



## **White Rose Extension Project**

### **White Rose Canada- Newfoundland and Labrador Benefits Plan Amendment**

**June 2014**

## Table of Contents

<b>1.0 INTRODUCTION .....</b>	<b>1-1</b>
<b>2.0 DEVELOPMENT OVERVIEW .....</b>	<b>2-1</b>
2.1 The WREP Project .....	2-3
2.1.1 Construction of the WHP .....	2-5
2.1.2 Operations .....	2-7
2.2 Project Schedule .....	2-7
2.3 Employment and Industrial Benefits Overview .....	2-9
<b>3.0 MANAGEMENT OF INDUSTRIAL BENEFITS .....</b>	<b>3-1</b>
<b>4.0 PROJECT MANAGEMENT AND EXECUTION .....</b>	<b>4-1</b>
4.1 Project Management .....	4-1
4.1.1 Project Office .....	4-1
4.1.2 Engineering Procurement and Construction .....	4-2
4.1.3 Operations Organization .....	4-3
4.2 Diversity .....	4-3
4.3 Supplier Development .....	4-3
4.3.1 Identification of Supply Gaps and New Opportunities .....	4-4
4.3.2 Technology Transfer .....	4-4
4.4 Procurement and Contracting .....	4-4
4.4.1 Procurement and Contracting Related to Existing Services .....	4-5
4.4.1.1 Marine Support Vessels .....	4-5
4.4.1.2 Helicopter Support .....	4-5
4.4.1.3 Shorebase Facilities .....	4-5
4.4.1.4 Warehouse Facilities .....	4-5
4.4.1.5 Voice and Data Communication Services .....	4-5
4.4.2 Procurement and Contracting Related to WREP Activities .....	4-5
4.5 Employment and Training .....	4-6
4.6 Skills Development .....	4-6
<b>5.0 INDUSTRIAL BENEFITS OPPORTUNITIES – CONSTRUCTION PHASE .....</b>	<b>5-1</b>
5.1 Construction and Fabrication Requirements .....	5-1
5.1.1 Graving Dock Construction .....	5-1
5.1.2 Concrete Gravity Structure .....	5-1
5.1.3 Topsides .....	5-4
5.1.4 Marine-Related Activities and WHP Installation .....	5-5
5.1.5 Subsea Components .....	5-6

5.2	Construction and Fabrication Capacity.....	5-6
5.3	Goods and Services Requirements.....	5-9
5.4	Goods and Services Capacity .....	5-9
5.5	Labour Requirements .....	5-10
5.6	Labour Relations .....	5-13
5.7	Labour Capacity .....	5-14
5.8	Construction Phase Content Estimate.....	5-14
<b>6.0</b>	<b>INDUSTRIAL BENEFITS OPPORTUNITIES - OPERATIONS PHASE .....</b>	<b>6-1</b>
6.1	Goods and Services Requirements.....	6-1
6.2	Goods and Services Capacity .....	6-2
6.3	Labour Requirements .....	6-2
6.4	Labour Capacity .....	6-3
6.5	Operations Phase Content Estimate .....	6-3
<b>7.0</b>	<b>PROJECT MONITORING AND REPORTING .....</b>	<b>7-1</b>
7.1	Monitoring and Reporting .....	7-1
7.2	Summary of Benefits Commitments .....	7-1
<b>8.0</b>	<b>CONCLUSION .....</b>	<b>8-1</b>

## List of Appendices

Appendix A	Canada- Newfoundland and Labrador Benefits Reporting and Procedures Manual
Appendix B	Canada-Newfoundland and Labrador Benefits Schedule
Appendix C	Mechanical Outfitting of CGS Shaft – Process and Utilities
Appendix D	Anticipated Newfoundland and Labrador Labour Requirements (by NOC) Associated with Completion of the WREP

## List of Figures

Figure 2-1	White Rose Oil Field.....	2-1
Figure 2-2	Location of Pools/Fields in the White Rose Area .....	2-2
Figure 2-3	Conceptual Well Platform.....	2-5
Figure 2-4	Proposed Graving Dock with Dock Gates .....	2-6
Figure 2-5	Modular Accommodation Box Comprising the Living Quarters on the WHP.....	2-7
Figure 2-6	WREP Development Schedule .....	2-8
Figure 5-1	Proposed CGS .....	5-4
Figure 5-2	Proposed Topsides .....	5-5
Figure 5-3	CGS Tow from Graving Dock.....	5-6

## List of Tables

Table 5-1	Procurement Opportunities - WREP .....	5-2
Table 5-2	NL-Based Fabrication Yards, Contractors and Laydown Areas.....	5-7
Table 5-3	NL-Based Companies Providing Services to the Offshore Oil Industry.....	5-10
Table 5-4	NL Person Hours for Construction of the WREP.....	5-12
Table 6-1	NL Person Hours for Operation of the WREP .....	6-3

## ACRONYMS

Term	Description
CDC	Central Drill Centre
CGS	Concrete gravity structure
C-NLOPB	Canada-Newfoundland and Labrador Offshore Petroleum Board
FEED	Front-end engineering design
FPSO	Floating, production, storage and offloading [facility]
MODU	Mobile offshore drilling unit
NDC	Northern Drill Centre
NL	Newfoundland and Labrador
NOC	National Occupational Classification
POB	Persons on board
R&D	Research and development
SDC	Southern Drill Centre
SWRX	South White Rose Extension
WHP	Wellhead platform
WREP	White Rose Extension Project

## 1.0 INTRODUCTION

Husky Oil Operations Limited (Husky), as the Operator and in joint-venture with Petro-Canada (having amalgamated with Suncor Energy Inc. in July 2009 and herein defined as Suncor Energy), submitted a Benefits Plan for the White Rose Development to the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) in January 2001. This Benefits Plan was prepared pursuant to the *Canada-Newfoundland Atlantic Accord Implementation Act* and the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act* (Atlantic Accord Implementation Acts). The C-NLOPB approved the White Rose Benefits Plan in December 2001.

This document provides a description of the White Rose Extension Project (WREP), which will use a wellhead platform (WHP) for further development of the White Rose field. After re-examining the original White Rose Canada-Newfoundland and Labrador Benefits Plan, Husky has determined that the basic principles and philosophy that applied in the base development also apply to the WREP. Husky, as Operator, on behalf its co-venturers Suncor Energy and Nalcor Energy – Oil and Gas, is submitting this White Rose Canada-Newfoundland and Labrador Benefits Plan Amendment as part of the overall Development Application for the WREP.

This document describes the benefits aspects of the WREP and also reaffirms Husky's commitment to maximizing benefits for the province where practically and commercially achievable on a competitive basis. It also identifies potential areas where Newfoundland and Labrador companies and residents could participate in this project. The estimated capital cost of the WREP is \$2.35 billion (CDN). Development drilling costs are estimated to be \$1.608 billion (CDN), with an anticipated annual operating cost of approximately \$20 million (CDN).

## 2.0 DEVELOPMENT OVERVIEW

The White Rose oil field is located on the Grand Banks, approximately 350 km east of the Island of Newfoundland on the eastern edge of the Jeanne d'Arc Basin (Figure 2-1).



**Figure 2-1 White Rose Oil Field**

The White Rose Significant Discovery Area consists of both oil and gas fields or pools, including the South Avalon Pool, the North Avalon Pool and the West Avalon Pool. The main oil reservoir at White Rose is the Ben Nevis - Avalon Formation sandstone. The White Rose field was originally developed using subsea wells in two subsea drill centres; the Central Drill Centre (CDC) and the Southern Drill Centre (SDC). A third drill centre, the Northern Drill Centre (NDC), is used as an injection site for handling gas produced in association with oil production. Oil production from the White Rose field commenced in November 2005. The location of the fields and pools in the White Rose area are indicated in Figure 2-2.

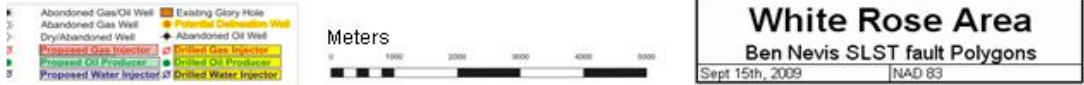


Figure 2-2 Location of Pools/Fields in the White Rose Area

In 2010, the North Amethyst field began production as a satellite to the White Rose field. To date, natural gas produced in association with oil production has been injected into a



gas zone in the northern part of the field. The White Rose and North Amethyst developments use a floating, production, storage and offloading (FPSO) facility, the *SeaRose FPSO*, with ice avoidance capacity (quick disconnectable turret), and subsea wells. Crude oil is transported to market by shuttle tankers.

In the summer of 2012, the South White Rose Extension (SWRX) drill centre was dredged. A Development Plan Amendment to address gas injection and production at SWRX was approved by the C-NLOPB on June 3, 2013.

## **2.1 The WREP Project**

The WREP entails construction of a WHP comprising topsides supported by a concrete gravity structure (CGS) that will be incorporated into the existing White Rose project. The following facilities and systems will be installed on the CGS:

- Single drilling facilities to enable drilling and completion of wells plus ongoing downhole maintenance of all wells
- Utility systems including power generation and distribution
- Production manifolds to accommodate services for well testing, oil production to the *SeaRose FPSO*, water injection, gas lift and gas flood
- Life support and safety systems, including personnel accommodations for up to 144 persons, platform control system, temporary safe refuge and emergency evacuation and rescue systems.

The WHP will accommodate 20 well slots using conductor sharing wellhead technology in some or all wells, which allows two wells to be drilled in each conductor, for a total of up to 40 wells. The well slots will have the capability to be designated as either oil production, oil production with gas lift, water injection, gas flood, or cuttings re-injection throughout the life of the field (interchangeable). The well count and designation of slots will be finalized once depletion planning is finalized.

The WHP systems related to oil production, testing, water injection and gas supply will be remotely controlled from the *SeaRose FPSO* via controllers located on the WHP. The WHP will have a communications interface with the *SeaRose FPSO* to provide the remote control functionality and to execute emergency shutdowns between the facilities.

There will be no oil storage in the WHP; hence, all well fluids will be transported to the *SeaRose FPSO* for processing, storage and offloading. The WHP concept will be further refined/finalized during the detailed design stages.

In order to facilitate the transportation of production fluids from the WHP to the *SeaRose FPSO*, additional subsea facilities will be required, including new flowlines and modifications to existing drill centre infrastructure.

The WHP will be designed for a 25 year life. Based on the current conceptual reservoir depletion plan, it is expected the facility will be designed to accommodate an estimated production rate to the *SeaRose FPSO* of 5,565 to 7,632 m<sup>3</sup> (35,000 to 48,000 bbl)/day of oil. Gas compression on the *SeaRose FPSO* will be required to provide approximately 1.5 to 3.0 x 10<sup>6</sup>m<sup>3</sup>/day of gas lift, gas flood and fuel gas to the WHP. The facility will also be designed to accommodate approximately 8,000 to 18,000 m<sup>3</sup>/day of water injection for reservoir support. These design rates may change as the reservoir depletion strategy and plan are finalized.

The topsides facilities configuration will be designed to ensure maximum isolation of the rotating equipment and well bay from the living quarters and helideck. The facilities will comprise:

- Drilling, completions and well intervention equipment
- Well bay and wellheads
- Oil production, test, water injection, gas injection and gas lift manifolds
- High-pressure water injection booster pumps
- Fuel gas heating and treatment
- Test separator and metering
- Safety and utility systems
- Integrated control and safety systems
- Telecommunications systems
- Power generation and distribution systems
- Living quarters for 144 persons.

Figure 2-3 provides a conceptual illustration of the WHP concept.

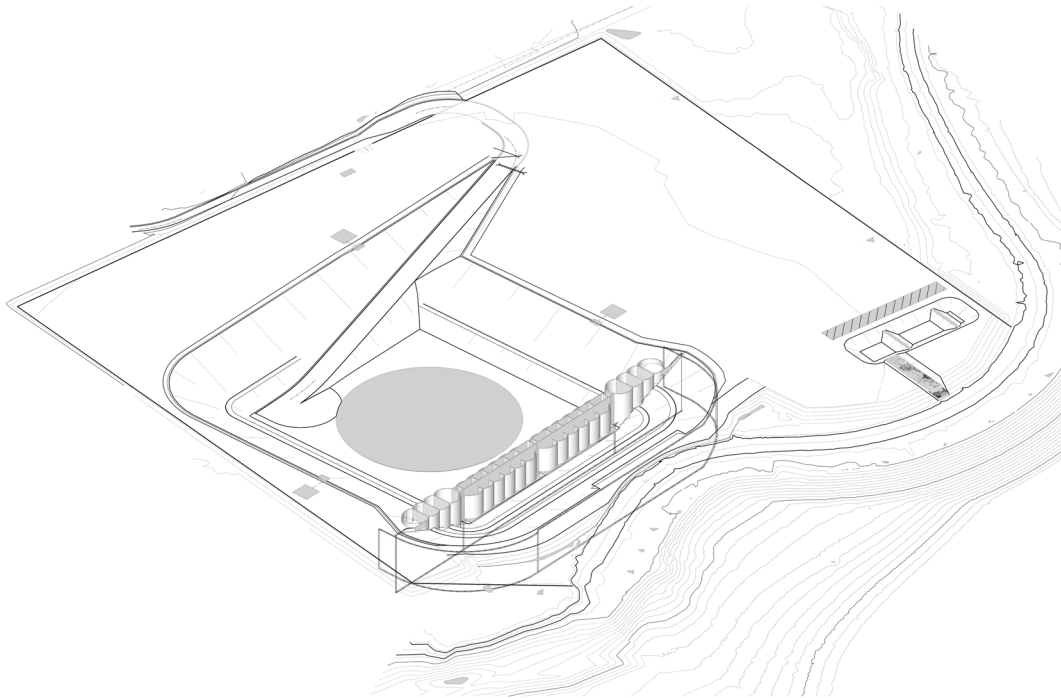


**Figure 2-3      Conceptual Well Platform**

### **2.1.1 Construction of the WHP**

Development of the WHP will entail constructing the CGS in a purpose-built graving dock. A review of potential onshore CGS construction sites on the Island of Newfoundland was undertaken and Argentia was identified as the most suitable location for the construction of the CGS. The graving dock will have reinforced concrete gates for the construction of the CGS. The graving dock will have reinforced concrete gates that will allow future re-use of the facility. The graving dock gates will be comprised of

two gates, each 27.5 m high, 72 m wide and 30 m thick. The gates will sit on a concrete sill and will connect to gravity-based abutments that step up the side of the casting basin slope. Figure 2-4 is an illustration of the proposed graving dock.



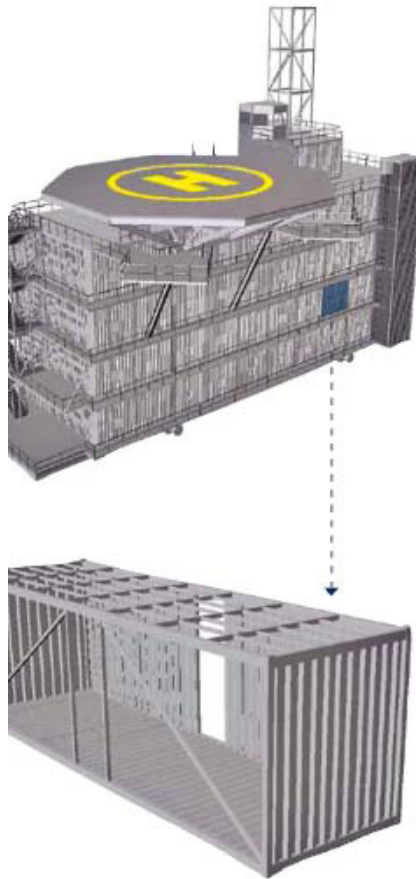
**Figure 2-4 Proposed Graving Dock with Dock Gates**

Following construction, the CGS will be towed and placed in the western portion of the White Rose field. The current schedule is for the CGS to be towed to the field and ballasted in place in 2017. It is anticipated that installation of the supporting subsea infrastructure will also take place in 2017. The topsides will be installed by a specialized platform installation vessel and hook up and commissioning will be completed in 2017.

