

NOVA SCOTIA OFFSHORE ARRANGEMENTS

- Nova Scotia currently receives offset payments under the 2005 Offshore Arrangement. These payments are separate from the Equalization program.

The 1986 Offshore Petroleum Resources Accord

- The *1986 Canada-Nova Scotia Offshore Petroleum Resources Accord* facilitated the development of the oil and gas reserves off the coast of Nova Scotia. In addition to allowing the province to tax these resources as if it were the owner, the Accord provided the province with transitional protection, for a 10-year period beginning in 1993-94, from reductions in Equalization that would otherwise have resulted once the province's offshore revenues began to grow.
- The 1986 Accord offset payments were calculated according to a formula set out in federal legislation. The formula sheltered a declining percentage of offshore revenues from Equalization over a 10-year period.
- In 2004, the Government of Canada made payments to Nova Scotia to effectively reset the start of the 1986 Accord payments to 2000-01.

The 2005 Offshore Arrangement

- On February 14, 2005, the Government of Canada reached an [arrangement](#) with Nova Scotia that builds on the 1986 Accord and, for a time-limited period, provides 100 per cent protection from Equalization reductions resulting from the inclusion of offshore resource revenues in the Equalization program. This was in recognition of the unique economic and fiscal challenges facing the province.
- The 2005 arrangement provides the following benefits to Nova Scotia:
 - 100 per cent protection from Equalization reductions resulting from the inclusion of offshore revenues in the Equalization program for eight years (from 2004-05 to 2011-12) as long as Nova Scotia receives Equalization payments.
 - An upfront payment of \$830 million, made in 2005, to allow the province immediate flexibility to address its unique fiscal challenges. This is a pre-payment in respect of the new 100 per cent protection. Should it no longer qualify for Equalization during that eight-year period, Nova Scotia will be provided with transitional payments comparable to those paid to Newfoundland and Labrador under the terms of the 1985 Atlantic Accord.
 - In addition, this arrangement provides for a further eight-year extension if the province receives Equalization in 2010-11 or 2011-12 and its *per capita* net debt has not become lower than at least four other provinces.
 - During the second eight-year period, if the province no longer qualifies for Equalization, it would receive transitional payments for two years:
 - In the first year, the transitional payment would equal two-thirds of the offset payment it received the previous year.
 - In the second year, the transitional payment would equal one-third of the offset payment the province was entitled to the last year it received Equalization.
 - The province could requalify for offsets and transitional payments if it again became eligible to receive Equalization payments.