

ENERGY

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SOE will likely eye Canada's shale plays after oil sands snub: AltaCorp



YADULLAH HUSSAIN | Dec 9, 2012 11:25 AM ET | Last Updated: Dec 10, 2012 7:37 AM ET
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While SOEs will no doubt find it very difficult to acquire oil sands companies, conventional oil and gas assets should hold interest for SOEs, says AltaCorp Capital.

Courtesy Nexen

Expect foreign state-owned oil and gas companies to focus on Canada's shale plays after new federal government investment rules effectively precludes them from buying oil sands companies, according to AltaCorp Capital.

On Friday, the federal government approved CNOOC's \$15.1-billion bid for Nexen Energy Inc., and Petronas Cariganli Canada's \$5.2-billion acquisition of Progress Energy Resources Corp., but said in future it will only approve new SOE bids in the oil sands "on an exceptional basis."

The policy may push SOE to seek opportunities elsewhere in Canada's broad-based hydrocarbons resources.

"We believe the highly intensive capital nature of the Duvernay, Montney, Muskwa/Horn River plays make them the most likely to be the focus of acquisitions in the sector under the revised Investment Canada guidelines," said AltaCorp analysts in a note to clients.

The latest report by the independent Energy Resources Conservation Board suggests Canada's shale plays could contain as much as 1 trillion oil equivalent barrels in place, compared to the oil sands' 1.7 trillion barrels bitumen in place.

These include:

- The Duvernay (P50) estimates at 73 billion bbls of oil/liquids + 443 Tcf gas;
- Muskwa (P50): 129 billion bbls of oil/liquids + 419 Tcf gas (Alberta);
- Montney (P50): 165 billion bbls of oil/liquids + 2,133 Tcf gas (Alberta);

“The +\$20 billion in investment proceeds from these transactions will most likely be recycled back into the sector, that combined with ‘new’ take-out speculation, should result in a general improvement in share prices for E&P names, especially over the short-term,” said AltaCorp.

The energy investment firm expects companies such as ARC Resources Ltd., Advantage Oil & Gas Ltd., Birchcliff Energy Ltd., Encana Corp., NuVista Energy Ltd., Painted Pony Petroleum Ltd., Talisman Energy Inc. and Trilog Energy Corp., to benefit as they hold large unbooked resource upside in the plays.

Meanwhile, oil sands focused companies that were seen as takeover targets are likely to suffer.

“Disappointingly, the Canadian Government singled out the oil sands as an asset class in which it is unlikely that additional foreign takeovers by SOEs would be allowed,” AltaCorp Capital analysts wrote. “While this does not technically rule out the possibility of future acquisitions by SOEs, we suspect this commentary will be enough of a deterrent.”

Companies hurt by the fed’s new policy includes MEG Energy Corp., Athabasa Oil Corp., Sunshine Oilsands Ltd., Connacher Oil & Gas Ltd., BlackPearl Resources Inc. and Southern Pacific Resources Corp.

While SOE can still invest in the oil sands via joint venture deals, the federal government’s new policy has strengthened the hand of rival independent oil companies.

“Given the uncertainty SOEs will face in making acquisitions, this should put IOCs at a competitive advantage in the acquisition market relative to SOEs,” the analysts said.

But the ‘net benefit’ debate is far from over and investors will continue to monitor Industry Canada’s efforts to define the term.

“The Minister of Industry and the Prime Minister both also made it very plain that the government will be re-defining ‘net benefits’ for future policy and any future decisions. We expect that the markets will be very sensitive to any hints and nuance until the government tables a new outline of what constitutes ‘net benefits.’”

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crestliner • 21 hours ago

Harper claims to have toughened the laws on foreign takeover's, kind of like the piggies building a brick house after they fed their

children to the wolves.

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Rock Halliday → crestliner · 17 hours ago

Well if Canadians actually saved a bit rather than borrowing all they possibly can maybe this country would have a pool of funds from which to invest in its own natural resources. But as it is there isn't anywhere near enough investment capital in Canada to adequately exploit our resources.

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crestliner → Rock Halliday · 15 hours ago

Harper gave the corporations a pool of funds called the corporate tax credits, but instead of investing in it Canada's economy their sitting on it.

3 ^ | 1 v · Reply · Share >



Fat Freddie's Cat → crestliner · 2 hours ago

crestliner, the current tax break on capitol investments was put in place by a liberal government not the Harper government. I know you have trouble seeing past your hate, but you should try, horrible to live in fear and hate. Oh and every company gets to take advantage of these tax breaks, not just the oil industry, and to get these breaks they have had to spend the money already... there not sitting on anything.

