

Colleen Mitchell, President
Atlantica Centre for Energy
27 Wellington Row
Saint John, NB E2L 3H4

SUBMISSION TO THE HOUSE OF COMMONS

STANDING COMMITTEE ON NATURAL RESOURCES

MARCH 4, 2014

The Cross-Canada Benefits of Developing the Oil and Gas Sectors of the Energy Industry

INTRODUCTION

Good Morning Mr. Benoit, Chair, and Members of the Standing Committee on Natural Resources

INTRODUCTION

Thank you for the opportunity to address this committee and assist in supplying information on the benefits of developing the oil and gas sectors – specifically as it applies to Atlantic Canada.

THE ATLANTICA CENTRE FOR ENERGY

The Atlantica Centre for Energy serves as a bridge for government, the education and research sectors, and the community at large to foster partnerships and engage in energy-related issues.

I would like to point out that we represent a cross section of organizations involved in the energy sector, and not just users or producers of energy.

REGIONAL ECONOMIC SUMMARY

ECONOMIC PICTURE OF ATLANTIC CANADA – IN CONTEXT:

The Bank of Canada stated last month the Atlantic Economy is still moving “sideways” from the 2008 recession. Five years later the gap between Atlantic Canada and the rest of Canada remains significant.

Interprovincial migration -the loss from Atlantic Canada to other parts of Canada- was approaching the worst in history.

Interprovincial employees (those that remain residents of one province, yet work in another province, e.g. 2weeks on – 2-weeks off) remains over 400,000. In a country with our relatively small population, that is a staggering number.

The Atlantic Provinces Economic Council reported New Brunswick had zero economic growth in 2013 and the 2014 forecast GDP growth is a mere 0.9%. The New Brunswick economy has had the worst GDP growth in Canada since 2008.

Development of key oil and gas projects identified here have the potential to reverse this economic trend.

WEST-EAST CRUDE OIL PIPELINE (ENERGY EAST PROJECT)

There exists an infrastructure challenge where eastern Canadian refineries rely on imported foreign crude oil due to inaccessible western Canadian Crude oil - which can not realize its full value due to lack of infrastructure to transport it to refineries.

TransCanada Pipelines has proposed to connect this stranded crude oil to eastern refineries in a project that will add \$35.3 billion in GDP, an economic benefit to the entire country. This project is of such significance that if it proceeds to completion will have a profound impact on the Atlantic Region.

This project extends existing pipelines from Alberta to New Brunswick; an Export Crude Oil Terminal in Saint John, NB; and Refinery Upgrades in Quebec and New Brunswick, plus electrical power plants, pumping stations, and storage tanks.

A study by Deloitte estimates the economic impact to New Brunswick alone at \$2.8 billion GDP during construction.

Tax revenue to the New Brunswick government includes \$266 million during development and construction; and \$428 million during operations.

ENERGY EAST

A long-term, stable supply of domestic crude oil to eastern refineries saves up to \$11.50 per barrel (equaling \$377 million per 100,000 bpd).

Eastern refineries may also invest to increase the flexibility for processing the crude oil. For example, \$2 billion is the low-end estimate required for coking capacity of 100,000 bpd.

The region has the potential to become a global center of energy; it will have:

A supply source; production; movement; value-added, regional use and export.

NATURAL GAS

NATURAL GAS

According to the International Energy Agency (IEA), the United States has become the largest producer of natural gas in the world. From almost zero production ten years ago to almost one-half of their energy supply coming from natural gas – mostly shale formations.

APEC notes the United States has had a 518% increase in shale gas production from 2007 to 2011 and has led to full-employment in North Dakota.

Canada, the third largest producer of natural gas, lags far behind the United States and Russia. **This presents an opportunity in Atlantic Canada to further develop natural gas from shale formations – just as other regions have done so.**

ATLANTIC SUPPLY

Offshore NS and NL have become important in the overall Canadian context. And the potential for onshore natural gas is apparent.

NATURAL GAS

Natural gas production has been brought back to NB over the past decade with proven and probable reserves to 70 tcf, ten percent of Canadian identified sources (in context: all of Canada uses 5 tcf each year).

