



**Investing in Our Future:
Responding to the Rapid Growth of
Oil Sands Development**

A Presentation to the CFSA Conference

June 9, 2007

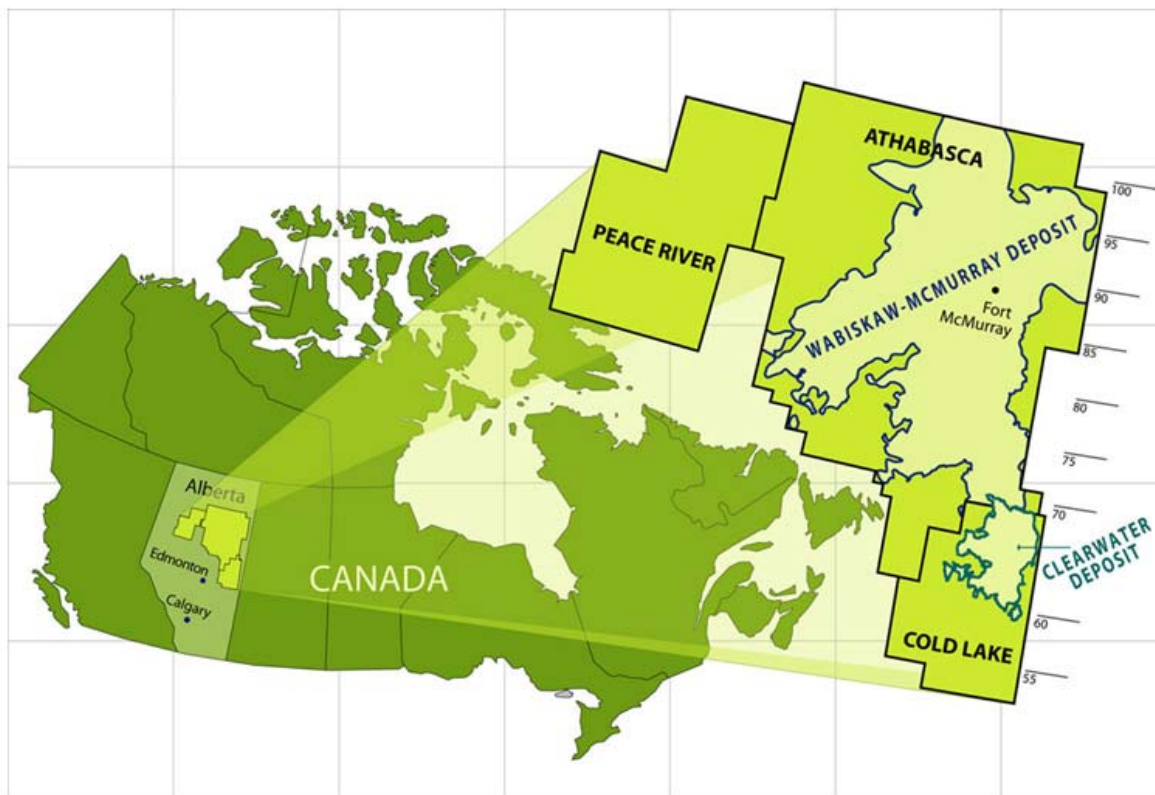
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Outline

- Oil Sands Study Results
- Lessons Learned
 - How one community organized to create change
 - Key players
 - Key themes
 - Success factors

Alberta's Three Oil Sands Areas (AEUB)





Oil Sands Study

- Commissioned in September, 2006
 - Required for the 3 oil sands areas in Alberta:
 - “Realistic” Growth Forecast
 - “Gap Analysis” to identify the need for additional government support
 - Recommendations on service and investment deficiencies
- Submitted on December 29, 2006
- Gov’t Response announced on February 26, 2007

