

Minister seeks end to regulatory quagmire

Canada falling behind other nations, Efford says

By Susan Eaton

For Business Edge

Natural Resources Minister John Efford is vowing to streamline Canada's cumbersome regulatory approval process for new energy projects in an effort to attract more oil and gas investment dollars.

"I can give you examples all over Canada, and not just the Mackenzie Valley and the East Coast," said Efford of oil and gas projects caught in the quagmire of regulatory approvals.

Back from a recent two-day summit of western hemisphere energy ministers in Tobago, Efford said Canada is falling behind other nations in its ability to quickly process new exploration permits.

"Of the 25 countries and the 25 ministers that were represented at the table in Tobago, Canada probably has the worst record in the time it takes to get companies exploration permits," he said in an interview with Business Edge during a recent trip to Calgary. "We're a minimum of 24 months and, in some cases, longer."



Dave Olecko photo, Business Edge

Federal Natural Resources Minister John Efford says Canadian energy approval regulations must be streamlined.

"We have a responsibility to put a system in place that's timely: Firstly, to carry out our environmental assessments (whether it's on land or in the oceans) to protect our habitats," said Efford. "That has to be done, but there's no reason why it should take the time it takes to do it."

Added Efford, "Time costs money. If we want the industry stakeholders to invest billions of dollars, then we've got to ensure that they can afford to do it."

Efford has been natural resources minister for less than six months and his crusade to streamline the regulatory approval process could face monumental challenges, say oil and gas industry representatives.

Mike Doyle, president of the Calgary-based Canadian Association of Geophysical Contractors, points to open-ended timelines and the high costs for companies to comply with the Canadian Environmental Assessment Act (CEAA) and the new Species at Risk Act (SARA).

"The legislation itself is relatively benign, but when you put it into a real-world situation, it becomes a hammer for environmentalists and Environment Canada to regulate," said Doyle.

"Our challenge in the offshore is working on approvals this year for something that we'll shoot next year or the following year."

Seismic data acquisition represents the front end of the oil and gas exploration cycle, whether on land or offshore. According to Doyle, individual marine seismic programs require assessments with broad scopes, including the cumulative environmental effects of field operations. Timelines for CEAA's extend over one to two years. Pricetags for environmental assessments can easily run on the order of millions of dollars.

With no guarantee of approvals, oil and gas companies and seismic speculative shooting companies approach these programs with caution. "If that's your model for someone looking at Canada, they'll probably look elsewhere," says Doyle. "It means the death of the smaller, offshore speculative shoot in Canada."

Doyle points to a \$10-million environmental study conducted in the Mackenzie River by WesternGeco, a Calgary-based seismic contractor. The 270-kilometre seismic program was designed to study the effects of data acquisition on fresh-water fish.

Stephen Whidden, manager of WesternGeco's Canadian operations, said the study's findings were favourably received by the National Energy Board (NEB). But more than two years later, regulators (federal and territorial) have yet to give WesternGeco the green light to shoot its proposed 1,800-kilometre program of seismic from the Beaufort Sea to Fort Liard.

In December 2003, Calgary-based EnCana Corp. walked away from a \$1.1-billion natural gas development off Nova Scotia. EnCana estimated that the Deep Panuke field, located about 250 kilometres southeast of Halifax, contains about 1.2 trillion cubic feet of gas in place. But the company cited questionable project economics and lengthy delays in regulatory approvals at both the federal and provincial levels as contributing factors in its decision to withdraw the development application.

In search of solutions to this bureaucratic morass, Efford said he has looked south of the border to a U.S. model that seems to work – 120 days from beginning to end for approvals. While Efford acknowledged that the entire process may take longer than 120 days, he said that U.S. regulators must justify any additional time needed.

“When it’s open-ended, there’s no onus on the project to be completed by the government agencies, whether federally or provincially,” said Efford.

All government agencies, he added, should work concurrently on approvals, including Fisheries and Oceans, Transport Canada, Environment Canada, and Indian and Northern Affairs.

Meanwhile, Efford said his attentions are now focused on the regulatory debate that’s brewing off British Columbia.

For the past 30 years, federal and provincial moratoria have limited offshore oil and gas activities.

But the B.C. government – keen to realize the economic benefits enjoyed by Nova Scotia and Newfoundland – has been pressing Ottawa for several years to lift the moratoria. An outstanding land claim that fences the prospective oil and gas basins of B.C.’s continental shelf also places the First Nations at the negotiating table.

According to an oil and gas assessment conducted by the Geological Survey of Canada in 1998, some 9.8 billion barrels of oil and 26 trillion cubic feet of gas may be located in B.C.’s offshore region. Proponents of oil and gas development claim there are oil reserves 10 times the size of the giant Hibernia field.

In February, the Royal Society of Canada (RSC) and its expert panel committee released an independent report on the future of oil and gas exploration for offshore B.C.

“Provided an adequate regulatory regime is put in place, there are no science gaps that need to be filled before lifting the moratorium on oil and gas development,” said the RSC report.

The RSC scientists did note that some existing gaps in science would need to be filled, perhaps through “shared-cost partnerships involving industry participation.” Their report recommended collecting baseline data on important harvested species and studying the effects of seismic on fish – projects not dissimilar to the environmental research conducted by WesternGeco in the Mackenzie River.

The stakes are high: The RSC compared B.C.’s offshore resource potential to the oil and gas fields of Cook Inlet in nearby Alaska, and estimated the potential value of the resource at a whopping \$110 billion. On the flipside, however, these resource numbers are statistically generated and are based upon the known geology of the offshore basins – in the eight exploratory wells drilled prior to the moratoria, there have been no commercial discoveries.

Efford said he is waiting for two additional reports before he tables his recommendations to his government. Last year, Roland Priddle, a former head of the NEB, was appointed to conduct public hearings in B.C. that would investigate environmental, scientific and socio-economic issues related to offshore oil and gas activities. A separate, parallel, series of hearings and information sessions is being conducted to obtain input from First Nations.

“The due diligence must be done; the process has been started and it must be completed,” said Efford. “There is no timeline set, but I feel confident that, sometime later this year, these reports will be completed.”

When asked if the federal government would establish a federal-provincial profit-sharing regime similar to those in Newfoundland and Nova Scotia, he replied, jokingly, “If I say that I envision a Canada-British Columbia Offshore Petroleum Board, then you’ll say I’m going to lift the moratoria.”

Efford knows firsthand how important the oil and gas industry can be to local economies. He represents the constituency of Bonavista-Trinity-Conception in Newfoundland. “On the Avalon Peninsula, on the east coast of Newfoundland, there’s a very, very positive feeling in the people. The economy is booming; there’s more job opportunities for young people.”

Meanwhile, Efford said he wants to allay any concerns in the oilpatch surrounding the Kyoto Protocol. The oil and gas industry is concerned that Canada's commitment to the Kyoto Protocol – when Russia, Australia and the United States have opted out – will adversely impact the economics of these capital intensive mega-projects.

He said he intends to work with industry stakeholders to set acceptable greenhouse gas reduction targets. "We've got to set (greenhouse gas) targets that are reachable . . . If I tell you to climb a mountain, and that mountain's impossible for you to climb, well what was the point of me setting the goal when I knew at the beginning there was no way you could do it?"

"The message that I'm sending to the industry stakeholders, nationally and internationally, is that we're open for business. We are concerned about the future, we are going to reduce greenhouse gas emissions, but we're not going to stop the development of our resources."

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