CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

Canada's Oil and Natural Gas Producers

April 16, 2014

Mr. Dave Burley
Director of Environmental Affairs
Canada-Newfoundland and Labrador Offshore Petroleum Board
5th Floor, TD Place
140 Water Street
St. John's, NL A1C 6H6

Dear Mr. Burley:

Re: CAPP Submission to Eastern Newfoundland and Labrador Offshore Strategic Environmental Assessment

The Canadian Association of Petroleum Producers (CAPP) supports the continued development of a Strategic Environmental Assessment for the Eastern Newfoundland and Labrador Offshore Area. In that regard we wish to provide additional comments on the current draft that we hope will be considered in conjunction with the September 27, 2013 CAPP submission.

Thank you for your consideration of this request. I can be reached at (709) 724-4200 if you have any questions.

Yours truly,

[redacted]
Manager - Atlantic Canada & Arctic

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CAPP Submission to Eastern Newfoundland and Labrador Offshore Area Strategic Environmental Assessment

April 16, 2014

The Canadian Association of Petroleum Producers (CAPP) is the voice of Canada's upstream petroleum industry. CAPP represents companies, large and small, that explore for, develop and produce natural gas and crude oil throughout Canada. CAPP's member companies produce about 90 per cent of Canada's natural gas and crude oil. CAPP's associate members provide a wide range of services that support the upstream crude oil and natural gas industry. Together CAPP's members and associate members are an important part of a national industry with revenues of about $110 billion a year.

CAPP continues to support the development of a Strategic Environmental Assessment for the Eastern Newfoundland and Labrador Offshore Area (2014 Eastern NL SEA). With three producing oil projects, one project under development, and significant potential future growth, the Eastern NL SEA area is a hub of industry activity. Industry has proven that it can develop oil and gas resources in the area safely and responsibly and demonstrated a willingness and ability to work with other ocean users to minimize any potential impacts on the environment and avoid conflict during industry operations.

Recently, CAPP staff and Newfoundland based members conducted a review of the September 27, 2013 CAPP submission pertaining to the Eastern NL SEA to determine whether the previous information provided by CAPP has been considered as part of the latest version of the 2014 Eastern NL SEA. In that regard we wish to provide some additional comments that we hope will be considered as the SEA is finalized.

We also include below a reiteration of industry's perspective on the purpose and benefits of a SEA.

Development and Purpose of SEAs

As referenced in the September 27, 2013 CAPP submission, the SEA should ultimately serve as a comprehensive 'reference document' to be used to 'streamline' future Environmental Assessments (EAs) within the Eastern NL SEA. This would allow subsequent project EAs to be carried out more efficiently by only having to update information or note 'deviations' from assumptions or findings in the SEA prior to carrying out the actual assessment.

Industry's perspective is that the following terms: 'reference document', 'deviation' and 'streamline' should be referenced in the 2014 Eastern NL SEA to align with the objective of this SEA to "inform and help to focus future projects and their EAs."

The latest draft of the 2014 Eastern NL SEA report contains meaningful information on the existing environment within the SEA Study Area including an overview of offshore oil and gas activities (Section 3), key environmental features (Section 4) and a thorough public and stakeholder consultation process to identify and address overall environmental issues listed in (Table 2.3). However, the draft report fails to provide a comprehensive list of knowledge and data gaps. While there is a general discussion of informational requirements (Section 5.7), a list of specific data gaps (as indicated in Section 2.3) would have been useful for focusing efforts in data collection and research aimed at addressing the gaps[1]. Typically, the spatial boundaries which define the SEA Study Area for the exploration phase are determined by trajectory modeling for the 'worst case' noise (i.e., from a seismic air gun array) or spill scenario (i.e., months-long blow out of crude oil during drilling) that may affect Valued Environmental Components (VECs). Instead, the 2014 Eastern NL SEA used historical activity and administrative boundaries to define the SEA Study Area (Section 2.2).