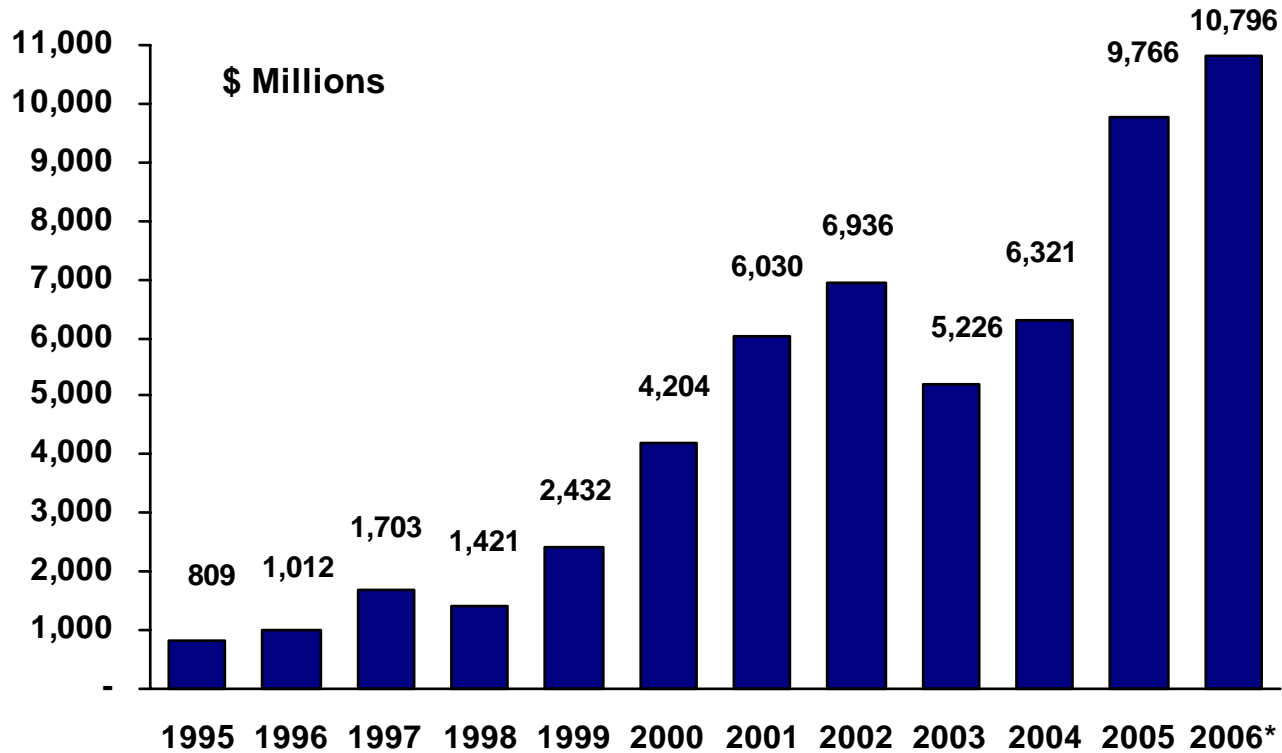


“Realistic” Growth Forecast

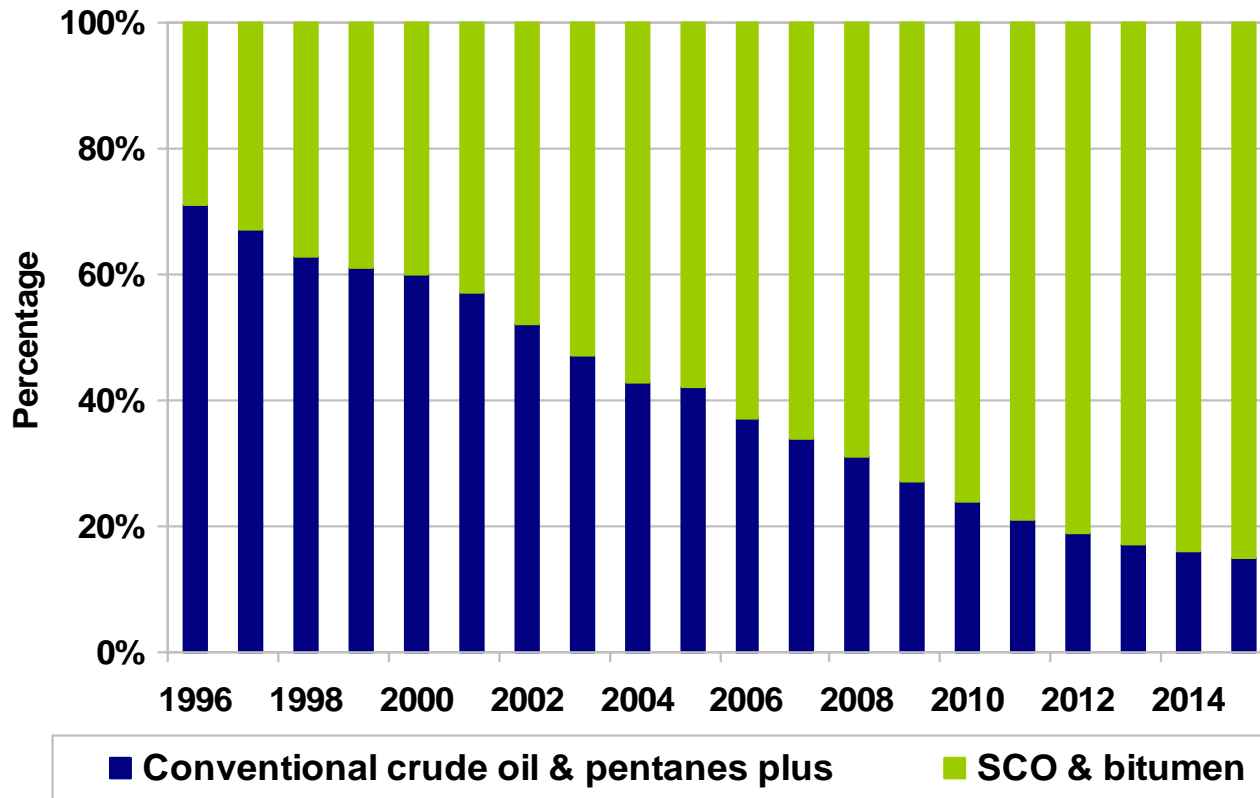
□ Key Questions:

- What will be the price of oil over a five year period?
- Will it be sufficient to encourage projected level of investment?
- What are the impacts on GDP, government revenues?
- What are the impacts on population growth
- How does population growth affect demand for government services?

