



***WHY THE OIL AND GAS  
INDUSTRY MUST DEFEND ITS OWN  
INTERESTS***

---

By David Yager  
**GPAC/PJVA Conference**  
Calgary, November, 2009

# *“I made a commitment and I delivered”*

---



*“...it assures investors that Alberta will remain an internationally competitive and stable place to do business ”*

Ed Stelmach &  
Mel Knight

October 25, 2007

# What's wrong with the NRF?

---

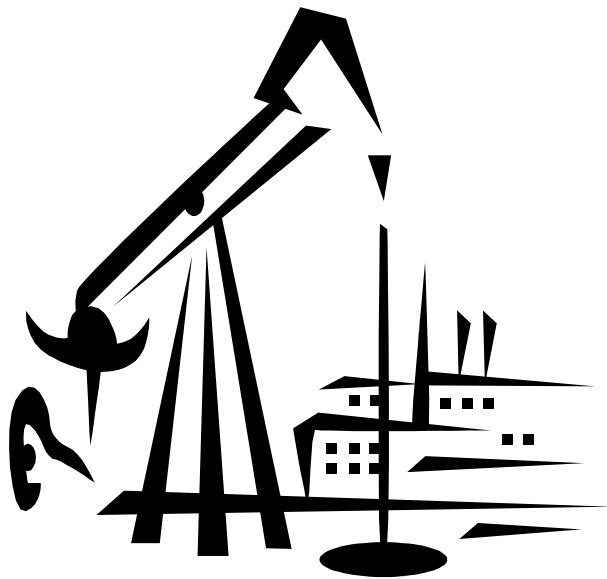


- Abrogated existing lease and investment commitments damaging Alberta's reputation
- Reduced profitability of existing production and future oil and gas development
- Abandoned the drilling, service and oil industry support sector in small town Alberta
- Politicized oil and gas pitting Albertan against Albertan, region against region
- Set Alberta up for long-term budget deficits and financial difficulty

