

# Canada's new Klondike

# Alberta

## INVESTING IN THE FUTURE

Canada is wealthy, politically stable and socially tolerant or "cool," as many people like to define it.

Deep in its rock formations lies the biggest oil sand deposit in the world, and that deposit's energy content is so great that many geologists claim that there may be more oil in Alberta than Saudi Arabia — 180 billion barrels of proven reserves, according to the latest statistics.

The sands have been mined since the 1970s, but it is only in the last few years, thanks to rising oil prices, that these deposits have become so valuable, and comparisons with the Klondike gold rush of the late 1890s now abound.

Squeezing oil from rocks is certainly much more expensive than drilling a hole in a conventional oilfield, so the price of crude needs to be above \$50 a barrel to make the venture profitable. It may be a volatile investment, but Alberta's 3.2 million inhabitants are

enjoying the ride for the time being.

Alberta's economy is growing faster than that of any of the other nine Canadian provinces, and the only region of the country not exceeding its annual budget. "If you were to pull Alberta out in terms of economic growth, the rest of Canada would suddenly be flat," states Alberta Premier Ed Stelmach.

To claim that Alberta's success is only the fruit of geological roulette would not do justice to the history of this province and the exceptional entrepreneurial spirit of its people. "Albertans have a can-do attitude that does get things done," says Iris Evans, the minister of Employment, Immigration and Industry. "The legacy of the entrepreneurs who have been pioneers in this province is still palpable in our society."

Poles, Ukrainians, Russians, Swedes and Americans settled there when Alberta became a full province in 1905, and, when it comes to immigration,

Canada is still one of the most tolerant countries in the world. Albertans are particularly proud of their cultural diversity.

"What I see in our society are fewer class distinctions and more acceptance of people," says Evans, who strongly supports more immigration, aware that employee shortages are the province's number one economic hurdle.

Canada has traditionally been one of the United States' closest allies, and Alberta's oil sands have strengthened this already solid relationship, providing a boost for North America's energy security.

"U.S. investment in Alberta got our oil and gas industry off the ground," says Stelmach, but the bilateral ties between these two neighbors goes way beyond oil. Canada and the U.S. share the world's longest undefended border and the largest bilateral trade — worth \$700 billion a year — and Alberta may well be one of the strongest links. ♦

Marco Venditti

COVER IMAGE © SHAUN CUNNINGHAM

The **NEW FACE** of  
**ENERGY**

Innovative products in the energy sector have made us one of Canada's most attractive energy services corporations.

**LEXINGTON**<sup>™</sup>

Energy Services Inc.

OTCBB: LXES

<http://www.lexingtonenergyservices.com>

## Treasure in the sands

"When I travel outside Alberta, especially abroad, I see that people have no idea how much oil there is up here," says Gordon Panas, president and chief executive of Lockerbie and Hole, one of the country's largest construction firms, with more than a century of experience in Alberta.

Company executives like Panas know the province's natural resources like the back of their hand, but as large discoveries become increasingly rare worldwide, Alberta's oil sands are attracting the attention of the international oil industry.

Shell Canada already runs the largest tar-sand project in the province and is hoping to increase its production to 500,000 barrels a day from the current 150,000. "A production of global significance," says Clive Mather, the company's president and chief executive.

Although Canada produces 2.6 million barrels a day, the country hasn't yet attained the status of an oil superpower, mainly because Alberta's tar sands are still too expensive, technically challenging and environmentally tricky to exploit.

With so much at stake, innovation and research and development are the names of the game. Both local companies and oil multinationals have been investing a fortune in reducing the cost of extracting oil from ever deeper deposits, and it appears to have paid off. Today, it costs around \$10 to produce a barrel of oil from tar sands, down 300% from the

cost three decades ago.

"Conventional oil and gas production peaked in 2004, and despite drilling more and more wells, we're getting less and less production," says Brent Nimeck, the chief operating officer and co-founder of Lexington Energy Services, one of Canada's fastest-growing oilfield services companies. "Now we're focusing mainly on the oil sands, which offer tremendous growth opportunities."

Lexington Energy has developed a mobile nitrogen generation unit, which is able to extract the gas directly from air and supply it on location, dramatically cutting the costs of transporting it in liquid form. "We designed a system that is unique in North America and probably in the whole world," says Nimeck, whose company is publicly traded on the Over the Counter Bulletin Board (OTCBB).

"Our emphasis has always been on tackling difficult projects," says Panas of Lockerbie and Hole. "There are some of the world's largest cranes operating over here, and some of the equipment is just mind-boggling."

Alberta's oil sands are not a business for the fainthearted, but the rewards seem to justify the effort. Gibson Energy, a subsidiary of Hunting PLC, was already in Alberta in 1953 selling crude oil on behalf of Anglo American Oils, and today it is the country's premier mid-stream company. "Oil price is quite volatile at the moment, and I think it will



© CARSON GANCI

Refinery worker

continue to be so over the next 18 months," says Terry Gomke, the company's president and chief executive.

