



***WHY THE OIL AND GAS
INDUSTRY MUST DEFEND ITS OWN
INTERESTS***

By David Yager
GPAC/PJVA Conference
Calgary, November, 2009

“I made a commitment and I delivered”



“...it assures investors that Alberta will remain an internationally competitive and stable place to do business ”

Ed Stelmach &
Mel Knight

October 25, 2007

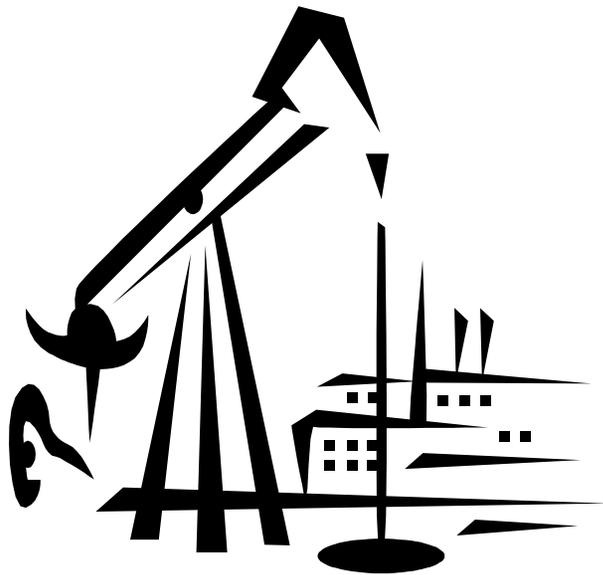
What's wrong with the NRF?



- **Abrogated existing lease and investment commitments damaging Alberta's reputation**
- **Reduced profitability of existing production and future oil and gas development**
- **Abandoned the drilling, service and oil industry support sector in small town Alberta**
- **Politicized oil and gas pitting Albertan against Albertan, region against region**
- **Set Alberta up for long-term budget deficits and financial difficulty**

