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PSAC Requests Federal Assistance for Oil & Gas Services Sector

Calgary, Alberta – The Petroleum Services Association of Canada (PSAC) recently presented a proposal to the federal government that will put oil and gas services companies back to work while benefitting the environment. “We asked the Government of Canada for \$500 million in infrastructure funding for well decommissioning operations in Alberta that will create jobs, retain expertise and skills, and provide economic and environmental benefits,” said President and CEO of PSAC Mark Salkeld. “It’s a win-win for all stakeholders involved.”

He added, “Our member companies — the leading services, supply and manufacturing companies within the upstream petroleum industry — do not typically ask for or want funding from government. They want competitive royalties, taxes and regulations so their customers the exploration and production (E&P) companies can continue the responsible development of Canada’s valuable oil and gas resources while contributing billions of dollars to Canada’s GDP every year.”

But, these are not normal times. Investment by E&P companies dropped 40 per cent in 2015 leading to drastically reduced activity levels, and more cuts are underway in 2016. The result is tens of thousands of oil and gas services workers have been laid off and many oilfield services companies already have or are in danger of closing down forever. Salkeld said, “That’s why it’s the perfect time to put our member companies and their people back to work while addressing a growing challenge.”

As of January 2016, Alberta had more than 75,000 inactive wells on record requiring downhole wellbore abandonment and surface reclamation, a process called well decommissioning. Assuming the average cost per well for acceptable well decommissioning ranges between \$100,000 and \$300,000, then the investment for all current inactive or suspended wells would range between \$8 and \$82 billion. Current industry cash flow for 2016 is estimated at \$26.5 billion (ARC Financial Corp.).

Salkeld says, “While we absolutely agree well decommissioning is the responsibility of the licensee (generally E&P companies), economic circumstances and steadily increasing costs due to ever-improving regulations are causing this work to be delayed or postponed and regular activity has almost come to a standstill. Well decommissioning will help keep the expertise and intellectual capital that we have worked so hard to find and develop in Alberta so we’re prepared when the turnaround comes.”

At PSAC, we believe it is in the interests of all stakeholders to accelerate well decommissioning activity especially during this challenging and possibly prolonged economic downturn and the federal and provincial governments are looking for infrastructure investments that will help stimulate the economy. Helping to address this issue positively impacts the industry, the economy, employment, the environment and the quality of life for all Albertans by:

- Providing much-needed jobs for oilfield services workers and keeping companies afloat
- Providing infrastructure investment opportunity for federal government to boost the economy
- Reducing the impact of the program costs through income taxes and fuel taxes as this type of work is labour and fuel intensive
- Enhancing the oil and gas industry’s reputation as a leader in environmental protection: preventing greenhouse gas emissions including methane and remediating environmental impacts from well operations

The Petroleum Services Association of Canada (PSAC) is the national trade association representing 200 leading services, supply and manufacturing companies with 60,000 employees. PSAC is “Working Energy” and as the voice of this sector, PSAC advocates for its members to enable the continued innovation, technological advancement and in-the-field experience they supply to Canada’s energy explorers and producers. PSAC member companies represent a significant portion of the business volume in the petroleum services industry, and they help to increase efficiency, improve safety and protect the environment for their customers the producers.

– 30 –

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