# So we fight the battle on two fronts

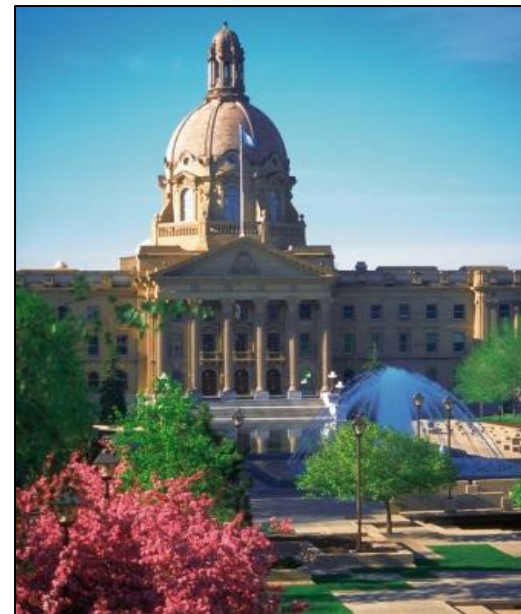
---

## ***BUSINESS***



***Alberta's oil industry is an  
a fight for survival  
because of commodities  
and capital market***

## ***POLITICS***



***Our government has  
declared war on Alberta's  
most important industry  
for political gain***



# Alberta's natural gas realities

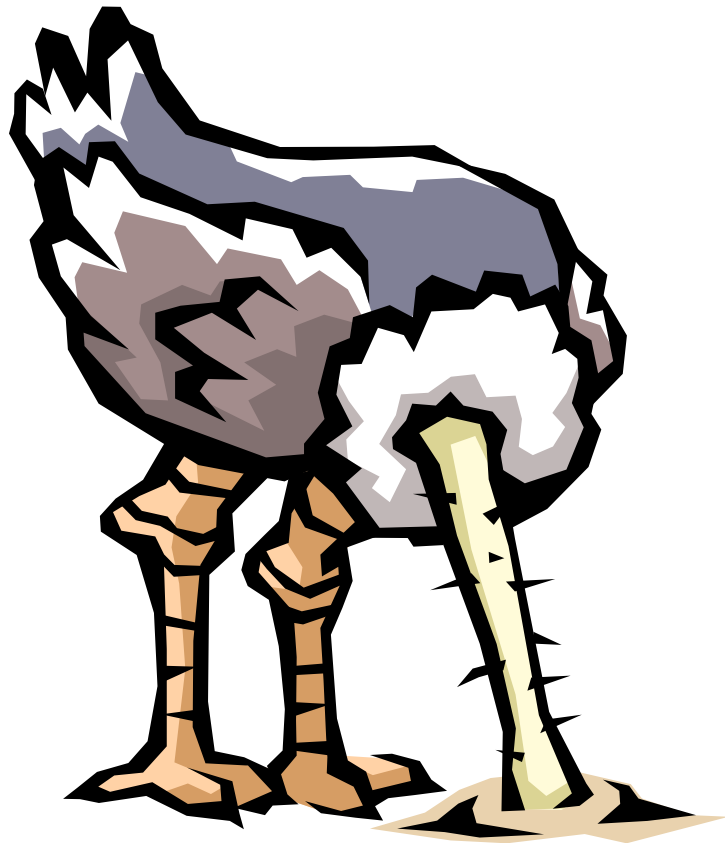
---

- **The basin is maturing**
  - New gas wells in tight formations are increasingly expensive
  - Discovered reserves are getting smaller with every well
  - Few big pools being discovered – many new wells required
  - Increased costs due to environmental regulations, surface access costs, public hearings and consultation
  
- **Intense competition with other gas producing regions**
  - US shale gas and new technology will keep gas prices low for many years
  - Competition from international LNG internationally (Liquefied Natural Gas) with North America a dumping ground



How did we get into this mess?

---



***OIL***  
***INDUSTRY***  
***COMMUNICATIONS***  
***STRATEGY***

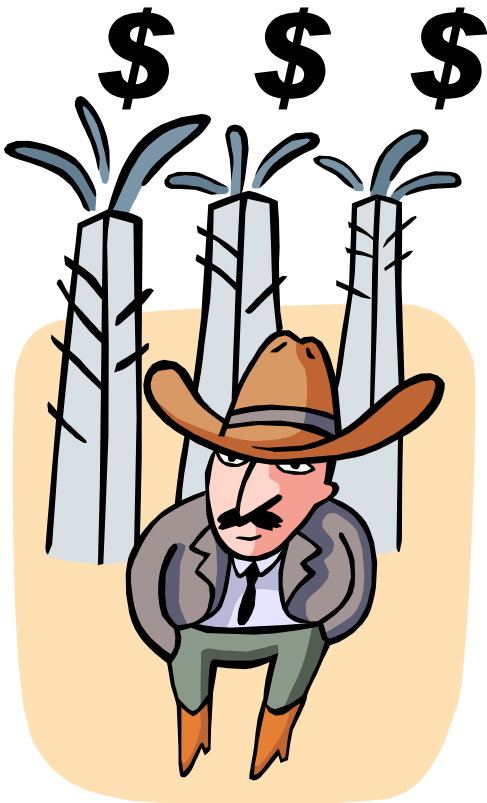
Does the public really hate the oil business?

---



Or do the oilpatch allow others to control  
the public debate and political agenda?