Investment in Alberta's Oil Sands



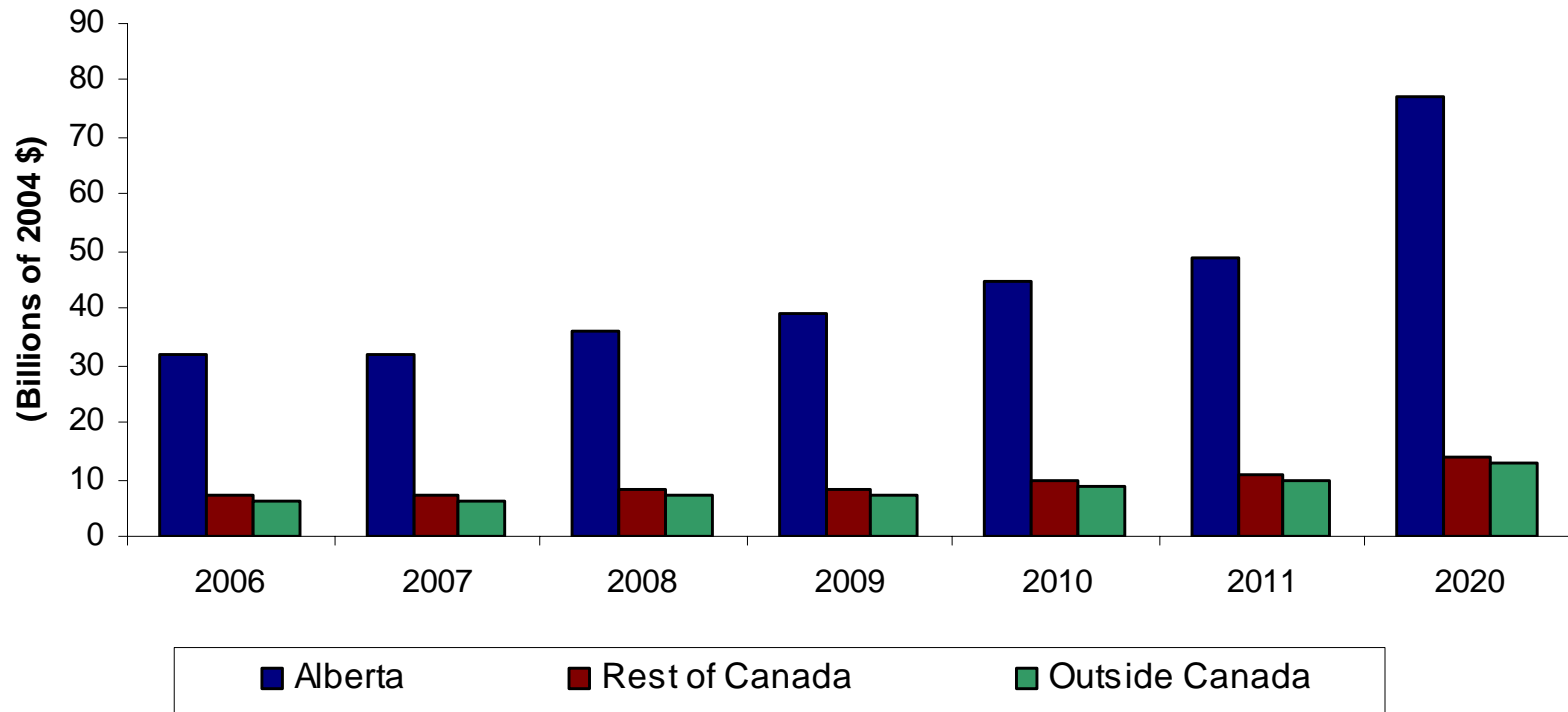
Synthetic Crude Production in Alberta



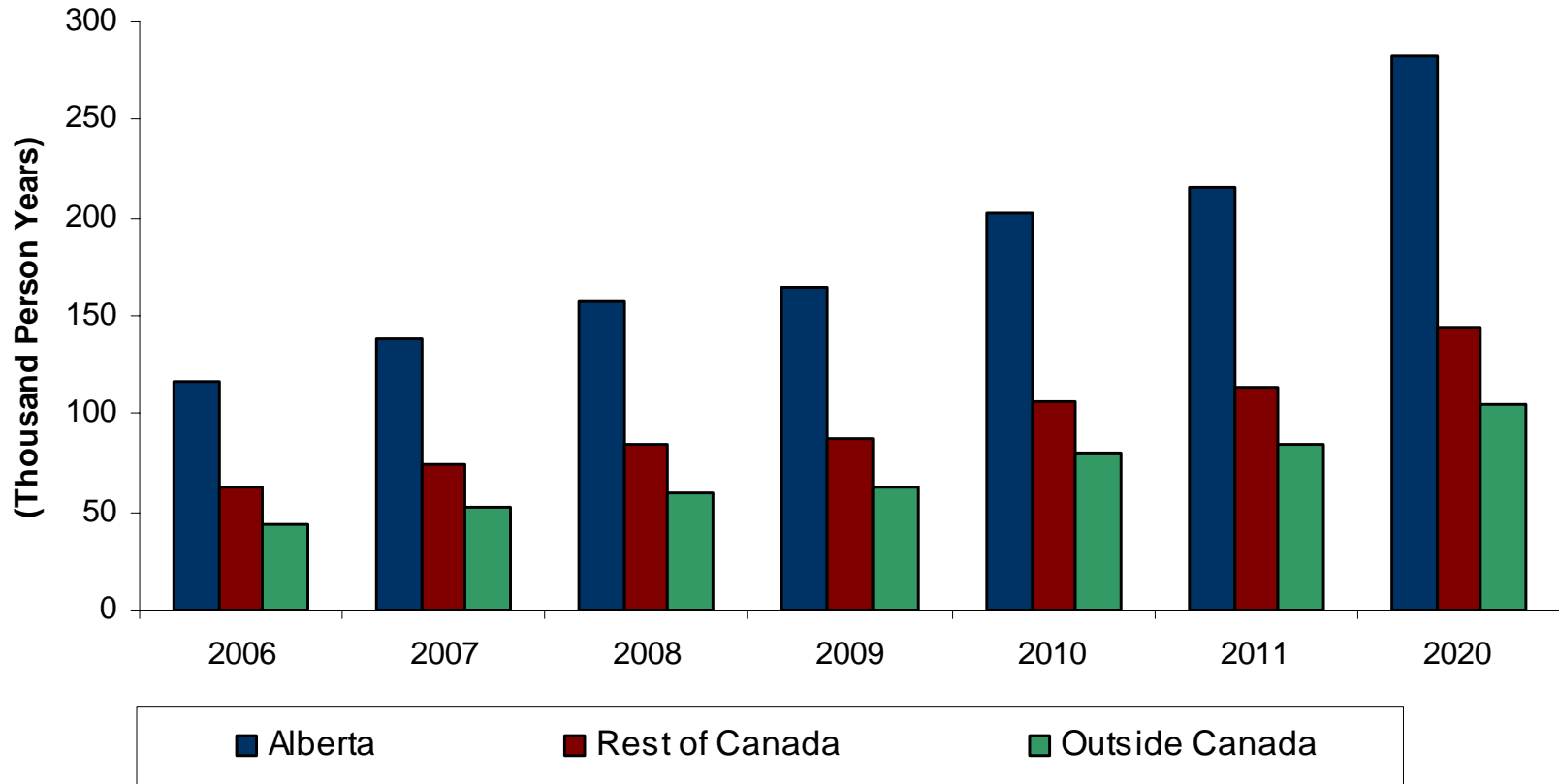
“Realistic” Answers to key questions

- **Price?** Likely to average around \$55/barrel (WTI) over the next 5 years. Days of \$30 oil are over.
- **Sufficient to sustain projected investments?** Yes, given present costs. Wild cards are environmental regulation, royalty and/or tax changes
- **Impacts on GDP, gov't revenues, population growth, demand for gov't services?** Substantial.

