

As you read this, June is here and then summer will soon be upon us. As I write this we are receiving torrential rain in Calgary. So much for April showers this year it was April snow and May showers. Climate change equals funny weather.

June is a bus month for us. We will hold our BC GEO Seminar in Fort St John on June 25 and 26. This is a Trade Seminar dealing with the issues of the day largely. This year BC is bringing in a new Oil and Gas Activities Act (OGAA). We will see revised Geophysical Regulations and in short order a Landowner Rights Regulation will be drafted. More social changes to be sure. As well we have we are seeing many changes in explosives storage issues with the Olympics being held in 2010. Many of the new requirements take effect in BC by October 2008 with the rest of the country following within two (2) years.

Arc Financial Corp's Newsletter of May 5, 2008 has an article (written by Peter Tertzakian and Kara Baynton) on the Social Dynamics of Rising Gas Prices. Much of the research is based on US dynamics but as our economic makeup is very similar, one can assume we would face similar dynamics. The article reports that public transit ridership is up but the question is whether or not this has any real effect on the demand for gasoline.

In general the article suggests that there is a continuum of change as gas prices rise versus income levels. In other words pain is not felt uniformly. Someone earning \$20,000 per year will make changes much sooner than someone earning \$200,000. One trend of thought is that people will change behaviors once gasoline costs somewhere between 10 and 15 % of one's income. With median income somewhere around \$50,000 per year it is suggested that these folks consume perhaps 7 % of their income currently. Given the convenience of North Americans' transportation habits, the lack of public transportation on a grand scale, and the societal infrastructure that has been 100 years in development supporting such a driving culture; it is unlikely any meaningful change will occur across the average consumer until gas prices double from where they are today. And even then the pressure on Governments to do something will be incredible. The long and short of the current prices of gasoline has at best leveled the demand curve but has done nothing to bring it into decline.

Some governments are now considering the Carbon tax solution. BC is the leader perceptually with a 2.4 cent per litre carbon tax on gasoline and further increases to 7.2 cents per litre by 2012. It is designed to be a revenue neutral tax paid by the consumer with it being handed back to the people

through credits, tax cuts or such. Quebec instituted a carbon tax in 2007 in which the Energy companies pay slightly less than 1 cent per litre. They have no real idea if the companies will (or have) pass the increase on to the consumer or not. Quebec uses its revenues for green technology projects.

Assuming the Arc article is close to being right on income versus behaviour adjustment it is unlikely these levels will have much effect. Vancouver already has a transit tax on gasoline of an additional 6 cents per litre to support its public transit system that has been in effect for 10 years. There was little to no public outcry when this measure was introduced. Arguably the effect on public driving habits has been little to none. However most advocates feel that something is better than nothing. Small taxes such as these may lead to larger ones being more palatable later. The trouble is that people have short term outlooks and once governments become too tax-burdensome, public opinion leaves quickly.

Common sense is rarely common. We face this stark reality across jurisdictions and income classes. Decisions due to human nature itself rarely are altruistic. Instead we have financial thresholds that cause changes in behavior – both good and bad. Defining the balance for society as a whole remains a tricky endeavor for our governments – to be seen to doing something but not going too far that might cause a massive political movement against the ruling party.

Pierre Alvarez, the head of the powerful Oil and Gas Lobby CAPP, announced his resignation in late May. Alvarez steered the ship for the past nine (9) years beginning at a time when oil was \$11 USD a barrel and natural gas was below \$2 a unit. His accomplishments were many and considering he often faced a fractured membership his failures were few. Alvarez may be gone but won't be forgotten. **R**

*If you are planning for a year, sow rice;
if you are planning for a decade, plant trees;
if you are planning for a lifetime, educate people.*

– Chinese Proverb

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