



THE SCHOOL OF PUBLIC POLICY

Regulatory roadblocks to partial upgrading- Alberta needs to get out of its own way. New School of Public Policy report

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Calgary – One of the ways that Alberta can help alleviate its worsening bottleneck in oil export pipelines is by partially upgrading oil sands bitumen before shipping it to market. Partial upgrading is the process of upgrading raw bitumen into a higher-value, lower-viscosity crude oil, resulting in an oil that can flow more easily through pipelines but stopping short of a fully upgraded synthetic crude oil product. In-province partial upgrading of bitumen can deliver important benefits to Alberta's economy.

Today, The School of Public Policy with authors Jennifer Winter, Victoria Goodday and G. Kent Fellows released a report that provides an effective overview of the regulatory environment for Crude oil processing in Alberta with solid policy prescriptions that would help remove red tape without compromising the intent of Alberta's regulations.

According to Fellows "A partial upgrader would be treated as an oil sands processing plant, but the lack of formal delineation between types of processing plants creates ambiguity and potential inefficiencies. Other gaps and sources of uncertainty are not unique to partial upgrading projects, but are of special importance to these projects due to timing, the newness of the technology, and the shifting environmental regulation context in Alberta and Canada in general. We find the key causes of regulatory uncertainty faced by partial upgrader proponents to be: (1) lack of explicit definition of partial upgrading under law; (2) unpredictable regulatory review and approval timelines; (3) how the total impact caused by all projects in a region is considered and managed; and (4) competing climate policy and hydrocarbon-resource conservation policy objectives."

Compared to raw bitumen, partially upgraded bitumen is (1) less costly to refine and therefore commands a higher price; (2) transported directly via pipeline with reduced (or no) diluting agents, avoiding the need to purchase costly condensate for blending; and (3) less viscous and thus, per barrel of bitumen, requires less pipeline capacity compared to raw bitumen, which ships with a high volume of blended condensate. Because of these factors, partial upgrading would allow the province to ship more bitumen via existing pipelines and at the lower tolls per barrel of bitumen extracted

Alberta's oil sands resources face market access constraints; investors, industry leaders and policymakers are looking to in-province "value-added" processing as a solution. Partially upgrading bitumen, especially, has the potential to create new markets for Alberta oil while improving pipeline capacity for all producers and offering significant social and economic benefits to Alberta and Canada as a whole.

If Alberta's government wants to see partial upgrading come forward as a way to bolster the provincial economy and alleviate the oil-pipeline bottleneck, it will need to get its own regulatory roadblocks out of the way.

The paper can be downloaded at <https://www.policyschool.ca/publications/>

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