

REMARKS FOR

Alison Scott
Deputy Minister of Energy
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Ladies and gentlemen, it's a pleasure to be here today. Today, I'd like to speak briefly about Nova Scotia's energy sector ... both:

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

Where we are. On the east coast of Canada, you can see Nova Scotia sits just to the east of the New England states and southwest of Newfoundland and Labrador. Transposed into the Gulf, you can see our offshore is fairly large ... roughly 400,000 square kilometers. Our current Sable project delivers up to 20 per cent of New England's gas supply.

We want to see that number rise. Since 1967, we have only had a total 204 wells drilled, including development wells. This is a big problem – both for the provincial treasury and for our offshore industry. 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. 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 ... through a trust of up to 25 million dollars. Over the next 12 to 18 months we will be working with our offshore Board and consultants to:

- commission detailed play fairway analysis studies,
- 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 Digital 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.

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.

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 until June 30, 2008 ... for one light oil parcel ... and one gas.

We're also improving our regulatory efficiency. At lunch today, Dave Kopperson spoke about EnCana's Deep Panuke natural gas project in offshore Nova Scotia, with first gas expected in 2010. We are proud to say the regulatory approval process took 10 months, compared with 15 months for the Sable Offshore Energy Project, and 30 months for Newfoundland's Hebron / White Rose project. 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 of 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. 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 also put together a good summary of our offshore opportunities for the November edition of World Oil. If you're interested in finding out more, we have some copies, as well as CDs of the current Call for Bids, to hand out before you leave.

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.

In addition to our offshore ... we are also happy to be learning that Nova Scotia has growing onshore gas potential. The infrastructure is already in place. The Maritimes and Northeast pipeline ... which carries Sable Island gas to New England ... travels through the heart of our onshore oil and gas plays --- conventional and unconventional including coalbed methane and shale gas properties. This year, a Landis/Fort Chicago owned company announced its plans

for another natural gas pipeline through Nova Scotia to northeast US. This same company has made an application to store natural gas underground in our province. Interest appears to be heating up onshore ... including

- a coalbed methane project by Stealth Ventures estimated at 1 tcf
- a shale gas find by Triangle at about 100 bcf of gas in place per square mile.

Currently, there are eight active petroleum exploration licenses in Nova Scotia: three coalbed methane, five in conventional oil, gas, and shale gas. Our royalty rates are currently 10 per cent of well head value for conventional and shale gas, and 5 per cent for coal-bed methane. And bids for licenses, as with the offshore, are based on work expenditure. Taken together – our proven onshore reserves, existing infrastructure, and competitive business climate – have turned our onshore from an afterthought into a new frontier.

I also want to mention that Nova Scotia's energy opportunities are not limited to oil and gas. 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. 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.

To finish: Nova Scotia has 40 trillion cubic feet of offshore potential, and we have committed up to 25 million dollars worth of science to show its potential in detail. That information will be in the oven this year, and I look forward to coming back to Houston to share the cake.

Thank you.