

Speaking Notes
PREMIER DUNDERDALE
Newfoundland and Labrador Oil and Gas Industries Association's (NOIA)
27th Annual Conference
Tuesday, June 21 – 8:30 a.m.
St. John's Convention Centre
PLEASE CHECK AGAINST DELIVERY.

Let me welcome each and every one of you here bright and early this morning to the start of the annual conference of the Newfoundland and Labrador Oil and Gas Industries Association.

To those of you from Houston where it's 6:00 a.m. right now, or from Calgary where it's 5:00 a.m., morning here on the eastern edge of the continent must seem very early indeed.

By the time the North American markets open today, we will already have had a significant head start, and that's how we like it.

Author Monica Baldwin once wrote: "The moment when you first wake up in the morning is the most wonderful of the twenty-four hours. No matter how weary or dreary you may feel, you possess the certainty that, during the day that lies before you, absolutely anything may happen."

Without that sense of anticipation and adventure, not one of us would be here today. If there is one industry that has no place for pessimism, narrow thinking or timidity, it is the oil and gas industry. Not a well would have been drilled without the boldness, grit and determination of the forward thinker who possesses the morning certainty that absolutely anything may happen.

Sixty-two years ago, Newfoundland and Labrador joined Confederation as Canada's newest province, bringing into the federation a vast reservoir of oil and natural gas.

Not only did nobody recognize at the time what these resources would one day be worth. Nobody even knew the resources were there.

In the sixties, there was some modest exploration for oil and gas offshore, but nothing of significance got underway until a pivotal event in October of 1973 shook the west out of its complacency on energy policy. The Organization of Arab Petroleum Exporting Countries imposed an unprecedented oil embargo, creating an unprecedented oil supply shortage, driving the cost of fuel to unprecedented heights and driving home the importance of developing our own supply.

Exploration ramped up significantly and, in 1979, off the coast of Newfoundland and Labrador, an industry was born with the discovery of Hibernia. Even then, nobody realized how vast it was, how much it would be worth, or how many other fields lay nearby awaiting the initiative of the right players.

Fast forward to 2011, and Newfoundland and Labrador, once the poor child of Confederation, is now leading the entire country in economic growth and enjoying a newfound reputation around the world as an energy warehouse on the east coast of North America.

There are some who would have us believe the path between 1979 and 2011 was an inevitable journey – a simple connecting of the dots – but that is far from the truth. In reality, none of this would have happened without the boldness, determination and ingenuity of the people I see in this room and others whose legacy we are building upon.

Only bold thinking got us where we are today, and only bold thinking will take us forward to where we see ourselves a decade, two decades and three decades from now.

To the narrow of thinking, the pessimistic and the timid, I say: Move aside.

For those of us who remain, there has never been a more exciting time to seize the opportunities before us.

ENERGY PLANNING

In 2007, our government issued Newfoundland and Labrador's very first comprehensive Energy Plan, *Focusing Our Energy* – a strategy based on an honest assessment of our strengths and a clear vision of how we want to harness them to fully and fairly benefit our province's people and our industry partners.

Today, all of us are reaping the benefits. Our industry partners are thriving on the strength of offshore developments. The Government of Canada has reaped an enormous windfall from its direct investment in Hibernia. And Newfoundland and Labrador has reaped billions in revenue, which we have invested in strengthening infrastructure critical for economic development throughout our province, improving education and health care for our people, and reducing our public debt by nearly a third.

When the global recession hit two years ago, Newfoundland and Labrador dipped a little deeper into its wealth to ramp up infrastructure spending to keep the turbines of our economic engine turning and to prepare ourselves for a quick rebound once the recession ended.

Our planning worked, and has been recognized by any number of economic experts, including Bank of Canada Governor Mark Carney who said "We would all do well to follow [the] example [of Newfoundland and Labrador]."

ECONOMIC ENVIRONMENT

Today, with a proven track record and ongoing commitment to fiscal responsibility and economic development, we are moving forward boldly to even greater things, both in energy development and in other sectors of our thriving economy.

There has never been a better time than now to invest in Newfoundland and Labrador.

The Atlantic Provinces Economic Council recently released its Major Projects Inventory report, in which it measured Atlantic Canada's total potential major project investment at \$71 billion this year.

