

domestic and export markets, does depend a lot on crude oil prices that are set by competitive forces in the world.

Canada's crude oil resource base is diverse and its components have particular characteristics which along with cost and price considerations will influence their future contribution to supply. Conventional light and heavy crude oil resources of Western Canada are fairly well-defined, with somewhat limited scope for significant future exploratory discoveries. However, these resources are readily accessible and provide opportunity for the application of advanced improved recovery technologies.

On the other hand, Canada's frontier regions provide the potential for the development of discovered resources and for substantial future exploratory discoveries. Nonetheless, these resources are not readily accessible and their contribution to future supply will depend, to a large extent, on technological improvements to reduce capital and operating costs in the harsh environments of the frontier regions and on the relationship between costs and prices.

Canada's bitumen resource is very large, and readily accessible. Issues with regard to its development are also primarily related to the relationship between costs and prices and whether technological advances can reduce production and processing costs.

Resources that can be expected to be added to the reserves that can contribute to crude oil supply depend largely upon the perceived profitability of these activities. Industry evaluates the profitability of a resource exploration and development by considering the capital costs required for exploration and development, the capital and operating costs associated with its production, the wellhead price to be received for this production, the taxes and royalties to be levied by the various levels of government and, finally, an appropriate rate of return on investment in the project. NEB estimates supply costs for the various sources of oil supply at the wellhead to be in the range of \$14-27 in 1990 US dollars.<sup>15</sup>

The analysis in the previous sections concluded that, on average, world oil prices can be expected to increase gradually from the current \$21/bbl (in \$U.S.1992) to around \$25 by 2000, and \$30 by 2010. In this section, we will look at the outlook for Canadian oil supply, demand, and balances at oil prices in the range of \$21 to \$29 by the year 2000 and \$25 to \$31 in 2010. Only three

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<sup>15</sup> For details see table A18 of the Appendix.