

Anticosti Island shale oil could revitalize Quebec economy

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There was much talk during Quebec's latest election about the possibility that Quebec could be sitting on a substantial oil find under Anticosti Island that could be worth, according to former premier Pauline Marois, about \$45-billion, although those reserves are still not confirmed.

Last February, a few short weeks before calling a general election, the former Parti Québécois government announced an investment of \$70-million in order to take an ownership participation in an exploration project on the island. This decision surprised many, as shale oil and gas exploration had been the subject of intense debate over the previous five years, even among PQ cabinet ministers prior to gaining power in September, 2012.

Generally speaking, Quebecers have historically preferred clean energy such as hydroelectricity over the development of a shale oil and gas industry. Still, until cars, buses and trains all go electric, Quebec will nonetheless continue to import about \$12-billion worth of hydrocarbons every year. All that being said, shale oil exploration on Anticosti Island has been more favourably received than previous shale gas exploration efforts on the north and south shores of the St. Lawrence River, given the extremely limited population of the island (about two hundred people on an area about 14 times the size of the Island of Montreal).

We agree that environmental studies are needed before any oil production gets going on Anticosti Island. Still, the importance for the new liberal government to follow in the PQ's footsteps should not be understated. A look at provincial gross domestic product per capita shows that oil exploitation directly correlates with a higher standard of living.

Using 2012 data, we find that the standards of living were \$80,516 in Alberta, \$72,159 in Saskatchewan and \$65,964 in Newfoundland and Labrador, the three oil-producing provinces. These figures are way above the Canadian average of \$52,177, as well as the standards of living of the two most populated provinces, Ontario (\$49,940) and Quebec (\$44,428). Energy production also helped those provinces increase their working-age population, mainly through interprovincial migration, contributing to healthy public finances.

There are of course other factors at play to explain real personal income growth, such as labour productivity, capital intensity and employment rates (Newfoundland and Labrador actually ranks last in this category), but the opportunity to produce oil is a real game changer.

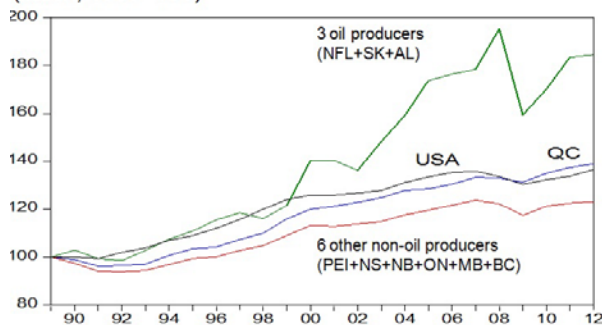
According to Statistics Canada and the U.S. Department of Commerce, average real income in the working-age population grew by more than 80 per cent in Canada's three oil-producing provinces between 1989 and 2012, compared to less than 25 per cent for the rest of Canada and 30 per cent in the United States.

The reason this matter is vital to the province of Quebec is that this opportunity could be a much-needed fix to solve its trade deficit and one day reduce its dependency on equalization payments to finance its generous social programs.

Quebeckers do have a soft spot for environmental issues, which is a good thing in itself. However, if Quebec decided to not even go ahead with an exploration project on Anticosti Island, it could become legitimate for some Canadians to start calling into question Quebec's business model and its addiction to equalization payments, which are projected to reach more than \$9-billion in the coming year.

We fully agree that any oil production must be done the right way. If proper consultations and scientific studies come to the conclusion that the Anticosti project is economically feasible in a way that respects the environment and, also, the project garners social acceptance among the residents of Anticosti Island, then Quebec should choose the responsible avenue and go ahead with oil production.

Real income per working age resident in the U.S., Quebec and other Canadian provinces, from 1989 to 2012 (index, 1989=100)



Source: Pierre Fortin, UQAM. Data from Statistics Canada and U.S. Department of Commerce

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