0 ^ | v · Reply · Share >



crestliner → Fat Freddie's Cat · 2 hours ago

I'm not living in fear, I know that harper will be tarred and feathered, I just hate that it's taking so long. Kevin Page is claiming that the corporate tax credits have created record wind fall profits for the harper corporate, harper lied when he said that the corporations would use the tax credits to create jobs when he knew that the money was sitting in the corporate off shore bank accounts drawing tax free interest. Instead of demanding that the tax payers money be returned he wants to shower his corporate partners with even more corporate tax credits. Unlike harper, Kevin has no reason to lie. The Liberals were managing Canada's economy, while harper is managing his fascist economy.

1 ^ | v · Reply · Share >



milesvermillion → crestliner · 11 hours ago

Hi crestline,

I think we would all be intrigued to know - do you invest in Canadian companies so they don't have to fall to foreign takeovers? If so, who and how much?

I do...

(I have a long term habit of investing in Saskatchewan and Alberta companies (POT, Comeco, Talisman, Encana, TCP since the 1970's).

I have fair amount of old friends in Saskatchewan who have done extremely well from investing in POT & Comeco...

If people don't invest in their province or country the rest of the world will...

Cheers,

2 ^ | v · Reply · Share >



crestliner → milesvermillion · 4 hours ago

Sorry but when I feel the need to gamble I go to the casino. My investment in Canada is the 50 cents on the dollar that I pay in the form of taxes. Canada is drowning in the tory blue sea of deceit and corruption, the Nexen deal is the signal that harper has invited China to the funeral services.

1 ^ | 1 v · Reply · Share >



danR → crestliner · 19 hours ago

Consider the 'exceptional circumstances' claim. If bean-counters consider ailing/failing enterprises in need of a makeover, that would qualify. But it's the nature of free-enterprise to have a certain percentage of failures. It's the nature of competition.

There will be an inexhaustible supply of 'exceptional circumstances'.

2 ^ | v · Reply · Share >



crestliner → danR · 4 hours ago



The exceptional circumstances of Canada's failed economy are related to the harper election fraud and his lobbying for the oil industry out of the PMO.

1 ^ | 1 v · Reply · Share >



brianamb · a day ago

They will be bringing all the workers in from China, just like the coal mines in BC.

11 ^ | 3 v · Reply · Share >



NICOLASD · 20 hours ago

Why Canada? There's probably a lot of shale oil and gas all over the world in just about every continent. I expect drilling even in China some day soon...

4 ^ | v · Reply · Share >



danR → NICOLASD · 19 hours ago

Apparently they realize Harper is so dumb he'd outsource CSIS' work to the Red Army.

8 ^ | 2 v · Reply · Share >



danR · 19 hours ago

More low-hanging fruit for Harper (&/or) Trudeau.INC to hand out the Beijing goons.

Merry Christmas, Politburo. Your stockings are stuffed already.

7 ^ | 2 v · Reply · Share >



Stephen Szikora · 17 hours ago

Biggest winners are multi-national corporations (largely US and Europe based) which can now take over oil sands assets while paying lower prices. The real effect of this new policy is to reduce the potential number of bidders for any assets by eliminating the SOE's from the bidding process and therefore lower the price obtained. The Progress deal demonstrates that. The initial bid was \$20.45 per share and had unanimous board approval. An unidentified MNE was negotiating an offer in excess of that so Petronas upped its bid to \$22.00 per share one month later. The company would never have gone for \$22.00 per share had Petronas not been allowed to bid. In fact, it is doubtful it would have gone for the initial \$20.45 valuation either. It's laughable then, for Harper to use the tag line, "Canada is not for sale." Simple supply and demand economics means that Canada is not only for sale, but ON SALE!

5 ^ | 1 v · Reply · Share >



Guest · 17 hours ago

There are indeed a lot of shale oil and gas plays all over the world, It's just that Canada will now officially will give it for a bargain and allow whatever company/country to dictate all the rules while they're here. Including the ability to sue our own government.

Wouldn't happen in the US.... or Europe... or South America... or India.... or China....

3 ^ | 2 v · Reply · Share >



Robmax → Guest · 15 hours ago

Complete left lying garbage.

3 ^ | v · Reply · Share >



crestliner → Robmax · 15 hours ago

You apparently don't know the left from your right.

2 ^ | 2 v · Reply · Share >



Commentgate · 17 hours ago

Well if this Federal Gov't only toughened the laws for oil sands activity it has to think Canadians are really stupid. What kind of gov't would do such sloppy work???? This is poor performance by Harper's gov't.

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crestliner → Commentgate · 4 hours ago

Harper's too busy slipping sliding lubricating the oil industry to actively involve himself with performing the elected duties of the PM.

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