

**Nova Scotia Offshore Oil and Gas Activity 2001-2002
A Progress Report**

Prepared

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The scope of this study is to examine the economic impact of Oil and Gas activity offshore. This report does not examine onshore oil and gas exploration activity, the outfitting of the Eric Raude or the construction of two supply vessels at the Halifax Shipyard.

The total expenditure for the two years was in excess of \$1.35 billion. This directly generated approximately 2400 person-years of employment and \$230 million of household income in Nova Scotia. An additional 1600 person-years of employment and \$100 million of household income were generated as local suppliers purchased their supplies to fill the offshore contracts and workers spent their income. These results are outlined in Table 1

Table 1 Economic Impact of \$1.35 Billion of Offshore Oil And Gas Activity in 2001-2002¹

	Direct	Spinoff	Total
Employment (person-years)	2400	1600	4000
Household Income (\$ million)	230	100	330
GDP@FC ²	290	170	460

Total expenditure on exploration over the two years amounted to just over \$625 million. This directly generated approximately 1040 person-years of employment and \$100 million of household income in Nova Scotia. An additional 760 person-years of employment and \$40 million of household income were generated as local suppliers purchased their supplies to fill the offshore contracts and workers spent their income. These results are outlined in Table 2.

Table 2 Economic Impact of \$625 million of Offshore Oil And Gas Exploration in 2001-2002

	Direct	Spinoff	Total
Employment (person-years)	1040	760	1800
Household Income (\$ million)	100	40	140
GDP@FC	130	70	200

¹To calculate the economic impacts, the methodology used by Gardner Pinfold Consulting Economists in their 2002 study Economic Impact of Offshore Oil and Gas Development was used.

²GDP@FC is the value added to the economy before indirect taxes and subsidies are considered.

Historical Perspective 1990-2000

Table 3 Economic Impact of \$3.3 Billion of Expenditure³

	Direct	Spinoff	Total⁴
Employment (person-years)	5070	14870	21,210
Household Income (\$ million)	400	500	900
GDP@FC	400	710	1200

Royalty and GDP impacts of Gas sales 2001-2002

The only way that one can estimate gross sales revenue is from the royalty figures included in the Public Accounts of the Government of Nova Scotia. However these are reported on a fiscal year basis (April 1 to March 31) while the expenditure data is reported on a calendar year basis (January 1 to December 31) While using the two data sources to estimate a GDP contribution for gas sales is not strictly correct, it does give us a reasonable “Ball Park” estimate.

For the period beginning April 1, 2001 and ending March 31, 2003 the Nova Scotia government has received approximately \$24 million. This translates into \$2.4 billion of gross gas sales. Publicly reported expenditures for the Sable Offshore Energy Project for the calendar years 2001 and 2002 were approximately \$770 million. This suggests a gross value added of approximately 1.6 Billion. This, added to the \$290 million generated directly from expenditures, brings the oil and gas industry’s direct contribution to the Nova Scotia economy up to \$1.9 billion. **To put this in perspective, the value added by all industries in the Nova Scotia economy over the same period was about \$43 billion making the oil and gas industry approximately 4.4% of the Nova Scotia economy.** By comparison, over the same time period, the GDP contribution of primary agriculture, forestry and logging, fishing, hunting and trapping and support activities for agriculture and forestry combined, amounted to \$1.3 billion or 3% of the Nova Scotia economy.

Exploration Activity 2001-2002

³As reported in *Economic Impact of Offshore Oil and Gas Development on Nova Scotia , 1990-2000* by Gardner Pinfold November 2002, excluding the impacts of pipeline construction.

⁴Direct and spinoffs do not add up to the total because impacts for exploration were only reported as totals.

Drilling

Over the period, there were 10 exploration wells drilled by 6 different operators. These wells operated in excess of 750 drilling days. One well was spudded in 2000 but drilling continued on into 2001. Another was spudded in late 2002 and drilling carried over into 2003. In each case, only the activity carried on in the 2001-2002 period was included in this study.

Geophysical/Geotechnical

Twenty-four programs by 10 different clients were active for a total of 981 days of activity.

Observations and Comments

During the collection of the data, it was observed that some of the supplies required for drilling that were previously purchased outside of Nova Scotia and shipped directly to the drill site are now being warehoused locally and purchased from the Nova Scotia suppliers.

There has been a major surge in exploration activity in the past year and for the first year in decades there have been enough operators exploring to be able to aggregate the data to be able to protect the commercial confidentiality of each operator. This allows for fairly robust analysis for exploration activity separately from development and operations activity. However, there were not enough operators actively drilling in 2001 to protect the confidentiality of the operators, so a more detailed breakdown of results was not reported.