



# **COMMUNITY BENEFITS FROM OFFSHORE PETROLEUM ACTIVITY**

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# PRESENTATION STRUCTURE

- ✱ Local expectations and responses
- ✱ Industrial benefits case studies:
  - ✱ Newfoundland
  - ✱ Tourism
- ✱ Tools
- ✱ Conclusions

# LOCAL EXPECTATIONS

- ✱ Most benefits accrue to non-local corporations and shareholders
- ✱ Few benefits for local people
- ✱ Boom-bust during construction
- ✱ Social, economic, cultural and biophysical threats during operations
- ✱ Negative social, economic, cultural and biophysical legacy

# LOCAL RESPONSES

- ✱ Typically, governments and community groups seek to:
  - ✱ Prevent development, or
  - ✱ Prevent or limit negative effects, while trying to achieve some share of potential benefits
- ✱ Benefits are commonly conceptualized in the proponent's terms



# NEED FOR MORE PROACTIVE APPROACHES

- ✱ **Balanced assessment of potential effects**
- ✱ **Include analysis of possible management initiatives to:**
  - ✱ **Prevent or mitigate negative impacts**
  - ✱ **Create or enhance positive impacts**
- ✱ **Includes strategic thinking re potential positive effects**
- ✱ **Starting point: local context and priorities**

# NEWFOUNDLAND OIL INDUSTRY CASE STUDY

- ✱ Maximize direct economic benefits
- ✱ Revenues not main priority (equalization)
- ✱ Minimize negative effects on:
  - ✱ Traditional industries
  - ✱ Communities and culture
- ✱ Avoid 'boom/bust'
- ✱ Subsidized 'kick-start' to industry:  
Hibernia oilfield project

