



# Canadian Crude Access into the U.S. Market

## *Pipeline Infrastructure*

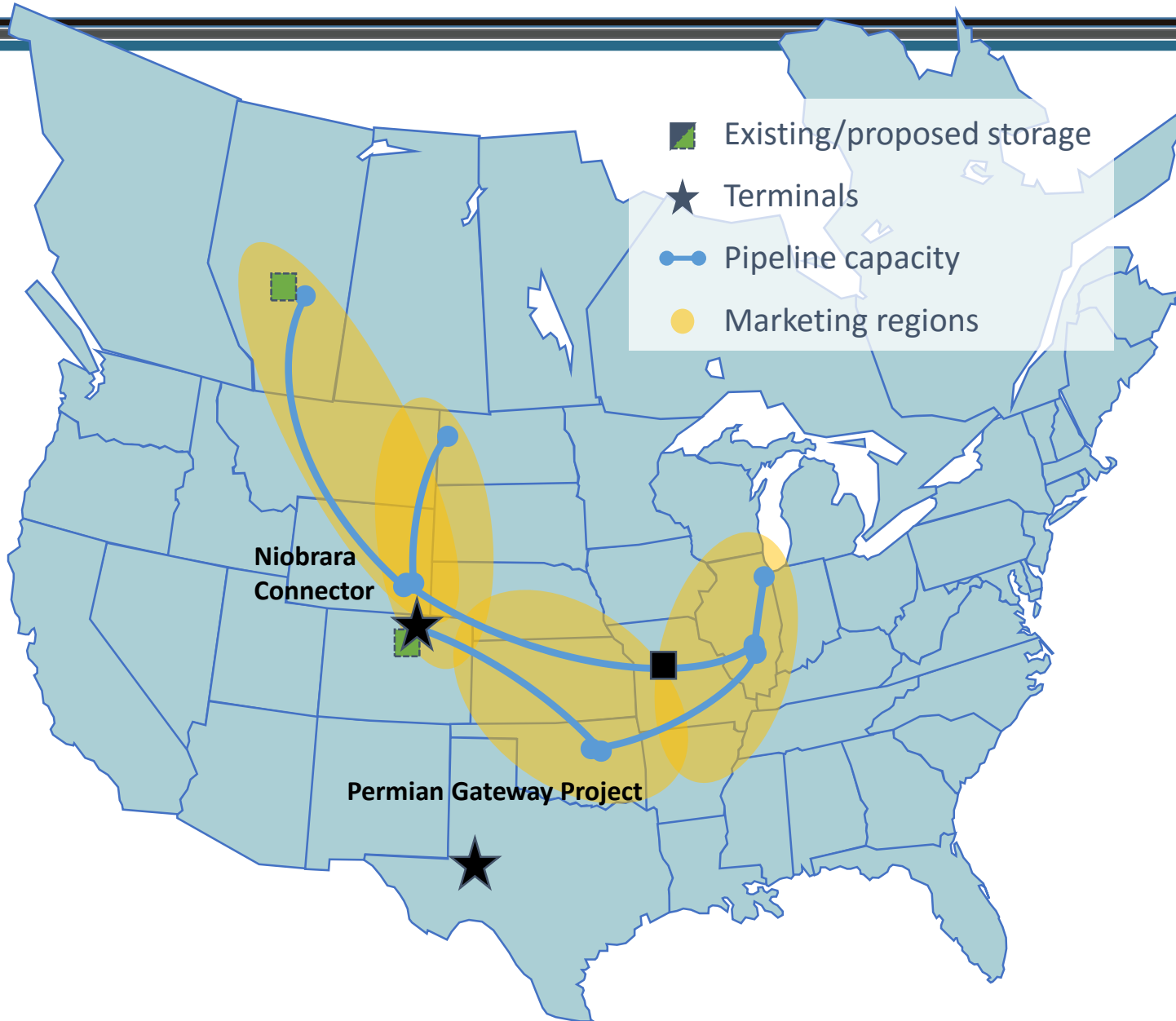
### **Argus Canadian Crude Summit**

May 18-19, 2016

Marriott Downtown | Calgary, Canada



# Current Footprint of ARB Midstream

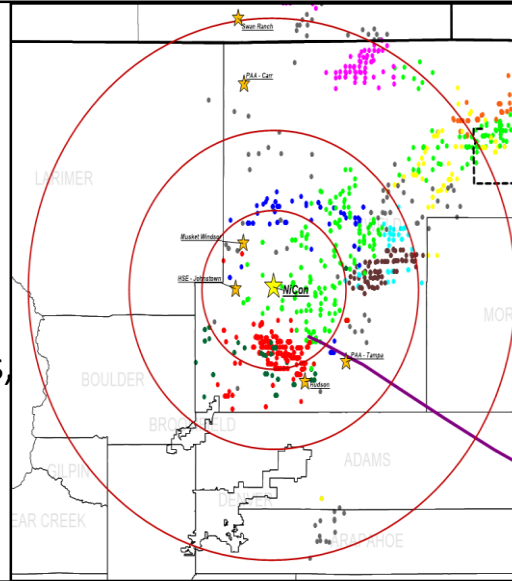


- Independent, growth-oriented company providing crude oil, gas liquids, and refined products midstream and marketing & logistics solutions in North America
- Developing & acquiring interconnected assets to a marketing platform
- “Analyze, Identify, Execute”
  - Quantitative analytics and deep market experience guide investment and development decisions
- Current Projects/Marketing
  - Marketing ~20,000 b/d
  - DJ Basin terminal: Niobrara Connector (NiCon)
  - Midland Basin (Big Spring) terminal: Permian Gateway

