

Can India Recover its \$2.5bn Oilsands Investment?

By Lauren Krugel
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CALGARY (CP) -- India's state-owned energy firm may be keen on making a C\$2.5-billion investment in Alberta's oilsands, but one analyst wonders how far that money will go.

"I think at the end of the day their challenge in deploying the C\$2.5 billion will be what makes their money any better than anyone else's money?" asked Barry Munro, an oil and gas analyst for Ernst & Young.

At an international energy conference in Madrid, Indian officials suggested they would be looking to Canada's enormous oilsands resource to feed the booming country's voracious appetite for energy.

But, in relative terms, C\$2.5 billion is not a large amount for an oilsands investment and there are a number of other challenges that might put a damper on any of India's oilsands ambitions, Munro said.

"From an organic perspective, lots of people have said that most of the good prospective lands have already been acquired," he said.

Another option could be to forge a partnership with an existing oilsands player _ in the same way EnCana Corp. [[NYSE:ECA](#) | [TSX:ECA](#)] and ConocoPhillips as well as Husky Energy Inc. [[TSX:HSE](#)] and BP linked up their production and refining operations.

But unlike ConocoPhillips and BP, though, a partnership with India's state-owned firm might be a tough-sell, Munro said.

"If you're an existing oilsands player and wanted a partner, you'd be looking for somebody who could bring some technology to the table because advancing technology seems to be a big thing," he said.

Companies like Husky and Petro-Canada [[TSX:PCA](#)] have peripheral oilsands properties that could potentially be scooped up by the Indian firm, but Munro points out that India passed up on two similar opportunities recently.

California-based Occidental Petroleum recently bought the Joslyn oilsands property from Enerplus Resources Fund [[NYSE:ERF](#) | [TSX:ERF.UN](#)] for C\$500 million.

And French oil giant Total is pursuing Synenco Energy Inc. [[TSX:SYN](#)] in a deal valued at C\$480 million. However, Total's takeover offer was extended on Friday after it failed to obtain enough shares before the deadline.

A company like Total is better able to compete in the oilsands game because it has experience handling heavy oil at its properties in Venezuela, Munro said.

"They actually brought some intellectual capital and know-how around heavy oil capabilities. I'm not sure that the Indians would have that," he said.

"I don't believe in the oilsands today money is the issue."

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