



***Remarks by the
Honourable Charlie Parker
Minister of Energy***

OTANS Breakfast Briefing

***8:00 a.m.
April 27, 2011***

Check Against Delivery

Good morning everyone, and thank you for that kind introduction Rob.

This is my first opportunity to speak to you as minister of energy – and one I have been looking forward to. I know how important OTANS is to the energy picture in Nova Scotia, not only in the area of oil and gas, but also now in the emerging areas of opportunity around renewables.

My learning curve has been steep, let me tell you, over the past four months. As Rob pointed out, I am also the minister of natural resources, and that is a portfolio with its own long list of challenges; but my introduction to the world of energy has been truly eye-opening.

Before we get to the Play Fairway Analysis, I want to take just a second to put into context what the Province is doing in the energy sector as a whole.

We are undertaking an energy transformation in Nova Scotia that is leading the world in its ambition. We want to stop relying on costly, uncertain supplies of imported coal to generate our electricity. We have very good alternatives. We have a wealth of natural resources in our own water, air and lands.

Just a few short years ago, coal accounted for roughly 75 percent of our electricity generation. We have now cut that figure down to approximately 65 percent through the use of cleaner burning natural gas and the addition of renewables.

By 2020, 40 percent of our electricity will come from sources like wind, hydro, tidal and biomass. Another 20% could come from natural gas, especially if prices stay competitive. That makes our energy situation more secure, helps keep electricity costs in check and builds our local economies. OTANS knows this means business opportunities for you, and has moved with foresight to broaden its scope accordingly.

Last year our wind power capacity in the province more than doubled. We now have one hundred sixty wind turbines able to deliver power to the grid.

At the same time, we are investing in reducing the amount of energy we use. Our efforts are particularly focused on large users of electricity, and the low income families who can least afford to pay for it. Between 2007 and 2010, demand has decreased by approximately 4 percent.

The third leg of Province's energy strategy is natural gas. It's cleaner-burning, cheaper, provides a firm back-up to renewables – and it is local. Making sure we maximize the potential of our onshore and offshore oil and gas industries is an important priority of this government.

We believe that the best road to energy security is a portfolio approach, combining wind, hydro, tidal, biomass, solar and natural gas. Ideally that natural gas comes from Nova Scotia – either our onshore or offshore – with an additional supply to sell to our neighbours. The revenue potential for the province from a thriving oil and gas industry is huge – we haven't lost sight of that, and we won't.

A few short years ago royalties from the offshore made up 10 per cent of our government's own-source revenue. Today that number has fallen to 2 per cent – still significant, but lower than we would like to see it.

Money from the offshore isn't what we want to count on to fund our hospitals and schools, but it can play a key role in making the province stronger, by providing us with the flexibility to make investments for growth, as well as paying down our debt.

As you know, our offshore is vastly under-explored compared to the rest of the world. Since 1967 we have drilled 207 wells. Compare that to the Gulf of Mexico where the number exceeds 15,000.

The environment is harsh, and in recent years most of our offshore exploration wells have come up dry. When we asked them, oil and gas companies told us that the uncertainty around our offshore geology made investing in exploration here too big a risk – especially with natural gas prices on the decline. We had a problem.

So, we sat down to plan a solution. Essentially, we decided to undertake the very early first phase of exploration – work that a company would normally do on a proprietary basis – and make it freely available to all. The plan was to develop detailed geology maps of our offshore, based on available data, and pull those together using local and international experts. Our objective was to develop credible new ideas on our offshore petroleum potential, which could serve as the groundwork for those who might like to take it further.

We followed the models of Australia, New Zealand and Ireland, who had had success with a similar approach, and two years ago the province set aside \$15 million out of the Crown share settlement with Ottawa to develop a new industry-standard geological picture of our offshore with the goal of re-invigorating exploration efforts.

This work was commissioned by the Offshore Energy Technical Research Association on our behalf. The analysis phase of that project is finished. The final report will be available in the coming weeks.

This was a collaborative project, involving petroleum consultants recognized by the oil and gas companies we are targeting as some of the best in the world at what they do. We also had tremendous local support from the CNSOPB, Geological Survey of Canada, Dalhousie and Saint Mary's universities, and our own department of energy.

They started by going back 200 million years, to when Morocco was attached to Nova Scotia. Using sophisticated software models, they calculated how much and what types of hydrocarbons were generated, the amounts lost over time, what likely remain today and where these volumes are likely to be located. That software also enabled us to identify key hydrocarbon bearing fairways and petroleum play types that may exist in these fairways – hence the name “Play Fairway Analysis.”