Newfoundland and Labrador is projected to account for 61 per cent of that \$71 billion total. That is a staggering statistic isn't it?

Current-year major project spending in the province has increased to \$6.2 billion after rising nearly 30 per cent in 2010, mostly due to continued progress on large-scale energy and mining projects.

Employment in Newfoundland and Labrador is also projected this year to reach the highest level ever recorded in the history of our province.

OFFSHORE SECTOR

Offshore oil continues to drive growth.

Newfoundland and Labrador is home to four world-class producing oil fields that collectively total nearly 2.2 billion barrels of discovered crude oil.

The development of new oilfields such as the Hebron development; the expansion of existing offshore oilfields; and potential satellite developments coming on stream with ongoing exploration activity all bode well for the province's future growth and success.

Hebron is Newfoundland and Labrador's fourth stand-alone project and fifth producing field. Recent resource estimates of the Hebron field indicate an increase to 645 million barrels of recoverable oil by the end of 2046, commencing as early as 2017.

The Hibernia Southern Extension and North Amethyst, the first White Rose satellite field, speak to the potential for further growth in our already-producing mature fields.

Through our public energy corporation, Nalcor, the Government of Newfoundland and Labrador has negotiated equity stakes in Hebron, Hibernia South and the White Rose Extension, demonstrating our maturity as a partner in offshore development.

SKILLED LABOUR

With the onslaught of a host of major projects like this, one challenge is meeting the demand for skilled labour. As a government, we took the lead in 2007 in commissioning a Skills Task Force report to identify needs and prepare to address them, giving our people ample opportunity to prepare to seize the opportunities.

We are also determined to ensure that people who have not traditionally benefited from these professional opportunities – particularly women – are able to add their skills, ingenuity and drive to the mix, benefiting all of us.

Both the Hebron and Hibernia Southern Extension Benefits Agreement include a Gender Equity and Diversity Program, the first of its kind in offshore petroleum developments for Newfoundland and Labrador. These agreements include a Women's Employment Plan and Business Access Strategy, and we have forged ahead to raise the bar in the offshore industry to ensure that our society allows all members of our population to enjoy active involvement in our workforce and help contribute to our province's growing workforce demands.

Having a highly-skilled, diverse and readily available workforce is an important component to the success of our resource developments. A capable workforce will in turn support the continued growth of our provincial economy.

GAS

It's not just oil that holds the promise of growth for our province. To date, over 11 trillion cubic feet of natural gas and 500 million barrels of natural gas liquids have been discovered in Newfoundland and Labrador with an undiscovered estimated volume of 60 trillion cubic feet.

While the North American gas market is currently impacted by a strong supply of unconventional gas, our resource potential holds the promise of allowing the province to support a secure supply of energy. Our strategic geographic location allows us to potentially supply North American as well as European markets.

EXPLORATION

In organizing this conference, NOIA launched a video that captures perfectly the attitude we need to propel ourselves forward to what comes next.

The narrator in the video states: "We take pride in doing things right – in doing things better – and in doing things no one else can."

Here at the gateway to Canada's north, we see ourselves as the natural staging ground for operations in new cold ocean frontiers, where local expertise honed in harsh environments will be a valuable commodity and existing local infrastructure will give us a strategic advantage.

Among the resources we brought into Confederation are more awaiting discovery, delineation and development. Only the bold will reap the rewards.

We will build on the industry's exciting momentum and keep pushing it forward to ensure a continued stream of benefits to our province.

Our undiscovered potential is cause for optimism as we look ahead to future discoveries. We must work together to unlock this potential to ensure long-term industry sustainability and success, which in turn will contribute to the future prosperity of Newfoundland and Labrador.

Given the impact of the petroleum industry in Newfoundland and Labrador, it is crucial to encourage more exploration in our offshore and onshore basins, and frontier regions.

And exploration activity is well underway, with key players continuing to demonstrate their keen interest in the province's offshore and onshore basins.

Our government will continue its efforts to support exploration in our prospective offshore and onshore basins. Exploration is crucial to unlocking the province's potential and sustaining industry growth and development.

Our Energy Plan's commitment to invest in geoscience data acquisition and move to a modern data release system is underway, and these activities will help support the long-term sustainability of our oil and gas sector.