---



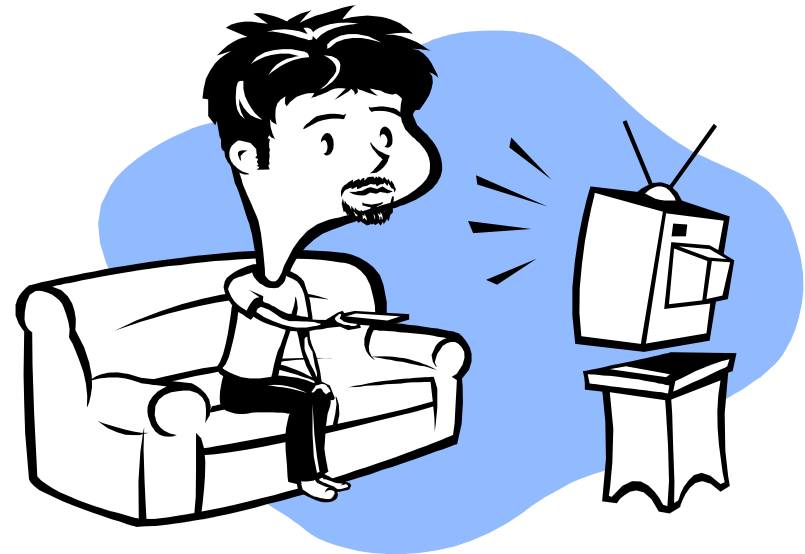


The oil industry likes to blame all of its problems on a biased media

---



***“Big oil reported record profits as thousands lost their jobs...”***



But journalists simply report whatever information comes their way

---



**Reporter: "Sir, Mr. Oilman  
Sir, could I please get a  
comment?"**



**Oil Executive: "We paid \$15  
billion in royalties and land  
sale bonuses in 2006. Talk  
to somebody else. I've got  
company to run."**

Meanwhile, the people you love to hate  
never decline an interview

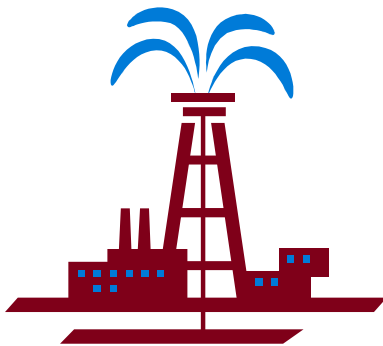
---



***“It’s bad, bad,  
bad, really  
bad. If we  
don’t stop  
them now the  
whole world  
and all forms  
of life will be  
destroyed!”***

As the oil industry quietly creates  
prosperity and jobs....

