

Business Development Initiative

Executive Summary

The oil and gas industry in British Columbia generates billions of dollars of revenue, creates thousands of jobs and has become the provinces leading natural resource revenue generator in recent years. Notwithstanding that benefit, many economic benefits of the Provinces natural resource flow out of the province through the provision of goods, services, employment and their related taxation to communities and provinces outside of BC.

The need for this project is driven by the industries long term reliance on “relationship” in the procurement of services and the challenge that poses for the BC service sector that live and operate far from the Calgary based decision makers.

The BC service sector requires a focused and sustained effort to improve that relationship, and past experience has pointed strongly to the need for a person with oil and gas experience to be the “boots on the ground” to facilitate relationship development.

The most common practice for service companies to acquire business opportunities is to visit E&P in their head offices in Calgary. While some business opportunities materialize through other means, the industry expectation is still to go to Calgary “to knock on doors”. When activity levels are down, the practice becomes a higher priority as the E & P are not necessarily casting a wide net to procure services. They are relying on past service providers, relationships, existing agreements and a range of other financial and social policies that vary greatly from company to company and even within divisions of companies.

This lack of transparency is problematic for the BC Service Sector for a number of reasons. The sector is primarily made up of small businesses who have limited resources to put someone on the streets of Calgary knocking on doors. The distance factor allows closer service providers (i.e. Red Deer, Calgary, etc) to be more persistent in their marketing with far lower costs based on their proximity. The second big deterrent, even for those companies who can make the regular trips to Calgary, is to determine what the procurement process is within each company and to determine how to develop relationships with the decision makers. This is further complicated by frequent staff changes and company restructuring and corporate takeovers which have been plentiful in recent years.

A fundamental goal of the BDI is to “demystify” the procurement practices of the E&P who operate in BC and to develop mutually beneficial relationships with them. This will require focusing not only on building the relationship with the E&P, but developing a stronger, more cohesive service sector prepared to provide safe, competitive and quality services.

The BC service sector has grown since the first oil and gas development in the 1950’s in Northeast BC, most notably in the past decade. However, the inability to capitalize on more business and economic spin-offs have long been a concern for municipalities, economic development agencies, associations and individuals who would like to accrue greater benefits of the provincial oil and gas resource back to the residents of the affected region and the tax-payers of the province.

The cyclical nature of the industry and the fact that we are now in a slower period makes moving forward with this project logical in terms of need and timing. When the industry is at the top of its cycle as it has been over the last 2-3 years, most successful businesses are operating at capacity, whether they are located in B.C. or outside. Now that activity levels have dropped, there is both the time and the need

to develop long term relationships and strategies that support business opportunities for B.C. service sector companies.

The vision of the Business Development Initiative (BDI) is to increase the benefits to all British Columbians of the exploration, development and production of the provinces oil and gas resources. This can best be achieved by proactively working with all the industries stakeholders to increase British Columbia's business and employment participation in the oil and gas service sector¹.

Today, if a new explorer/producer comes to BC and asks
"Who is the service sector and what is their capacity to provide me services?"
they would find no comprehensive tool or source of information.

Conversely, if a new service company starts up and asks
"I'm ready to go, how do I get the work?"
again there is no tool or source of information to turn to.

Through the BDI, Energy Services BC will undertake a series of activities over the next three years with the objective of increasing utilization of the BC service sector, bringing direct and indirect benefits to all British Columbians while providing safe, quality and competitive services to the explorers and producers who develop in this province.

The BDI is comprised of a series of activities and specific deliverables over a three-year period that will:

1. identify, quantify and market the BC service sector
2. develop relationships with Explorers and Producers, map the procurement process increase procurement opportunities for the BC Service Sector
3. build capacity in the BC service sector

The project is a multi-region business development initiative aimed at increasing the participation of British Columbia businesses in the provision of goods and services to the oil and gas industry. Through this project, ESBC will:

- i) develop a five year strategic plan for the newly re-branded organization to address both internal (member) expectations and external (industry, community, government, Aboriginal, educational organizations etc) expectations that are beyond ESBC's current member funded capacity;
- ii) identify the BC service sector and the goods and services they provide, service gaps (opportunities), cost and value analysis and prepare pre-feasibility reports for high potential opportunities;
- iii) identify the Explorers and Producers (E&P) who operate in British Columbia and initiate dialogue and relationship building to encourage transparency in their procurement practices and increased utilization of BC goods and services in their operations;
- iv) working with E&P, determine and remove barriers to mutually beneficial working relationships that result in the provision of competitive, safe and quality services from

¹ For the purpose of the BDI, service sector refers to the oil and gas service sector (see 8.3 for clarification)

the BC service sector

- v) organize and participate in initiatives to market, profile, and promote the BC service sector
- vi) organize and participate in events to build association capacity, develop stronger, more collaborative relationships with industry, business and economic development organizations,

One of the most significant strengths of the BDI process is that it has the ability to deliver wide ranging benefits and correspondingly can leverage resources from a wide range of organizations who are either directly impacted by the results or who have programs with mandates that are compatible with the goals and objectives of the initiative. ESBC has been in discussions with Industry (Explorers and Producers), Local and Regional Governments and the Provincial and Federal Government and has already or expects to receive funding support from each of these groups.

The Business Development Initiative is a four phase project to be delivered over 3 fiscal years.

Contact Information

Client Legal Name: Energy Industry Services Association of British Columbia (ESBC)

Names/Titles of Principal Officers: Brad Caldwell (*President*) - Action Health & Safety Services
Dave Turchanski (*Vice President*) - Gas Link Industries
Doug Roemer (*Secretary-Treasurer*) - The Desa Group
Jeff Robertson (*Director*) - Focus Corporation
Brent Doyle (*Director*) - Kledo Construction Ltd.
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Dan Schreiner (*Director*) - North Central Group

Name of Legal Signing Officers: Brad Caldwell (*President*) - Action Health & Safety Services
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Doug Roemer (*Secretary-Treasurer*) - The Desa Group
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