Canada says it needs foreign capital to develop its oil

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TORONTO (Reuters) - Canada does not have enough money to develop its oil resources and move oil to market, and therefore welcomes foreign capital, Natural Resources Minister Joe Oliver said on Tuesday.

Oliver was answering a reporter's question about a $15.1 billion bid by China's CNOOC Ltd to buy Canadian oil producer Nexen Inc, and the possibility of state-owned Kuwait Petroleum Corp doing a joint venture in Canada's oil sands with Athabasca Oil Corp.

"I don't want to talk about that specific proposal because it will also be reviewed by the ministry, however we know that we have a need for an immense amount of capital to build the infrastructure necessary to develop the resources and move the resources to the market," he said. "We don't have enough capital in this country and so we are welcoming capital from the outside."

Resource investment in Canada could be worth some C$650 billion ($658.9 billion) over the next 10 years, representing over 600 projects that are planned or underway, Oliver said in a speech at an investment bank in Toronto's financial district.

"Those numbers are just the beginning," he added. "Countries in the Asia-Pacific region are hungry for energy and minerals and metals and forest products they need to fuel growth and build a better quality of life for their citizens."

Financial markets are closely monitoring remarks by ministers as the Canadian government decides whether to allow the CNOOC takeover bid to go through. There is at least some opposition to the idea within cabinet.

Canada has the third largest oil reserves in the world and the government is eager to tap new markets, including those in China, for its crude products. Essentially all oil currently exported by Canada goes to the United States.

In answer to another question, Oliver said reciprocity would be one of a number of things that government will look at in determining whether the CNOOC deal would be of net benefit to Canada.

Prime Minister Stephen Harper and Finance Minister Jim Flaherty, when asked about the bid for Nexen, also have alluded to reciprocity, the idea that Beijing must also be open to Canadian investment in China.

RESOURCE DRIVEN

Natural resources are a big business in Canada, with the forestry, oil and gas, and mining sectors directly accountable for 15 percent of the country's gross domestic product in 2011.

Add in indirect investments - like construction and financial services - and that number rises to nearly 20 percent of the country's income, Oliver said.

Canada's ruling Conservatives are eager to promote the economic benefits of resource development in an effort to bolster support for their policies, which some consider to be too business-friendly at the risk of the environment.

The right-of-center party has been criticized for a recent move to ease the environmental assessment process for major projects, including mining and oil developments. But proposed pipelines to transport crude oil have been particularly contentious.

TransCanada Corp was forced to split its Keystone XL project in half after U.S. President Barack Obama refused to allow the original proposal to go ahead because of environmental concerns.

Meanwhile, Enbridge Inc's Northern Gateway project, which would transport crude from landlocked Alberta to a port in British Columbia for shipment to Asia, has faced strong opposition by environmental and aboriginal groups worried about the risk of an oil spill.

Oliver said the government continues to invest in pipeline and tanker safety and is improving regulatory oversight of the industry.

"We believe that the record of safety, which is a strong one, will be made even stronger in the future with technological improvements and with regulatory requirements," he said.

($1 = $0.99 Canadian)

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