

Newfoundland and Labrador's Offshore Oil and Gas Industry: Overcoming Current Challenges and Seizing the Opportunity

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**CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS**

Canada's Oil and Natural Gas Producers

Overview

- **Who is CAPP**
- **Global Energy Demand & Supply**
- **Impact of Current Pricing Environment on Canada & NL**
- **Current NL Offshore Activity**
- **Newfoundland and Labrador's Opportunity**



Canadian Association of Petroleum Producers

Members explore for, develop and produce natural gas, natural gas liquids, crude oil, and oil sands throughout Canada

Produce about 90 per cent of Canada's natural gas and crude oil

Part of a national industry with revenues of about \$120 billion per year

Offices in St. John's, Ottawa, Calgary & Victoria

CAPP
CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

A MESSAGE FROM NL OFFSHORE
PRODUCERS & EXPLORERS

**Even in a
banner year
for exploration,
we never
lose sight of
safety.**

*"Everyone's really excited
about what's on the horizon."*

Chelsea Davis
- Chelsea Davis
Drilling Engineer, Statoil

In the oil and gas industry, safety is always the benchmark for what's possible.

2013 will be the busiest year for new oil and gas exploration off Newfoundland and Labrador in 25 years. Locations like the Orphan and Flemish Pass Basins are receiving serious focus. Research being done right here is at the forefront of extending existing fields and looking for the next opportunity.

Offshore and onshore, the way forward always starts with safety.

To learn more, visit CAPP.ca.

Global Primary Energy Demand

Energy Demand Growth

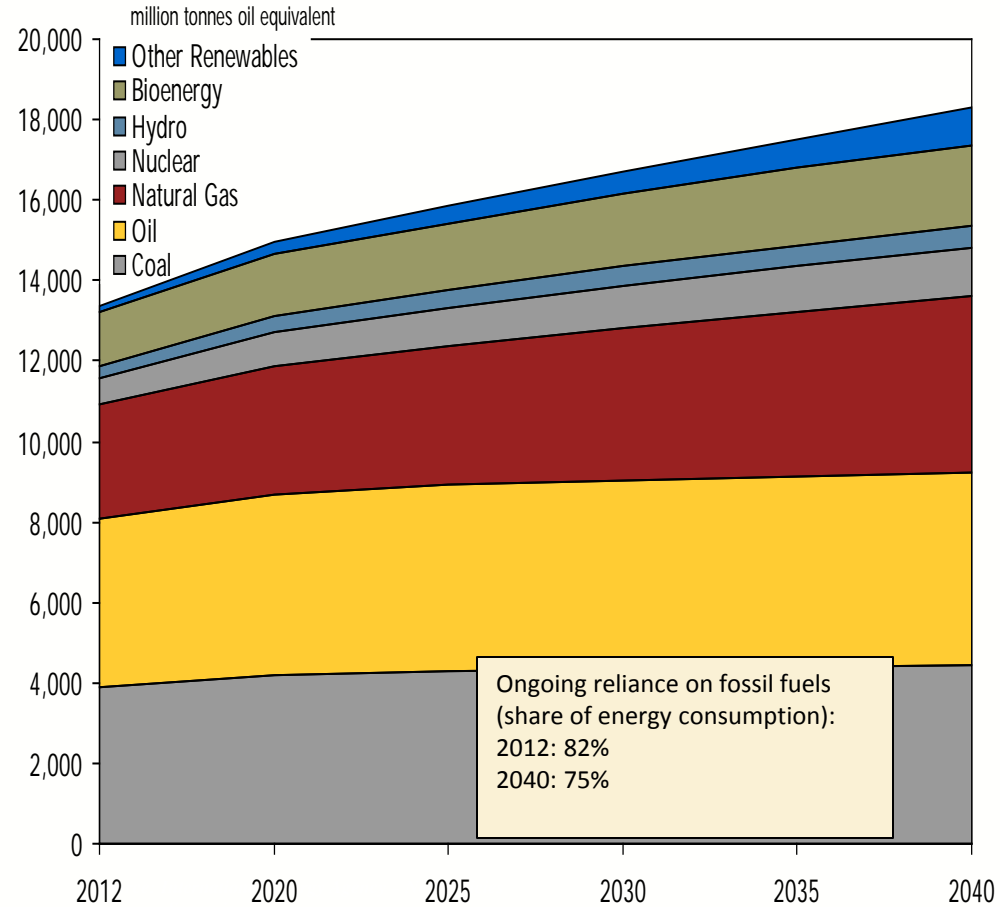
- Population growth
- Standard of living

