

December 30, 2019

To: Current Petroleum Operators and New Entrants  
(Distribution List attached)

Via Email

**RE: R&D Benchmark Ceiling**

Dear Sir/Madam:


I am writing to advise of a change in the application of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) 2004 *Guidelines for Research and Development Expenditures* in the Canada-Newfoundland and Labrador Offshore Area.

With effect from January 1, 2017, the C-NLOPB will apply a ceiling of **0.5%** on the five-year average of the Statistics Canada research and expenditure data, as a percentage of revenue, as set out in section 2.2 of the 2004 Guidelines. The five-year average R&D Benchmark shall continue to be calculated in accordance with the 2004 Guidelines, but notwithstanding such calculation, shall not exceed **0.5%**. This ceiling on the R&D Benchmark shall apply to all petroleum projects in the Canada-Newfoundland and Labrador Offshore Area.

The Board will recalculate producing projects' R&D/E&T expenditure obligations for 2017, 2018, and 2019 and advise you under separate cover of the expenditure obligation calculated for those years. Similarly, if a project's Operation Authorization was renewed in the past three years, a new reconciliation of obligations to approved expenditures will be completed. Should a deficit in expenditures result from this new reconciliation, we will advise of the shortfall amount and request that Letters of Credit be provided.

Please do not hesitate to contact me should you have any questions or concerns regarding this change in the R&D Benchmark.

Sincerely,

DocuSigned by:  
  
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**Mike Baker CPHR, SHRM-SCP**  
Director, Industrial Benefits

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