There is also much redundancy in the latest draft of the 2014 Eastern NL SEA draft report. For example, fish are assessed in the 'Fish and Fish Habitat', 'Species at Risk' and 'Other Key Species' and 'Commercial Fisheries' VECs. The report makes no reference to the *Fisheries Act (2012)* which we feel is a major omission. Referencing the *Fisheries Act (2012)* would focus the assessment accordingly on fish "that are part of a commercial, recreational, or aboriginal fisheries or to fish that support such a fishery". Similarly, the 2014 Eastern NL SEA makes no reference to the *Migratory Birds Act*.

Industry remains hopeful that the focus of ecological-related components of the Eastern NL SEA will be ultimately on species-at-risk and special environmental areas since they are by definition more environmentally sensitive (to disturbance) and therefore require a higher level of consideration in an EA than other components of the ecosystem that are less vulnerable. Appropriate mitigation to protect 'at-risk' species of fish, marine mammals, sea turtles, and marine birds as determined under the Species-at-Risk Act (SARA) or by the Committee on the Status of Endangered Wildlife in Canada (COSEWIC) would also serve to reduce the risk of adverse effects on less vulnerable components within the Study Area ecosystem. The latest draft of the 2014 Eastern NL SEA draft report did not map or identify sensitive special environmental areas such as Areas of interest (AOIs),

[1] For an example of such a list refer to: http://www.cnsopb.ns.ca/pdfs/SWSS_SEA_Final_Report_November_17_2011.pdf.

Ecologically and Biologically Significant Areas (EBSAs), Vulnerable Marine Ecosystems (VMEs), and Important Bird Areas (IBAs) as required in the SEA Scoping Document.
The focus of socioeconomic-related components of the SEA should be on the commercial fisheries sector[2] or any other ocean sector such as marine shipping and transportation, marine cables, unexploded ordinances, military activities, or tourism that is determined during scoping to be potentially directly or indirectly[3] affected by exploration activities.

Communication with Other Industries

Our industry works closely with other industries and stakeholders to ensure minimal impact from its operations on other ocean users. Continued communications between the industries is viewed by the petroleum operators as important and we are pleased that the 2014 Eastern NL SEA draft report adequately covers communications with the fishing industry in particular reference to One Ocean in Sections 5.5.2 and 5.5.3 of the document.

Seismic Activities

When conducting seismic surveys companies adhere to the science-based *Statement of Canadian Practice with respect to the Mitigation of Seismic Sound in the Marine Environment (Statement of Canadian Practice)* which outlines requirements that must be met during the planning and conduct of marine seismic surveys in order to minimize impacts of the activity. Industry is pleased that the *Statement of Canadian Practice* is now referenced in the 2014 Eastern NL SEA draft report (Sections 5.1.2. & 5.3.2).

Industry is committed to advancing research on the effects of seismic surveys on marine life and there is no mention in the 2014 Eastern NL SEA of industry-supported seismic-related research initiatives such as through Joint Industry Partnership (JIP) or Environmental Studies Research Fund (ESRF).

Spill Prevention and Response

We are satisfied that many of the points raised in the September 27, 2013 CAPP submission regarding spill prevention and response have been covered in the 2014 Eastern NL SEA (Section 3.2.5.5). However, there is no reference made in the 2014 Eastern NL SEA draft report to industry's

[2] The 'Commercial Fish and Fisheries' VEC would consider potential disruptions to fishing activities through effects on fisheries resources, displacement from current or traditional fishing areas, or gear loss or damage resulting in a demonstrated financial loss to commercial fishing interests.
[3] The CEA Act refers to 'Indirect' effects as 'cumulative' effects which in this case would be considered under the 'Other Ocean Uses' VEC

commitments to continuous improvement and support for research and development in the areas of spill prevention and response. We feel this should be referenced.