The WHP will be connected to the *SeaRose FPSO* via new subsea facilities and modifications to existing equipment. The subsea infrastructure will include two production flowlines, one water injection flowline, one gas supply flowline, and one control umbilical. The production flowlines will be tied into the existing CDC production flowlines (connected to the *SeaRose FPSO*). The water injection flowline will be tied into the manifold in the CDC and gas supply will connect to the WHP tee module that was installed as part of the 2013 SWRX construction program.

Topsides construction will take place in an established fabrication yard to be identified through an international competitive bidding process. The living quarters on the WHP will be comprised of a series of light-weight modular boxes of standard size. It is anticipated that these modular boxes will be fabricated in Newfoundland and Labrador and shipped to the topsides fabrication yard for assembly and integration into the topsides structure.

Figure 2-5 shows an example of the modules that will comprise the living quarters on the WHP.



**Figure 2-5      Modular Accommodation Box Comprising the Living Quarters on the WHP**

It is also anticipated that additional components of the topsides, specifically the helideck, flare boom and life boat stations, will be fabricated in Newfoundland and Labrador for integration into the topsides structure.

### **2.1.2 Operations**

The primary function of the WHP will be drilling and completions. All well fluids gathered at the WHP will be transported to the *SeaRose FPSO* for processing, storage and offloading. Persons on board (POB) the WHP will be a maximum of 144 during operations. Services currently used by other Husky facilities will also be required on the WHP, including support/supply vessels, helicopter services, medical services, catering and weather observation.

## **2.2 Project Schedule**

Figure 2-6 outlines the proposed WREP development schedule.

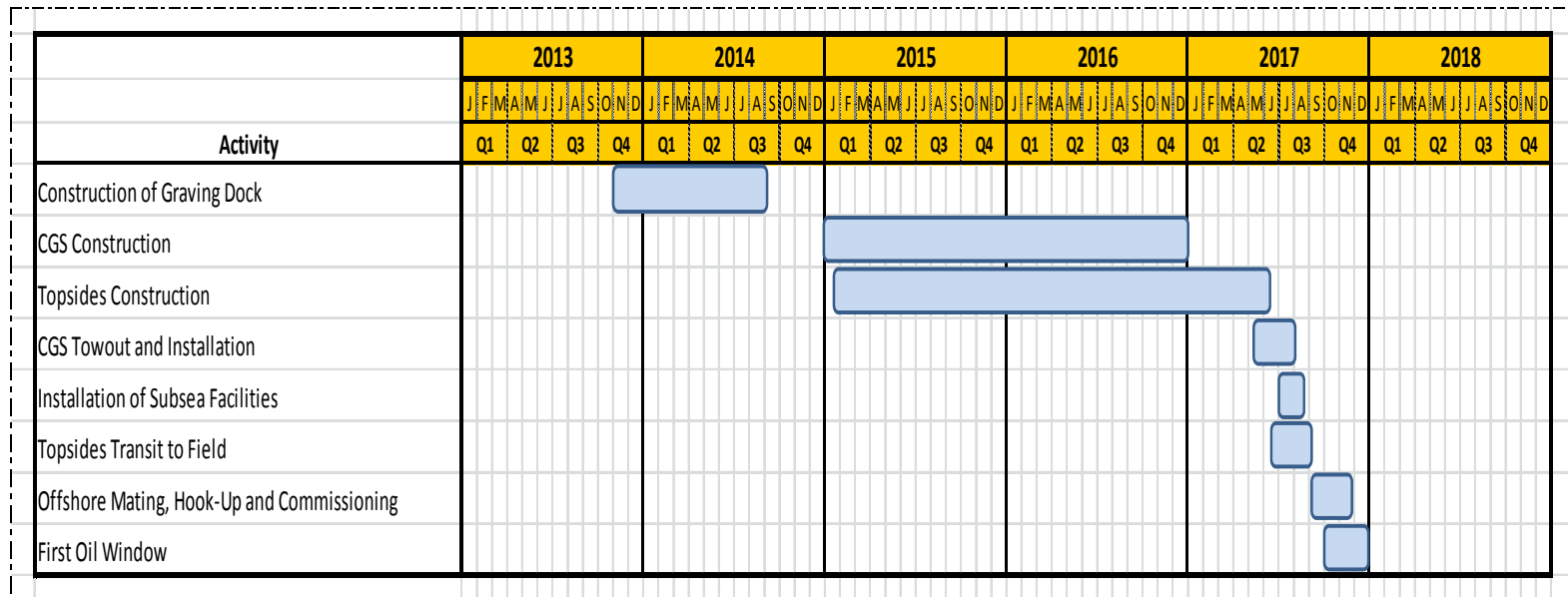


Figure 2-6 WREP Development Schedule

## **2.3 Employment and Industrial Benefits Overview**

Development of the WREP will provide significant employment and industrial benefits to Newfoundland and Labrador residents. It is estimated that over 5 million person hours of employment will take place during the engineering and construction phases of the WREP. During operations, it is estimated that over 18 million person hours will be expended through WHP and *SeaRose FPSO* operations.

The WREP will also create indirect economic benefits, including employment and business for those companies providing goods and services during WREP construction and operations. Induced benefits of the WREP will come from spending by direct and indirect employees, providing new sources of government revenue.

### **3.0 MANAGEMENT OF INDUSTRIAL BENEFITS**

Husky recognizes that the Atlantic Accord Implementation Acts provide the legislative basis for the development of the oil and gas resources offshore Newfoundland to benefit Canada as a whole and, in particular, the Province of Newfoundland and Labrador. The Atlantic Accord Implementation Acts also recognize the right of the province to be the principal beneficiary of the oil and gas resources off its shores. Husky strongly believes in this assertion, and the success of the White Rose and North Amethyst projects are evidence of its commitment to delivering substantial benefits to the Province of Newfoundland and Labrador.

The policies and procedures outlined in the original White Rose Benefits Plan are still relevant and will remain unchanged as the company pursues other opportunities in the Newfoundland offshore area. This governing document is also aligned with Husky's premise in 2000 that production facilities can be designed to accommodate multi-pool or expanded development concepts.

Husky has in place a robust procurement and contracting process that ensures full and fair opportunity for Canadian companies to provide goods and services, with first consideration to Newfoundland and Labrador companies on a competitive basis. Canada-Newfoundland and Labrador benefits will continue to be a factor in procurement. The Senior Industrial Benefits Advisor will continue to complete a Canada-Newfoundland and Labrador benefits review of potential contractors as part of the procurement process. The Manager of Administration and Regulatory Affairs, responsible for industrial benefits monitoring and reporting, reviews and signs off on all procurement plans and contract recommendations. Husky's expectations related to Canada-Newfoundland and Labrador benefits, including provision of full and fair opportunity and first consideration in procurement processes and first consideration to Newfoundland and Labrador residents for training and employment, will be made clear to Husky's contractors and they will be expected to have in place processes and procedures to ensure that Husky's Canada-Newfoundland and Labrador benefits requirements are met.

Early in the planning phases of the White Rose Development, Husky developed a *Canada-Newfoundland and Labrador Benefits Reporting and Procedure Manual* (Appendix A), which continues to guide how Husky and its contractors conduct business. The Canada-Newfoundland and Labrador Benefits Schedule (Appendix B) defines contractor requirements with respect to generating and documenting benefits associated with or resulting from the White Rose Project. This schedule is part of bid documentation and all contracts issued by Husky. The Manual and Schedule will continue to be used for the WREP.



This Benefits Plan Amendment also takes into consideration the 2013 White Rose Expansion Project Framework Amending agreement with the Government of Newfoundland and Labrador. During execution of the WREP, Husky will fulfill all commitments made in this agreement.

## **4.0 PROJECT MANAGEMENT AND EXECUTION**

### **4.1 Project Management**

Husky has identified Atlantic Canada as a core business area for the company. The project management team is located in Newfoundland and Labrador and has the responsibility for development plan execution and ensuring that all operations are conducted safely, in an environmentally responsible manner, and in accordance with all corporate policies and regulatory requirements. Husky, as the operator of White Rose, will manage the development of the WREP and subsequent operations. The operator's authority, role, responsibility and reporting requirements are outlined in the agreement in place between the project co-venturers.

Husky recognizes the maturity and experience of the engineering community within the Province of Newfoundland and Labrador and where possible, will endeavour to engage their services to assist in the execution of the WREP. Husky also commits to hiring engineering co-op students to work in the project office for the duration of the project. Husky recognizes that in Newfoundland and Labrador, registration with Professional Engineers and Geosciences Newfoundland and Labrador is mandatory for anyone practicing engineering or geoscience as defined in the *Engineers and Geoscientists Act, 2008*. Professional members licensed by Professional Engineers and Geosciences Newfoundland and Labrador are the only persons permitted by law to undertake and assume responsibility for engineering and geoscience work in the province of Newfoundland and Labrador.

All contractors who are engaged to carry out work on behalf of Husky will be managed from the project office and will be required to adhere to all benefits commitments. Instructions for Canada-Newfoundland and Labrador Benefits reporting are included in Husky's *Canada Newfoundland and Labrador Benefits Schedule*, which is issued to all contractors as part of the contract.

#### **4.1.1 Project Office**

The WREP will be managed from Husky's St. John's office. The project will be overseen by Husky's Vice-President of Development, who has overall responsibility for the project. Within Husky's Development Group there will be a Senior Project Manager for the graving dock and CGS construction, a Senior Project Manager for the topsides fabrication and a Senior Project Manager for the subsea aspects of the project. The Vice-President of Development is part of Husky's Atlantic Region Senior Management Team.

#### **4.1.2 Engineering Procurement and Construction**

Contractors and suppliers will be relied upon for major components of the project, including engineering and the construction and installation of the WHP and supporting subsea infrastructure. Husky will oversee the contractors and suppliers and manage the interfaces among them to promote success of the project and to ensure full compliance to regulatory standards.

Husky has completed front-end engineering and design (FEED) and is currently conducting detailed engineering for the graving dock and the WHP. ARUP Canada was selected through a competitive bid process to conduct pre-FEED, FEED and detailed design work on the CGS and the graving dock at Argentinia. Mustang/PSN was contracted to complete pre-FEED, FEED and detailed design for the WHP topsides.

The planned contracting strategy for construction is to award five major contracts.

##### ***Graving Dock Construction***

Following a competitive bid process, the contract for this scope of work was awarded to Dexter Construction Company Limited. Construction of the graving dock at Argentinia began in November 2013.

##### ***CGS and Dock Gates Construction***

Through a pre-qualification process, three respondents have been selected to bid on CGS and dock gates construction. It is anticipated that the invitation to bid for this scope of work will be issued in Q2 2014.

##### ***Topsides Fabrication***

A pre-qualification process for topsides fabrication was initiated in October 2013. Responses to the pre-qualification request were received in December 2013 and are currently under review. It is anticipated that the invitation to bid for topsides fabrication will be issued in Q2 2014.

##### ***Offshore Transportation and Installation***

Preliminary planning for this scope of work is ongoing. It is anticipated that this contract will be awarded in Q4 2014.

##### ***WHP Subsea Tieback***

Preliminary planning for this scope of work is ongoing. It is anticipated that an invitation to bid will be issued in Q2 2014.

The selected contractors will be responsible for subcontracting all required goods and services for each of the above scopes. Contractors and subcontractors will be expected to adhere to Husky's benefits and diversity commitments. Specifically, the successful topsides contractor will be required to procure flare boom and life boat stations from fabrication companies in Newfoundland and Labrador. Husky plans to begin the procurement process for the modular accommodation boxes and helideck components. These components will also be fabricated in Newfoundland and Labrador.

#### **4.1.3 Operations Organization**

The WHP will be integrated into Husky's current operations organization. The existing organization has all functions necessary for operations, including: drilling and completions; subsurface; production operations; marine operations and logistics; health, safety, environment and quality; procurement; contracting; benefits monitoring and reporting; and regulatory affairs.

#### **4.2 Diversity**

Consistent with the approved WREP Diversity Plan (2013) and the initiatives therein, Husky will ensure that proactive measures are in place to support the increased participation of under-represented groups (women, Aboriginal persons, persons with disabilities, visible minorities) in the development and operational phases of the project.

#### **4.3 Supplier Development**

Husky and its contractors were involved in many proactive supplier development initiatives during the White Rose Project and will continue with similar initiatives for the WREP. Bid lists for contracts and quarterly forecasts will be advertised on the Husky project website and/or its major contractor's project websites. Expressions of interest and Requests for Bids/Quotations will also be advertised on these websites as well as in the Newfoundland and Labrador Oil and Gas Industries Association Bulletin.

Husky commits to holding supplier development information sessions during the project to provide the local business community with an opportunity to learn about procurement opportunities. Husky's main sub-contractors will also be involved in similar activities, including advertising of all procurement opportunities on a timely basis. Where possible, Husky will identify areas where there may be a potential for technology transfer and work with the local business community, governments and educational institutions to explore and develop these opportunities.

#### **4.3.1 Identification of Supply Gaps and New Opportunities**

Husky is committed to helping identify commercial opportunities for suppliers through helping them understand what is required to be competitive (i.e., meeting safety and quality requirements) and by assisting them, as appropriate, to develop the required processes, particularly regarding safety.

Husky will continue to request benefits-related information through its Benefits Questionnaire, which must be completed by all companies responding to requests for quotes on all contracts valued at greater than \$250,000. Aspects covered in the questionnaire include plans for identifying and informing Newfoundland and Labrador and Canadian suppliers of goods and services of the opportunities related to the contractor's contracts.

#### **4.3.2 Technology Transfer**

Husky continues to be committed to the transfer of technologies to the local oil and gas community. Through its contracting activity and the efforts of its major contractors, Husky will continue to identify and capitalize on technology transfer opportunities that will yield long-term benefits to the community.

For the WREP, Husky and its major contractors will publish select bidders lists to allow local companies to identify potential partners. Husky will also continue to request information on policies and initiatives related to technology transfer in its Benefits Questionnaire for contractors and will support local contractors in identifying technology transfer opportunities.

Husky is a major supporter of research and development (R&D) initiatives in the Atlantic Region and will continue to look for opportunities to engage and support local companies in the execution of project-based R&D.

#### **4.4 Procurement and Contracting**

To date, procurement and contracting activities have been conducted consistent with the strategies employed on the original White Rose Development and that are described in Husky's *Canada-Newfoundland and Labrador Benefits Reporting and Procedure Manual*. Husky intends to continue to ensure bid specifications and packages are released to the business community on a timely basis and structured in a manner that will enable broad participation. Procurement offices of Husky and its contractors will be located in Newfoundland and Labrador.

All contractors will be provided with Husky's *Canada-Newfoundland and Labrador Benefits Reporting and Procedures Manual* and *Canada-Newfoundland and Labrador Benefits Schedule* and briefed to ensure they understand Husky's commitments and obligations.

