

THE BULLETIN



Rotary Club of Etobicoke

District Governor: **Brian Thompson**

RI President Gary C.K. Huang

Week February 18, 2015

Board 2014-2015

President: Mark Winson, Past President Michael Bell, President Elect: Jack Fleming, Secretary: Ron Miller,

Treasurer: Don Edwards

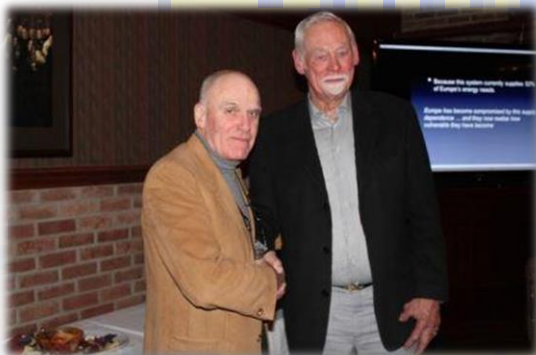
Directors: Donna Cansfield, Gregory Dobson, Gillian Dugas, Ingrid McGaughey, Frederik Martin, Kester Trim, Hugh Williams

February 25, 2015 – Speakers: Susan CHAMBERLAIN & Seana MASSEY – George Hull Center

Reporting: Ron Miller

Pictures: Ron Miller & Peter Dusek

BIG IDEAS FORUM (BIF) – Murray SMITH Oil a Global Business



Jack Fleming introduced Murray Smith. Murray was born in Fredericton (at an early age) and was raised in Montreal. He graduated from Bishop's University where he majored in Chemistry. Upon graduation he joined SUNOCO (now called Suncor) for 25 years and became a Vice-President in 1982. His last 12 years at Sunoco were spent directing the Petrochemical Division, where sales averaged \$250,000,000/year with 70% sold through Europe and Asia. Murray left Sunoco in 1986 and did consulting projects in the petroleum, gasoline, and petrochemical areas for 3 years. In 1989 – 1992 he formed SEAFORTH FUELS and arranged to import marine cargoes of gasoline and diesel fuel from Holland, Italy and Spain for resale to independent gas stations in Ontario. In 1992 – 2003 he supplied wholesale Canadian and

U.S. fuel, again through Seaforth Fuels, to independent Ontario gas stations. Murray retired in 2003. Murray has been married to Judy for 48 years and they have 2 children and 5 grandchildren. He loves international travel, history, fishing, demographics, and tennis.

Jack added that Murray and Judy were “good friends of Rotary”.

Murray began by saying that he has been “involved with oil all of his working life” and that “he loves it”. He said that he finds it “fascinating that most major events occurring around the world are tied to oil” such as the current situation in the Ukraine..

Between 1995 and 2012 the world consumes an average of 88 million barrels of oil per day with ¼ or 20 million barrels consumed in the United States (23%). However, the U.S. produced an average of 7 million barrels per day in that period. With “fracking” the production is now up to an average of 9 million barrels. In other words, the U.S. has to import 11 million barrels per day to meet its consumption needs. Europe (consumes 13 million barrels per day and produces only 6 million barrels per day) and China (consumes 11 million barrels per day and only produces 4 million barrels per day) are also “energy dependent”.

When sanctions were introduced at the UN Security Council against Iran, they were vetoed by Russia and China. China has given a lot of “favours” to maintain their “energy security”. Russia produces more oil than Saudi Arabia. With the price of oil down, Russia is “suffering”. The Ruble is down 40%. Sanctions against Russia “are working” but they will “not back down”. India is one of the “rising energy production”

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countries. In Canada, we export oil from Alberta and import oil on the east coast.\

Over 50 million years ago the climate of the world was much different. Here in Canada it was hot and humid with abundant plants and vegetation. The plant and vegetation become compressed during the ice ages and became coal. The oceans covered many parts of the country including Alberta. The marine shelled organisms when they were compressed became oil.

Murray stressed that “whether we like it or not” we are a “carbon based” economy and “oil is the most important commodity”. “No commodity is more immediately tied up with momentous world events than oil” (manufacturing; energy; transportation; heat, jobs, national security). 52% of the natural gas used in Europe comes from Russia, which is a big concern given the current situation in the Ukraine. If Putin turns off the gas supply to Europe it would be disastrous.

The 10 largest oil producing countries in the world are Russia, Saudi Arabia, United States, China, Canada, Iran, Iraq, UAE, Venezuela, and Mexico. The world’s largest oil reserves are found in Saudi Arabia, Canada, Iran, Iraq, Kuwait, Venezuela, Abu Dhabi, Russia, Libya, and Nigeria (Murray added that Nigeria has the “sweetest” oil in the world with the lowest sulphur content but has the “most corrupt government”). Canada has as much “proven” oil reserves as Saudi Arabia; however the oil in Canada is more expensive to get out.

At our current rate of consumption the top 10 oil producing countries will run out of fuel in 50 years. With the addition of reserves in countries like Brazil, Nigeria, the U.S., U.K., Mexico, Europe, etc. We get 65 years before supplies run dry.

Murray says he remembers when a barrel of oil from Suncor was \$2.50 to \$2.75 a barrel. A university student from Saudi Arabia studied in the U.S. and got his PhD. He did a study on “what price a barrel of oil would be before the largest market (the U.S.) would become nervous”.

