

Fraser Institute Global Petroleum Survey, 2018

by Ashley Stedman and Kenneth P. Green

This report presents the results of the Fraser Institute's 12th annual survey of petroleum industry executives and managers regarding barriers to investment in oil and gas exploration and production facilities in various jurisdictions around the globe. The survey responses have been tallied to rank provinces, states, countries, and other geographical regions (e.g., offshore areas) according to the extent of such barriers. Those barriers, as assessed by the survey respondents, include high tax rates, costly regulatory obligations, uncertainty over environmental regulations, and the interpretation and administration of regulations governing the "upstream" petroleum industry, as well as concerns over political stability and security of personnel and equipment.

A total of 256 respondents participated in the survey this year, providing sufficient data to evaluate 80 jurisdictions that hold 53 percent of proved global oil and gas reserves and account for 68 percent of global oil and gas production.

The jurisdictions that are evaluated are assigned scores on each of 16 questions pertaining to factors known to affect investment decisions. These scores are then used to generate a "Policy Perception Index" for each jurisdiction that reflects the perceived extent of the barriers to investment. The jurisdictions are then sorted into clusters based on the size of their proved reserves allowing for an apples-to-apples comparison of the respondents' policy perceptions of the resources that are available for commercialization.

Of the 11 jurisdictions with the largest petroleum reserves, the five that rank as most attractive or least likely to deter

investment are Texas, Russia, Alberta, Egypt, and Mozambique. Alberta is the only Canadian jurisdiction in the group of jurisdictions with large reserve holdings. Venezuela is the least attractive jurisdiction for investment globally.

In the group of 36 jurisdictions with medium-sized reserves, the 10 most attractive for investment are Oklahoma, Wyoming, North Dakota, US Offshore—Gulf of Mexico, United Kingdom—North Sea, Louisiana, Oman, Norway—North Sea, Norway—Other Offshore (except North Sea), and New Mexico. The only Canadian jurisdictions in this group are Newfoundland & Labrador (14th of 36), and British Columbia (27th of 36). For the second straight year, British Columbia is Canada's least attractive jurisdiction for oil and gas investment.

Of the 29 jurisdictions with relatively small proved oil and gas reserves, the top 10 performers are Kansas, Alabama,

Montana, Mississippi, United Kingdom—Other Offshore (except North Sea), Manitoba, Saskatchewan, Utah, South Australia, and Nova Scotia.

Nine of the world's top 10 jurisdictions are located in the United States this year compared to six in the 2017 survey. None of the Canadian jurisdictions ranked in the global top 10 this year.

When the attractiveness for investment is considered independently from the reserve size of jurisdictions, we find that the jurisdictions with Policy Perception Index scores in the first quintile (suggesting that obstacles to investment are lower than in all other jurisdictions assessed by the survey) are almost all located in Canada (though Canada doesn't have a jurisdiction in the top 10 ranking), the United States, and Europe. According to this year's survey, the 10 most attractive jurisdictions for investment worldwide are Texas, Oklahoma, Kansas, Wyoming, North Dakota, Alabama, Montana, US Offshore – Gulf of Mexico, United Kingdom – North Sea, and Louisiana. Three of the jurisdictions—Oklahoma, Texas, and North Dakota—consistently rank in the top 10, having been there in the last seven iterations of the survey. Nine of the world's top 10 jurisdictions are located in the United States this year compared to six in the 2017 survey. None of the Canadian jurisdictions ranked in the global top 10 this year.

The 10 least attractive jurisdictions for investment, starting with the worst, are Venezuela, Yemen, Tasmania, Victoria, Libya, Iraq, Ecuador, New South Wales, Bolivia, and Indonesia.

The United States remains the most attractive region for investment globally, followed by Europe. Canada's score declined this year, causing this region to drop one spot to the fourth most attractive region in the world for investment.

Our analysis of the 2018 petroleum survey results indicates that the extent of positive sentiment regarding key factors driving petroleum investment decisions has increased in many of the world's regions. The United States remains the most attractive region for investment globally, followed by Europe. Canada's score declined this year, causing this region to drop one spot to the fourth most attractive region in the world for investment.



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