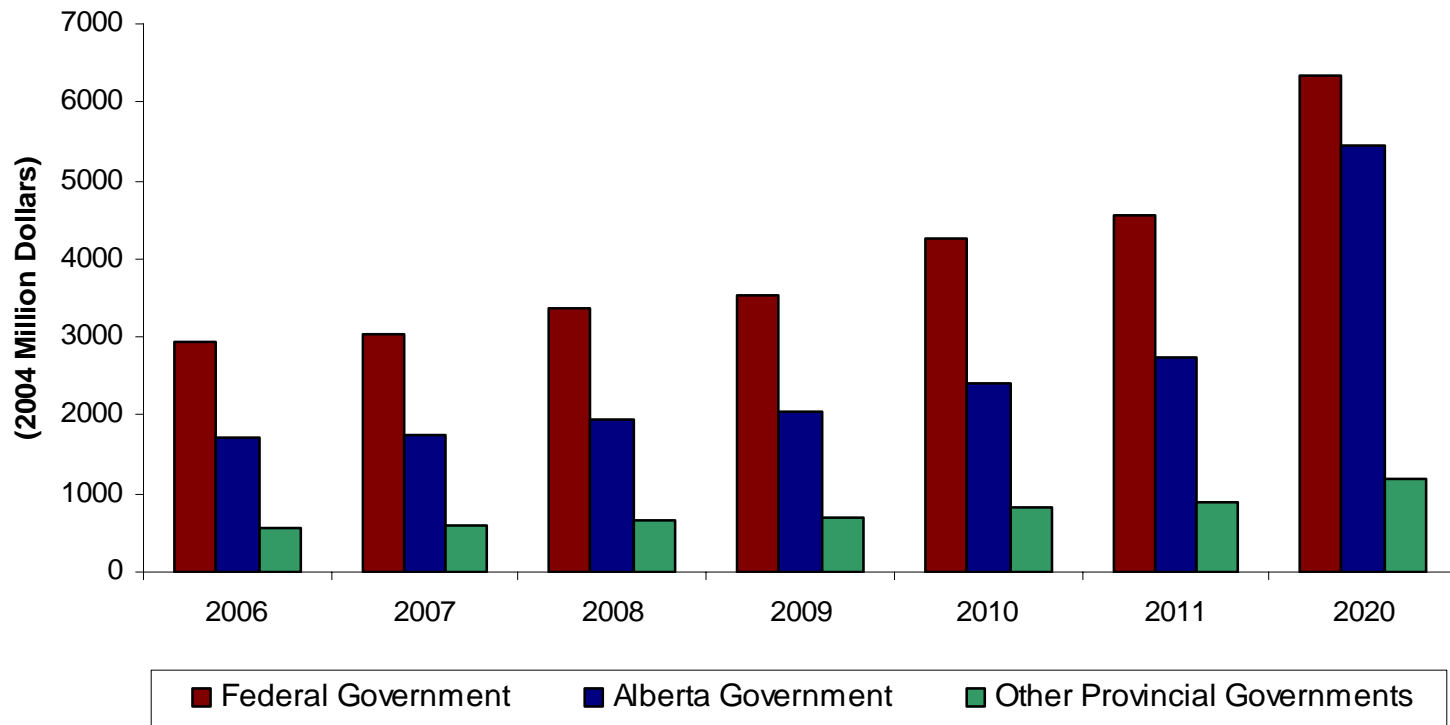
Impacts on GDP



Employment Impacts



Impacts on Gov't Revenues





Population Growth

Fort McMurray: 8% per year. 95,000 by 2011. Planning targets 150,000.

Cold Lake/Bonnyville: Around 2%. Robust but not exceeding Alberta average

Peace River: Around 1%. Healthy but not exceeding Alberta average. Wild card may be possible upgrader construction.

Impacts on Demand for Gov't Services (spending)

- Fort McMurray (RMWB) is unique – requires unique solutions, including extraordinary gov't spending. Should be regarded as investment. (No investment, no return.)
- Only RMWB meets definition of high growth area. (Other locations in Alberta growing rapidly, but not isolated.)
- Needs of Cold Lake/Bonnyville and Peace River can be handled through usual government planning and budgeting processes.
- The “industrial heartland” will have significant short- and medium- term infrastructure issues

Summary of Gaps

- Due to time and data constraints, detailed benchmarking applied only to area of greatest current and potential population growth i.e. Ft. McMurray
- Considers future plans of departments (committed and funded, committed and unfunded) and municipalities
- Results of benchmarking
 - Acceptable service levels:
 - Policing
 - Education
 - Recreation
 - Roads (transportation)*
 - Unacceptable service levels:
 - Health services
 - Municipal infrastructure
 - Housing development
 - Low income housing



