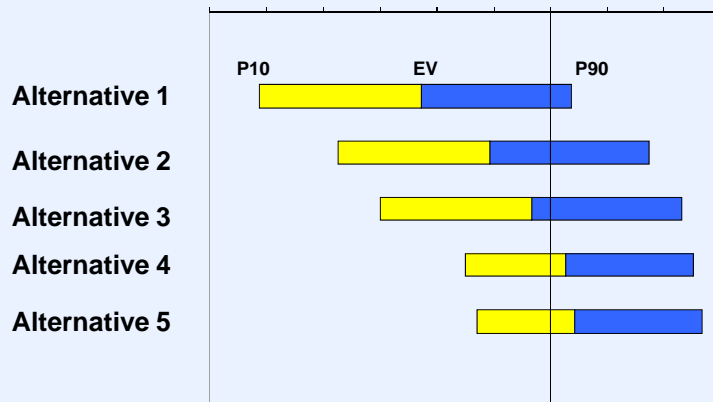


Strategy Support: Helping a Government Agency Understand the Decision Economics Behind Building Heavy Oil Upgraders



Comparative Alternative NPV Distributions
Project NPV



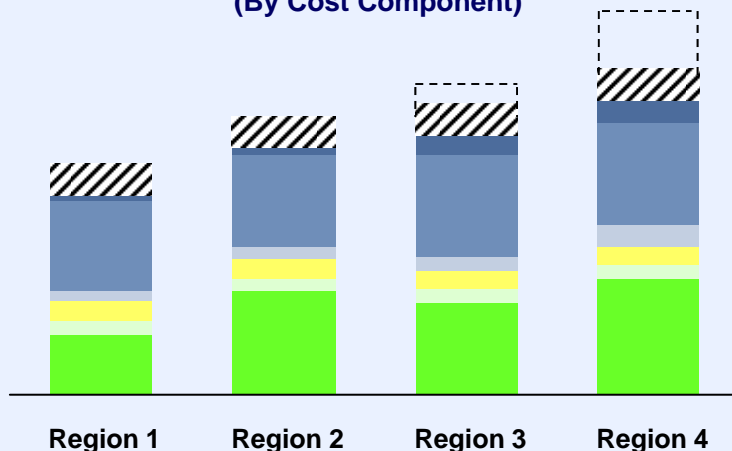
Challenge

With a large interest in the heavy oil industry, a government agency wanted to understand what economic opportunities and risks exist in the heavy oil upgrader business in its region. This included the economics of upgrader projects as well as social implications such as employment potential.

Solution

Taking the perspective of a mid-stream investor, IHS compared the economics of five comparable alternatives for a typical upgrader, using both deterministic and sensitivity analysis. We examined the impact of key uncertainties on project economics, such as the dynamic cost environment, volatile discount for input, the potentially limited market for output and diluent supply constraint. We also defined specific factors that would make the client's region more attractive for the upgrader business and studied the wider social impact of the business in the region.

Regional Cost Escalation Factors
(By Cost Component)



Results

With the IHS study, the client now clearly understands economic drivers such as cost factors behind upgrader location choices. It is now able to focus on the factors that can make a difference in attracting future midstream processing businesses.