

# STAFF ANALYSIS

## **WHITE ROSE EXTENSION PROJECT BENEFITS PLAN AMENDMENT**

**June 2015**

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## EXECUTIVE SUMMARY

Proponents of development projects offshore Newfoundland and Labrador are required under the *Canada-Newfoundland Atlantic Accord Implementation Act* and the *Canada-Newfoundland Atlantic Accord Implementation Newfoundland and Labrador Act* (the legislation) to obtain approval of development plans from the Canada-Newfoundland and Labrador Offshore Petroleum Board (the Board).

Before the Board may approve any development plan, the legislation specifies that a benefits plan must be submitted to and approved by the Board unless the Board directs that the requirement need not be complied with. The legislation also provides for a public review to be conducted in relation to any potential development and for a preliminary benefits plan to be available for public distribution as part of this process.

This report provides an analysis of the White Rose Canada-Newfoundland and Labrador Benefits Plan Amendment (the amendment) and also considers feedback with respect to the amendment from governments and the public review process. Recommendations with respect to approval of the plan by the Board are also provided.

The White Rose field was discovered in 1984, and following submission of the White Rose Development Application by the Proponent, the White Rose Benefits Plan was approved by the Board on November 26, 2001 (Decision 2001.01). Since that time, the Board has approved subsequent benefits plans submitted by the Proponent, including the South White Rose Extension (SWRX) Tie-Back Benefits Plan Amendment (April 2007), the North Amethyst Benefits Plan (April 2008), and the SWRX Benefits Plan Supplement (June 2013). This particular amendment provides a benefits update with respect to the White Rose Extension Project (WREP).

Pursuant to section 45 of the legislation, the Proponent Energy (the Proponent) submitted the amendment to the Board in June 2014.

In reviewing the merits and the adequacy of the amendment, staff assessed it against the provisions of section 45 of the legislation and, in so doing, relied on the interpretation of this legislation in the Board's *Canada-Newfoundland and Labrador Benefits Plan Guidelines* dated February 2006. The following aspects were assessed:

- Office in the Province
- Employment and Training
- Full and Fair Opportunity and First Consideration
- Research and Development and Education and Training
- Designated Individuals or Groups
- Socio-Economic Impact Statement (SEIS) and
- Monitoring and Reporting

It is staff's overall assessment that the White Rose Benefits Plan Amendment for the White Rose Extension Project addresses the requirements of the legislation and provides a basis for achieving significant employment and other industrial benefits throughout the life of the project. However, there are two conditions, and three issues that have been identified by Board staff for follow-up with the Proponent:

#### **Condition 1**

- **Staff recommends that approval of the Benefits Plan Amendment is conditional upon the Proponent submitting a detailed plan within 60 days of project sanction, to the satisfaction of the Board, outlining a strategy to monitor potential traffic problems, and mitigation of any potential traffic issues in the Argentinia area.**

#### **Condition 2**

- **Staff recommends that approval of the Benefits Plan Amendment is conditional upon the Proponent submitting a detailed plan within 60 days of project sanction, to the satisfaction of the Board, outlining a strategy to ensure workers have appropriate accommodations in the Argentinia area should the local market not be able to provide adequate housing.**

#### **Follow-Up Items**

- **Staff will follow up with the Proponent to ensure that once the CGS contractor is selected, its employment strategy at the Argentinia construction site will be consistent with benefits principles in the legislation.**
- **With respect to the Proponent's Human Resources Plan, Board staff will follow up with the Proponent to review this document, to ensure its consistency with the principles of full and fair opportunity and first consideration.**
- **Staff will follow up with the Proponent to ensure that procurement forecasts and associated contracting information such as bidders lists and contract awards are posted on the Proponent's website and those of contractors in a timely manner to ensure contracting information is communicated to the public as early as possible.**

It is recommended that the amendment be approved by the Board, subject to satisfying the above Conditions.

## 1.0 INTRODUCTION

Proponents of development projects offshore Newfoundland and Labrador are required under the *Canada-Newfoundland Atlantic Accord Implementation Act* and the *Canada-Newfoundland Atlantic Accord Implementation Newfoundland and Labrador Act* (the legislation) to obtain approval of development plans from the Canada-Newfoundland and Labrador Offshore Petroleum Board (the Board).

Before the Board may approve any development plan, the legislation specifies that a benefits plan must be submitted to and approved by the Board unless the Board directs that the requirement need not be complied with.

The legislation also provides for a public review to be conducted in relation to any potential development and for a preliminary benefits plan to be available for public distribution as part of this process.

This report provides an analysis of the White Rose Canada-Newfoundland and Labrador Benefits Plan Amendment (the amendment) for the White Rose Extension Project (WREP) and also considers feedback with respect to the amendment from governments and the public review process. Recommendations with respect to approval of the plan by the Board are also provided.

## 2.0 BACKGROUND

### 2.1 History/Context

The White Rose field was discovered in 1984, and following submission of the White Rose Development Application by the Proponent, the White Rose Benefits Plan was approved by the Board on November 26, 2001 (Decision 2001.01).

Since that time, the Board has approved subsequent benefits plans submitted by the Proponent, including the South White Rose Extension (SWRX) Tie-Back Benefits Plan Amendment (April 2007), the North Amethyst Benefits Plan (April 2008), and the SWRX Benefits Plan Supplement (June 2013). For each subsequent plan, the original White Rose Benefits Plan has remained as the guiding document, while each subsequent plan has provided updates with respect to benefits matters consistent with the Board's benefits guidelines.

This particular amendment provides a benefits update with respect to the White Rose Extension Plan (WREP). The WREP consists of a wellhead platform (WHP), comprising a concrete gravity structure (CGS), and integrated topsides facilities, including drilling facilities, utility systems, production manifolds, and life support and safety systems. The WHP will contain 20 well slots (enabling up to 40 wells) for drilling, while systems related to oil production, water injection and gas supply will be remotely controlled from the SeaRose FPSO. There will be no oil storage in the WHP; all fluids will be

transported to the FPSO for processing, and this will require additional subsea facilities, including flowlines, umbilicals and control systems.

Construction of the CGS will take place at Argentia, requiring the development of a purpose built graving dock and a reusable graving dock gate. Construction of the dock has been substantially completed. In terms of topsides modules to be built in Newfoundland and Labrador, the Proponent anticipates that modular boxes for the living quarters, helideck, flare boom and lifeboat stations will be fabricated in the province.

Once fabricated, these items will be shipped to the fabrication site of the integrated module for installation. Fabrication of the integrated topsides module is now being bid on a competitive basis. Following construction of the CGS at Argentia, NL, the CGS will be towed to the White Rose field, where it will be mated with the integrated topsides structure. Final hook-up and commissioning and first oil is anticipated to take place in 2017.

## **2.2 Benefits Plan Review Process**

Pursuant to section 45 of the legislation, the Proponent submitted a draft *White Rose Canada-Newfoundland and Labrador Benefits Plan Amendment* with respect to the WREP to the Board in October 2013. Project participants include project operator Husky Energy, Suncor Energy and Nalcor Energy. A completeness review of the plan was conducted by staff to determine if the plan contained the necessary information to commence the public review and whether it provided adequate information for staff to perform its analysis.

Information gaps arising from the completeness review were communicated to the Proponent on January 10, 2014. Some of the areas requested to be updated in the finalized benefits plan amendment were:

- provision of drilling and operating costs;
- more consistent expression of the principles of full and fair opportunity and first consideration;
- clarification on the Proponent's intentions to fulfill the requirements of the benefits agreement between the provincial government and the Proponent;
- an update on current contracting activity; and
- provision of labour demand (in persons) **on a monthly basis** during the construction phase, in particular **during** peak demand at the Argentia construction site.

In June 2014 the Proponent submitted a revised development application, including a revised benefits plan amendment. A 90-day public review process was then initiated to afford interested groups or individuals the opportunity to comment. This public review was conducted by Memorial University's Leslie Harris Centre of Regional Policy and Development (The Harris Centre) on behalf of the Board. Concurrent with the public review, staff undertook a review of the adequacy of the benefits plan amendment in relation to the legislation and guidelines.

