

FINANCIAL POST

Monday, July 23, 2007

Chinese firm still interested in oilsands

China National Petroleum changes its tone on its Canadian oilsands strategy

Lisa Schmidt, CanWest News Service

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(Photo: CanWest File) Chinese oil firm interested in Canada after all.

CALGARY -- China's biggest oil company appears to have changed its tone on its Canadian oilsands strategy, saying it plans to expand its co-operation with Canadian partners after a company official's comment in Calgary that it will slow down investment.

China National Petroleum Corp. has made an extensive study on oilsands resources and technology, and acquired exploration rights to 11 oil blocks in Alberta early this year, the parent of Hong Kong-listed PetroChina Co. said.

"We will jointly explore mutually beneficial collaboration in oilsands development, crude-oil pipeline construction and downstream upgrading," the company said on its website Thursday.

The statement comes a week after Yiwu Song, a vice-president at one of the company's subsidiaries, told a Calgary investment conference the company will slow spending in Canada and focus on processing Venezuelan oil instead.

One observer said the mixed signals are not surprising from a company still trying to feel its way around the Canadian energy market, but the overall message seems to be that interest levels remain strong.

"They want to do business, they want to have good terms," said Wenran Jiang, acting director of the China Institute at the University of Alberta.

"They have people who sometimes express frustration, other people who like to express strong interest of co-operation," he added.

"They are learning and trying to figure us out, just as we are trying to figure them out."

China National Petroleum is one of three Chinese state-owned oil companies with interests in the province's oilsands sector. Sinopec has a 40% stake in the Northern Lights project, with Synenco Energy holding the rest.

China National Offshore Co. has a 16.7% interest in Calgary MEG Energy Corp.

In January, China National Petroleum was awarded 259 square kilometers of oilsands leases in northern Alberta, land it said could hold two billion barrels of resource.

China National Petroleum's Song also said PetroChina dropped a plan to ship oilsands through a \$4-billion pipeline to Canada's west coast because of construction delays.

Enbridge Inc., Canada's second-largest pipeline operator, has said plans to build the Gateway pipeline have been delayed and may not start until as late as 2014.

PetroChina in 2005 signed a memorandum of understanding to ship 200,000 barrels a day through the pipeline to the west coast of British Columbia, where it will be exported to Asia. The company agreed in April 2005 to help build the pipeline.

Enbridge spokeswoman Jennifer Varey said the pipeline firm is still following up with the Chinese company and declined to comment on the latest statement.

"It's really not appropriate for me to comment because that's part of our discussion with them," she said Friday.

Calgary Herald

lschmidt@theherald.canwest.com

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20:54, October 16, 2007

Canada's oil province Alberta seeks Chinese investment

A senior official from Canada's Alberta Province said on Tuesday she hoped more Chinese investment would be made in Alberta, home to rich oil sand reserves.

"In all our meetings, we have been encouraging Chinese investment in Alberta," said Alberta's Minister of Employment, Immigration and Industry Iris Evans at a press conference at the Canadian Embassy in Beijing.

"We have been telling friends that we meet here in China that we have very large energy capacity. We have 173 billion barrels of established reserves ... we believe we can share technology with China," said Evans.

Evans met with officials and senior representatives of the Chinese Ministry of Commerce, the National Development and Reform Commission and Sinopec, discussing cooperation between China and Alberta on oil sands and other projects, and the issues of immigration and labor.

According to Evans, China has been investing in Alberta since 2004, led by companies including China's three oil giants, namely Sinopec, the China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC).

Source: Xinhua

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China moves fast to claim oil sands

Although Chinese holdings in Alberta are still small, they are a foothold on the North American continent as the U.S. rival seeks to develop energy sources worldwide to boost its rapidly growing economy.

Robert Collier, Chronicle Staff Writer

Sunday, May 22, 2005

(05-22) 04:00 PDT Calgary, Alberta -- If Americans think the oil sands bonanza in their northern backyard will solely benefit the United States, they may be surprised. Chinese officials are making fast inroads into Alberta, snapping up petroleum deals with the skill of Texas oilmen.

While the deals involved are still relatively small, analysts say China's booming, oil-starved economy could eventually become a significant player in the oil sands.

Last month, two Chinese oil companies announced deals for Alberta oil sands.

China National Offshore Oil Corp. bought a \$150 million share in oil sands producer MEG Energy Corp. And PetroChina Co. signed a memorandum of understanding with Enbridge Inc. for half of the supply on the proposed \$2 billion Gateway pipeline, which will move 400,000 barrels per day from Alberta to the port at Prince Rupert in British Columbia.

Hou Hongbin, a vice president of Sinopec, predicted his company would soon announce a "much bigger" deal for oil sands.

China's interest in the oil sands comes only a few months after China National Offshore Oil lost a close bidding race with Chevron Corp. to acquire Unocal Corp.

"The Chinese have come to nearly every skyscraper in Calgary, and they ask very probing, intelligent questions," said Roland George, an analyst with Purvin & Gertz in Calgary. "They are in this for the long haul."

Hou, the Sinopec executive, said that Canada is a key link in China's attempts to diversify its oil supplies. "The more sources of import, the more safe" those supplies are, he said during a recent visit

to Calgary, Canada's oil industry capital.

"We are looking for profitable projects," which could include everything from minority stakes to full ownership of oil sands companies, he added.

The Bush administration, which has tried to curb Chinese influence around the globe, is concerned about China's inroads in Canada.

