Offshore Oil and Gas Developments: Prospects for Sustainable Community Life

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A dangerous environment

The Tar Sands

- The demands of the tar sands originate in the unstable, shifting politics and economics of world energy, in the investment strategies of the international petroleum industry, and in the policies of our own governments. Such demands have little in common with the needs of those most likely to be affected by development, and they have little to do with the best interests of Albertans and other Canadians in deriving the maximum benefit from the use of their exhaustible resources (Larry Pratt, *The Tar Sands*, 1976).

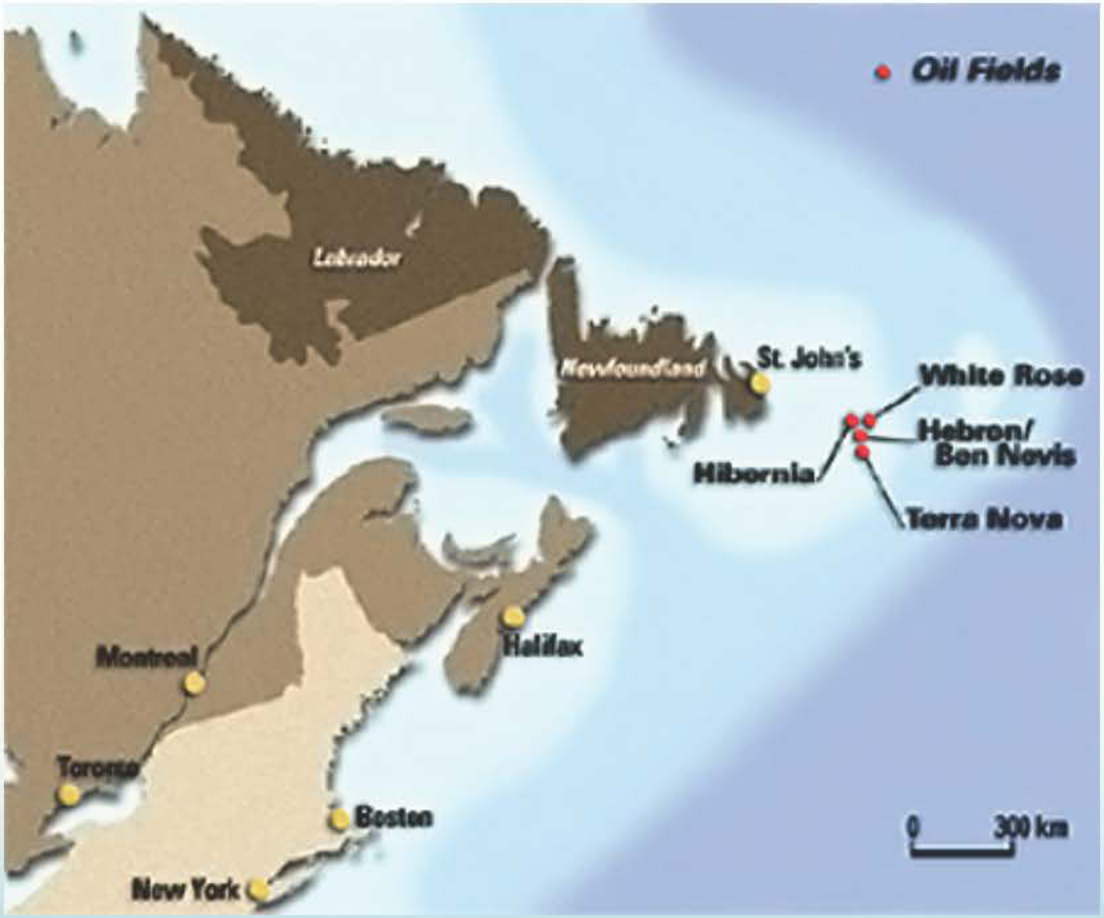
What is community?

- **Community** refers loosely to groups of people who have some joint interest or values.
- Often used as place of residence as I will here.
- The idea that a community shares common values and ways of behaving is misleading when applied to localities.

What is sustainability?

