

The CAGC is proud to announce its 30th year anniversary! We were incorporated in March 1977. We will celebrate the year by planning some special events and commissioning a new logo to mark the year. And look for a special spring edition of The Source magazine. Gratuitous plug there!

However back to the serious issues of the day – for the year coming. Industry has been somewhat slower than last year. As far as seismic goes we have seen a shift somewhat from the conventional gas plays to the Oil Sands. As I have written in earlier columns, investors view conventional gas as requiring immediate results (quarter by quarter) while Oil Sands are viewed as a long term play. Money can continue to be spent there without paying the investor perception toll on a quarterly basis.

The industry awaits Stelmach's announced Oil Sands Royalty review. Currently royalties are set to be very low (\$0.50) until the cost recovery of the infrastructure is recovered. This has been a very effective model for encouraging Oil Sands investment. However the growth has been unprecedented. Fort McMurray is beyond being able to cope with the growth in a manageable way. The public are beginning to ask for the growth to be slowed. The word "sustainable" is the word of the day even though sustainable and market forces rarely go hand in hand. Finally the environmental push across this country adds fuel to this fire.

In a jaded manner I would say that the outcome of a royalty review is predetermined by who you populate the panel with. If Stelmach wants to slow the growth, there will be an adjustment. It may be positioned softly against existing projects but stronger against new projects. This would, for example, potentially cause a dampening effect on new projects in the near term.

But let's be honest, Industry is often its own worst enemy. In general Industry has not stepped up to be an integrated part of the social fabric in communities like Fort McMurray. There is instead this attitude that "we" are paying billions in royalties so it should be a Provincial Crown obligation. This is an attitude that eventually turns against us. "We" lose the powerful backing of the local folk and negative commentary is magnified in the public and in the media.

Let this be a powerful message – Companies MUST become integrated in the communities where they are operating. Perhaps the leaders in this are the Unconventional Gas types (Coal Bed Methane). Alberta has a lot of CBM production and this is expected to grow despite the public black eye this development has suffered over its poor use of water in past USA activities. The Canadian versions of this company type have had to go the extra mile right from the beginning to even gain initial access to the land. They are a study in exemplifying good stakeholder relations.

Second to all of this, the Environment is and will be an undisputable force in the year to come. Canada lags behind other world countries in looking to develop technologies geared towards better environmental outcomes. Harper is set to make some announcements in mid-January but really the previous Liberal government pussy-footed around the issue and Harper's Clean Air Act appears to be a bunch of hot air. So look for the public and media to continue to ratchet up this file as weird weather hits all parts of the country. This is a file

that governments will lose more than they win on. It will take tough legislation that has some balance between Industry and Consumer. If the balance is off and/or deemed to be too harsh, the ruling political party will pay at the polls. This issue is likely to go through a few governments and parties. And to be honest, other than having some "feel good" for the public and media it is unlikely to have any great effect on the global climate change problem. Our 2 % world emissions are but a drop in the bucket as compared to the USA and China's and India's continued growing GHG's. But we must be part of the solution rather than the problem.

We will hear about renewables more and more. These are a small portion of the solution but it is important not to think of them as the panacea. The growth in renewables has been considerable over the past decade however they barely keep up with the world's growth in energy demand. Therefore there has not been any real inroad into replacing the three sisters – coal, oil, and natural gas – continuously supplying 85 % of the world's energy needs. Renewables come with their own challenges – wind is very spatially dominant and is generally infrastructure that people do not want in their backyards. This is true for other sources such as biomass. Nuclear – not exactly a renewable but an alternative source of non-GHG producing energy – is challenged with the radioactive waste generated and the general fear surrounding NIMBY and BANANA.

The third prominent issue we face is Aboriginal Consultation. We have dealt with this in other jurisdictions before but now are beginning to deal with it here in Alberta. This is a file of grey expectations that is not easily managed. The Government has been very careful in not providing clear guidelines. This allows for maximum flexibility – this tends to backfire over time for industry however as costs and expectations continue to grow. As well Stelmach rolled in Aboriginal Relations into the International and Intergovernmental portfolio. This has sent a poor message to the Aboriginal community about the government's seriousness with the issue.

Industry often waits for government to set the rules. No one wants to jump ahead of the curve and incur additional costs that their competitors are not incurring. This, in an odd way, contributes to the dilemma we will face in the coming year. We will fight a rearguard battle in trying to survive the onslaught from the public policy makers surrounding these issues. We have made our own bed but it is what it is I suppose.

*From the Thursday Files:*

*Never mistake knowledge for wisdom.*

*One helps you make a living; the other helps you make a life.*

*– Sandra Carey*

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