"I've had a number of calls from U.S. officials, who assumed that the next 3 billion barrels per day will go to the United States," said Greg Stringham, vice president of the Canadian Association of Petroleum Producers.

"They ask me, 'What's going on? Should we be concerned?' And I tell them they shouldn't worry, but their concern is understandable."

Canadian officials play down China's potential role. "The market itself, not politics, will determine the future of the oil sands," said George Anderson, deputy minister of natural resources. "And market conditions -- including transportation costs and the proximity to the United States -- mean Canada will continue to be a major U.S. supplier."

Some analysts in Washington say the administration needs to act to prevent China from grabbing up the oil sands.

"The oil sands are a huge part of our energy future, but we can't take them for granted," said Frank Gaffney, president of the Center for Security Policy in Washington. "The Chinese are scouring the globe for oil, and we need to make sure that we don't lose the race in our own backyard."

The Canadian press has been somewhat gleefully saying that Americans may be getting their comeuppance for paying Canada insufficient attention.

"There is a chess game going on involving the oil sands between the Chinese and the Americans -- with the Americans yet to make a move beyond what they already have in place," Deborah Yedlin, a business columnist for the Globe and Mail, Canada's largest-circulation daily newspaper, wrote recently.

"The Chinese, on the other hand, appear to be methodically staking out their territory."

<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2005/05/22/CHINA.TMP>

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December 23, 2004

China Emerging as U.S. Rival for Canada's Oil

By SIMON ROMERO

CALGARY, Alberta, Dec. 21 - China's thirst for oil has brought it to the doorstep of the United States.

Chinese energy companies are on the verge of striking ambitious deals in Canada in efforts to win access to some of the most prized oil reserves in North America.

The deals may create unease for the first time since the 1970's in the traditionally smooth energy relationship between the United States and Canada.

Canada, the largest source of imported oil for the United States, has historically sent almost all its exports of oil south by pipeline to help quench America's thirst for energy. But that arrangement may be about to change as China, which has surpassed Japan as the second-largest market for oil, flexes its muscle in attempts to secure oil, even in places like the cold boreal forests of northern Alberta, where the oil has to be sucked out of the sticky, sandy soil.

"The China outlet would change our dynamic," said Murray Smith, a former Alberta energy minister who was appointed this month to be the province's representative in Washington, a new position. Mr. Smith said he estimated that Canada could eventually export as many as one million barrels a day to China out of potential exports of more than three million barrels a day.

"Our main link would still be with the U.S. but this would give us multiple markets and competition for a prized resource," Mr. Smith said. Delegations of senior executives from China's largest oil companies have been making frequent appearances in recent weeks here in Calgary, Canada's bustling energy capital, for talks on ventures that would send oil extracted from the oil sands in the northern reaches of the energy-rich province of Alberta to new ports in western Canada and onward by tanker to China.

Chinese companies are also said to be considering direct investments in the oil sands, by buying into existing producers or acquiring companies with leases to produce oil in the region. In all, there are nearly half a dozen deals in consideration, initially valued at \$2 billion and potentially much more, according to senior executives at energy companies here.

One preliminary agreement could be signed in early January. A spokesman for the Department of Energy in Washington said officials were monitoring the talks but declined to comment further.

China's appetite for Canadian oil derives from its own insatiable domestic energy demand, which has sent oil imports soaring 40 percent in the first half of this year over the period a year ago. China's attempts to diversify its sources of oil have already led to several foreign exploration projects in places considered on the periphery of the global oil industry like Sudan, Peru and Syria.

In Calgary, however, the negotiations with China have focused on the oil sands, an unconventional but increasingly important source of energy for the United States. Higher oil prices have recently made oil sands projects profitable, justifying the expense of the untraditional methods of producing oil from the sands. Large-scale mining and drilling operations are required to suck a viscous substance called bitumen out of the soil.

"China's gone after the low-hanging fruit so far," said Gal Luft, a Washington-based authority on energy security issues who is writing a book on China's search for oil supplies around the world. "Now they're entering another level of ambition, in places such as Venezuela, Saudi Arabia and Canada that are well within the American sphere."

Canada's oil production from the sands surpassed one million barrels a day this year and was expected to reach three million barrels within a decade. The bulk of output is exported to the Midwestern United States. That flow pushed Canada ahead of Saudi Arabia, Mexico and Venezuela this year as the largest supplier of foreign oil to the United States, with average exports of 1.6 million barrels a day.

Even so, there is the perception among many in Alberta's oil patch that Canada's rapidly growing energy industry remains an afterthought for most Americans. That might change, industry analysts say, if Canada were to start exporting oil elsewhere.

"A China agreement might serve as a wake-up call for the U.S.," said Bob Dunbar, an independent energy consultant here who until recently followed oil issues at the Canadian Energy Research Institute.

Executives at energy companies and investment banks in Calgary say an agreement with the Chinese could materialize as early as next month. Ian La Couvee, a spokesman for Enbridge, a Canadian pipeline company, said it was in talks to offer a Chinese company a 49 percent stake in a 720-mile pipeline planned between northern Alberta and the northwest coast of British Columbia.

The pipeline project, which is expected to cost at least \$2 billion, would send as much as 80 percent of its capacity of 400,000 barrels a day to China with the remainder going to California refineries. Sinopec, one of China's largest oil companies, was said by executives briefed on the talks to be the likeliest Chinese company in the project.

A rival Canadian pipeline company, Terasen, meanwhile, has held its own talks with Sinopec and the China National Petroleum Corporation about joining forces to increase the capacity of an existing pipeline to Vancouver. Richard Ballantyne, president of Terasen, said it had supplied almost a dozen tankers this year to help Chinese refineries determine their ability to process the Alberta crude oil blends.