- It can mean that conditions of human life or of the environment are maintained with minimal changes over time. However, it is rarely the case that all aspects of community and environment can be sustained.
- Community sustainability to me simply means that people live in a particular location indefinitely.
- This does not mean that social institutions and cultures have to remain the same.

Nfld. & Labrador oil fields



Hibernia 1979-1997

- Slow pace from discovery to first oil.
- Federal-provincial struggle for control > Atlantic Accord 1985.
- Canada-Newfoundland Offshore Petroleum Board.
- Price decline.
- Gravity-based fixed or floating platform. Provincial subsidy of $1 billion for the former. Minimal revenue to the province.
- Gulf withdraws in 1992.
- First production in 1997

It's a tough place to work

Hebron background

- Discovered 1981 but heavy, expensive oil. 730+ million barrels.
- By 2000 Chevron agrees to lead a consortium to develop the field.
- Shelved in 2002 after more studies and revived in 2005 as oil prices surge.
- But the provincial government pushes for changes.

Danny Williams

Nationalist, authoritarian populist. Not the average Conservative.

“The biggest thing that we had to change when we came into government was the psyche of Newfoundlanders and Labradorians. We wanted to make sure that they felt very positive about themselves and had self-confidence, that we're as good as the rest of Canadians. It's about earning respect and I think we're getting that. ”

Not overawed by corporations or the federal government, but initially appeared defeated.

Chevron quits - 2006

- In April 2006, Chevron abandoned the project and broke up its development team.
- Key problem was the request for a 10% equity stake, later reduced to 4.9%.
- Super royalty request when oil prices are over $50.
- Williams claimed that Chevron was pushing for large tax concessions.

NL stands firm

- ExxonMobil identified as the difficult partner.
- Williams offered to buy out its share.
- No federal support for fallow field legislation.

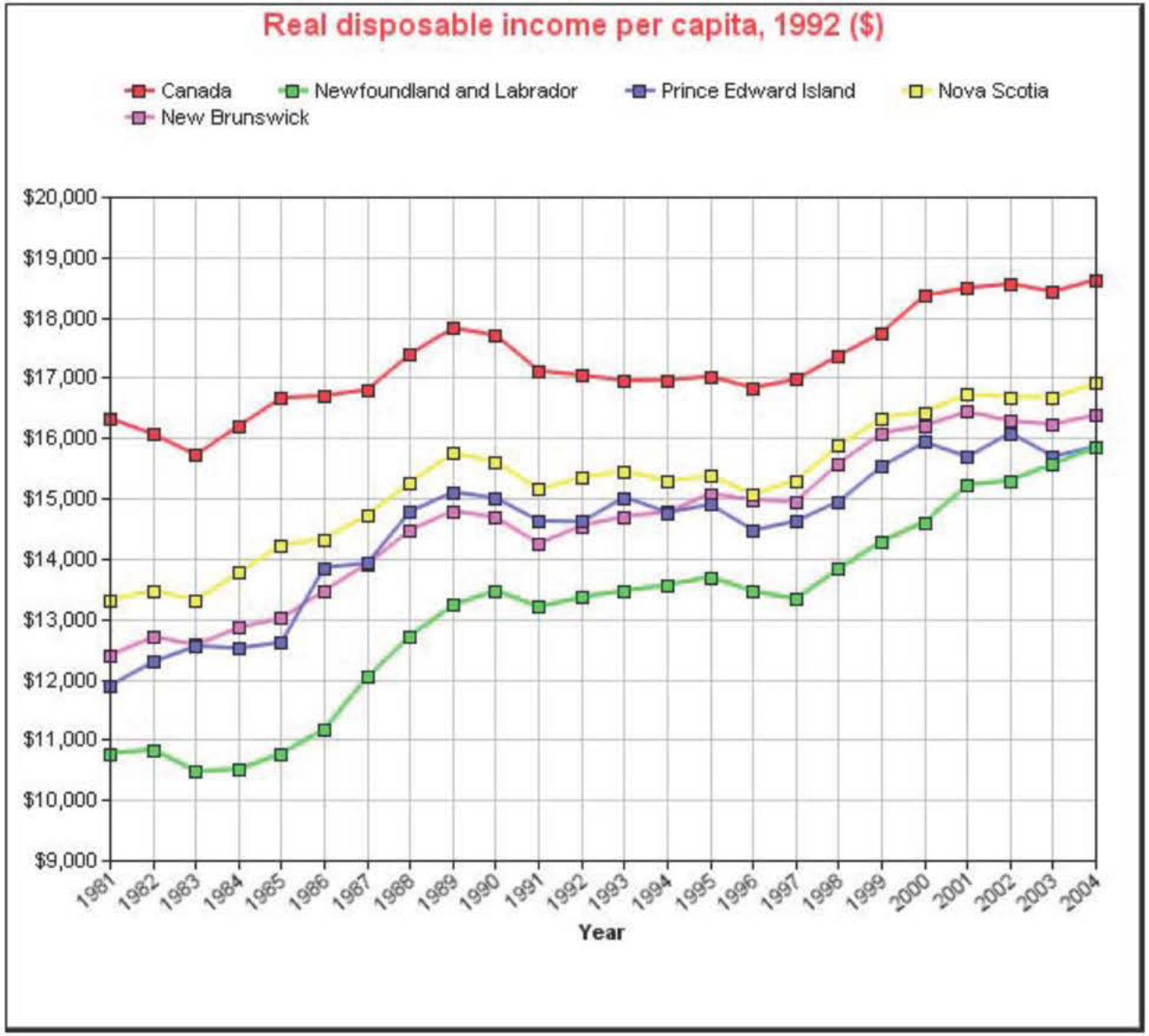
  - “The fact that the prime minister is not supporting me on the whole fallow field exercise and legislation, the only explanation I can see is obviously he's a supporter of big oil... And if he wants to be a big buddy to big oil, that's for him to decide.”

