



Energy NL Submission
Department of Finance
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Introduction

Energy NL was founded in 1977 to represent the supply and service sector of the energy industry. Today Energy NL represents over 500 member organizations worldwide which are involved in, or benefit from, the energy industry of Newfoundland and Labrador. Energy NL members are a diverse representation of businesses involved in a range of activities related to both renewable and non-renewable energy development, construction, and operations. This includes, but is not limited to, areas such as direct offshore and onshore supply, health and safety equipment and training, engineering solutions and fabricators, law firms, and human resource agencies.

Energy NL is pleased to have an opportunity to provide a submission to the Department of Finance Pre-Budget Consultation. The submission from Energy NL is divided into two sections: 1). Offshore Oil and Gas, and 2). Renewable Energy.

Offshore Oil & Gas Sector

Energy NL does not have a monetary ask of the Government of Canada with respect to the offshore oil and gas sector. The ask of Energy NL pertains more to morale and investor confidence, than to monetary concerns. During the Covid-19 pandemic, the Government of Canada provided needed support to the sector. Energy NL remains appreciative of this support and the impact it had upon its membership and those who work in the sector. Without the assistance provided, it is possible a number of offshore facilities would not have made it through that difficult period.

Now that the sector is through those challenging times and returning towards full production of its lower carbon energy, Energy NL requests that the spirit and intent of the financial support provided during that period continue. This is not a financial ask, but simply an ask for recognition that the offshore oil and gas sector will be a valuable and required part of the process to achieve the net zero ambitions of the Government of Canada and a viable way to provide lower-carbon energy to meet global demand.

Comments provided to Energy NL from those involved in the offshore oil and gas sector are concerning with respect to the reputation of Canada as a place to invest. Companies express concern with the lack of certainty in the regulatory process, as well as a perception of an unreceptive investment environment. Signals such as layers of legislation by numerous government departments and agencies pertaining to regulations, cancelling of awarded offshore exploration licences as occurred offshore Nova Scotia in December 2023, and general comments by elected officials about the ending of the offshore sector have led to a view the offshore oil and gas industry is not supported by the Government of Canada. The recent *Regulatory Framework to Cap Oil and Gas Sector Greenhouse Gas*

Emissions is another recent and tangible example of unclear regulatory process which impacts the investment climate of Canada. Actions such as this lead to a lack of certainty and correlate to actions by investors who look to other jurisdictions, often with more carbon intensive energy, to invest and begin energy projects. While the sector does not need monetary support, it does need support for its international reputation to enhance its role in the global energy marketplace and attract investment.

Onerous processes to approve offshore production facilities, which include unexplained delays and political intervention into environmental assessments, send negative signals to investors. Energy NL fully supports environmental assessments and stringent regulations of offshore oil and gas projects, however, these processes should focus on protection and progress, not add additional process. Canada is a leader in ESG standards, yet everchanging goalposts do not provide the level of certainty required for companies making multi-billion-dollar investment decisions.

To help the offshore oil and gas sector flourish, a sector with greenhouse gas emissions 30% below the global average at extraction, the Government of Canada must support the sector through its actions and its words, as well as through consistent and concise regulations. Many other nations are continuing to invest in the attraction and development of offshore oil and gas projects while staying true to their climate objectives. As an example, as they continue toward their climate objectives, Norway expects over \$20 billion dollars to be spent offshore in 2024 with Equinor alone planning 30 offshore exploration wells per year for the rest of this decade. And in May 2023, the Norwegian Petroleum and Energy Minister, Terje Aasland, said that companies should “leave no stone unturned” in their pursuit of offshore energy. The following month, when announcing approval of 19 oil and gas fields on the Norwegian Shelf, Minister Aasland said, “These are projects that will contribute to a continued high and stable output from Norway’s continental shelf as well as employment and value creation.” This is the type of leadership and support Canadian federal leaders should provide the Canadian offshore oil and gas sector.

Renewable Energy

With respect to renewable energy, Energy NL is pleased with the efforts of the Government of Canada to support clean and renewable energy projects. Investment tax credits proposed are valuable to help the sector commence and provide clean energy to the world. Energy NL encourages the Government of Canada to continue its path of supporting the efforts of renewable energy sectors, (specifically wind, hydrogen, and hydroelectric) in Newfoundland and Labrador.

As we are engaged in a very competitive scenario, Energy NL encourages the Government of Canada to move swiftly to support the sector. The United States *Inflation Reduction Act* has already placed our southern neighbour in an enviable position to quickly commercialize renewable energy products. While Energy NL appreciates the need for the Government of Canada to appropriately develop its support mechanisms for the sector, we encourage the government to do so as quickly as possible so opportunities are not missed and developers can order and purchase necessary equipment and offtake agreements can be finalized. Given the competitive environment, material supply, and labour demand, the time is now to order equipment such as electrolyzers so that they are produced and available for when facilities are ready to incorporate them and begin production. Expediency is key to success.