"There's been significant interest so far, but the way I understand it, their refineries are still better suited to handling Middle Eastern crude than ours," Mr. Ballantyne said. "That has to change if they're intent on diversifying their sources of oil."

Separately, Marcel Coutu, the chief executive of the [Canadian Oil Sands Trust](#), a company that owns part of one of the largest oil sands ventures in the tundralike region around the city of Fort McMurray in northern Alberta, said he had recently met with officials from [PetroChina](#), one of China's several state-controlled energy concerns, and had agreed to send it trial shipments of oil.

In an interview, Mr. Coutu described PetroChina's interest in a deal as very serious, but he declined to say when one might materialize. "China can become one of our capital sources, enabling us to go a bit further afield than the New York market for our financing," Mr. Coutu said.

Additionally, Chinese companies are also said to be considering investments in smaller Calgary-based companies, like [UTS Energy](#), that have approved leasing permits for parts of the oil sands. Officials from the Chinese companies said to be negotiating in Calgary - PetroChina, Sinopec and CNPC - did not respond to requests for comment.

Wilfred Gobert, vice chairman of Peters & Company, a Calgary investment bank, said Canada's main attractions for the Chinese are the stability of its political system and its sizable reserves. Canada ranks behind only Saudi Arabia in established petroleum reserves, now that its oil sands are included in international estimates of Canadian oil resources.

Before prices rose and the United States expanded its calculation for estimates of reserves, oil sands were often scoffed at as an uneconomical way to produce oil. They still involve risks not normally associated with conventional oil exploration.

Large amounts of capital are necessary to produce oil from the sands, with companies having to acquire large shovels, trucks, specialized drilling equipment or supplies of natural gas to make steam before producing one barrel of oil. So, the price of oil needs to remain elevated, at a level of \$30 a barrel or so, for ventures to remain profitable.

[Oil prices for February delivery slumped 3.3 percent, to \$44.24 a barrel, in New York on Wednesday, the biggest slide in two weeks.]

An entry into Canada would assure the Chinese of a steady flow of oil, even if the profit margins from

the activities were to pale in comparison to what the international oil companies expect from their investments, said Kang Wu, a fellow at the East-West Center in Honolulu who follows China's energy industry. "For China it is foremost about securing supply and secondly about profits," he said. "That explains the incentive in going so far abroad."

China's growing demand for oil is responsible for much of the increase in worldwide prices in the last year. Mr. Kang of the East-West Center estimates that demand in China could grow from 6 million barrels a day to as much as 11.5 million barrels within a decade. China's domestic production is expected to remain nearly stagnant, Mr. Kang said, resulting in aggressive efforts to import more oil from sources like Canada.

"China needs oil resources and has a big market," Qiu Xianghua, a vice president at Sinopec, said in a speech in Toronto this month. "Canada needs markets."

Alberta, a province of 3.1 million people, is keenly aware of the potential for Chinese involvement even as American companies like [Exxon Mobil](#), [Burlington Resources](#) and [Devon Energy](#) remain prominent in its energy industry. Ralph Klein, the premier of Alberta, traveled to Beijing in June to drum up investment in the tar sands.

And yet officials and authorities on Canadian energy supplies are cautious not to suggest that Canada will ever turn off the spigot to the United States. At a time of a highly competitive market for global oil, in fact, some analysts see greater interest in Alberta's oil reserves as a healthy avenue for China to explore, even if it were to push the United States to seek an even greater diversity for its own energy needs.

"The pipeline system that connects Alberta to the U.S. isn't going to be lifted out of the ground and put into the Pacific," said Daniel Yergin, chairman of Cambridge Energy Research Associates. "The flows to the U.S. will continue, but it should be expected and welcomed for China to meet the challenge of its growing dependence on imported oil."

Still, the prospect of dealing with China has many here pondering relations with the United States. The last time any significant oil-related friction arose between the nations was in the 1970's, when Ottawa became concerned over what it perceived as too much American control over Canadian oil, leading to greater federal involvement in the oil industry.

"Watch the Americans have a hissy fit if a Chinese incursion materializes," Claudia Cattaneo, a Calgary-based energy columnist for The National Post, recently wrote. "So far, the Americans have taken Canada's energy for granted."



Canadian Seeks New Chinese Investments in Oil Fields (Update1)

By Theophilos Argitis

Jan. 16 (Bloomberg) -- Canadian Prime Minister Stephen Harper, critical of China's human rights record, is seeking to assure Chinese officials the Asian country remains a welcome investor in Canada's energy industry.

Two of Harper's senior cabinet ministers -- Trade Minister David Emerson and Finance Minister Jim Flaherty -- are in China this week canvassing for more Chinese investments and seeking to ensure better business ties.

Canada believes it ``can move on with a relationship cold on the political side and warm economically," said Wenran Jiang, director of the China Institute at the University of Alberta.

``That has some risks in it. The Chinese are interested in Canadian energy and resource sectors, but not to the extent they are going to die for it."

Flaherty is scheduled to meet China's Finance Minister Jin Renqing and central bank Governor Zhou Xiaochuan on Jan. 18. China is Canada's second-largest trading partner after the U.S., with a combined C\$36.6 billion (\$31 billion) of trade in 2005. Canada imported C\$22.4 billion more Chinese goods than it exported to the country during the year.

