

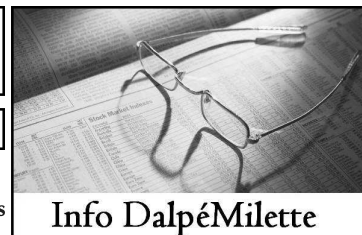
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Canadians Just Don't Get It?

Posted By [AdvisorAnalyst](#) On May 6, 2010 @ 9:31 am In [Markets](#) | [3 Comments](#)

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Canada is at the beginning of an economic transformation that could see it replace the Middle East as the primary source of oil and gas, first (as it already has) to its largest consumer, the U.S., and then, more importantly, to the rest of the world.

Jeff Rubin, former Chief Economist at CIBC World Markets, wonders if Canada really wants to be an energy superpower, and Neil Reynolds, columnist and former Editor-in-Chief of the Vancouver Sun discusses Alastair Sweeny's new book, *Black Bonanza*, and concludes that "Even Canadians don't comprehend what they're sitting on."

✦ Reynold's piece inspired me ^[1], stirring up those thoughts in me, and passionate conversation about what's in store for us Canadians, our energy sector, our financial services sector, and how becoming an energy superpower could shape the lives of our children in immeasurable ways.

The numbers Sweeny quotes are staggering, and while they are more commonly known today, its the revisitation of the realization, that we now live in the best country in the world, that got my attention again. Alberta oil sands contain one trillion barrels of recoverable oil, plus a whopping two trillion more in reserves, thanks to Roger Butler's innovation of Steam Assisted Gravity Drainage.

"If energy is the master resource of the human race, then Canada is truly blessed," he writes. "Beneath the boreal forests of Alberta and Saskatchewan, halfway between Edmonton and the border of the Northwest Territories, lies a black bonanza of oil-soaked sand.

"It's hard for people to grasp the simple fact - that [these sands comprise] the largest known petroleum assets on the planet," he writes. "Covering an area larger than England, this belt of oil-soaked silicon dwarfs the light oil reserves of the entire Middle East."

Even oil industry analysts don't get it, Mr. Sweeny says, citing authorities who still rank Canadian oil reserves as No. 2, behind Saudi Arabia. "This fiction persists in the face of the evidence that the Athabasca sands are far larger," he says. "A trillion barrels of synthetic crude is four times larger than Saudi Arabia's 250 billion barrels." He notes that the International Energy Agency ^[2] persists in listing Canada's oil reserves at a mere 175 billion barrels.

Mr. Sweeny asserts that the oil sands ^[1] now hold irreversible advantages over offshore drilling, presciently comparing BP's difficulties - in drilling an offshore Gulf of Mexico well "that goes as deep as Mount Everest goes high" - with oil sands operations. BP is now dealing with an environmental disaster of perhaps historic dimensions, inadvertently increasing the U.S. need for more Canadian oil sands production.

"The sands are just lying there for the taking, some of them up to 140 feet thick," Mr. Sweeny says. "All you have to do is build a giant washing machine, pay a royalty to a friendly government and promise to clean up when you leave."

✦ Jeff Rubin concludes ^[3] that "like it or not, [we] Canadians had better get used to the fact that their money has turned into a petro-currency ^[4]."

A strong dollar, stemming from high oil prices will do great harm to the rest of the Canadian economy, particularly in the auto, machinery and steel sectors.

How will we feel about that economic model, and will we want to continue to be on the opposite end of the 'American gas nozzle'?

✦ We have an overwhelming abundance of not just one, but at least three of four elements, the developed and developing worlds need and will continue to need on an increasing basis. Energy (Fire), Metals (Earth), Water. Speaking of elements, we also have a great deal of air.

We are so few [Canadians, that is], living on such a rich, and vast landmass, relative to our southern neighbour, as well as overpopulated (largest consumers of the future) India and China, that we have a veritable bonanza which we can all share in, provided we have the foresight to see the opportunity that is at our feet, and most importantly, to act on that vision, as a country and as investors.

Let's not screw it up by realizing all too late, what we already know. We are the safest and largest source of energy, commodities, and fresh-water on the planet. Its our future to be the stewards of our great legacy.