

Alberta Natural Gas and Conventional Oil Investment Competitiveness Study Financial Sector Breakfast Meeting

September 29, 2009 7- 9 am
Meeting Notes

Meeting Information

Subject/Title:	Financial Sector Breakfast Meeting		
Date/Time:	September 29, 2009 7-9 am	Location:	President's Room, Petroleum Club, Calgary

Meeting Participants

Attendees:	Financial Sector
	Kevin Brown, CEO & Director, ARC Financial Ian Bruce, CEO, Peters & Co. Vincent Chahley, Managing Director, First Energy Kevin Everingham, Managing Director, BMO Capital Markets Pentti Karkkaine, General Partner, KERN Partners Derek Neldner, Managing Director - Head of Energy, RBC Capital Dave Pearce, Industry Executive Advisor, KERN Partners Jeff Pearson, Vice President, ARC Financial Bill Sembo, Vice Chairman, RBC Capital Mike Tims, Chairman, Peters & Co.
	Industry Advisors
	Christopher Fong, Financial Sector Advisor
	Department of Energy
	Peter Watson, Deputy Minister David Breakwell, Assistant Deputy Minister, Energy Policy and Research Division Barry Rodgers, Executive Director, Economics and Markets
	Sierra Systems
	Chris Lavin, VP Management Consulting Brian Manning, Executive Lead Tania DeSilva, Consultant

Notes

Presentation

The following notes are a summary of the discussion portion of the Financial Sector Breakfast Meeting. Participants were welcomed by Christopher Fong, facilitator of the meeting. Peter Watson, Deputy Minister of the Department of Energy, made a presentation (slides attached).

Stakeholder Engagement

- It was mentioned several times that the stakeholder engagement process is critical to this project and is appreciated by the participants.
- Participants at the breakfast meeting agreed to consider taking part in the executive interviews and recommending participants for the interdisciplinary team and focus groups.

Competitiveness Factors

- The financial industry focuses on investment return measures (e.g. IROR, NPV, etc.). It should be noted, however, that regulatory measures affect timelines and costs which in turn impacts investment return measures.

Data Collection

- There were comments that it is important to include international data in the study to get a comprehensive picture of Alberta's investment competitiveness globally.

Views on Alberta's Competitiveness and the Future

- There was discussion about challenges the oil and gas industry faces in Alberta. Participants stated that the industry has a high capital cost rate relative to other jurisdictions and commodity prices have decreased during the economic downturn.
- It was also noted that given the current economic climate, the Jr./Mid-cap industry is facing high capital intensity at the front end.
- The royalty structure is viewed as affecting Alberta's competitiveness, but it is not considered the *most* important factor (commodity prices and capital costs have a much greater effect). There is a need to determine which factors are in control of the GoA and which are not.
- One of the questions this process needs to answer is: "What should the industry look like in the future?"
- The world and the economy are not static, therefore, any future frameworks need to be flexible and dynamic. Alberta used to be perceived as being a stable place to invest, but this perception has diminished recently. The industry wants and needs to attract global investors who expect competitive returns (risk adjusted) relative to other jurisdictions. To do that Alberta needs to be perceived as a stable place to invest again.

Measures of Success

- Measures of success for both the government and financial sector participants are industry stability and sustainability (tied into those measures is profitability). It was mentioned that there should be a long term plan for the oil and gas companies and the industry as a whole.
- Alberta land and resource owners should receive a fair share of the royalty revenues. It is also important to consider the impact of increases to economic activity in Alberta that is generated by a competitive and profitable industry.
- A common understanding within government, industry, and the general public about the investment competitiveness of Alberta.

Challenges for the Investment Competitiveness Study

- Communications are critical during this study and any future work. Clear and consistent messaging needs to be communicated within government, industry, and the general public. This is an opportunity to create a common understanding about the investment competitiveness of the industry.