

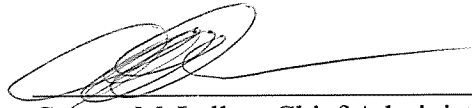
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Halifax Regional Council
September 17, 2002

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer

DATE: September 8, 2002

SUBJECT: Sponsorship of the Greater Halifax Partnership's
Energy Implementation Program

ORIGIN

In June 2002, the Greater Halifax Partnership received approval from Industry Canada, under the Program for Export Market Development (PEMD-I) Tier 2 for financial support for the implementation of key components of its multi-phased and integrated *Offshore Energy Strategy for Greater Halifax*. The implementation of the key components is another phase in a number of integrated stages needed to achieve the objectives of the Greater Halifax Energy Strategy.

One criterion for the proposal to Industry Canada is to secure financial support from organizations with an interest in the implementation of the *Offshore Energy Strategy for Greater Halifax*. The total cost of the proposal is \$300,000 the breakdown is as follows:

- Industry Canada (PEMD-I) \$150,000

Partners:

- Greater Halifax Partnership \$50,000 (Confirmed)
- Halifax Regional Municipality \$50,000 (Pending Council Approval)
- Emera \$40,000 (Confirmed)
- EnCana \$10,000 (Confirmed)

RECOMMENDATION

IT IS RECOMMENDED THAT Council support the Municipality's sponsorship of the Greater Halifax Partnership's Implementation Program Proposal under the Program for Export Market Development from Industry Canada in the amount of \$50,000 with funding from a withdrawal from the Service Improvement Reserve (Q310) as outlined in the budget implications of this report.

BACKGROUND

Over the past eighteen months, the Greater Halifax Partnership has made a shift from a broad based approach to growth in the community, to an approach that is focused on building key sectors of our economy. This process included a stakeholder audit, widespread community consultation, and, in December of 2001, a visioning exercise with its Board of Directors to determine the appropriate vision, roles and goals for the organization.

This focused approach to economic development is consistent with the objectives outlined in the services agreement between the Halifax Regional Municipality and the Greater Halifax Partnership. It allows the Greater Halifax Partnership to better align its initiatives with the growth of key sectors in the Greater Halifax economy and provides an opportunity to tie the goals of the organization to outcomes in these sectors.

During the initial stages of developing an energy strategy and following consultations with a number of key stakeholders involved in the energy sector in Greater Halifax and the Province, including investors, regulators, government and industry associations, several critical information and role gaps were identified and determined to be necessary components to the successful optimization of local indirect benefits and to investment attraction to the region. The Greater Halifax Partnership sees the opportunity to fill some of those gaps while working with various industry partners where appropriate.

This consultation process, and a subsequent gap analysis, identified *three strategic areas of opportunity* for the Greater Halifax area to attract investment and optimize the sustainable benefits associated with the growing offshore industry. These areas are:

- (a) Administration and head office activities (the Greater Halifax area),
- (b) Technology (the offshore sector is an extremely heavy user of technology) and,
- (c) Industrial and offshore services infrastructure (particularly given the strengths of Nova Scotia in industrial marine supply activities).

The identified opportunities relate directly to the existing strengths and attributes of Greater Halifax and the Province, and the needs of a growing offshore energy industry. By targeting key areas of opportunity, it is the goal of the Greater Halifax Partnership to increase the effectiveness and efficiency of investment attraction activities, as well as efforts to develop sustainable local benefits and offshore service expertise.

The objective of the Greater Halifax Partnership's work within the energy sector is:

- To position Greater Halifax on the world stage as a major player in the oil and gas industry.
- To ensure integration and coordination of the *Offshore Energy Strategy for Greater Halifax* with that of the Province.
- To provide the critical information necessary to facilitate the growth of the industry.

The **Offshore Energy Implementation Program** was created to achieve both the short and long term objectives of the Greater Halifax Partnership's Energy Strategy. All activities associated with the program are focused on the three identified areas of opportunity, and on achieving the stated objectives.

The entire program consists of four distinct components:

- Provincial Offshore Policy Development
- Research
- Regional Communications and Education Program;
- International World Energy Cities Marketing Program

Work done to date includes:

- ***National Energy Board Presentation*** – On May 2001, the Greater Halifax Partnership made a presentation to the National Energy Board. The presentation outlined the key issues facing the growth of Great Halifax's energy sector.
- ***Submission to the Province of Nova Scotia*** – On September 28, 2001, on behalf of the Halifax Regional Municipality, the Greater Halifax Partnership made a presentation to the provincial Energy Strategy Task Force to ensure alignment of the principles of the Partnership's strategy with those of the province;
- ***World Energy Cities Partnership*** – The Greater Halifax Partnership submitted a successful application for membership in the World Energy Cities Partnership on behalf of the Halifax Regional Municipality. Membership in this organization will raise the profile of the Greater Halifax area in the international arena, and will provide a valuable forum for economic development partnerships and collaboration between cities and their respective industry stakeholders.
- ***Energy Economic Impact Analysis*** – The study, conducted by The Conference Board of Canada, examined three potential development scenarios to predict future impacts on the economy. The study looked at predictions from a range of industry and geological experts and developed three potential scenarios – a conservative forecast, a moderate forecast and an optimistic forecast of the potential. In Scenario 2 (moderate forecast), for instance, the economic impact study predicts:
 - Steady growth in employment in Greater Halifax over the forecast period, culminating in nearly 23,000 new jobs by 2020 as a result of offshore development (approximately 57,000 for the Province of Nova Scotia).
 - The municipality's unemployment rate is expected to decline to a low of 4.6 percent by 2018, compared to the current rate of 7.7 percent.