Chevron returns

- Prices rose, and by June 2007 informal talks were underway again.
- In August, Williams announced an agreement that included an investment of $110 million to secure 4.9% of the equity.
- No tax break, but NL added $10 million to its equity stake and reduced the super royalty rate by 0.5 percent.
- The project should produce about $16 billion for NL over a 25-year period.

Conditions for success

- World supply is tight & thus competition for oil is high.
- Much oil is in politically volatile areas.
- The investment is safe for Newfoundland & Labrador.
- Long-term benefit requires astute reinvestment of royalties and debt reduction.
- [Companies] are always motivated by their ability to make a profit on a project and I think they believe that they can make a good profit from Hebron, while still meeting the demands that the province has. So it's basically, sort of, a regular business decision for them (interview).


Real disposable income per capita, 1992 ($)
Canada
Newfoundland and Labrador
Prince Edward Island
Nova Scotia
New Brunswick
$20,000
$19,000
$18,000
$17,000
$16,000
$15,000
$14,000
$13,000
$12,000
$11,000
$10,000
$9,000
1981
1982
1983
1984
1985
1986
1987
1988
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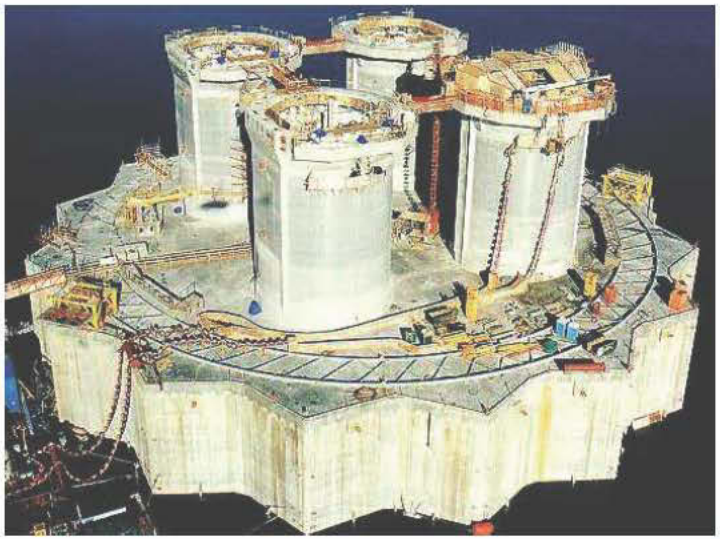
1999
2000
2001
2002
2003
2004
Year

Hibernia Construction



The topsides at Bull Arm.