He thought was that if oil hit \$16, the U.S. would turn more to coal and at \$25 to nuclear. On returning home the price of oil promptly jumped to

\$16. This was the beginning of OPEC in 1973. Murray noted that most of the oil today is “sold on the open seas”. A tankers filled with millions of barrels of oil may set sail in the Persian Gulf (or elsewhere) and speculators will bid on the cargo. If the price is too low the ship may dock and sit until it is more worthwhile. A \$4 dollar rise in the price of a barrel of oil could be the matter of millions of dollars.

Saudi Arabia has the lowest cost to produce oil at \$2-3 per barrel; the North Sea \$25-30; Gulf of Mexico \$25-30; Alberta Oil Sands \$25-35; Alberta & Texas (conventional) \$18-25. Murray added that with the price of oil what it is today, even with the added taxes, is “too high”. When the price was near \$100/barrel we probably should have only been paying around \$0.75 per liter. With every \$1.00 increase in the price of oil should in theory add 6/10 of cent to the price of gas. Gas prices vary around the world due to taxes, etc but some countries such as India have very low gas prices because they are subsidized by the government. India has spent almost a billion dollars to keep the price of gasoline affordable to the public who rely on it for transportation and livelihoods.

Coal is still the major resource in the U.S. and China. In the U.S. they will be building 30 new “coal fired” plants. In China they will be building 25 “coal fired” plants per year for 20 years or 500 new plants. China contributes 50% of the world’s CO2 and this can only get worse. The “BRIC” countries (Brazil, Russia, India, China) have a combined 2.8 billion population (40% of the world) with millions of “new first time car buyers”.

Murray wanted to mention oil’s “value added” contribution. When oil is refined you get gasoline, but you can also extract and refine into polyurethane resin which is used to make things such as pop/juice bottles, etc. However, in North America especially these bottles have become a “garbage problem”. He thinks that if a deposit was put on these bottles that this problem would virtually disappear. As well Murray added, that in since these products are “oil based” they give off heat when burned. In a “controlled environment” incinerator these bottles could be a source of heat for a steam generator that would generate electricity.

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Murray was asked to talk a little about “fracking”. One of the ways to extract oil is Hydraulic Fracking, which blast apart the rock formations underground using a high pressure mixture of water (95%), sand 4.5% and chemicals 0.5%. This process began in the 1950’s. In Canada there are approximately 40,000 “fracking” wells and almost 500,000 in the U.S. Opponents of the fracking procedure say that it will “endanger” the water table. Since fracking began in North America, “not one water aquifer has been contaminated”.

Murray ended by mentioning “oil pipelines and shipping oil by rail”. He mentioned the “Lac Megantic explosion”. The oil being shipped was Bakkan crude oil from North Dakota. It has a “Class 4 flammable ratio”, the highest ration which is similar to natural gas and methane. Other oils are not as volatile but still cause major problems when a train derails. There have been at least 3 derailments involving rail cars carrying oil in the past week or so. In 2015 it is estimated that 2.2 million barrels of oil will be shipped by rail. Transport by rail also is more expensive and requires more energy that by sending it by pipeline.

Jack thanked Murray for his “timely and very interesting” presentation.

“Pot Luck Dinner – Monday February 16th”



A total of 27 members, spouses and guests attended the Club’s first “Pot Luck” dinner last Monday at the Rotary Clubhouse. It was a fun “social” evening with an “amazing variety of delicious food” that was thoroughly enjoyed by all those who attended. Since this turned out to be “a great success”, It is hoped that we can make this an annual event.

Our guest of honour was Jim Woodside who in a few weeks will be celebrating his 80th birthday.

Linda Ryder remarked that “Jim was a very special man who came to our Club from another Club in Eastern Ontario” and that in his 80 years “Rotary had been a big part of his life”. Liz Read baked a beautiful birthday cake for Jim and everyone sang “Happy Birthday”.

Birthdays This Week



*Stephen MBONYE 22nd
Ingrid McGAUGHEY – Feb 23rd
Best wishes on your Happy Day ...*



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The dinner was also an occasion to present at Honorary Paul Harris Fellow to Judy Burnell. Lynda Ryder wanted to mention that in Judy's 14 years as a member of the Rotary Club of Etobicoke, she has "tirelessly worked for Rotary" and is "passionate about Rotary". President Mark presented Judy with her Paul Harris pin and DGE Michael presented her with the Paul Harris medallion. Judy's name was added to the Club's Honorary Paul Harris Fellows banner.



As well, DGE Michael presented President Mark with his Paul Harris +1 pin for Mark's contribution to the Rotary Foundation.



Visitors & Guests

Visitors and Guests:

- ✦ Murray Smith – speaker
- ✦ Judy Smith – Guest of Murray Smith
- ✦ Cyrus Mira – Guest of Paul Roeser

Attendance:

Members 10
Visitors & Guests - 03
Total - 13

Secretary's Announcements



Monday, February 23rd – Ribfest meeting –
6:00 pm – Rotary Clubhouse

Monday, March 9th – Board meeting – 6:00 pm
(food) 6:30 pm (meeting start)