# Organic Projects – Energy Rail Hubs

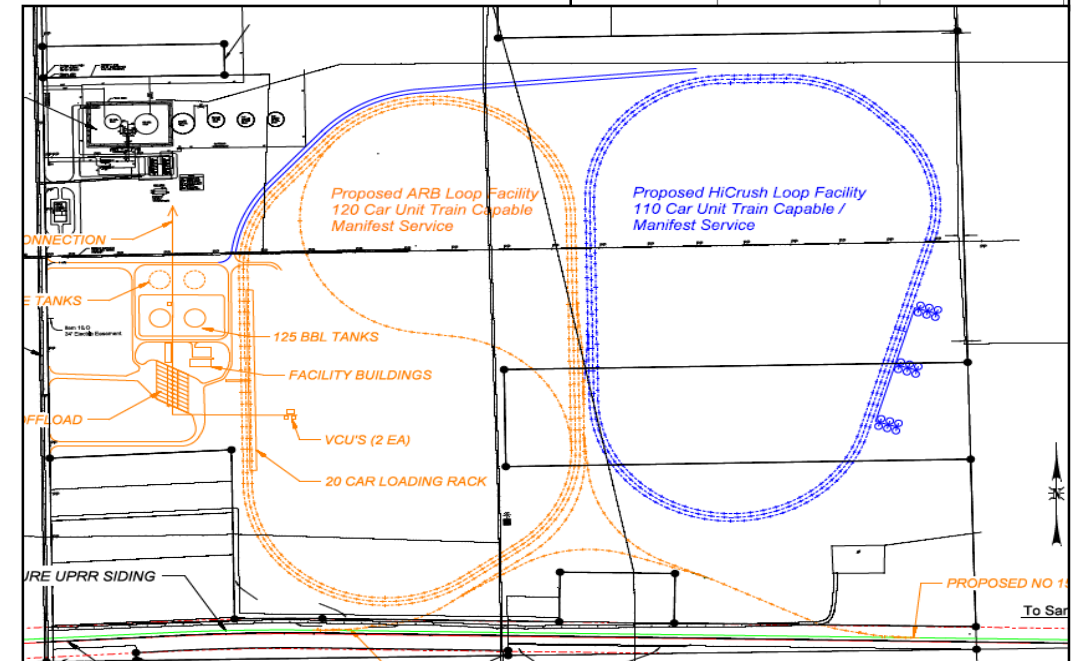
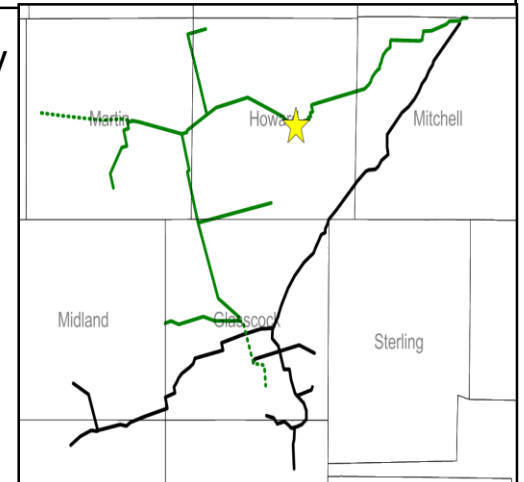
## Niobrara Connector

- Located in the heart of DJ
- 230 Acres
- Phase I in service late March
- Transloading for crude oil (inbound and outbound service), drilling materials, aggregates and other commodities



## Permian Gateway

- Located in Howard County
- 350 acres
- Under construction
- Pipe connection to new gathering system
- Transloading for crude oil and drilling materials



