

# INTERNATIONAL TRADE



A review  
of Canada's  
sovereignty  
issues and their  
implications  
for regional  
petroleum  
development.

By Stephanie Porter

**When the titanium** arm of the submersible *Mir 1* planted a Russian flag in the seabed at the North Pole in 2007, the world took note. It was a provocative, if symbolic, gesture of possession – and one that sent a ripple of headlines around the world, stirring fears of diplomatic conflict over the northern territory. It also clearly demonstrated the gathering intensity of the so-called polar land rush.

Those rumblings came to the surface again in February, when a pair of Russian bombers conducted a test flight near Canada's Arctic airspace. Three months later, a Russian security report hinted at possible military conflicts over oil and gas in the next decade.

With incredible petroleum riches at stake (recent estimates indicate up to a third of the world's undiscovered natural gas and 13 per cent of the world's undiscovered oil may lie under the Arctic seabed) it's no wonder that the vast and forbidding north is being eyed by the five countries bordering it. While no other country has made the bold moves Russia has, Canada, Denmark (which controls Greenland), Norway and the United States are all working to settle exactly how much of the Arctic's riches should rightfully fall within their borders.

Though it may appear the Arctic is under siege, and while it's very

true everyone wants a piece of the petroleum prize, those involved in the process to solidify the marine borders would disagree. "It's not a race, it's not a conflict, it's an orderly process," says Jacob Verhoef, the federal geologist leading the mapping mission that will form the basis for Canada's claim to millions of square kilometers of petroleum-rich Arctic seabed.

It may also surprise outsiders that it's a cooperative process, with significant collaboration and pooling of resources between scientists in particularly Canada, Denmark and the United States.

Verhoef's groundbreaking mission (many subsea areas currently being studied have never been mapped before) has been ongoing since 2004. The field seasons are short and intense; the amount of data collected, immense. The potential ramifications are substantial.

Verhoef, who is based in Halifax, isn't used to the attention this particular, and particularly massive, mission has brought. "It's fascinating from a science point of view, but it's also exciting because we don't always see the implementation of our work; usually there is a scientific paper as a result," he says. "But this may be defining the outer limits of our country."

*Cont'd page NR-29*



Saint-Pierre et Miquelon

Credit: NASA/JPL/NIMA

## Saint-Pierre's stand

Newfoundland and Labrador's Minister of Natural Resources, Kathy Dunderdale, says relations between the Province and St. Pierre-et-Miquelon have been "traditionally positive and warm" and will continue to be so, even in the face of France's application to extend its territory around the islands.

That said, there is a history of oil- and fish-fuelled boundary disputes between the two nations, which were only truly resolved in 1992.

In the mid-1960s, both Canada and France began issuing exploration permits to oil and gas companies for areas on and around the St. Pierre Bank. It wasn't long before arguments escalated and, within a year, the two countries declared a moratorium on exploration until their land claims could be solved.

Disputes over fishing grounds didn't help the situation either. Canada declared a 12-mile limit in 1970; France did the same a year later. Their territories overlapped significantly. That dispute was resolved in 1972 but was thrown into disarray again in 1977 when Canada claimed a 200-mile exclusive fishing zone and France claimed a 200-mile exclusive economic zone (which included mineral resources). The dispute heated up through the 1980s; the two countries agreed in 1988 to adjudicate the boundary.

In 1992, the decades-long dispute was ended by an international court of arbitration: France received a 24-mile economic zone off St. Pierre et Miquelon, and a 10.5-mile corridor running 200 miles south (often referred to as the "baguette").

In March 2009, France filed a submission with the United Nations to again open the maritime boundary issue. Faced with collapsing fish stocks and a struggling economy, St. Pierre is looking for greater control over nearby natural resources to shore up its economic situation.

"The last decision in 1992 was definitive and we do not see anything else to resolve, and neither does the federal government," says Dunderdale. Meantime, she adds, "in the offshore, we have held discussions with them on our respective royalty regimes and St. Pierre-et-Miquelon companies are working with NOIA to prepare for promising opportunities."

– With information from the Encyclopedia of Newfoundland

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In Atlantic Canada, interest in the unfurling story of Arctic sovereignty is high. With the world running out of easily accessible petroleum products, the opening of Arctic waters and an expected increase in the price of oil, northern resources present major opportunities for businesses and institutions who have established themselves on the cutting edge of ocean engineering and working in harsh climates.