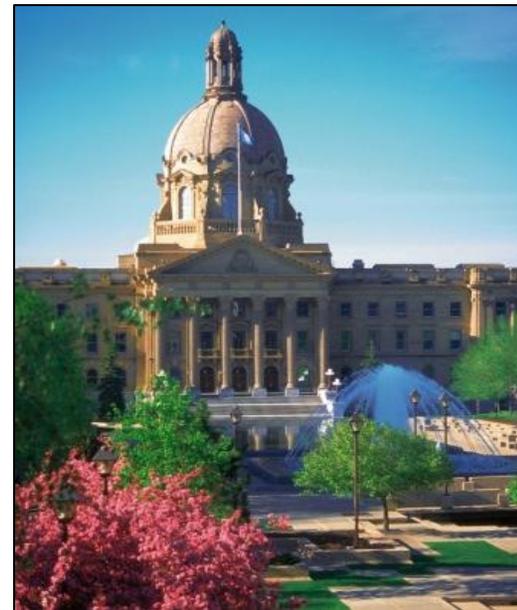
So we fight the battle on two fronts

BUSINESS



***Alberta's oil industry is an
a fight for survival
because of commodities
and capital market***

POLITICS



***Our government has
declared war on Alberta's
most important industry
for political gain***



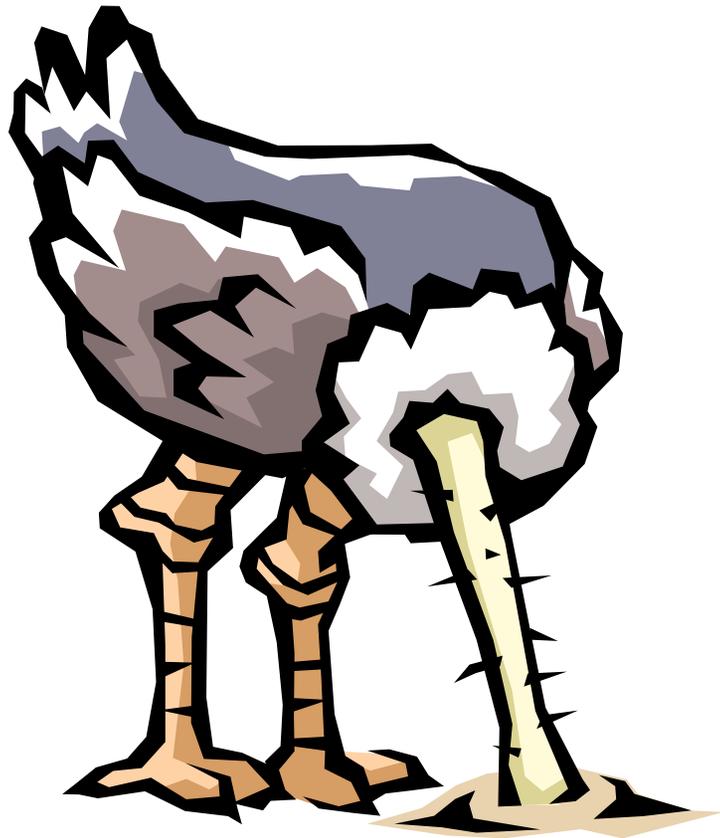
Alberta's natural gas realities

- **The basin is maturing**
 - New gas wells in tight formations are increasingly expensive
 - Discovered reserves are getting smaller with every well
 - Few big pools being discovered – many new wells required