Energy NL has also been encouraged by the level of consultation the Government of Canada has undertaken with renewable energy project proponents (and industry associations) and believes this engagement is crucial to understanding the requirements of developers and ensuring their success.

Energy NL commends the Government of Canada for this approach and is optimistic this engagement will continue.

Economic Impact of the Offshore Oil & Gas Sector

To provide important financial context to this submission, it is important to outline the financial benefits and impacts of the Newfoundland and Labrador offshore oil and gas industry.

In 2018, Energy NL commissioned an economic impact report regarding the offshore oil and gas industry. While the information is now approximately six years old and Energy NL is working on updating the report, the context of the staggering impact of the sector on the Newfoundland and Labrador remains relevant. At the peak of the industry in 2007, \$9.5 billion of Newfoundland and Labrador's GDP was derived from the oil and gas industry. The GDP contribution was within that contribution level for seven years.

In 2017, the oil and gas industry generated 23,500 full-time equivalent jobs in the province (including direct, indirect, and induced jobs). This resulted in approximately \$2 billion in labour income – which is 15 per cent of the provincial total – and \$1.45 billion in consumer spending. The industry generated \$973 million in capital expenditure, \$920 million in royalty payments, and over \$1.4 billion in total tax and royalty revenue.

The study also demonstrated significant economic impacts for Canadians. For every direct job in Newfoundland and Labrador in the oil and gas industry, 1.8 jobs are created in Canada. \$755 million in labour income, \$561.5 million in consumer spending and \$680 million in tax revenue was generated in the rest of Canada in 2017 as a result of the offshore oil and gas industry.

The study forecasted royalty and tax revenue to Newfoundland and Labrador to exceed \$100 billion by 2045, with 56,000 jobs created in 2033. Labour income is modelled to more than double to \$4.6 billion, as is consumer spending to \$3.5 billion. At the time of the study, the oil and gas sector had the potential to generate more revenue for the province than the entire economy currently does. Similarly, for Canada, the future impacts are significant. By 2033, every direct job in Newfoundland and Labrador's oil and gas industry is expected to create 2.3 jobs in Canada. Forecasted impacts include \$1.6 billion in labour income, \$1.2 billion in consumer spending, and \$3.3 billion in tax revenue, all in the rest of Canada.

An economic impact report prepared for Energy NL by Jupia Consultants in 2022 illustrates the value of a future project, Bay du Nord. Using an estimate of production of one billion barrels, the Bay du Nord project being developed by Equinor can expect to boost Canada's GDP by \$97.6 billion and create or sustain 13,800 jobs. Most of these jobs would offer above-average wages. While Newfoundland and Labrador would be the largest beneficiary, with \$82 billion in GDP and over 8,900 jobs, Bay du Nord would benefit all of Canada. For example, Quebec would see a GDP boost of \$2.6 billion and over 900 jobs, Ontario would see an additional \$7.2 billion in GDP and over 2,200 jobs, while Alberta would see \$3.1 billion in GDP along with almost 700 jobs.

Government revenues across Canada would also rise, which means a Newfoundland and Labrador project would provide more money to pay for health care, education, and other social priorities. Over the life of the project, Bay du Nord can expect to generate \$11 billion in taxes and another \$12.8 billion in revenue from royalty payments for Newfoundland and Labrador. Meanwhile, the federal

government would gain \$10.7 billion in tax revenue. Provinces and municipalities outside Newfoundland and Labrador could expect to see \$2.8 billion in tax revenue because of Bay du Nord.

This is just one project, yet it will dramatically impact Newfoundland and Labrador and Canada. Such lower-carbon projects must be encouraged for our own financial health and to meet net zero objectives.

Conclusion

The Government of Canada has demonstrated a commitment to supporting the renewable energy industry, including the nascent wind to hydrogen sector of Newfoundland and Labrador. Energy NL greatly appreciates the efforts of the federal government to do so and encourages an expedited approach to aiding the industry achieve production and supplying renewable energy.

Energy NL is requesting that the Government of Canada take a similar approach in supporting the valuable offshore oil and gas industry, a sector that provides tremendous economic benefits to Canada while supplying lower-carbon oil to meet global demand. The Government of Canada must engage with oil and gas producers as it has with renewable energy producers and work collaboratively to achieve the goals of both. The ask of Energy NL is not monetary in nature, but relates to support for the sector which will translate into confidence from investors and a flourishing offshore oil and gas industry.

More than anything, the offshore oil and gas sector requires a government that indicates to global investors that it recognizes the importance of the oil and gas sector during the evolution of our global energy sector and welcomes investment that will help Canada and the world achieve net zero emissions by 2050. These objectives are not mutually exclusive, and are in fact inextricably linked. As the energy sector evolves, oil will be required to support developed and developing economies around the world, as well as for transportation needs and important materials composed of petrochemicals.

As we broaden the scope and impact of renewable energies, let's also acknowledge the valuable role offshore can and should play, and support Canada's potential as an energy leader.