



Freedom To Create. Spirit To Achieve.

Competitiveness in Resource Development: the Alberta Experience

Matthew Foss

Alberta Department of Energy

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The Big Picture....

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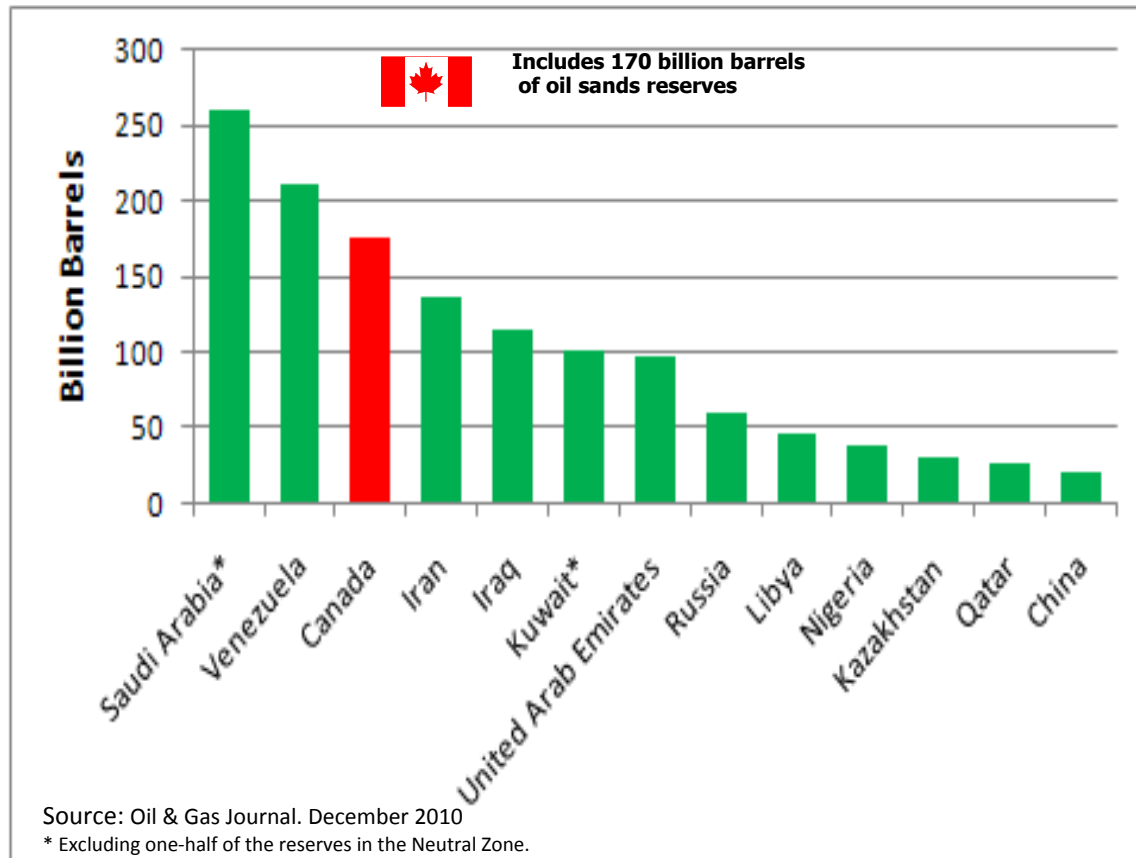
Key findings in the IEO2011 Reference case

- World energy consumption increases by 53% between 2008 and 2035 with half of the increase attributed to China and India
- Renewables are the world's fastest-growing energy source, at 2.8% per year; renewables share of world energy grows to roughly 15% in 2035
- Fossil fuels continue to supply almost 80% of world energy use in 2035
- Liquid fuels remain the largest energy source worldwide through 2035, but the oil share of total energy declines to 28% in 2035, as sustained high oil prices dampen demand and encourage fuel switching where possible and modest use of liquid biofuels

