

Strength in numbers

New entrants bode well for the future of Newfoundland and Labrador's offshore oil sector

By Caron Hawco



In November we learned the Canada-Newfoundland and Labrador Offshore Petroleum Board's 2016 land sale resulted in over \$750 million in work commitments from oil and gas companies.

Along with that large dollar figure, the land sale results are noteworthy for another reason. With the success of the province's exploration attraction program, led by Nalcor Energy, the roster of oil and gas investors in Newfoundland and Labrador is diversifying with new entrants to the province – Nexen Energy, Shell, BP, Noble Energy, Navitas Petroleum (Delek), DKL Investments, and BG International.

Why is this diversification important for Newfoundland and Labrador? Diversity is the cornerstone to economic and social success. Those that embrace it, outperform those that don't.

For years, the province's oil and gas industry focused on the Jeanne d'Arc Basin with a small group of oil and gas companies. Despite their significant investments, the low number of petroleum players likely contributed to the slower pace of development in offshore Newfoundland and Labrador. Other oil-producing jurisdictions have tended to attract a larger pool of investors. For instance, Australia has over 30 oil and gas companies operating there. More mature areas, such as the United Kingdom or Norway, boast 50-plus oil and gas investors.

It's exciting to anticipate the experience and expertise this region will gain working with this group of globally diverse companies, including major oil companies from Britain, China and Israel. I can't help but reflect on my own experience with Statoil, Norway's national oil giant. I worked with bright Norwegian Continental Shelf experts who were applying their knowledge to explore the Flemish Pass Basin – an area with similar geological features. I was also introduced to new cultures, exposed to different management styles and systems and engaged in global initiatives. The more obvious

upside to a diversified group of investors is the new revenue streams that will flow to fund their respective offshore programs – from seismic and drilling to hopefully development and production. The C-NLOPB's last two land sales have attracted a significant monetary commitment of close to \$2 billion. This will generate local employment, the procurement of local goods and services, increased business and marine activity and the further enhancement of local knowledge and capacity. The economic spin-offs from these investments will be significant.

In addition to the future economic investment activity, these global players will also introduce new expertise, experiences and technologies to hopefully unlock the potential of their new licences. Hess and Noble Energy could offer new perspectives, as American independents tend to be very competitive and nimble, often moving quicker on investment decisions and developments. The addition of supermajors, Shell and BP, are a welcome addition to any jurisdiction, with their significant expertise in research and development, harsh environments, investment capital and global experience.

Earlier this year, the province announced a new play trend in the West Orphan Basin, which is estimated to hold 25 billion barrels of oil. The geology of this area is said to be similar to producing areas offshore Brazil and Israel in the Eastern Mediterranean. This is where it gets even more interesting. Noble Energy and Navitas (Delek) are currently investing in offshore Israel. No doubt, their bright exploration teams are building knowledge and experience related to this play type while investigating the potential of the West Orphan Basin.

During this period of economic pressure and uncertainty, this new group of investors has injected a much-needed boost of confidence in the industry. When you consider some of the disappointing land sale results in other jurisdictions this year, this increased level of interest is encouraging and speaks volumes about investor confidence in Newfoundland and Labrador's potential. I look forward to seeing how this diverse group of global players influences the economic and cultural fabric of our society. |nrm

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