Pursuant to statutory obligations, staff also consulted with representatives of the Natural Resources departments of the Governments of Canada and of Newfoundland and Labrador. The advice and assistance provided during these consultations contributed to staff's consideration of this matter and

its recommendations to the Board. Staff intends to continue consultations with these departments as it carries out its monitoring and reporting duties related to the project.

### 2.3 Statutory Requirements

Section 45(1) of the legislation defines a benefit plan as a plan for the employment of Canadians and, in particular, members of the labour force of the Province and, subject to paragraph 45(3)(d), for providing manufacturers, consultants, contractors and service companies in the Province and other parts of Canada with a full and fair opportunity to participate on a competitive basis in the supply of goods and services used in any proposed work or activity referred to in the benefits plan.

Section 45(2) requires that before the Board may approve any development plan or authorize any work or activity, a benefits plan shall be submitted to and approved by the Board unless the Board directs that that requirement need not be complied with.

Section 45(3) specifies that a benefits plan shall contain provisions intended to ensure that:

- (a) before carrying out any work or activity in the offshore area, the corporation or other body submitting the plan shall establish in the Province an office where appropriate levels of decision-making are to take place;*
- (b) consistent with the Canadian Charter of Rights and Freedoms, individuals resident in the Province shall be given first consideration for training and employment in the work program for which the plan was submitted and any collective agreement entered into by the corporation or other body submitting the plan and an organization of employees respecting terms and conditions of employment in the offshore area shall contain provisions consistent with this paragraph;*
- (c) 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; and*
- (d) first consideration shall be given to services provided from within the Province and to goods manufactured in the Province, where those services and goods are competitive in terms of fair market price, quality and delivery.*

Section 45(4) provides that the Board may require that any benefits plan include provisions to ensure that disadvantaged individuals or groups have access to training and employment opportunities and to enable such individuals or groups or corporations owned or cooperatives operated by them to participate in the supply of goods and services used in any proposed work or activity referred to in the benefits plan.

## 3.0 ANALYSIS

### 3.1 Approach

In reviewing the merits and the adequacy of the benefits plan amendment, staff assessed it against the statutory provisions of section 45 of the legislation and the Board's Benefits Plan Guidelines.

### 3.2 Office in the Province

The legislation requires the Proponent to establish an office in the Province where appropriate levels of decision making are to take place. The Board's guidelines point out that project management and engineering services can represent significant benefits when conducted locally and this aspect has also been assessed.

The Proponent has indicated that its project management team for the White Rose development is presently located in the province. Further, the Proponent indicates that the WREP will be managed from its St. John's office, and will be led locally by the Vice-President of Development, and Senior Project Managers. The Proponent also states that it recognizes the maturity and experience of the local engineering community, and notes that it will attempt to use their services for project execution.

Based on the above, it is staff's assessment that the plan adequately describes the provisions to establish an office in the Province with appropriate levels of decision making and that the Proponent is currently complying with the legislation in respect of this matter.

### 3.3 Employment and Training

This section provides an assessment as to whether the amendment adequately provides for the employment of Canadians and, in particular, members of the labour force of the Province and whether it contains provisions intended to ensure that individuals resident in the Province will be given first consideration for training and employment.

In section 1.0 (Introduction) of the amendment, the Proponent indicates that the principles and philosophy of the original White Rose Benefits Plan will also apply to the WREP project. The original plan includes the principles regarding the employment of Canadians and first consideration for Newfoundland and Labrador (NL) residents, which was subsequently approved by the Board. Section 4.5 (Employment and Training) indicates that the Proponent and its contractors remain committed to the principle of first consideration for NL residents, and that it will maximize to the extent possible the employment of NL and Canadian residents. Also, in cases where foreign residents are employed, succession plans will be utilized to employ NL residents in these positions over time. Further, the Proponent indicates in section 3.0 (Management of Industrial Benefits) that the requirement to abide by first consideration principles will be made clear to the Proponent's contractors.

Considering the above, and the Proponent's past employment practices, staff is satisfied that the principles concerning the employment of Canadians, with first consideration to NL residents has been addressed in the amendment. However, staff will continue to monitor the employment practices of the Proponent and its contractors to ensure that these principles are adhered to.



### **Construction Phase**

As required by the Board's guidelines, a labour capacity assessment was completed for the WREP project. The Proponent estimates that there will be 8,138,000 person hours of project employment to execute the work during the construction phase, of which 5,454,000 person hours (67%) will take place in Newfoundland and Labrador. These activities include engineering and project management, construction of the graving dock and gate, CGS (including mechanical outfitting), flareboom, helideck, lifeboat stations, living quarters, and marine operations.

In terms of labour demand, the amendment describes the types of professional and trades categories required for the work anticipated to take place in the Province, including an estimate of the hours by National Occupational Classification (NOC) in person hours. In addition, the Proponent has supplied the Board with an estimate of labour demand by NOC (by headcount) at the Argentia construction site for the period 2013 -2017 (see Appendix A). This data provides an understanding of demand for workers required, by profession and trade, at the site on a monthly basis. Of particular note, the peak labour demand is projected to be 559 workers in 2015 and 652 workers in 2016, while average employment will be about 445 workers in 2015 and 370 workers in 2016.

With respect to labour supply, the Proponent indicates in section 5.6 (Labour Relations) that its main contractors will be responsible for labour relations, and its expectations of contractors will include creating a positive labour relations environment, ensuring labour stability and securing access to a supply of labour for the project. The Proponent will also include a Labour Relations Questionnaire as a part of Requests for Proposals (RFPs) for major contracts, which will aid the Proponent in verifying its expectations of contractors with respect to labour supply.

The Proponent also mentions that it has met with union representatives of the Newfoundland and Labrador Building and Construction Trades Council and the Resource Development Council, and intends to continue to meet with groups such as these through the construction phase of the project.

It is acknowledged that there will be competition for trades workers in the province, as concurrent projects will compete for the same labour supply, including Hebron and the Lower Churchill project. However, the Proponent states that it is confident that an adequate labour supply can be sourced by working with its main contractors and relevant unions.

The Proponent also indicates that a human resources plan will be developed prior to the start of CGS construction.

The Proponent commits to working with educational institutions, industry and other stakeholders to facilitate development of short-term training programs for non-apprenticed trades and skills. This is consistent with the Hebron project where short-term training programs were implemented to mitigate shortages of rebar workers and tower crane operators. As well, the Proponent will work with stakeholders to identify trade areas that are in short supply and develop programs and strategies as required.

Board staff is of the opinion that at present there is uncertainty with respect to the issue of labour supply for the project. The CGS contractor has yet to be selected, and there is at present a lack of information as to what the labour relations model will be at the Argentia construction site. Staff will follow up with the Proponent to ensure that once a contractor is selected, the employment of labour at the Argentia site will be consistent with benefits principles in the legislation.

With respect to the Proponent's Human Resources Plan, Board staff will follow up with the Proponent to review this document, to ensure its consistency with the principles of full and fair opportunity and first consideration.

### *Operations Phase*

For the operations phase, the Proponent estimates that it will take 7,355,000 hours to operate the WHP, and an additional 11,188,000 hours to operate the SeaRose FPSO. The WHP hours are based on the creation of 288 jobs (144 per rotation) over the life of the project, while the SeaRose hours are based on extending present operations employment (1,500 persons) for an additional five years. A list of the new occupations required for operations employment are listed in section 6.3 (Labour Requirements).

In terms of labour supply, the Proponent notes that significant lead time is available to fill operations phase positions. The Proponent anticipates that over 90% of these positions will be filled by the local labour force, on the basis that there is an existing local labour force with experience in the marine and petroleum sectors, along with the ability to recruit graduates from institutions such as Memorial University, College of the North Atlantic, and Marine Institute.

Benefits staff concurs with this assessment, based on the Proponent's record of high employment levels for White Rose and North Amethyst for NL residents (90%) and Canadian residents (96%) at the end of Q2 2014, and a past history of high employment participation levels for other producing projects offshore Newfoundland and Labrador.

Consistent with current practice, staff will review on a regular basis employment reports with respect to the participation of Newfoundland and Labrador residents and other Canadians. As part of this reporting, the Proponent will be required to notify the Board of any significant requirements for foreign workers, in particular during the construction phase.