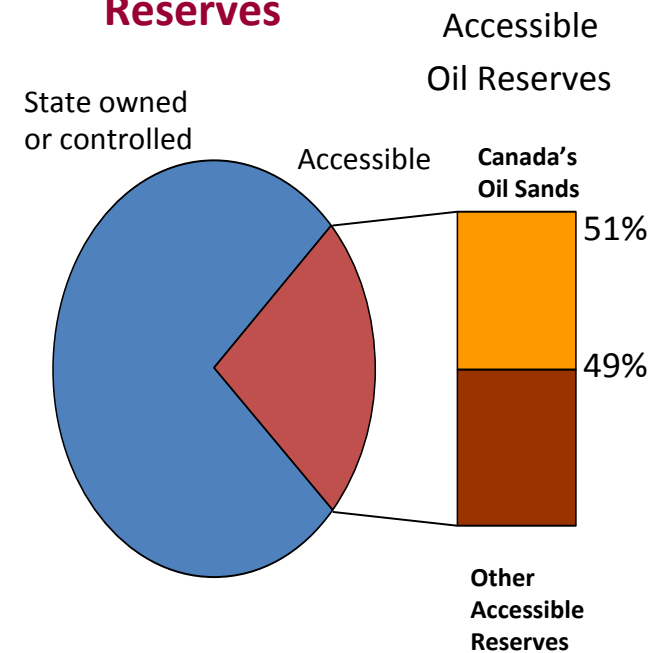
The world is still expected to rely heavily on fossil/liquid fuels for energy in 2035

Crude Oil Proved Reserves

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World Oil Reserves



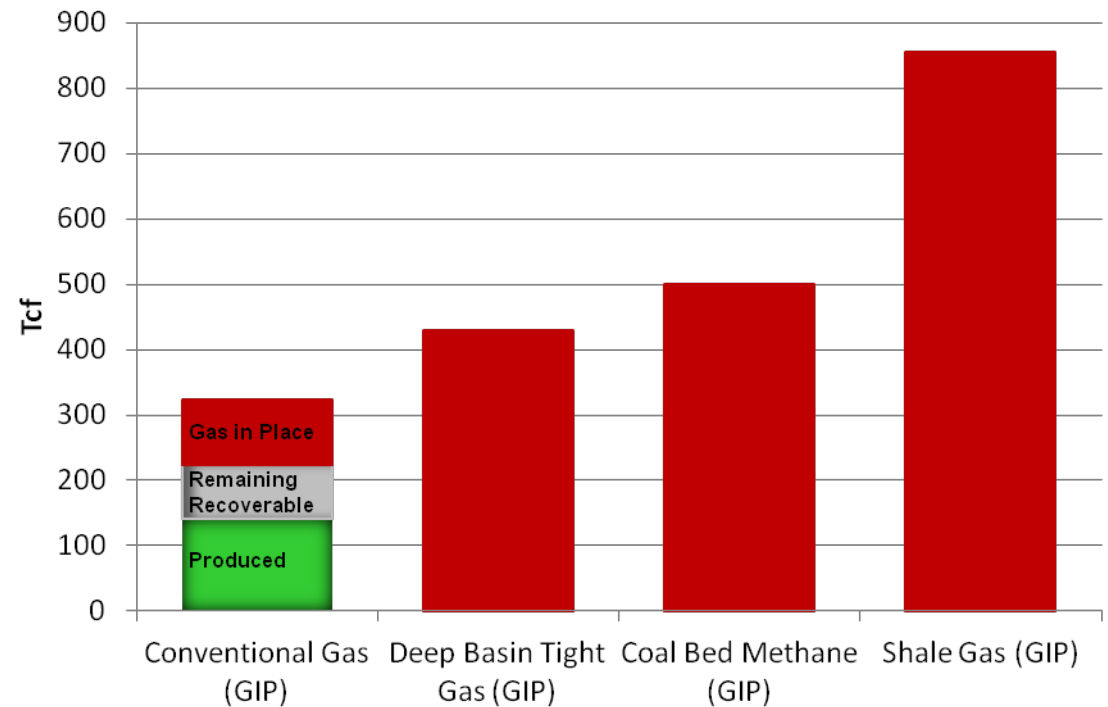
Alberta's Oil Sands represent more than half of the world's oil resources that are easily accessible

Alberta's Natural Gas Resources

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Source: Canadian Society for Unconventional Gas



Source: Energy Resource Conservation Board, Petrel Robertson, Gas Technology Institute (GTI)

GIP: Gas in Place is the total gas volume believed to be contained in the reservoir.