Flaherty outlined plans in November to reduce barriers to foreign investment and said he will

seek to develop a principle-based approach to reviewing acquisitions from abroad. He singled out large state-owned enterprises with "non-commercial objectives" as unwelcome investors.

Transparency

"The question is do you want non-democratic foreign governments buying your companies or your non-renewable resources in ways where the basic standards of openness and transparency are not respected," said John Kirton, a professor of international politics at the University of Toronto.

China's state-owned companies have largely stayed away from Canada's burgeoning oil sands developments, in part due to concerns investments will trigger a political backlash, Jiang said. The oil sands contain the largest pool of reserves outside the Middle East, with more than C\$100 billion in capital spending planned over the next decade by firms such as Total SA.

Chinese companies hold two minority stakes in Canadian oil sands interests, with both acquisitions made before Harper defeated the Liberal Party in elections last January.

Cnooc Ltd., which is 71 percent-owned by state-controlled China National Offshore Oil Corp., holds a 17 percent stake in Canada's MEG Energy Corp. China Petrochemical Corp., parent of Asia's largest refiner, owns a 40 percent stake in Canada's Northern Lights oil sands project with Synenco Energy Inc. The two investments were worth less than C\$300 million combined.

More Spending

Canada would welcome more investment, Emerson said today in Beijing.

"We are open to and encourage Chinese investment in the oil sands business or other industries of the Canadian economy," he said.

The visits this week will allow Chinese officials to outline their concerns about the relationship

between the two countries, and consider future investments in industries including car manufacturing, said Paul Evans, chief executive of the Asia Pacific Foundation of Canada.

"This is partly about listening to the Chinese," Evans said in a telephone interview. "We haven't had the kinds of high-level contacts with the Chinese now for almost a year."

Harper is betting a more assertive stance on human rights won't get in the way. After meeting with Chinese President Hu Jintao at the Asia-Pacific Economic Cooperation summit in November, Harper noted the Chinese weren't accustomed to "frank" discussions with Canada.

'Sell-Out'

As Harper was boarding his plane Nov. 16 on his way to the summit, he said promoting trade shouldn't require the government to "sell out" Canadian values.

The Chinese have been "very willing to listen to open, candid comments on issues relating to democracy, freedom and rights -- that's not an issue," Emerson told reporters later today in a telephone conference. "So it's really us getting our act together as a country on trade and investment."

Canadian Natural Resources Minister Gary Lunn held meetings in Beijing during the same week of Harper's comment to encourage Chinese energy officials to consider joint ventures with Canadian companies. The minister was accompanied by Pat Daniel, Chief Executive of Enbridge Inc., a Canadian company proposing a C\$4 billion oil link between the oil sands and the country's Pacific coast.

"He encouraged joint partnerships," Philip Jennings, a ministry bureaucrat at the meetings in Beijing, said in a telephone interview.

Investment Laws

The previous Liberal Party government was also wary of investments from the Asian country. Efforts by China Minmetals Corp. to acquire Canadian miner Noranda Inc. in 2004 prompted Emerson, then a Liberal minister, to seek changes in the country's investment laws to make it easier for the government to review transactions deemed threats to national security.

The Conservatives are making more of an effort to attract foreign investments, Emerson said in a Nov. 28 interview.

"We are being more open, more transparent and more assertive (politically), but we are equally being more aggressive on the trade and investment side," Emerson said.

To contact the reporter on this story: Theophilos Argitis in Ottawa at targitis@bloomberg.net .

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Beijing quits pipeline, blasts Ottawa

Globe and Mail — Beijing issued a scathing rebuke Thursday of the Harper government's unwillingness to attract Chinese investment and help sell Canadian oil to the Far East, as the state oil company PetroChina [PTR-N] said it was withdrawing support for a major pipeline between Alberta's oil sands and a West Coast port.

A senior Chinese oil executive blamed Ottawa for not doing more to help start the \$4-billion Gateway pipeline project, which has been delayed by a lack of support from Canadian firms and challenged by native land claims along the proposed route to the Pacific coast.

Yiwu Song, vice-president of China National Petroleum Corp., one of the world's largest oil companies and parent of PetroChina, said Beijing felt the delays reflected an unwillingness to allow Chinese firms into Canadian markets. He added that China could find similar crude supplies elsewhere, notably Venezuela.

"The environment is not comfortable. We tried to come here and we can't," Song said during an investment conference in Calgary.

"We sincerely wanted to do something and open up a new market for Canadian crude ... but Canada doesn't want to open up its own markets to us. So we cannot co-operate, and I really don't know how to help."

PetroChina had agreed in principle with Enbridge Inc., the Calgary-based pipeline company behind the Gateway project, to purchase half the crude from the pipeline's proposed flow of 400,000 barrels a day.

But Song said repeated delays in the project have cost Canada his company's confidence. Enbridge had

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already pushed back the pipeline's expected completion from 2009 to an unspecified date between 2012 and 2014. Last month, according to Song, Enbridge officials pressed PetroChina to commit itself more fully to the project, but the company refused.

In unusual public criticism by a Chinese official, Song also blamed Canadian oil producers for the lack of progress on Gateway, saying shippers weren't willing to open their domestic market for Chinese participation or commit enough supplies to the pipeline to make it viable. (Historically, a lack of pipeline and port [infrastructure](#) has meant that almost all Canadian oil exports are shipped to the U.S. Midwest.)

Other problems for the pipeline include local opposition and unresolved land claims between the federal government and aboriginal groups — the same thorny issue that has stalled development of Imperial Oil's Mackenzie Valley pipeline.