Environmental Effects of Offshore Exploration Activities

CAPP recognizes that a SEA does not typically include detailed "effects assessment analyses" including determinations of significance pursuant to the *Canadian Environmental Assessment Act* and such determinations are to be left to the project-specific assessment phase. However, as previously referenced in the 2013 CAPP submission, the SEA should adopt a straightforward and transparent system that provides clear indications of the levels of potential risks associated with various offshore exploration activities on VECs. Such an approach will facilitate planning and decision-making for subsequent licensing and approval processes. In the 2014 Eastern NL SEA there is no attempt to provide qualitative or semi-quantitative estimates of levels of risk for VECs.

As outlined in the September 27, 2013 CAPP submission, environmental assessment of industry activities occurs in advance of every stage of industry activity. Prior to consideration of authorization of the work, industry must evaluate any possibility of environmental impact. To that end, it has been determined by the Atlantic Roundtable in 2004 that effects of exploratory drilling on the environment are generally expected to be minor, localized, short in duration and reversible. This point is captured in the 2014 Eastern NL SEA draft report (Table 5.1) with respect to water-based muds but is silent on synthetic-based drilling muds (SBM) and rather refers misleadingly to only oil-based drilling muds (OBM). We note that (Section 3.2.5.4) does recognize low-toxicity and biodegradability of SBM to aquatic life. Further, there is no mention of pre-drilling ROV surveys by industry which ensures avoidance of sensitive benthic micro-habitats such as those supporting coral colonies.

Concluding Remarks

The 2014 Eastern NL SEA draft report (Section 3.2.5.5) adequately describes the review and approval processes and associated regulatory requirements that apply to oil and gas activities in the Newfoundland offshore "as amongst the most rigorous in the world". The 2014 Eastern NL SEA notes that operators are required to demonstrate that "they have the ability and capacity to undertake such activities in a safe and environmentally responsible manner - both in terms of the prevention of spill events, as well as appropriate procedures and resources to respond to a spill".

Industry is pleased that the 2014 Eastern NL SEA references the robust regulatory regime that applies to oil and gas activities and that industry is committed to the responsible and sustainable development of Newfoundland and Labrador's offshore.

CANADIAN ASSOCIATION
OF PETROLEUM PRODUCERS

September 27, 2013

Ms. Elizabeth Young
Environmental Assessment Officer
Canada-Newfoundland and Labrador Offshore Petroleum Board
5th Floor, TD Place, 140 Water Street
St. John's, NL A1C 6H6

Dear Ms. Young:

RE: CAPP Submission to Eastern Newfoundland and Labrador Offshore Area Strategic Environmental Assessment

CAPP and our members support the development of a Strategic Environmental Assessment (SEA) for the Eastern Newfoundland and Labrador Offshore area. In that regard we wish to provide some information that we hope will be considered as the SEA gets developed.

I can be reached at (709) 724-4200 if you have any questions.

Regards,

[redacted]
Manager, Atlantic Canada

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The Canadian Association of Petroleum Producers (CAPP) is the voice of Canada's upstream petroleum industry. CAPP represents companies, large and small, that explore for, develop and produce natural gas and crude oil throughout Canada. CAPP's member companies produce about 90 per cent of Canada's natural gas and crude oil. CAPP's associate members provide a wide range of services that support the upstream crude oil and natural gas industry. Together CAPP's members and associate members are an important part of a national industry with revenues of about $100 billion-a-year.

CAPP and its members support the development of a Strategic Environmental Assessment for the Eastern Newfoundland and Labrador Offshore Area (Eastern NL SEA). With three producing oil projects, one project under development, and significant potential for future growth, the Eastern NL SEA area is a hub of industry activity. Industry has proven that it can develop oil and gas resources in the area safely and responsibly and have demonstrated a willingness and ability to work with other ocean users to minimize any potential impacts on the environment and other industries. We recognize that stakeholders have concerns and questions about our industry's operations and our submission highlights a number of points as a way of inputting into the discussion.

We also include below some general comments on the usefulness and purpose of SEAs that we hope will be considered going forward, as well as general information on some aspects of the industry that may be of interest in this SEA process.

Development and Purpose of SEAs

The following comments relate to the development of a SEA and industry's perspective on the purpose of a SEA and what should be included in a SEA, for your consideration.