### *3.4 Full and Fair Opportunity and First Consideration for Goods and Services*

The legislation requires a benefit plan to give first consideration to services provided from within the Province and to goods manufactured in the Province where those services and goods are competitive in terms of fair market price, quality and delivery and for providing manufacturers, consultants, contractors and service companies in the Province and other parts of Canada with a full and fair opportunity to participate on a competitive basis in the supply of goods and services used in any proposed work or activity referred to in the benefits plan.

As mentioned earlier in this analysis, the Proponent indicates in section 1.0 (Introduction) that the principles and philosophy of the original White Rose Benefits Plan will also apply to the WREP project.

The original plan includes the principles regarding full and fair opportunity and first consideration with respect to procurement of goods and services, and that plan was subsequently approved by the Board.

As well, the Proponent indicates in section 3.0 of this amendment (Management of Industrial Benefits) that it has a “robust procurement and contracting process” in place that will ensure these benefits principles are being adhered to. It is also mentioned that benefits will be a factor in the contracting process, benefits questionnaires must be completed by potential contractors, and the Proponent benefits staff is actively involved in the monitoring and sign off of procurement plans and contract awards. Lastly, the Proponent’s benefits principles regarding procurement will be communicated to contractors, with the requirement to have processes and procedures in place to ensure benefits requirements are satisfied.

Benefits staff is satisfied that the above systems and processes described by the Proponent are consistent with the principles of full and fair opportunity and first consideration with respect to procurement. Of course, evidence that the systems and processes actually satisfy benefits requirements can only be verified by monitoring the contracting practices of the Proponent and its contractors. Accordingly Board staff intends to monitor project contracting by designating specific contracts for more detailed review, reviewing quarterly benefits reports, and monitoring the Proponent’s procurement initiatives such as publication of procurement forecasts and holding procurement seminars.

#### *Supplier Development and Technology Transfer*

The Proponent indicates that it has been involved in supplier development initiatives in the past for White Rose, and will continue to do so for the WREP project. Initiatives mentioned in the amendment include:

- posting of forecasts and bid lists on the websites of the Proponent and its contractors;
- posting of EOIs on the Proponent and contractor websites as well as in NOIA Bulletins;
- hosting of supplier development sessions by the Proponent and its contractors;
- where possible, the Proponent will identify technology transfer opportunities and will work with stakeholders to pursue such opportunities;
- posting of bid lists to allow local companies to identify potential partners; and
- requesting information on initiatives related to technology transfer from contractors and suppliers in the Proponent’s Benefits Questionnaire during the procurement bidding stage.

These initiatives are consistent with past practices by the Proponent. In particular, the Proponent has held procurement seminars for the WREP project in the province on two occasions to date – on November 5, 2013 in Placentia and a supplier update on January 29, 2014 in St. John’s.

#### *Contracting and Procurement*

Major contracts let to date include contracts for front-end engineering design (FEED) and detailed design. In March 2012, Arup, in conjunction with partners Upstream, Mustang/PSN and IDE, was awarded the contract for Pre-FEED and FEED for the Wellhead Platform. During Q2 2013, detailed

engineering design contracts were subsequently awarded to Arup (graving dock, gates, CGS) and Mustang/PSN (topsides). As of June 2015, CGS detailed engineering design continues, while topsides design engineering has been suspended. As detailed design nears completion, the Proponent's contracting strategy for the construction phase will be to award five main contracts including:

- Graving Dock Construction
  - awarded to Dexter - November 2013
- CGS and Graving Dock Gates Construction (bid stage, award at project sanction)
  - Grand Banks Constructors (HJ O'Connell/Bouygues)
  - Kiewit/Kvaerner Contractors
  - SNC Lavalin/Dragados
- Topsides Fabrication (bid stage, award at project sanction)
  - COOEC/Kvaerner Consortium
  - Hyundai Heavy Industries
  - Samsung Heavy Industries
  - Kiewit Offshore Services
- Offshore Transportation and Installation (preliminary stage)
- WHP Subsea Tieback (bid stage, award at project sanction)
  - Subsea 7 Canada
  - Technip Canada

Other major fabrication contracts which will take place in the province include the flareboom, helideck, living quarters and lifeboat stations. For each major contract, numerous subcontracts for goods and services will be required as well. It is expected that all main contractors will communicate subcontracting opportunities to the marketplace in a timely fashion, and there is an expectation that the Proponent will work with its main contractors to ensure this happens, particularly any bidders that are new to the jurisdiction and who may not be familiar with benefits requirements and expectations.

To date, procurement information has been posted on the Proponent's website ([wrep.huskyenergy.com](http://wrep.huskyenergy.com)) with links to its main contractors Dexter and Mustang Canada, and staff will liaise with the Proponent to ensure contracting and subcontracting activity continues to be posted and updated on a regular basis. In this regard, it is expected that all subcontracts with a value greater than \$250,000 will be communicated to the marketplace.

#### *Industrial Capacity Assessment*

As per the Board's guidelines, the Proponent has conducted a high level capacity assessment in relation to the demand for goods and services for both the development and production phases. For the construction phase, section 5.0 (Industrial Benefits Opportunities – Construction Phase) of the amendment provides an overview of the major components required, including construction of the graving dock, concrete gravity structure (CGS), topsides, marine related activities, installation and subsea components. Major equipment packages are listed in Table 5-1 of the amendment including potential supplier locations.

With respect to fabrication and construction capacity, the Proponent indicates that main components expected to be built in the province include the establishment of a graving dock and reusable gates,

CGS, mechanical outfitting associated with the CGS, accommodation boxes, helideck, flareboom and lifeboat stations. The Proponent also concludes that there is local capacity to support this work activity. An overview of local capacity is provided in the amendment, including listings of local fabrication firms (Table 5-2) and local engineering firms (Table 5-3).

With respect to goods and services, while there is no detailed assessment in section 5.3 (Goods and Services Requirements) of goods and services required for the project, an overview of the types of services is provided.

#### *Canadian and Newfoundland and Labrador Content*

Canadian and Newfoundland and Labrador (NL) content is an important measurement of the results of the implementation of the Proponent's benefits plan as well as a means to measure the progressive growth of benefits from project-to-project.

For the development phase, the Proponent estimates NL expenditure content and Canadian content to be 62% and 64% respectively. For the operations phase local content is estimated to be 60-70%, while an estimate for Canadian content is not provided.

Based on other current producing projects in the Newfoundland and Labrador offshore, staff notes that local content during operations in the range of 50-60% and total Canadian content in the range of 65-80% have been achieved to date. It should be noted however, that neither the legislation nor the Board's Benefits Plan Guidelines requires Proponents to establish or meet specific local content targets or outcomes. Reporting of actual content achieved during both phases will occur as part of the reporting systems established by the Board's guidelines.

#### *3.5 Research & Development and Education & Training*

The Proponent commits to continue R&D and E&T spending consistent with the R&D Guidelines. This meets Board expectations.

#### *3.6 Diversity Plan*

Prior to the submission of the Proponent's development application, Board staff considered whether an update or amendment to the Proponent's Diversity Plan would be required for the project. After some deliberation, staff concluded that an update was not required, as the original Diversity Plan continues to meet the expectations of the Board, and the Proponent continues to be a leader in the area of diversity with respect to its initiatives and actions.

#### *3.7 Socio-Economic Impact Statement*

This section provides an assessment of the Proponent Energy's White Rose Extension Project socio-economic impact statement (SEIS).

The requirement for a socio-economic impact statement (SEIS) is specified by the legislation in the context of a public review of a proposed development. The Board's benefits plan guidelines indicate the need for the SEIS to describe the effects a project will have on the various areas of the Province in

which activity will occur, and how the project will contribute to the sustainable development of the oil & gas industry.

Specifically, a SEIS should provide the Proponent's analysis of the effects a proposed project is anticipated to have on a variety of social, demographic and labour market factors, as well as on public infrastructure and other land and resource uses. Furthermore, a SEIS should provide a thorough assessment of sustainable development. Sustainable development is defined in the Board's guidelines as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs." The Proponent is expected to describe its corporate commitment and approach to sustainable development, and to prepare a framework to address how it intends to improve the community and maintain a safe and healthy environment, together with a set of business practices and policies that will contribute to sustainability in the long-term.

