Hebron’s had a huge impact on Newfoundland and Labrador’s economy, and it’s just getting started

By Darren Campbell

Photo courtesy ExxonMobil

Hebron’s production and storage platform was all aglow in December of 2016 as work continues on the massive structure. The bright lights are necessary to ensure worker safety when they are working during the night.
Sometime late in 2017, the first barrel of oil will be produced from Newfoundland and Labrador’s latest offshore oilfield – Hebron.

It has been a long time coming. The giant field, which operator ExxonMobil estimates will produce 700 million barrels of oil during its lifetime, was discovered in 1980. However, a final decision to develop it wasn’t made by ExxonMobil and its project partners (Chevron Canada, Suncor Energy, Statoil Canada and Nalcor Energy Oil and Gas) until January of 2013. What’s followed has been massive construction activity that will culminate in the $14-billion project producing first oil in the Jeanne d’Arc Basin, 350 kilometres southeast of St. John’s, by the end of the year, according to Geoff Parker, ExxonMobil’s Hebron senior project manager.

With construction coming to a close, has the mega-project’s impact on the provincial economy reached its zenith? Or will the development phase of Hebron have a longer, more lasting impact?

The Atlantic Accord requires specific provisions in the Hebron benefits plan to employ Canadians (Newfoundland and Labrador residents in particular) and provide local manufacturers, consultants, contractors, suppliers and service companies a fair opportunity to participate in the supply of goods and services used in any work or activity referenced in the benefits plan.

Robert Greenwood, executive director of Memorial University’s Leslie Harris Centre for Regional Policy and Development, says previous provincial governments and leaders, such as former premier Danny Williams, viewed mega-

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projects as make-work projects for Newfoundland and Labrador. They wanted to extract as many benefits as possible from the construction portion of developments to put provincial residents to work.

The strategy has worked. A report completed by Stantec in 2012 examining the socio-economic benefits from petroleum industry activity shows that employment from the offshore oil industry was well over 12,000 person years annually during the 2008-2010 period the report covered, including a peak of 14,000 person years in 2009. The report also notes that nominal gross domestic product in the province was, on average, roughly $7.8 billion higher from 2002-2010 than normal as a result of offshore oil activity. To look at it another way, the sector’s direct and induced impacts during that period were 34.8 per cent of the province’s nominal GDP. All of this occurred before Hebron entered its construction phase. “The impact of the industry has been enormous on the province,” Greenwood says. “The challenge is once construction starts, you’re booming, but when it ends, that dies.”

ExxonMobil releases quarterly reports that show employment and expenditures resulting from Hebron activities. In its latest report, covering Oct. 1 to December 31, 2016, the impact of the project on the province’s economy is astounding. During that four-month stretch, a total of 3,818 people were employed on the Hebron project, including 3,419 Newfoundland and Labrador residents or 90 per cent of the workers. While the project partners won’t release the dollar value of their provincial expenditures, the benefits report does say that 53 per cent of total expenditures have been made within the province.

Those numbers will drop significantly once the Hebron production and storage platform is complete and towed to the oilfield. Of the 3,818 people working on the project during the fourth quarter of 2016, 83 per cent (3,172) were at the Bull Arm site where Hebron’s platform is being built. “In December 2016, the Hebron project conducted the float over and mating operations, which joined the Hebron topsides facilities to the gravity based structure (GBS),” ExxonMobil’s Parker wrote in an emailed response. “Hook up and commissioning activities re-commenced after tow and will remain underway until the platform is ready for tow to field in mid-2017.”

Stantec’s Mark Shrimpton, who helped write the 2012 report on industry impacts, says the nature of construction work on mega-projects is that it produces huge chunks of short-term employment with significant turnover among the tradespeople employed. The

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700 million
The number of barrels of oil the Hebron field is expected to produce

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number of staff and type of skills required will change depending on the construction phase. “Very few people will have been working on Hebron from day one until it’s towed out,” Shrimpton says. “It’s not as if everyone’s being laid off at the same time.”

The production phase of Hebron will employ fewer people than were needed during construction, but the jobs will last a lot longer: the project is expected to have a lifespan of approximately 30 years. In addition to the 220 drilling and production jobs on the platform itself, Hebron will require a significant number of onshore support staff. ExxonMobil and its partners must staff offices in St. John’s; helicopter companies will fly workers to and from the platform; and, supplies will have to be shipped there as well. That work will be around much longer than four or five years. “The production side of Hebron makes a contribution to careers. It’s a nice steady flow of work,” Shrimpton says.

There is also the distinct possibility that Hebron could be producing oil much longer than anticipated. Once an oilfield goes into production, companies want to keep it in production as long as it’s profitable to do so. Although Parker wouldn’t comment on whether ExxonMobil would continue to explore around the Hebron field in search of more oil reserves, saying the company is focused on “commissioning the platform and achieving first oil”, that’s been the pattern at the province’s three other offshore fields.

Hibernia, which is located just 32 kilometres from Hebron, went into production in 1997 and was expected to have a lifespan of about 20 years. But the discovery of satellite fields like the Hibernia South Extension has increased its reserves and production is now expected to continue until 2040. In December of 2016, Hibernia produced its one billionth barrel of oil.

Beyond the jobs the province’s offshore fields have created, and the royalties and taxes the province continues to collect from them – all of which help pay for new infrastructure, programs and services – Greenwood says the age of oil has had another positive impact that can’t be captured in any benefits report or economic analysis. Greenwood says for generations, Newfoundlanders’ attitude to their lot in life has been summed up by the saying, ‘What odds?’ It was a coping mechanism for residents of a province where the economy was
often depressed and jobs were hard to come by. ‘What odds?’ meant you had to go with the flow and accept the fact the economy would never be strong and life could be tough because you couldn’t change it.

However, Greenwood maintains that the growth of the oil industry and the fact the province has participated in huge projects like Hebron has changed attitudes in the province. “The ‘What odds?’ attitude didn’t create a culture of entrepreneurship and risk-taking. That’s changed as a result of the oil industry and the prosperity it’s brought,” Greenwood says. “Our inferiority complex has largely gone away. I think for the province’s residents, particularly university graduates in the last 15 years who have gotten high-end jobs, travelled and made serious money in the oil industry and understand global supply chains, they are not going to settle for ‘What odds?’ anymore.”

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