Environmental groups have raised concern over increased oil tanker traffic off the B.C. coast, while a coalition of native groups filed a federal court action against the project last year, alleging they haven't been properly consulted.

Enbridge has denied that these issues will delay the pipeline, but Song singled out the federal government for not resolving them, saying, "In my country, for a project this big, the government has to support it."

Asked whether the previous government of Paul Martin was more supportive to Chinese firms, Song replied, "That's for sure. They were more positive and understood our business."

He added that CNPC's experience of doing business in Canada was negative when compared to its involvement in Venezuela, noting that the company had been able to advance major projects more rapidly there.

Despite the rhetoric, CNPC isn't pulling out of Canada altogether. The company acquired 11 oil leases in Alberta this year, upon which it ultimately hopes to build an oil sands project. Song said that the acquisition is a change in CNPC's Canadian strategy that's fuelled by the Gateway delay.

While PetroChina has no interest in pursuing Gateway for now, the company did "still carry some hope that this might happen [in the future]," Song said, adding that he had no complaints about working with Enbridge, whose executives "tried very hard to get us set up with Canadian producers, but it didn't work."

Enbridge spokesman Glenn Herchak said it wouldn't be appropriate to comment on Song's remarks. He added that the terms of Enbridge's agreement with PetroChina were confidential.

"While China could be a market for Gateway volumes, other Asia-Pacific countries and California could be potential markets for the crude," Herchak said. "We are still looking at the Gateway pipeline in the 2012-2014 timeline."



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Energy Bulletin

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Enbridge May Offer China Oil-Sands Pipeline Stake

By Jeffrey Jones

CALGARY, Alberta (Reuters) - Enbridge Inc. may offer an equity stake in a Canadian oil sands pipeline to a Chinese investor, but is concentrating efforts on attracting shippers for the C\$2.5 billion (\$2 billion) proposal, a spokesman said on Thursday.

Enbridge, the country's second-largest pipeline company, has spent more than 2-1/2 years planning its Gateway pipeline to the West Coast from Alberta, a project aimed at opening Asian and California markets to the vast resource.

As the world's No. 2 oil consumer, China and its various energy interests have been showing keen interest in Canadian oil sands, reserves of which rival Saudi Arabia's conventional crude reserves.

There is potential for Enbridge to hive off a stake in the 400,000-barrel-a-day Gateway project, targeted for start-up after 2009, spokesman Ian La Couvee said.

But he would not confirm a New York Times report on Thursday that the company, best known as operator of the main crude oil export pipeline to the United States, was in talks to offer 49 percent of the pipeline to a Chinese energy company.

"Our initial priority is to get commitments for volumes," La Couvee said.

He said Enbridge has received strong interest from refiners in China, as well as Japan and South Korea, in gaining access to synthetic oil wrung from the oil sands, a complex process known for high capital and operating costs but low political risk.

"But we do not yet have concrete commitments (for shipping contracts). We're hoping to secure those early in 2005," he said.

The 1,200 km (750 mile) pipeline would extend across the Rocky Mountains to near Prince Rupert, British Columbia, from Edmonton, Alberta. The crude would be loaded on to tankers for shipment across the Pacific Ocean and down the U.S. West Coast.

Executives have said they were aiming for Asian and California markets only after it was clear that key U.S. regions, including the Midwest, were well served by supply from Alberta's oil sands developments, target of tens of billions of dollars of investments.

It is not the only such proposal on the drawing board.

Early this month, Terasen Inc. said it was aiming for Asian refiners with a planned expansion of its 250,000 bpd Trans Mountain pipeline system, and was looking for expressions of interest from potential shippers.

The long-term plan is boost capacity to as much as 850,000 bpd at a cost of about C\$2.3 billion.

Chinese energy officials have also been examining the oil sands industry for possible development projects to help meet what is widely expected to be a huge growth in demand for oil imports into their country.

In addition, shares in oil producer and refiner Husky Energy Inc. surged in November on speculation that its majority owner, Hong Kong magnate Li Ka-shing, was in talks to sell out to a Chinese oil company.

Husky is planning two large Alberta oil sands projects, called Tucker and Sunrise.

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China CNPC Wins First Rights to Explore Canada's Oil Sands

by Renya Peng

Dow Jones Newswires 6/29/2007

URL: http://www.rigzone.com/news/article.asp?a_id=47152

BEIJING Jun 29, 2007 (Dow Jones Newswires)

China National Petroleum Corp. secured rights to explore oil sands in Canada's Alberta province, a breakthrough by the largest Chinese oil company in Canada, said a statement Friday on the Chinese Ministry of Commerce Web site.

The company's access to the oil sands comes after more than two years of talks with the Canadian government and local energy companies.

Alberta's energy authorities granted CNPC the exploration rights in January for 11 fields in a total area of 258.6 square kilometers, with estimated reserves of 2 billion barrels of bitumen, or heavy oil, an unidentified official from the international department of CNPC was quoted as saying.

CNPC became the first Chinese major oil company to win a majority stake in a Canadian oil sands project, it said.

The company was unavailable for comments.

China Petrochemical Corp., or Sinopec Group, the country's second largest oil company, took a 40% stake in Canada's Northern Lights project in 2005 with Calgary-based energy firm Synenco.

CNOOC Ltd. (CEO), the third largest oil company in China, acquired a 16.69% stake in privately-owned Canada-based MEG Energy Corp. in 2005.