In order to conduct a thorough review, staff hired an SEIS consultant. The consultant's report was submitted to the Board in February, 2014. A synopsis of the consultant's SEIS review follows below.

### **SEIS Report Summary**

*"The WREP is small in scale relative to other previous major offshore projects and the current Hebron construction project. In magnitude, overall impacts are accordingly expected to be less than those from these larger projects. In addition, the experience from these other projects should contribute to a better understanding of potential impacts and a greater confidence on the part of decision makers and planners about how to address them.*

*The SEIS concludes that the project will generate beneficial employment and business effects and contribute to the continued strength of the provincial economy. The St. John's area, as the major source of labour and the primary commercial supply, service, technical and light industrial centre in the province, will be a major beneficiary during both the construction and operations phases, and the Argentia area will benefit to some degree from the construction phase.*

*Any negative social costs will likely be borne primarily by people and communities in the Argentia area where construction will generate the highest concentration of activity. Housing, traffic, and safety and security issues appear to be the greatest concerns.*

*In the case of the WREP there are no plans to provide on-site accommodation for workers and the back-up plan to use the Long Harbour camp, should accommodation issues prove problematic, appears to be at best a possibility rather than a confirmed option. Likewise commitments to specific measures to minimize any traffic issues through, for example, the provision of bus services for commuting workers are also yet to be confirmed."*



## Key Recommendations

The consultant made a number of recommendations. Of particular note are the following:

- *“Incorporate a brief project description that includes, for example, the project time line, location of major project activities where known, an employment histogram, information on ‘special project’ status or otherwise;*
- *Incorporate a summary of key findings from the public consultation sessions; and*
- *Provide more specific commitments to monitoring and managing potential accommodation and traffic issues.”*

The consultant’s findings were communicated to the Proponent in February 2014. The Proponent then undertook the necessary actions to correct the deficient areas and submitted a revised report in June 2014.

After submission of the revised report, staff carried out an internal review to ensure the deficient areas were addressed. Staff concluded that two of the three areas were thoroughly discussed. Specifically, details regarding project description, employment requirements, special project status, and key findings from public consultations were sufficient. However, it was staff’s view that the Proponent did not provide detailed information as to its plans to monitor and manage potential traffic issues or accommodation issues that may arise in the Argentia area from construction activities related to the project.

For example, the Proponent suggests on page 3-12 that they may provide a bus service to transport workers to and from the construction site, and that they will notify authorities of peak work schedules so as to monitor traffic. However, they do not discuss in detail the measures that will be taken to actually determine if traffic will be problematic on Route 100 (Dunville road) or any specific commitments that will be undertaken to mitigate traffic concerns.

### **Condition 1**

**Staff recommends that approval of the Benefits Plan Amendment is conditional upon the Proponent submitting a detailed plan within 60 days of project sanction, to the satisfaction of the Board, outlining a strategy to monitor potential traffic problems, and mitigation of any potential traffic issues in the Argentia area.**

Similarly, on page 3-14, the Proponent indicates that demand for accommodations in the Argentia area will be absorbed by the existing housing market. If it isn’t, the Proponent suggests that they may use the Vale nickel processing plant camp to house workers.

Staff is of the view that the availability of the Vale accommodations camp is an important issue, should there be housing shortages in the Argentia area during construction of the CGS.

## **Condition 2**

**Staff recommends that approval of the Benefits Plan Amendment is conditional upon the Proponent submitting a detailed plan within 60 days of project sanction, to the satisfaction of the Board, outlining a strategy to ensure workers have appropriate accommodations in the Argentia area should the local market not be able to provide adequate housing.**

### ***3.8 Monitoring and Reporting***

The Proponent indicates it will undertake the following monitoring and reporting functions for the project:

- continue to work with contractors to report benefits information on a timely basis;
- provide contracting information, including bid lists and contract awards on the Proponent's website and those of major contractors;
- provide contract forecasts to the Board; and
- continue to use benefits monitoring and reporting systems originally established for White Rose, including benefits questionnaires, calculation of content and employment information.

With respect to procurement forecasts, Board staff expects that these will be posted on the Proponent's website and those of contractors in order to ensure contracting information is communicated to the public as early as possible. Other than this undertaking, Board staff is satisfied that the monitoring and reporting provisions of the WREP benefits plan amendment are consistent with the Board's guidelines.

### ***3.9 Benefits Agreement***

The White Rose Expansion Project Framework Amending Agreement is a contractual agreement between the Government of Newfoundland and Labrador and the WREP project participants. The agreement addresses several matters related to industrial benefits including commitments to undertaking certain work in the province. In relation to this commitment, staff notes that in section 3.0 (Management of Industrial Benefits), the Proponent indicates that "it will fulfill all commitments made in this agreement".

While the Board is not a party to this agreement, section 10, Exhibit K specifies that it will be provided to the Board for monitoring and oversight. Should any areas of non-conformance with the agreement be identified, the Board's role is to notify the Province, which in turn, is responsible for resolving the matter in accordance with the provisions of the agreement.

### ***3.10 Public Review***

For the Development Application Amendment (which includes the Benefits Plan Amendment), the Leslie Harris Centre of Regional Policy and Development at Memorial University conducted, on behalf of the Board, a 90-day web-based public review, and a series of public information sessions in June 2014. A report containing public feedback from the review was provided to the Board on September 26, 2014.



The majority of the questions and comments resulting from the public review were benefits related. Excerpts from the Public Review Process Report related to Benefits and Socio-Economic matters can be found in Appendix B, including responses from the Proponent and the Board with respect to questions and concerns raised during the public review. Staff is satisfied with the responses provided by the Proponent.

## 4.0 CONCLUSIONS AND RECOMMENDATIONS

### 4.1 *Conclusions*

It is staff's overall assessment that the WREP Benefits Plan Amendment addresses the requirements of the legislation and provides a basis for achieving significant employment and other industrial benefits throughout the life of the project. However, there are two conditions, and three items which have been identified for further benefits-related review with the Proponent. These include the following:

#### Condition 1

- Staff recommends that approval of the Benefits Plan Amendment is conditional upon the Proponent submitting a detailed plan within 60 days of project sanction, to the satisfaction of the Board, outlining a strategy to monitor potential traffic problems, and mitigation of any potential traffic issues in the Argentia area.

#### Condition 2

- Staff recommends that approval of the Benefits Plan Amendment is conditional upon the Proponent submitting a detailed plan within 60 days of project sanction, to the satisfaction of the Board, outlining a strategy to ensure workers have appropriate accommodations in the Argentia area should the local market not be able to provide adequate housing.

#### Follow-Up Items

- Staff will follow up with the Proponent to ensure that once the CGS contractor is selected, its employment strategy at the Argentia construction site will be consistent with benefits principles in the legislation.
- With respect to the Proponent's Human Resources Plan, Board staff will follow up with the Proponent to review this document, to ensure its consistency with the principles of full and fair opportunity and first consideration.
- Staff will follow up with the Proponent to ensure that procurement forecasts and associated contracting information such as bidders lists and contract awards are posted on the Proponent's website and those of contractors in a timely manner to ensure contracting information is communicated to the public as early as possible.

### 4.2 *Recommendation*

Based on staff's assessment that the WREP Benefits Plan Amendment addresses the requirements of the legislation and provides a basis for achieving significant employment and industrial benefits

throughout the life of the project, it is recommended that the benefits plan amendment should be approved by the Board, subject to satisfying Conditions 1 and 2.