The province has seen renewed activity in part attributable to the development of pipeline and related infrastructure, which provides producers with access to markets. Note that large infrastructure is required in this industry to harness the benefits of the natural resource.

While early results have been encouraging, current production levels remain insignificant by national standards.

The benefits of developing domestic supply in New Brunswick include creating a stable, long term supply of gas and lower tolling fees for local manufacturing, industry and residential users, creates an opportunity for export, balances Atlantic energy requirements...And provides a significant source of royalty and taxation revenue to government.

Nova Scotia has foreign investment potential for proposed export terminals for Natural gas. And in New Brunswick, the Repsol-Irving Oil owned LNG import terminal now has an export permit – but requires a source of supply.

NATURAL GAS

DEVELOPMENT OF NATURAL GAS IN NEW BRUNSWICK

The development of natural gas in New Brunswick presents strong economic benefits in a variety of ways, many of which compliment activities the province is already engaged in.

The economic impact of developing an indigenous supply of natural gas in New Brunswick includes (Per Well):

\$21 million direct, indirect and induced.

Direct GDP of \$4.5 million

Royalties in Saskatchewan from the oil and gas sector roughly equate New Brunswick equalization payments. Once developed, natural gas royalties in New Brunswick could transform the balance sheet of the province.

REGIONAL COMPETITIVENESS

REGIONAL COMPETITIVENESS

Industry located in Atlantic Canada must be able to operate in a cost competitive structure. This is important for the suppliers of energy as well as the users of energy.

Industry can not continue to absorb price spikes or shortages of supply. Solutions to supply bottlenecks in the Boston market must be resolved, as they were for the New York market. Atlantic Canada, being part of this supply/demand network is tied into these volatile price swings.

The current situation is not sustainable.

A stable supply of cost-competitive natural gas benefits large and small businesses, electrical utilities, residential users, and government revenue streams.

NEW INITIATIVES

NEW INITIATIVES – INNOVATION:

On the horizon, Atlantic Hydrogen and Emera are developing “Carbon Saver” technology that could be transformational.

New Brunswick Power, Siemens and the University of New Brunswick are developing Smart Grid technology for balancing power grids.

Regional companies such as Fundy Engineering, Stantec, exp and others are developing engineered solutions to challenges in the oil and gas industry.

Other projects in this region include:

Tidal – development of the best tidal resource in the world

Maritime Link - \$1.9 billion energy project

Hydro, Wind

Plus ongoing investments such as the \$60 million Irving Oil refinery maintenance project.

With the development of these projects, valuable energy becomes available for export and may stabilize energy prices for mining, refining, and manufacturers as they compete on the world stage.

SUMMARY

SUMMARY

Oil and gas have a major influence on this region directly impacting GDP. NS and NL have strong oil and gas offshore developments.

NB has flat GDP growth, with the potential for growth on the horizon if two key initiatives can get off the ground, namely the Energy East project and the development of its natural gas reserves.

Canada's oil and gas sector can continue to be a major source of economic benefit across the country. To maximize the price of our oil and gas resources, Canada needs to have infrastructure in place to get its oil and gas to domestic and foreign markets.

SOURCES

CREDITS TO SOURCES

BANK OF CANADA

EMERA

DELOITTE

DEPARTMENT OF ENERGY AND MINES – NEW BRUNSWICK

DEPARTMENT OF ENERGY – NOVA SCOTIA

STANTEC

FUNDY ENGINEERING

ATLANTIC PROVINCES ECONOMIC COUNCIL

CANADIAN ASSOCIATION OF PETROLEUM PRODUCERS

STATISTICS CANADA

CANADIAN ENERGY RESEARCH INSTITUTE (CERI)

CONTACT INFORMATION

CONTACT INFORMATION

Atlantica Centre for Energy



Colleen Mitchell, President

Atlantica Centre for Energy

27 Wellington Row

Saint John, NB E2L 3H4

506.674.9439

Colleen.Mitchell@AtlanticaEnergy.org

AtlanticaEnergy.org