# Observations

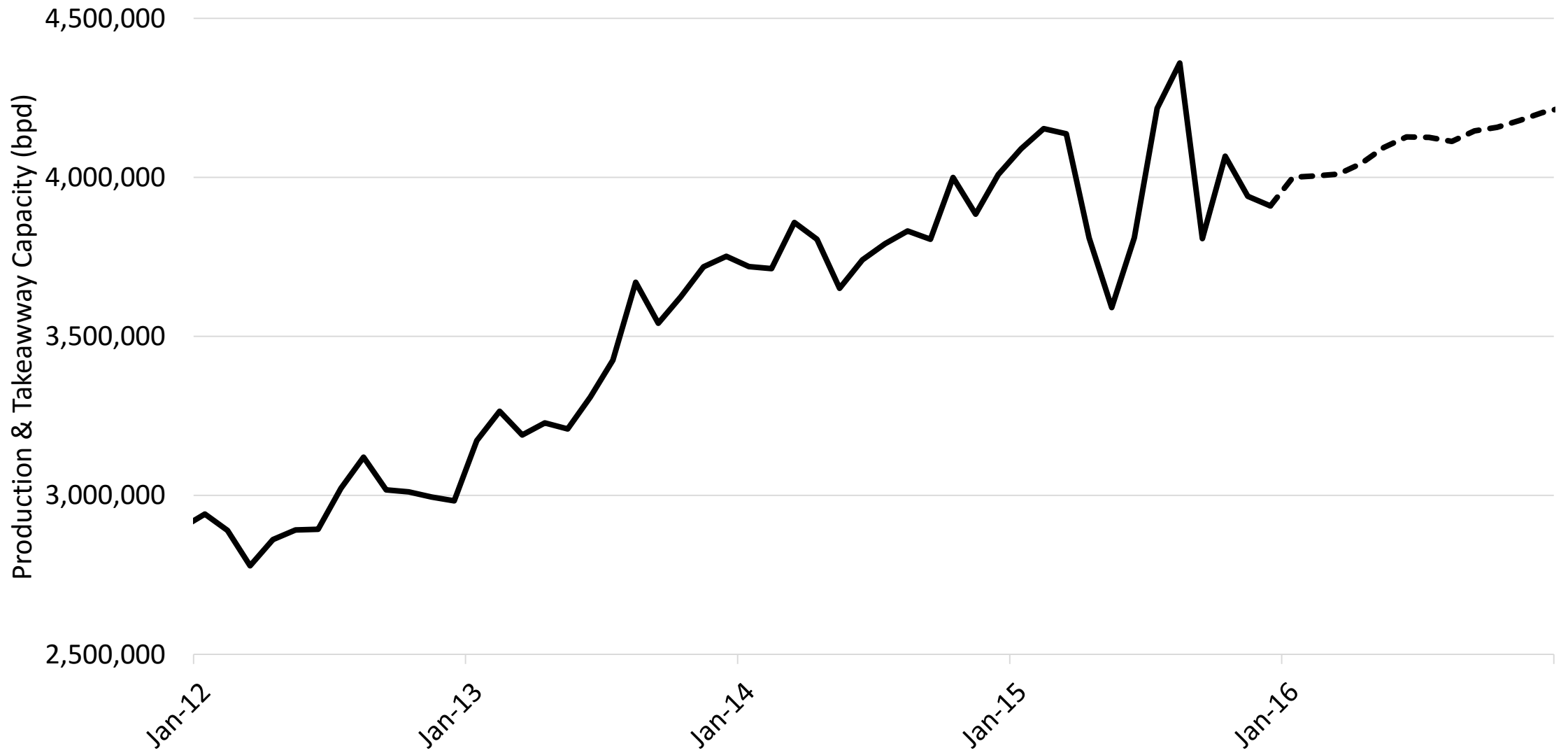
- Current western Canadian production is 3.9 million b/d.
  - 3.2 million b/d (82% of total production) is exported to the U.S. via pipeline
- 2.6 million b/d (81%) of all pipe imports into the US flow through the Chicago/Patoka/Flanagan/Wood River market
- The Gulf Coast (PADD 3) is the destination for incremental Canadian heavy production growth
  - PADD 3 has more than doubled consumption of Canadian crude from January 2014 to January 2016, and is expected to continue to grow
  - Currently 233,000 b/d of Canadian supply flows through PADDs 2 and 4 to PADD 3
- Over the next three years, Canadian production is forecast to grow by 820,000 b/d, and most of those volumes will have to squeeze into PADD 3, flowing through the Chicago/Patoka/Flanagan/Wood River market
- Arbs need to widen to make this move work