 - Increased costs due to environmental regulations, surface access costs, public hearings and consultation

- **Intense competition with other gas producing regions**
 - US shale gas and new technology will keep gas prices low for many years
 - Competition from international LNG internationally (Liquefied Natural Gas) with North America a dumping ground



How did we get into this mess?

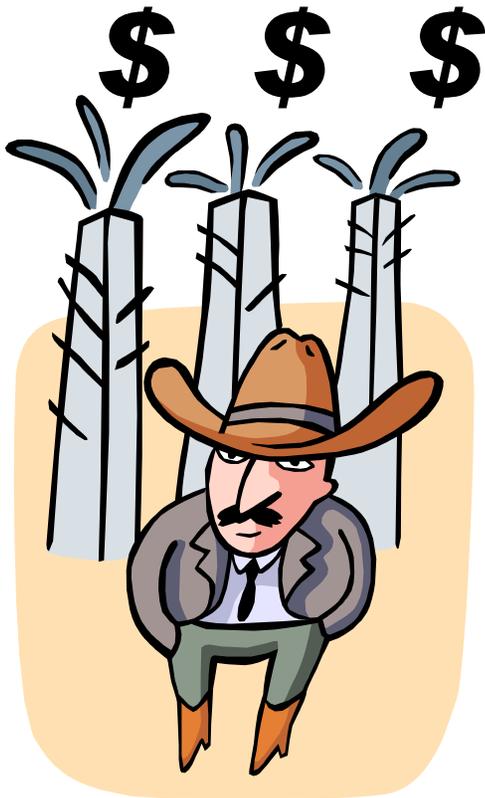


OIL
INDUSTRY
COMMUNICATIONS
STRATEGY

Does the public really hate the oil business?



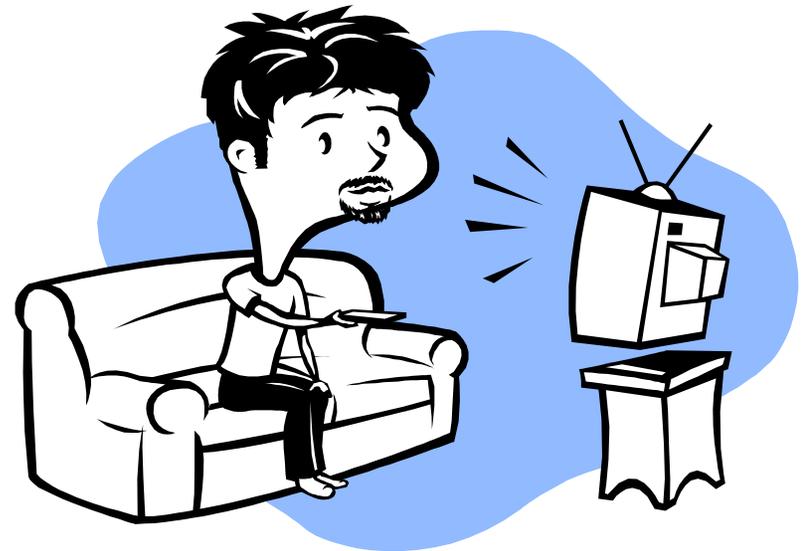
Or do the oilpatch allow others to control
the public debate and political agenda?