NGC: Natural gas from coal (CBM)

Alberta's Natural Gas Industry is Well Placed with Abundant Resource Opportunities

Alberta Oil and Gas in North America

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- World's 4th largest gas producer
- World's 12th largest crude oil producer
 - moving up the list quickly with oil sands production increasing
- Alberta total energy production is forecast to increase more than 25 per cent over next 10 years

2010

**Alberta
Natural Gas**

**Alberta
Crude Oil**

Ranking of
U.S. Imports

#1

#1

Share of U.S.
demand

7%

8%

Share of U.S.
imports

47%

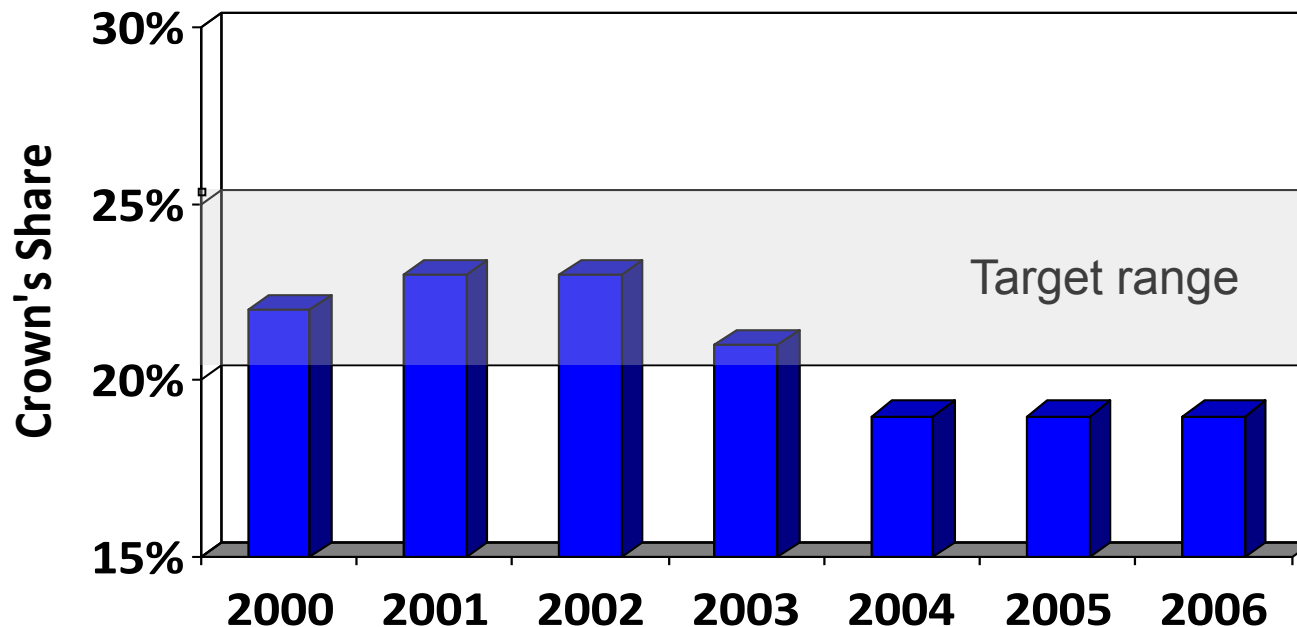
12%

Source: ADOE, EIA, ERCB

Sharing the Profits

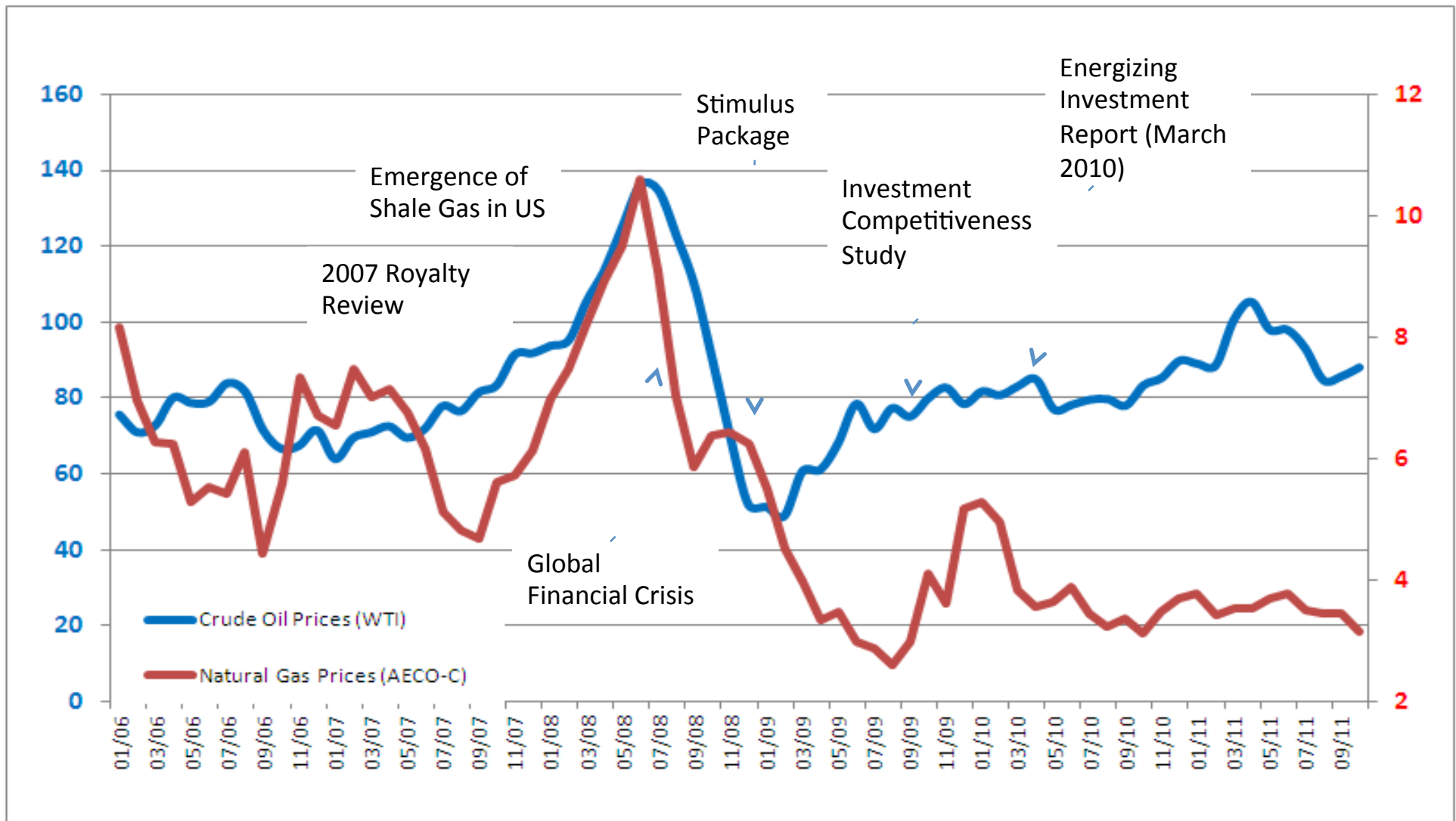
Target: 20 per cent to 25 per cent of industry's annual net operating revenue

Sharing the Profits



Responding to Changing Economics

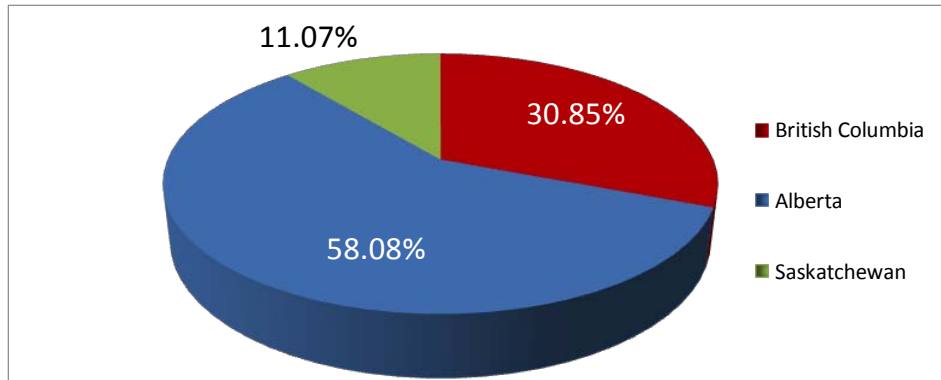
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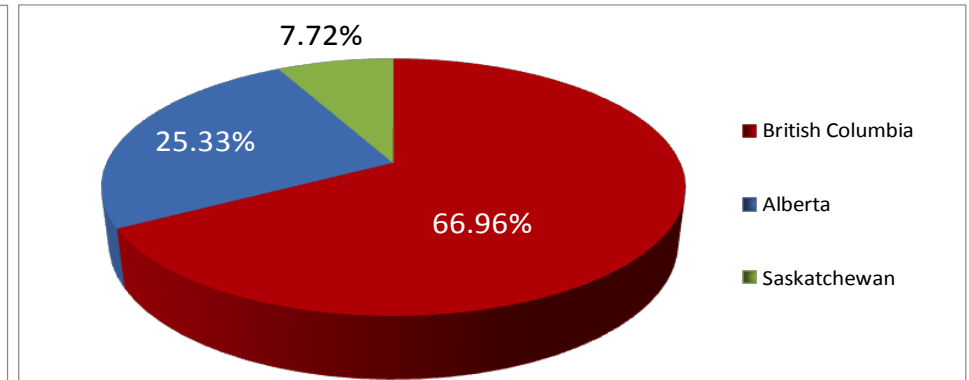
Western Canada Land Sales