# Western Canadian production currently sits at about 3.9 million bpd

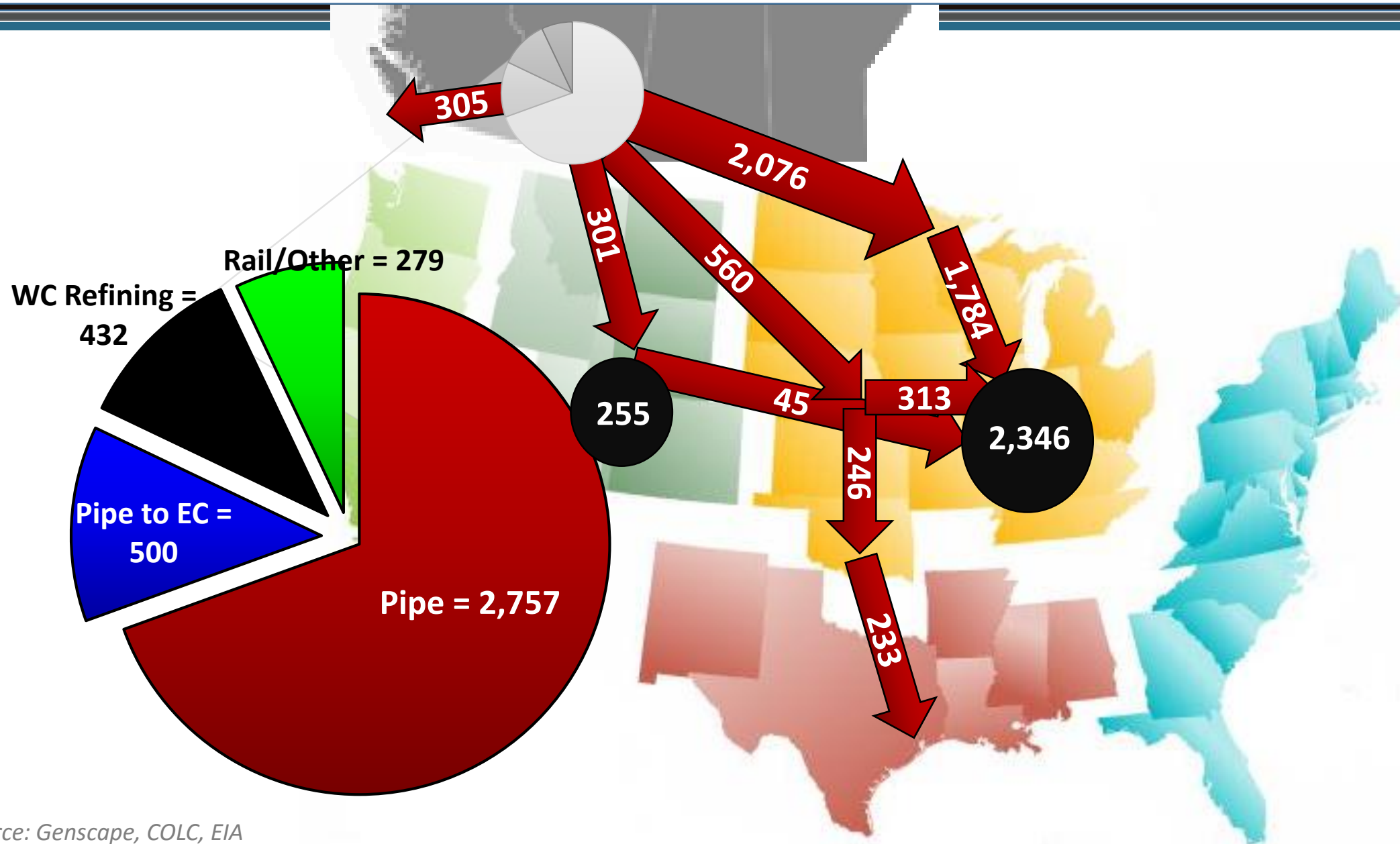


Western Canada Supply (incl. diluent)