---



***And assumes  
somebody  
understands  
where the wealth  
comes from***

Critics say whatever they want without challenge

---

OBSCEN  
E  
PROFIT\$



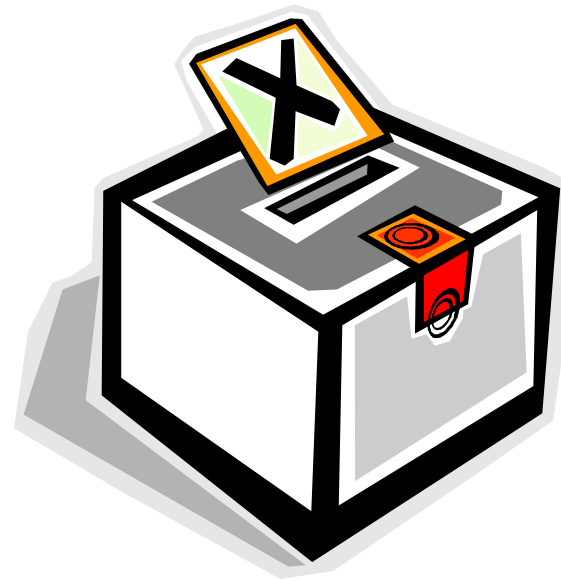
Environmental  
destruction

PRICE  
GOUGIN  
G

Our fair  
share

Today's politicians listen but only respond  
to the loudest voices

---



# So the wrong people end up heroes

---

**GOOD**



***Bill Hunter, Royalty Review Panel  
Chairman and former  
CEO of government  
subsidized pulp mill***

**BAD**

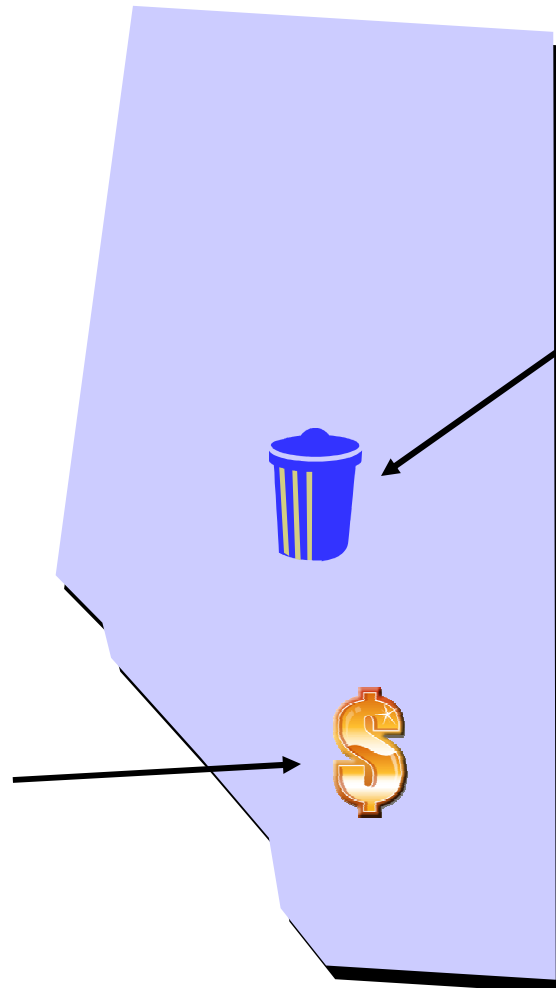


***The oil workers of Alberta  
who for generations have  
worked hard to make  
Alberta prosperous***

This allows the Stelmach government to  
create new divisions within Alberta

**CALGARY – BAD**

***Home of BIG OIL***

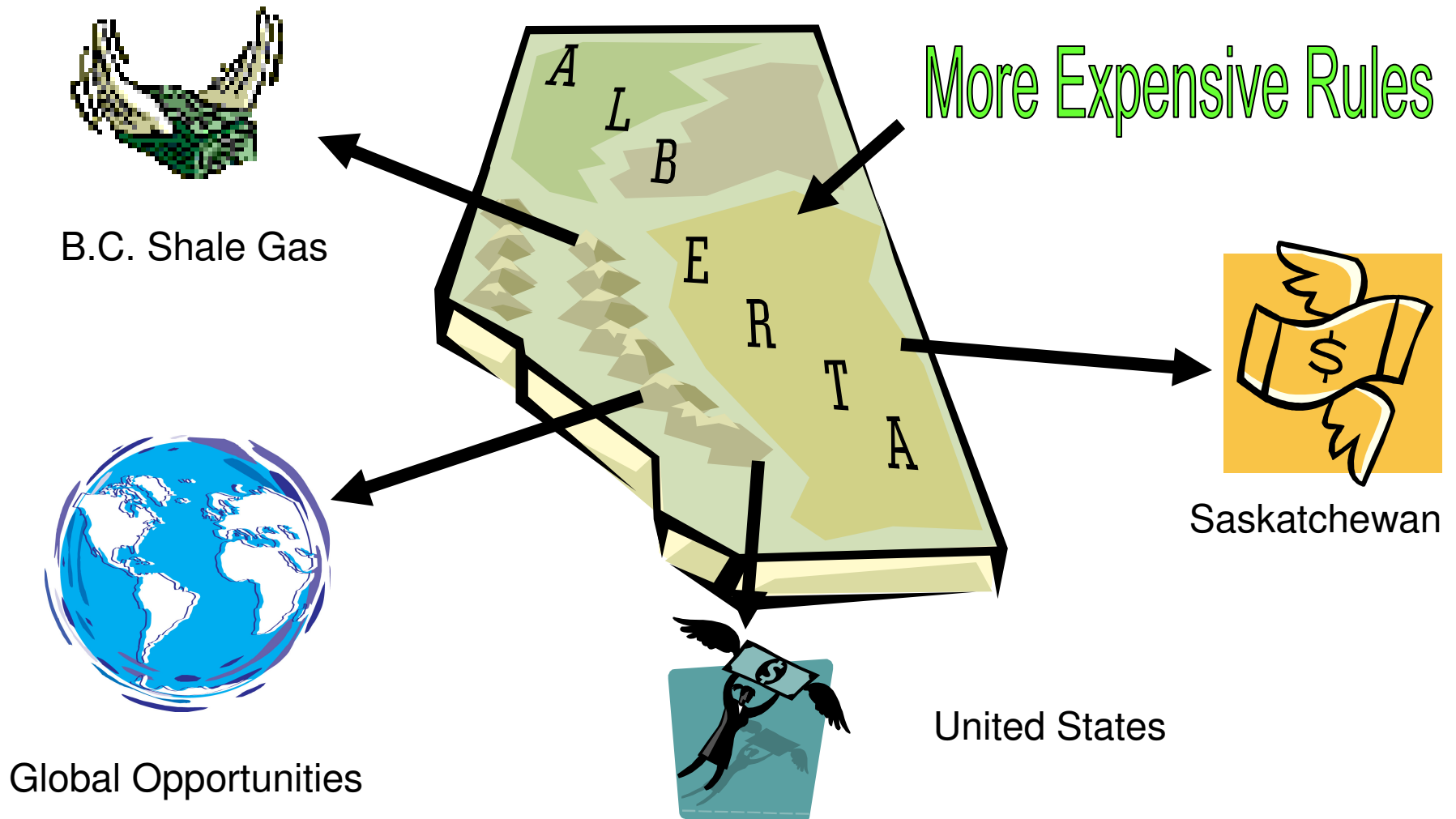


**EDMONTON – GOOD**

***Home of big government***



Because the public doesn't understand the long-term implications of bad policy....



## Yet Ed still defends the NRF

---

*“But Albertans own the resource...I spend a lot of time in Calgary. The people – the people, not some commentator, but the people – will come up and give you a hug on this issue. Or they’ll say thanks.”*

Calgary Herald – May 30, 2009






It's time for some facts

---