All Forms of Energy, Developed Responsibly

- Ongoing high reliance on hydrocarbons
- Increasing role for renewables
- Shift to non-conv. oil & natural gas

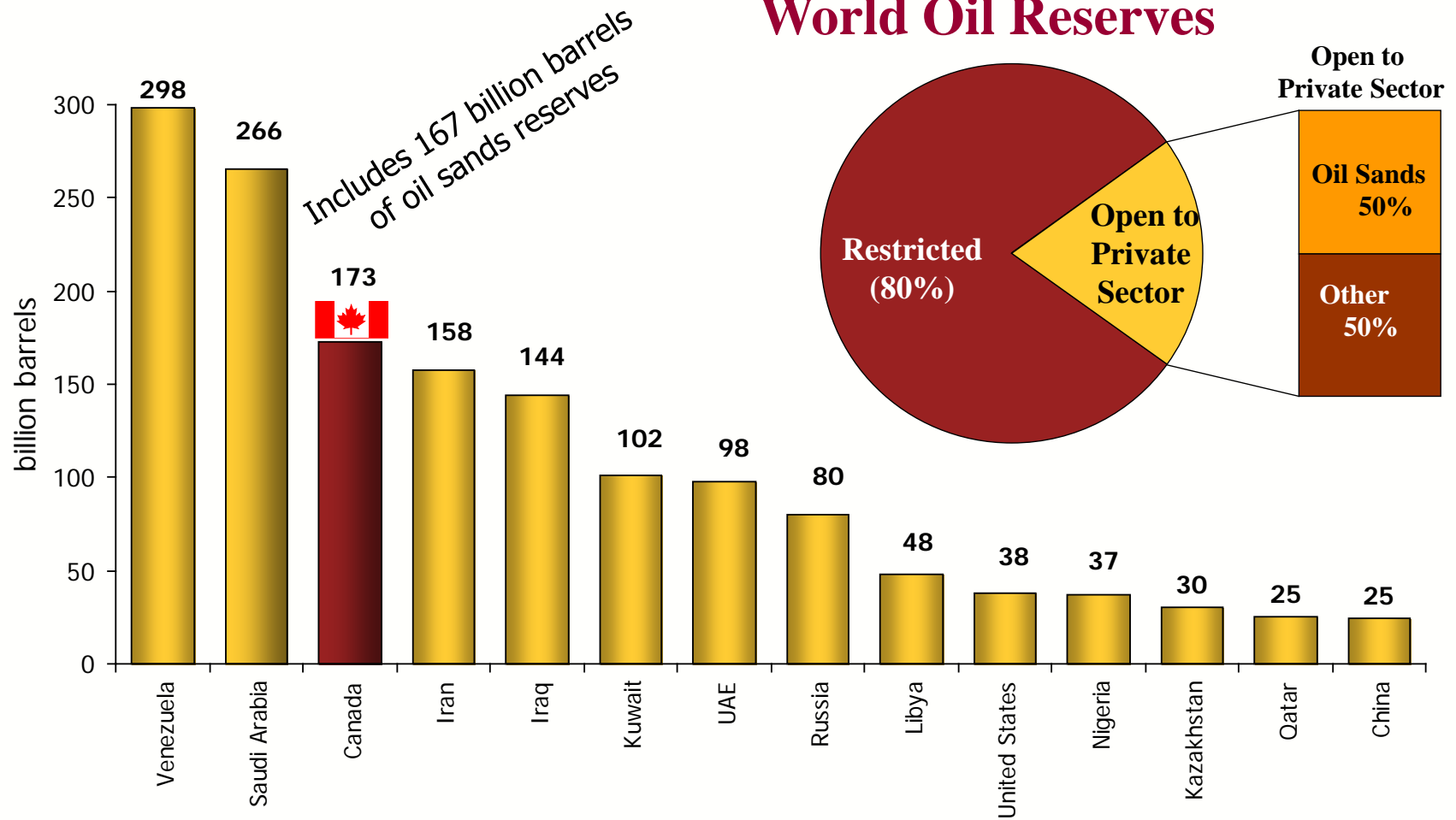
Technology - Key Lever for Sustainable Growth

