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2008 – A year of great uncertainty not only in our Industry but also globally. The USA will elect a new President. This in itself is likely to have as great of an effect on the global happenings as any other single factor. The front running candidates have certainly moved their ideology away from the current administration and in either case a much greater emphasis will be placed upon the environment and climate warming as a whole. This to some degree runs against their energy security concerns. Canada has moved into the number one position of supplying oil to the USA and primarily this comes from the likes of the Oil Sands. Politicians even now look to enact legislation that will trace GHG's right up the energy supply chain to its source.

Economist Peter Tertzakian's report for Arc Financial Corp writes the following under the title of Tough Decisions:

*Rising Canadian oil sands exports into the US market is a trend that is going to create increasing political tension over the next few years, starting very shortly. The core issue is that the goals of continental energy security and that of the environment are not aligned. And the misalignment is going to widen.*

*Greenhouse gas legislation is brewing across Canada and the US at Federal, Provincial and State levels. None of the proposed legislation appears harmonized, and none addresses the issue of energy security in any pragmatic way.*

*Within the next few months Canada's federal government is expected to unveil its carbon mitigation policy proposals. Provincial leaders across the country are jostling to implement plans of their own. Big industrial emitters associated with the oil sands will be right at the center of the governments' legislative crosshairs.*

*More stringent GHG legislation is also inevitable in the United States, both at the State and Federal levels. For example, proposed "Low Carbon Fuel Standard (LCFS)" legislation in California will trace GHG emissions right up the energy supply chain to its source, imposing burdens on 'dirty' fuels like the oil sands. Many other States are supportive of the California plan championed by Governor Arnold Schwarzenegger. And popular presidential hopefuls Barack Obama and John McCain have publicly endorsed Governor Schwarzenegger's framework too.*

*In 2007, the forces of government policy affected the Canadian oil and gas industry more than the unknowns and volatility relating to commodity prices. Alberta's conventional oil patch was hit especially hard with the royalty review.*

*This year, 2008, government's policies will once again be a big unknown force that will affect the way Canada's oil patch operates, competes and performs in the future. In other words, stakeholders in Canada's oil and gas industry (which is pretty much everyone in the country) need to get used to the idea that policy will be more important to follow than price.*

*From the public's point of view the fascination with energy to this point has mostly been focused on milestones round-numbers like a \$100-a-barrel. Acting on climate change, dealing with rising fuel prices and addressing energy security concerns has mostly been limited to heated public debate, circular arguments on radio talk shows, and a flurry of unrealistic policy papers. Increasingly, the public and the politicians that lead us face tough choices ahead as it becomes more and more difficult to balance the three rapidly diverging issues of energy: affordability, security and environmental stewardship.*

Stelmach in a recent trip to Washington was quoted in the DOB (Jan 17, 2008) as follows:

*"There's a myth out there that oilsands production comes at too high an environmental cost," Stelmach said. "This myth has gained some traction here in the U.S. "There are ongoing attempts in some quarters of this country to slow down or even stop oilsands development. Those attempts don't reflect reality and they don't make sense." Even worse, the premier added, it could "jeopardize this country's energy security at a time when Asian markets are clamoring for oil."*

*"Look at climate change initiatives like California's low carbon fuel standard, for example," Stelmach said. "If it's not designed to focus environmentally friendly investment at the point of production, it will penalize energy imports from Alberta... and encourage energy imports from less stable and less environmentally responsible offshore producers." That, he added, doesn't serve the energy or environmental interests of either country, adding that Alberta does not proceed with development at the expense of the environment.*

*"Unlike most oil producing regions, Alberta's oilsands are concentrated near the Earth's surface," Stelmach said. "This can put greater pressures on the environment as contaminants are picked up naturally through waterways and enter the ecosystem. This is a natural process that cannot be reversed. "Nor can it be credited to oilsands development. Our government works closely with industry to ensure that air, land and water quality remain as high as possible." So far, oilsands projects have reduced their carbon dioxide emissions intensity by up to 45% since 1990 and work continues to reduce it even further, he added.*

We generally associate geopolitics with events like tensions in the Middle East. This year geopolitics comes home to roost.

From the Thursday Files:

*What we see depends mainly on what we look for.*

***John Lubbock***