***“Where there is little or no public opinion, there is likely to be bad government, which sooner or later becomes autocratic government”***

William Lyon Mackenzie King, 1874-1950



# Oilsands jobs – 8% of workforce?

---

- ❑ Syncrude alone has 5,000 employees
- ❑ Oil Sands Development Group estimates 6 more jobs in Alberta for every direct job at Syncrude
- ❑ In Q1, Syncrude produced 274,000 BODP
- ❑ Alberta produces 1.3 million B/D of bitumen and synthetic crude
- ❑ This equates to 24,000 direct jobs and another 142,000 across Alberta
- ❑ 166,000 jobs or over 8% of Alberta's labor force supports the oil sands alone!

Source: Syncrude, Oil Sands Development Group, ARC Financial, Wildrose Alliance Estimates


# But the government is in denial

---

*“And while oil and gas still drives the economy,  
(Finance Minister Iris)  
Evans noted the province  
has diversified in areas  
such as medical high tech  
and nanotechnology”.*

Calgary Sun, April 6, 2009





Nanotechnology is the science of making  
things smaller

---

- **AND IT'S CLEARLY WORKING!**
  - Smaller workforce
  - Shrunk paycheques
  - Reduced home equity values
  - Diminished opportunities
  - Tiny credibility among global investors



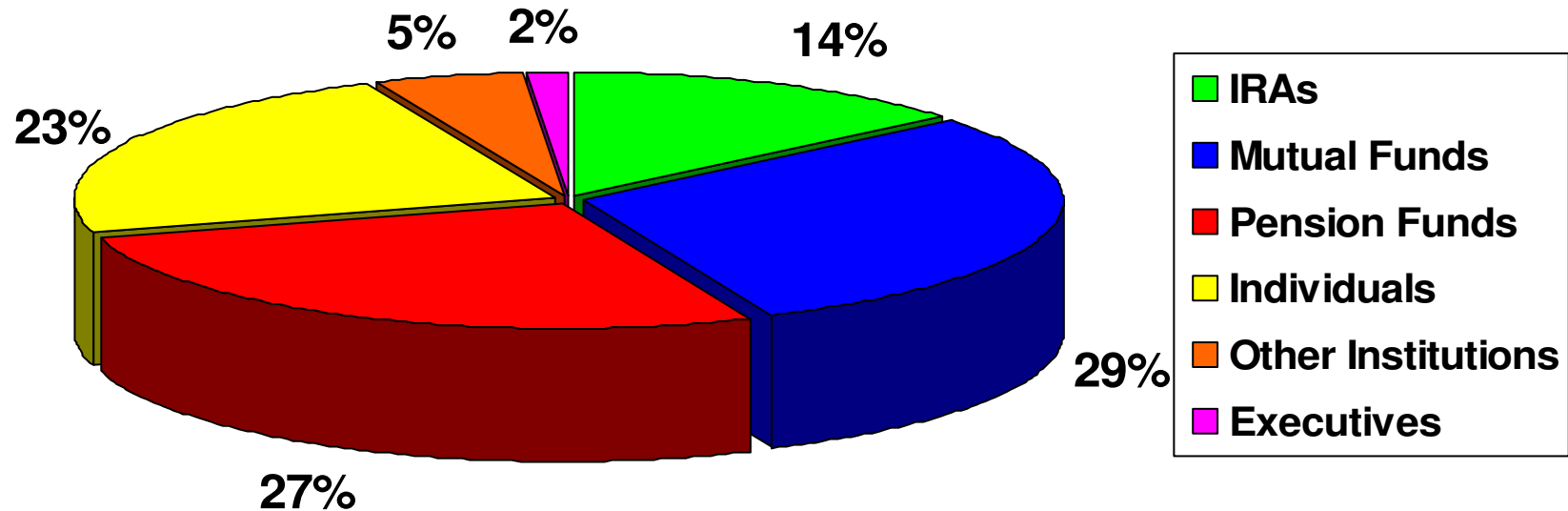
# Who owns Alberta's oil industry?