Because Gibson Energy owns the oil while moving it across North America, linking upstream producers with downstream refiners, the company is particularly exposed to price risks. But Gomke has no doubt that Gibson's future will remain in Alberta.

"I think that in five years the company will be much larger, even more diverse and will continue to be a major player in the Athabasca region, even when the oil is gone," he says, confident that in the meantime the industry can provide a long period of sustainable growth and plenty of opportunities for diversification. ♦ Marco Venditti

Project Managers: Mieke Hesemans, Gabriel Gutierrez y Sanchez, Jeff Hanke. Publisher: John Gasser. Managing Editor: Beverley Blythe. Art Director: Y. Taravilla-Marin. This special advertising feature was produced by Insight Publications, a division of Impact Media Global Ltd. 53 Chandos Place, London WC2N 4HS, UK. Tel: +44 20 7812 6400 Fax: +44 20 7812 6413 150 East 55th Street, 7th Floor, NY, NY 10022, USA. Tel: +1 212 751 1900 Fax: +1 212 751 0088 www.insight-publications.com e-mail: publisher@insight-publications.com

Fresh

Alberta  
Canada

ALBERTA  
ECONOMIC DEVELOPMENT AUTHORITY

investin.alberta@gov.ab.ca or www.alberta-canada.com

## Capital of culture and business acumen

The impact of Alberta's oil and gas industry is rapidly changing the landscape of Edmonton, its capital. Its business district is bustling with construction cranes, and new town houses keep popping up along the North Saskatchewan River. At least \$87 billion in capital investments are on their way to Alberta in the next decade, and Edmonton is gearing up to absorb the biggest chunk.

While Edmonton's economic growth is the highest in Canadian history, many people are asking if the current boom is sustainable. Within a generation the province's conventional oil reserves will probably run out and, while the oil sands deposits will last much longer, only continued high prices will make these worth exploiting. So is there a plan B?

"Clearly we have to work at diversifying the city's economy, notwithstanding the fact that energy is going to be a main factor for a long period of time," says Allan E. Scott, president and chief executive of the Edmonton Economic Development Corporation (EEDC), a nonprofit organization wholly owned by the city of Edmonton.

The main objectives of the EEDC are to promote next-growth industries such as

tourism, or knowledge-based sectors like health care and education, taking advantage of the fact that the city has an ideal corporate tax structure and is among the lowest-cost centers in the country for doing business. "Although the economy has heated up lately, setting up an office here is still much cheaper than in any other major city in Canada," says Scott.

Business clusters in the Greater Edmonton area have also been successfully implemented, especially in the fields of food processing, life sciences, forestry and nanotechnology, all of which require specialized manufacturing.

Last, but certainly not least, Edmonton's cultural industry deserves to be showcased. The city currently holds more than 30 festivals annually, focusing on music, theater, dance, food and popular culture. As recognition, Edmonton has been selected as the 2007 Cultural Capital of Canada.

"I always felt that one way to attract people to Edmonton was through arts and culture," says Stephen Mandel, mayor of Edmonton. "Many Edmontonians are concerned that we are not as well known as other Canadian cities such as Calgary, but we have to go about building our business and our strength as we move forward, as well as promoting ourselves in an effective way." ♦ Marco Venditti

## Battling to be competitive

Repercussions from a government decision in 2006 to tax income trusts are aggravating the sector, which had mushroomed to a market value of more than \$183 billion.

Many of the trusts are resource-based, particularly those in oil and gas, such as Provident Energy Trust, which has its headquarters in Calgary. Provident was formed by a conversion in 2001 from Founders Energy Ltd. and has grown to \$872 million in value.

Last year's announcement by federal Finance Minister Jim Flaherty has changed the landscape for all trusts by increasing the cost of capital, leaving them at a disadvantage relative to the master limited partnership (MLP), a trust-like structure in the U.S.

"What the government fails to realize is that if we fail to dilute this U.S. cost of capital advantage, particularly in strategic assets like some of our midstream assets, they are going to fall into foreign

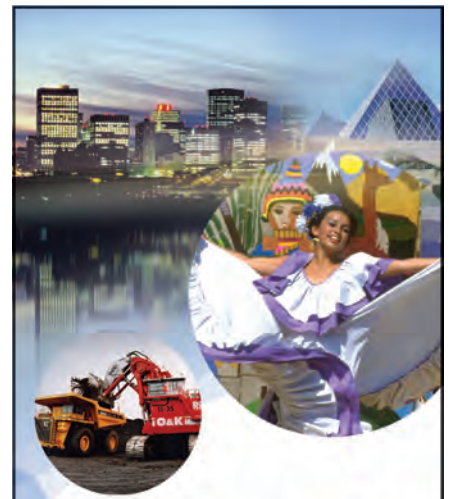
hands," says Provident President and Chief Executive Thomas Buchanan. "The tax of the energy trusts in particular does not make a lot of sense."

