

DRAFT REMARKS FOR

Alison Scott, Deputy Minister of Energy

NOIA Conference 2008

Wednesday, June 18, 2008 (11:15 – 11:35 AM)

[slide 1: intro]

Thank you Ruth, George.

Hello everyone.

It is a pleasure to be here at NOIA's annual conference.

It is also great to be in St. John's this morning – this really is one of the most beautiful places on earth.

[insert any personal remarks here]

[slide 2: map]

Today, I'd like to invite your attention about 800 kilometers to the south west ... and speak briefly about Nova Scotia's energy sector ... both:

- where we are, and
- where we are heading.

Where we are.

Our offshore is fairly large ... roughly 400,000 square kilometers.

Our current Sable project produces gas equivalent to about 22 per cent of New England's gas supply.

We want to see that number rise.

Since 1967, we have only had 204 wells drilled ... total ... including development wells.

That is a number we would like to change.

With wells come discoveries, development, jobs, and royalties.

How do we pick up the pace?

We know that beyond the immediate area of Sable Island, our offshore is not well understood.

We are clearly under-explored.

But our seismic records show the same geologic features present in other productive basins ... and we have seen roughly a 20 per cent success rate in our wild cat wells.

We know we have a resource ... estimated in excess of 40 Tcf of natural gas potential ... with significant oil potential as well.

To get people to take a closer look, we need to make our offshore more accessible. And that brings me to ...

Where we are heading.

Last month, we took a few pages out of the play books of other countries...

We made the decision to invest in our geoscience ... in a big way ... by announcing research funding of up to 25 million dollars.

[slide 3: geoscience]

Over the next 12 to 18 months we will be working with our offshore Board and consultants to:

- commission detailed petroleum resource assessments,
- reprocess seismic data, and
- carry out other geoscience analysis.

Once completed, this work will be immediately available online – at no charge – through the Board’s Data Management Centre – the DMC.

Designed by Schlumberger, the DMC is an online database of Nova Scotia offshore digital well, seismic & GIS data.

Our goal is to put new geological ideas in front of both current and potential explorers, as soon as possible.

[slide 4: offshore plan]

This geoscience work is part of a four part investment strategy. The other three parts include:

- new policy development,
- continued work on regulatory efficiency, and
- making our efforts more widely know around the globe – which brings me here today.

We hope companies will see the science and get interested. If they want to act on that science ... we are making policy changes to make exploration easier.

[slide 5: policy]

We have already removed the requirement to flow-test wild cat wells. And we reviewed our Rights Issuance System ... and made some changes. Licenses are now more flexible, and the entry costs are lower.

We now have a new three-year evaluation period for exploration, with features that include:

- cutting the minimum bid in half ... from one million to five hundred thousand dollars
- giving companies 150 per cent credit on exploration costs during the first three years, and
- letting companies walk away after three years if they do not want to explore, losing only the bid deposit of 50,000 dollars.

This new approach rewards early exploration and encourages smaller, less capitalized companies to explore offshore Nova Scotia ... and generate ideas and opportunities on their own.

We've put this new licensing approach into practice for our current Call for Bids, which is open for another 12 days ... until June 30 ... for one light oil parcel ... and one gas.

These carrots also come with a stick: our offshore board expects significant geoscience activity in the first three years, or the exploration lands may return to Crown ownership.

We're also improving our regulatory efficiency.

[slide 6: regulation]

EnCana's Deep Panuke natural gas project took 11 months to receive regulatory approval, compared with 15 months for Sable, and 30 months for Hebron / White Rose.

During the project life, EnCana will enjoy the benefit of a moratorium on Canadian duties for mobile offshore rigs.

We are working with the federal government and regulators to make all our offshore regulations goal oriented.

Ultimately, we want a single set of goal-based regulations.

So we're putting the science together to show off our resource.

And we are putting the policy and regs together to make our resource more accessible.

Now we have to show people they can make money.

[slide 7: marketing]

I am pleased to say we now have an economic scoping model for gas development ... a simple and free tool for investors, available online.

And this model will be ready to handle small oil development shortly.

We are making a real effort to make the offshore an attractive place to do business.

And our efforts are really taken to another level by the more than 400 local firms that service and supply the offshore.

Many of these companies work all over the world ... but we want to find them as much work as possible at home, in Nova Scotia waters.

Speaking of which ...

EnCana's Nova Scotia project, the Deep Panuke natural gas field, is now in the development stage.

[slide 8: Deep Panuke]

The project will be the sixth offshore project for the Atlantic region ... building on the successes of Cohasset-Panuke, Sable, Hibernia, Terra Nova and White Rose.

With estimated recoverable sales gas at 632 billion cubic feet, EnCana expects the project to continue for about 13 years.