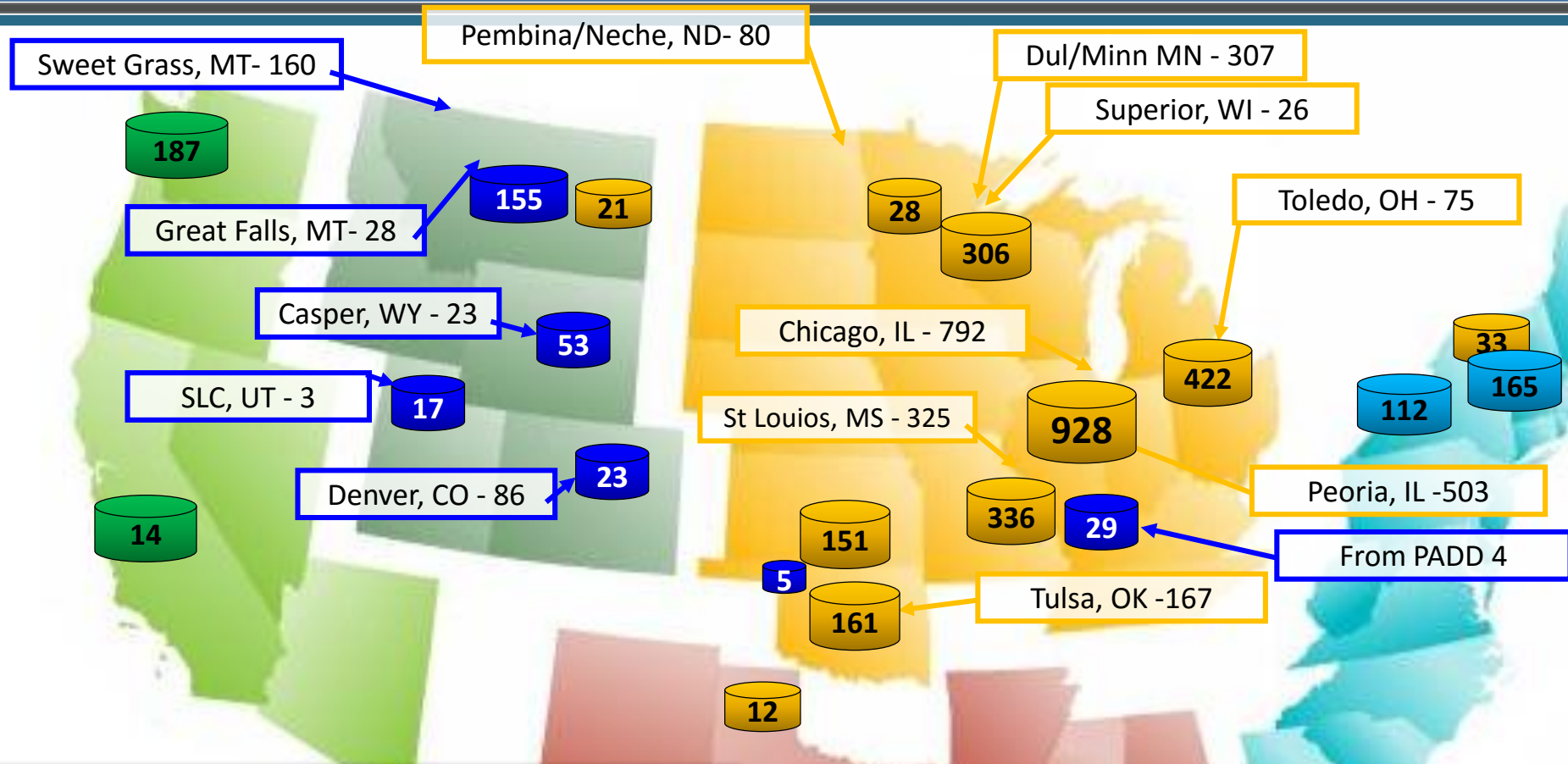


Source: CAPP

# Movements of Canadian Crude Through US Markets



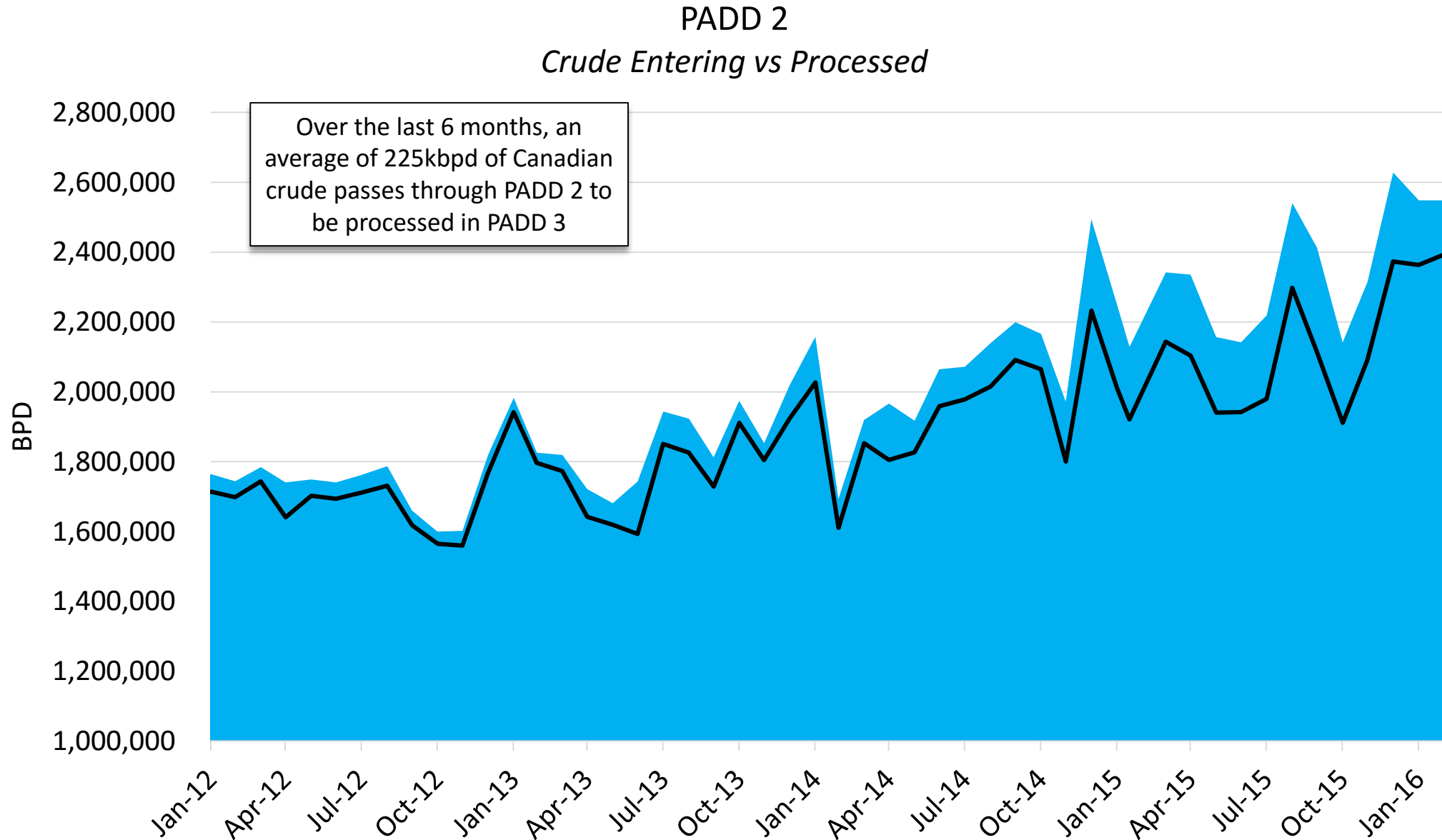
46,000 b/d flows through PADD 4 to other PADDs, 287,000 b/d flows through PADD 2 to other PADDs. The flows through PADD 2 will increase as supply grows



Canadian / US Flow Balance						
Western Canadian	P1	P2	P3	P4	P5	Total
Flows Into	201	2,629	82	301	277	3,490
Stay In	201	2,342	82	255	277	3,157
Flow Out of	-	287	-	46	-	