Bull Arm (A) & Sunnyside (B)

Unequal negotiation at Bull Arm

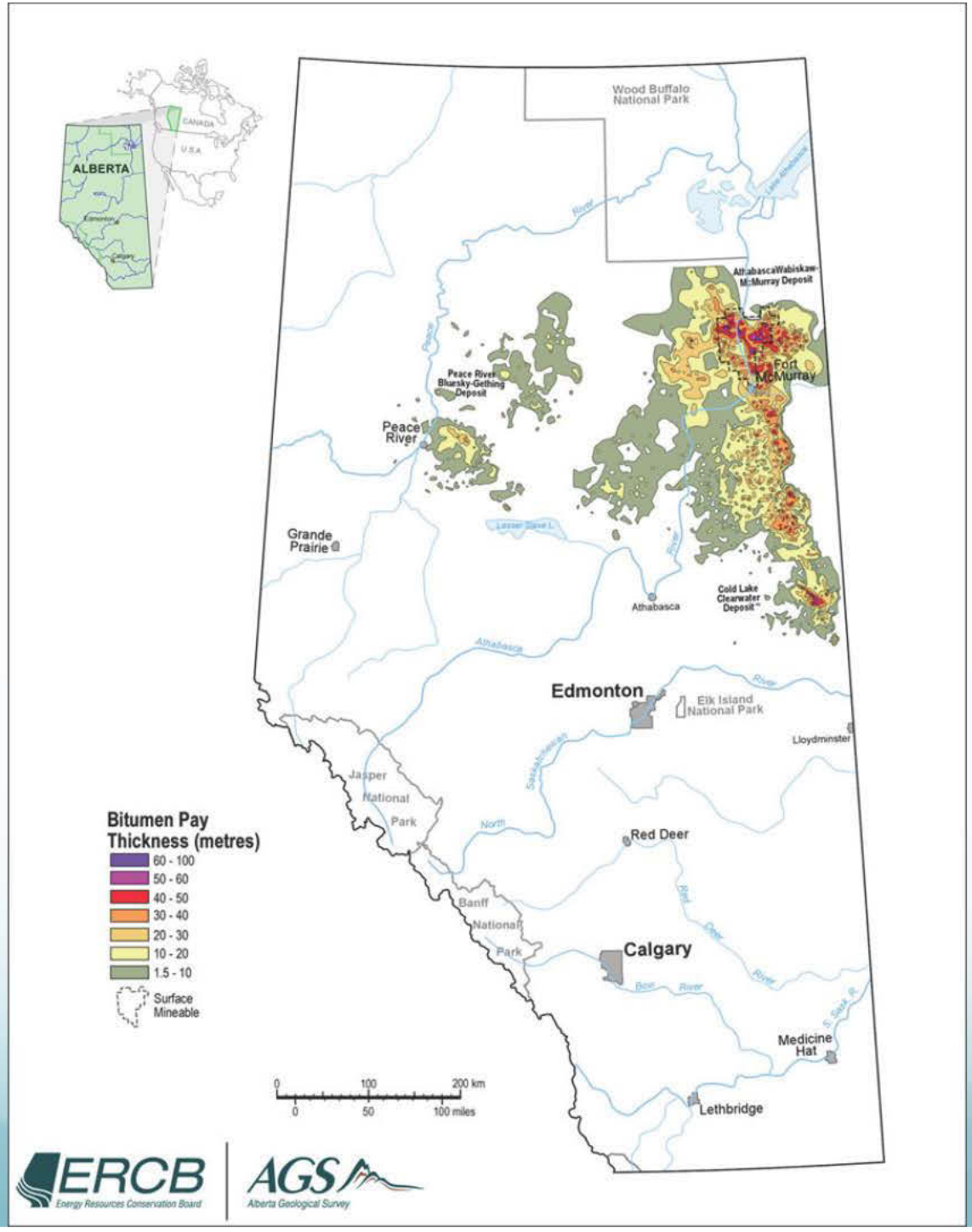
- Fishers confront Hibernia Management Development Company led by Mobil.
- Fishers accept compensation package, but two years later a local political leader said:
- “If Hibernia left, I’d feel relieved… If it’s not there, you don’t expect nothing… There are so many people depressed and tormented about this that it’s sickening.”