---

- ❑ Broad public ownership of largest E&P companies and service companies
- ❑ Opportunity to go into the producing or service sector
- ❑ Direct employment
- ❑ A myriad of support opportunities
- ❑ Alberta has the most participatory petroleum industry in the world
- ❑ World's most successful public/private partnership

# How US producers address their non-popularity among voters and consumers

## ***Do You Own An Oil Company?***



***100 million Americans own mutual funds or have an IRA, therefore likely own shares in oil and gas companies.***

Source: Energy Tomorrow, September 2007





## Alberta's hydrocarbons have value only because of our industry

---

- Albertans own the hydrocarbon resources only to the same extent they own the provincial courthouse or highway 2
- Oil and gas in the ground is worthless...it has no value without a connection to market
- Everything but the mineral license is supplied by industry
- So who's doing who a favor in Alberta?



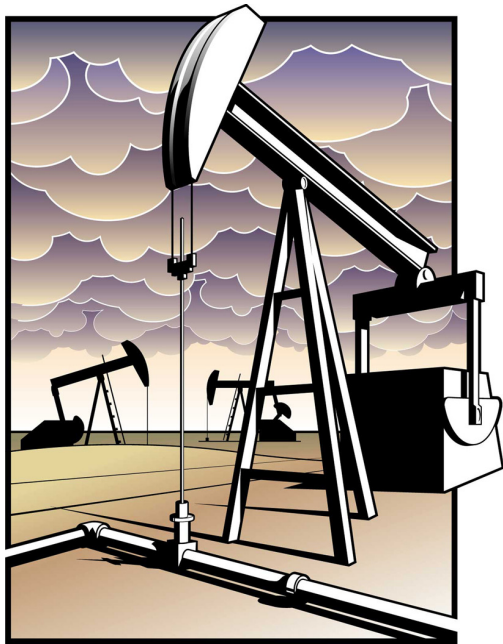
# The oil industry is still a mystery to most Albertans

---

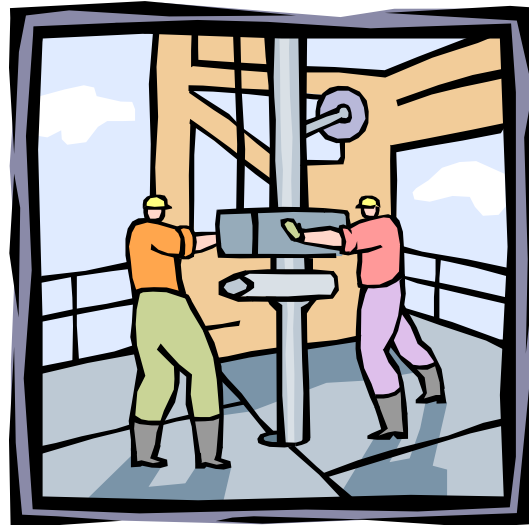
- ❑ Many Albertans don't trust or understand the oil business
- ❑ The trickle-down effect of spending is huge but not measured
- ❑ Including support services, equipment and technology, it is much larger than even the government understands
- ❑ There are no statistics on how far an oil dollar travels
- ❑ Understanding is no higher in Ontario than Alberta