The oil industry likes to blame all of its problems on a biased media



“Big oil reported record profits as thousands lost their jobs...”



But journalists simply report whatever information comes their way



**Reporter: "Sir, Mr. Oilman
Sir, could I please get a
comment?"**



**Oil Executive: "We paid \$15
billion in royalties and land
sale bonuses in 2006. Talk
to somebody else. I've got
company to run."**

Meanwhile, the people you love to hate
never decline an interview



***“It’s bad, bad,
bad, really
bad. If we
don’t stop
them now the
whole world
and all forms
of life will be
destroyed!”***

As the oil industry quietly creates
prosperity and jobs....



***And assumes
somebody
understands
where the wealth
comes from***

Critics say whatever they want without
challenge

OBSCEN
E
PROFIT\$

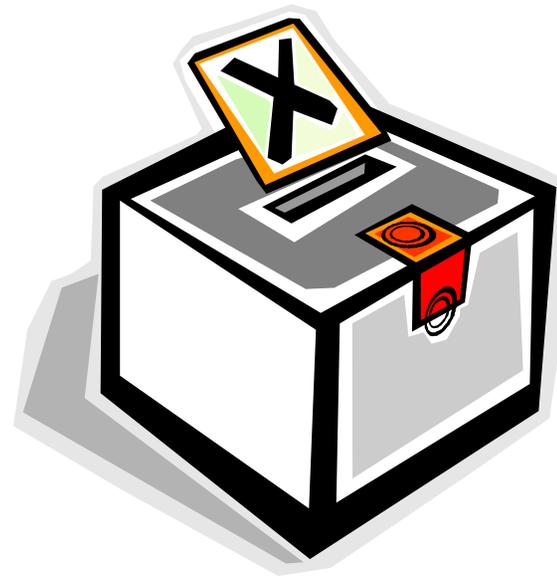


Environmental
destruction

PRICE
GOUGIN
G

Our fair
share

Today's politicians listen but only respond
to the loudest voices



So the wrong people end up heroes

GOOD



***Bill Hunter, Royalty
Review Panel
Chairman and former
CEO of government
subsidized pulp mill***

BAD

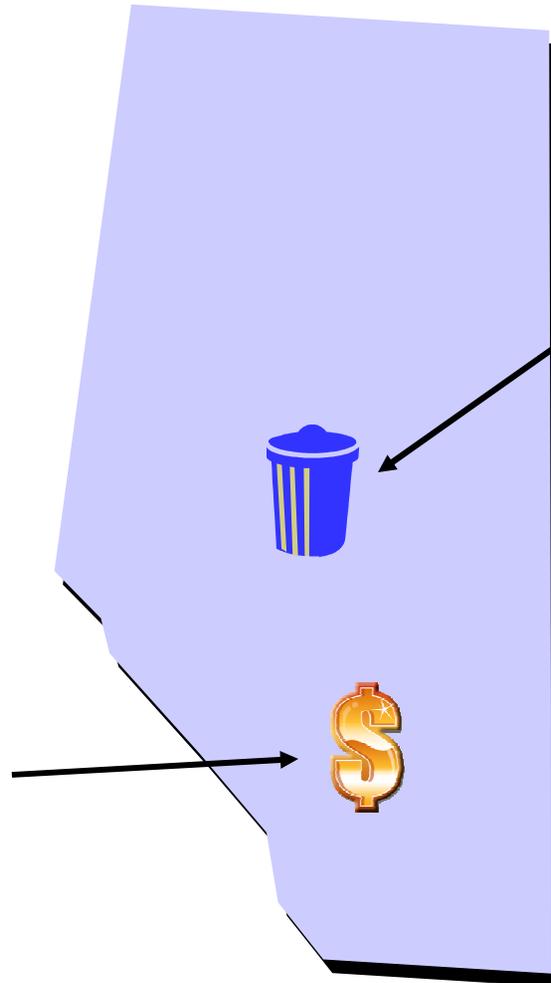


***The oil workers of Alberta
who for generations have
worked hard to make
Alberta prosperous***

This allows the Stelmach government to
create new divisions within Alberta

CALGARY – BAD

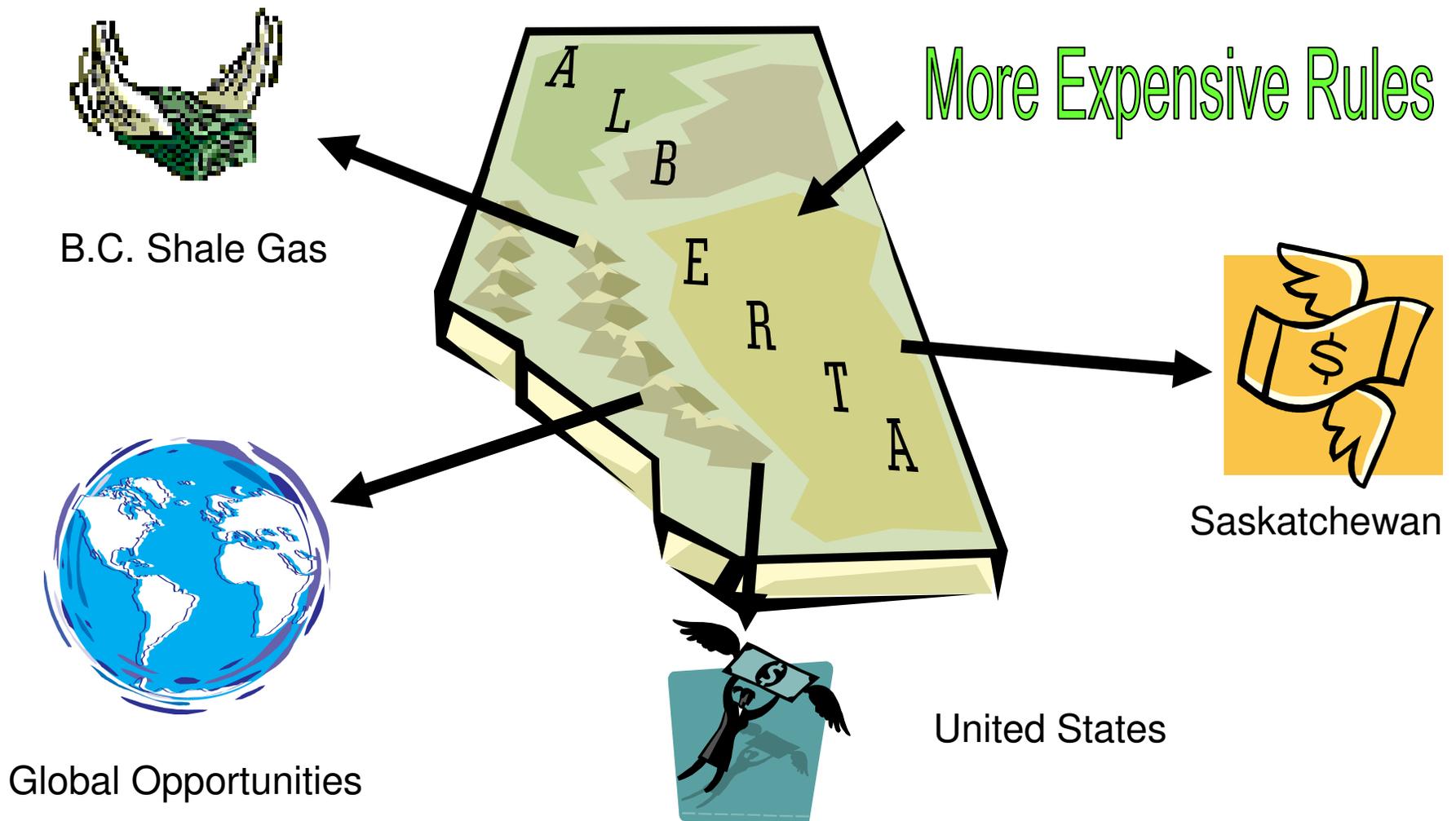
Home of BIG OIL



EDMONTON – GOOD

Home of big government

Because the public doesn't understand the long-term implications of bad policy....



