

Alberta Natural Gas and Conventional Oil Investment Competitiveness Study Oil & Gas Sector Breakfast Meeting

October 1, 2009 7:30- 9:30 am

Meeting Notes

Meeting Information

Subject/Title:	Oil & Gas Sector Breakfast Meeting		
Date/Time:	October 1, 2009 7:30-9:30 am	Location:	Viking Room, Petroleum Club, Calgary

Meeting Participants

Oil & Gas Sector

Pierre Alvarez, VP Corporate Relations, Nexen
 Paul Arnott, Vice President & General Manager, EOG Resources Canada
 Randy Broiles, Board of Directors, Senior Vice President, Resources Division, Imperial Oil
 Dave Collyer, President, CAPP
 Logan Craig, Vice President of Accounting and Controller, EOG Resources Canada
 Joe Farley, Senior Vice President & COO, Quicksilver Resources Canada
 Mike Gatens, CEO, Unconventional Gas Resources
 Max Feldman Sr., Sr. Vice-President, Canadian & Eastern U.S. Pipelines, TransCanada
 Mike Graham, Executive Vice President & President Canadian Foothills Division, Encana
 Craig Hansen, President & CEO, Zargon Energy Trust
 Lowell Jackson, President & CEO, WestFire Energy
 Leslie Kende, Vice President Engineering, Vero Energy
 Gordon Kerr, President & CEO, Enerplus Resources Fund
 Steve Laut, President & CEO, Canadian Natural Resources
 Gary Leach, Executive Director, SEPAC
 Dave MacInnes, Manager - Policy, Government & Public Affairs, Chevron Canada
 Bill Matheson, President & CEO, Result Energy
 Randy McLeod, COO, BP Canada
 Lorraine Mitchelmore, VP, Shell Canada
 Rob Morgan, COO Upstream, Harvest Energy Trust
 Sue Ridell Rose, President & CEO, Paramount Energy Trust
 Bob Rosine, President, Mancal Energy
 Chris Seasons, Senior VP, Canadian Division, Devon Canada
 Bob Shepherd, VP Development Engineering, Penn West Energy Trust
 Neil Smith, VP Engineering and Business Development, Crescent Point Energy
 Paul Smith, EVP, Talisman
 Myron Stadnyk, President, ARC Resources
 Greg Stringham, VP Oil Sands & Markets, CAPP
 Steve Sugianto, President, Galleon Energy
 Jim Surbey, VP Corporate Development, Birchcliff Energy
 Jeff Tonken, President & CEO, Birchcliff Energy
 Andrew Wiswell, President & CEO, NAL Oil & Gas Trust
 John Wright, President & CEO, Petrobank Energy & Resources

Industry Advisors

Roger Thomas, Oil & Gas Sector Advisor

Department of Energy

Peter Watson, Deputy Minister
David Breakwell, Assistant Deputy Minister, Energy Policy and Research Division
Barry Rodgers, Executive Director, Economics and Markets

Sierra Systems

Brian Manning, Executive Lead
Kavita Sharma, Stakeholder Lead
Tania DeSilva, Consultant
Michelle Dodds, Consultant

Notes

Presentation

The following notes are a summary of the discussion portion of the Oil & Gas Sector Breakfast Meeting. Participants were welcomed by Peter Watson, Deputy Minister of the Department of Energy and made a presentation (slides attached). Roger Thomas then facilitated the discussion portion of the meeting.

Stakeholder Engagement

- Participants wanted to know what the draft outline will be for the final report; however, this has not yet been determined and should be discussed in the focus groups. There was concern that there may be proposed royalty alternatives in the report, and it was clarified that this is not the case.
- After seeing the aggressive project timelines, participants emphasized that because we have the opportunity right now to do this report correctly that we should take the time to do so and if more time is needed then it should be taken.
- As the project progresses, public awareness will be needed. Communication will be very important.
- There are several other government initiatives occurring simultaneously (Mature Oilfield Review, SRD LandUse Framework), all of these initiatives will affect competitiveness. The government says that they are trying to align all the initiatives.
- Some consultation with other levels of the government is necessary (municipalities and federal).

Competitiveness Factors

- Despite the need for long term sustainability, in the short term, participants felt that there should be some sort of play type incentive program, as a one-off, to help broaden the scope.
- Other factors that should be taken into account are: infrastructure, regulatory systems and labor.

Data Collection

- There were comments that it is important to include global data in the study to get a comprehensive picture of Alberta's investment competitiveness.

Views on Alberta's Competitiveness and the Future

- Some participants put forth a perspective that Alberta is not competitive presently and that new technologies will be key to making the province more competitive. Regulations in Alberta have changed frequently, therefore there is no stability. An example was given as to the state of the oil industry in Saskatchewan in the 1980's where royalties were lowered for new technologies, and the government changed regulations where industry responded positively. The Alberta government needs to support new technologies. The role of technology will be a measure of competitiveness.
- To be competitive participants agreed that there needs to be better public understanding of the industry and its challenges. How will that be achieved?
- The real question is "How can Alberta be more competitive?"
- Comment was made that Government must not be on the defensive. Energy is the driver of the province; focus should be on industry and jobs to stimulate the economy and energy's contribution to that.
- Comment was made that during the investment competitiveness study, we need to look at our history of when we were competitive, before we look at the future. How were we so successful then? Look at lessons learned.
- Comment was made that we need to have a plan in place to help companies have confidence and stability regardless of the price of gas. There needs to be a flexible plan that will work with the cyclical nature of the industry, being mindful of environmental factors without changing fiscal policies.

Competitors/Jurisdictions

- There is a need to be very attentive to what is happening with Shale Gas and the technology surrounding it. 2012 may be too late to take advantage of shale gas. It will be important to know what type of data to collect/ what metrics to be used to compare with shale gas. We need to get onto the "shale boat."
- Comment was made that capital is flowing more interchangeably right now globally more than in North America.
- Current study is looking at data from British Columbia, Saskatchewan and the lower U.S. Global data should also be analyzed, especially in the U.S., but also beyond North America.
- Small producers can't compete globally, so it is useful to have North American indicators. Some small producer companies reaffirmed their commitment to Alberta.

Measures of Success

- Measures of success according to government include creating a common understanding of the critical factors that lead to long term sustainability. A set of core indicators need to be identified that will ensure the industry is stable/sustainable/profitable. To get there it is essential to have the right people with the right skills and the right infrastructure.
- Labour, skills, transportation, a regulatory and fiscal system are all indicators of how we will know we are successful.
- For the government to know when Alberta is competitive, it needs to work with the various stakeholders to determine the criteria.

Challenges for the Investment Competitiveness Study

- There has been a loss of investor confidence in the stability of the Alberta market and it is critical to engage the financial community. There is a perception of political risk. There have been five changes in two years regarding regulatory framework around the oil and gas industry.

- Need for public awareness.
- Alberta cannot be reactionary; need to have a long-term plan.
- Communications are critical during this study and any future work. Clear and consistent messaging needs to be communicated within government, industry, and the general public. This is an opportunity to create a common understanding about the investment competitiveness of the industry.