

Happy New Year! A year passes so quickly and as I look back to January 2006, we were talking about many of the same things! – Elections. The media have done a fantastic job at making Climate Change one of the number one issues in the mind of the public. It now rates up there with Education, Health and Taxes. A year ago, as we moved into a Spring Federal election, this issue registered with less than 10 % of the electorate. Today it resounds with well over 40 % of the electorate. As such Alberta faces the real possibility of being hammered in the coming years.

As well in this opening version of my column for 2007 we also have the added intrigue of a Provincial change in leadership. Jim Dinning lost – I am not sure that was a surprise – and Ed Stelmach came up the middle to win the Premiership from third place. Dinning was viewed largely as a Calgary candidate and with the divergent feelings of the urban versus rural electorate it was probably a safe call to say that if Dinning didn't win in the first ballot he probably was out of luck. There has been much written about this already so rather than spend a lot of time on what this means, suffice it to say it marks a watershed in Alberta politics and likely a foreboding of things to come.

First of all Stelmach largely replaced the Cabinet. Interestingly, his closest opponent originally in the leadership election, Ted Morton, was given Sustainable Resources. I believe that this is an important nod to this portfolio. It likely does signify movement by the Provincial conduct a review of the OilSands Royalties. Currently these are structured in such a way that very low royalties are paid until the developing company recoups their asset costs. In the past such reviews have occurred to placate the public that Government cares (i.e. the price gouging charges over retail gas). This one may be different though as the planned panel seems going to be comprised of a diverse group of interested parties and the public. This type of panel would seem to allow the Government much greater latitude in recommending and implementing changes. Certainly the growth of the OilSands has been a concern often focused on by the media in terms of Canada's continued growth of Greenhouse Gases (GHG's). Changing of the royalty structure may in fact be a soft policy tool in which the Government may seek to use to slow the growth down.

The Provincial Cabinet as recently announced indicated a large shift away from Calgary. It should be noted that 3 Calgarian Cabinet Ministers remain including Greg Melchin, former Minister of Energy however now shifted to seniors and Community Supports. The other two notables include Ron Liepert with Education and Ron Stevens with Justice. Edmonton fared even worse with only Dave Hancock in the portfolio of Health. The rest of the Cabinet represents rural areas – a marked shift from the Klein Cabinets. Of significance is simply whether or not this will drive a deeper wedge in the Progressive Conservative party.

The Federal Liberal party leadership race had a similar flavour with Stephane Dion coming up the middle from fourth spot to win it all. Dion has quickly picked up on the Environmental focus and talks very strongly about having Canada meet its emission targets under the Kyoto protocol. So taken was the Canadian electorate that very quickly Dion and the Liberals jumped ahead of Harper and the Federal Conservatives in the polls. In his acceptance speech, Dion repeatedly emphasized his main goal: dealing with what he called "the greatest challenge we have today, sustainable development." He was elected, he

said, because "Canadians have a deep concern about the main issue of our time—building a sustainable environment for our children."

Dion hopes that Harper's fumbling with the Clean Air Act, cutbacks in social programs and the growing public concern with the body count in Afghanistan will buoy the Liberals to power in an expected 2007 spring election. However Dion has his own challenges having taken a federalist position to Quebec over the years, his support in his home province is soft. As well his language skills in English are somewhat faltering thus leaving him vulnerable in English speaking parts of Canada.

Harper's recent turnabout on the issue of Income Trusts has had a certain amount of negative recourse in the Oil and Gas Industry however it may have bought some time in areas of the Environment.

I will close with borrowing some thoughts from Mike Byfield's recent Daily Oil Bulletin's column dated November 20, 2006: *Peak Oil: Even If The Optimists Are Right, Time Is Getting Tight.*

CERA and ASPO accept that North America's wealth-making economy rose on a foundation of cheap energy. "North Americans are predisposed to failing the energy IQ test," says Udall. Drivers here cheerfully assume that relatively inexpensive gasoline will continue to flow from their neighbourhood pump more or less forever.

CERA and ASPO believe that world demand could well outstrip conventional oil supplies within the relatively near future.

CERA believes alternative supplies can be brought on stream through oilsands, very deepwater reserves, condensate and gas liquids, and conversion of both natural gas and coal to liquid form. ASPO, while acknowledging that those resources are vast, questions how quickly they can be brought on production.

Three decades. To develop new world-scale supply technologies – whether for alternative types of petroleum or for other energy forms like sunlight and so forth – 30 years is not a long time. In fact, it's the near future. For instance, Alberta's very first barrel of synthetic crude was produced four decades ago, and the oilsands have only now shown up as more than an insignificant blip on the world production map.

I have shortened the commentary extensively here to provide a very brief synopsis of the challenges of competing roles of energy and the environment not only in Canada but indeed globally. Given that the majority of us reading this column will not live much past 2050 we have a great challenge ahead of us to think long term in our short term lives. **R**

From the Thursday Files:

*To think is easy. To act is difficult.
To act as one thinks is the most difficult.
– Johann Wolfgang Von Goeth*

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