accounted for 40% of Manitoba's oil production.

As of December 31, 2015, Manitoba oil fields have produced a total of 89.27 million m^3 (561,772,840 Bbls) of oil.

The oldest producing well drilled in Manitoba is Daly Unit #3 Prov. 7-12-10-28 which has produced since July 1951. Manitoba's most productive well is 2-21-11-26W1 in North Virden Scallion Unit No. 1 which has produced 2.03 million barrels of oil since June 1955.

As of December 2015, there were approximately 3,811 producing oil wells in Manitoba, 1648 of which were put on production since January 1, 2006.

Currently there are 13 designated oil fields and 181 producing oil pools in southwest Manitoba.

Manitoba's crude oil production is equivalent to approximately 43 per cent of the province's refined petroleum products requirements.

Approximately 13.4 million m^3 (84.6 million barrels) of salt water were produced in 2015, that's 5.0 m3 of salt water for every 1 m^3 of crude oil produced. Salt water must be separated from the oil and re-injected into subsurface formations.

Approximately 599 wells are used for purposes other than production, such as disposal of produced water.

The current cost to drill and complete a well in Manitoba ranges from $325,000 to $1.8 Million depending primarily on depth.

205 new wells were drilled in Manitoba during 2015 including 152 horizontal wells; of these wells 181 were cased as potential oil producers, 12 were abandoned dry and one well was completed as a salt water disposal well.

As of December 31, 2009, the remaining established oil reserves were estimated to be 9.5 million m3 (59.8 million barrels).

Approximately 80 per cent of the oil and gas rights are owned by private individuals or companies (freehold), the remaining 20 per cent are owned by the Crown in the right of Manitoba.

There are gas shows in most of the Cretaceous shale formations continuously throughout southwestern Manitoba. The Favel and Carlile formations have the highest gas content and are the most prospective unconventional gas targets.

Total oil industry expenditures in Manitoba in 2015 were approximately $708 million.


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Nutrien sells stake in Chilean lithium producer

Fertilizer giant Nutrien Inc. says it has reached a deal to sell a partial stake in a Chilean lithium and nutrient producer to Tianqi Lithium Corp. for about $5.2 billion.

The Saskatoon-based company says under terms of the agreement, it will sell all of its 62.6 million class A shares in Sociedad Quimica y Minera de Chile S.A. for $83.20 each, while retaining its 20.2 million class B shares that it says it will look to sell soon.

Nutrien says the sale of its interest in one of the world's largest lithium producers improves its balance sheet and liquidity.

The company says it was required by the Competition Commission of India and Ministry of Commerce in China to sell the holdings as part of the merger of Agrium and PotashCorp that formed Nutrien at the start of the year.

The sale comes as the price of lithium has climbed in recent years from rising demand in electric vehicles and other rechargeable battery products.

Tianqi Lithium Corp. is a Shenzhen Stock Exchange-listed company that has lithium operations in China and Australia.

$2.9 million in first 2018 land sale

The first public offering of Crown petroleum and natural gas rights for the 2018-19 fiscal year raised $2.9 million in revenue for the province on Tuesday, which is approximately double the amount raised in the April public offering in 2017.

"There are clear indicators of renewed activity taking place in Saskatchewan's oilpatch, which is home to some of the most cost-effective plays in North America," Energy and Resources Minister Bronwyn Eyre said. "Predictable policies and accessible resources make this province an attractive destination for the oil and gas industry, and we intend to keep working to make it even better."

Saskatchewan's petroleum sector continues to demonstrate clear signs of growth. The value of the province's total oil production for 2017 significantly increased over the value for 2016, rising from $6.9 billion to $9.2 billion. As well, there was an estimated $4 billion of investment in new exploration and development by the oil industry for 2017. This was up 42 per cent from the previous year's figure—an indicator of sustained interest and confidence from the industry, as well as market optimism.

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Saskatchewan mining facts

Saskatchewan is the largest potash producer in the world, accounting for approximately 28 per cent of total production in 2016, and hosting almost half of the globe's potash reserves

Saskatchewan is home to the world's largest uranium mine and largest high-grade uranium deposits; it is the world's second-largest primary uranium producer, accounting for 100% of Canada's uranium and for more than 22% of global primary uranium production in 2016

Saskatchewan has a variety of other minerals including: gold, base metals, clays, coal, diamonds, platinum group metals, sodium sulphate, silica sand and rare earth elements

High-quality, extensive and easily accessible geoscience information. Online mineral deposit models can be found on the Saskatchewan Mining and Petroleum GeoAtlas

Mineral dispositions can be acquired online through the Mineral Administration Registry Saskatchewan (MARS) system

Sales: the value of mineral sales was $6.4 billion in 2016. Natural Resources Canada (NRCan) estimates that Saskatchewan accounted for 14.4% of national sales value, fourth highest in the country.

Second in the world for mining investment attractiveness

Fraser Institute, Survey of Mining Companies 2017

In 2016, Canada's leading mineral for the value of sales was potash, valued at $4.2 billion. All of Canada's operating potash mines are located in Saskatchewan.

Exploration Expenditures: A survey conducted by the Ministry of the Economy showed that in 2016,

$199 million was spent on exploration and development programs compared to: $211 million in 2015,

$216 million in 2014, $236 million in 2013, and

$325 million in 2012. Exploration spending continues to be well above historic averages, and it is estimated that $177 million will be spent in 2017.

Mining Capital Expenditures: NRCan reported that Saskatchewan continued to lead all provinces in 2016, with intended capital investments in the mineral extraction sector, representing nearly 26% of national expenditures.

Technology: Saskatchewan mines feature leading-edge technology, developed and manufactured in the province such as: continuously running machinery and remote-controlled underground mining equipment, artificial ground freezing and state-of-the-art tailings management facilities.

Potash: Saskatchewan has exceptionally large, high-quality deposits, low production costs and a favourable regulatory regime have resulted in the world's largest potash industry. There is significant capacity expansion to existing mines underway, in addition to the commissioning of the province's first new mine in over 45 years.

In 2016, Saskatchewan produced 10.9 million tonnes of K2O with a sales value of $4.2 billion. The Saskatchewan potash industry is nearing the completion of expansions valued at $13.5 billion, which has substantially increased productive capacity in preparation for continued growth in the market. 'Greenfield' development includes a new potash mine by Germany's K+S Potash Canada, and other companies, such as BHP Billiton, Yancoal, JSC Acron and Rio Tinto, are evaluating projects for new mine development.

By conservative estimates, Saskatchewan could supply world potash demand at current levels for several hundred years.