## Appendix A

### Labour Demand for Argentina (persons)

### August 2013 – December 2014

NOC	NOC Description	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14
0113	Purchasing managers	1	1	1	1	1	1	1	1	1	1	1	1	1	0	0	0	0
0211	Engineering Managers	4	4	4	4	3	4	4	4	4	4	4	15	15	12	11	10	7
1221	Administrative officers	1	1	1	1	1	1	1	1	1	1	1	5	5	4	4	3	2
1225	Purchasing agents and officers	0	0	0	0	0	0	0	0	0	0	0	5	5	5	5	5	3
1241	Administrative assistants	3	3	3	3	2	3	3	3	3	3	3	21	21	18	18	17	12
2131	Civil engineers	16	15	16	16	11	14	14	16	16	16	15	58	59	48	43	42	29
2132	Mechanical engineers	0	0	0	0	0	0	0	0	0	0	0	15	15	15	15	15	10
2231	Civil engineering technologists and technicians	0	0	0	0	0	0	0	0	0	0	0	19	20	19	20	19	13
2234	Construction estimators	3	3	3	3	2	3	3	3	3	3	3	9	9	6	6	5	4
7201	Iron Worker - General Foreman	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7203	Contractors and supervisors pipefitting trades	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7204	Carpenter - General Foreman	2	5	3	3	2	2	2	2	1	1	1	1	1	1	0	0	0
7205	Contractors and supervisors other construction trades installers repairers and servicers	0	0	0	0	0	0	0	0	0	0	0	2	2	2	2	2	2
7236	Ironworker - Journeyman & Apprentices	0	0	0	0	0	0	0	0	0	0	0	1	3	12	18	40	25
7252	Steamfitters pipefitters and sprinkler system installers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
7271	Carpenters - Journeyman & Apprentices	6	14	8	7	5	6	6	6	4	4	4	4	2	2	0	0	0
7302	Contractors and supervisors heavy equipment operator crews	51	117	63	57	39	50	53	50	32	33	30	36	23	17	6	4	3
7521	Heavy equipment operators (except crane)	17	38	21	19	13	17	17	17	10	11	10	40	37	34	31	30	21
7611	Labours - Journeyman	2	2	2	2	1	2	2	2	2	2	2	26	26	24	24	24	18
<b>Total</b>	<b>TOTAL</b>	<b>107</b>	<b>204</b>	<b>126</b>	<b>116</b>	<b>80</b>	<b>102</b>	<b>107</b>	<b>105</b>	<b>77</b>	<b>80</b>	<b>74</b>	<b>256</b>	<b>242</b>	<b>217</b>	<b>202</b>	<b>216</b>	<b>150</b>

## January 2015 – December 2016

NOC	NOC Description	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16
0113	Purchasing managers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0211	Engineering Managers	9	10	11	10	11	10	11	11	10	11	10	7	10	10	11	10	11	10	11	11	22	22	22	22
1221	Administrative officers	3	3	4	3	4	3	4	4	3	4	3	2	3	3	4	3	4	3	4	4	4	5	4	5
1225	Purchasing agents and officers	4	4	5	5	5	5	5	5	5	5	5	3	4	4	5	5	5	5	5	5	5	5	5	5
1241	Administrative assistants	16	16	18	17	18	17	18	18	17	18	17	12	16	17	18	17	18	17	18	18	17	18	17	18
2131	Civil engineers	38	39	43	42	43	42	43	43	42	43	42	28	39	41	43	42	43	42	43	43	42	43	42	43
2132	Mechanical engineers	13	14	15	15	15	15	15	15	15	15	15	10	14	14	15	15	15	15	15	15	15	15	15	15
2231	Civil engineering technologists and technicians	17	18	20	19	20	19	20	20	19	20	19	13	18	18	20	19	20	19	20	20	19	20	19	20
2234	Construction estimators	5	5	6	5	6	5	6	6	5	6	5	4	5	5	6	5	6	5	6	6	6	7	6	7
7201	Iron Worker - General Foreman	3	4	6	14	15	16	18	15	14	15	14	9	1	1	20	22	23	16	11	8	5	3	0	1
7203	Contractors and supervisors pipefitting trades	0	0	0	0	1	1	1	1	1	1	1	1	0	0	1	1	1	1	1	1	1	0	0	0
7204	Carpenter - General Foreman	0	1	3	3	3	3	4	3	3	3	3	2	0	0	3	3	3	3	2	2	1	1	0	0
7205	Contractors and supervisors other construction trades installers repairers and servicers	6	7	11	24	25	23	23	20	20	20	21	12	2	3	36	37	21	20	16	16	10	4	3	2
7236	Ironworker - Journeyman & Apprentices	63	78	96	196	185	189	187	150	146	150	146	88	27	28	202	224	217	141	85	78	49	37	4	6
7252	Steamfitters pipefitters and sprinkler system installers	1	2	2	2	9	11	13	12	11	12	11	5	0	0	11	10	11	10	10	11	10	2	0	0
7271	Carpenters - Journeyman & Apprentices	4	11	29	37	38	41	43	33	31	31	38	23	3	3	35	39	41	33	20	18	15	6	0	0
7302	Contractors and supervisors heavy equipment operator crews	4	4	5	4	5	4	5	5	4	5	4	3	4	4	5	4	5	4	5	5	4	5	4	5
7521	Heavy equipment operators (except crane)	27	28	31	30	31	30	31	31	30	31	30	20	28	29	31	30	31	30	31	31	30	31	30	31
7611	Labours - Journeyman	40	43	59	117	120	112	114	101	99	101	105	65	31	32	162	164	93	99	78	77	58	36	28	25
Total	TOTAL	253	287	362	544	551	548	559	490	475	489	490	305	206	213	626	652	566	475	380	366	314	259	199	204

## January 2017 – September 2017

NOC	NOC Description	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
0113	Purchasing managers	0	0	0	0	0	0	0	0	0
0211	Engineering Managers	18	11	12	11	12	11	12	7	0
1221	Administrative officers	3	1	1	1	1	1	1	1	0
1225	Purchasing agents and officers	3	0	0	0	0	0	0	0	0
1241	Administrative assistants	11	0	0	0	0	0	0	0	0
2131	Civil engineers	27	0	0	0	0	0	0	0	0
2132	Mechanical engineers	9	0	0	0	0	0	0	0	0
2231	Civil engineering technologists and technicians	12	0	0	0	0	0	0	0	0
2234	Construction estimators	4	1	1	1	1	1	1	1	0
7201	Iron Worker - General Foreman	3	0	0	0	0	0	0	0	0
7203	Contractors and supervisors pipefitting trades	0	0	0	0	0	0	0	0	0
7204	Carpenter - General Foreman	0	0	0	0	0	0	0	0	0
7205	Contractors and supervisors other construction trades installers repairers and servicers	1	0	0	0	0	0	0	0	0
7236	Ironworker - Journeyman & Apprentices	28	0	0	0	0	0	0	0	0
7252	Steamfitters pipefitters and sprinkler system installers	0	0	0	0	0	0	0	0	0
7271	Carpenters - Journeyman & Apprentices	0	0	0	0	0	0	0	0	0
7302	Contractors and supervisors heavy equipment operator crews	3	0	0	0	0	0	0	0	0
7521	Heavy equipment operators (except crane)	19	0	0	0	0	0	0	0	0
7611	Labours - Journeyman	16	1	1	1	1	115	30	44	0
<b>Total</b>	<b>TOTAL</b>	<b>158</b>	<b>13</b>	<b>15</b>	<b>14</b>	<b>15</b>	<b>128</b>	<b>44</b>	<b>52</b>	<b>0</b>

## Appendix B

### Comments and Responses Arising from Harris Center Public Review

This Appendix shows each comment that was raised during the public review, and indicates the section of the Proponent's Benefits Plan Amendment to which it relates. A response from either the Proponent or the C-NLOPB follows each comment.

#### Section 5.2.1.1 – Technology Transfer and Research and Development

The expectation for 'increasingly positive trend of continuous improvement' contained in the benefits plan guidance is fundamental to the Accord objective for optimizing benefits accruing to Newfoundland. In the original White Rose Benefits Plan the Proponent stated that it would develop strategies to achieve its objectives for technology transfer and research and development. Noia recommends that the C-NLOPB require the Proponent to provide information on these strategies including the objectives, progress, measurement metrics employed and how this commitment has addressed the expectation for continuous improvement.