# Good Energy Policy Element #1 - Facts

---



***How big?***

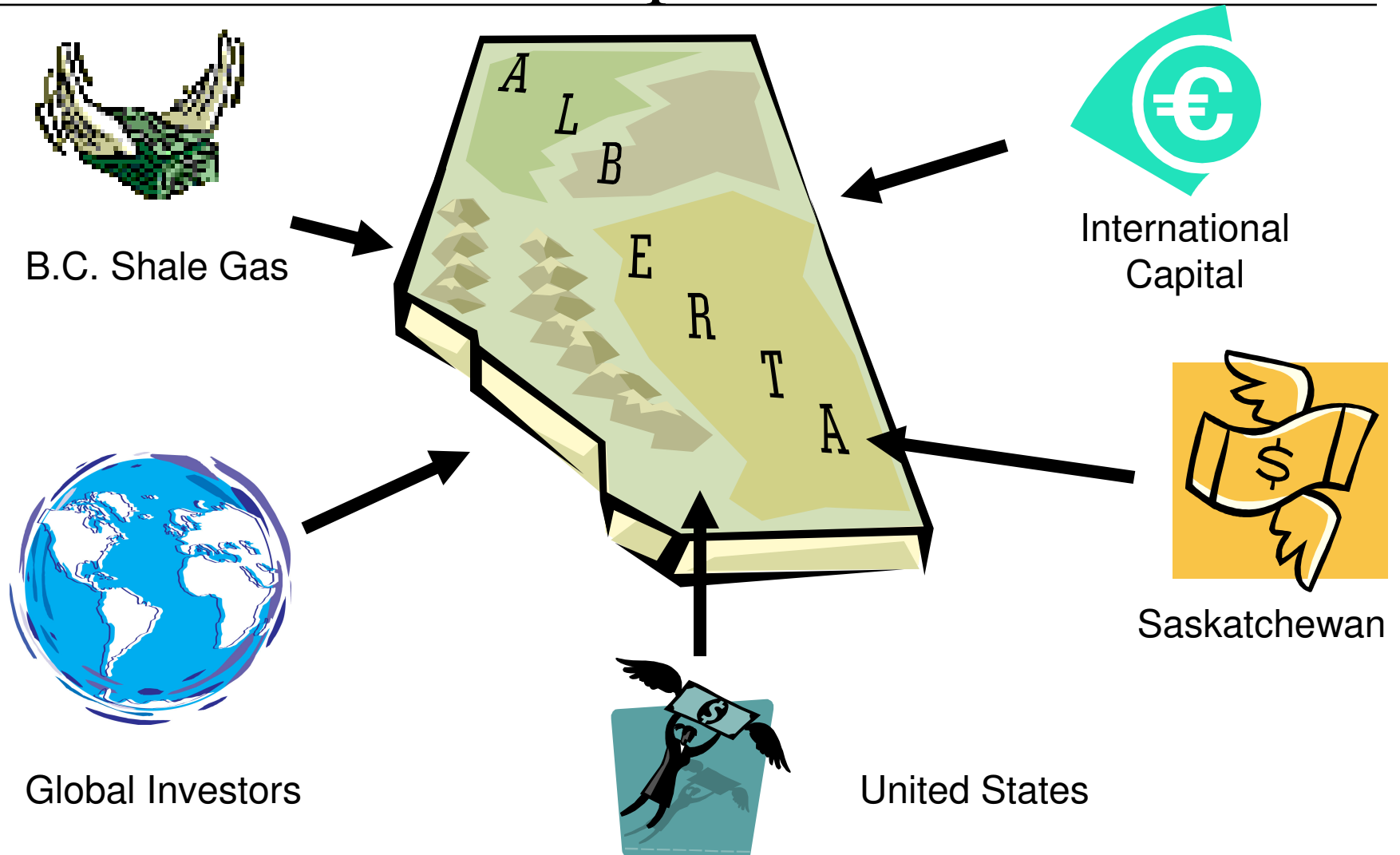


***How many?***



***Doing what?***

# Good Energy Policy Element #2 – Competitive

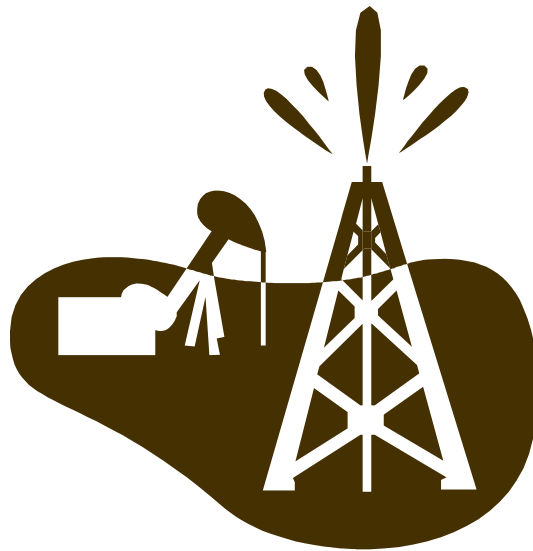


# Good Energy Policy Element #3 - Knowledge

---



***People***



***Equipment***



***Technology***

Alberta's world-class workers, knowledge, equipment and technology is recognized everywhere but Alberta!

# Good Energy Policy Element #4 - Clean

---



**Use Less  
Fuel**

**Explore  
Alternatives**

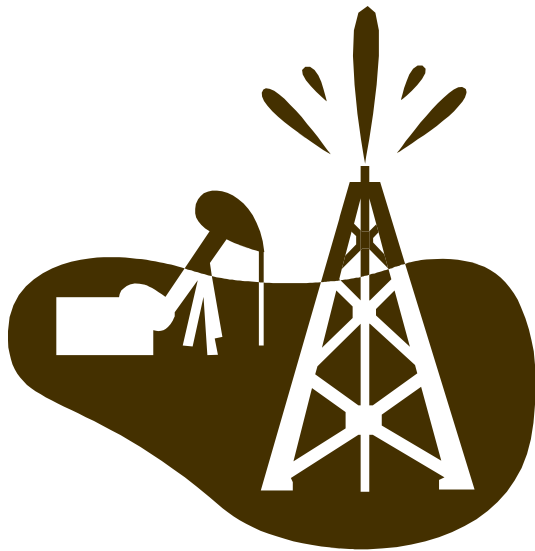


**Conserve Water**

# Good Energy Policy Element #5 – Policy, Not Politics

---

***Oil is Alberta's major industry by any measure  
and is too important for political interference***



***ASSET***



***LIABILITY***


# Back to 2007- The economy is overheated and Edmonton will save us

---