So what happened?

- Lack of adequate information, probably intentional.
- Fishing issued were kept off the agenda of community forums and fishers were unaware of the early meetings.
- A consultant discouraged fishers from raising issues.
- Secrecy: “You know we’re not supposed to be talking to you about what’s going on… I don’t mind telling you about what’s going on, but I don’t want my name being used in any of this. Lord only knows what would happen if they found out” (interview with S. Ottenheimer).

After thoughts: benefits can be illusions

- “When we signed that deal we believed them and what they were saying… I really trusted them.”
- “If we had our time back, we would have taken it (the contract) to a lawyer to look over… but we truly thought that Mobil was acting in good faith… now we know it was all a ‘put on’ to get us to sign.
- “They don’t care about the fishermen; they care about lining their pockets, that’s all.” (interviews with S. Ottenheimer)


ALBERTA
CANADA
U.S.A.
Wood Buffalo National Park
Athabasca Wabiskaw-McMurray Deposit
Peace River Bluesky-Gething Deposit
Peace River
Fort McMurray
Grande Prairie
Athabasca
Cold Lake Clearwater Deposit
Edmonton
Elk Island National Park
Lloydminster
Jasper National Park
Red Deer
Banff National Park
Calgary
Medicine Hat
Lethbridge
Bitumen Pay Thickness (metres)
60 - 100
50 - 60
40 - 50
30 - 40
20 - 30
10 - 20
1.5 - 10
Surface Mineable
0 100 200 km
0 50 100 miles
ERCB
Energy Resources Conservation Board
AGS
Alberta Geological Survey

Alberta oil sands

Who benefits?

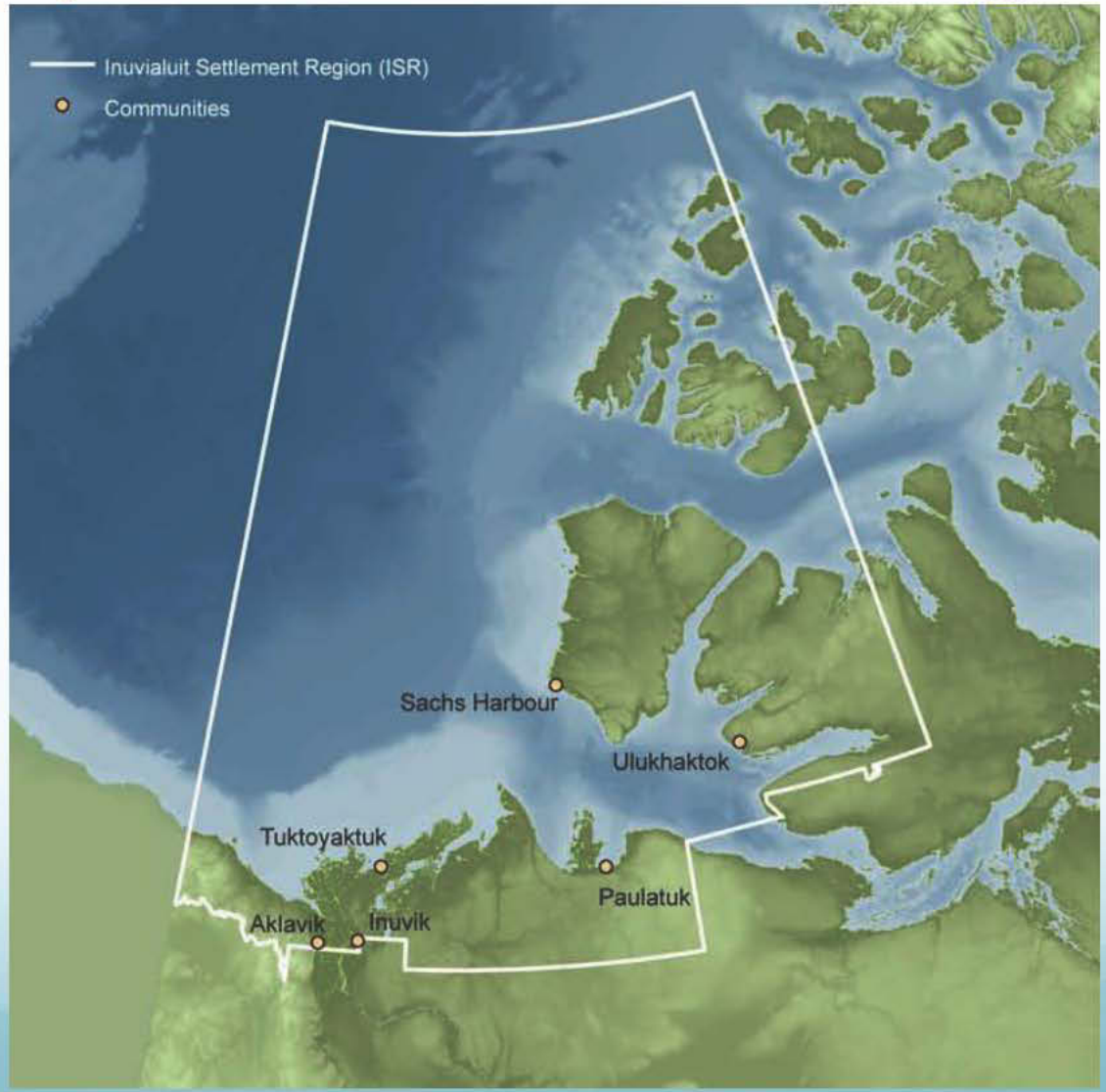
- I keep trying to see who the beneficiaries are. Not the people in Red Deer, because everything they have got is costing more. It is not the people of the province, because they are not getting the royalty return that they should be getting, with $75 oil (Peter Lougheed 2006).
- We have to slow down industry to let us catch up. ... If we continue to let industry and government behave the way they've been behaving the last 40 years there will be no turnback because it will be the total destruction of the land (Chief Adam 2008).