- Production
- Cost competitiveness
- Environmental performance



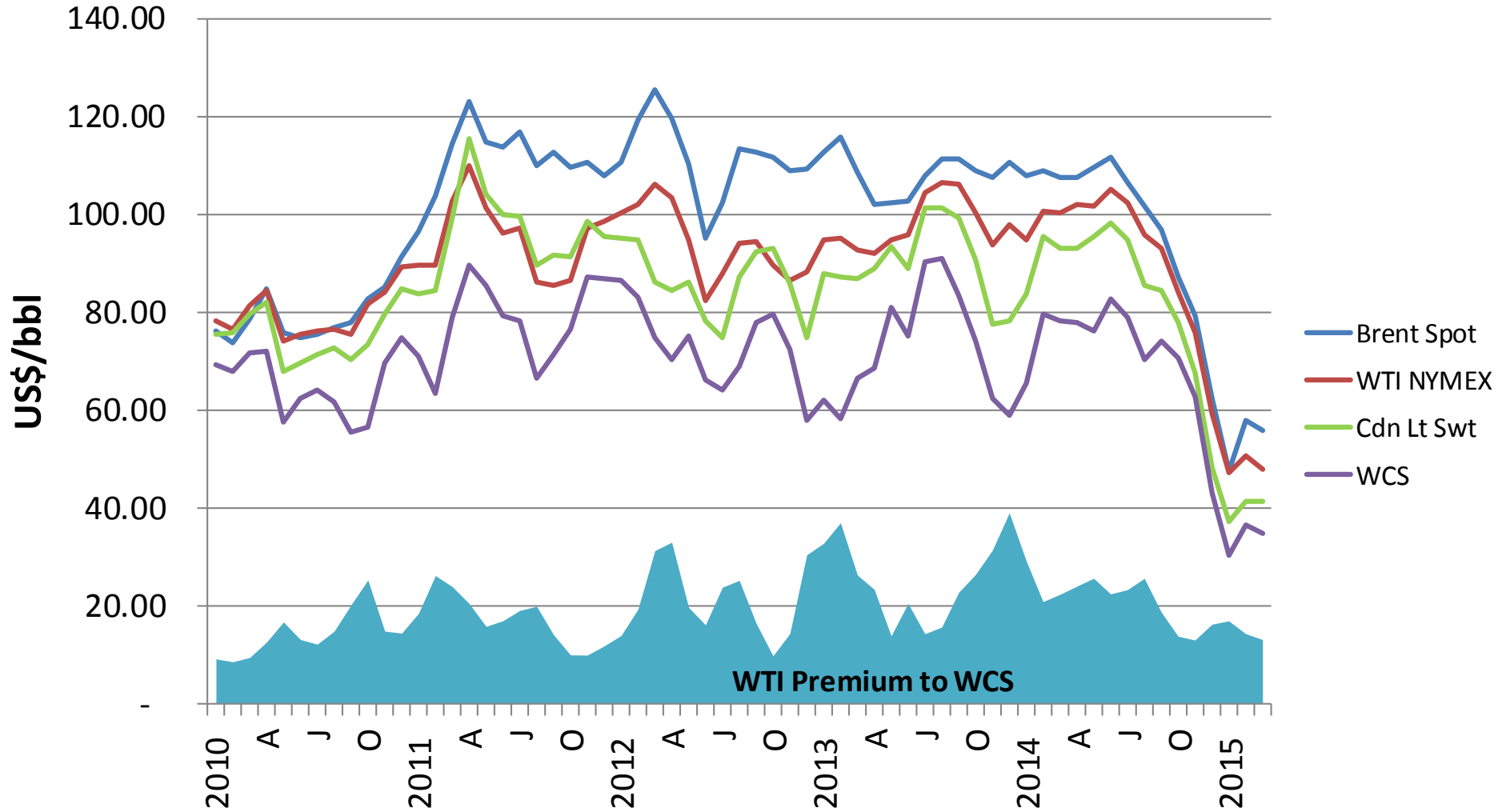
Source: International Energy Agency World Energy Outlook 2014

