

PRESS RELEASE

Major Risks in Offshore Oil and Gas Development Concludes New Study

Moratorium should stay

VANCOUVER (May 14, 2004) - A new study, completed by researchers from Simon Fraser University (SFU), concludes that there are major risks associated with offshore oil and gas development in B.C.

The study found that a modest size offshore oil and gas development in B.C. could result in 484 small oils spills and a one in five chance of a large oil spill over the 25 year project operation.

The study also concludes that the number of direct jobs created by a modest size offshore oil and gas industry in B.C. would be less than 200.

The study was commissioned by the Coastal First Nations (CFN) to inform its communities on issues surrounding offshore oil and gas development. "The report findings will now be reviewed by our community members," said CFN executive director Art Sterritt.

The SFU study is the most comprehensive study on offshore oil and gas development in B.C. to date. It is the first study to integrate the environmental, social, economic, legal and regulatory issues associated with offshore development. Previous science reports completed by the federal and provincial governments only examined environmental and technological issues. The report was completed by an interdisciplinary team of nine researchers from SFU.

Four key findings in the SFU study are that:

- There are significant environmental risks with offshore oil and gas development;
- There will be few jobs and limited economic benefits to coastal communities;
- Canada's regulatory regime does not meet international standards; and
- The moratorium review process is deficient

The study also identifies 26 scientific "knowledge gaps" where more information is required before impacts of offshore development can be adequately assessed. "We simply do not have the information to make an informed decision on offshore development," said Gunton, one of the study authors. "It would be a mistake to remove the moratorium if we have inadequate information on cost and benefits."

ENVIRONMENTAL RISKS

The study concludes that there are substantial environmental risks associated with offshore development. Based on analysis of proposed offshore development in Alaska's Cook Inlet by the U. S. government, the SFU study concludes that a modest oil and gas development in B.C. would be expected to have 484 small oil spills (470 less than 1 barrel and 14 between 1 and 500 barrels) and a 19% chance of a major oil spill (more than 1000 barrels) over the 25 year project operation.

The SFU study also found that the impact of any oil spill in the Queen Charlotte Basin (QCB) would be greater than in many other jurisdictions because spills in the QCB are more likely to impact ecological rich shorelines due to ocean currents.

LACK OF JOBS AND ECONOMIC BENEFITS

The study cautions that economic impacts of offshore development are difficult to predict because of uncertainty over resources and markets. However, based on an assessment of offshore development proposals in Alaska and a review of development scenarios for B.C., the study concludes that a modest offshore project in B.C. would likely generate between 83 and 173 direct jobs during the operating phase.

Royalty revenue would also be much smaller than in northeast B.C. because offshore is more costly to develop. Based on a modest development scenario, annual offshore royalties would average only \$18 million per year, compared to the average \$1 to \$2 billion per year earned from northeast production.

“It’s a myth to think that offshore development will solve the economic challenges of coastal regions of B.C.,” said Gunton.

The study suggests that a more effective way of solving economic problems on the coast is to set up a development fund to support the tourism, fishing and forestry sectors.

“Setting up a fund now by redirecting some of the existing resource revenues back to the region makes more sense than waiting 15-20 years for hypothetical oil and gas revenues,” said Gunton.

REGULATORY REGIME AND MORATORIUM REVIEW PROCESS

The SFU study concludes that the current management regime for oil and gas does not meet any of the international best practice management guidelines.

The SFU study is also critical of the current moratorium review process. The major deficiencies in the process include:

- Inadequate information to make informed decisions
- Inadequate engagement of stakeholders
- No partnership with First Nations
- No clear decision criteria or evaluation method

Given these deficiencies, the study recommends that the review process be restructured.

“The review process has been helpful in generating information on offshore development,” said Gunton. “However, the current process does not provide the basis for making a sound decision on offshore development.”

The study concludes that none of the tests justifying the removal of the moratorium has been met. Key reasons for retaining the moratorium include:

- Inadequate understanding of impacts of offshore oil and gas activities
- Opposition from many key stakeholder groups and First Nations governments
- Failure to show with reasonable probability that benefits exceed costs
- Deficient regulatory regime for managing offshore activities

- Reluctance of oil and gas sector to proceed in current environment

“Based on these findings, it is clear that the current moratorium should be maintained,” said Gunton.

Maintaining the moratorium is consistent with findings in other jurisdictions such as the United States, which has had a moratorium on all new offshore oil and gas activity for most of the U.S. coastline since 1982. The congressional and presidential moratoria in the U.S. were put in place after extensive studies by the U.S. National Academy of Sciences concluded that there are substantial risks associated with offshore development.

“The Americans have had direct experience with offshore development,” said Sterritt. “Based on this experience, the Americans have decided to prohibit offshore development along most of their coastline to protect their environment. Why should we jeopardize our environment to sell oil and gas to the Americans.”

The CFN are an alliance of First Nations on British Columbia’s North and Central Coast and Haida Gwaii. The CFN includes Wuikinuxv Nation, Heiltsuk, Kitsoo/Xaixais, Gitga’at, Haisla, Metlakatla, Old Massett, Skidegate and the Council of the Haida Nation.

The CFN is working towards implementing new land, water and resources management approaches that are ecologically and economically sustainable.

Copies of the report can be obtained from the Turning Point Office or accessed at the following website.

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The report is also available on the Internet at: www.rem.sfu.ca/sustainableplanning/OOGRG.html