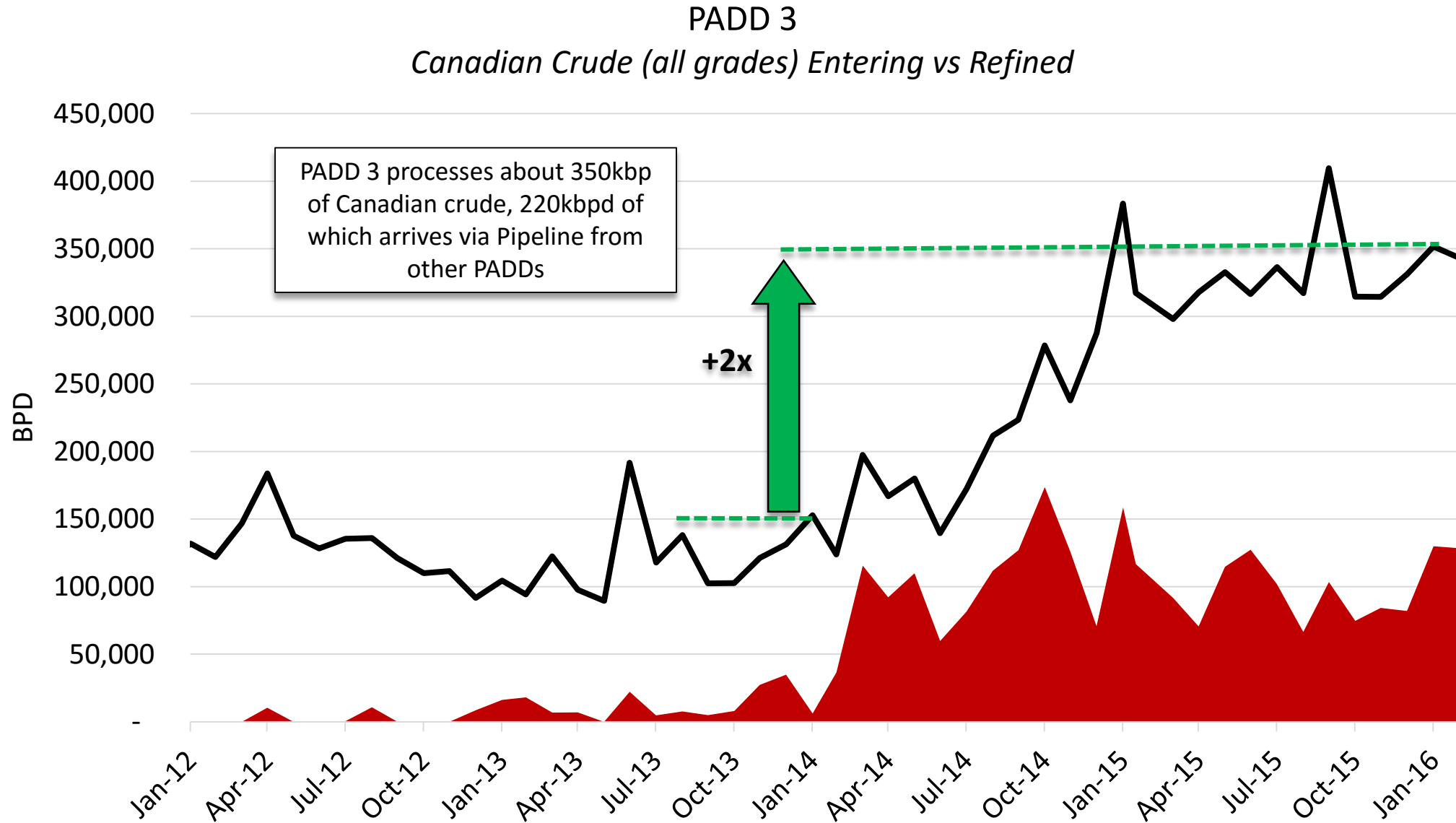
\*Based on Dec '15 Company Level Imports, Flows = pipe + rail + barge