Part of this work has included why our most recent exploration wells were largely unsuccessful. We knew if we were going to be successful in attracting the super-majors back to Nova Scotia, we needed to be able to convince them, to a standard and level of detail they are accustomed to, why our new ideas are worth another look. After two years of detailed analysis, using very large volumes of well, seismic and other data, we now believe we can credibly explain why recent exploration has been unsuccessful. And in performing this work, we have also begun to understand our potential much better – and in fact we now see much more petroleum potential in our offshore than we had ever projected before.

The bottom line is the study indicates there could be upwards of 120 Trillion Cubic Feet of natural gas and 8 billion barrels of oil, but more technical assessment is required to quantify these findings. These are very large numbers. In essence, we now believe our potential to be three times our previous estimates.

Now before we start getting too excited I want to provide some context for those figures and share with you our strategy for marketing this information over the next 12 months.

I'm not trying to be coy: these are very encouraging results. But they are potential only at this point. There are several steps left in our plan. We have to generate significant new interest within the industry. More focused seismic work needs to be initiated, particularly by the seismic contractors. And the explorers need to drill and find success.

Let me tell you, it will be a happy day for me, as I know it will be for you, when I can look out my office window and see an oil rig berthed in the harbor awaiting a tow to spud the next offshore Nova Scotia exploration well — but until then I'm working to keep my expectations in check, even though there is a strong basis now for optimism.

We have a big job to do over the next little while – sharing these results with exploration interests around the world. We believe the data will speak for itself, but we have invested in a comprehensive marketing strategy. This strategy is now in hand. It details how to get the right information, in the right way, to the right people, at the right time.

It is just not our specialist consultants and local experts who share our new optimism. We reviewed our preliminary findings with an international industry peer review panel back in January. They were very impressed with the work and suggested helpful areas of refinement which have since been fully addressed. And earlier this month we spoke at the American Association of Petroleum Geologists Conference in Houston, and met with explorers and the seismic community at our oil and gas booth. Again, we received a similar response.

As we implement our marketing plan over the next several months, we will be having one-on-one meetings with the super-majors in Texas, Alberta and Europe. As well, members of our team will be participating at significant oil and gas events in those same areas – where possible as a featured speaker.

Wherever it is advantageous, our premier, deputy minister or I will be on hand to reinforce our confidence in these findings and our eagerness to accommodate new exploration. But overall, we feel that now is the time for credible oil and gas experts to tell our story, and that will be our primary strategy.

On a parallel track, we are continuing our discussions with the CNSOPB and NRCan around strategies to maximize the impact of what we anticipate to be upcoming competitive calls for bids – not only for this year, but over the next few years. We believe that it is essential to be strategic in planning ahead, and diligent in following through on our plan.

We have a plan, and we will continue to work it. It includes reinforcing to investors that we have an experienced, skilled and highly motivated oil and gas support industry, and that you are well-informed, and onside with what we are doing. And we need Nova Scotians generally to be supportive of and welcoming to responsible oil and gas exploration and development. It's our Nova Scotia money we are spending, and Nova Scotians' futures we are working to secure.

We think the best way to do that is to share information regularly about what we are doing with those close to the industry, and continue to foster positive attitudes about the offshore generally.

We don't want to build the expectations of Nova Scotians before we have real successes to point to. That's what happened back in the 70's. We know that if we do that, then fail to deliver all that was hoped for; we will be further behind than when we started. We'd rather point to milestones along the way that are real and tangible. And that's what we plan to do and it's why I am here today.

It's critical that we have your support, and the support of the business community across Nova Scotia. We're counting on you to help tell this story too, and asking you to be positive about the opportunity here when you speak to your industry contacts around the world.

There's no need to be modest. We have a tremendous package to offer:

- We have a stable political regime
- A strong regulatory process with a track record of safety and protection of the environment
- A skilled workforce that is respected around the world
- Experienced service and supply companies ready to take up the challenge of working hard
- And most importantly at this point, a new and compelling geoscience analysis of our offshore petroleum potential.

This has been my first opportunity to speak to you, but it won't be my last. I hope to come back to you with updates on the progress we are making.

If you have questions at anytime I encourage you to contact the good folks at the Department of Energy.

In closing, I am confident we have a good plan, and I am more than just a little bit excited about its potential. Once again, I ask for your support and patience as it unfolds over the months and years ahead.