- Personal income per capita in Greater Halifax over the forecast period will rise to \$50,145 from the current level of \$28,202.
- Residential market value assessment over the forecast period will rise to \$43,203,083 from the current forecasted value of \$14,935,738

[Source: Economic Impact Analysis of Offshore Development on Nova Scotia, Detailed Results, May 2002]

Work to be done under the PEMD-I Program includes two main strategic initiatives critical to the development and successful implementation of an investment attraction program: research and international marketing and communications.

- The proposed *research benchmarking study* deals with the critical identification of: the core competencies required to effectively serve the needs of the offshore industry, the existing core competencies and receptor companies already in existence in Greater Halifax and Nova Scotia, critical gaps and opportunities, and setting the benchmarks by which the success of the program will be measured.
- The *World Energy Cities and International Marketing Program* is designed to identify and pursue investment attraction opportunities in each of the identified core areas of opportunity, facilitate the development of partnerships, and improve the capability of Greater Halifax and the Province of Nova Scotia to target marketing efforts to attract investment and technology transfers from the international energy community. More specifically, the long-term objectives of this program are to attract investment to the offshore industry in Greater Halifax and Nova Scotia through partnerships, licensing arrangements and knowledge and technology transfer activities, and to contribute to the economic development of Greater Halifax and the Province as a result of increased investment, optimization of local benefits, and the development of exportable expertise to global markets serving offshore industries.

The *activities* associated with this program are multi-faceted, and those outlined are associated with the first-year introduction of the energy implementation program. In addition to the research component, activities involve gaining an increased profile within the international energy community through participation in trade shows, conferences, hosting trade missions, and other major meetings and events.

The *anticipated results* are measurable growth in each of the strategic areas of opportunities. Upon setting the benchmark during the research component of this program, growth will be measured by: the number of companies participating in each of the core areas of opportunity, the number and value of successful contracts and partnerships developed through World Energy Cities participation, the number and types of technology transferred, and local industry growth (particularly the optimization of local benefits and the growth of the offshore service industry).

The Greater Halifax Partnership will lead the efforts associated with this funding application and will also assume the roles of project manager, administrator, and the primary financial responsibility for matching the funds allocated by the PEMD-I Tier Two program. The support of the funding partners associated with this application demonstrates private sector and offshore industry support for this program.

BUDGET IMPLICATIONS

Funding for this support is available through a withdrawal from the Service Improvement Reserve (Q310). In conjunction with the fiscal year ended March 31, 2002, funds were transferred to the reserve to be available for issues and opportunities which had been identified which would require funding to study and implement. Support for the Greater Halifax Partnership initiatives was one of the opportunities considered when these funds were transferred to the reserve at year-end.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating and Capital budgets as well as relevant legislation regarding withdrawals from the utilization of Capital and Operating reserves. It is recommending an increase in the amount to be withdrawn from the reserve funds, however, as noted in the budget implications section, funds had been made available for this withdrawal.

Based on the current business case for the Service Improvement Reserve, the reserve is available for projects that demonstrate anticipated downstream benefits with a method for tracking savings and benefits to repay the amount withdrawn in specified future years. It was identified at the time of the year end transfer of funds to the Service Improvement Reserve that the current business case for the reserve would not accommodate all issues and opportunities identified and a further review of the Reserve Business case would be required to assess the requirement for repayment. It is anticipated that this review will be brought to Council in the third quarter of 2002/03.

Therefore, this withdrawal does not meet all the current business case criteria for a withdrawal from the Service Improvement reserve, however, staff are recommending the withdrawal based on the anticipated results of the Greater Halifax Partnership's Implementation Program Proposal and the upcoming review of the reserve business case.

ALTERNATIVES

While the \$50,000 contribution from the Municipality is not the only source of funding for this project it is critical as it leverages an additional \$50,000 from the private sector and another \$150,000 from the federal government. In addition to the financial leverage this investment supports, it firmly demonstrates the municipality's commitment to development a critical energy sector in our community.

The Greater Halifax Partnership's 2002 annual budget was approved by its Board of Directors and presented to Council with the quarterly briefing updates in February and June identified partnering projects for the fiscal year. These projects require support from both the private and public sector. The alternative would be to not to proceed with this funding, which could jeopardize the matching funding from other partners.

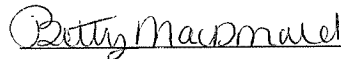
We are confident that this project will provide an important catalyst for gaining increased profile within the international energy community.

ATTACHMENTS

An overview of the activities and work within the Energy Implementation Program.

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Report Approved by: _____

Greater Halifax
Offshore Energy Strategy and Implementation

