This is why royalty and tax regimes, in addition to prospective prices, can play such an important part in influencing decisions to undertake what the oil industry considers to be high-risk investments. In EOR, because a return on investment is realized only after several years, a stable royalty, tax and pricing regime is essential. If the rules of the game are changed, a project that was economical when begun could turn uneconomical before the incremental oil begins to flow. Thus changes in revenue sharing and in government regulations can affect the business climate to such an extent that companies are not willing to take the risks involved in proceeding with EOR.

Not only must the investor face very high front-end costs but also the considerable uncertainty as to annual operating and additional capital costs during the life of the project. When coupled with the risks involved in accurately matching the process to suit the reservoir and in estimating the amount of oil that will be recovered, financing may also prove to be a considerable obstacle to EOR development, especially for the small independent operator.

Even with viable economics in an EOR project, producers must also have assured markets. One of the major problems in developing heavy oil is availability of markets. For the next few years continued access to export markets is essential. For the longer term, a combination of upgrading facilities in Western Canada and changes in refining facilities in Eastern Canada are required to make effective use of heavy oil in Canada.

(3) Other Obstacles to Accelerated EOR Development

There is general agreement that in the near term, miscible flooding offers the greatest potential for EOR in Canada in light oil reservoirs, as shown in Table 1. Our relatively more plentiful supply of natural gas and natural gas liquids would lend itself to a