Recommendations

- 30 recommendations, organized by
 - General or overarching
 - Gaps in RMWB/Ft. McMurray region
 - Gaps in Cold Lake/Bonnyville and Peace River regions
 - Environmental issues
 - Industrial heartland issues
 - Policy issues
 - Next steps

Response of the Gov't of Alberta

- February 26, 2007 press release committing a total of \$396 million over three years in the Ft. McMurray region:
 - \$206.4 million to address health pressures
 - \$103 million to complete upgrade of water treatment and wastewater facilities
 - \$52.5 million for affordable housing, shelter operations and rent supplements
 - \$34.4 million in additional funding support:
 - \$3 million to complete the Land Use Framework
 - \$15.5 million to establish and Oil Sands Division within Alberta Environment
 - \$6 million for additional staffing in Alberta Sustainable Development to deal with oil sands issues
 - \$3.6 million for planning support for the RMWB
 - \$3 million to improve access to child care.
- Oil Sands Coordinator now being recruited.
- Additional Announcements in the 2007 – 2008 Budget

Provincial Budget

April 19, 2007

- Re-announcement of the Feb. 26 commitments
- Specific reference to implementing many of the recommendations in several budget documents (press releases or business plans), including Environment, Treasury Board, Municipal Affairs.
- Oil Sands areas should get “their share” of several new or enhanced programs:
 - \$400 million in new funding for the Municipal Sustainability Initiative (first year of \$1.4B program)
 - \$4.3 B in support of municipal infrastructure
 - \$280 million for the community facilities program
 - \$574 million in water and wastewater projects
 - Transportation’s Capital Investment Budget moves to \$1.7 B, up 53.4%
 - \$1.3 B over 3 years for school facility projects.
 - Increased health spending

A Community Example – Fort McMurray

- RMWB facing unexpected, unprecedented demands for municipal services
- RMWB's inability to cope had profound implications for the entire community
- Impacts on industry
- A perception that the provincial government did not really understand the gravity of the problem

Uniting to Lobby

- Effort to achieve change led by a private sector group – the Athabasca Regional Issues Working Group Association
 - 23 members, including 17 oil sands companies
- Working in conjunction with:
 - The regional municipality, and agents of the municipality (e.g. housing corporation)
 - Fort McMurray public and Catholic school systems and the Northlands School Division
 - Keyano College
 - Northern Lights Health Region



RIWG Goals

- To provide a proactive process which promotes the responsible, sustainable development of resources within the Regional Municipality of Wood Buffalo for the benefit of all stakeholders
- To ensure RMWB residents have the same level and quality of services as other regions with investments in health, education, community culture, and infrastructure needs in response to current demand and projected growth.



Community Strategy and Tactics

- RIWG focus: research and supporting documentation on the extent of the challenges facing the municipality
 - Assigning resources
 - Publication of “Business Case” in March 2005, followed by an update and progress report in December of 2005
 - Lobbying activities at the provincial level (presentation to Government committees, discussion with responsible politicians, public servants)
- RMWB and other public bodies
 - Appearance before EUB hearings
 - Media coverage
 - Lobbying at provincial level

Appreciative Leadership Demonstrated

- **Community-wide commitment** (People empowered to do their best in a world of complex opportunities, creative collaboration, consensus building, vision alignment, recognizing circle economies)
- **Clearly defined goals** (Pursuing business decisions in ways that serve this and future generations, dreaming about what the community could be, defining targets)
- **Established targets** (measuring the baseline of good performance)
- **Persistence** (Commitment to passions that they have no guarantee about, pursuing passions that exceed past achievements)
- **Putting the necessary resources in place** (a holistic appreciation of all our resources, the right mix of unique and complementary strengths, importing capabilities)
- **Seizing the opportunities** (spaces of possibility)



Conclusions

- Discovering partnership opportunities and seizing opportunities can and does work in helping communities achieve their vision. Fort McMurray is a great example of how it can be done. But there are other examples that abound.
- It can happen to you.



Questions?