Global Crude Oil Reserves by Country



Source: Oil & Gas Journal Dec. 2014 & AER 2014

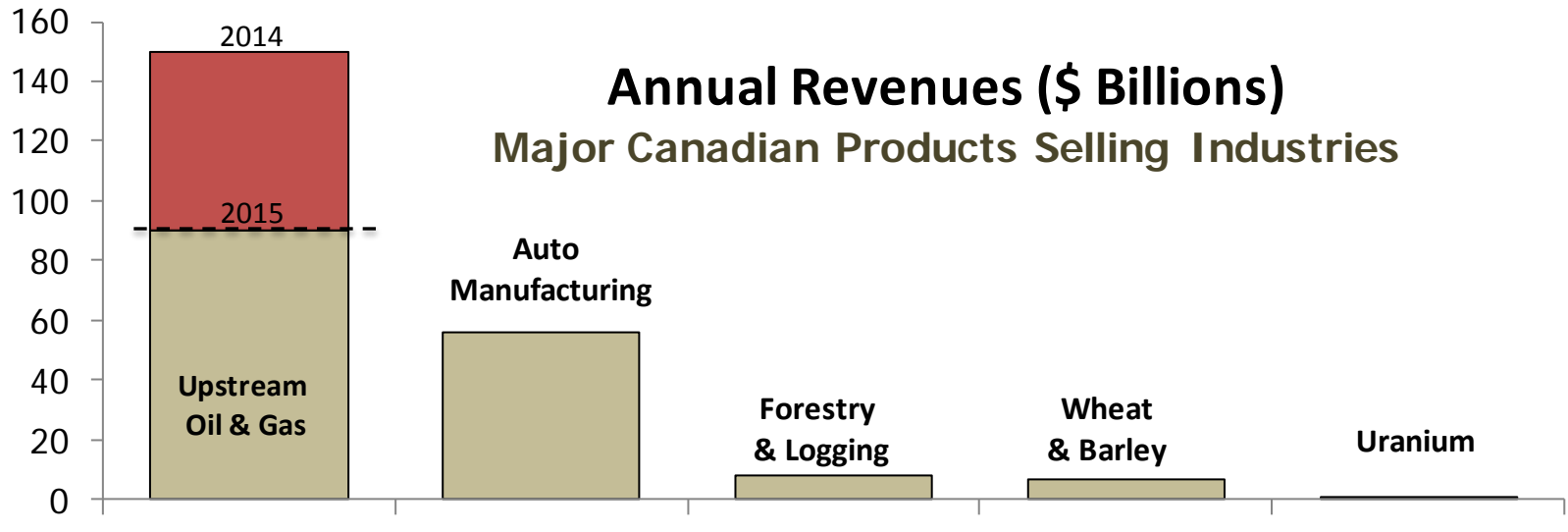
Crude Oil Prices





Impact of Declining Commodity Prices (Canada)

- Industry revenues down 40%
 - from \$150 billion in 2014 to \$90 billion in 2015
- Canadian capital investment down 38% (\$28 billion)
 - from \$73 billion in 2014 to \$45 billion in 2015
- Well drilling down 45% (10,400 wells in 2014) to 5,700 wells in 2015
- Oil and gas share of TSX down from 20% in 2014 to 12% in January 2015

