



**The Freeze on Future Oil and Gas  
Licensing in Canada's Arctic Offshore**  
Paul Barnes, CAPP  
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## Who is CAPP?

- **Canadian Association of Petroleum Producers**
  - The voice of Canada's upstream oil and gas industry
- **Represents the companies that explore for, develop and produce natural gas and crude oil throughout Canada**
- **Member companies produce 80% of Canada's natural gas and crude oil; associate companies provide a wide ranging variety of products and services that support the industry**
- **On behalf of its members, CAPP advocates for and enables economic competitiveness and safe, environmentally and socially responsible performance**
- **Offices in Calgary, Ottawa, St. John's and Victoria**

# Oil and Gas Industry in the Canadian Arctic

- **Early exploration in Mackenzie Valley with discovery and early production of oil in the 1940's at Norman Wells and later large scale development of oil and accompanying pipeline to Alberta in 1980's**
- **Increased exploration in the Mackenzie Delta in the 1960-70's and later movement into offshore in the Beaufort Sea in the 70-80's with a series of new and innovative arctic drilling technologies**
- **Sverdrup Basin in the high arctic experienced a surge of land based and offshore exploration activities under very challenging operating conditions through the 1960-70's leading to a number of significant oil and gas discoveries and oil production at Bent Horn**
- **The eastern arctic (Hudson's Bay region, Baffin Bay and Davis Strait) has had limited exploration to date**
- **In total over 300 wells have been drilled in the arctic resulting in over 100 discoveries and many thousands of kms of 2D and 3D seismic surveys**
- **The region remains vastly unexplored but has high potential for future discoveries**
- **Canada is a leading developer of arctic technology and operations**

## It Has Been an Interesting Decade

- **External worldwide events with lower commodities prices and a growing supply diversity have been major deterrents in high cost, high risk arctic offshore investment**
- **Other events have also had a direct effect on industry investment in the Canadian arctic:**
  - Deep Water Horizon accident leading to the NEB's Arctic Offshore Drilling Review and updated Filing Requirements for Offshore Drilling in the Canadian Arctic (2011 and 2014)
  - NEB retained the SSRW policy under their filing requirements despite industry requests for the policy to be removed or revised
  - CPRA - Roland Harrison review (2015-16)
  - Frontier and Offshore Regulatory Review Initiative by NRCan / INAC to modernize many of the regulations under COGOA
  - Baffin Bay / Davis Strait and Beaufort Regional Strategic Environmental Assessments - RSEAs (2016)

## It Has Been an Interesting Decade continued...

- Arctic marine transportation initiatives by Transport Canada (2015-2016)
- Supreme Court decision on the planned marine seismic program in Baffin Bay and Davis Strait (2017)
- Ongoing devolution of oil and gas responsibility to the Territorial governments
- Shared Arctic Leadership initiatives with Indigenous land claim groups
- Freeze on issuance of new exploration licences (EL) in arctic waters to be reviewed every 5 years (2016-2021)
- Consultation with existing offshore oil and gas rights holder on their respective EL and SDL interests (2017 – ongoing)
- Arctic Policy Framework development (2017 – ongoing)
- Proposed changes to a number of environmental and regulatory legislation (2017-ongoing)

## **CAPP's Main Messages Throughout Have Been**

- **Industry needs long term predictability and certainty**
- **Oil and gas activity can occur in the arctic safely while protecting the environment**
- **Arctic offshore technology advancement continues to be made in areas such as marine seismic noise reduction, design and construction of new Arctic Class drilling units, ice management, safe drilling and production operations, well control prevention and response, and oil spill prevention and response**
- **Canada's oil and gas regulatory regime under CPRA and COGOA is robust but requires modernizing**
- **Oil and gas investment in the arctic needs to be competitive and attractive through incentives, improved infrastructure, royalty and taxes, etc., with other areas of Canada and globally**

## What is Required during the Five-Year Licence Freeze

- Complete initiatives under FORRI as they apply to the arctic offshore
- Complete the RSEA's with recommendations
- Complete the consultation with EL and SDL rights holders, including retaining SDL terms
- Re-open the CPRA to modernize the legislation, in particular extending the licence term period from 9 to 15+ years and expanding the definition of allowable expenditures
- Review the SSRW policy taking into account the advances in well control technology
- Include in the Arctic Policy Framework a recognition that future oil and gas investment can play a major contribution to northern and indigenous economic and social goals and wellbeing
- Provide a clear intent as to whether Canada wants oil and gas development in the arctic and if so under what conditions, in order to provide companies with the ability to make long term decisions

## Conclusion

- **CAPP has recommended the Federal Government, and with the involvement of the three Territorial Governments, to consider advancing an independent geological, technology, commercial and economic assessment of oil and gas potential in the Canadian Arctic offshore over the next 30-year time frame**
- **Such an assessment would serve multiple purposes, including input to the five-year licence review period, input to the SEA processes, assist the Territorial Gov'ts as they proceed with offshore devolution responsibilities, compliment the Shared Leadership report by Mary Simon, and provide governments, northerners and indigenous groups under their land claim agreements with a realistic and credible economic appraisal on the future and timelines of arctic oil and gas potential**
- **Until such time as the above noted activities have been completed, consulted and agreed upon at the appropriate levels of authority, that all existing arctic offshore exploration licences with upcoming expiry dates be suspended for a period of time**



# Thank You

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