To begin, EnCana selected Single Buoy Moorings (S-B-M) to provide and operate the production field centre.

2008 will see many activities underway, including the award of a number of contracts for items such as:

- the accommodations block,
- drilling and completion activities,
- a flare tower,
- a telecoms package, and
- a geophysical survey.

Throughout 2008, S-B-M will issue a number of bids ... as they move from design to construction.

Looking ahead to 2009:

- the drilling program gets underway, using either the Gorilla II or Gorilla III, and
- installation will begin on the new export pipeline from the field centre to landfall.

All this activity eventually takes us to 2010 ... and first gas.

[slide 9: BEPCo]

We are also excited about the recent news by BEPCo.

BEPCo has found a new partner – a Korean investment firm named Norstar Asia – to drill a deepwater well.

They estimate the area contains 800 million barrels of recoverable oil and also has potential for natural gas.

The company is actively searching for a rig.

[slide 10: natural gas expansion]

And I am pleased to report growing demand for offshore energy ... right at home.

With help from the province, Heritage Gas crossed the Halifax Harbour at the end of November last year ... an 850-metre long pipeline that connects the Dartmouth and Halifax gas distribution systems.

Heritage Gas now has:

- about 3000 customers,
- about 1400 of whom are activated,
- and over 56 per cent of their customers are commercial

We are now generating cleaner electricity and saving homeowners hundreds of dollars a year through a less expensive fuel source.

Onshore...

In addition to our offshore ... we are also happy to be learning that Nova Scotia has growing onshore gas potential.

[slide 11: onshore]

This may be the next big frontier in Atlantic Canada.

The infrastructure is already in place.

The Maritimes and Northeast pipeline supplies the New England gas market from our Sable Offshore Energy Project.

It travels through both Nova Scotia and New Brunswick.

In Nova Scotia, it travels through the heart of our onshore oil and gas plays ... conventional and unconventional ... including coalbed methane and shale gas properties.

And interest in those plays is heating up ...

Currently, there are eight active petroleum exploration licenses in Nova Scotia: three coalbed methane, and five in conventional oil, gas, and shale gas.

This includes:

- a coalbed methane project by Stealth Ventures estimated at one trillion cubic feet, and
- a shale gas find by Triangle estimated at 69 trillion cubic feet of gas potential in place.

It's too early to predict what the recovery rates may be.

Triangle says that other shale gas projects are able to recover between 10 and 20 per cent, which would put this project at twice the size of Sable.

To get at this resource, Triangle is planning to drill up to 6 wells this year, and spend over 30 million dollars.

It's very possible that these new, unconventional gas finds will have huge implications for our region ...

Just look at the success of shale gas and C-B-M plays in the United States.

With rising natural gas prices, and technological advances, the extraordinary may soon become accepted practice.

Alton Natural Gas announced plans in Nova Scotia for both a natural gas storage facility ... and another natural gas pipeline to northeast US ... suggesting onshore opportunities for the entire eastern market may grow.

I also want to mention Maple LNG just received its construction permit last week to move ahead ... right next to Keltic's petrochemical project near Goldbobro.

[slide 12: collaboration]

To nurture these activities in our region – both onshore and offshore – we need to look at how we can support one another, and reinforce our common success.

In many respects, this is already happening around green energy.

Our largest utility, Nova Scotia Power, its parent company Emera, and Newfoundland and Labrador Hydro are working together to explore the idea of bringing a portion of Lower Churchill power to the Maritimes and New England markets.

And for our offshore, both Newfoundland and Labrador and Nova Scotia need Ottawa to look at extending rig duty relief beyond 2009.

These are but a few examples of how we can work together.

Another opportunity that surrounds us both is ocean renewable energy ... whether offshore wind, wave or tidal.

Research indicates Nova Scotia has the best site for tidal power generation in North America, with a world-class resource in close proximity to an existing grid and potential users.

[slide 13: tidal]

The Bay of Fundy moves 100 billion tons of water every tide – more than the combined flow of all the rivers and streams in the world.

Three companies, representing technologies from Canada, the US, and Ireland, are working to create the first tidal energy demonstration centre in North America.

That project has created a lot of excitement at home ... with the possibility of making power from the highest tides in the world by 2009/2010.

Time will tell if we have a commercially viable source of power ... but the total potential energy in Fundy is too large to be ignored.

[slide 14: thank you]

Ladies and gentlemen, thank you for listening today.

Clearly, Atlantic Canada holds tremendous energy potential.

Vast amounts of Nova Scotia's potential energy reserves ... both offshore and onshore ... both petroleum and renewables ... remains unused.

We are putting some large dollars into the science to show that potential in detail.

This information will be in the oven this year ... and I looking forward to coming back to St. John's to share the cake.

Thank you.