#### **4.4.1 Procurement and Contracting Related to Existing Services**

A number of Husky contracts awarded for the development and production phases of White Rose and North Amethyst will be carried over during development and operations of the WREP. Going forward, as contracts/services are bid or renewed, the support of the WHP will be included in the scope of these services. In this context, the following is a description of some of these anticipated carry over services.

##### **4.4.1.1 Marine Support Vessels**

Husky's contractor(s) of supply/support vessel contracted by Husky at the time that WHP operations begin will be used to support the offshore installation, commissioning and operations associated with this project.

##### **4.4.1.2 Helicopter Support**

Helicopter support based in the St. John's area will be required during the offshore installation, commissioning and operations phases of the WREP. Husky's contractor at the time that WHP operations begin will continue to provide helicopter support to service Husky's requirements on the WHP.

##### **4.4.1.3 Shorebase Facilities**

Shorebase facilities will be required to support WREP activities offshore. Once the WHP is installed offshore, the port facilities of the contractor Husky has in place at the time that WHP operations begin will provide office space, crane support, bulk storage and consumable (fuel, water) storage and delivery capability.

##### **4.4.1.4 Warehouse Facilities**

Warehouse facilities will be provided by Husky's contracted warehouse provider and existing contractors as required.

##### **4.4.1.5 Voice and Data Communication Services**

Voice and data communications for the WHP will be integrated into Husky's field-wide communication system.

#### **4.4.2 Procurement and Contracting Related to WREP Activities**

As noted in Section 4.3, Husky intends to ensure bid specifications and packages are released to the business community on a timely basis and structured in a manner that will enable broad participation. All project-related procurement will be managed locally.

As part of the procurement process, WREP contractors will be required to communicate requirements for equipment, goods and services in a timely fashion to qualified suppliers in Newfoundland and Labrador and Canada. In this respect, major contractors will be required to demonstrate that they have made sufficient efforts to identify potential Canadian suppliers.

Initially, a project website, accessible through Husky's corporate website, will be the source of information for the supply community. Husky will bid contracts for graving dock construction, CGS/dock gates construction, topsides fabrication, marine installation and subsea tieback. Once these contracts have been issued, the successful contractors will establish project-specific websites that will provide information on sub-contracting opportunities related to the construction activity. Procurement information that will be available on the websites will include dates for submission of expressions of interest and/or invitations to bid as well as the outcome of those processes.

All contractors for the WREP will be required to comply with all of the commitments made in the *White Rose Expansion Project Framework Amending Agreement* and will be required to formally acknowledge that they are aware of the requirements in the agreement.

#### **4.5 Employment and Training**

With respect to training and employment opportunities, Husky and its contractors remain committed to the principle of first consideration for residents of the Province of Newfoundland and Labrador. Husky will maximize, to the extent possible, the number of Newfoundland and Labrador and other Canadian residents employed on the project. The project office will be located in St. John's and recruitment will be carried out locally. When qualified Newfoundland and Labrador or Canadian residents are unavailable to fill certain positions, succession plans will be established whenever possible to qualify local residents to eventually fill positions held by expatriates, particularly for operations positions. Husky will continue to employ work term students from Memorial University and other local educational facilities to support the project team.

#### **4.6 Skills Development**

Husky has also been a long-time supporter of Memorial University's Cooperative Education Program and has provided meaningful work term opportunities for students in both the engineering and business faculties. In 2013, Husky employed 89 work term students. A number of these students are eventually hired on full time, with some of them accepting employment at other Husky offices outside Newfoundland and Labrador. In 2012, Husky established an Engineering Graduate Program. Through the program, new graduates are able to gain hands-on exposure to different disciplines within Husky by completing six-month work assignments in the first two years. Employees choose their top four areas of interest and they are then placed throughout the company in a

variety of locations. Available areas for placement include Field Operations, Plant Operations, Functional Departments and Asset Management. After two years, employees prepare their career development plan with the help of a mentor. Following this, employees are placed into a series of three two-year job rotations that align with their Career Development Plan.

Husky, as well as many of the White Rose contractors, continue to undertake specific initiatives to promote skills development including participation in the Techsploration program sponsored by Women in Resource Development Council, the Women in Science and Engineering Student Education Employment Program and participation on the Petroleum Industry Human Resources Committee, which promotes the oil industry as a viable career option to high school students. Husky also provides funding and volunteers for Junior Achievement's Economics of Staying in School program, which communicates the value of staying in school to grade nine students.

Husky will work in collaboration with the provincial government, education and training institutions, unions and project contractors to identify skilled trade areas that are in short supply and to work in collaboration with the provincial government, education and training institutions, unions and project contractors to develop programs and strategies for closing those gaps.

For non-apprenticed trades and skills, where programs are not in place, Husky will work in collaboration with these same stakeholders to develop new short-term training programs to ensure the immediate needs of the project are met through the local work force.



## **5.0 INDUSTRIAL BENEFITS OPPORTUNITIES – CONSTRUCTION PHASE**

### **5.1 Construction and Fabrication Requirements**

#### **5.1.1 Graving Dock Construction**

The CGS will be constructed in a purpose-built graving dock at Argentia, NL. The graving dock will have reinforced concrete gates that will allow future re-use of the facility.

The graving dock can be used for future construction of jackets and gravity based structures for offshore oil and gas, wind and marine energy sectors as well as ship/vessel building, repair and maintenance (including mobile offshore drilling units (MODUs) and jack-ups) and decommissioning and dismantling of offshore and marine facilities. Future management of the facility may be done by Husky or by the Argentia Management Authority. Husky also has the ability to lease the facility to a third party.

In the future, also from a R&D perspective, the facility can act as a stepping stone between smaller-scale model testing and more complex and expensive offshore field technology trials. Investigations could include glacial ice interactions, marine soils and geotechnical investigations, marine growth and marine corrosion mechanisms and mitigations and wet testing of prototype subsea processing technologies.

Construction of the graving dock gates will be included in the contract for construction of the CGS. The overall construction site area is approximately 20 hectares. Development of the site will require general excavating, grading and dewatering activities. The use of existing access roads, power and water supplies will be maximized. Roads will be extended into the site and existing roads will be repaired as required. Similarly, overhead power lines will be extended into the site and fed to a site distribution system.

#### **5.1.2 Concrete Gravity Structure**

The contractor responsible for the construction of the CGS will establish site infrastructure in accordance with an approved execution plan. Site facilities including temporary buildings will be established to support the construction program.

Potential support facilities include primary and secondary concrete batching plants, offices, mess hall, medical clinic, temporary sheds, lay down areas and storage areas. The construction site will be fully fenced with a security-controlled entrance. All buildings will be temporary and set on concrete sleepers or trailers above ground.

The CGS will be constructed in the dry, meaning the concrete substructure will be completed in the graving dock prior to tow out to a deep-water site for topsides mating. The primary materials for CGS construction are cement, sand, gravel and steel rebar for

the concrete, and structural steel and pipe for the fitting out of the shaft. The current estimate for the required volume of concrete is approximately 72,000 m<sup>3</sup>. Aggregate will be sourced from an existing quarry in Newfoundland and Labrador.

The single shaft of the CGS will contain all the mechanical components for WHP. The shaft will contain J-tubes to house flexible risers for the connection of the facilities to the existing *SeaRose FPSO*, drilling conductor guide frames, caissons for fire water pumps, sea water recovery, treated sewage water disposal, water-based drill cuttings discharge and access within the shaft. It is expected that most mechanical outfitting components will be fabricated in Newfoundland and Labrador (refer to Table 5-1).

**Table 5-1 Procurement Opportunities - WREP**

Major Equipment Packages	Potential Supplier Locations		
	Newfoundland and Labrador	Other Canada	Foreign
<b>Graving Dock Construction</b>			
Road upgrading	X	X	
Water supply connection	X	X	
Power supply connection	X	X	
Concrete batch plant		X	X
Supporting buildings (offices/mess/medical clinic/temporary sheds)	X	X	
Site excavation	X	X	
Berm construction	X	X	
Cut-off wall installation		X	X
Spoils disposal	X	X	
Pumps (site dewatering)	X	X	X
Settling pond	X	X	
Fencing	X	X	
Site security	X	X	
Diesel fuel	X	X	
Waste disposal	X	X	
<b>CGS Construction</b>			
Cement	X		
Aggregate and add mixtures	X		
Rebar	X		
Fabrication of structural steel	X		
Caisson and embedment plates	X	X	
Dewatering pumps	X	X	X
Tower and luffing cranes		X	X
Jibb cranes		X	X
Heavy duty crawler cranes	X	X	
Personnel and material hoists		X	X
Slipforms	X	X	X
Magnetite ballast	X	X	
Conductor guide frames	X	X	
Ladder tower	X	X	
Vertical pipe guides	X	X	
Caisson roof false work	X	X	
Cap slab false work	X	X	

Major Equipment Packages	Potential Supplier Locations		
	Newfoundland and Labrador	Other Canada	Foreign
Fabrication of risers and J-tubes	X	X	
Seawater inlet and ballast manifolds	X	X	
Dill cutting shutes	X	X	
Pipework clamps and guides	X	X	
<b>Topsides Fabrication</b>			
Accommodation modules	X		
Helideck	X		
Flare boom	X		
Life boat stations	X		
<b>CGS Tow Out and Topsides Integration</b>			
Tow out channel dredging			X
Berm removal			X
Tow out tugs	X	X	X
Platform installation vessel			X
Accommodation vessel		X	X
Assistant tug	X	X	
Supply vessel	X	X	
Diesel fuel	X	X	
<b>WHP Tow Out, Hook up and Commissioning</b>			
Tow out route survey	X	X	
Tow out tugs			X
Flowlines, risers, umbilicals			X
Solid Ballast	X	X	X
Dive Support vessel			X
Construction vessel			X
Custom brokerage	X	X	
Diesel fuel	X	X	

Appendix C illustrates the shaft mechanical outfitting for both process and utilities functions. Figure 5-1 is an illustration of the completed CGS situated in the graving dock, prior to tow out.



**Figure 5-1 Proposed CGS**

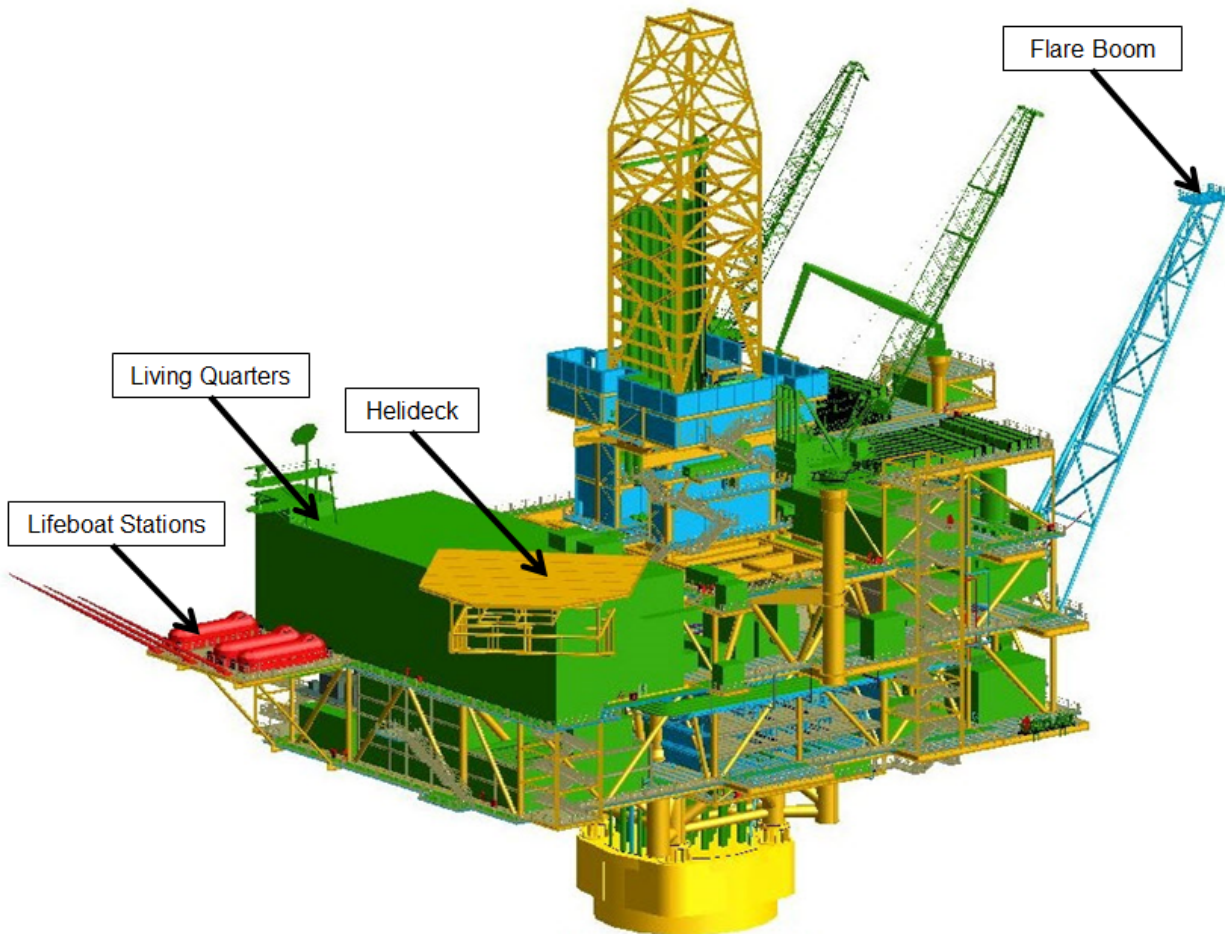
### **5.1.3 Topsides**

The topsides is an integrated structure that consists of drilling facilities, wellheads and support services, including accommodations for up to 144 persons, utilities and a helideck. Topsides construction will take place in an international fabrication yard identified through a competitive bidding process. It is anticipated that the following components of the topsides will be fabricated in Newfoundland and Labrador and shipped to the topsides fabrication yard for integration into the topsides structure:

- Modular accommodation boxes
- Helideck
- Flare boom
- Life boat stations.

Figure 5-2 is an illustration of the proposed topsides.

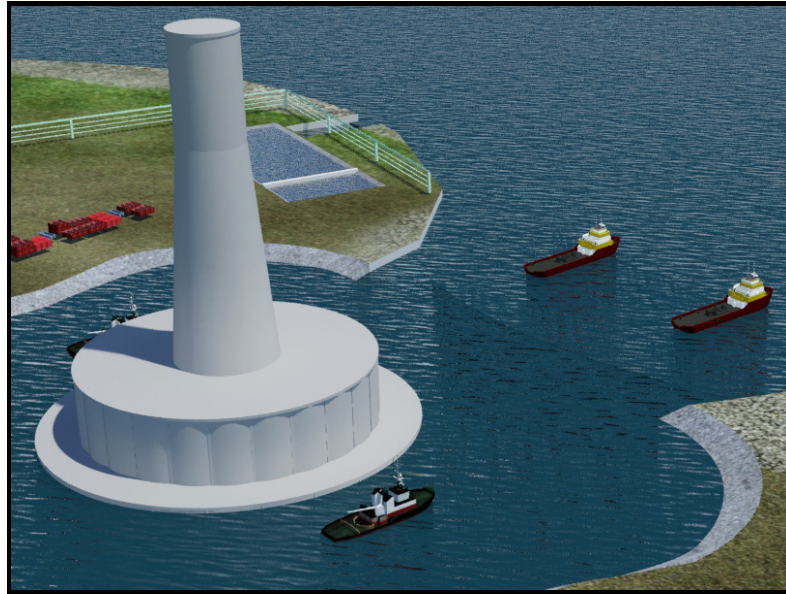
Upon completion of fabrication and commissioning work, the topsides structure will be transported to the White Rose field.