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Husky profit climbs on offshore ops, new refinery



Reuters - Thursday, October 18, 2007

CALGARY, Alberta, Oct 17 - Husky Energy Inc's third-quarter profit rose 13 percent on higher output from its offshore oil operations and a contribution from a newly acquired U.S. refinery, Canada's No. 3 oil producer and refiner said on Wednesday.

The company said net income rose to C\$769 million, or 91 Canadian cents a share, from year-earlier C\$682 million, or 80 Canadian cents a share.

The earnings beat the average profit forecast of analysts polled by Reuters Estimates by 9 Canadian cents.

Husky, controlled by Hong Kong billionaire Li Ka-shing, said cash flow, a key measure of the company's ability to pay for new projects and drilling, rose 16 percent to C\$1.4 billion, or C\$1.67 a share, from C\$1.2 billion, or C\$1.44 a share.

Husky, the first of Canada's major oil companies to report earnings for the quarter, is known for its extensive heavy oil production and processing operations in Western Canada, production off Newfoundland's Atlantic Coast and in the South China Sea, and its refinery in Lima, Ohio, acquired this summer for \$1.9 billion.

The Lima refinery contributed C\$54 million to earnings in the third quarter.

Husky bought the facility as part of its long-term plan to process its growing oil sands and heavy crude output. The company is also considering an expansion of its heavy oil upgrader in Lloydminster on the Alberta-Saskatchewan border and expects to make a decision before the end of this year.

The company said oil and gas production rose slightly more than 1 percent to 369,900 barrels of oil equivalent a day, held back by project delays in Western Canada after a long spring melt period, which delayed plans.

Oil production from the White Rose and Terra Nova oil fields off the Newfoundland coast rose nearly 20,000 barrels a day to 95,500 barrels a day.

Husky reduced its outlook for natural gas production in 2007 by 6 percent from the lower end of its 670 million-690 million cubic feet a day target range, due to low gas prices, high operating costs and the redeployment of capital.

In the quarter, gas output fell 7 percent to 620.1 million cubic feet a day.

Husky's revenue rose 27 percent to C\$4.4 billion in the third quarter.

Its shares closed up C\$1.68 at C\$43.28 on the Toronto Stock Exchange on Wednesday. Husky released its results after the market closed.

Li-controlled firms, such as Hutchison Whampoa Ltd and Cheung Kong Ltd, own more than 70 percent of the stock.



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[Start Here](#)
[How to use this Website](#)
[About Michael C. Ruppert](#)
[Why Subscribe?](#)
[Our Achievements](#)
[Our Writers](#)
[Upcoming FTW Events](#)
[Local Peak Oil](#)
[Preparedness Events](#)
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[The Bush Family](#)
[Civil Liberties](#)
[The Draft](#)
[Drugs](#)
[Economy](#)
[Gov't Corrupt/Complicity](#)
[Insider Trading](#)
[Investigations](#)
[Post Peak Lifestyle](#)
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China, Canada Agree on Oil, Uranium Development

Rob Delaney in Beijing and Ian McKinnon in Calgary

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Jan. 20 (Bloomberg) -- China and Canada signed agreements in Beijing today to help develop uranium mines and oil reserves, including Canada's oil sand deposits in Alberta, to expand trade between the two countries.

The agreements followed meetings between Chinese Premier Wen Jiabao and Canada's Prime Minister Paul Martin. Canada's Martin and Trade Minister James Peterson are on a six-day visit to China with representatives of 250 Canadian companies to boost commercial ties with its second-largest trading partner.

"Canada and China have decided to work together to promote cooperation in the oil and gas sector, including Canada's oil sands, as well as in the uranium resources field," the two governments said in a statement. No specifics were given on companies that may be involved, and details of the agreement weren't available on a Web site for Canada's prime minister.

Companies including Exxon Mobil Corp., Royal Dutch/Shell Group and Canadian Natural Resources Ltd. plan to spend billions during the next decade to develop Alberta's unconventional oil deposits as demand for crude rises and output from existing fields decline. Oil-sands output in Alberta may double to 2 million barrels a day by 2013, according to a presentation last week by Enbridge Inc.

Feasibility

Economics, not today's agreements, will decide whether China becomes an investor in the oil-sands projects, said Mike Tims, chairman of Peters & Co., a Calgary brokerage specializing in oil stocks.

"I wouldn't say that anything in this agreement is likely to cause anyone to do anything that isn't fully sensible on a commercial basis," Tims said in a telephone interview.

Enbridge, Canada's second-biggest pipeline company after TransCanada Corp., said last week that PetroChina Co. or China Petroleum and Chemical, the country's two biggest oil companies, will agree by next month to buy oil from Alberta oil sands to meet growing energy demand in China. Calgary-based Enbridge is proposing a C\$4 billion (\$3.25 billion) pipeline to export Alberta's oil to California, China and other markets

Shares of Calgary-based Husky Energy Inc. rallied in November after Toronto's Globe and Mail said China was negotiating to take control of the producer through a state oil company. Chinese buyers may be attracted to Husky because it is developing two oil-sands projects, some analysts have said.

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Chinese Oil Demand

China is scouring the world for oil to fuel its expanding economy, and the agreements could help Canada compete with countries in the Middle East, Central Asia and South America for Chinese investment, Peters's Tims said.

"Companies from countries like China like the whole notion that they have the blessing or imprimatur of the government when they go to negotiate a commercial arrangement," he said. "It puts investments in Canada in the same ballpark as investments in other countries which are similarly receptive to them."

Canadian exports to China totaled C\$4.8 billion in 2003, about a quarter of the value of its C\$18.6 billion in imports from the world's most-populous nation, the Canadian embassy in Beijing said.