#### **The Proponent's Response:**

*At a macro level, the Proponent considers that the design and construction of the graving dock with re-usable gates offers a broad range of technology transfer and R&D opportunities. The wellhead platform concept that has been chosen for the WREP represents a new way to develop small to medium-sized fields in the Jeanne d'Arc Basin. Design of the wellhead platform is being executed in NL and local companies such as PSN/Wood Group and C-Core are participating in the design process and building expertise on this concept. Construction of the concrete gravity structure at Argentia represents the first time that an entire structure of this type has been built in the dry. Construction of the permanent dock gates is also new technology for the province.*

*Incremental to the benefits of the design and construction phase, the addition of the graving dock with gates to the Province's industrial infrastructure base will also create new technology transfer and R&D opportunities into the future.*

#### **Examples of Husky's efforts to support continuous improvement include:**

- *The National Research Council's Ocean, Rivers and Coastal Engineering group (ORCE) was engaged to carry out model testing and numeric modeling to validate CGS design features related to response to wave actions offshore as well as aspects of the CGS tow out and installation. This work is providing an opportunity for technology development and further engagement within the Province. ORCE's engineers are designing and developing new test protocols to address novel aspects of the design.*
- *Husky engaged the Oceanic Consulting Corporation to develop hydrodynamics loads and motions simulator for the SeaRose FPSO. The simulator was developed from numeric modeling tools that Oceanic developed with support from the Proponent and ACOA. The*



*simulator will enhance safety of operations by enabling the Proponent's marine operations team to predict FPSO response to anticipated weather events, and to manage hull loading and controls accordingly. This work, which resulted in state of the art commercial software products, has enabled Oceanic to expand their engineering business into numeric modeling of marine performance prediction.*

- *Husky recently procured a lifeboat simulator from Virtual Marine Technologies for safe training of coxswains in harsh environments. Husky was a key collaborator and supporter in the development of this technology. VMT's technology is gaining acceptance globally as a highly effective and economic tool for improving safety of offshore and marine operations, and influenced changes in training requirements by the International Maritime Organization.*
- *Husky has collaborated with Radient360 to develop industry-leading technology to improve process safety offshore. Together, we have developed hand-held information technology to manage and perform offshore inspection and maintenance activities for safety critical elements, starting with electrically certified equipment in hazardous locations. The paperless process has dramatically improved inspector safety and efficiency, reduced reporting times to near real-time, and reduced data discrepancies to near zero levels. Husky continues to collaborate with Radient360 to improve process related to other classes of safety critical systems.*

*Husky reports on its commitment to R&D and technology transfer in its annual reports, published on its corporate website at:*

<http://www.the Proponentenergy.com/operations/growthpillars/atlantic/reports/default.asp>

#### Section 5.2.1.2 Supply Constraints

The benefits plan amendment provides adequate information on supply opportunities in both the construction and operations phases of the project, but does not fully address constraints. Noia recommends the C-NLOPB require the Proponent to provide further information on supply constraints.

#### **The Proponent's Response:**

*Husky is participating in the Hebron-lead study to identify current gaps in the supply of goods and services. It is anticipated this study will be completed Q1 2015 and the results shared with the supply and service community.*

#### Section 5.2.1.3 National and International Business Participation

Husky is expected to have programs, policies or procedures to enable Newfoundland and Labrador and other Canadian suppliers to participate in the Proponent's national and international activities. This is an important issue for Noia and one that is central to the



creation of a lasting legacy. The amendment does not specifically address this expectation and Noia recommends that the C-NLOPB require it to be specifically addressed within a program with clearly defined objectives (Section 5.2.1.3 of Harris Centre report).

#### **The Proponent's Response:**

***Husky provides opportunities for NL suppliers to provide services to other areas where the Proponent operates. In fact, the Proponent's integrated procurement organization is based on a category management model which has specifically carved out NL-based scope for NL-based suppliers to ensure full and fair opportunities to bid. Furthermore, NL-based companies are afforded the opportunity to bid for larger scopes which are not specific to NL. This ensures that local suppliers are considered in both our regional and company-wide procurement efforts. For example, Oceanic Consulting Corporation, a locally-based marine design company, has provided modeling services to the Proponent's Asia Pacific operations. In another non-technical example, the Idea Factory, a local communications and marketing company, has provided communications advisory services to the Proponent's Safety, Engineering and Procurement business unit in Alberta, Canada.***

#### **Section 5.2.1.4 C-NL Benefits as Evaluation Criteria**

The benefits plan guidance states that 'contracting outcomes cannot be determined solely on the basis of lowest price' and in alignment with that guidance, Husky states Canada-Newfoundland Benefits will be a factor in awarding all contracts. Noia strongly supports Husky's use of the evaluation criteria (supplier development, research and development (R&D), and technology transfer, NL content and person-hours, ownership and training) for Canada-NL benefits and is interested in how the evaluation has influenced results. Husky is also expected have plans for transfer of technology and "know-how" to Newfoundland and Labrador and other Canadian suppliers and contractors. Husky has clearly expressed its belief in the value of technology transfer and has outlined the requirement for contractors and that bidders will be rewarded for proposals that detail innovative initiatives, strategies and methods for transfer of technology. Noia is supportive of Husky in this and believes that effective technology transfer can produce positive results. Noia recommends the CNLOPB require that Husky demonstrate how the evaluation criterion has contributed to achieving positive and measurable results for Canada-NL Benefits.

#### **The Proponent's Response:**

***Husky has a positive track record on all aspects of Canada NL content, including employment and training, R&D, technology transfer and supplier development. Within Husky's procurement process, the weighting of Canada-NL benefits considerations varies depending on the specific scope of the package and commitments on local content. All of Husky's procurement in the Atlantic Region includes consideration of NL and Canadian benefits in the evaluation criteria. Husky's ongoing operations since 2005 have provided a platform for the growth of local companies and have contributed to a robust local supplier community that***

**support multiple aspects of Husky's operations. Husky's quarterly and annual reports on Canada Newfoundland benefits can be viewed at:**

**<http://www.huskyenergy.com/operations/growthpillars/atlantic/reports/default.asp>**

#### Section 5.2.1.5 International Competitiveness

The Board encourages offshore Proponents to undertake initiatives that will assist business firms in the province to become internationally competitive in the offshore oil and gas industry. Husky states that it 'provides support and assistance to bidders through early notification of program requirements and specification and encouragement of Newfoundland and Labrador suppliers to become globally competitive – including the provision of technical assistance and advice where necessary'. Noia supports and encourages Husky to continue with this initiative and recommends that the CNLOPB require Husky to describe how encouragement and technical assistance and advice will be provided for the WREP (Section 5.2.1.5 of Harris Centre report).

#### **The Proponent's Response:**

***Husky consistently provides support and assistance to bidders through a number of initiatives, including providing the option for unsuccessful bidders to be debriefed. Husky also conducts supplier information sessions for the WREP, including sessions targeted at diverse suppliers. Husky provides contact information for procurement team representatives. Husky has a project-specific website which identifies all Husky-led procurement opportunities as well as links to our subcontractor's project-specific procurement websites.***

***Husky has also worked with local companies who have not initially met Husky's requirements related to safety or quality management standards in order to allow them an opportunity to bid on work for Husky. Areas where Husky has assisted local companies include fabrication, environmental services and subsurface testing services.***

#### 5.2.1.6 Newfoundland and Labrador Fabrication, Outfitting and Other Commitments

Section 3.0 of the Benefits Plan Amendment, states that 'This Benefits Plan Amendment also takes into consideration the 2013 White Rose Expansion Project Framework Amending Agreement with the Government of Newfoundland and Labrador', but does not detail the commitment (packages) for mechanical fabrication and mechanical outfitting in Newfoundland and Labrador or other aspects of the commitments such as for the additional sub-sea facilities, Infrastructure and temporary works and detailed and construction engineering. Noia recommends that the C-NLOPB require Husky to provide detail on all the NL commitments in the 2013 Amending Agreement in Table 5.1 and that these be identified for NL only. (Noia)

**C-NLOPB Response:**

***The Board is not a party to this agreement. Sharing of detailed information specific to the agreement is a matter between the two parties - the Provincial Government and the Proponent.***

Section 5.2.1.7 Integrated Drilling and Utilities Module

Information on the Integrated Drilling and Utilities Module, (bid internationally as per the Amending Agreement) is absent from Table 5.1 and Noia recommends that the C-NLOPB require Husky to include this information.