**Figure 5-2 Proposed Topsides**

#### **5.1.4 Marine-Related Activities and WHP Installation**

Upon completion, the CGS will be towed from Argentina to the White Rose field. Some shoreline and channel dredging will be required along the tow route. It is anticipated that four tugs will be used for the transit of the CGS. Once the CGS is on location and ballasted, the topsides will be installed by a specialized platform installation vessel and hookup and commissioning will be completed. There will be an accommodation vessel for the estimated 100 workers engaged in final hook up and commissioning activities. Logistical support will be provided by vessels from the Port of St. John's. Figure 5-3 is an illustration of the CGS being towed from the flooded graving dock.



**Figure 5-3 CGS Tow from Graving Dock**

#### **5.1.5 Subsea Components**

Offshore the WHP will be connected to the *SeaRose FPSO* via flowlines for production, water injection and gas. The flowlines will be installed by a specialized installation vessel. Tie-in to the WHP risers and to the existing manifolds will be completed by divers deployed from a specialized diving support vessel.

### **5.2 Construction and Fabrication Capacity**

Newfoundland and Labrador and Atlantic Canada have a range of facilities available for major construction and fabrication work. Through work on previous offshore oil projects, as well as on mining and other types of developments, the construction and fabrication capacity in Newfoundland and Labrador has greatly increased over the last few decades.

Construction of the graving dock at Argentia and construction of the CGS will require a suite of civil construction skills. Companies that provide heavy civil construction management and construction services include:

- Pennecon Heavy Civil Ltd.
- HJ O'Connell Construction Ltd.
- Trident Construction Ltd.
- SNC Lavalin
- Dexter Construction Co. Ltd.

- Peter Kiewit and Sons Ltd.
- RJG Construction Ltd.

There are currently only two fabrication yards that are large enough to fabricate topsides modules such as derrick equipment sets and drilling support modules. These yards are the Bull Arm site at Mosquito Cove and the Kiewit Offshore Services site at Marystown. Both of these yards are currently under contract to the Hebron project for construction of topsides components associated with that project. Kiewit Offshore Services has indicated that they do not have the capacity to build any additional structures outside of those currently identified for the Hebron project. Similarly, the Bull Arm site has been exclusively contracted by the Hebron project and there is no opportunity for other projects to avail of this site while the Hebron project is being constructed there. A market survey has confirmed that there are fabrication facilities in Newfoundland and Labrador that have the capability and capacity to fabricate the modular accommodation boxes, helideck, flare boom and life boat stations. It is also expected that the majority of the CGS mechanical outfitting components can be fabricated in Newfoundland and Labrador.

Table 5-2 summarizes the Newfoundland and Labrador-based fabrication yards, contractors and laydown areas.

**Table 5-2 NL-Based Fabrication Yards, Contractors and Laydown Areas**

<b>Yard</b>	<b>Facilities</b>
NEWDOCK (St. John's)	Approximately 4,000 m <sup>2</sup> laydown area; fabrication and assembly of subsea template and manifold systems; OLS bases, access and accommodation barges and concrete batch plants.
M&M Offshore Ltd./Pennecon Energy (St. John's and Bay Bulls)	St. John's: 3,700 m <sup>2</sup> fabrication, service and warehouse area Bay Bulls: 800 m <sup>2</sup> of on-site warehouse space, on-site office space and fabrication facilities; approximately 60,000 m <sup>2</sup> of quayside lay-down space and two berths.
Orphan Industries (St. John's and Argentia)	2,700 m <sup>2</sup> facility, including machine shop and fabrication and production area; 20,000 m <sup>2</sup> of secure, fenced lay-down space.
D.F. Barnes (St. John's)	Machine and welding shops, overhead crane systems, forklifts, 2,500 m <sup>2</sup> of lay-down space.
NewTech Coatings (St. John's)	Industrial load test facility; 650 m <sup>2</sup> sandblast and paint facility; 1,600 m <sup>2</sup> . of secure and paved lay-down space.
Extreme East Rigging Services Ltd. (St. John's).	950 m <sup>2</sup> of manufacturing and warehouse space.

<b>Yard</b>	<b>Facilities</b>
Metal World Inc. (St. John's and Argentia)	Structural steel, piping and process systems, tanks, pressure vessels, offshore containers and on-site welding services.
GJ Cahill/North Eastern Constructors Limited (NECL) (St. John's)	Fabrication and assembly services.
Atlantic Hydraulic and Machine Ltd. (Corner Brook)	Hydraulic design and repair, machine work, welding and manufacture of marine and mechanical equipment; 560 m <sup>2</sup> work area, outside lay down area and dock
Port of Corner Brook	28,000 m <sup>2</sup> storage yard, two top lifts, high bay maintenance garage; 53 tonne capacity fixed pedestal crane.
Allstar Rebar (Paradise)	Rebar fabrication and the manufacture of welded wire mesh reinforcement.
Ameil Constructors Ltd. (Come by Chance)	1,500 m <sup>2</sup> fabrication facility; fleet of mobile cranes, boom trucks and other construction equipment.
AMEC Black & McDonald (St. John's)	Engineering and project management; construction and maintenance services
Bowringer Limited (Paradise)	Mechanical/electrical/fabrication
C&W Offshore (Mt. Pearl, Bay Bulls and Southern Harbour)	Mt. Pearl: 950 m <sup>2</sup> of production space and 3,000 m <sup>2</sup> of lay-down space. Bay Bulls: 2,000 m <sup>2</sup> of production space and 4,500 m <sup>2</sup> of lay-down space. Southern Harbour: 400 m <sup>2</sup> building and approximately 10,000 m <sup>2</sup> of laydown space.
Harris Rebar (Conception Bay)	Production of epoxy coated reinforcing steel, design and installation of concrete post-tensioning systems, supply and installation of wire mesh and concrete accessories.
Metal Manu-Works (Grand Bank)	Steelworking, welding and fabrication; 400 m <sup>2</sup> shop and a lay down yard.
Talon Energy Services (Mt. Pearl/Port aux Basques)	Personnel, engineering, fabrication, fabric maintenance, construction, commissioning and maintenance services.
Pennecon Energy (Stephenville)	Mechanical, electrical, instrumentation construction; fabrication and maintenance services.

The schedule provided in Figure 2-6 (Section 2.2) shows the period of construction activities related to the WREP. This timeframe overlaps with the construction period of the Hebron project. It is for this reason that Husky made a decision to build a new graving dock for construction of the CGS, since there is no other potential site available in Newfoundland and Labrador during the scheduled construction period. It is anticipated



that Newfoundland and Labrador and Canadian-based civil construction firms will bid on the contracts for CGS construction.

### **5.3 Goods and Services Requirements**

It is anticipated that certain WREP goods and services will be provided by Newfoundland and Labrador-based companies, particularly during graving dock construction, CGS/dock gate construction, appurtenances fabrication and activities related to topsides mating and offshore installation. The opportunities available to the local industry include earth moving equipment to build the graving dock, dewatering services, fencing, security and provision of on-site infrastructure. For CGS/dock gates construction, opportunities include provision of concrete, aggregate, rebar, fabricated assemblies and associated requirements. Fabrication of the accommodation modules, helideck, flare boom and life boat stations will provide opportunities for local fabrication companies. During topsides mating, support of personnel offshore will be required. This will include catering, medical services and fuel for the accommodation and support vessels.

Certain requirements will be manufactured and sourced outside of Newfoundland and Labrador, including flowlines and other subsea support equipment. Installation of the subsea components to support the wellhead platform will be done by specialized vessels. However, there will be short-term employment opportunities for qualified Newfoundland and Labrador and Canadian personnel on these vessels during the installation program. Note the opportunities identified in Table 5-1 do not consider the availability of facilities during the timeframe required.

As noted in Section 3.0, in procurement processes Husky commits to providing full and fair opportunity to Canadian companies, with first consideration to Newfoundland and Labrador companies on a competitive basis. As part of Husky's benefits agreement with the Province of Newfoundland and Labrador, it is expected that the topsides appurtenances referenced above will be fabricated in the province.

### **5.4 Goods and Services Capacity**

Many Newfoundland and Labrador firms have gained offshore development experience working on the Hibernia, Terra Nova, White Rose and North Amethyst projects. Although much of the work has been undertaken by large international firms that have established offices in the province, in other cases, these firms have entered into joint ventures or partnerships with local engineering firms.

Table 5-3 summarizes the larger established firms that provide services to the Newfoundland and Labrador offshore oil industry.

**Table 5-3 NL-Based Companies Providing Services to the Offshore Oil Industry**

<b>Company</b>	<b>Services Provided</b>
ACCENT Engineering Consultants Inc.	Multi-disciplinary engineering, environmental and project management services
Subsea 7	Subsea umbilical, risers and flowlines, inspection, maintenance and repair and conventional field development.
Aker Solutions	Project management, design, construction, maintenance and operational support to offshore/ onshore oil and gas production facilities.
Kvaerner	Engineering and construction, process technology
AMEC Americas	Engineering and project management services
Hatch Inc.	Engineering design, planning and project management services
IMV Projects Atlantic (Wood Group)	Project management, engineering, procurement and construction management
Oceaneering Canada Ltd.	Marine engineering, subsea and remotely operated vehicle services
Production Services Network Canada Inc.	Engineering, procurement and construction, maintenance management and execution, hookup, commissioning, and start-up, asset management and optimization.
SNC Lavalin/BAE Newplan	Engineering, procurement and construction management
Technip Canada (TCL)	Engineering, technologies, products and services
Worley Parsons	Engineering, procurement and construction management

## 5.5 Labour Requirements

Offshore development activity generates both direct and indirect employment opportunities. For the WREP, employment opportunities will be realized through construction of the graving dock and dock gates at Argentia, construction of the CGS and some components of the topsides facilities. The location of engineering and project management in the province will provide opportunities for engineers and technicians as well as other office support staff.

It is estimated that over 5 million hours of employment will take place in Newfoundland and Labrador during the engineering and construction phase of the WREP. This includes detailed design, graving dock construction, CGS construction, subsea components, marine installation and project management. Appendix D provides a preliminary estimate of the Newfoundland and Labrador hours (by National Occupational Classification (NOC)) associated with completion of the WREP (excluding marine installation operations and subsea components; these scopes have not yet been defined to that

level of detail because they are further out on the execution schedule). Also provided in Appendix D is an estimate of the craft numbers required to execute the construction phase at Argentia, including the peak demand period.

The construction phase of the WREP is going to require a wide range of skill sets. For graving dock construction, the following types of skills will be required:

- Electrical trades
- Machinery and transportation equipment mechanics
- Crane operators and drillers
- Motor vehicle and transit drivers
- Heavy equipment operators
- Trades helpers and labourers.

CGS/dock gates construction will require the following types of skills:

- Ironworkers
- Concrete finishers
- Electrical trades
- Plumbers, pipefitters and gas fitters
- Carpenters and cabinetmakers
- Machinery and transportation equipment mechanics
- Other mechanics and related repairers
- Crane operators and drillers
- Motor vehicle and transit drivers
- Heavy equipment operators
- Trades helpers and labourers.

Fabrication of the topsides appurtenances will require the following types of skills:

- Iron workers
- Pipefitters
- Painters
- Construction inspectors
- Carpenters
- Electrical trades
- Plumbers
- Trades helpers and labourers.

Other skills required to support the WREP construction phase include:

- Contract analysts
- Procurement specialists
- HSE specialists
- Document control specialists
- Medics
- Security
- Project controls specialists
- Estimators
- Project planners
- Administrative assistants
- Engineers (electrical, chemical, geological, civil, mechanical, petroleum)
- Architects.

Total person hours for the construction phase of the WREP are estimated to be 8,138,000. The number of hours estimated to be executed in Newfoundland and Labrador is 5,454,000. Table 5-4 outlines a breakdown of these estimated person hours required for graving dock, CGS/dock gates construction and topsides appurtenances fabrication in Newfoundland and Labrador (note numbers have been rounded to nearest 1,000).

**Table 5-4 NL Person Hours for Construction of the WREP**

Activity	NL Person Hours
<b><i>Engineering</i></b>	
FEED engineering	74,000
Graving dock	8,000
Gates	42,000
CGS and mechanical outfitting	254,000
Living quarters module	45,000
Marine	92,000
Integrated drilling and utilities module	23,000
Husky project management	631,000
<b><i>Total Engineering and Project Management</i></b>	<b>1,169,000</b>
<b><i>Construction/Fabrication</i></b>	
Graving dock	347,000
Gates	300,000
CGS and mechanical outfitting	3,146,000
Flareboom	23,000

Activity	NL Person Hours
Helideck	26,000
Life boat stations	26,000
Living quarters module	128,000
<b>Total Construction and Fabrication</b>	<b>3,996,000</b>
<b>Other</b>	
Marine operations	289,000
<b>Total</b>	<b>289,000</b>
<b>Total NL Engineering and Construction Hours</b>	<b>5,454,000</b>

## 5.6 Labour Relations

Husky considers labour relations critical to the success of the WREP. Husky recognizes that its contractors for graving dock and CGS construction will have the direct relationship with the applicable labour organization(s) as well as the expertise to manage labour relations during construction. As a result, Husky's approach will require its main contractors to be directly responsible and accountable for labour relations during construction. With this approach, Husky has the following expectations of its main contractors:

- Create a positive labour relations environment that will drive high levels of productivity while mitigating or eliminating labour risks associated with major project work
- Shape and drive a positive and proactive labour-management relationship that is focused on practical solutions to ensure labour stability
- Secure access to an appropriate labour supply, while maintaining acceptable levels of productivity and labour costs.

As a result of its approach and expectations, Husky must be assured by its main contractors that they have the capability to manage labour relations during construction. As part of the bid process, bidders will be required to complete a comprehensive Labour Relations Questionnaire that is to be included with their bid package.

Husky's main contractors will be responsible for collective agreements that may be required for WREP construction. A Special Project Order under the provincial *Labour Relations Act* is not necessary for the WREP and therefore the main contractors will require appropriate labour relations framework(s) to be in place for WREP construction.

Husky will ensure that its main contractors include language in any collective agreement(s) for WREP construction that complies with Section 45(3)(b) of the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act* and the WREP Project Framework Amending Agreement. Likewise, Husky will ensure that in the event a collective agreement(s) may apply to WREP operations in

the future, it will include language that complies with Section 45(3)(b) of the *Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act* and the WREP Project Framework Amending Agreement.

As part of its approach to meet with key stakeholders of the WREP, Husky met with representatives of the Newfoundland and Labrador Building and Construction Trades Council and the Resource Development Council to answer their questions and solicit their feedback on the Project. Husky will continue to meet periodically with these organizations to update them on the progress of the WREP and to seek their input.

A human resources plan will be developed prior to the start of CGS construction.

## **5.7 Labour Capacity**

The skill sets noted in Section 5.5 were also required for construction of the Vale Inco nickel processing plant in Long Harbour. This construction program will be winding down when Husky anticipates start of graving dock construction. Therefore, there will be a pool of workers that can move from the Vale Inco site to the Argentia site.

Work on the Hebron project and the Lower Churchill project will also be getting underway in the same timeframe and these projects will require some of the same skills sets required by Husky for CGS construction. However, the workforce that will be required for the WREP is significantly smaller than that required for both the Long Harbour and Hebron construction projects. Husky is confident that the required workers will be sourced through collaboration with our contractors and the relevant trade unions.

