

**REGIONAL PERSPECTIVES ON OIL AND NATURAL GAS**

# ATLANTIC CANADA



In conjunction with our Federal Strategic Energy Platform, the Canadian Association of Petroleum Producers (CAPP) presents this supplement, which contains our views on regional issues of concern to the oil and natural gas industry in Atlantic Canada.

## **A Competitive Oil and Natural Gas Industry in Atlantic Canada**

Atlantic Canada's offshore sector is an important part of Canada's oil and natural gas industry. It generates significant benefits, and has a substantial impact on the region's economy. However, there is a need for governments to focus on industry growth to ensure these benefits continue for future generations. Increasing exploration activity, expediting developments and attracting investment to capitalize on the region's potential are critical.

### **Areas of Concern**

Atlantic Canada can grow its oil and natural gas industry for the benefit of all Atlantic Canadians. Doing so requires a strong commitment from government to develop and maintain policies that consider competitiveness.

**Among the areas of concern to Atlantic Canada's oil and natural gas industry are:**

#### **Impact Assessment Act**

The offshore industry has seen significant regulatory change in recent years resulting in investment uncertainty. The most critical change, from an offshore perspective, is the introduction of the Impact Assessment Act which could result in longer timelines for environmental assessment approvals, even for short-duration activities such as drilling exploration wells. CAPP's key offshore concerns are:

- **Timelines**

Under the Impact Assessment Act, the new Impact Assessment Agency has the ability to extend timelines beyond 600 days with no hard cap on extensions. Environmental assessments for exploration programs in recent years have taken two to three years on average in the Atlantic region for exploration programs, while competing jurisdictions have much shorter timelines. Without implementing a cap on potential extensions to the environmental assessment process, there is a risk that assessments under the Impact Assessment Act could be even longer than under previous legislation.

#### **DIRECT BENEFITS FROM THE OIL AND NATURAL GAS INDUSTRY**

Atlantic Canada's offshore contributes significantly to Canada's oil and natural gas industry and provides many benefits to Atlantic Canadians. The industry:

- Directly employs more than 5,500 people (and thousands more indirectly).
- Supports more than 600 supply/service companies.
- Cumulative expenditures by the producing sector in Atlantic Canada from 1997 to 2017 total more than \$66.8 billion.
- Cumulative royalties paid to the governments of Nova Scotia and Newfoundland and Labrador from 1997 to 2017 total more than \$23.3 billion.
- More than \$506 million spent on research and development, and education and training.

• **Erosion of Joint Management Principles**

The Act does not respect the joint management principles of the Atlantic Accord. Under the Impact Assessment Act, the Offshore Petroleum Boards in Atlantic Canada - jointly appointed bodies by the federal government and provincial governments in Newfoundland and Labrador and Nova Scotia to regulate the offshore industry - can only comprise a minority on a review panel. It is CAPP's view that the Offshore Boards are best placed to regulate all offshore activity.

• **Exploration Wells Remain on the Project List**

Although the Impact Assessment Act provides provisions to exempt exploration wells from a panel review if there is a regional assessment in place, there is a lack of clarity around the process and timeline for regional assessments and how the assessments will be used. Further, the only Regional Assessment currently underway is for Newfoundland and Labrador, potentially putting other areas at a disadvantage from a competitiveness perspective.

CAPP is also concerned that local communities and those directly impacted by a project are not given greater consideration in the review process. Further, there is a risk that public policy debate will continue to negatively impact project reviews with the broadening of scope of Impact Assessments to consider factors such as climate change, intersection of sex and gender and alternatives to a project, and not consider potential economic benefits as an important factor in project reviews.



**Layering of Costs**

In recent years the offshore industry has seen a layering of new costs, which have an immediate effect on the feasibility of offshore oil and natural gas activity. This includes the impact of the elimination of the Atlantic Investment Tax Credit, costs related to regulatory delays and the potential burden on industry stemming from the federal government's obligation under the United Nations Convention on the Law of the Sea (UNCLOS) Article 82. The industry's ability to compete for investment may be permanently compromised if governments are unable to improve the offshore industry's competitive position.

**Modernizing Offshore Regulations**

Regulatory challenges in the offshore region relate to prescriptive regulations which cause regulatory delays, adds cost and prevents industry from adopting new technologies and global best practices.

A federal-provincial effort is underway to modernize offshore regulations. CAPP strongly supports this effort and urges political parties to continue working toward completing this transition to a more performance-based regulatory regime through the Frontier and Offshore Regulatory Renewal Initiative (FORRI).

**ATLANTIC CANADA'S ROLE IN MEETING GLOBAL ENERGY DEMAND**

BY 2040, GLOBAL ENERGY DEMAND IS EXPECTED TO INCREASE BY 27 PER CENT. ATLANTIC CANADA'S OFFSHORE RESOURCES ARE AN IMPORTANT PART OF CANADA'S ENERGY MIX AND CAN BE DEVELOPED SAFELY AND RESPONSIBLY TO HELP MEET THIS GROWING DEMAND.