Under an income trust structure, trusts pay little tax, with the bulk of earnings distributed to trust unit owners, who then pay tax on the distributions as income.

Flaherty argued that the structure was costing the Canadian treasury \$436 million a year in lost taxes. Opponents of the move — including the Calgary-based Canadian Coalition of Energy Trusts, which sprung up to oppose the policy — have lobbied hard to change the government's mind, but to no avail.

Buchanan says that Provident, which owns an MLP in the U.S., has more flexibility than most trusts and is considering its options.

"Having three business units puts us in an enviable position because we have a lot more flexibility than a pure upstream or pure midstream trust might have," says Buchanan. ♦ Geoffrey Scotton, senior business writer with the *Calgary Herald*



Come for the oil,  
stay for the fun!



As the global port to the Alberta oil sands - the second largest oil reserves in the world - Edmonton's economy is booming.

And as Canada's 2007 Cultural Capital, Edmonton's arts, entertainment and festival scene is one of the best.

Edmonton is an ideal place to live, work and invest.

Come see  
for yourself.



Brought to you by:

THE CITY OF  
**Edmonton**

**EDMONTON**  
ECONOMIC DEVELOPMENT  
CORPORATION

The Destination Marketing  
Hotels of Edmonton.

[www.edmonton.com/forbes](http://www.edmonton.com/forbes)

## Private and public commitment

CGI, one of Canada's largest IT and business service firms, values proximity to its customers as one of the most important aspects of the business.

"Our strategy is local first and global thereafter," says Michael Roach, the company's president and chief executive, who believes that IT sector clients want to buy services mainly from companies that operate in their own community. To offer this, CGI is present in 16 countries with a network of more than 100 offices around the world.

Founded by Serge Godin in Québec in 1976, CGI today employs more than 25,000 professionals, providing end-to-end services and a wide range of IT solutions for a diverse client list such as Bell Canada, Bombardier Aerospace and Cirque du Soleil®.

"My desire when I started the company was to serve, watch our clients succeed and get a pat on the back for being a part of it," says Godin. But CGI has achieved much more than that over the

past three decades. The company's revenues amounted to \$3 billion in 2006. In the same year CGI signed global deals worth close to \$4 billion, which increased the company's contract backlog to more than \$10 billion.

In the future, CGI wants to strengthen its presence in the U.S., which already accounts for more than a third of the company's income. Canada is currently CGI's biggest market, and the western provinces in particular, including Alberta, have provided some interesting contracts and acquisitions in recent years.

"Our commitment in Alberta is divided between two business units, dealing mainly with the public sector in Edmonton and the oil and gas industry in Calgary," says Bob Morrin, the Irish-born regional vice president of the office in Calgary.

CGI entered Alberta's market in the 1990s through the acquisition of Systems West Consultants and has supported the transformation of the province's

business environment ever since.

Two emblematic contracts in this key market demonstrate CGI's private and public sector client focus in the province. The first, in the private sector, is a production accounting solution for the upstream oil and gas industry. CGI's unique partnership approach facilitated the creation of a consortium of usually competitive oil and gas production companies. Together, they are developing an innovative solution that will meet the needs of the original members as well as those of the industry in the long term.

The other, in the public sector, is the Calgary Health Region's health information exchange. This electronic health record (EHR) platform is one step in a process that will ultimately give the province's citizens and health care providers online access to consistent and current health information. The goal is increased quality and productivity in the entire health system.

"It is one of the most progressive EHRs in the country as it provides a common infrastructure for sharing data and information," says Morrin. ❖ Marco Venditti

Advanced Midstream Solutions  
From Wellsite to Refinery

• Marketing • Truck Transportation • Terminals and Pipelines • Canwest Propane • Moose Jaw Refinery

**Gibson Energy**, a subsidiary of Hunting PLC, is a North American leader in the marketing, transportation and processing of energy products. We move millions of barrels of energy products annually from wellsites to refineries. Vital, technology-savvy, and providing superior solutions through teamwork and operational synergies...Gibson delivers the petroleum industry's premier midstream service.



**GIBSON ENERGY LTD.**  
1700, 440 - 2nd Avenue S.W.  
Calgary, Alberta T2P 5E9  
Tel: (403) 206-4000 Fax: (403) 206-4001

[www.gibsons.com](http://www.gibsons.com)



### Building Since 1898.

Lockerbie & Hole is one of Canada's largest construction firms, providing services to the industrial, civil, municipal and institutional market sectors.



[www.lockerbiehole.com](http://www.lockerbiehole.com)