Where specific skill development is required to meet Project needs, Husky and its contractors and suppliers will work with educational institutions, industry and other stakeholders to facilitate the delivery of training to residents of Newfoundland and Labrador, including members of designated groups. Training may include regulatory/safety, technical, competency and leadership training, and will be delivered through various means including on the job training and apprenticeships.

## **5.8 Construction Phase Content Estimate**

Approximately 68 percent of the person hours associated with development of the project will take place in Newfoundland and Labrador, including graving dock construction, CGS/dock gates construction, topsides appurtenances fabrication, supporting subsea infrastructure, marine installation and project management.

The preliminary calculation of project-related expenditures in Newfoundland and Labrador is estimated to be 62 percent (this does not include development drilling, which is considered part of operations). Approximately two percent of project-related expenditures will occur in other places in Canada.

Labour represents approximately 52 percent of the project-phase expenditures and purchase of materials represents approximately 48 percent of project-phase expenditures.

## **6.0 INDUSTRIAL BENEFITS OPPORTUNITIES - OPERATIONS PHASE**

Production from the WHP will be tied back directly to the *SeaRose FPSO*. New opportunities associated with the production operations of the WREP will relate primarily to additional personnel required for operations on the WHP as well as subsea inspection and maintenance associated with subsea lines.

### **6.1 Goods and Services Requirements**

Goods and services required on the WHP will be similar to those required on MODUs currently operating in the Jeanne d'Arc Basin. The goods and services required for the WHP during operations will be additive, since it is anticipated that a MODU will still be required in the field for substantial periods to support the development and maintenance of existing and any future subsea drill centres, as well as for drilling of exploration wells.

The following goods and services are anticipated to be required during WHP operations:

- Drilling contractor
- Drilling services (coring, well testing, tubulars, casing, slickline, coiled tubing, logging, solids control and well fluids, well bore cleanout, cementing, drilling tools)
- Engineering, procurement and construction and maintenance campaign support
- Telecommunications
- Independent verification services
- Accommodation services
- Maintenance services (fire safety equipment, crane, lifesaving appliances, rotating equipment, turbines)
- Condition monitoring and inspection services
- Medical services
- Helicopter services
- Supply and support vessels
- Waste management
- Weather forecasting
- Ice management
- Personal protective equipment
- Laboratory supplies.



Development of the WREP will allow the *SeaRose FPSO* to maintain production for additional years and thereby ensure that the present demand for goods and services to operate that facility will also continue.

The WREP will provide continued opportunities for companies that currently provide services as well as for new companies entering the market place.

## **6.2 Goods and Services Capacity**

Since offshore production began in 1997, there has been a significant increase in the capacity and capability of Newfoundland and Labrador companies to provide operational support to offshore projects. As well, many of the goods and services that will be required by the WREP in the operations phase are already being provided to Husky for its current operations.

## **6.3 Labour Requirements**

Extension of the production plateau on the *SeaRose FPSO* due to the WREP will result in a continuation of employment levels at peak for an additional five+ years. Currently, the steady state employment associated with the White Rose and North Amethyst operations is approximately 1,500 people, including direct Husky employees as well as contractors and subcontractors.

The WHP will have capacity for a maximum of 144 POB. This represents new employment for up to 288 persons, since the WHP will operate 24/7 with a rotation similar to that currently on the *SeaRose FPSO* and MODUs (three weeks on, three weeks off). Development drilling on the WHP is anticipated to require approximately 7.3 million person hours.

The operations phase positions are of long duration and represent career opportunities rather than short-term employment opportunities.

Following is a listing of the main anticipated positions on the WHP during operations:

- |                                 |                                    |
|---------------------------------|------------------------------------|
| • Offshore installation manager | • Drilling engineer                |
| • Drilling supervisor           | • Completions engineer             |
| • Toolpusher                    | • Completions equipment supervisor |
| • Driller                       | • Completions equipment technician |
| • Assistant driller             | • Cement pump operator             |
| • Derrickman                    | • Well intervention supervisor     |
| • Roughneck                     | • Datalogger                       |
| • Deck coordinator              | • Mudlogger                        |
| • Roustabout                    | • Chef                             |
| • Maintenance supervisor        | • Steward                          |
| • Senior mechanic               | • Well test supervisor             |
| • Rig mechanic                  | • Well test surface technician     |

- Electrical technician
- Assistant engineer/clerk
- Motorman
- Materials manager
- Crane operator
- Radio operator
- Medic
- QHSE specialist
- Logistics technician
- Geologist.
- Flare boom technician
- Well tester
- Electric line logging engineer
- Electric line winch operator
- Operations assistant/clerk
- Wellhead/tree technician
- Production supervisor
- Production operator
- Instrumentation technician

Table 6-1 outlines the estimated person hours associated with WREP operations (hours have been rounded to the nearest 1,000):

**Table 6-1 NL Person Hours for Operation of the WREP**

Operations (life of field, 38 wells)	Person Hours in NL
WHP Drilling	7,355,000
SeaRose FPSO Production and Operations*	11, 188,000
<b>Total NL Operations Hours</b>	<b>18,543,000</b>

\*Represents incremental hours as a result of the WREP

## 6.4 Labour Capacity

There will be greater lead time for filling operational positions than for construction phase positions. This will allow Husky to identify and address any labour shortages.

There is a substantial local labour force that has experience in seafaring and offshore petroleum operations, including drilling, and onshore support. As well, the Marine Institute, College of the North Atlantic and Memorial University have relevant training programs in place.

As has been realized with the existing White Rose project, it is anticipated that most of the operations phase labour requirements for the WREP will be met using Newfoundland and Labrador residents. More than 90 percent of Husky's current employees in the Atlantic Region are Newfoundland and Labrador residents.

## 6.5 Operations Phase Content Estimate

Based on current operational data, during the operations phase of the WREP it is anticipated that Newfoundland and Labrador content for expenditures will be in the range of 60 to 70 percent and employment will reach over 90 percent as operations become established.

## **7.0 PROJECT MONITORING AND REPORTING**

### **7.1 Monitoring and Reporting**

With respect to the collection and reporting of benefits (employment and expenditure) information, consistent with the White Rose Reporting and Procedure Manual, Husky will continue to work with its contractors to provide this information to regulatory agencies on a timely basis. Husky has been reporting person hours associated with WREP activities since October 2012. Person hours for the WREP are reported separately in the quarterly benefits report submitted to the C-NLOPB.

Husky will develop a project-specific website that will provide information regarding long lead procurement opportunities and other related project information. The major contractors engaged for construction of the WHP will also be required to have project-specific websites that identify all subcontracting opportunities, as well as information on bidders' lists and contract awards. Links to the contractor project websites will be placed on the Husky project website.

Forecasts of upcoming contracting and procurement opportunities for the development phase will be provided to the C-NLOPB in accordance with the applicable guidelines. Husky will also continue to adhere to the reporting requirements associated with any contracts designated for review by the C-NLOPB.

During the course of its operations in Atlantic Canada, Husky has developed systems for monitoring and reporting on Canada-Newfoundland and Labrador benefits. Standard questionnaires and forms have been developed for use by contractors and service providers. Calculation of Canada-Newfoundland and Labrador content has been incorporated into Husky's SAP financial systems, which allow for accurate and timely reporting of this information. Husky also has an established reporting system with its contractors through which data on head count and person hours are reported by location, discipline and gender. This reporting system will apply to the WREP.

Husky will continue to provide annual forecasts of procurement and contracting activity throughout the operations phase, including contract renewals or extensions.

### **7.2 Summary of Benefits Commitments**

The following is a summary of benefits commitments contained in this Benefits Plan Amendment:

- 1) Maximize benefits for the Province of Newfoundland and Labrador where practically and commercially achievable on a competitive basis and identify potential areas where Newfoundland companies and residents can participate in the WREP.

- 2) Locate the project office for the WREP in St. John's.
- 3) Project management and the majority of engineering work to take place in Newfoundland and Labrador, with the exception of detailed engineering design for the topsides. Consistent with the international nature of topsides fabrication, detailed engineering of the topsides is taking place in Houston, Texas.
- 4) Construction of a graving dock at Argentia.
- 5) Construction of concrete gates for the graving dock in Argentia so that the facility may be used for future industrial activity or research.
- 6) Construction of the CGS at Argentia.
- 7) Fabrication related to mechanical outfitting of the CGS done in Newfoundland and Labrador.
- 8) Commitment to fabricate modular accommodation boxes, helideck, flare boom and life boat stations in Newfoundland and Labrador.
- 9) In procurement processes, provide full and fair opportunity to Canadian companies, with first consideration to Newfoundland and Labrador companies on a competitive basis.
- 10) Canada-Newfoundland and Labrador benefits will be a factor in procurement.
- 11) All contractors and subcontractors will be required to adhere to Husky's benefits philosophy as detailed in the Canada-Newfoundland and Labrador Benefits Schedule appended to all contracts.
- 12) Commit to continuing expenditures in the areas of R&D and education and training consistent with C-NLOPB guidelines.
- 13) Support efforts to build a work force that represents individuals from all sectors of society.
- 14) Maximize to the extent possible the number of Newfoundland and Labrador and other Canadian residents employed on the project.
- 15) Carry out recruitment locally.
- 16) Continue to work with government departments and private and public training institutions to identify and develop programs that not only are related to the project, but also for the operations phase and the industry in general.

- 17) Hold supplier development information sessions during the project to provide the local business community with an opportunity to learn about procurement opportunities.
- 18) Hire work term students to support the project team.
- 19) Maintain a project website that provides information regarding procurement opportunities and other related project information.

## **8.0 CONCLUSION**

Construction of the WHP represents an innovative and new way of developing smaller fields off the coast of Newfoundland and Labrador. It introduces a new technology to local industry and makes the most of the WREP resource. More than that, the WREP construction phase will provide over five million person hours of employment in Newfoundland and Labrador. The placement of gates on the graving dock at Argentia will result in the establishment of a permanent facility at Argentia that can be used for future industrial activity or research. The benefits of the WREP will continue to be felt well beyond the WHP construction period. Approximately 18 million person hours will be associated with WHP operations, representing direct long-term employment and significant indirect benefits to the people of Newfoundland and Labrador.

## **Appendix A**

### **Canada-Newfoundland and Labrador Benefits Reporting and Procedures Manual**



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## Table of Contents

<b>1.0</b>	<b>PURPOSE .....</b>	<b>3</b>
<b>2.0</b>	<b>SCOPE .....</b>	<b>3</b>
<b>3.0</b>	<b>INTRODUCTION .....</b>	<b>3</b>
<b>4.0</b>	<b>CANADA NEWFOUNDLAND BENEFITS APPLICATION STRATEGY .....</b>	<b>4</b>
<b>5.0</b>	<b>PROCUREMENT AND CONTRACTING .....</b>	<b>5</b>
<b>5.1</b>	<b>Contract Monitoring by the C-NLOPB .....</b>	<b>6</b>
<b>5.1.1</b>	<b>Prequalification.....</b>	<b>6</b>
<b>5.1.2</b>	<b>Bidder List.....</b>	<b>7</b>
<b>5.1.3</b>	<b>Contract/P.O. Award and Administration .....</b>	<b>7</b>
<b>5.2</b>	<b>Request For Proposal and Bid Evaluation .....</b>	<b>8</b>
<b>5.3</b>	<b>Quarterly Procurement Report.....</b>	<b>9</b>
<b>6.0</b>	<b>CANADA NEWFOUNDLAND BENEFITS CONTENT REPORTING .....</b>	<b>10</b>
<b>6.1</b>	<b>Employment Reporting.....</b>	<b>10</b>
<b>6.2</b>	<b>Expenditure Reporting .....</b>	<b>11</b>
<b>7.0</b>	<b>EDUCATION &amp; TRAINING AND RESEARCH &amp; DEVELOPMENT .....</b>	<b>11</b>
	<b>Appendix I: Vendor Evaluation Report.....</b>	<b>13</b>
	<b>Appendix II: Canada – Newfoundland Benefits Sample Bid Evaluation .....</b>	<b>15</b>

## 1.0 PURPOSE

The purpose of this manual is to outline Husky Energy's (Husky) policies and procedures pertaining to Canada-Newfoundland benefits for the White Rose Development. For the purposes of this document the White Rose Development includes North Amethyst and the White Rose Extension Project.

It is intended to provide guidance for Husky personnel and contractors and subcontractors related to the calculation and reporting of Canada-Newfoundland benefits information as required by the Canada- Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB). Compliance by Husky and its contractors and subcontractors with the procedures outlined in this manual is essential to meeting:

- Legislative requirements of the Canada-Newfoundland Atlantic Accord Implementation Acts; and
- Commitments of the White Rose and North Amethyst Project Owners, as stated in the White Rose Canada-Newfoundland & Labrador Benefits Plan and the North Amethyst Canada-Newfoundland & Labrador Benefits Plan.
- Requirements of the C-NLOPB are as set out in the White Rose Development Application Decision 2001.01 ([http://www.cnlopb.nl.ca/news/pdfs/d01\\_01.pdf](http://www.cnlopb.nl.ca/news/pdfs/d01_01.pdf) )

## 2.0 SCOPE

The manual covers all aspects of Canada-Newfoundland & Labrador benefits including content, employment, education and training, R&D and diversity. It also covers reporting requirements.

## 3.0 INTRODUCTION

Section 45 (1) of the Canada-Newfoundland Atlantic Accord Implementation Acts requires that the White Rose Development Owners have *"a plan for the employment of Canadians and, in particular, members of the labour force of the Province and, subject to paragraph (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 3(d) of the legislation further requires that within this context of full and fair opportunity, *"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."*

In order for Husky, its contractors and subcontractors to ensure that Canada-Newfoundland & Labrador benefits commitments are achieved, the principles of Full and Fair Opportunity and First Consideration as outlined in the legislation must be endorsed and adhered to in the contracting, procurement and employment processes. In addition,

Husky has undertaken a series of initiatives in order to encourage Newfoundland and Canadian participation. These initiatives include:

- Open communication with lead contractors and the business community;
- Where possible and appropriate, bid sizing and design to meet Canada and Newfoundland and Labrador companies' capabilities;
- Identification of Newfoundland and Canadian labour and fabrication capabilities;
- Provision of long lead times for information concerning goods and services requirements;
- Provision for the calculation of Canada-Newfoundland & Labrador content estimates from bidders in bid packages and the requirement for successful bidders to steward to those estimates; and
- Benefits monitoring and public reporting to assess White Rose and North Amethyst Project achievements on a quarterly basis.

The operational structure for White Rose links Husky, as the Operator, to the major contractors who will in turn co-ordinate and complete the subcontracting process for their respective areas of responsibility. The list of major contractors is reviewed annually to ensure that it remains current.

## **4.0 CANADA NEWFOUNDLAND BENEFITS APPLICATION STRATEGY**

Condition 8 of Decision 2001.01 states:

*"Upon Project Sanction, the Proponent establish systems and procedures, to the satisfaction of the Board and with particular attention to the calculation of Newfoundland & Labrador and Canadian content, to ensure the bid evaluation and reporting framework matches that which is described in the Benefits Plan. Further, the Proponent must establish, for approval by the Board, a methodology and a verification process for all Newfoundland & Labrador and Canadian content calculations by it and by its contractors and subcontractors."*

This Manual has been developed to satisfy this Condition. Husky requires all White Rose contractors and subcontractors to comply with the requirements outlined herein. The overall objectives of benefits information submitted to the C-NLOPB by Husky, as Operator of the White Rose and North Amethyst Projects, are:

- Report in a manner that is consistent with established principles and guidelines;
- Compliance with accepted interpretations; and
- Amounts reported are accurate, based upon accounts and records.