# More Canadian crude than ever is flowing through PADD 2 to GC Markets

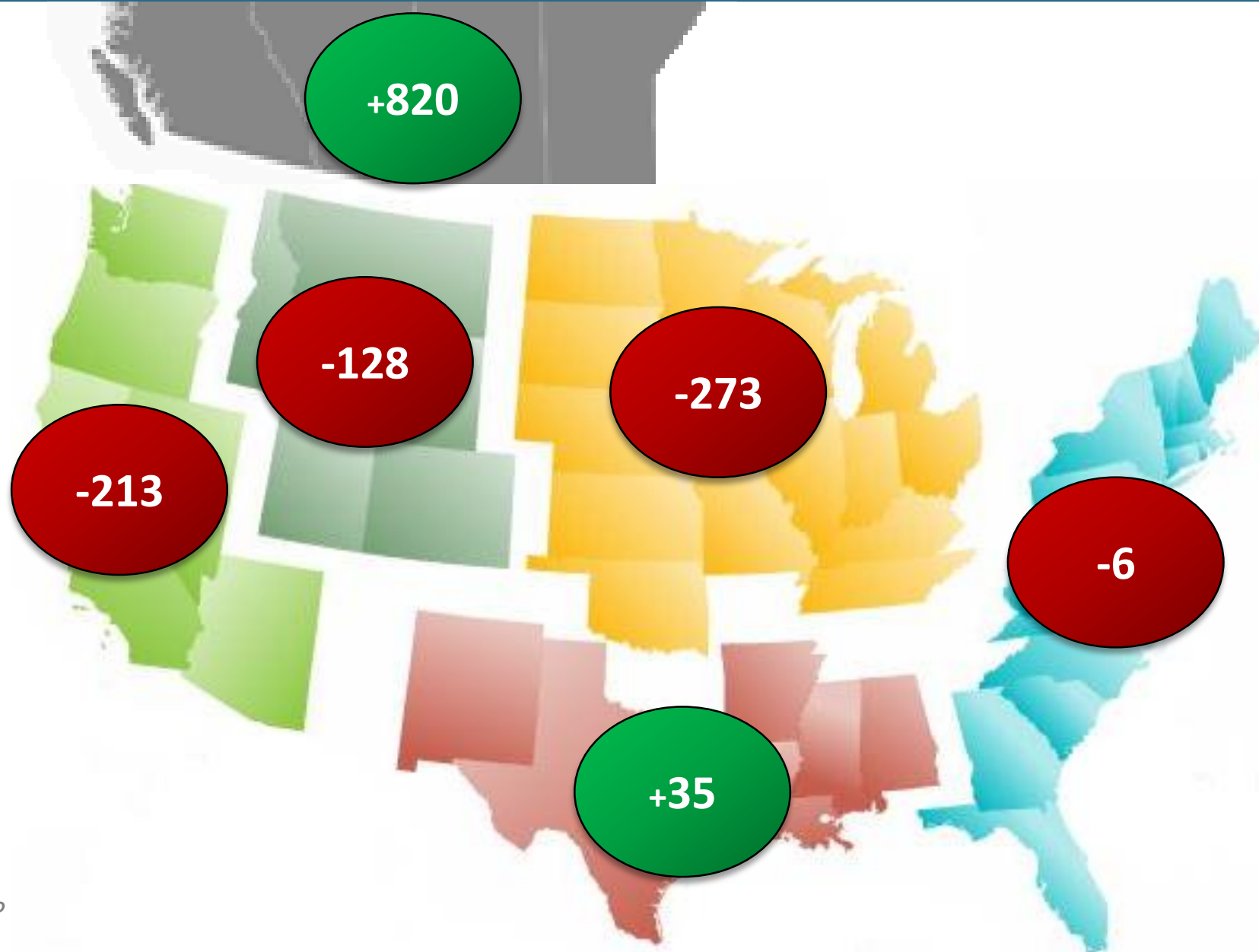




# PADD 3 has more than doubled Canadian crude consumption from Jan '14 to Jan '16



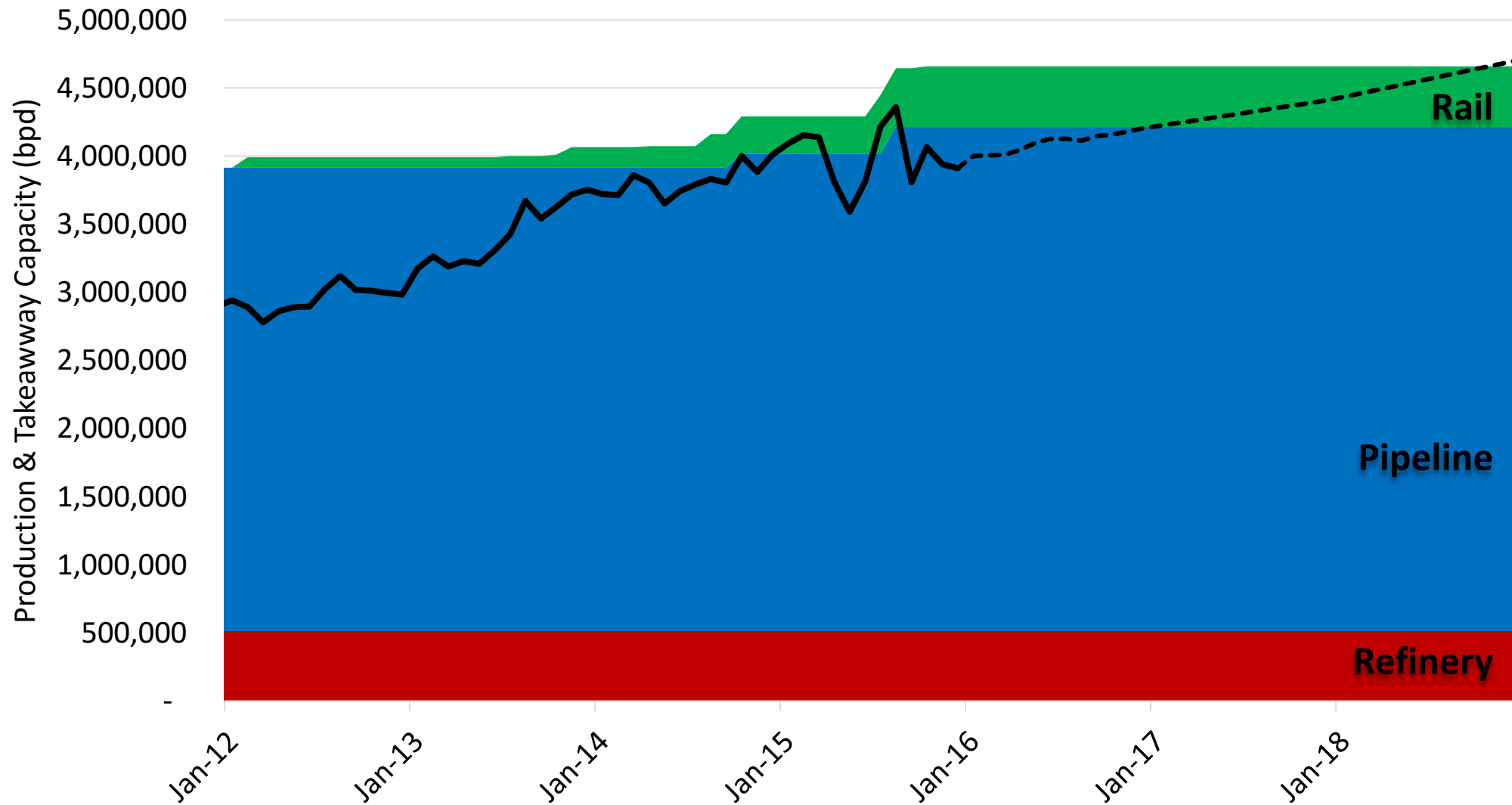
# Regional Crude Production Forecasts Over the next 2 yrs (Jan '16 to Dec '18)



Pipelines out of Western Canada will be full, and rail will be required (and must be priced in) to clear the market during periods over the next 2-3 years