Yet Ed still defends the NRF

“But Albertans own the resource...I spend a lot of time in Calgary. The people – the people, not some commentator, but the people – will come up and give you a hug on this issue. Or they’ll say thanks.”

Calgary Herald – May 30, 2009





It's time for some facts

“Where there is little or no public opinion, there is likely to be bad government, which sooner or later becomes autocratic government”

William Lyon Mackenzie King, 1874-1950



Oilsands jobs – 8% of workforce?

- ❑ Syncrude alone has 5,000 employees
- ❑ Oil Sands Development Group estimates 6 more jobs in Alberta for every direct job at Syncrude
- ❑ In Q1, Syncrude produced 274,000 BODP
- ❑ Alberta produces 1.3 million B/D of bitumen and synthetic crude
- ❑ This equates to 24,000 direct jobs and another 142,000 across Alberta
- ❑ 166,000 jobs or over 8% of Alberta's labor force supports the oil sands alone!

Source: Syncrude, Oil Sands Development Group, ARC Financial, Wildrose Alliance Estimates

But the government is in denial

*“And while oil and gas still drives the economy,
(Finance Minister Iris)
Evans noted the province
has diversified in areas
such as medical high tech
and nanotechnology”.*

Calgary Sun, April 6, 2009





Nanotechnology is the science of making
things smaller

- **AND IT'S CLEARLY WORKING!**
 - Smaller workforce
 - Shrunk paycheques
 - Reduced home equity values
 - Diminished opportunities
 - Tiny credibility among global investors

