

"Houston, (Calgary) we have a problem." Here we are in the Energy Hub of Canada; the only Province in Canada without a Provincial Sales Tax and yet over 80 % of the public backed carte blanche the changes proposed to the Royalty structure. With over 40 % of Provincial GDP coming directly from the Oil and Gas Industry, it is apparent that even a large number of our own culture does not necessarily support the Industry they work for.

CAPP is asking itself, "Are we listening?" I guess it is safe to say that we (as an Industry) have not been listening. We have assumed we knew what the public wanted to know and hear – but clearly we have been wrong. Two things motivate humans – interest and fear. Canadians still receive their energy very reliably and cheaply (compared to global standards). Europeans have seen massive increases in retail energy prices. Gasoline at the pumps is in the order of twice (or more) that of what we pay here in Canada. We have no issues with supply and demand except for the rare weather event.

So without a crisis there is only interest left to motivate people. Let us consider our food supply. Given the fact that we have no issues with supply and extremely cheap food prices, we as Joe and Jane Public have little or no interest when farmers complain about their business. It would make sense then that this is pretty much equivalent in terms of interest and fear to the Oil and Gas business.

Our number one issue for 2008 going forward is our own reputation and that of public perception. We have to stop spouting statistics. For example our Industry paid \$12.3 billion in royalties and bonuses this past fiscal year. Alberta itself ran a surplus of \$8.5 billion. A similar amount is paid through corporate taxes to Federal coffers. The Canadian Federal Government posted a surplus of \$13.8 billion. What does all this mean? Probably not much to the average Canadian except that the economy is healthy and as long as inflation remains in check it is unlikely one sector or another is viewed as the significant contributor.

At a recent meeting of the Energy Dialogue Group (EDG) reputation and public perception were identified as the number one issue across Energy Industries. The EDG consists of 18 Associations representing everything from wind, geothermal, fuel cells through to coal and the Upstream Oil and Gas Industry. The concept of Canada as an Energy Superpower doesn't fly with the public. Superpower has the USA connotation which most Canadians are not all that comfortable with.


Further to all of this we must do something we haven't done very well at before – we must engage the Youth. Most youth have little interaction with the Energy Industry other than turning on their computers everyday. Since that task is reliable in itself there is little or no connection from their own lives to that of the Energy Industry. Our Industry does an OK job at the post secondary level but is very challenged to reach younger High School minds. We have partnered with the Calgary Board of Education over the past couple of years to get our 150 students each year to our Seismic In Motion Field Trips. The CSEG Outreach Committee and CAPP have assisted financially and in kind over the past couple of years with this effort. We are working through Enform to engage with the Propane Association through a Service Plus program under which some Energy message will be delivered to some high

school students. These are excellent initiatives but barely scratch the surface.

Other areas of concern noted and of common interest to the EDG members included Infrastructure Replacement, Environmental, Regulatory, Security, Technology, Human Resources and Land Access Issues. Some of these are self evident – HR continues to plague us even if we are in a downturn, we will eventually rebound and likely will have lost the people that had to move on to other careers. Infrastructure Replacement is an interesting one. This encompasses all levels of industrial activity and retail and consumer so right from the big pipelines to the gas lines into your house. Much of this stuff was built over the last 50 years and will not last forever. The upgrading costs or renewal costs are huge and often such as with the bridge collapse in Quebec, decisions are made after something catastrophic occurs rather than taking proactive steps.

Environmental not only includes Climate Change but also Land Use and Water and thrown in for good measure is the Greening of the Politicians. For us we have seen a moratorium slapped on lake seismic due to a reactive political decision. We are back at the table with the Alberta Government but the fact that it even happened is disturbing. Our politicians are making short term decisions for political gain on long term issues. Premier Campbell in BC with drastic CO2 reduction targets (scheduled over the next decade), McQuinty with the intention of getting rid of coal fired electricity plants in Ontario (over the next decade); and Stelmach here in Alberta with shutting down lake seismic after his own Minister and Departments had approved it. These are difficult issues for Industry to be prepared for and manage the outcome. They are often done for short term political hype without any real plan for the future and if pushed far enough out just become a political hot potato that one mandate (or party) pushes on to the next – like Kyoto. Here in Alberta let us hope we do not experience what economists call Dutch Disease – a combination of high currency exchange rates, high local inflation, decreased resource output (therefore government royalties) and less local work.

In a recent survey of my members (which can be found on our website), the number one challenge to our companies was identified as Aboriginal Consultation. In a recent letter to the Alberta Government we wrote, "This (Aboriginal Consultation) continues to spiral in cost and effect given the duality of a lack of structure from the Government's side and a growing efficiency on the Aboriginal side to work the system to their advantage."

In any case let me end on a positive note – A Happy New Year to All! 

From the Thursday Files:

***A business that makes nothing but money
is a poor kind of business.***

– Henry Ford

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