Another factor in successful development, of course, is political stability. Potential land disputes are definitely on the radar of politicians and industry alike.

“Generally, we always want to have certainty of the game going in,” says Mark MacLeod, Chevron Canada’s Atlantic Canada manager. In his previous position as managing director of Chevron Norway, MacLeod had to deal with boundary disputes, generally between Norway and Russia, regularly. “They are hard, hard issues to resolve,” he says. “(A dispute) does curtail activity.”

**Dr. Verhoef** describes the United Nations Convention on the Law of the Sea, which Canada ratified in 2003, as “the constitution of the ocean.” His mapping work is directly related to Article 76 of that constitution, which outlines how a country may be granted subsea rights beyond the established 200 nautical miles. If Verhoef and his team can establish undersea geologic and geographic continuity – if they can demonstrate undersea rock formations are connected to Canada’s continental shelf – they can thus argue Canada’s territory should be extended.

Countries who signed the treaty have 10 years to submit data to the UN commission for altered offshore boundaries. Verhoef says Canada is, thus far, on track for meeting its target of 2013.

While Canada and other nations work to gather and analyze data in the harsh and little understood Arctic, there’s another potential seafloor dispute right in Atlantic Canada. In March, France made a submission to the United Nations to extend its rights on the continental shelf around the islands of St. Pierre and Miquelon.

The move was met with “regret” by the Government of Canada, with Foreign Affairs Minister Lawrence Cannon quickly stating, “Canada will take all measures to defend and protect its rights with respect to its continental shelf.”

University of Victoria law professor and expert in maritime boundaries Ted McDorman characterizes France’s move as

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“an irritant... It’s now something the Government of Canada needs to address in some way.”

Thus far, both Canada and the Province of Newfoundland and Labrador are lending the claim no credence or weight, referencing the 1992 arbitration decision that determined the current jurisdiction as final.

Turning attention to the Arctic, McDorman points out there have been overlapping claims to the continental shelf between Canada and the U.S. for years. “But the mere fact there is a dispute doesn’t mean there is a conflict,” he says. “We still manage to get along pretty well.”

“There is a false impression in the media, an emphasis on the idea that there is a great scramble and countries are exceeding their rights... nevertheless, it’s quite right (each country is) making sure it has the full extent of its rights.”

**As the northern** surveys continue, excitement in Atlantic Canada is growing. Between talk of an Arctic gateway being established in the region to the application of ice and cold-water technology developed in

St. John’s, the far north could be where the east coast truly shines.

“Three years ago, until about a year ago, interest in the Arctic was hotter and more crazy than it had ever been in the ’80s,” says Claude Daley, an Arctic engineer, private consultant and engineering professor at Memorial University. The recession has cooled the frenzy slightly, but Daley predicts the chill won’t last long.

“If there’s billions of dollars in untapped resources off Labrador, there are trillions in the whole Arctic. That prize is so amazingly big.”

Most of the major oil companies at play in Canada – including Imperial Oil, ExxonMobile, ConocoPhillips, BP and Chevron – have bid on, and been awarded, rights to explore specific areas of the Canadian Arctic in the past few years.

**“The big oil companies** are going to put the projects back on the front burners; when they do that there’s going to be more opportunity for us than

we can shake a stick at,” Daley says. “In many ways, St. John’s can be a feeder or technology gateway to the Arctic. What we do in the world of ocean engineers and in terms of naval architecture has made us world-class players. Those people who want the expertise, who will pay for the expertise, they know about St. John’s.”

His words are echoed by Mark Shrimpton of Jacques Whitford Stantec, also based in St. John’s. “First of all, we have a lot of relevant experience dealing with things like ice,” Shrimpton says. “And we understand places like these (northern) places. We’re concerned about our environment; we understand where they are coming from, how they’re positioned. I’ve spent time in Greenland and the Faroe Islands, for example... we’re all from challenging, rather peripheral societies. We all got on very well. It’s a real business advantage.”

“Of course, it won’t buy you anything if you don’t know how to deal with an iceberg or how to conduct seismic testing around whales.” •

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