Draft

TOWARD PROSPERITY

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Sector : Oil and Gas

Representative : Nova Scotia Petroleum Directorate (NSPD)

Contact : Paul F. Taylor

Background

Nova Scotia is enjoying unprecedented levels of oil and gas activity in both the onshore and offshore areas. Since production first started from its offshore in 1992 with the Cohasset/Panuke (COPAN) project, the level industry activity in Nova Scotia has steadily grown.

While 1999 brought the wind up of the COPAN project, it also saw the commencement of natural gas production from the Sable Offshore Energy Project (SOEP). Today, there is promise of another offshore project that may bring PanCanadian's Deep Panuke natural gas to Nova Scotia's shores within the next 5 years.

Currently, there exists 42 exploration parcels in the offshore carrying work expenditure commitments of over 840 million dollars. With a current Call for Bids on 8 parcels in the offshore, Nova Scotia could experience over $1 billion in exploration activity over the next 5 years.

The industry activity in onshore Nova Scotia is also significant. Over the next 5 years Nova Scotia will see seismic programs and wildcat well drilling as well as the commencement of the construction of a province-wide gas distribution system. With a total of 14 active exploration parcels in the onshore, industry interest is high. Along with conventional oil and gas activity, increased coalbed methane exploration activity is expected which together bodes well for the future of onshore oil and gas activity in the province.

Initiatives

The Nova Scotia Petroleum Directorate works with industry and other stakeholders to maximize benefits to Nova Scotia from all aspects of the emerging oil and gas industry. Over the next 5 years, the NSPD will be focusing its efforts in the following areas:

The reduction of regulatory overlap and duplication

One of the areas where Nova Scotia can improve its competitiveness with other jurisdictions is in reducing the time and cost associated with obtaining regulatory rulings. The NSPD intends to work with industry, industry agencies and other government departments in developing a regulatory road map that identifies

regulatory agencies and their required approvals. During this process, areas of regulatory overlap will be identified and reduced. This will in turn reduce regulatory costs as well as streamline the regulatory process.

Work towards the co-existence of the offshore oil and gas industry with the fishing industry

There are a number of areas of offshore Nova Scotia where proposed oil and gas activity have come into conflict with a pre-existing commercial fishery. Through working with the Premier's Energy Council, the Atlantic Canada Petroleum Institute (ACPI), the Canadian Association of Petroleum Producers (CAPP), industry, other government departments and agencies as well as the fishing community, research and development initiatives will be identified that will assist in addressing existing questions on the co-existence of these two resource industries in offshore Nova Scotia. This work will also examine best practices in other offshore jurisdictions where fish and oil successfully coexist. The NSPD will also continue with its participation in public information sessions designed to educate Nova Scotians about the oil and gas industry.

Maximize the government's share of revenue from oil and gas development activity

Nova Scotia will be receiving significant revenues from offshore development activity. In order to maximize this revenue, the NSPD will commence the administration of the royalty agreements and regulations that are applicable to the Sable Offshore Energy Project.

Promotion of other prospective areas of the onshore and offshore areas to the oil and gas industry

There have been a series of boom and bust cycles of industry interest in offshore Nova Scotia over the last 40 years. Nova Scotia is currently experiencing a renewed cycle of interest. In order to promote continued interest, the NSPD will continue its efforts to attract industry to Nova Scotia. This will be accomplished through ongoing resource assessment work, one on one technical meetings with industry to promote Nova Scotia's petroleum potential, and the participation in local, national and international oil and gas conferences and trade shows where technical presentation can be given on Nova Scotia's petroleum potential.

Increase level of local benefits related to oil and gas upstream and downstream activity

Nova Scotia can provide increasing levels of goods and services to its oil and gas industry over the next 5 years. To do this, it will be necessary for Nova Scotia's oil and gas service sector to continue to be competitive with goods and services that can be sourced outside of the province. The ability for the local service sector to compete to supply goods and services to other jurisdictions should also continue to grow.

The NSPD will continue to work closely with the Onshore/Offshore Technical Association of Nova Scotia (OTANS) both within Nova Scotia and at national and international trade shows in order to assist in establishing strategic alliances with other suppliers of goods and services to the oil and gas industry. The most

significant near term opportunity to increase local benefits will be through working with local suppliers and with Sable Offshore Energy Incorporated (SOEI) in an effort to increase the level of local benefits associated with Tier II of SOEP.

The NSPD will also work with industry and industry associations to develop a more meaningful way to describe achievable benefits targets and to what extent can these targets be better measured.

Additionally, it will be necessary for Nova Scotians to either upgrade existing skills or acquire new skills in order to take advantage of the employment opportunities that will come with increased oil and gas activity. The NSPD will be working with SOEI, the community colleges, universities and others to identify training opportunities that will in turn serve to develop a specialized, highly skilled local work force to support the oil and gas industry.

Increase maritime access to Nova Scotia's natural gas, and help promote the development of additional natural gas markets

All Nova Scotians should benefit from the development of Nova Scotia's petroleum resources. The NSPD will be working to identify market opportunities to support the installation of new laterals to other parts of Nova Scotia. One of the key factors associated with new exploration and development opportunities will be the ability to readily market petroleum. The NSPD will initiate activities designed to help educate Nova Scotians and Nova Scotia industry to the benefits of using natural gas, promote the economic development of new large industrial energy consumers including petrochemical plants and assess and promote opportunities for the manufacture, sales and installation of gas fired appliances.