

LOCAL NEWS

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Liberals pleased Hibernia South deal signed

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The Telegram

Liberal Kelvin Parsons says Tuesday's announcement that a final deal has been signed to develop the Hibernia South oilfield is positive overall.

But Parsons said his party still opposes the government buying equity, and becoming a partner, in offshore projects.

The province purchased a 10 per cent stake in the Hibernia South project at a cost of \$30 million.

"It's good to finally see the legal agreements are now in place," Parsons said of the announcement. "Anything that puts additional revenues into provincial coffers is good for all of us, no question about it."

But he said the government only ever talks about the potential positive economic ramifications of being a partner in the offshore, and never mentions the potential liabilities.

"You also buy into the risk side of it," Parsons told The Telegram Tuesday afternoon.

"They fail to tell you what happens if there's an ... environmental catastrophe."

Parsons said the Liberals have always felt that way, and suggest the province should have forgotten about being a partner and just negotiated a better royalty regime with the oil companies.

He also said he'd like to see a copy of the full agreement to make sure everything the government says is in the deal is actually there.

Parsons is pleased the province has settled a long-standing dispute with the oil companies over eligible transportation costs that can be deducted from royalties and also applauded a part of the agreement which will see more women working on the Hibernia project.

But he wonders what effect this announcement will have on the province's attempt to buy back Ottawa's 8.5 per cent share in the original Hibernia project.

Premier Danny Williams announced last month, after meeting with Prime Minister Stephen Harper, the government plans to put that request in writing.

NDP Leader Lorraine Michael was out of the province Tuesday.

But an NDP spokesman said the party thinks the deal looks good on the surface and hopes the province will use some of the money it's getting in the deal to bolster social programs.

Meanwhile, St. John's Mayor Dennis O'Keefe said the news is both good for the province and good for the capital city.

"I think it's terrific," he told The Telegram after the announcement. "I was told this morning that the announcement would not be good, it was going to be great. Great is always better than good."

O'Keefe hopes this latest agreement will increase opportunities for young people, who either want to stay in the province to work or come back from jobs on the mainland.

But he said the announcement poses at least one challenge for the city.

He said St. John's currently has no "class-A office space" downtown, even though some proposals are being considered by city council.

Now that the Hibernia South deal is finalized the Hibernia oilfield has four separate royalty agreements.

Here are the highlights:

PL 1001 - Original field

The 1990 royalty regime governing the bulk of the original field remains unchanged. The current rate is 30 per cent of the oil companies' net revenue. It came into effect June 1 on payout, when the companies recouped the cost of developing the oilfield.

PL 1001 - Development from GBS

Known as AA Block, this southern portion of the original field is currently producing oil at the Hibernia gravity base structure (GBS). The province has no equity stake in AA Block.

Royalties include:

A 42 per cent royalty rate from first oil in November 2009.

Top royalty rate of 50 per cent, if Tier 2 payout is reached.

PL 1001 - Subsea project

Nalcor Energy has a 10 per cent equity stake in this portion of the original Hibernia field. It will be developed using a subsea tie-back to the GBS.

Royalties include:

A 30 per cent royalty rate from first oil.

Super royalty of 37.5 per cent when the price of West Texas Intermediate (WTI) crude oil exceeds US\$50 per barrel. The rate increases to 42.5 per cent when WTI exceeds US\$70 per barrel.

Top royalty rate of 50 per cent, if Tier 2 payout reached.

PL 1005/EL 1093 - Subsea project

Nalcor holds a 10 per cent equity in the newest, most southerly part of the oilfield. It will also be developed via subsea tie-backs to the Hibernia GBS.

Royalties include:

Five per cent basic royalty rate from first oil.

Tier 1 royalty rate of 30 per cent, which rises to 32.5 per cent when WTI exceeds US\$50 per barrel and 37.5 per cent when oil is above US\$70 per barrel.

Tier 2 rate of 42.5 per cent, which rises to 45 per cent when WTI exceeds US\$50 per barrel and 47.5 per cent when oil is above US\$70 per barrel.

The top royalty rate is 50 per cent.