As we move forward, our government will continue to pursue opportunities in the oil and gas industry which will support economic sustainability and long-term resource development in the best interest of all Newfoundlanders and Labradorians.

MUSKRAT FALLS

Our position as equity partners in our large-scale resource developments supports our vision of self-reliance, prosperity and a clean, green energy future.

Investing nonrenewable resource revenues in renewable hydro development is a key goal of our Energy Plan.

Diversifying into clean energy lays a solid foundation for industrial development and sustainable economic growth for generations to come.

Certainly, the biggest renewable development on the horizon is the Muskrat Falls Project, which is Phase One of development of the Lower Churchill.

This project is easily one of the most attractive clean energy projects in North America, with benefits to Newfoundland and Labrador, Atlantic Canada and the entire nation.

Some would have you believe we don't need to develop Muskrat Falls, that we shouldn't invest in securing this long-term source of clean, green energy to the benefit of the people of our province.

May I suggest you look at the motives of the few vocal naysayers who are working so hard to find flaws in what is easily one of the most exciting developments in North America. But you know, I relish every question, every criticism, every barb that comes from these few because the simple fact is the development of Muskrat Falls is good for our region, good for our country but most importantly, it is good for the people of Newfoundland and Labrador!

Electricity demand in Newfoundland and Labrador is projected to grow at a steady pace over the next six years. This creates an energy imperative for us – we must identify new, reliable sources of energy that will secure electricity supply for residents and businesses.

Newfoundland and Labrador Hydro considered multiple alternatives to address our long-term needs.

Each alternative was thoroughly examined based on a number of key criteria including reliability, cost, supply security, provincial benefits, greenhouse gas emissions and long-term value.

Hydro concluded that the development of Muskrat Falls with the Labrador-Island Transmission Link is the most economic and low-cost option to address the future demand for hydroelectric generation in Newfoundland and Labrador.

Our plan is to develop the Lower Churchill Project in its entirety in two phases, commencing with the 824 megawatts of power from Muskrat Falls, followed by the 2,250 megawatts of power from Gull Island in several years.

A steady increase in electricity rates – primarily driven by oil – will continue but not for an extended period once we develop Muskrat Falls. Rates will then stabilize as Muskrat Falls will reduce our dependency upon the volatility of oil prices, as well as the usage of expensive Bunker C oil currently used at our Holyrood facility.

Muskrat Falls will deliver clean, renewable hydro power to the province; provide sustainable energy for future generations; build on our commitment to secure an environmentally-friendly source of power; and stabilize long-term electricity rates.

We are very well-positioned to be a global leader in international energy solutions. Through the development of Muskrat Falls, we will help to ensure that the legacy of this government is one that provides a sustainable economy for the people of the province, built around renewable clean energy and a reliable, competitively-priced source of renewable energy to address our province's growing energy needs.

As we committed in our *Energy Plan*, we are determined to ensure that our energy resources are developed in a responsible, sustainable manner for the people of Newfoundland and Labrador.

Our undiscovered petroleum potential, and vast supply of clean renewable energy resources, hold great promise for our province.

The continued growth of our petroleum sector, in collaboration with our industry partners, will help to secure future prosperity for the people and businesses of Newfoundland and Labrador, and contribute to the development of a clean, renewable future for the province.

I invite those who haven't already done so to join us in building on the solid foundation we have established, and help to write the next exciting chapter in Newfoundland and Labrador's success story.

The major players are already here – because as reflected in the theme of this year's conference, playing on the edge is serious business.

Vast opportunities await those able to see them and bold enough to seize them.

You would not be here if you did not have what it takes, so step forward boldly and write the next chapter with us.

I recently took up running and I find myself contemplating how it provides a good analogy for so many of life's challenges and achievements. Though I'll admit I was probably more focused on the challenges during the first lap I ran in February. Let's just say death seemed like a real possibility! I'll share a quote with you now from Canadian marathon runner Peter Maher that I found interesting: "Running is a big question mark that's there each and every day. It asks you, 'Are you going to be a wimp or are you going to be strong today?'"

My answer is I am going to be strong today, and looking around this room, I can see that's your answer as well.

I appreciate so much the invitation to join you here today. Congratulations to NOIA on what I know will be another amazing conference. And to all those attending, I wish you a wonderful week as you play and perhaps even run on the edge.