

Fraser Institute Global Petroleum Survey, 2016

by Taylor Jackson, Kenneth P. Green, and Kyle Sholes

This report presents the results of the Fraser Institute's 10th 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, other geographical regions (e.g. offshore areas), and countries 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, and concerns with regard to the political stability and security of personnel and equipment.

A total of 381 respondents participated in the survey this year, providing sufficient data to evaluate 96 jurisdictions, which hold 66 percent of proved global oil and gas reserves and account for 75 percent of global oil and gas production.

The evaluated jurisdictions 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 policy perception comparison of the resources that are available for commercialization.

Of the 12 jurisdictions with the largest petroleum reserves, Texas, United Arab Emirates, Qatar, Alberta, and China are the five most likely to attract, or least likely to deter, investment. The five large-reserve jurisdictions least likely to at-

tract investment on the basis of their Policy Perception Index scores (Venezuela, Libya, Russia, Indonesia, and Nigeria) account for 45 percent of the proved oil and gas reserves of all the jurisdictions included in the survey. Alberta is the only Canadian jurisdiction in the group of jurisdictions with large reserve holdings.

In the group of 36 jurisdictions with medium-sized reserves, the 10 that are the most attractive for investment are: Oklahoma, Wyoming, North Dakota, Norway—North Sea, the Netherlands, Arkansas, Norway—Other, Louisiana, United Kingdom—North Sea, and West Virginia. The only Canadian jurisdictions in this group are Newfoundland & Labrador (12th of 36) and British Columbia (18th of 36).

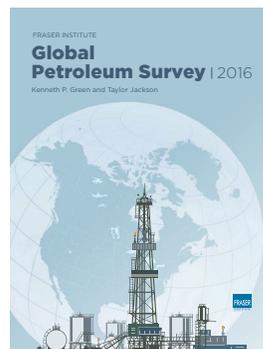
Of the 45 jurisdictions with relatively small proved oil and gas reserves, the top 10 performers are Kansas, Saskatchewan, Mississippi, Utah, Montana, Alabama, United Kingdom—Other, Manitoba, New Zealand, and Morocco. Nova

Scotia, Yukon, and the Northwest Territories rank near the middle to the bottom of the small-reserve-holder group. New Brunswick was the least attractive jurisdiction in this group due to its poor Policy Perception Index scores on a number of survey questions.

When the attractiveness for investment is considered independently from the reserve size of jurisdictions (historically the primary focus of this survey), we find that jurisdictions with first quintile Policy Perception Index scores, suggesting that obstacles to investment are lower than in all other jurisdictions assessed by the survey, are almost all located in Canada, the United States, and Europe. According to this year's survey, the 10 most attractive jurisdictions for investment worldwide are Oklahoma, Texas, Kansas, Saskatchewan, Wyoming, North Dakota, Norway—North Sea, Mississippi, Utah, and Montana. All but three of these jurisdictions—Wyoming, Utah, and Montana—ranked in the worldwide top 10 in the 2015 survey.

The 10 jurisdictions that are least attractive for investment are (starting with the worst): Venezuela, Quebec, Libya, Bolivia, New Brunswick, California, New South Wales, Ecuador, Ukraine, and Russia.

Our analysis of the 2016 petroleum survey results indicates that the extent of negative sentiment regarding key factors driving petroleum investment decisions has increased somewhat in many of the world's regions. The United States continues to remain as the most attractive region for investment, followed by Australia, which moved ahead of Canada this year. Canada's fall to the third most attractive region in the world for investment is reflective of Alberta's continued deterioration, as investors continue to view the province as less attractive for investment.



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Most regions around the world are less attractive for upstream petroleum investment this year