Exports from Canada surged 55 percent in the 10 months ended Oct. 31, 2004, from the same period a year earlier, said Ian Burchett, public affairs counselor at the embassy.

Oil sands are deposits of bitumen, an extra-heavy oil that must be treated to convert it into crude oil for use in refineries to produce gasoline and diesel fuels, according to the Web site of the Alberta Department of Energy.

Canada has the world's largest oil reserves after Saudi Arabia since the U.S. Energy Department revised its global oil resource estimates to include oil sand deposits, Canada China Business Council President and former Canadian Ambassador to China Howard Balloch said in an interview last week.

Alberta's oil sands deposits contained around 174 billion barrels of proven reserves that can be recovered using current technology at the end of December 2003, the department said. Saudi Arabia has proven reserves of 262 billion barrels, according to the Energy Department.

To contact the reporters on this story:
Rob Delaney in Beijing at robdelaney@bloomberg.net; and
Ian McKinnon in Calgary at imckinnon1@bloomberg.net.

To contact the editor responsible for this story:
Peter Langan at plangan@bloomberg.net.



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Enbridge, Exxon to study midwest pipeline project

*By Kevin Kingsbury**Last Update: 12:54 PM ET Jun 5, 2007*

In a move to expand the market for Canadian crude oil into the heart of the U.S. refining industry, Enbridge Inc. ([ENB](#)) and Exxon Mobil Corp. ([XOM](#)) said they will study whether to build a new pipeline from an Illinois transportation hub to the Gulf Coast.

The project would run from the Patoka, Ill., oil storage and pipeline hub to Beaumont, Texas, and then onward to Houston. It would allow growing crude supplies from Canada to reach the Gulf Coast, home to nearly half of all U.S. refining capacity, with many of those refineries well suited to run lower-quality Canadian crude.

Enbridge and Exxon said in a statement they have been in talks with potential shippers of Canadian crude oil about the project, whose comments will help finalize the project's size and scope. A new pipeline could enter service by 2011, the companies said.

The move comes as output is rising from Alberta's oil sands, even as much of the northern tier of the U.S. refining market is already almost saturated with Canadian crude.

Pipeline operators have already been rejiggering their networks to allow more Canadian crude oil to flow south. In April 2006, Exxon reversed an idle pipeline to have Canadian oil move from Patoka, Illinois, to Nederland, Texas. A month earlier, Calgary-based Enbridge reversed a pipeline acquired from BP PLC (BP) to transport Canadian crude to Cushing, Okla., from Chicago. BP is looking at reversing a separate pipeline between those two locales.

Cushing is the delivery point of the New York Mercantile Exchange light, sweet crude contract and receives U.S. domestic crude production from various pipelines.

Meanwhile, Teppco Partners is considering reversing the direction of its Seaway crude pipeline, which runs from Cushing to the Gulf Coast. No Canadian crude is currently sent directly to Gulf Coast refiners from Cushing.

Canada is the largest crude oil supplier to the U.S., and its prominence as a nearby, secure supplier of crude oil has many U.S. refiners considering modifications to better handle its higher-sulfur crude. ConocoPhillips (COP), one of the largest U.S. refiners, and EnCana Corp. (ECA) have forged joint ventures aimed at boosting use of Canadian crude, and Marathon Oil Corp. (MRO) has made clear its interest in partnering with a Canadian producer.

Enbridge has estimated that Canadian crude oil production, supplemented by oil sands crude, will nearly double by 2015, to more than 4 million barrels a day.

That output is displacing Gulf Coast crude at Midwestern refineries. The Midwest accepted 350,000 fewer barrels a day from the Gulf Coast in 2006 than it did five years earlier, according to U.S. energy officials. Canadian imports rose by 420,000 barrels a day over the same period, data show. The U.S. consumes more than 20 million barrels a day of oil.

Enbridge is looking at the other main U.S. refining markets, too. The company is working on a pipeline from Alberta to the West Coast - the Gateway Pipeline - envisioned as an export route terminating in British Columbia.

Rick Sandahl, senior vice president of market development, said in an interview with Dow Jones Newswires in March that the company also is mulling projects that would extend Enbridge's reach into markets east of Chicago, perhaps as far as New Jersey.

(Beth Heinsohn and Brian Baskin contributed to this article.)

-Contact: 201-938-5400 ■

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Canada Sands Yield More Oil for U.S.

July 12, 2006

The Wall Street Journal

By Tamsin Carlisle

Recent expansion of the pipeline network linking Alberta's rich oil sands to the U.S. is fueling a big increase in cross-border exports of Canadian oil -- and easing any lingering U.S. concerns that much of Alberta's oil will flow to China.

According to U.S. government figures, the U.S. imported 205 million barrels of crude oil and petroleum products from Canada in the first quarter of 2006, up 10% from 187 million barrels in the first three months of 2005. Canada's share of total U.S. oil imports for that period rose to 17% from 16%. That offset almost all of a decline in U.S. oil imports from Persian Gulf countries -- which shrunk to 15% from 18% over the period -- making Canada for the first time a more important supplier of oil to U.S. markets than the Middle East.

This sea change represents the surest sign yet of the Canadian energy sector's determination to keep valued U.S. customers well-supplied both with crude oil and refined-petroleum products.

At the same time, some prominent U.S. energy analysts have developed the view that China's moves to secure international petroleum reserves, including recent investments in Canadian oil-sands and pipeline projects, will enhance rather than threaten energy security for other oil-importing countries.

