

June 30, 2011

Mr. James E. O'Reilly
Manager, Environmental and Regulatory
Hebron Project Team
ExxonMobil Canada Properties
Suite 701 Atlantic Place
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St. John's, NL
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Dear Mr. O'Reilly:

Subject: Hebron Project Canada-Newfoundland and Labrador Benefits Plan

The following is a listing of the additional information and items requiring clarification arising from the completeness review of the benefits plan.

- 1) On page i of the Executive Summary, it is indicated that "the Plan is a high-level document, addressing the . . . requirements over the entire life of Hebron by describing approaches and mechanisms that have the flexibility to respond to change". While this is appropriate, there is also a need for the plan to clearly set out the manner in which the proponent intends to address the matters listed in section 1.3 of the Board's benefits plan guidelines. In this regard, a number of the comments that follow are aimed at identifying areas where additional detail and clarification is necessary.
- 2) Consistent with section 1.2 of the guidelines, it would be helpful to provide a summary of any goals that the Hebron project will strive to achieve from a legacy perspective that are over and above the benefits achievements to date from previous projects.
- 3) Section 1.4 indicates that research was undertaken into industry and government initiatives in other jurisdictions to increase opportunities for companies in rural areas of the province. The outcome of this effort should be described.
- 4) On page 3-2 of section 3.2, it is mentioned that "Benefits is a consideration in contractor performance management". It would be helpful to explain how this will be put into practice.

- 5) Section 3.3.1.7 - a management system and procedures manual has not yet been provided to the C-NLOPB as indicated on page 3-11, however, a copy of this manual should be provided to the Board and made available to the public.
- 6) With reference to the last paragraph on page 3-15 of section 3.3.2.2, the requirement to provide first consideration to services provided from within the province and to goods manufactured in the province where competitive in terms of fair market price, quality and delivery should be included as part of the information in benefits plan questionnaires.
- 7) Section 3.3.2.3 - any proactive plans or initiatives to determine technology transfer needs and opportunities should be described.
- 8) Section 3.3.3 should identify the practices, policies and procedures to be implemented to meet the first consideration provisions of the legislation as it relates to goods manufactured and services provided within the province.
- 9) A copy of the "Canada-Newfoundland and Labrador Benefits Content Questionnaire" referenced on page 3-21 should be provided to the Board and made available to the public.
- 10) With reference to section 3.3.4:
 - a) The procedures that will be put in place to "deliver and effectively monitor compliance with the standards" should be explained.
 - b) The timing associated with "Human resource requirements for the Project will be communicated in advance, where necessary, to enable individuals to train for opportunities" should be indicated.
- 11) Table 3.3.4-1 indicates that "where appropriate, main contractors will be required to prepare and submit plans to EMCP that identify project staffing requirements", however, in all cases, main contractors staffing plans should be reviewed by the proponent to ensure that the full and fair opportunity and first consideration principles of the legislation are met. Also, operator and contractor staffing plans for the construction phase should be submitted to the Board in a timely manner.
- 12) With reference to section 3.3.5, although the proponent indicates that "it will satisfy all regulatory and contractual obligations with respect to R&D", the requirement of section 45 of the Atlantic Accord legislation to provide for expenditures for research and development and for education and training should be explicitly acknowledged together with acknowledgement of the parameters and criteria for these expenditures as described in the Board's *Guidelines for Research and Development Expenditures*.

- 13) Section 3.3.6 should explicitly acknowledge section 45 of the legislation in relation to the requirement to ensure that disadvantaged individuals or groups have access to employment and business opportunities generated by the project. The phrase “encourage members of the designated groups to participate in the project” is insufficient to meet the legislation. It will be necessary to “ensure” that access to employment and business opportunities is achieved.
- 14) A copy of the Kellogg Brown and Root and Strategic Concepts Inc study referenced in section 4.0 should be provided to the Board.
- 15) With reference to section 4.0, the Board’s guidelines require a description of bulk materials, equipment and services; a list of major contracts and sub-contracts for the construction phase, and a list of major contracts and sub-contracts for the operations phase. The proponent should describe its strategy to provide this information to the Board and to make this information available to the public.
- 16) The assessment provided in section 4.2.2.1 with respect to the goods and services capability of local industry should be reviewed to confirm that it is complete.
- 17) With reference to section 4.2.4.5, the proponent’s strategy to assess the capability within Canada to undertake the fabrication of the Utilities and Process Module should be provided.
- 18) With reference to “Hook-up and Commissioning/Mating/Offshore Installation” on page 4-18 of section 4.2.4.5, an assessment should be provided of the ability of companies in the province or other parts of Canada to undertake the scope of work that is described.
- 19) The person-hours in Table 4.2.5-1 should also be presented by the component/activity described in section 4.2.4.5. The same is the case for the labour assessment (Table 4.2.6-1).
- 20) A copy of the Strategic Concepts Inc. report referenced in section 4.2.6 should be submitted to the Board.
- 21) With reference to Table 4.2.6-1 an explanation of “Theoretical Supply” versus “Net Effective Capacity” should be provided.
- 22) Although the labour capacity analysis summarized in Table 4.2.6-1 identifies labour shortages, the plan does not describe any strategies to address them.
- 23) With reference to sections 4.3.1.1 and 4.3.1.2, the proponent’s strategy to provide information respecting goods and services during drilling and production operations to the public should be provided.

- 24) With reference to section 4.3.3, annual labour requirements by NOC code for the operations phase should be projected as specified by section 5.2.2 of the Board's guidelines.
- 25) Section 4.3.3 does not provide any information on the tanker crew or on-shore workers in respect of the Hebron project itself. Also, with respect to tanker employment in particular, the proponent should explain its crewing strategy for residents of Newfoundland and Labrador and other Canadian residents. Also, "critical services" should be explained.
- 26) The timing of the labour capacity initiative mentioned in section 4.3.4 to identify and address any labour shortages during the operations phase should be specified.
- 27) There is no capacity assessment in section 4.5.2 in respect of the "Additional Topsides equipment necessary to support subsea development" indicated in section 4.5.1. Similarly, the topsides modifications in connection with this work should be described and a capacity assessment should be performed.
- 28) A description of the types of services required to support excavated drill centre dredging should be provided (section 4.5.2.3, page 4-28).
- 29) With reference to section 5.2:
 - a) The reporting requirements associated with the Board's monitoring of the benefits agreement should be acknowledged.
 - b) Employment should be reported by gender commencing during the pre-development phase.
 - c) For the other diversity related monitoring and reporting requirements, it will be necessary to capture these in annual diversity reports to the Board.
- 30) With reference to section 5.2.4, it will be necessary for the proponent to provide procurement forecasts for the operations phases of the project in addition to the construction phase; such forecasts should be made publically available in addition to being provided to the Board.
- 31) With reference to section 5.2.1 of the diversity plan, and consistent with section 10 of the Employment Equity Act referenced in the Board's guidelines, the proponent should describe how it intends its numerical goals to be applied in relation to the degree of underrepresentation of designated groups and the availability of qualified persons in designated groups. In this regard, the latest information from Statistics Canada respecting the availability of the designated groups by occupational category should be provided.

Please note that these comments are in relation to the completeness of the plan and do not reflect any matters regarding staff's review of the merits of the plan. Comments in respect of the latter may be provided during the course of staff's analysis of the plan following a determination that the application is complete.

As well, once the application is deemed to be complete, the Board will initiate a public review whereby interested groups will be afforded the opportunity to comment.

In the meantime, staff is available to provide clarification on any of matters listed above. Please do not hesitate to contact us if any clarification of these matters is required.

Yours sincerely,



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Policy and Regulatory Coordination