Mackenzie Delta, NWT

Aklavik

Inuvik

Beaufort Sea Large Ocean Management Area (DFO Beaufort Sea Planning Atlas)

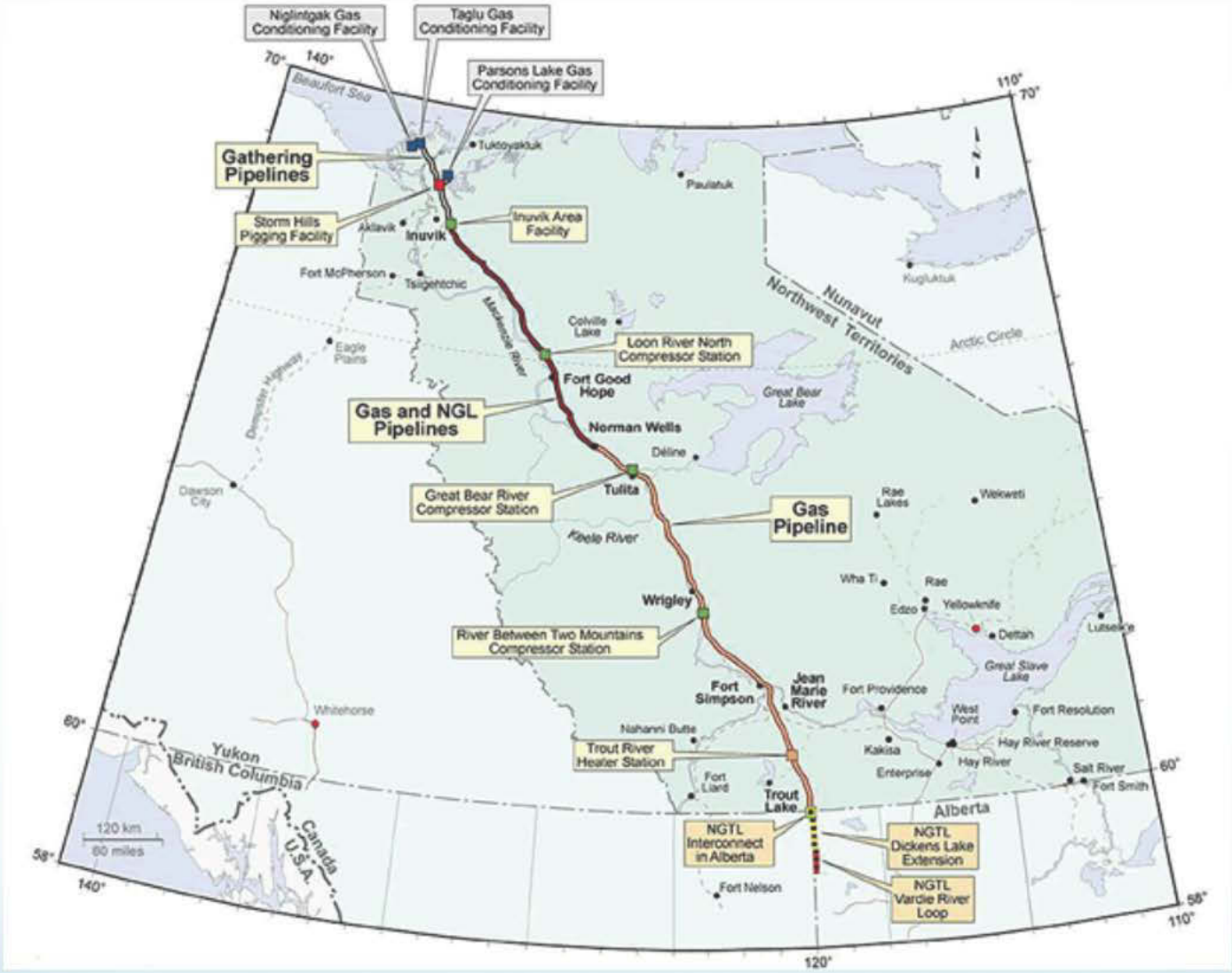


Beaufort Sea Partners

Arctic Institute of North America; ArcticNet Inc.;
Association of Canadian Universities for Northern Studies;
Canadian Arctic Resources Committee; Canadian Association of Petroleum Producers;
Canadian Circumpolar Institute; Canadian Coast Guard;
Canadian Environmental Assessment Agency; Canadian Parks and Wilderness Society;
Department of Foreign Affairs and International Trade;
Department of National Defence; Environment Canada; Fisheries and Oceans Canada;
Fisheries Joint Management Committee; Government of the Northwest Territories;
Gwich'in Renewable Resources Board; Indian and Northern Affairs Canada (INAC);
Industry Canada; International Polar Year; Inuvialuit Game Council;
Inuvialuit Joint Secretariat; Inuvialuit Land Administration;
Inuvialuit Regional Corporation; National Energy Board; National Research Council;
Natural Resources Canada Northern Transportation Company Limited;
North West Territories Federal Council; North West Territories Tourism Association;
Oceans Science and Technology Partnership; Oceans Management Research Network;
Parks Canada Agency; Royal Canadian Mounted Police; Transport Canada;
Wildlife Management Advisory Council - North Slope;
Wildlife Management Advisory Council - Northwest Territories;
World Wildlife Fund Canada; Yukon Government

Pipeline story

- 1970s – the Berger Inquiry stops the pipeline.
- 2004 – revival of proposal.
- Some early opponents now support the idea but opposition delays the review process.
- December 2009. Report supports cautious development.
- "For this thing to go, the government is going to have to step forward with great wads of cash - many billions of dollars." (Calgary sceptic)



MacKenzie Valley Pipeline route, 2008
Source: www.arcticgaspipeline.com

Conclusions

- The answer often depends on the scale of the unit on which we focus.
- Individuals are not irrelevant to outcomes, but context is usually more important.
- Only a blessing if regional authorities secure sufficient income to provide long-term development support for communities – but
  - This requires suitable external pressures on companies.
  - A coherent investment plan for economic diversification and provision of services.

Conclusion continued

- Small groups with few financial resources and organizational skill need special protection. Community members really understand what is happening.
- Keep the pace slow and limit accumulation of problems.
- Remember that corporate managers are under stress to demonstrate success as profit makers in the first instance. Trust is rewarded only in the easy times.