# Oil sands optimization projects to increase production, even in lower price track of 2025

**June 17, 2025**

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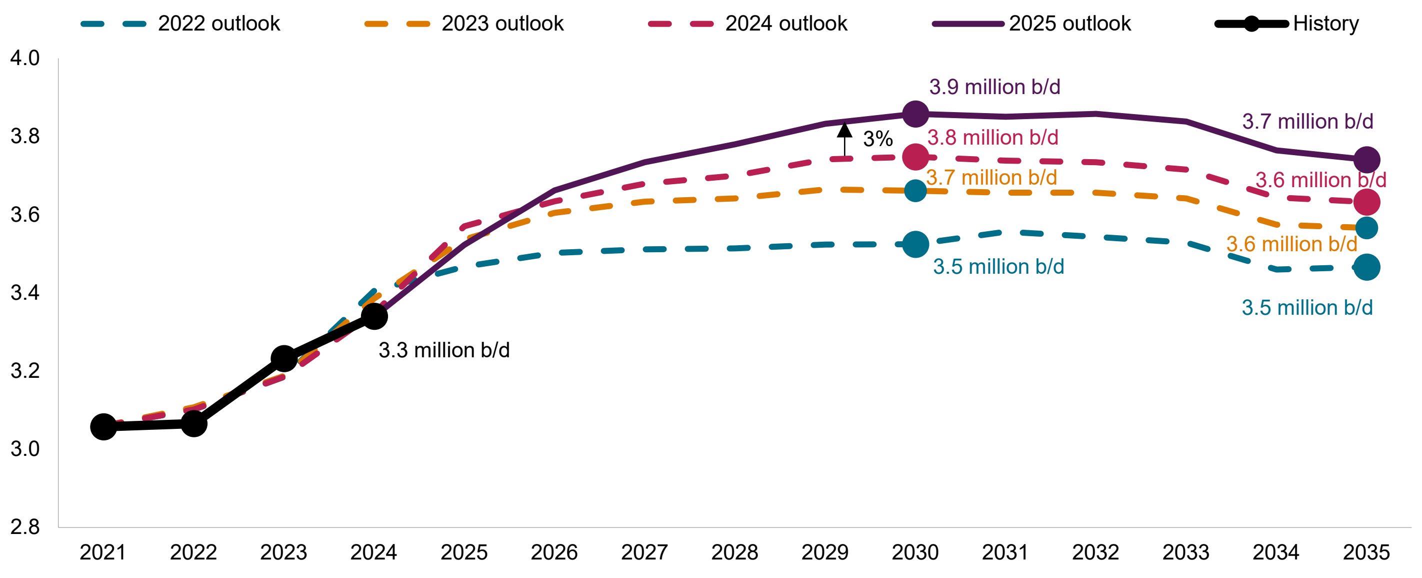
S&P Global Commodity Insights has revised up its annual outlook for Canadian oil sands production. Oil sands production, defined as synthetic crude oil (SCO) and undiluted bitumen, is expected to reach a record annual average production of 3.5 million b/d in 2025, 5% higher than 2024. By 2030, production could top 3.9 million b/d, 500,000 b/d higher than 2024 and 100,000 b/d higher than our outlook released in 2024.