Consistent application of these established principles, guidelines and interpretations serve as the agreed upon terms of reference for the conduct of any monitoring or compliance reviews by the Operator and/or audit engagements by Consulting and Audit Canada (CAC), on behalf of the C-NLOPB.

It is Husky's responsibility to ensure:

- Canada- Newfoundland & Labrador benefits principles and guidelines are applied consistently to White Rose and North Amethyst Project business; and
- Accurate reporting of Canadian and Newfoundland & Labrador content to the C-NLOPB.

Accurate reporting is the responsibility of Husky and its major contractors and their subcontractors. Consistent application of the principles and procedures outlined in this manual is fundamental to the fulfillment of that responsibility.

All contractors are required to incorporate these principles and guidelines in their daily business and decision processes. More specifically, application of Canada-Newfoundland & Labrador benefits guidelines will be incorporated in the following areas:

- Procurement and contracting;
- Employment, education and training;
- Research and Development; and
- Canada- Newfoundland & Labrador benefits content reporting.

Guidelines and procedures dealing with each of these topics follows, with additional supporting information, where warranted, contained in the Appendices.

## **5.0 PROCUREMENT AND CONTRACTING**

Policies and procedures for procurement are required to ensure Canada-Newfoundland & Labrador benefits are considered within the competitive framework of "Best Value" – providing the best blend of total cost, quality, technical suitability, delivery and continuity of supply and service. The bid evaluation process will consistently apply the principles of Full and Fair Opportunity and First Consideration in selecting successful bidders.

These guidelines are intended to provide a framework for the C-NLOPB's review of designated contracts, subcontracts and purchase orders, including contracting and procurement by all contractors and subcontractors. The framework comprises an annual procurement forecast and a quarterly procurement report of all contracts  $\geq$  \$250,000 Cdn during operations phase. During project development phase, the C-NLOPB requires a quarterly procurement forecast and a quarterly procurement report.

## 5.1 Contract Monitoring by the C-NLOPB

Based on the annual or quarterly procurement forecast, the C-NLOPB may designate certain contracts for monitoring. For the annual or quarterly procurement forecast and for each contract that is monitored by the C-NLOPB, the following structure is to be used when reporting on contract value:

Category	Range (\$M)
A	251 - 500
B	501 - 1000
C	1001 - 1500
D	1501 - 2000
E	2001 - 3000
F	3001 - 5000
G	5001 - 7500
H	7501 - 10,000
I	10,001 – 15,000
J	15,001 - 20,000
K	20,001 – 30,000
L	30,001 – 50,000
M	50,001 – 75,000
N	75,001 – 100,000
O	Over 100,000

For contracts that have been identified for monitoring, the CNLOPB requires specific information as the contracting process progresses through the prequalification, bidding and award stages as follows:

### 5.1.1 Prequalification

**Where designated by the C-NLOPB**, at the prequalification stage and prior to issuing a prequalification questionnaire to prospective bidders, the C-NLOPB will require the following:

- List of companies who will be receiving the questionnaire, indicating location of head office(s); and
- Anticipated dates for closure of prequalification and issuance of an RFP or RFQ.

The notification format, “Vendor Evaluation Report”, is provided in Appendix I.

### 5.1.2 Bidder List

**Where designated by the C-NLOPB**, at the bidder list stage, and prior to issuing an RFP or RFQ, the C-NLOPB requires the following:

- List of bidders;
- A description of corporate ownership (main shareholders by percentage) of bidders;
- Location(s) of any Canadian based offices/plants/facilities; and
- Anticipated dates for closure of bids and award of contract/purchase order.

The notification format, “Vendor Evaluation Report”, is provided in Appendix I.

### 5.1.3 Contract/P.O. Award and Administration

**Where designated by the C-NLOPB**, at the award stage, and prior to the award of contract/P.O. to the selected bidder, the C-NLOPB requires the following:

- The name of the selected contractor/vendor;
- A listing of designated sub-contractors/sub-vendors;
- Where applicable, a listing of proposed sub-contractors, sub-vendors and sub-suppliers;
- For construction/service contracts, the estimated Canadian and Newfoundland employment (in person-hours);
- Contract/purchase order commencement and completion dates;
- Award rationale (evaluation of bids):
  - % difference in price between selected bidder and each bid,
  - primary location(s) of work associated with each bidder,
  - estimates of Canadian and Newfoundland content associated with each bidder calculated in accordance with the Canadian General Standards Board (CSGB) definition of Canadian Content found in CAN2-147.3-82, attached as part of the Schedule in Appendix II. (Note: The definition of “Newfoundland & Labrador Content” shall be the same definition as “Canadian Content” except that “imported costs” refer to costs incurred in all areas outside the Province of Newfoundland and Labrador), and
  - other information relevant to the evaluation of bidders including where applicable, a summary of the technical, commercial and Canada-Newfoundland & Labrador benefits aspects of the bid evaluations; and

- The C-NLOPB Award Notification signed by Husky's Procurement Lead (refer to "Vendor Evaluation Report" in Appendix I).

The C-NLOPB will conduct its reviews within the following time frames:

Prequalification    5 business days

Bidders' list        3 business days

Award                2 business days

## 5.2 Request For Proposal and Bid Evaluation

In developing RFP/RFQs for all Husky Atlantic Region business, an integral component of that RFP/RFQ will be the Canada - Newfoundland and Labrador Benefits Schedule. This document, located on ECMS at

[http://ecms/support\\_service\\_menu/administration\\_&\\_regulatory\\_affairs/benefits\\_&\\_public\\_relations.asp](http://ecms/support_service_menu/administration_&_regulatory_affairs/benefits_&_public_relations.asp)

defines Husky's requirements with respect to generating and documenting benefits for Newfoundland & Labrador and Canada from activities associated with the White Rose Development. The Canada - Newfoundland and Labrador Benefits Schedule:

- Informs bidders of Husky's Canada-Newfoundland & Labrador benefits commitments;
- Requests information from bidders regarding their ability to support these commitments;
- Requests estimates of the Canada-Newfoundland & Labrador content of the bid; and
- Ultimately, is incorporated as an attachment to the contracts/P.O.s of successful bidders outlining their contractual requirements pertaining to Canada – Newfoundland & Labrador benefits

The completed questionnaires are used as the basis for the Canada-Newfoundland & Labrador benefits portion of the bid evaluation. Attached as Appendix II is a Canada-Newfoundland & Labrador benefits sample bid evaluation procedure which provides a detailed description of the Canada-Newfoundland & Labrador benefits evaluation process using the information submitted by the bidders in their bid documents.

**All contractors and suppliers are required to include these, or similar documents as approved by Husky, in their bid packages for work related to the White Rose Development** and incorporate similar Canada-Newfoundland & Labrador benefits evaluation processes in their bid evaluations.

Following is a summary of the requirements for Canada-NL Benefits information in bid packages from contractors:

- Location where project management will be executed;
- Agreement to comply with requirements of the Company or governmental authority with respect to benefits commitments made in the contract;
- Listing of potential subcontractors and location of operation;
- Discussion of contractor plans for local supplier development and procurement;
- Discussion of R&D opportunities using Newfoundland and Labrador-based facilities and institutions;
- Discussion of plans for provision of training and learning opportunities;
- Discussion of contractors diversity policies and initiatives; and
- Breakdown of proposed workscope in % content (NL, Canadian, Foreign).

### 5.3 Quarterly Procurement Report

The C-NLOPB requires Husky to submit, within thirty (30) days of the end of each quarter, a listing of all contracts, subcontracts and purchase orders, > \$250,000 Cdn., awarded in the previous quarter. For each contract, subcontract and purchase order this listing should be categorized in the following ranges:

Category	Range (\$M)
A	251 - 500
B	501 – 1000
C	1001 - 1500
D	1501 - 2000
E	2001 - 3000
F	3001 - 5000
G	5001 - 7500
H	7501 - 10,000
I	10,001 – 15,000
J	15,001 - 20,000
K	20,001 – 30,000
L	30,001 – 50,000
M	50,001 – 75,000
N	75,001 – 100,000
O	Over 100,000



The listing should contain the following information as it pertains to each contract/P.O.:

- Name of successful contractor/vendor;
- Primary location of work; and
- Estimates of Newfoundland & Labrador and Canadian content.

## **6.0 CANADA NEWFOUNDLAND BENEFITS CONTENT REPORTING**

The C-NLOPB has placed additional requirements on the monitoring and reporting of Benefits activities. Condition 10 of the C-NLOPB Decision Report 2001.01 states:

*“The Proponent report on a quarterly basis, in a format satisfactory to C-NLOPB, expenditure and employment information, including Canadian and Newfoundland & Labrador content. Each quarterly report should also include an assessment of progress toward the achievement of Canada-Newfoundland Benefits commitments, as referenced in Condition 7. Such reports will be shared with the public. The Proponent should provide the results of internal audits completed with respect to Benefits reporting and an assessment of performance against identified contract goals to C-NLOPB and the public when complete.”*

Condition 11 of the C-NLOPB Decision Report 2001.01 outlines monitoring and reporting requirements on a quarterly basis for the life of the project. Also noted is the requirement to detail reasons for any deviations between estimated results and actual performance. It states:

*“It is a condition of this Benefits Plan approval that the Proponent submit on a quarterly basis during the construction and operations phases of the Development a report describing its actual performance against the estimates provided in its correspondence contained in Appendix D of this Report. Any deviation between the benchmarks of estimates, plans and objectives and actual performance should be accompanied by explanatory notes in sufficient detail to allow assessment of the reasons for the deviation.”*

### **6.1 Employment Reporting**

For purposes of the reporting of employment generated by the White Rose and North Amethyst Projects, the C-NLOPB requires Husky to report all full time employment of all major contractors and subcontractors. Employment statistics must be reported in both the number of persons and person-hours. In reporting employment, the categorization is based on the residence of the individual at the time of joining the White Rose or North Amethyst Project. The following guideline outlines how to define Newfoundland & Labrador, Canadian and Foreign residents, for purposes of employment reporting:

1. Newfoundland & Labrador Resident – a Canadian citizen (or landed immigrant) who meets the residency requirements of the Newfoundland Election Act. (e.g., a person who has resided in the province for the immediately preceding six-month period).

2. Other Canadian Resident – a Canadian citizen (or landed immigrant) who has maintained a permanent, primary residence in a province of Canada, other than Newfoundland and Labrador prior to being employed on the Project.
3. Foreign – All persons who are not Newfoundland & Labrador residents or Other Canadian residents.

For employment reporting of person hours, categorization is based on the following matrix:

	Work Performed in:		
Resident Status	Newfoundland	Canada	Foreign Location
Newfoundland	Newfoundland	Other Canadian	Foreign
Canadian	Newfoundland	Other Canadian	Foreign
Foreign	Newfoundland	Other Canadian	Foreign

This information should be compiled by all contractors and subcontractors using the Person Hours and Headcount Report tables shown in the Canada-Newfoundland and Labrador Benefits Schedule (available on ECMS as noted in Section 5.2. This report is required to be transmitted electronically to Husky by the 15th business day following the month end to which the report pertains.

## 6.2 Expenditure Reporting

Fundamental to effective and accurate reporting is an adequate financial system utilized to generate and substantiate the Project benefits achievement in terms of expenditures. Expenditures reported to the C-NLOPB must be reconcilable to the financial accounts system for the White Rose Development. Husky has implemented a financial system which is structured to capture and report expenditure in the Canada-Newfoundland & Labrador benefits categories. This system captures all Husky and contractor expenditures related to the White Rose Development.

## 7.0 EDUCATION & TRAINING AND RESEARCH & DEVELOPMENT

Section 45.3 (C) establishes a statutory requirement to ensure that a provision is made through the project for research & development (R&D) and education & training (E&T) expenditures to occur in Newfoundland and Labrador. Condition 3 of Decision 2001.01 states:

*“Within 60 days of Project Sanction, the Proponent submits a plan to address the obligation in the Legislation that expenditures shall be made for research & development to be carried out in the Province and for education & training to be provided in the Province. The Board will review the Proponent’s submission and establish an appropriate expenditure target. The Proponent shall report to the Board annually on the progress with respect to achievement of the established targets. the Board anticipates that for this Project, the target will not be less than \$12 million during the pre-production stage.”*

Husky met the \$12 million target and reports annually at the end of the first quarter with respect to E&T and R&D during the operations phase. To meet those timelines, this information should be compiled by all contractors and subcontractors using the Education and Training and Research and Development tables shown in the Canada-Newfoundland and Labrador Benefits Schedule provided in Appendix II. This report should be transmitted electronically to Husky by March 1 for the previous year, to enable review, consolidation and submission to the C-NLOPB.

## **Appendix I: Vendor Evaluation Report**



# C-NLOPB Reporting: Vendor Evaluation Report

EC-M-99-G-PR-00149-001, Rev. E2

## **Appendix II: Canada – Newfoundland Benefits Sample Bid Evaluation**

## **1.0 Introduction**

This section provides a generic procedure for the evaluation of Canada-Newfoundland Benefits information submitted by bidders to Husky in response to the Canada-Newfoundland Benefits Appendix contained in the bid packages issued to all bidders. The Benefits Appendix serves two functions:

- provides Canada-Newfoundland Benefits information for evaluation in the bidding process
- becomes an attachment to legal contracts in the contract negotiation phase.

As noted, these evaluation formats are generic in nature and are intended to serve as a guideline. Individual contracts will adopt the actual evaluation criteria and associated weightings appropriate to the nature of the tender at the discretion of the Canada-Newfoundland Benefits Manager.

In line with the Husky policy of maximizing Canada-Newfoundland Benefits while achieving “Best Value,” Canada-Newfoundland Benefits will be a factor in awarding all contracts. For major contracts (>\$250,000) a detailed evaluation will be carried out, including evaluations of bidder’s responses to issues of supplier development, research and development (R & D), and technology transfer.

Due to the White Rose execution structure, Husky’s lead contractors will also carry out procurement activities. Contractors and subcontractors will each undertake procurement activities following their internal Procurement Guidelines, as approved by Husky. In line with Husky’s commitments, Canada-Newfoundland Benefits has been incorporated as an important aspect of these Procurement Guidelines for the White Rose Project. As well, these contractors and subcontractors are required to adhere to Husky Energy’s Canada-Newfoundland Benefits Guidelines, included in each Request for Proposal, and meet the commitment of maximizing Canada-Newfoundland Benefits within a competitive framework.

## **2.0 Evaluation**

Evaluations of proposals and bids are carried out by the Evaluation Team as outlined in the contracts’ Bid Plan for Opening, Evaluation and Award of Contract (“the Bid Plan”). Evaluations are carried out over four sections of the proposals: technical, commercial, Health, Safety and Environment (HS&E), and Canada-Newfoundland Benefits. The Evaluation Team member for Canada-Newfoundland Benefits evaluations is the Senior Regulatory and Industrial Benefits Advisor. The weight for Canada-Newfoundland Benefits for any contract is 5%.

## **3.0 Evaluation Report**

A completed Benefits Evaluation Table is completed based on factual information submitted in a bid or clarification.