**The Proponent's Response:**

***The WHP is designed with an integrated topsides that has no distinct modules. Drilling equipment is incorporated into this integrated design. Expressions of Interest for all drilling equipment packages have been posted on Mustang's WREP procurement site and on the Noia procurement site. Newfoundland and Labrador businesses have been given the opportunity to provide the drilling equipment packages that will be incorporated into the integrated topsides. Mustang's WREP procurement website is located:***

***<http://sites.mustangeng.com/sites/BidPub/WhiteRose2/Pages/default.aspx>***

5.2.1.8 Global Frame Agreements

Noia is concerned about the use of global frame agreements and the potential impact on local supply, in particular during the operations phase. In this regard Noia recommends that the C-NLOPB require Husky to identify its plans for the control of this type of agreement and encourage Husky to not use frame agreements that would negatively impact local suppliers. (Noia)

**C-NLOPB Response:**

***The Board has already communicated to all Operators active offshore NL that the use of global frame agreements is inconsistent with the legislation. The Board will continue to ensure that procurement activities do not make use of these agreements.***

Section 5.2.1.9 Employment and Business Diversity

Husky believes that an effective employment and business diversity strategy is important to the successful development of the Newfoundland and Labrador offshore oil and gas industry. Noia is supportive of this belief and commends Husky on its Diversity Plan and goals for the access of designated groups to employment and training on the Project. Noia is also supportive of supplier diversity and recommends that the C-NLOPB require Husky to include

special measures to facilitate the increased and measurable participation of under-represented groups in procurement for the project in both the development and operational phases.

**The Proponent's Response:**

***In Section 4.6 of the WREP Diversity Plan, Husky acknowledges that it can be more difficult for businesses majority owned, managed and controlled by individuals from designated groups to connect with the Proponents of large resource development projects. The Diversity Plan outlines a number of actions to facilitate procurement process access including supplier information sessions targeted at diverse companies and providing an opportunity for diverse companies to identify themselves as such in bid documentation. In 2014, Husky sponsored and participated in NLOWE's annual conference as well as in NLOWE-sponsored business networking events. Following award of the CGS contract and other major contracts, Husky intends to work with NLOWE on holding a supplier information session targeted at NLOWE's membership.***

Section 5.2.1.10 Small Company Participation

Noia is concerned that opportunities for smaller companies to participate in the project are limited unless measures are undertaken. Noia recommends that the C-NLOPB require Husky to develop special proactive measures including policies or procedures for sub-contracting to facilitate the increased participation of small companies in procurement for the project in both the development and operational phases.

**The Proponent's Response:**

***Husky requires that its contractors provide full and fair opportunity and first consideration to NL and Canadian companies on a competitive basis. Through advertising of opportunities and identification of bidder lists and the successful bidder, small companies are able to pursue opportunities when they can provide goods and services on their own or as part of a larger scope of work.***

***Over 20 subcontracts valued from less than \$50,000 to \$1,000,000 were awarded to companies in NL by Dexter Construction, builders of the graving dock at Argentia. As well, the environmental assessment work for the WREP was done on behalf of Husky by a consortium of local environmental companies and preparatory geotechnical work at the site was also completed by companies in NL.***

Section 5.2.1.11 Business Targets for Women

The Business Access portion of the Diversity Plan is seen to require more information on how women and other designated groups might access business opportunities from the Project. Questions posed include:

- How does the Project plan on achieving the business access piece for women?

**The Proponent's Response:**

***Husky will address business access for women and other designated groups through the implementation of a supplier diversity program which includes proactive initiatives, policies and processes for engaging diverse-owned businesses and stakeholder groups to facilitate business access, as well as monitoring and reporting on progress with a focus on continuous improvement.***

- What will constitute a woman or women owned/controlled business?

**The Proponent's Response:**

***A diverse business will be identified using the National Certification Definition: 51% owned and controlled by a member of a designated group (women, Aboriginal peoples, persons with disabilities, and members of visible minorities). In Husky's current procurement documentation, there is an opportunity for companies to self-identify, and main contractors will be required to include this in their processes as well***

- Will there be a certification process?

**The Proponent's Response:**

***If a non-certified company self-identifies, and is interested in exploring certification, Husky will facilitate contact with certifying organizations such as CAMSC, WEConnect, and NLOWE.***

- What targeted and proactive measures will be taken to ensure women specifically are aware of business opportunities and how to competitively access them?

**The Proponent's Response:**

***Husky (and contractors) will hold targeted supplier information session(s) for women-owned businesses in partnership with NLOWE to outline the procurement process and opportunities for the WREP. In 2014, Husky sponsored and participated in NLOWE's annual conference as well as in NLOWE-sponsored business networking events. Husky and its contractors will continue to participate in supplier development events. Husky also sends procurement opportunities directly to stakeholder groups such as NLOWE.***

The Provincial Advisory Council on the Status of Women (PACSW) strongly recommends targets for business access for women. Husky is encouraged to review the Hebron Supplier Diversity Program in this regard. Elements of a Business Access plan, specific to women, would include:

- The opportunity for women-owned businesses to self-identify;

- A certification program for women-owned businesses in line with national certification programs;
- Identification of where current business access exists;
- Communication of information on supply and procurement opportunities;
- Identification of possible barriers in the procurement program that limit potential participation; and
- Development of a business access strategy that provides a fully equitable supplier and procurement process.

It was also recommended that the business access strategy proposed to provide an equitable supplier and procurement program would include the following information:

- Positive policies and practices, including setting targets, raising awareness, training procurement officers and providing other supplier development supports for women and other designated groups to ensure their participation and benefits from supply and procurement;
- The identification of other aggressive and proactive measures to remove supply and procurement barriers for women-owned businesses and other designated groups;
- The identification of timetables and goals that are sufficient to achieve reasonable progress towards a representative supplier clientele for the project;
- A commitment and demonstration to continuous improvement;
- A commitment to and a demonstration of reasonable efforts to implement its plan and monitor, review, and revise its plan on an annual basis, including the assigning of responsibilities for this goal; and
- A commitment to prepare an annual public report by designated group that would include a report on the achievement of targets by procurement categorizes.

Initiatives, such as consulting with the Newfoundland and Labrador Association of Women Entrepreneurs and other local business networks are supported and encouraged.

#### **The Proponent's Response:**

***Husky has committed to periodically reviewing procurement plans with a view to identifying business opportunities for diverse companies. It is not possible to set meaningful business access targets without baseline data and this gap has been identified by Government and***

***organizations such as NLOWE. In 2015, Husky is considering commissioning a study on diverse-owned businesses in NL to gather data regarding the number of self-identified diverse businesses by designated group, the types of products and services they offer, and their capacity in order to determine where they may fit within the supply chain.***

#### 5.2.1.12 Management and Maintenance of the Graving Dock

Noia believes that the new Graving Dock is a critical piece of infrastructure that can and should play an important and diverse role in the future. In this regard, Noia recommends that the C-NLOPB ask Husky to provide detail on what will remain at the site after construction of the CGS is complete. As well, Noia is concerned about the uncertainty regarding the future management and maintenance of the facility and recommends that the C-NLOPB ask Husky to provide greater definition on its future management and maintenance. (Noia)

A similar question was asked at the Placentia Information Sessions.

How will the dry dock or other project infrastructure help the long-term future of the Placentia area? Who will own the dry dock in the future?

#### **The Proponent's Response:**

***Husky leases the CGS site from the Argentia Management Authority, but it would be premature to speculate on long-term use of the site at this point in the project. The reusable dock gates represent a significant up-front investment, and will allow for the future use of the site.***

#### 5.2.1.13 Bid Process for the CGS Contract

A participant at the St. John's Information Sessions, and later through the website, considered that there was a failure by CGS bidders to fully engage the supply community during the bidding stages. He recommended that the successful CGS bidder undertake a more exhaustive supplier development process to explain contracts and engage suppliers one-on-one. (R. Strong)

#### **C-NLOPB Response:**

***As discussed in the main body of the staff analysis, Board staff will follow up with the Proponent to ensure that procurement forecasts and associated contracting information such as bidders lists and contract awards are posted on the Proponent's website and those of contractors in a timely manner to ensure contracting information is communicated to the public as early as possible. The Proponent also commits to hold supplier sessions, and Board staff will monitor this commitment to ensure supplier sessions are held following award of the CGS contract.***



#### 5.2.1.14 Business Opportunities for the Placentia Area

Several participants at the Placentia Information Sessions were concerned about the capture of local area benefits from the Project as follows:

- How does project information come to Placentia and surrounding towns?
- Some thirty companies are now supplying various things to the project. How can Placentia area companies take best advantage of such opportunities?
- What encouragement can we in the Placentia area expect from Husky to ensure that Placentia benefits from the project?
- How can we get the opportunity to provide services to those companies?
- How do we get information about contractors that will be working on the project in the Placentia area?

