

REMARKS FOR
Hon. Richard Hurlburt
Minister of Energy
CORE Conference
Wednesday, Oct. 8, 9:20 am
World Trade & Convention Centre

Check against delivery

Greetings, Mark, Paul and Diana... Ladies and gentlemen... Distinguished guests...

Now, while this may be a reasonably new portfolio to me, I am aware of the challenges that we have faced on the offshore.

Over the past 10 years, there have been significant increases in global exploration and production costs. Some jurisdictions are more aggressive, more competitive than Nova Scotia. Recent drilling results have fallen below expectations.

As a result, there was a dip in exploration licences. From a peak of 59 licences in 2002, there are currently nine active licences in the province. It has been said that could drop to two in just five years.

We are not going to sit idly by and watch that happen.

We have been working with federal partners like Natural Resources Canada and the Atlantic Canada Opportunities Agency, and the Offshore Petroleum Board for more than a year to find a solution to these challenges.

We engaged international experts to assess the decline in Nova Scotia's offshore exploration. We went to Gaffney Cline, to Wood Mackenzie, and to PARAS to get their thoughts on why there was a decline and how we could turn it around.

We listened closely to what they told us and our government took action by developing an Offshore Renewal Plan.

Our plan has four pillars: geoscience, policy, regulation and marketing.

Let me explain these pillars, and our efforts on your behalf.

The key conclusion was that our offshore deep water geology was a great unknown. There was a lot of speculation about what lay beneath the waves and whether it was possible to find a marketable and a profitable deposit.

At the same time, attrition in the industry meant there were fewer seasoned experts in the oil and gas industry.

Murky data coupled with fewer experts was translating into opportunities lost for the oil and gas companies, and for the Province.

We made the decision to invest in geoscience...in a big way...by granting 19 million dollars to O-E-T-R. Actually, that's 23 million dollars if you include environmental and education programs.

This funding came from the recently – and successfully – concluded Crown share negotiations. We're putting our Crown share dollars to work for Nova Scotians, as we said we would.

Later this month, O-E-T-R will release R-F-Ps for data gathering and analysis to identify likely locations of hydrocarbons. The end product will be an industry standard play fairway analysis. We expect to partner with the Offshore Petroleum Board and the Geological Survey of Canada, and wrap up this work within the next two years.

The results will be online – at no charge – through the Offshore Petroleum Board's Digital Management Centre – the D-M-C.

Designed by Schlumberger, the D-M-C is an online database of Nova Scotia offshore digital well, seismic & G-I-S data.

With a greater understanding of our offshore geology, investors can better appreciate our potential:

- 40 trillion cubic feet of gas
- the advantage of spare capacity in offshore infrastructure and our proximity to growing markets
- a skilled and educated work force that is ready to step up to the challenge and the opportunity

(Optional:

The experts say that we are a politically stable environment but I think I will reserve judgement on this until after the fall sitting of the Legislature...)

That, in a nutshell, is what we're doing to address the geoscience issue.

Our experts told us that some believed our regulations were inefficient...

Before I joined Cabinet, I served on the Red Tape Task Force. Some fellow M-L-As and I met with business people and other citizens in a series of meetings across the province. That was the seed for what is now a government-wide initiative to make it easier for the average citizen to do business with government.

So it came as no surprise that some wanted changes to our policies and regulations.

We heard that and we acted.

For example, we have already removed the requirement to flow-test wild cat wells.

And we worked with the Offshore Petroleum Board and N-R Can to review our Rights Issuance System and made licences more flexible, with lower entry costs.

I tip my hat to the Board for all of their hard work on that project. It would not have been possible without their help.

Last June, the Offshore Petroleum Board issued a call for bids for two industry nominated parcels. A month later, Ammonite and Catheart won the rights to explore two parcels, with plans to drill two vertical exploration wells at each location.

The Board has another call for bids on two additional parcels, closing in late October.

Again, I thank the Board for their hard work and dedication in attracting investment in Nova Scotia's offshore.

So, our policies are improving, what's happening on the regulation front?

We're making government move at the pace of business.

It took EnCana only 10 months to obtain regulatory approval for its Deep Panuke natural gas project.

And, during the life of that project, EnCana will benefit from a moratorium on Canadian duties for mobile offshore rigs.

But we're not stopping with Deep Panuke. It is unlikely that any drilling rigs capable of working in the North Atlantic will be built in Canada in the next five years. So we are lobbying Ottawa to waive federal duties on the importing of drilling rigs beyond Ottawa's scheduled 2009 expiration date.

We expect that new drilling and production regulations will come into effect next year. In coming years, certificates of fitness, diving, geophysical operations, installation and spills and debris liabilities will be renewed.

And we will work with the federal government and regulators to make all of our offshore regulations goal oriented.

That's all fine and good, but we need to tell potential investors about what we have to offer!

We cannot afford to stay silent while the scientists do their research and the bureaucrats rework our policies and regulations.

Senior officials in the department have been spreading the good news about Nova Scotia's offshore potential to investors in Venezuela, Trinidad, China and Korea to name but a few...

In fact, a Department of Energy delegation just returned from Korea where they met with senior officials who are extremely interested in what our province has to offer.

This week, the department approved a new interactive tool that we will be able to use at industry trade shows, with foreign officials and international investors.

We also have a simple and free online tool for investors, an economic scoping model for small gas and oil development. Right now, we are modifying the model to reflect large oil and gas economies.

I don't have to tell you, industry leaders, that international marketing efforts and negotiations do not happen overnight. And they do not pay off overnight.

But this government is working hard, working around the world, to bring investment, exploration and fabrication – in short, jobs – to Nova Scotia.

To recap, the experts told us to make more geoscience data available. That's in the works!

The experts told us to re-think our policies. Done!

The experts told us to update our regulations. Check!

The experts told us to get out there and tell the world what we have. We're doing that!

The 19 million dollars for geoscience work will play a big part in helping us better understand our deep water geology and its potential. We are already streamlining our policies and regulations to make them more workable. And our marketing effort has been stepped up, reaching out and promoting Nova Scotia in places like Venezuela, Trinidad, China and Korea.

This government is making our offshore an attractive place to do business.

We are acting responsibly, in the best interests of all Nova Scotians, as we lay the groundwork for the future prosperity of the province.

We want a future that will see greater opportunities for young people to remain in the province. We believe that this plan can play an important role in our overall efforts to achieve that goal.

Thank you very much.