## **4.0 Clarifications**

Clarifications are issued to bidders, in writing, by the Purchasing/Contracts Administrator on direction from the Senior Regulatory and Industrial Benefits Advisor. This is to

ensure that consistent information is provided to all bidders. Clarifications are generally issued for two reasons: to request information provided in the bid be presented in another format to make comparable evaluations against other bidders or to request a more in-depth response to portions of the Benefits Schedule.

Information provided by a bidder through a clarification acquires the same standing as the original bid. This information will be evaluated on the same scale and criteria as the original bid and, if the bidder is awarded the contract, will be included in the attachment to the legal contract. If this information remains incomplete or incompatible for comparison purposes then a second clarification may be issued at the discretion of the Senior Regulatory and Industrial Benefits Advisor.

If responses to clarification requests substantially alter the original bid, such responses are to be ignored in the evaluation of the bid and the bidder is to be so informed.

## **5.0 Criteria for Benefits Evaluation**

The criteria used for Benefits Evaluation are derived from the Canada-Newfoundland Benefits Appendix included with each bid package and completed by bidders as a section of the bid. The eight evaluation criteria are:

- Local Office/Operations/etc.
- Ownership
- Technology Transfer
- Research and Development
- Human Resources Planning
- Training
- Supplier Development/Identification
- Newfoundland Content and Person Hours

The criteria are ranked on a 0 to 5 scale for each bidder and then applied to the weight multiplier associated with the criteria to determine the overall score. The exception is Local Office/Operations/etc., which is given either a 0 or 1 and then applied to the multiplier to achieve an overall score. The overall scores are then summed to achieve a total ranking out of 100. A completed Benefits Evaluation illustrates this process in Appendix 4.

Some criteria will be evaluated in a quantitative manner, using percentages or hours to determine the score out of 5. Others such as R&D initiatives will be evaluated in a qualitative manner. This will be discussed in greater detail in the following sections describing how each criterion will be evaluated.



## 6.0 Local Office/Operations/Etc.

In Section 4.1 of the Canada-Newfoundland Benefits Schedule, Husky requires successful bidders to establish an office with management capabilities in St. John's. This requirement is targeted at building the level of expertise in the local offshore support industry, as well as raising the awareness of local and regional benefits issues and industry capabilities. This criterion is given either full points or none in the evaluation.

## 7.0 Ownership

Evaluation of this criterion is determined by examining percentage ownership levels from Newfoundland, Other Canada, and Foreign on a comparison basis. Generally, a raw score is determined on the Newfoundland percentage Ownership, with 40-60% Newfoundland Ownership setting a benchmark score of 3 out of 5. Differentiation of bidders with relatively equivalent levels of Newfoundland Ownership occurs by comparing Canadian percentage Ownership. If a bidder has significantly more Canadian Ownership than another, points may be added to its raw score to reflect that fact. A 100% Non-Canadian owned bidder receives a score of 0. All tables used for Benefits Evaluations are evaluated in a similar manner with different levels associated with the benchmark score of 3 for each. An example of Evaluation results is presented in Table 7.1.

Table 7.1: Example Ownership Evaluation

Bidder	% NF Ownership	% Canada	% Foreign Ownership	Score
A	56	44	0	4
B	49	20	31	3
C	0	0	100	0

## 8.0 Technology Transfer

Technology Transfer evaluation is based on the bidder's response to the Canada-Newfoundland Benefits Schedule questionnaire and initiatives identified therein. This criterion is qualitative in nature, thus bidder's will be rewarded for responses detailing innovative initiatives, strategies and methods for transfer of technology, especially from non-Canadian participants to Canadian, and particularly Newfoundland and Labrador, led participants and suppliers. This criterion is in line with Husky's commitment to the development of the local offshore industry through a greater concentration of expertise in the area.

### Example Evaluation Results

Bidder A:

- Commits to transfer knowledge, expertise and processes to Newfoundland subsidiary and its suppliers to maximize work conducted in Newfoundland

Score [4]

Bidder B:

- Commits to hire local graduates to work on other international projects, as well as transfer of systems and procedure to Newfoundland from other operations

Score [3]

Bidder C:

- History of technology transfer in past Newfoundland work. Commitment to train Newfoundland employees on new technology adopted for the project

Score [4]

## 9.0 Research and Development

Bidders are required to detail all R&D initiatives, particularly those associated with the contract, in completion of the Canada-Newfoundland Benefits Schedule questionnaire as part of the bid. In evaluating this information a particular emphasis is placed on rewarding R&D initiatives occurring in Newfoundland and targeted at developing the Newfoundland offshore industry.

Bidder A:

- Not currently conducting R&D initiatives for this contract. Maintains a lab in Newfoundland for offshore R&D. Has history of R&D initiatives in the province

Score [4]

Bidder B:

- States that R&D is not applicable to this contract, conducts R&D in Canada

Score [2]

Bidder C:

- States R&D is not applicable to the contract at this time, conducts R&D in Canada, commits to collaboration with local institutions and facilities for any R&D initiatives undertaken

Score [3]

## 10.0 Human Resources Planning/Employment

In evaluating this category both qualitative and quantitative elements are examined. The primary source of information here is the employment table in Appendix B of the Canada-Newfoundland Benefits Schedule, which outlines the number of employees to be utilized on the contract, broken out by occupation as well as by Newfoundland/Other Canada/Non-Canada. The Newfoundland/Other Canada/Non-Canada numbers are then examined similarly to the ownership numbers, with a benchmark score of 3 set for a range of 50-70% Newfoundland employees.

Also contributing to the score for this criterion is Human Resources (HR) Planning for the company, and in particular for the contract. In particular the evaluation will reward succession planning that allows Newfoundland employees to be promoted into lead roles as training, experience and technology transfers advance. Also acknowledged will be local recruitment, diversity group recruitment, as well as other HR programs. An example of evaluation results is presented in Table 10.1.

Table 10.1: Employment Table (number of persons) Example Evaluation

Bidder	Newfoundland %	Other Canada %	Non-Canada %
A	75	10	15
B	65	20	15

C	45	20	35
---	----	----	----

Bidder A:

- Commitment to recruit locally, including use of MUN Co-op programs, active succession plan

Score [4]

Bidder B:

- Active succession plan

Score [4]

Bidder C

- Committed to local recruitment

Score [3]

## 11.0 Training

Husky has identified training as an important area for the development of the local offshore industry. There is a strong commitment to training within Husky and amongst its contractors and subcontractors, as training will reduce long-term operating costs and provide a pool of qualified individuals for cost-effective, local support for current programs and future projects.

Husky contractors and subcontractors are required to provide training and learning opportunities relevant to their scope of work. The quality of this training will be subject to audits by Husky throughout the life of the contract. This will determine if training meets commitments outlined in the bid submission, is of a satisfactory quality, and what impact it has made on local training facilities.

The questionnaire in the Benefits Schedule requires all bidders to detail all policies and initiatives for training Canadian and Newfoundland employees. This includes on-the-job and formal training programs and initiative targeted toward training for disadvantaged groups.

### Example Evaluation Result

Bidder A:

- Committed to use of Newfoundland facilities for training, will provide training required for all employees

Score [3]

Bidder B:

- Committed to providing formal training for First Nation's groups. Committed to using Newfoundland facilities for formal training of employees, will also provide on-the-job training

Score [4]

Bidder C:

- Provides continuous training for employees, will use Newfoundland facilities

Score [3]

## 12.0 Supplier Identification/Development

Husky considers supplier identification and development crucial to the development of the Newfoundland offshore. In line with this belief, Husky 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. Information collected in this process, as well as notification of procurement activity, is made widely available to the business community through various publication sources.

Bidders are required to outline the use of policies and strategies for use and development of subcontractors and suppliers. This requires identification of goods or services required, intended subcontractor/supplier, the location of work, and the percentage of total cost with a break out of the total cost by Newfoundland/Other Canada/Non-Canada. This table is evaluated much the same as earlier tables with a benchmark score of 3 set for a Newfoundland percentage range of 40-65%. The availability of Newfoundland and Canadian subcontractors/supplier for the required work as well as the percentage of the total cost involved largely determine the relative weight for this table in evaluation of this criterion.

### Example Evaluation Results

Table 12.1: Supplier Identification Example Evaluation

Bidder	Newfoundland %	Other Canada %	Non-Canada %	% of Total
A	70	0	30	15
B	50	10	40	20
C	40	20	40	18

Bidder A:

- Committed to first consideration and full and fair opportunity principles, will pursue “partnerships” with suppliers to assist in reaching standard performance
- Score [4]

Bidder B:

- Committed to first consideration and full and fair opportunity principles
- Score [3]

Bidder C:

- Will use Newfoundland suppliers “wherever possible”
- Score [3]

## 13.0 Newfoundland Content and Person Hours

The evaluation of this criterion considers two tables from the Canada-Newfoundland Benefits Schedule Appendix D, one outlining labour costs and the second outlining costs of goods and services. The goods and services table is a breakout of various components as a percentage of total cost. This is further broken out by Newfoundland/Other Canada/Non-Canada by month, year, and total. The benchmark score of 3 is set for a range of 50-70% total Newfoundland Content, and is subject to

similar changes to reflect distinctions between bids as earlier tables. A completed example of a Newfoundland Content Calculation can be found in Appendix D of the Canada-Newfoundland Benefits Schedule.

The employment table (person hours) records the number of person-hours anticipated to be used by occupational category. This is further broken out by Newfoundland/Other Canada/Non-Canada. These figures are then converted to percentages. Rather than evaluate an often inequitable absolute estimate of person-hours – which can often result in inflated commercial terms - the more compatible percentage representation is used. This benchmark score of 3 is generally set for a range of 50-70%, and is subject to similar variations as earlier tables.

These two mechanisms for evaluation are given equal weight in determining the final score for the criterion. This portion of the evaluation is quite important to the total ranking for Canada-Newfoundland Benefits and this is reflected in the relatively high weight multiplier applied in the Benefits Evaluation Table.

### Example Evaluation Results

Table 13.1: Canada-Newfoundland Content Example Evaluation

Bidder	% Newfoundland	% Other Canada	% Non-Canada
A	65	20	15
B	55	15	30
C	45	10	45

Table 13.2: Employment Table (3.1) (person-hours) Example Evaluation

Bidder	% Newfoundland	% Other Canada	% Non-Canada
A	75	15	10
B	60	20	20
C	60	10	30

Table 13.3: Ranking

Bidder	Score
A	4
B	3
C	3

## 14.0 Diversity

In evaluating this category both qualitative and quantitative elements are examined. Evaluations are carried out on information provided on diversity policies and practices, including:

- How provision is made for designated groups to access job and training opportunities arising from contract activities;
- The number of women and persons from designated groups currently employed, in total and in different occupational categories
- Evidence which demonstrates a supportive and respectful working environment for women and other designated groups and;
- Level of Interaction with various community support groups and agencies

### Example Evaluation Result

Bidder A:

- Has a diversity policy in place and actively promotes diversity within its workplace. Can point to positive achievements as a result of dedicated efforts
- Score [4]

Bidder B:

- Parent company has respectful workplace policies which local branch indicate they will follow. No information provided on additional specific actions or initiatives
- Score [2]

Bidder C

- States they are an equal opportunity employer
- Score [1]

## 15.0 Criteria for Overall Evaluation

Final ranking of bidders from a Canada-Newfoundland Benefits perspective will be on a scale of 0 to 5, which is subsequently multiplied by the weight multiplier to determine the score for overall evaluation. For example, if a bidder receives a score of 4.5 out of 5 and the weight for Canada-Newfoundland Benefits for the contract is 20%, the final score for overall evaluation is 18.

$$\text{Score} \times \text{Weight Multiplier} = \text{Final Score}$$

$$4.5 \times 4 = 18$$

In order to differentiate bidders, the 0 to 5 scale score is calculated by dividing the bidder's score on the Benefits Evaluation by the highest score on the Benefits Evaluation and multiplying the result by 5. For example, if one bidder has a total ranking of 90 and the other of 80, the scores on the 0 to 5 scale would be 5 and 4.44 respectively.

$$\text{Company A} \rightarrow 90/90 \times 5 = 5$$

$$\text{Company B} \rightarrow 80/90 \times 5 = 4.44$$

If any bidder scores less than 2 on the 0 to 5 scale for any category (HS&E, Technical, Commercial, or Canada-Newfoundland Benefits), then the bid may be reviewed by the Evaluation Team for elimination.

The 0 to 5 scale shall be based on the following assessments:

- 0 No understanding of the issues/No evident commitment to Canada-Newfoundland Benefits
- 1 Well below basic requirements
- 2 Slightly below basic requirements
- 3 Meets specific requirements
- 4 Well above basic requirements/demonstrates understanding of Canada-Newfoundland Benefits and proposes innovative solutions
- 5 Demonstrates strong commitment to Canada-Newfoundland Benefits objectives and goes beyond ordinary expectations

#### **16.0 C-NLOPB Notification**

For contracts designated for monitoring by the C-NLOPB, Husky is required to keep the C-NLOPB informed of the status of major contracts as they progress through the evaluation process to the final award. The C-NLOPB will first be notified upon the development of the bidders list from EOI submissions before the list is released to the public. Final notification of contract award to the C-NLOPB will come upon Husky's approval of the contract award recommendation. The C-NLOPB has two business days to review and concur with the award before the contract is awarded.

#### **17.0 Award of Contracts**

The successful bidder will be notified of the award of contract as soon as possible after final Husky and C-NLOPB approval of the recommendation. Execution of the final agreement between the bidder and Husky will occur at this time.

Unsuccessful bidders will be notified of the results of the procurement process in writing. Where requested and appropriate a debriefing will take place.

Where relevant, notification of contract awards will be published in the NOIA (Newfoundland Ocean Industries Association) Daily Barrel.

## **Appendix B**

### **Canada-Newfoundland and Labrador Benefits Schedule**

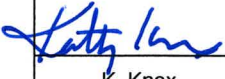

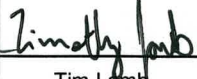





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## Table of Contents

<b>1.0</b>	<b>INTRODUCTION .....</b>	<b>3</b>
<b>2.0</b>	<b>LEGISLATIVE REQUIREMENTS.....</b>	<b>3</b>
<b>3.0</b>	<b>CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS GUIDELINES.....</b>	<b>3</b>
<b>4.0</b>	<b>CONTRACTOR OBLIGATIONS.....</b>	<b>3</b>
<b>4.1</b>	<b>Contract Management .....</b>	<b>3</b>
<b>4.2</b>	<b>Benefits Compliance .....</b>	<b>3</b>
<b>4.3</b>	<b>Role of Benefits Guidelines in Award of Subcontracts.....</b>	<b>4</b>
<b>4.4</b>	<b>Supplier Development and Procurement .....</b>	<b>4</b>
<b>4.5</b>	<b>Research and Development (R&amp;D) .....</b>	<b>4</b>
<b>4.6</b>	<b>Training .....</b>	<b>4</b>
<b>4.7</b>	<b>Diversity .....</b>	<b>4</b>
<b>5.0</b>	<b>SUBMISSIONS REQUIRED FROM SUCCESSFUL CONTRACTOR.....</b>	<b>5</b>
<b>5.1</b>	<b>Reporting Requirements .....</b>	<b>5</b>
<b>6.0</b>	<b>CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS QUESTIONNAIRE.....</b>	<b>5</b>
	<b>Appendix A: Canada-Newfoundland and Labrador Benefits Guidelines .....</b>	<b>7</b>
	<b>Appendix B: Canada-Newfoundland and Labrador Benefits Monitoring and Reporting Program .....</b>	<b>12</b>
	<b>Appendix C: Contacts for Local Offshore Associations and Training Establishments .....</b>	<b>19</b>
	<b>Appendix D: Calculation of Canada-Newfoundland and Labrador Content .....</b>	<b>21</b>

## **1.0 INTRODUCTION**

This document defines Husky Energy's (Husky, Company) guidelines and requirements with respect to generating and documenting benefits for Newfoundland and Labrador and Canada from activities associated with or resulting from the White Rose Project.