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Percentage of Land Sales 1999-2008



Percentage of Land Sales January-October 2009



Source: ADOE, Energy, Mines and Petroleum Resources – Province of British Columbia, Government of Saskatchewan

Land sales are a leading indicator of future activity. Investors have indicated more confidence in the future prospects in BC than in Alberta.

2009 Competitiveness Study

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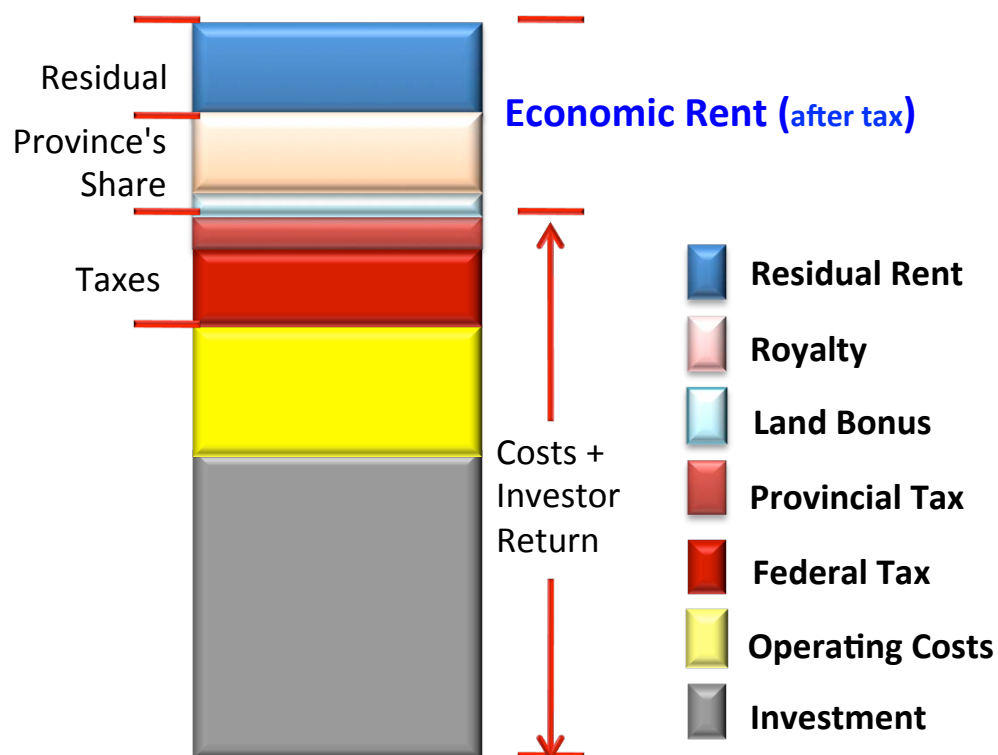
Decision-Making Process



Economic Rent

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Representation of the Present Value of Cash Flows
Over the Life of a Project



- 2007 review view based on resource scarcity – rent is tied to the resource
- 2009 review influenced by competitiveness
 - increased resource availability
 - rent no longer exclusive to the resource

