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Canada-Newfoundland & Labrador  
Offshore Petroleum Board  
140 Water Street, 1st Floor  
Information Resource Center  
St. John's, NL  
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Attention: Jeff Bugden

**Subject: Response to Hebron Project Canada-Newfoundland Benefits Plan**

Dear Mr. Bugden,

Regarding your correspondence of September 30, 2011 we hereby provide the following response to your questions:

1) First Consideration

Consistent with the Atlantic Accord Implementation Act, the Hebron Benefits Plan acknowledges and commits to provide full and fair opportunity to companies in the Province and other parts of Canada. The Hebron Benefits Plan also acknowledges and supports the first consideration requirements per section 45(3)(d) of the Atlantic Accord Implementation Act.

EMCP recognizes the important role benefits play in the procurement process and recognizes that providing early and timely information on the project development can help local companies prepare. We view the procurement process as an area where policies and procedures can make a difference in this respect. We have developed proactive initiatives and strategies directed specifically towards local businesses who wish to provide goods and services to the Hebron project. This is accomplished in cooperation with our main contractors. Benefits will be an important consideration at each stage of the procurement process and, consistent with the first consideration provision and the Board's Guidelines, various initiatives are being undertaken. Where practical, we will achieve this by providing the support necessary to enable local

companies to prepare and qualify to bid. ExxonMobil and its contractors will provide assistance by helping address gaps identified with respect to quality, safety, and training. To date this assistance has included Hebron sponsored seminars and workshops and funding initiatives to support specific training at local colleges.

EMCP has already undertaken a number of initiatives in support of first consideration which could increase the number of qualified NL companies that are eligible to bid on Hebron work, including:

- Establishing a dedicated Supplier Development Coordinator position within the Project Team organization to encourage and assist local businesses to take advantage of opportunities in the project
- Conducting multiple supplier information sessions in the Province to provide project updates and advise the local business community of upcoming opportunities
- Carrying out field assessments of various fabrication yards and providing feedback on upgrades necessary to qualify for work on Hebron
- Establishing the Hebron vendor database which is used as a tool for identifying potential local contractors and suppliers
- Establishing a \$1 million travel fund to assist local companies who wish to visit the offices of the Topsides and GBS FEED contractors to investigate potential business opportunities
- Compliance with Section 45 of the Atlantic Accord Implementation Act has been included in the evaluation of companies at the prequalification stage and is considered a pass/fail criteria
- Where practical, contracting strategies consider local capacity and capability without jeopardizing safety, quality, schedule and cost
- Where it can be demonstrated to the satisfaction of the Project there is a competitive marketplace in the province, bid lists would be predominantly NL companies, and in some cases, only NL companies
- Benefits criteria will be used in contract award decisions when all other factors are equal (ie) safety, quality, schedule and cost
- Publishing EOIs for all contracts > \$250,000 on Bids, NOIA Bulletin, the Hebron website and main contractor websites for at least 2 weeks and longer if it is felt more time is required for local companies to seek out and establish joint venture arrangements



- Publishing bid lists and contract awards to allow local companies to identify potential areas where they can provide services in support of a particular contract
- Requiring that, for contracts exceeding a minimum value, a benefits questionnaire be completed by bidders in which they outline plans and actions they will take to meet the requirements of Section 45 of the Atlantic Accord Implementation Act. These commitments are included in the contract of the successful bidder and will be monitored as part of contract compliance
- Publishing quarterly procurement forecasts of upcoming contracts on BIDS, NOIA, Hebron website and main contractor's websites

Some notable first consideration successes include:

- 1) Bull Arm Temporary Camp
- 2) Hydrodynamic Model Testing
- 3) Ice Load Management Design Service
- 4) Various Environmental Consulting Services

During the procurement process for these scopes of work (even with EOI's received from out-of-province) where it was determined there was a competitive marketplace within the province, invitations to bid were issued to the local companies only or contracts were sole sourced locally. The Hebron Project's monitoring and reporting systems are being designed to allow demonstration of first consideration throughout the duration of the project.

Creation of a benefits culture and awareness throughout the project team will be instrumental in meeting the Hebron Project benefits commitments. Implementation of the Principles in the Hebron Benefits Plan through the construction and operations phase activities will help develop such a benefits culture within EMCP and the Hebron contracting companies which should result in benefits becoming inherent to business processes and practices, rather than a separate consideration. The Principles that will have the greatest impact in this regard include:

*Selecting contractors and suppliers that will work diligently with us to deliver benefits to the people of the Province*

*Promoting the development of local skills and industry capability that leaves a lasting legacy for the communities in which we operate and for the Province*

*Working collaboratively with industry, government, academic and training institutions, community and other stakeholder groups for the effective delivery of benefits*

## 2) Research and Development and Education and Training Expenditures

Hebron acknowledges the requirement to satisfy section 45(3)(c) of the Atlantic Accord Implementation Act which states that *"A Canada-Newfoundland benefits plan shall contain provisions intended to ensure that expenditures shall be made for research and development to be carried out in the Province and for education and training to be provided in the Province "*. Hebron also acknowledges that the Canada-Newfoundland and Labrador Benefits Plan Guidelines (which includes Appendix II Guidelines for Research and Development Expenditures) were established to assist operators in the preparation of a Benefits Plan and to provide guidance related to the Board's expectations related to the administration of Section 45 of the Atlantic Accord Implementation Act.

The Hebron Project Benefits Plan indicates that EMCP has established an R&D Strategy and the Plan details the key aspects of the strategy. The Plan also states that *"EMCP will satisfy all regulatory and contractual obligations with respect to R&D."*

As the Board is aware, Hebron entered into a contractual agreement (Hebron Benefits Agreement) with the Province of Newfoundland and Labrador with a commitment to invest \$120,000,000 in Research and Development during the life of the Hebron Project. Consistent with the provisions of this Agreement the Hebron Proponents will seek harmonization of the R&D expenditure requirements of the Benefits Agreement and the Board's Guidelines. This harmonization effort will be formally initiated with both parties in the near term. We have also indicated our intentions in this regard in our response to recent queries from the Hebron Public Review Commission. Hebron recognizes that the decision to accept harmonization of the Benefits Agreement and the Board's Guidelines rests with the Board.

If you have any further questions please contact me at 752-6446.

Yours sincerely,



Denise Nofall  
Benefits Manager