The SEA should ultimately serve as a comprehensive reference document to be used to streamline future project Environmental Assessments (EAs) within the Eastern NL SEA area. This would allow subsequent project EAs to be carried out more efficiently by only having to update information or note deviations from assumptions or findings in the SEA prior to carrying out the actual assessment.

It is our hope that the focus of ecological-related components of the Eastern NL SEA will be on species at risk and special environmental areas since they are by definition more environmentally sensitive (to disturbance) and therefore require a higher level of consideration in an environmental assessment than other components of the ecosystem that are secure. Further, appropriate mitigation to protect these Valued Ecosystem Components (VECs) would also serve to reduce the risk of adverse effects on less vulnerable species and other parts of the study area.

The focus of socioeconomic-related components of the SEA should be on the commercial fisheries sector or any other ocean user such as marine shipping and transportation, marine cables, military activities, or tourism that is determined during scoping to be potentially directly or indirectly affected by exploration activities.

CAPP recognizes that a SEA does not typically include detailed "effects assessment analyses" including determinations of significance pursuant to the *Canadian Environmental Assessment Act* and such determinations are to be left to the project-specific assessment phase. However, the SEA should adopt a straightforward and transparent system that provides clear indications of the levels of potential risks associated with various offshore exploration activities on VECs. Such an approach will facilitate planning and decision-making for subsequent licensing and approval processes.

General Industry Information

Communication with Other Industries

Our industry respects and works closely with other industries and stakeholders to ensure minimal impact from its operations on other ocean users. Communication between the industries is viewed by petroleum operators as important and various processes and discussion forums have been established to facilitate communication. In Newfoundland and Labrador, for example, the petroleum and fishing industries have successfully coexisted for years. An entity called "One Ocean" was established by the fishing and petroleum industries as an organization that facilitates communication between the two industries. Meetings, workshops, research and regular discussion between the two industries occur via One Ocean.

To learn more about One Ocean please visit: http://www.oneocean.ca

In addition to One Ocean, petroleum operators establish communication tools regarding their specific activities. For instance, industry activities are broadcast via radio stations to advise of their timing and location; Fisheries Liaison Officers are in place to facilitate communication between the fishing and petroleum industries for specific activities and tools such as attributable or non-attributable damage compensation programs have been developed to provide clarity and certainty should any impact occur.

Seismic Activities

Through careful planning and appropriate regulatory oversight offshore operators conduct seismic surveys safely and with minimal impact on the marine environment. Regulators approve seismic survey work and establish environmental protection conditions for each survey. As part of the required environmental assessments and protection planning for oil and gas activity,

companies identify areas and species of ecological significance that may be present where an activity will take place. Companies then identify and implement mitigation measures to reduce or eliminate any potential impacts. This includes adherence to the science-based *Statement of Canadian Practice with respect to the Mitigation of Seismic Sound in the Marine Environment* which outlines requirements that must be met during the planning and conduct of marine seismic surveys in order to minimize impacts of the activity.

Further information on the Statement of Practice can be found at the following link:
http://www.dfo-mpo.gc.ca/oceans/management-gestion/integratedmanagement-gestionintegree/seismic-sismique/index-eng.asp

Industry, government and academia have been conducting research on the impact of seismic surveys on marine life for many years and research is ongoing. To date, findings from this research indicate no long term adverse effects on marine mammal populations. Research has also shown that seismic surveys conducted with recommended mitigation measures in place are unlikely to pose significant risk of mortality to marine organisms.

To read more about research on the effects of seismic surveys on marine life go to:
http://www.dfo-mpo.gc.ca/csas/Csas/status/2004/HSR2004_002_E.pdf

The industry is committed to advancing research in this area and continues to apply mitigation measures like powering down air source arrays (seismic equipment) if an endangered or threatened marine mammal or sea turtle is observed in the water (as outlined in schedule 1 of the *Species at Risk Act*).