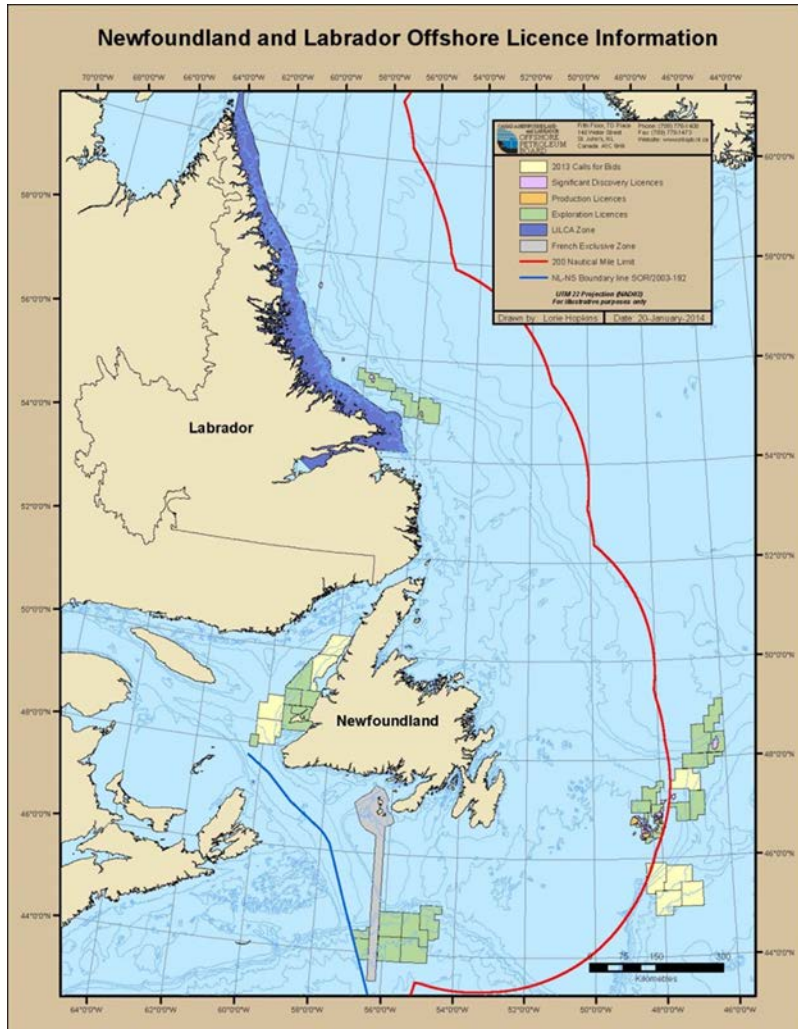


Source: ARC Financial & CAPP

Impact of Declining Commodity Prices in NL

- **Impact on activity:**
 - Delay announced on decision related to West White Rose Extension
 - Delays to non-essential maintenance/work programs
 - Staffing reductions (producer-service companies)
 - Other cost reduction measures
- **Resulting in significant impact on industry revenues and provincial budget**
- **Added challenges of high cost of offshore developments and declining production**
- **Displaced NL transient oilsands workers**

Newfoundland and Labrador Offshore – Current Activity



- **Three producing oil projects: Hibernia, Terra Nova, White Rose**
 - Produce over 220,000 barrels per day
 - Hebron will be the fourth major oil development
- **Major discoveries in Flemish Pass Basin in recent years and significant exploration activity (drilling & seismic) expected in 2015-16**
- **Multi-billion dollar tie-back projects/expansions expected in coming years**
- **Resulting in significant benefits for NL**

Newfoundland & Labrador's Opportunity



- Proven ability to develop resources safely and responsibly in the offshore
- Major discoveries attracting worldwide attention
- NL offshore considered highly prospective area and only a small percentage is already under licence
- NL is developing an expertise in harsh environments that can service the global industry
- High risk investment can lead to high rewards

Seizing the Opportunity

- **Newfoundland and Labrador has to compete with other worldwide offshore basins**
 - Geological prospectivity
 - Access to resources and markets
 - Fiscal and regulatory environment
- **Key to industry growth and sustainability is:**
 - Becoming more competitive/attracting exploration investment
 - Managing costs
 - Achieving an efficient and effective regulatory system
- **Governments play a key role in maintaining a stable and predictable investment climate and attracting investment**
 - Stable climate is critical in current pricing environment
- **Globally competitive industry will result in long-term benefits**

For More information

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