

**Oil Exploration Policy after the BP Disaster—
Governments Caught between Environmental Pressure for
Tougher Regulation and against Development vs.
Ever Increasing World Demand and Unreliable Supply**

BDO Dunwoody Weekly CEO/Business Leader Poll

By COMPAS in *Canadian Business*

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1.0 Overview

In the wake of the BP oil spill off the southern U.S. coast, COMPAS asked its business panel for its views on the future of government policies towards exploration and regulation of oil offshore and in the arctic.

In summary, panelists perceive governments as caught between environmental pressure for tougher regulation and against development vs. ever increasing world demand and unreliable supply. Panelists are less concerned about oil running out than about the actions of unstable dictatorships that are often in position of control of oil supply. On the specific issue of Iran's military posturing and threat to the shipment of oil, opinion is divided about how much Ahmedinejad's posturing will neutralize environmental pressure constraining development and exploration in North America.

Panelists were asked about responsibility for the harm caused by the spills. Despite the heavy role of government regulation, few panelists saw the U.S. government as having to share any accountability with oil companies in situations of this kind.

These are the key findings from this past week's Internet survey of CEOs and business leaders on the COMPAS panel. The weekly business survey is undertaken for *Canadian Business* magazine under sponsorship of BDO Dunwoody LLP.

2.0 Details

Table 2a displays data on panelists' opinions on various aspects of oil exploration and development in the wake of the BP disaster. Some of the questions are trackers.

Among the trackers, the biggest change in panelists' attitude over the past two years is a jump in the proportion of panelists who perceive world demand



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for oil as rising significantly as a result of increasing thirst for oil in the Third World. The combination of Third World demand and politically unstable supply are seen as pressures on governments to allow oil exploration and development in North America and not impose draconian regulation. On the other hand, the BP spill is seen as contributing to environmentalist pressure for tougher regulation of North American oil development and reduced willingness to allow development in the offshore or arctic.

Table 2a: (Q1) As you know, there is ongoing debate about the future of oil in light of the global economy, accidents such as the BP disaster in the gulf of Mexico, and potentially other factors. On a 7 point agreement scale where 1 means disagree strongly and 7, agree strongly, how much do you agree with the following opinions?

	Year	Mean	7	6	5	4	3	2	1	DNK
Demand will rise as a result of rapidly increasing thirst for energy among developing countries with China alone putting nine million new cars on the road each year	2010	6.0	33	39	18	6	3	0	0	1
	2008	5.2	35	29	10	6	2	7	11	1
The BP disaster will lead to much tougher regulation of all North American oil development	2010	5.5	25	31	24	11	9	0	0	0
	2008	NA	NA	NA	NA	NA	NA	NA	NA	NA
The BP disaster will reduce public and government willingness to allow development in the offshore	2010	5.3	24	22	28	14	10	2	1	0
	2008	NA	NA	NA	NA	NA	NA	NA	NA	NA
The BP disaster will reduce public and government willingness to allow arctic development	2010	5.2	20	29	28	9	8	5	2	20
	2008	NA	NA	NA	NA	NA	NA	NA	NA	NA



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	Year	Mean	7	6	5	4	3	2	1	DNK
Supply is unreliable because 80% of oil comes from unstable dictatorships or from regimes with political axes to grind, as in the case of Venezuela or Russia	2010	4.8	13	19	33	14	11	5	3	2
	2008	4.9	21	30	13	9	10	6	10	1
Supply will be insufficient because 60% of oil production is coming from oil fields that have already passed their peak	2010	4.4	14	14	22	15	13	14	5	5
	2008	4.6	11	26	17	13	13	6	7	6
Iran's military maneuvering and threats to block Middle East oil shipments will neutralize environmental concerns limiting oil development in North America	2010	4.2	6	15	29	18	11	15	5	1
	2008	NA	NA	NA	NA	NA	NA	NA	NA	NA

Table 2b: (Q2) Which of the following opinions is closest to your own?

	%
Given that offshore development is regulated, financial responsibility for compensation should rest mainly or wholly with government	1
Responsibility should be shared.	20
Given that profits rest with the given oil company, financial responsibility should be mainly or wholly with the oil company	79
Don't know or no opinion	0

Table 2b shows evidence of an overwhelming panel view that, despite its heavy regulatory role, government should not be held financially responsible for the impacts of accidents such as the BP spill.



The following verbatims provide a nuanced sense of panel opinion:

As long as "we the people" insist on driving, we need oil and therefore the ONLY thing that can be logically deduced from knee jerk reactions of environmentalists and politicians is that oil prices will increase until the cost of oil outweighs the conscience(s) of the detractor(s). In other words all is fine and good until the pinch is felt by "ME" mentality. Perhaps this will precipitate the "next" economic problem.

Disasters lead to improvement in safety and techniques. While unfortunate, the entire industry will become more conscious and aware of safety and develop better systems to address potential disasters.

Environmental disasters are going to be an ongoing problem as resources become scarcer. There are only so many dinosaur bones left to burn. I find it laughable that the profits made by these huge companies are never available when a problem develops and the taxpayer is left holding the bag.

From what I have seen of Oil Company operations, my perception is that due to their bloated bureaucracies their left hand does not know what their right hand is doing, and they spend huge sums on the wrong things. They do not pay enough attention to, or money towards, more important safety or environmental issues.

Given that new oil discoveries and recovery will be much more technologically challenging and thus, significantly more expensive, government must surrender some of their take from the energy business if we expect to see corporations and individuals invest in these new fields.

Government must take greater responsibility in establishing that safety features in globally vital ventures work. Obviously they currently do not.



Government's especially in Canada need to wake up and look for alternative sources of power and support new technologies that will curb the need for oil

I think this is BP's third incident. There are a lot of fantastic companies who take safety and process safety seriously. The typical response of government is to regulate for the poor companies. The regulatory regime should be proportional to the risk the company creates not a regime designed for the worst actors.

If China promotes electric or other energy sources for its cars this may not increase the demand. Oil companies have the contract and regardless of regulation should be held accountable for safety and expenses of disasters. They have made billions of dollars off the people and the responsibility is theirs

On a proper and dispassionate scientific and engineering analysis, nuclear energy is the most efficient and safest source of energy in the future. Unfortunately, the public, and governments who fixate on public opinion, are not predisposed to rational analysis. They are more likely to make improper decisions based on emotion and fear.

Regardless of new regulations, giant oil companies will pass additional costs to end-consumers. Oil will be streaming smoothly from the Middle East with no major interruption, since both outside countries and dictatorship regimes have mutual interest to keep oil flowing. Political differences all the time will be compromised in favor of economic gains.

The BP situation was an accident waiting to happen. Both the Government and the Oil Companies failed to have appropriate safeguards in place, hence the tardy, largely ineffectual response. Hopefully, this "disaster" will prompt both parties to be less complacent and more proactive in the future.



While the company may make profit, government also makes a significant return in tax revenues and other fees and as such has a stake in production.

Why is there not an International Disaster Response Team created, funded by the various oil companies to manage emergencies like these? Here we are 3 weeks later and this item is still gushing with apparently no end in sight! Surely there is the necessary technology and capability to manage a repair or a capping of the oil. Governments should ensure that before they provide drilling rights to these organizations that specific criteria are met in the event of this type of catastrophe.

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted May 19 – 21, 2010. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.

Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of n=105 are deemed accurate to within approximate 9.6 percentage points 19 times out of 20. The principal and investigator on this study is Conrad Winn, Ph.D.