**S&P Global Commodity Insights oil sands 10-year production outlook (million b/d)**



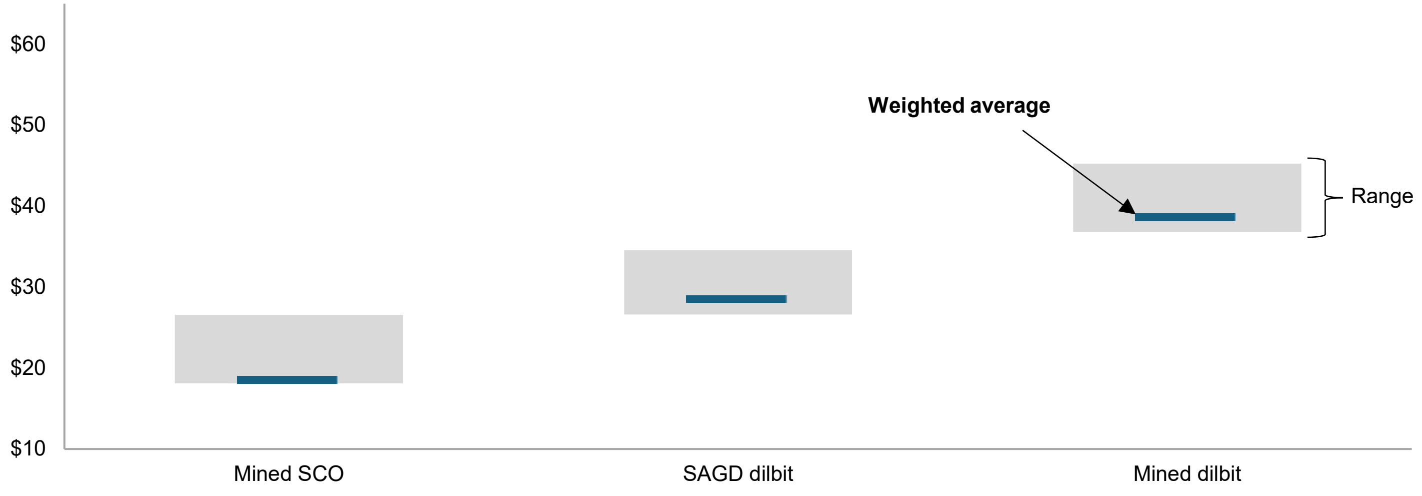

Data compiled April 20, 2025.
Source: S&P Global Commodity Insights.


This is the fourth consecutive upward revision to the oil sands annual outlook, which follows several years of downward revisions due to the impact of COVID-19. In fact, the current outlook is nearly aligned with our pre-COVID-19 oil sands growth expectations.

Optimization projects have dominated oil sands growth for nearly a decade. From 2019 to 2025, oil sands output is expected to increase by over 600,000 b/d, more than offsetting the heavy crude production decline in Latin America during this time. With more than 3.8 million b/d of existing installed capacity brought online between 2001 and 2017, companies are looking at ways to increase the productivity of existing assets — decreasing downtime and increasing throughput — and identifying debottlenecking opportunities.

One of the greatest misconceptions about oil sands continues to be the cost of supply. The challenge that oil sands producers face has always been the large up-front, out-of-pocket expenditure over multiple years required to bring new projects online. However, that is not the cost structure required to continue to maintain and even optimize existing production. In 2025, we estimate that the half-cycle breakeven for oil sands ranged from US$18/b to US$45/b on a West Texas Intermediate (WTI) basis. Half-cycle break-even cost includes operating cost, the cost to purchase diluent (if needed), as well as an adjustment to enable a comparison to WTI — specifically, the cost of transport to Cushing, Oklahoma and quality differential between heavy and light oil. The cost range spans steam-assisted gravity drainage (SAGD) facilities, integrated mines that market SCO (mined SCO) and unintegrated mines that market diluted bitumen. We estimate the overall average breakeven at US$27/b in 2025.

**Oil sands half-cycle break-even cost in 2024 ($/b, WTI basis)**




As of May 15, 2025.

Half-cycle break-even cost includes operating cost, the cost to purchase diluent (if needed) and an adjustment to enable a comparison to WTI. The adjustment includes the cost of transportation to Cushing, Oklahoma and a quality differential between heavy and light oil. This adjustment can be up to 20% of the half-cycle breakeven. For mined SCO, the adjustment may be positive (SCO is a premium to WTI) at times.

Source: S&P Global Commodity Insights.



The particularly challenging nature of forecasting optimizations has resulted in upward revisions to the outlook. This method of increasing output is relatively limited to large-scale operations, such as in the offshore or oil sands. The optimization projects are also often the result of learning by doing or emerge organically and are often much more focused on the short term, making longer-term outlook forecasting more difficult. As a result, we continue to see upside risk to our outlook as the potential for additional optimizations remains.

We do see downside risk associated with the lower price path that has emerged in 2025. Oil sands production, however, has proven capable of withstanding extreme price volatility in the past, which has been far greater than what we expect might result from the current Canada-US trade exchanges. Moreover, because optimizations often contribute to efficiency gains, many companies would likely see them through to completion, even in a more challenging price environment. For oil sands output to be impacted, prices would likely have to fall well below US$40/b WTI and remain there for a protracted period. At this price, we would also expect more pronounced reductions in US tight oil and other key sources of supply.

Other important risks remain, including the adequacy of pipeline export capacity. With even more production growth expected, without further incremental pipeline capacity, export constraints have the potential to reemerge as early as next year. Should this occur, western Canadian prices could be negatively impacted, leading to slower and lower growth than we currently anticipate.

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