



## Conference board predicts rebound in oil industry profits

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BY VANCOUVER SUN MARCH 19, 2010

Higher prices and production will drive revenues to outpace costs, pushing pre-tax profits in Canada's oil extraction industry to \$8 billion this year, the Conference Board of Canada said Thursday.

But while this is a 66-per-cent increase from 2009 levels, the board noted in its latest industrial outlook that this level is well below the industry's 2008 peak.

"Higher prices have prompted increased investment in non-conventional activities," said board economist Todd Crawford. "However, weaker conventional production and rising cost pressures mean industry profits will not return to pre-recession levels until the end of the forecast in 2014."

Oil prices have risen significantly over the past 12 months, but remain well below their record highs of 2008.

Global demand will continue to grow over the forecast, putting upward pressure on prices, said the board, with oil prices forecast to increase to \$114 US by 2014.

The board said that given the current forecast for oil prices, Canadian companies are expected to invest significantly in non-conventional production capacity, which is expected to grow by 6.7 per cent this year and continue to expand over the forecast period, reaching 2.1 million barrels a day by 2014.

Industry revenues are expected to increase an average of more than 14 per cent annually over the next four years, thanks to steady production growth and rising prices.

However, rising material and labour costs in Western Canada will slow the industry's pace of recovery in profitability, the board concludes.

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