The Right Conditions for Investment

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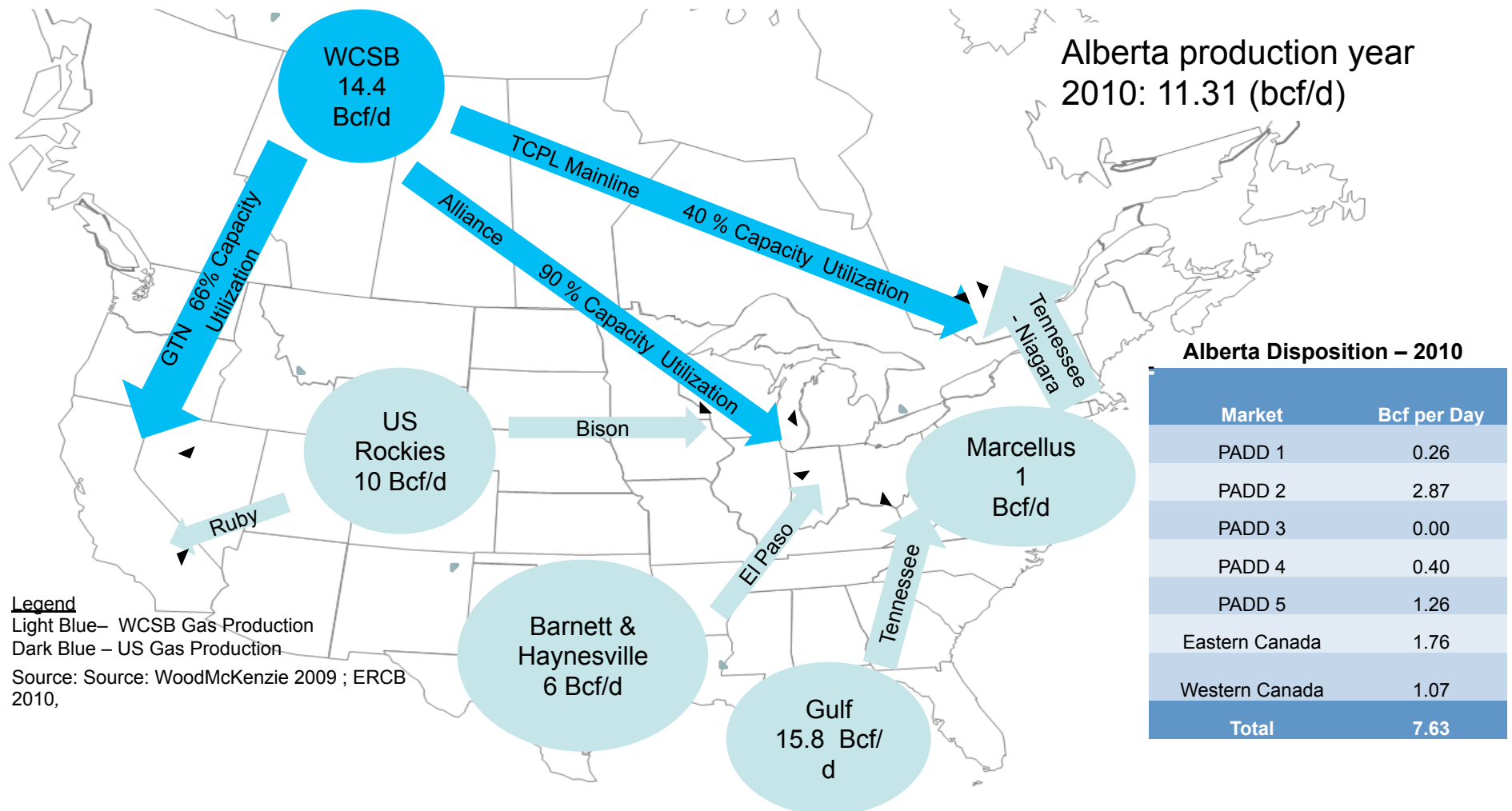
Energizing Investment

- Royalty Maximum Reductions
- Royalty Curve Adjustments
- New Well Royalty Rate
- Horizontal Oil New Well Royalty Rate
- Shale Gas Royalty Rate

Enhancing Assurance

- Single regulatory body for oil and gas (ERCB, Environment and SRD)
- New Policy Management Office
- Common risk assessment and management approach
- Clear public engagement
- Establish Performance Measures for effective delivery
- Effective mechanism to address landowner concerns

Alberta Natural Gas Markets



Current Alberta Crude Oil Markets

| Market | Alberta Exports (Barrels Per Day 000's) |
|----------------|---|
| PADD 1 | 59 |
| PADD 2 | 1,167 |
| PADD 3 | 78 |
| PADD 4 | 218 |
| PADD 5 | 106 |
| Eastern Canada | 252 |
| Western Canada | 47 |
| Total | 1,927 |

Source: CAPP