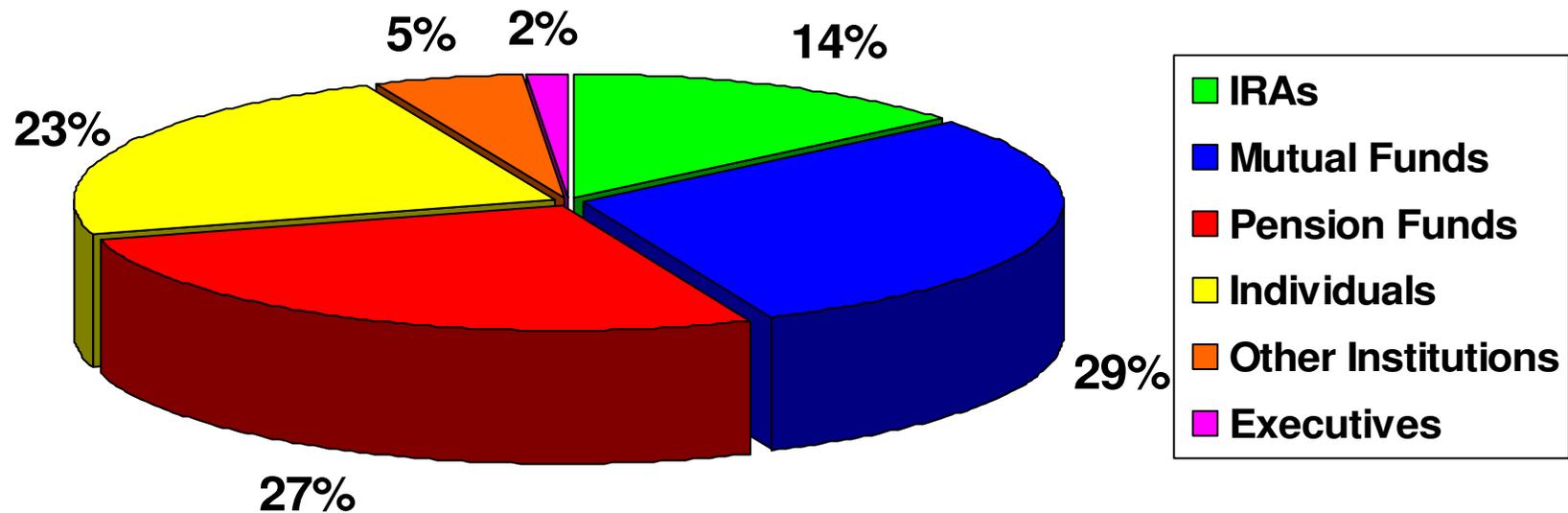


Who owns Alberta's oil industry?

- ❑ Broad public ownership of largest E&P companies and service companies
- ❑ Opportunity to go into the producing or service sector
- ❑ Direct employment
- ❑ A myriad of support opportunities
- ❑ Alberta has the most participatory petroleum industry in the world
- ❑ World's most successful public/private partnership

How US producers address their non-popularity among voters and consumers

Do You Own An Oil Company?



100 million Americans own mutual funds or have an IRA, therefore likely own shares in oil and gas companies.

Source: Energy Tomorrow, September 2007



Alberta's hydrocarbons have value only because of our industry

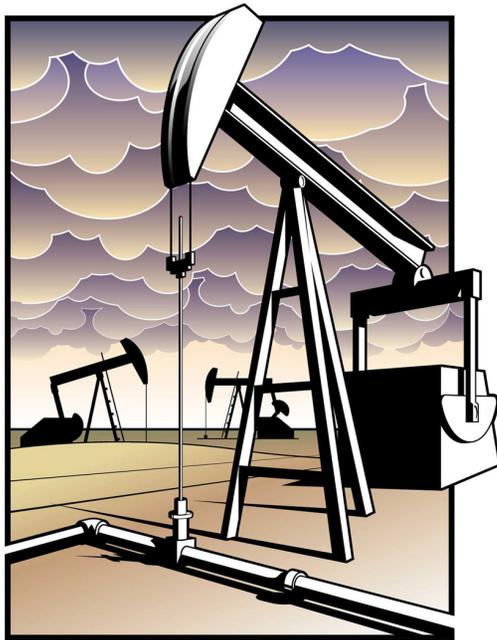
- Albertans own the hydrocarbon resources only to the same extent they own the provincial courthouse or highway 2
- Oil and gas in the ground is worthless...it has no value without a connection to market
- Everything but the mineral license is supplied by industry
- So who's doing who a favor in Alberta?



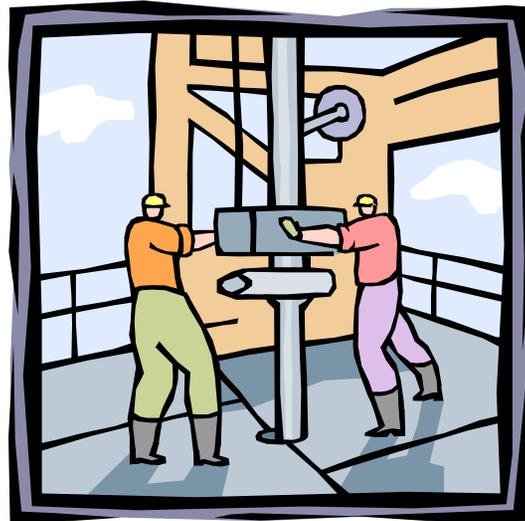
The oil industry is still a mystery to most Albertans

- Many Albertans don't trust or understand the oil business
- The trickle-down effect of spending is huge but not measured
- Including support services, equipment and technology, it is much larger than even the government understands
- There are no statistics on how far an oil dollar travels
- Understanding is no higher in Ontario than Alberta

Good Energy Policy Element #1 - Facts



How big?