# NEWFOUNDLAND OIL INDUSTRY

- ★ **Hibernia (Mobil):**

- ★ Construction 1990-97

- ★ Production 1997-

- ★ **Terra Nova (Petro-Canada):**

- ★ Construction 1999-02

- ★ Production 2002-

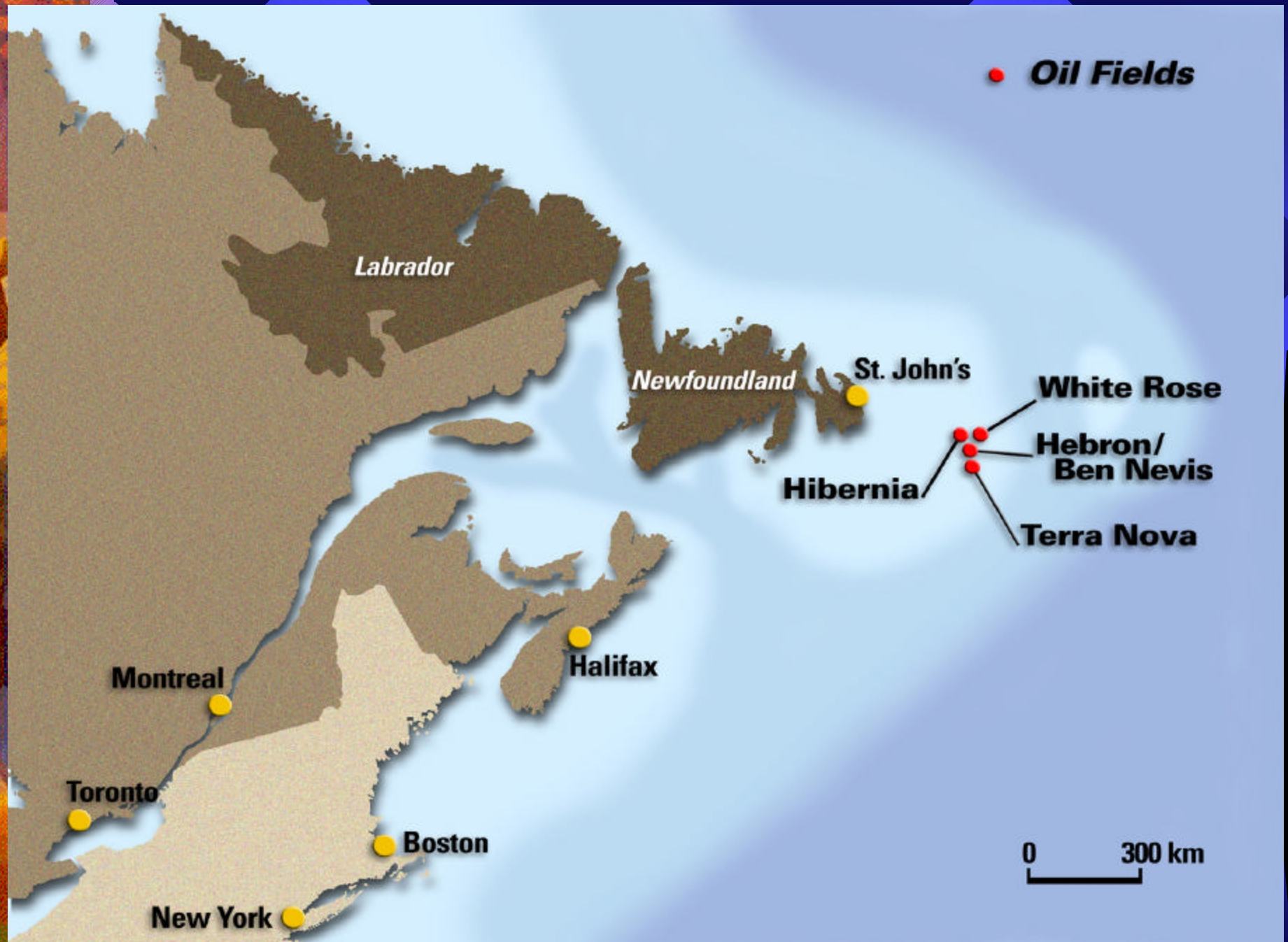
- ★ **White Rose (Husky Energy):**

- ★ Construction 2002-06

- ★ Production 2006-

- ★ **Exploration, Hebron, Labrador gas?**







# ECONOMIC BENEFITS

(annual mean, 1999-2002)

- ☀ Real GDP up by 14.7% (19.1% in 2002)
- ☀ Personal income up 6.0%
- ☀ Retail sales up 5.7%
- ☀ 95 extra housing starts
- ☀ Total employment up 13,900 (6.7% of all employment)
- ☀ Unemployment rate down 2.4%
- ☀ Population up 8000 (13,000 in 2002)

# BENEFITS: INFRASTRUCTURE

- ✦ Total value: C \$1.2 billion
- ✦ Industrial examples:
  - ✦ Bull Arm construction yard
  - ✦ Marystown Shipyard
  - ✦ NEWDOCK sub-sea systems fabrication centre
  - ✦ Newfoundland Transshipment Terminal
  - ✦ Pipeyard, warehouse and operations centre
  - ✦ Helibase and supply base

# BENEFITS: EDUCATION, TRAINING & R&D

- ☀ **Memorial University of Newfoundland:**

- ☀ Earth resources research
- ☀ Cold ocean resources engineering
- ☀ Wave and ice tanks

- ☀ **Marine Institute:**

- ☀ Marine offshore simulator training
- ☀ Offshore safety and survival training

- ☀ **College of the North Atlantic:**

- ☀ Petroleum technology and rig training

# OTHER BENEFITS

- ✱ Oil revenues
- ✱ Economic diversification:
  - ✱ New sector
  - ✱ Exports
- ✱ Transportation and communications
- ✱ Business competitiveness:
  - ✱ New personnel and equipment
  - ✱ Improved business capabilities
  - ✱ Confidence, morale and ambition



# SECTORAL CASE STUDY: TOURISM

- ✱ Assumed incompatibility
- ✱ Industry impacts:
  - ✱ Corporate hospitality, meetings, conferences, trade shows, etc.
  - ✱ Transportation infrastructure and service
- ✱ Hibernia construction impacts:
  - ✱ \$2.7 million p.a. on tourism
  - ✱ \$22 million p.a. in restaurants and bars
  - ✱ Industrial tourism
- ✱ The image question...

# BENEFITS TOOLS

- ✱ SIAs and SEIAs
- ✱ Impact and Benefit Agreements
- ✱ Equity Plans
- ✱ Public education and engagement:
  - ✱ Public education
  - ✱ Expectations management
  - ✱ Public involvement
  - ✱ Proponent education

# BENEFITS TOOLS

## ★ Benefit Plans:

- ★ Approach, policies and procedures
- ★ Supplier development
- ★ Procurement and contracting (bid packaging)
- ★ Training and succession planning
- ★ Technology transfer
- ★ Research and development

# CONCLUSION

- ☀ **Need to encourage:**
  - ✱ **Proactive approaches**
  - ✱ **Impact assessments that are balanced and strategic**
  - ✱ **The identification and evaluation of options for optimizing effects**
  - ✱ **Use of industrial benefits plans**
- ☀ **Starting point: understand local context and priorities**