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How the world has changed in a year and especially here in Alberta. The price of natural gas has remained soft whereas the price of oil has strengthened comparatively. It was first reflected in the media in the fall of 2009 with the reporting of imminent surpassing by Oil Royalty revenues of Natural Gas Royalty revenues. CAPP launched a strong Public Relations for the OilSands through 2010. Interestingly enough this was paralleled with a similar approach by the Provincial Government and Stelmach in particular.

Foreign investment continues to pour into the OilSands. Asia is particularly interested with investment from China, Japan and South Korea however Europe is there too with Norway, France and the Netherlands. Coupled with some of the largest companies in North America the stakes are becoming particularly high.

An all-out economic boom that contributed to high energy prices was deflated almost overnight in the fall of 2008. This coupled with the ensuing fallout of the world economy was the perfect storm for environmentalists. The western world was flush with affluence and cash. There was strong belief in a positive future and living on debt was acceptable – in fact it was necessary to ensure the economic engine continued. It allowed the public to focus their negative energy on the Oil and Gas Industry – high prices at the pump and to heat your home; record profits for the Industry; and a feeling that conservation and prices are not mutually exclusive. Thus the push for “green” was born and as the world tumbled in economic chaos, the fall off of demand for energy further backed the perception that the world could do without oil from the OilSands.

Here we are two years later from the precipice and attitudes have dramatically changed. On Nov. 2 California will vote on Proposition 23, which would put on hold the state's law that sets economy-wide limits on greenhouse gases. The law would be back into force when unemployment, now over 12%, hits 5.5% for four quarters, a process expected to take years. "If it passes I think it is a setback for this clean energy future we've been talking about that is as significant as the failure to produce comprehensive energy and climate legislation in the Congress," said John Podesta, head of the Center for American Progress think-tank. Manufacturers say they can barely survive now and higher energy prices will only make things worse. The state has lost a third of its manufacturing jobs in the last nine years, down to 1.3 million, and clean-tech manufacturing facilities are not making up for the losses, said Gino DiCaro, spokesman for the California Manufacturers and Technology Association. Californians tend to see environmental regulation and economic growth as compatible, polls show, but they are also petrified about the economy in California, which faces a \$20-billion budget hole.

Here in Alberta the Stelmach Government has made strides through measures such as its Alberta Competitiveness Review focusing on fiscal changes; the Enhanced Approval Process for the Oil and Gas Industry; and the Regulatory Enhancement Process with considerations of a single regulator. These are enormous policy shifts considering the Royalty Review back in 2007. But by no means is everything rosy. The Land Use Secretariat was created out of that perfect storm in 2008. Its legislation here in Alberta trumps all other Provincial departments. The first real Land Use Regional Plan is coming

out now for the Lower Athabasca – the NE area of Alberta including the OilSands area plus the portion of the Canadian Shield that exists in Alberta. Coupled with that idea is a 20 to 32 % target for conservation areas – in essence no-go zones for any type of Industry. The trade-offs between Industry’s will be enormously complex and dangerous. Forestry, Mining and Oil and Gas will be pushed into a competing land regime. The greater risk on an overall basis is that this is the first area of Province to go down this path. The other areas will likely follow in this precedent.

Much of the current policy thrust points to a lack of interest in Natural Gas by the Stelmach Government. Very little focus is left on this commodity in Alberta. The Shale plays in BC and the USA have caused a glut in the market and softened the commodity price. Kyoto policies have had some success in various places in the world but green energy has largely been subsidized (i.e. California) and at some point must be pushed back into the free market economy to price. The risk here is the full energy cost structures the consumers would ultimately have to pay – therefore political risk. Copenhagen was almost a failure in furthering the climate change agenda. The USA has stalled – Obama used most of his political capital to push through Health Care reforms. The appetite for Climate Change reform given the poor economic situation in the USA has largely faltered for the time being. Despite all of this the easiest change is to move away from coal fired plants to natural gas plants for electricity. Here in Alberta that would help on a couple of fronts – climate change and the demand side for natural gas. Despite interest by our Federal Government we have seen no interest by the Provincial Government.

While environmentalists increasingly call for renewable sources of energy to replace fossil fuels, a meeting of world energy leaders recently heard that the oil age isn't going away any time soon. As a group protested the world's reliance on fossil fuels outside, the top executives of two of the world's largest petroleum companies told the **World Energy Congress** in Montreal that oil, natural gas and coal will continue to be the stalwarts of the energy mix as it will be decades before alternative and renewable fuels are of scale to meet increased global demand. But to be able to meet the challenge of increasing energy demand - fuelled by growing prosperity in emerging economies - proper incentives and the right environment to attract investments in the sector are a must, the speakers said. In a speech focused on championing the increased use of natural gas as a bridge fuel to meet greenhouse gas reduction targets in the future, **Royal Dutch Shell Plc** Chief Executive Officer **Peter Voser** said world demand for natural gas could rise by 25% by 2020, and nearly 50% by 2030.

Bill Gwozd of Ziff Energy Group still calls Arctic gas – including the Mackenzie Delta and Alaskan varieties – a pillar of the North American Energy Outlook. Geology is drawing high-intensity shale gas operations into densely populated regions such as the northeastern U.S. and the Atlantic seaboard, where touchy cultural forces are potent. NIMTO (not-in-my-term-of-office); NIMBY (not-in-my-back-yard); and BANANA (build-absolutely-nothing-anywhere-near-anything). The bottom line for gas development is clear. Gwozd suggests, “Putting all your eggs in one basket is not appropriate. You’ve got to spread them around. Things that people thought would never happen have happened. You have to have different sources of supply.”

From the Thursday Files

*Your first encounter of the day has a more direct bearing on your attitude for that day than your next five encounters.*

**- Zig Ziglar**