#### **The Proponent's Response:**

***Project information is available at <http://wrep.huskyenergy.com>, at events such as the Placentia Bay Industrial Showcase, and the project Information Office at the Placentia Mall. The best way to stay involved and take advantage of all opportunities is to reach out to companies listed on the website and stay informed through supplier information sessions.***

***Husky Energy cannot direct companies to use Placentia area suppliers. The Atlantic Accord has specific requirements regarding the provision of full and fair opportunity to businesses throughout Newfoundland and Labrador, not just those in the Placentia area. Husky encourages all businesses in the Placentia area to contact the prospective CGS contractors and to attend upcoming supplier information events.***

***Potential suppliers should review the website to understand the main project contracts, and how they can fit into the supply chain.***

***Husky's website is the best source of information for the project, and major contract award information is distributed through the Noia newsletter.***

#### 5.2.1.15 Helicopter Services

A participant at the St. John's Information Sessions wanted to know which company would provide helicopter services to the platform, the type of helicopter to be used and whether there would be any pooling of helicopter transportation with other offshore companies.



**The Proponent's response:**

***The bidding process for a helicopter transportation provider is ongoing. The type of airframe and whether or not there would be pooling is yet to be determined.***

#### 5.2.1.16 Cost Overruns

A participant at the St. John's Information Sessions asked if the original projected costs for the project had changed and how cost pressures might be mitigated in the future.

**The Proponent's response:**

***Bids for major contracts are still being examined and projected versus actual costs cannot be commented on at this time. Husky is well aware of the cost pressures on a project of this scale, which is why careful planning and execution are so important.***

#### 5.2.1.17 Use of the West Mira Drilling Unit

A participant at the St. John's Information Sessions wanted to know if the use of the West Mira drilling unit would mean a decrease in the use of older drilling units currently in use offshore.

**The Proponent's response:**

***When it arrives, the West Mira will become the primary mobile offshore drilling unit for our operations in the region, but we may also contract additional drilling capacity as required. At present, the contract with the Henry Goodrich is scheduled to expire early 2015, and the contract for the GSF Grand Banks is scheduled to finish in September 2015.***

***Future drilling contracts will be based on our anticipated drilling requirements, potential rig share opportunities, and the availability of drilling units, which are suitable for our offshore operating conditions.***

#### 5.2.2 Employment Concerns

The Provincial Advisory Council on the Status of Women noted that they are encouraged by Husky's commitment to: endeavoring to provide women, Aboriginal people and people with disabilities, an inclusive and culturally sensitive work environment; provide opportunities to advance their careers; provide assistance to employees in balancing the responsibilities of career and family life; and ensuring that the recruitment and selection process supports diversity. (PACSW)

##### 5.2.2.1 Employment of Women - General

A low/zero representation of women in many occupational categories (e.g. marine crews, technicians/technologists) are noted. Recognition is given to the fact that there have been

increases in some areas, but that there is still work to be done to increase the employment of women in the White Rose Project labour force during both the construction and operations phases. (PACSW)

#### Section 5.2.2.2. Employment Targets for Women

Targets for employment of women are in part based on outdated information (2006 NOC code data). Targets based on outdated information are considered to help perpetuate women's low (or lack of) participation in many relevant occupational categories. That said, targets were also based on recent labour market outlook views, which recognize the potential role of under-represented groups, including women, in helping meet future labour demands, on more recent data on achievements in provincial professional and vocational training programs and on information from agencies and groups representing women's interests. These perspectives and achievements need to be considered when developing realistic targets for women. While targets have been established for the construction phase, PACSW recommends that targets also be established for the operational phase.

#### **The Proponent's Response:**

***Husky has been monitoring women's employment on the White Rose project since 2003. As noted in the WREP Diversity Plan, Husky recognizes that offshore workplaces and schedules provide particular challenges for women and some other diversity groups. This has resulted in low representation of women in the offshore workforce to date. Recognizing this is an issue of particular importance, Husky has established an initial target of having women represent 5 percent of the offshore workforce (not including housekeeping and catering positions) in the first full year of WHP operation. Husky has also committed to the establishment of an offshore apprentice program for women for work on the WHP or another Husky offshore asset. This initiative will provide women opportunities to acquire offshore work capabilities and experience.***

#### 5.2.2.3 Offshore Apprentice Program

Providing an offshore apprentice program for women is seen as helping break down barriers they face where trying to gain experience offshore. This is seen by PACSW as a very positive commitment by Husky. (PACSW)

#### 5.2.2.4 Newfoundland and Labrador Workforce Opportunities

The Business Manager of UA Local 740 Plumbers and Pipefitters expressed concern both at the Information Sessions and on the website about the small amount of topsides work being undertaken within the province and whether mating, hook-up and commissioning would utilize local workers.

**The Proponent's Response:**

***There were no yards available in the province at which to build the integrated module. The work was bid both internationally and in Newfoundland and Labrador so that any company wanting to compete for the work could do so. To maximize potential NL content certain components of the module were broken out for fabrication in the province.***

***The crew in the field mating the topside with the CGS is expected to be made up mainly of the eventual full-time crew for the platform, of whom approximately 90% are anticipated to be Newfoundlanders and Labradoreans.***

**5.2.2.5 Training Programs**

A participant at the Placentia Information Sessions asked if there would be training programs at existing facilities in the Placentia area or if new centres would be established.

**The Proponent's Response:**

***The training programs are something that will be worked on with the CGS contractor. The training programs are meant to help meet the immediate needs of the project through the local workforce, so until a contractor is selected, it is difficult to determine what those needs may be. In any event, it is expected that existing facilities would be utilized, if possible.***

**5.3.1 Produced Gas**

A participant at the St. John's Information Sessions asked how much gas would be produced and if that gas would be re-injected.

**The Proponent's Response:**

***Twenty of the 38 wells will be oil producers. At this time, gas will be re-injected to enhance oil recovery and will also be used as a fuel source for the platform. Natural gas development is very important to Husky, but it is not the focus of the White Rose Extension Project.***

**5.3.2 Decommissioning**

A participant at the St. John's Information Sessions asked if a Decommissioning Plan was required as part of the approval process.

**The Proponent's Response:**

***Our design incorporates the ability to decommission the facility.***

#### 5.4.1.1 Road Transportation

Three participants at the Placentia Information Sessions were concerned about impacts of traffic on the Placentia area:

- How do you intend to access the construction site at the Base? Will you be using the Dunville Road or are you considering building a separate road?
- Have you done any studies, or do you plan to do any studies on the impact that the project will have on traffic in the area, particularly the Dunville road? Is there anything that can be done to mitigate traffic effects?
- There is going to be a lot of traffic in and out of the construction site and the roads here are pretty bad. Are you going to be involved in any road works?

#### **The Proponent's Response:**

***The Dunville Road will be used. No traffic studies have been done or are planned. The traffic situation in Dunville will be monitored.***

***Husky Energy does not fund municipal infrastructure.***

#### 5.4.1.2 Childcare

When working or re-entering the workforce women often have difficulty obtaining affordable, reliable and flexible childcare options. Husky's commitment to collaborate with the Department of Child, Youth and Family Services in identifying an appropriate non-profit group to provide funding to explore child care issues of those working on large construction projects and possible responses is strongly supported by PACSW. (PACSW)

#### 5.4.1.3 Support for Non-profit Organizations

A participant at the Placentia Information Sessions asked what help Husky is able to offer local non-profit organizations.

#### **The Proponent's Response:**

***Every year, Husky supports a number of charitable and community initiatives in the areas where we live and operate. Our funding priorities for community investment focus on health, education and community initiatives.***

***<http://www.Huskyenergy.com/socialresponsibility/communityinvestment/default.asp> provides organizations with all the information on what we do (and don't) fund, as well as the online application to apply for funding.***