To learn more about offshore seismic surveys go to:
http://www.capp.ca/getdoc.aspx?DocId=90917&DT=NTV

Spill Prevention and Response

Oil and gas resources in Canada are developed responsibly and risks associated with development are reduced as much as possible. Industry activities are well managed and this includes being prepared to deal with an incident should it occur. The Atlantic Canadian offshore industry has access to world class spill prevention and response capability and is governed by a rigorous regulatory regime. Offshore operators regularly assess their environmental, health and safety performance and test new ways to approach spill prevention and response.

Prevention is the best line of defense against spills. It begins with engineering and process controls and well design, continues through drilling and production practices and is supported by specific technologies. Comprehensive management systems identify potential risks which operators work to reduce and mitigate. Automated and manual monitoring systems are located

throughout offshore facilities to control shutdown systems; back-ups for these systems are also in place. Offshore operators ensure rigorous monitoring occurs during drilling and production activities and conduct detailed preventative and corrective maintenance to ensure equipment remains in safe working order. Offshore installations must meet the safety standards of Transport Canada and the appropriate federal-provincial regulatory body. They must also meet international rules and undergo inspections of their design and capability.

The industry is also ready to respond should a spill occur. Spill capability includes resources stored offshore and onshore, such as booms and skimmers, and formal arrangements with international response organizations able to activate support within hours of being notified.

Operators have extensive oil spill preparedness and response programs in place, including:

- risk identification and assessment of potential spill scenarios
- understanding of the regulatory requirements
- detailed oil spill response and contingency plans
- definition of roles and responsibilities, including response management structure, both offshore and onshore
- operational preparations and procedures, including training and exercise requirements for responders
- mutual emergency assistance agreements with other operators
- contracts with oil spill response organizations
- availability and maintenance of response equipment
- continuous improvement plans to review/enhance response capability as necessary
- support for research and development

For a greater discussion about industry activities, statistic and industry performance please refer to the Responsible Canadian Energy program available on CAPP's website (www.capp.ca). This program is a coordinated effort to demonstrate and present industry performance and to reflect the industry's commitment to continuous improvement.

Environmental Effects of Offshore Exploration Activities

In addition to the above discussion regarding prevention of and response preparedness regarding spills, environmental assessment of industry activities occurs in advance of every stage of industry activity. Prior to consideration of authorization of the work, industry must evaluate any possibility of environmental impact. For example, prior to undertaking exploration activity offshore, environmental effects are evaluated via environmental assessment process. This process is derived from various regulatory commitments and significant work has been conducted in such evaluations. To that end, it has been determined by the Atlantic Roundtable in 2004 that effects of exploratory drilling on the environment are generally expected to be minor, localized, short in duration and reversible. In addition, in the Atlantic Canada offshore, the

Accord Act legislation places responsibility and accountability on the Offshore Petroleum Boards to protect the offshore environment, and grants authority to the Boards to require operators to carry out environmental programs or studies, as it deems appropriate, prior to the authorization of any offshore activity in their respective jurisdictions. These Boards routinely address their responsibilities prior to any offshore activity being conducted.

Conclusion

In addition to responsible industry operations within Canada, there is a robust regulatory system in place guiding this activity. This regulatory regime has not been static, but has improved over time as it is reviewed regularly to ensure alignment with public policy and technological advances. It provides multiple layers of oversight, ranging from technical analysis of the well design and drilling processes, to the environmental impacts associated with the activity and contingency planning for how to address incidents should all else fail. In essence, it provides for a two-pronged approach: prevention and response capability.

Over the four decades of petroleum activity offshore in Atlantic Canada, including in the Eastern Newfoundland and Labrador Offshore Area, it has been shown that industry operations are conducted in a safe and responsible manner. Communication between the petroleum industry, other industries and stakeholders is a key component of this success along with appropriate and clear regulatory oversight. We welcome the discussion that the development of the Eastern NL SEA has established and appreciate the opportunity to provide input regarding industry activities. We will review the draft SEA upon its release and offer any additional input to the process if it is helpful at that time.