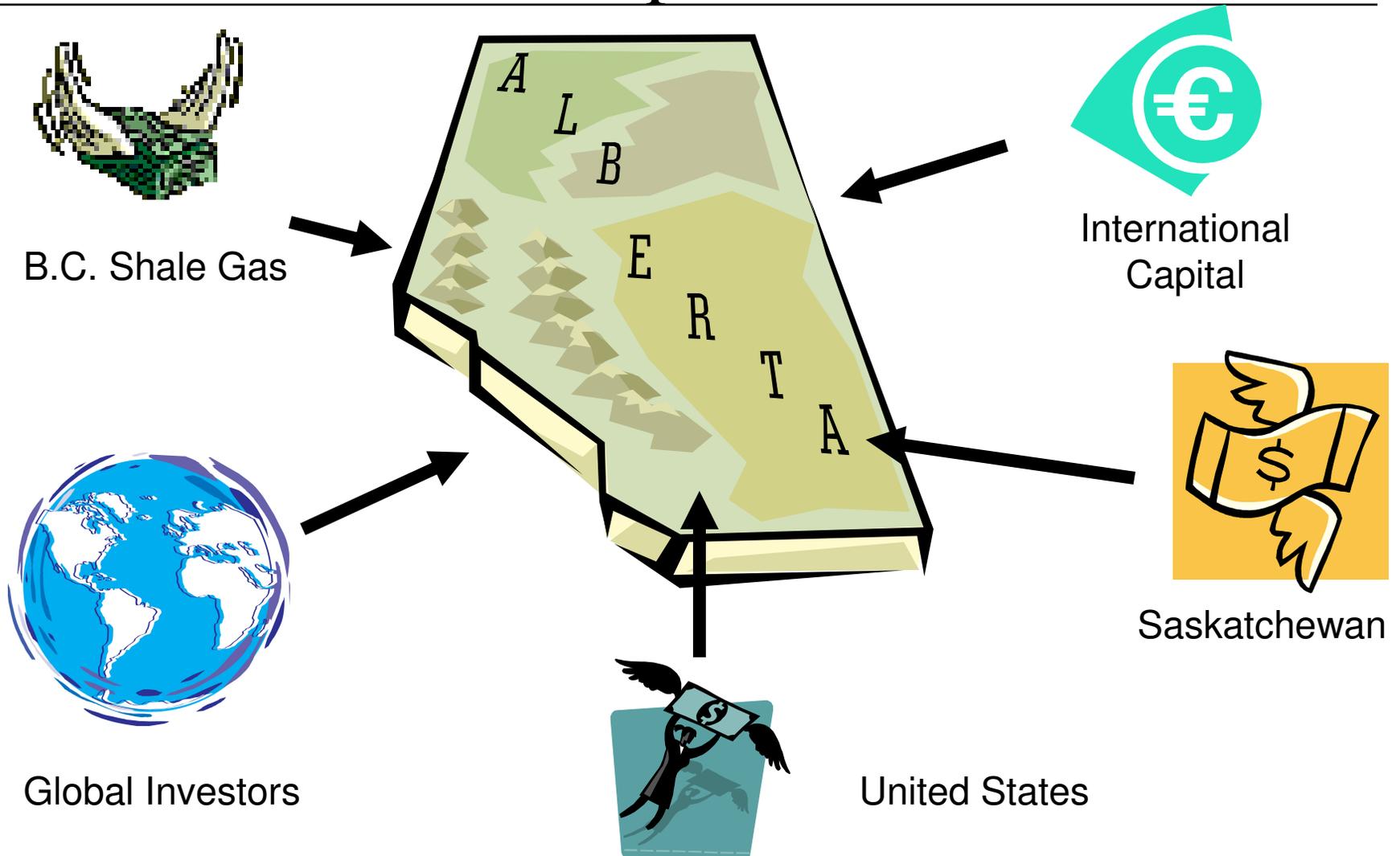


How many?

