

Nova Scotia Offshore Oil and Gas Activity -2004

A Progress Report

Prepared

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at

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The scope of this study is to examine the economic impact of Oil and Gas activity offshore.

The total expenditure In the Offshore Nova Scotia for 2004 was \$750 million. This directly generated approximately 1100 person-years of employment and \$110 million of household income in Nova Scotia. An additional 590 person-years of employment and \$45 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 \$750 million of Offshore Oil And Gas Activity in 2004¹

	Direct	Spinoff	Total
Employment (person-years)	1100	590	1690
Household Income (\$ million)	110	45	155
GDP@FC ²	150	110	260

Royalty and GDP impacts of Gas sales

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 calender 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, 2004 and ending March 31, 2005 the Nova Scotia government has received approximately \$28 million in royalties. This translates into \$1.4 billion of gross gas sales. Publicly reported expenditures for the Sable Offshore Energy Project for the calender year 2004 were approximately \$510 million. This suggests a gross valued added of approximately 840 million. This, added to the \$150 million generated directly from expenditures, brings the oil and gas industry’s direct contribution to the Nova Scotia economy up to \$990 million.

Historical Data 2001-2004

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 ad subsidies are considered.

Nova Scotia Offshore Activity

	2001	2002	2003	2004
Expenditure				
<i>Total (\$million)</i>	\$ 400	\$ 840	\$ 960	\$ 750
<i>Nova Scotia (\$million)</i>	\$ 140	\$ 370	\$ 320	\$ 260
<i>NS Content (%)</i>	34.6%	38.4%	38.3%	34.6%
Employment				
<i>Total Nova Scotia (Person-Years)</i>	1,150	2220	2300	1690
<i>Direct Nova Scotia (Person-Years)</i>	690	1340	1380	1110
<i>Spinoff (\$million)</i>	460	880	920	680
Household Income				
<i>Total (\$million)</i>	\$ 100	\$ 210	\$ 205	\$ 155
<i>Direct (\$million)</i>	\$ 65	\$ 145	\$ 130	\$ 110
<i>Spinoff (\$million)</i>	\$ 35	\$ 65	\$ 65	\$ 45
Activity Generated Gross Domestic Product*				
<i>Total (\$million)</i>	\$ 160	\$ 290	\$ 290	\$ 260
<i>Direct (\$million)</i>	\$ 100	\$ 180	\$ 170	\$ 150
<i>Spinoff (\$million)</i>	\$ 60	\$ 110	\$ 120	\$ 110
Estimated Value of Sales (\$million)**	\$ 1,700	\$ 1,100	\$ 1,200	\$ 1,400
SOEP Expenditures (\$million)	\$ 330	\$ 440	\$ 540	\$ 510
Estimated Gross Profit (\$million)	\$ 1,370	\$ 660	\$ 660	\$ 890
Estimated Offshore GDP	\$ 1,470	\$ 840	\$ 830	\$ 1,040

* Activity generated Gross Domestic Product does not include the operating surplus generated by gas sales .

** Derived from Royalty revenues based on Fiscal years not calendar years.