Inconvenienced by prosperity, there was broad support for Premier Stelmach to raises taxes...so long as only oil and producers had to pay!





“Our Fair Share” was pure politics and nothing to do with good energy policy

---

**The driving force behind the New Royalty Framework had more to do with the Seven Deadly Sins than sound public policy**

- **Pride**
- **Envy**
- **Anger**
- **Avarice (Greed)**
- **Sadness**
- **Gluttony**
- **Lust**

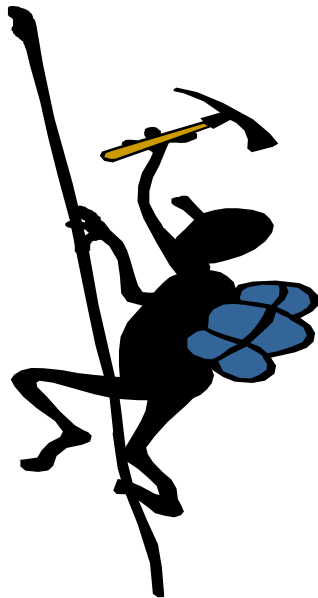


So we can't there from here

---



***If the current government doesn't change the New Royalty Framework, Alberta will never recover economically regardless of oil and gas prices***



Conclusion – Alberta's oil industry is a powerful but untapped political force

---



***“I work in Alberta's oil and gas industry and you should be proud to have me around!”***

***Oil workers – the largest group of disenfranchised voters in history***