"It is important to get China's situation into perspective," Cambridge Energy Research Associates Chairman Daniel Yergin recently told the U.S. House Committee on Energy and Commerce. "From the viewpoint of consumers in North America, Europe and Japan, Chinese and Indian investment in the development of new energy supplies around the world is not a threat but something to be desired, because it means there will be more energy available for everyone in the years ahead."

In the past few months, Canadian oil producers have thrown their support behind key U.S. pipeline projects that have opened the way for Canadian crude to be shipped all the way to oil refineries on the U. S. Gulf Coast. One project has reversed the direction of flow in an underused pipeline that used to carry oil from the Gulf Coast north, instead enabling Canadian oil to flow south. The payoff for oil-sands producers has been immediate: a sharp increase in the price of Canadian bitumen -- the sticky black crude found in oil sands -- relative to higher-price benchmark crudes such as West Texas Intermediate.

"Canadian heavy-oil producers have experienced a significant increase in profitability in the last two

months," analysts at Calgary, Alberta, brokerage firm Peters & Co. note in a recent overview of North American energy.

Although the North American bitumen market typically strengthens in summer, because of seasonal demand for asphalt used in road construction, the Peters analysts and others argue that this year's larger-than-normal increase in heavy-oil prices marks a "fundamental shift" in the long-term economics of the heavy oil business that will likely make U.S. markets significantly more attractive to Canadian oil exporters.

Historically, most of Canada's heavy-crude exports have been sold to a handful of petroleum refineries in the U.S. Midwest equipped to process such intractable feedstock, but the recent rise in Canadian bitumen output from oil sands quickly saturated that limited regional market, pushing down bitumen prices to about half of the West Texas Intermediate crude price in this year's first quarter. Since April, the new pipeline links have relieved much of the downward price pressure on Canadian bitumen, while providing another supply option to U.S. Gulf Coast refiners that previously imported heavy oil feedstock from politically unstable markets such as Mexico and Venezuela.

Partly because of the prospect of further improvements in U.S. market access for Canadian heavy crude, Canada's National Energy Board, in its latest forecast, predicts that Canada will nearly triple oil production from its oil sands to three million barrels a day in 2015, an increase over the energy regulator's earlier projection. Other recent industry forecasts project an even bigger surge in Canadian production, with the Canadian Association of Petroleum producers predicting that Canada will pump 4.6 million barrels of crude a day in 2015, including 3.5 million barrels a day from oil sands.

Just last month, BP PLC and Marathon Oil Corp. each said they will invest about \$3 billion to convert U.S. oil refineries so that they can process Canadian heavy crude, helping to ensure a sufficient market for the expanded oil-sands output.

Another strong signal that Canadian oil-sands producers are chiefly targeting the U.S. for exports comes from Canadian industry plans to invest heavily in specialized refining capacity for converting bitumen to synthetic light crude oil—an easily refined petroleum feedstock with a large and ready market in the U.S.

Despite concerns over rising construction costs, Canadian oil-sands producers have tabled 14 proposals to build new bitumen-upgrading capacity or expand existing capacity, according to the Canadian Association of Petroleum Producers. If all of those projects were to be built, Canada's bitumen-upgrading capacity would more than triple by 2015 to almost 2.9 million barrels a day from about 800,000 barrels a day currently. That wouldn't leave much unconverted bitumen production available for export anywhere -- let alone to China.

The backers of proposed new pipelines for moving Alberta heavy crude to Canada's west coast, whence it could be exported by tanker to Asian Pacific markets and U.S. refineries in California and the Pacific Northwest, still see strong potential for some Canadian oil exports to China, but the volumes wouldn't be large -- about 300,000 barrels a day, according to project proponent Enbridge Inc. "The interest from shippers is significant," said Glen Herchak, a spokesman for the Calgary pipeline company.

Meanwhile, U.S. oil companies may be plotting moves to secure future supplies of Canadian oil. During a recent presentation in Calgary, Standard & Poor's director of utilities, energy and project finance, Michelle Dathorne, said some larger U.S. oil concerns may be shopping for acquisitions in Canada's oil sands -- a resource that for them represents "a nice, stable, secure long-term source of oil."

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Incident on Enbridge pipeline; line shut down at one of Enbridge's crude oil pipelines

Mon Apr 16, 2007 6:11pm EDT

Co reports that at 18:18 MST, April 15, 2007, the Enbridge Pipelines Control Centre automatically detected a pressure drop on one of Enbridge's crude oil pipelines downstream of Enbridge's Glenavon, Saskatchewan pumping station. **The line was immediately shut down and isolated and Enbridge emergency crews were dispatched to the site.** A release of heavy crude oil was discovered in a field ~2.5 kilometres downstream of Enbridge's Glenavon station. The oil has been contained in a low area at the site and ENB is working to minimize environmental impacts. The volume of the release is currently being assessed. ENB has notified and is working with the appropriate regulators and emergency officials. The cause of the release has not been determined, and is being investigated. Initial clean up is expected to be complete within two days and is being conducted in compliance with all government regulations and ENB's stringent standards for safety and the environment. **At this time, ENB does not have an estimated time for restart of the line.** ENB is continuing to inject Midale and Light Sour Blend volumes from its Cromer, Manitoba facility to service downstream customer requirements to the extent possible and maintain volumes on ENB's southeast Saskatchewan and Manitoba systems. The line is a 34-inch, 490,000 bpd line transporting heavy and medium crude oil from Edmonton, Alberta to Superior, Wisconsin.

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