Western Canada Supply (incl. diluent) vs Takeaway Capacity

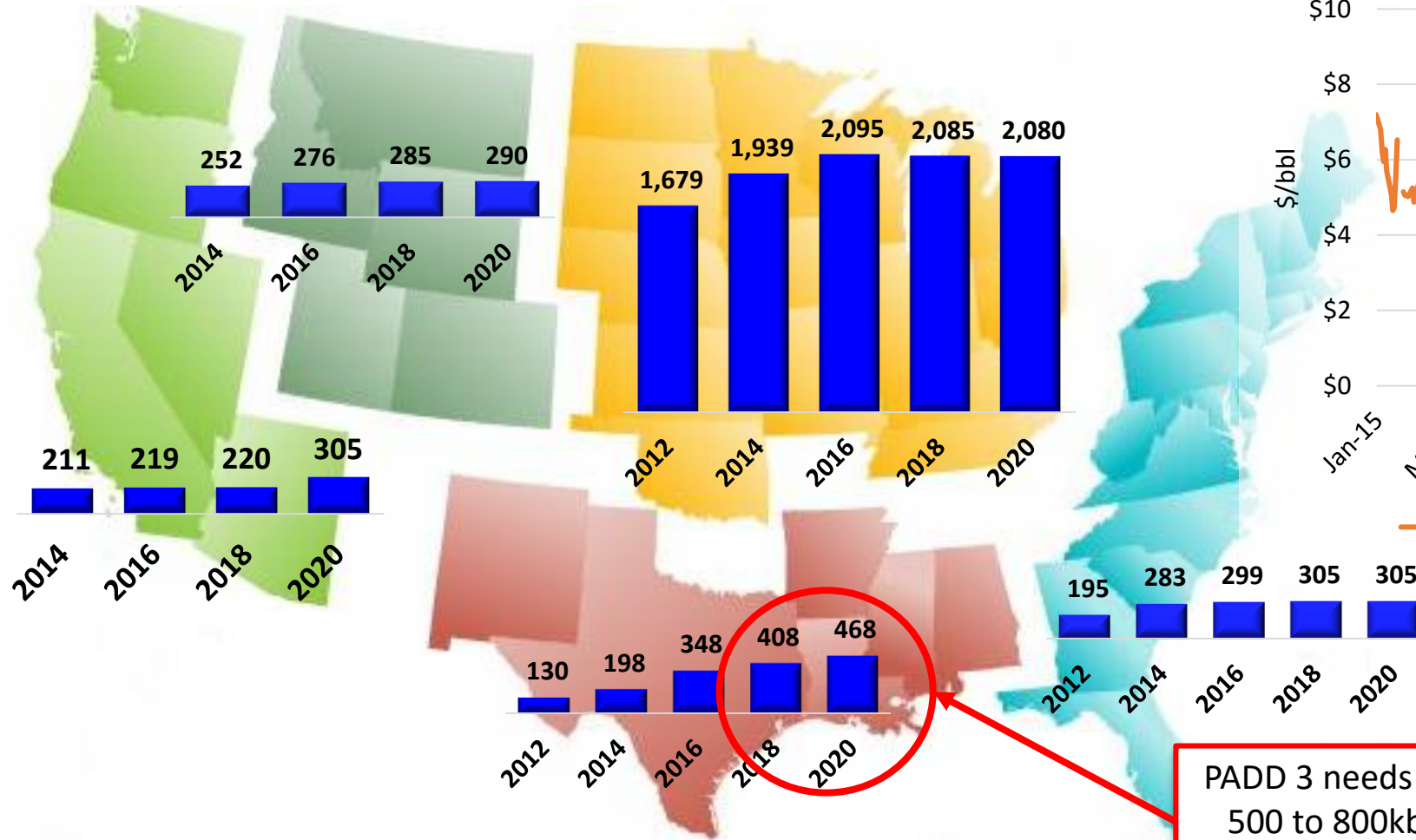


Source: EIA, CAPP, ARB Analytics

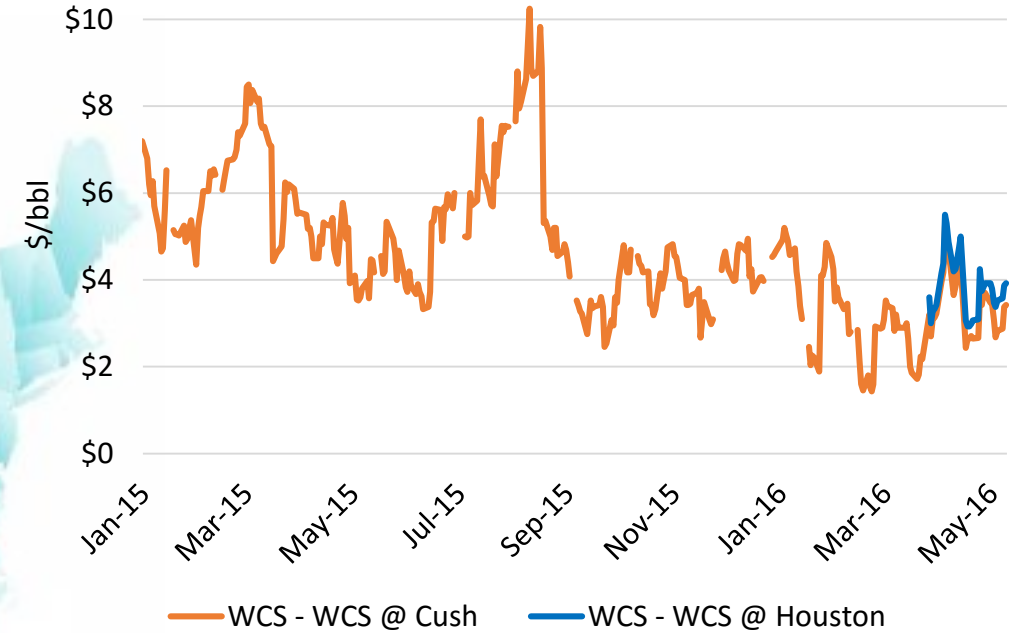
# Price Spreads – WCS to WCS Cushing, WCS to WCS Houston



### Refined Volumes by PADD



### WCS arbs to Cushing and USGC (\$/bbl)



PADD 3 needs to accommodate 500 to 800kbbpd of Canadian production

# Canadian Pipeline Market Summary

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