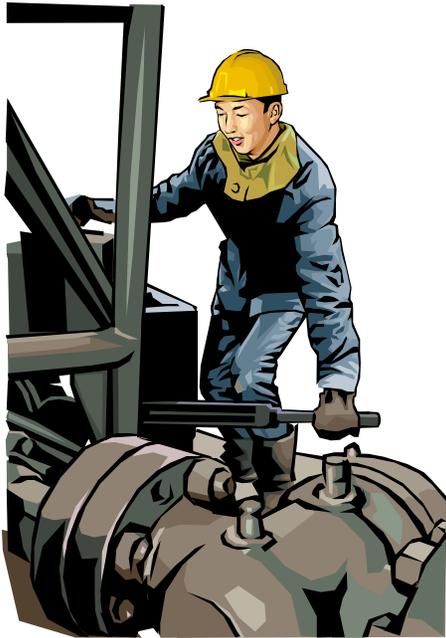


Doing what?

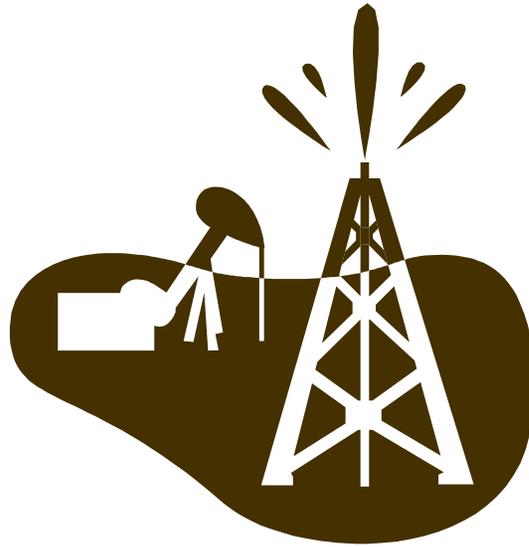
Good Energy Policy Element #2 – Competitive



Good Energy Policy Element #3 - Knowledge



People



Equipment



Technology

Alberta's world-class workers, knowledge, equipment and technology is recognized everywhere but Alberta!

Good Energy Policy Element #4 - Clean



**Use Less
Fuel**

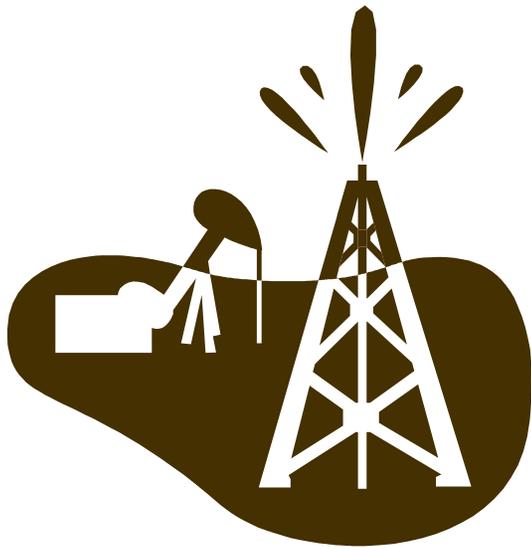
**Explore
Alternatives**



Conserve Water

Good Energy Policy Element #5 – Policy, Not Politics

***Oil is Alberta's major industry by any measure
and is too important for political interference***



ASSET



LIABILITY

Back to 2007- The economy is overheated and Edmonton will save us



Inconvenienced by prosperity, there was broad support for Premier Stelmach to raise taxes...so long as only oil and producers had to pay!



“Our Fair Share” was pure politics and nothing to do with good energy policy

The driving force behind the New Royalty Framework had more to do with the Seven Deadly Sins than sound public policy

- **Pride**
- **Envy**
- **Anger**
- **Avarice (Greed)**
- **Sadness**
- **Gluttony**
- **Lust**



So we can't there from here



If the current government doesn't change the New Royalty Framework, Alberta will never recover economically regardless of oil and gas prices



Conclusion – Alberta’s oil industry is a powerful but untapped political force



“I work in Alberta’s oil and gas industry and you should be proud to have me around!”

Oil workers – the largest group of disenfranchised voters in history