

Happy New Year!

Here we are – flat out into the winter season and a federal election upon us. For a bit of a different flavour this month, I will spend my column time talking about the election and some of the intricacies as it relates to the Energy Industry.

The CAGC recently became a member of the Energy Dialogue Group ([www.energydialoguegroup.com](http://www.energydialoguegroup.com)). The EDG consists of 19 Associations from all walks of the Energy sector in Canada and was formed to create a dialogue with Federal and Provincial Ministers of Energy. It is important as we from the Oil and Gas Industry have been advocating that Canada must take a more holistic view and approach to Energy in this country. As I have written in previous columns, the three main sources of energy – oil, coal and natural gas – continue to make up 80+ % of the world's energy needs. Even though there exists a public push to other types of energy sources, the fact remains that at this time these new sources at best meet the growth in world demand rather than any replacement of existing demand. In addition it is important to note the large influx of energy related products on the Toronto Stock Exchange. Goodale's announcement in November 2005 to not increase any tax burden on income trusts came as a clear signal that the Federal Government has concerns about the Oil and Gas Industry and the role it plays currently on the stock exchange in Canada. As I write this article in early December the TSE remains close to all time highs. A large portion of this comes from the strength of Oil and Gas.

The minority Federal Government under the Liberals over the last year and a bit has certainly been conciliatory to most sectors. For Oil and Gas this has meant a neutral stance on tax issues and very little movement on the Kyoto file. Recently a follow-up to Kyoto was held in Montreal without any real tangible effect. It is difficult for the world to proactively tackle this problem of climate change. The deal negotiated in Kyoto was eventually pushed aside by countries such as the USA and Australia. The world today is a different place. China has rapidly moved into second place in carbon emissions behind the USA. India is also on a very sharp increase curve. Third world countries recognize that they need emission increases in order to create growth in their countries. All of this runs at competing objectives (economic growth versus emission growth) and competing countries (developed versus developing).

Probably the other failure is the challenge with taking a short term view of a long term problem. A university professor in Calgary on the radio recently summed up this situation very eloquently by stating that countries were better at looking at moving industries towards carbon capture over the next decade and phase out traditional polluting plants over time. However it must be recognized that carbon capture comes at a cost and likely will be passed onto the consumer in time. It was also put forward that even if we were to halt the emission growth we still would be faced with the changes already

occurring in the world oceans. Something that will likely have effect going forward for decades regardless of changes we make now.

The Energy Industry has really come of age here in the last decade in the politics of Canada. We truly have a powerful lobby and must use it to shape policy going forward. One challenge with this is that the large Oil Companies are being as profitable as the Banks. It is difficult to get public buy-in to Energy Policy dictated by the Oil Companies themselves. For example I think it is safe to say that the public has come to view (money) Banks as a necessary evil over time. However as their corporate profits continue to be announced as "records" quarter after quarter, the consumers look at the increasing service fees and credit card interest rates and so on and have little love left for such corporate giants. The same rings true in the Oil Industry as consumers watch prices go up and up at the pumps and up and up with their home utility costs. Managing public perception while at the same time working with Governments must be Industry's priority going forward. This will truly take some great minds in our Industry.

This coming election should be about change. However Central Canada will continue to have caution towards the West. As Alberta has moved into the role of an economic juggernaut, it no doubt causes concern with electing the likes of Steven Harper, largely seen as an icon representative of the West. It does not help when Klein takes it upon himself to make "political Western" statements prior to such Federal election campaigns. Klein may indeed be seen as the boogeyman of healthcare but in the end it is Harper who pays the price for it.

In Canada, one government looks largely like the next regardless of whether it is Liberal or Conservative. In the end they all get arrogant by staying in too long and as such perhaps there is some merit to the USA's two term allowance for a President. At least the change at the top would predicate change in the ranks in the face of having the party in power remain the same. *R*

*From the Thursday Files*

When you judge another, you do not define them,  
you define yourself.

— Wayne Dyer

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