## **2.0 LEGISLATIVE REQUIREMENTS**

Section 45 of the *Canada-Newfoundland Atlantic Accord Implementation Acts* (Accord Acts) requires that Husky and its contractors, subcontractors and suppliers (Contractor) provide a Full and Fair Opportunity to Newfoundland and Labrador and other Canadian manufacturers, contractors, consultants and service companies to participate, on a competitive basis, in the supply of goods and services for activities associated with or resulting from the White Rose Project. The Accord Acts further require that within this context of full and fair opportunity, First Consideration be given to goods manufactured in, and services provided from within, the Province of Newfoundland and Labrador where those goods and services are competitive. Section 45(3)(b) of the Accord Acts also states that individuals resident in the Province shall be given First Consideration for training and employment.

## **3.0 CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS GUIDELINES**

The Company's Canada-Newfoundland and Labrador Benefits Guidelines are contained in Appendix A. As outlined in Section 3.1(f) of these guidelines, Contractors and Subcontractors are required to comply with the benefits principles and objectives. As well, for the White Rose Project, the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOBP) has approved Husky's Canada-Newfoundland Benefits Plan (available on line at [www.huskywhiterose.com](http://www.huskywhiterose.com)). Compliance with the White Rose Benefits Plan is a condition of project approval, and therefore would apply to all Contractors and Subcontractors.

The Company therefore intends to work with the Contractor in order to maximize the incorporation of the Company's Canada-Newfoundland and Labrador Benefits Guidelines.

## **4.0 CONTRACTOR OBLIGATIONS**

### **4.1 Contract Management**

The Contractor agrees to manage the contract from Newfoundland and Labrador.

### **4.2 Benefits Compliance**

The Contractor agrees to comply with requirements of the Company or any governmental authority with respect to benefits, to comply with all applicable guidelines of the Company and to comply with all benefits commitments made in the contract.

#### **4.3 Role of Benefits Guidelines in Award of Subcontracts**

Subcontracts will be subject to approval by Company. As part of the approval process the Contractor shall demonstrate that its Subcontractors also meet the requirements of the Company's benefits guidelines and that the level of benefits to be gained from the subcontract meets the level identified by the Contractor. Prior to the award of any subcontract, the Contractor shall require the Subcontractor to complete the Canada-Newfoundland and Labrador Benefits Monitoring Program, provided in Appendix B. The Contractor shall be responsible for ensuring its Subcontractors' ongoing compliance with these benefits guidelines.

#### **4.4 Supplier Development and Procurement**

The contractor agrees:

- To work cooperatively with governments and industry associations that promote local offshore products such as the Newfoundland Ocean Industries Association (NOIA) and the Offshore/Onshore Technologies Association of Nova Scotia to assess and identify potential Newfoundland and Labrador and Canadian suppliers and subcontracts.
- To consult industry and supplier information sources such as "STRATEGIS" (<http://strategis.ic.gc.ca>).
- To demonstrate that all equipment specifications have been developed with appropriate references to Standards and Specifications used by Canadian industry.
- To include debriefing procedures as part of the procurement activities. To inform, upon request, Canadian, Newfoundland and Labrador manufacturers and suppliers of specific shortfalls when they are unsuccessful.

#### **4.5 Research and Development (R&D)**

Contractor shall consider the use of facilities and institutions in Newfoundland and Labrador and Canada for any research and development work deemed necessary for completion of its scope of work.

#### **4.6 Training**

Contractor and its Subcontractors are required to provide training and learning opportunities relevant to its scope of work. The extent of this training will be assessed and agreed upon by the Company prior to the approval of any subcontracts. The quality and performance of this training will be subject to audits by Husky during the contract term. (Contact details of local training organizations for the offshore industry are included in Appendix C.)

#### **4.7 Diversity**

Husky believes that an effective employment and business diversity strategy is important to the success of development of the Newfoundland and Labrador offshore oil and gas industry. Diversity initiatives have the potential to expand the petroleum industry's labour pool at a time

when it is experiencing shortages in some trades, and these are forecast to increase. Such initiatives also provide Husky and its contractors access to a wider range of capabilities, improve worker retention, and contribute to healthy and productive working environments. Husky requires that its contractors operating or hiring in Canada act in a manner consistent with its Workforce Diversity Policy. Under this Policy, Husky:

- Is committed to building a work environment that is free of discrimination and harassment;
- Will ensure that its employment policies are implemented in a fair manner and are free of discrimination and barriers;
- Is committed to the principle of fair representation of the designated target groups, as defined by the federal Employment Equity Act (women, aboriginal peoples, members of visible minorities, and persons with disabilities), at all levels of the organization; and
- Will take special measures to facilitate the full participation of under-represented designated groups at all levels of the organization.

Husky developed a Diversity Plan to facilitate the access of designated groups to employment and training on the Project. The Diversity Plan addresses Husky's approaches, principles, process and initiatives for diversity goals throughout the Project. The Plan applies to Husky and its main Contractors operating or hiring in Canada on the White Rose Project and to both the development and operations phases. The *White Rose Project Diversity Plan* is available on line at <http://www.huskyenergy.com/operations/growthpillars/atlantic/reports/default.asp>

## **5.0 SUBMISSIONS REQUIRED FROM SUCCESSFUL CONTRACTOR**

The Contractor and its Subcontractors agree to actively manage the procurement of goods and services to ensure the benefits objectives and commitments listed in these guidelines are achieved. The Company will monitor the Contractors' and Subcontractors' performance via compliance reviews.

### **5.1 Reporting Requirements**

The content, degree, frequency and format of reporting requirements is subject to change as determined by the Company and the CNLOPB. The Contractor shall provide the Company with detailed benefits reports, in the format outlined in Appendix B and the *White Rose Canada-Newfoundland & Labrador Benefits Reporting and Procedure Manual*. The Contractor reports relating to Canadian-Newfoundland and Labrador content shall agree to invoices submitted for payment. Receipt of monthly reports is a prerequisite to invoice processing.

## **6.0 CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS QUESTIONNAIRE**

- 1) Does the Contractor have an office in Newfoundland and Labrador? ☐ YES ☐ NO
- 2) Will this contract be managed in Newfoundland and Labrador? ☐ YES ☐ NO

- 3) Does the Contractor agree to comply with requirements of the Company or any governmental authority with respect to benefits, to comply with all applicable guidelines of the Company and to comply with all benefits commitments made in the contract? ☐ YES ☐ NO
- 4) Identify ownership of the company ☐ % NL ☐ % CAN ☐ % Int'l
- 5) Does the Contractor have policies and initiatives to promote technology transfer to local and Canadian companies? ☐ YES ☐ NO If yes, briefly describe.
- 6) Does the Contractor have an R&D program? ☐ YES ☐ NO If yes, briefly describe recent R&D initiatives.
- 7) Describe the Contractor's philosophy regarding human resources planning and employment with respect to Canada-NL benefits.
- 8) Does the Contractor have a training program? ☐ YES ☐ NO If yes, briefly describe policies and initiatives for development and training of NL and Canadian employees.
- 9) Does the Contractor have a procedure for identifying and informing NL and Canadian suppliers of goods and services of opportunities related to the Contractor's contracts? ☐ YES ☐ NO If yes, briefly describe.
- 10) Does your organization have a Diversity Plan or Diversity Policy in place? ☐ YES ☐ NO If yes, briefly describe.
- 11) Refer to Appendix D and calculate Newfoundland and Labrador, Canadian, and Foreign content for labour, materials, equipment and services.

## **Appendix A: Canada-Newfoundland and Labrador Benefits Guidelines**

### **1.0 INTRODUCTION**

- 1.1 Husky strongly supports providing opportunities to Canada and in particular Newfoundland and Labrador. It is our desire to bring the maximum benefit to the region. We feel it makes economic sense to perform work close to the field location.
- 1.2 The *Atlantic Accord*<sup>1</sup> (Accord) provides the legislative framework for the development of the Eastern Canadian offshore resources mandating that development benefits Canada as a whole and, in particular, the Province of Newfoundland and Labrador. Husky's Canada-Newfoundland and Labrador Benefits Guidelines reflect the regulatory requirements outlined in the Accord and associated Accord Acts.
- 1.3 Husky concludes that by taking a proactive approach, significant work and employment can be provided to Canadians, including Newfoundland and Labrador residents, in a cost effective and efficient manner.

### **2.0 PHILOSOPHY**

The development of Husky's Canada-Newfoundland and Labrador opportunities philosophy for its operating area programs is based on our beliefs and guiding principles.

#### **2.1 Beliefs**

Husky beliefs applicable to Canada-Newfoundland and Labrador opportunities:

- a) **Significant skill base** - The studies conducted for other developments and the research done by Husky indicate there is a substantial skill base in Newfoundland and Labrador, other parts of Eastern Canada and the remainder of Canada. The combined resources of the engineering community and labour resources in Newfoundland and Labrador in particular, and in the remainder of Canada, can provide the majority of skills necessary to carry out the scope of work that is required on a value added basis in Canada.

**Significant industrial base** - Husky has extensive knowledge of Newfoundland and Labrador facilities and the larger fabrication facilities in Canada. Based on our knowledge, we believe the capabilities and resources exist to carry out the majority of the work required for offshore development in Newfoundland and Labrador and other facilities in Canada.

**Training and transfer of technology** - The training of local personnel and the transfer of technology to local and more broadly based Canadian companies reduce long term operating costs and provide cost effective support services for current programs and future projects. The earlier these activities are conducted with maximum opportunity for participation by Canadian companies, the greater the long term return for all stakeholders.

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<sup>1</sup> Memorandum of Agreement between the Government of Canada and the Government of Newfoundland and Labrador on offshore oil and gas resource management and revenue sharing, dated February 11, 1985, and includes any amendment thereto.

**Rights of government and people** - We recognise the right of Newfoundland and Labrador to be the principal beneficiary of the oil and gas resources off its shores, consistent with the requirement of a strong and united Canada.

**Husky understanding** - We believe Husky understands the objectives and commitments necessary to achieve cost effective Canadian-Newfoundland and Labrador content.

## **2.2 Guiding Principles**

To enhance these beliefs Husky has documented principles to guide our approach to identify and provide opportunities for Canada-Newfoundland and Labrador participation. These guiding principles are as follows:

- a) **Full and fair opportunity** - Full and fair opportunity will be provided for Canadian-Newfoundland and Labrador personnel and companies to participate in the supply of goods and services. This can best be defined by the way we do business as characterized by the following:
- development of approved vendors files
  - investigation of labour and fabrication capabilities
  - sizing of packages to fit the capabilities of Canadian companies
  - early dissemination of information on the scope of work
  - open communication with all personnel and companies requesting information
  - on-site presence of engineering, procurement and project management in Newfoundland and Labrador and Canada
  - open communication with government and industry associations to identify potential suppliers
  - development and implementation of transfer of technology and training programs for long term cost effectiveness
- b) **First consideration to Newfoundland and Labrador and Canada** - Husky supports the principle that first consideration be given to personnel, support and other services that can be provided by Newfoundland and Labrador and to goods manufactured in Newfoundland and Labrador, where such goods and services are competitive in terms of fair market price, quality and delivery. We also support the principle of ensuring that individuals resident in Newfoundland and Labrador are given first consideration for training and employment opportunities. This principle also applies next to Canadian companies and personnel relative to international competition. This principle of first consideration will result in opportunities to the Newfoundland and Labrador and Canadian community provided the impact of value added and life cycle costs are satisfactory.



- c) **Proactive** - Husky is aggressive in our approach to Canada-Newfoundland and Labrador opportunities. Proactive means the innovative, co-operative, supportive and open pursuit of involvement of Canadian, and in particular, Newfoundland and Labrador companies and residents to achieve “best value” for the project. We are challenging the mentality that says, “It can’t be done!”
- d) **“Value adding” is an imperative** - Husky, in the evaluation of opportunities, will emphasize “best value” for the project. Opportunities must be cost effective in the long term and bring value to project stakeholders.

### 3.0 APPROACH

#### 3.1 Issues

Husky has identified key issues that arise for the successful completion of Grand Banks projects in alignment with the aim and objectives of all stakeholders. This section details these issues and outlines the actions Husky has taken to ensure the successful completion of the project on a “best value” basis while addressing the needs of the stakeholders.

- a) **Development in accordance with the Accord** - The Accord requires that offshore oil and gas projects’ policies and procedures embody the commitment to carry out the program in the spirit of the Accord Acts. This translates into:
  - Full and fair opportunity for Canadian and Newfoundland and Labrador firms to participate in the supply of goods and services.
  - Goods manufactured in and services provided from Newfoundland and Labrador are given first consideration where they are competitive in terms of fair market price, quality, and delivery.
  - Residents of Newfoundland and Labrador are given first consideration for employment opportunities and training.
- b) **Key functions will be performed in Newfoundland and Labrador** - Husky has committed to managing activities associated with or resulting from the White Rose Project from St. John’s. Project decision-making authority, consistent with normal corporate business practices, will reside in the St. John’s, Newfoundland and Labrador office. This rationale is based on the premise that the presence of appropriate levels of management decision making and the performance of key functions from a local office will assist in focusing on local and regional benefits issues, increase understanding of local capabilities and increase sensitivity to local concerns.
- c) **Goods and services on “Best Value” basis** - For the Company’s offshore programs, goods and services must be acquired on a “best value” basis. Local industry must be encouraged to strive to provide goods and services that will compete effectively in a global marketplace. Our evaluation criteria for determining best value are consistent with those for assessing the relative competitiveness of goods and services outlined in the Accord

Acts. The evaluation criteria making up best value are fair market price, quality and delivery.

- d) **Canada-Newfoundland and Labrador benefits will be a factor in procurement** - International competitive bidding processes must be used to acquire goods and services in order to ensure the commercial viability of the program.

Husky will establish procurement policies and procedures consistent with the requirements of the Accord Acts and the CNLOPB. These policies and procedures, without limiting the scope of the Accord Acts or the discretion of the CNLOPB, will include provisions to ensure that:

- The requirements for goods and services are communicated, in a timely fashion, to Canadian and, in particular, to Newfoundland and Labrador firms.
- The bid packaging, technical specifications, bidding procedures, and bid follow-up provide Newfoundland and Labrador firms and individuals with a full and fair opportunity to provide goods and services.
- Where bids are essentially equal on a best value basis, first choice will be given to goods and services provided from Newfoundland and Labrador. In all bidding processes the level and quality of Newfoundland and Labrador benefits, as well as technical and commercial considerations, shall be one of the key selection factors in awarding development contracts.
- Supplier identification - Husky will provide early identification of opportunities for the supply of goods and services required for the program, work with governments and industry organizations to jointly identify potential Newfoundland and Labrador suppliers of such required goods and services and, on request, provide feedback to unsuccessful suppliers, as appropriate.
- Supplier development - Husky will work with governments and industry organizations to improve Newfoundland and Labrador supply capability by providing information about the program requirements and specifications in a timely manner and encourage the establishment of new suppliers in Newfoundland and Labrador and the formation of appropriate alliances involving Newfoundland and Labrador firms, where such alliances enhance the ability to compete for the work.
- Identification in bids of Newfoundland and Labrador participation - Husky will require bidders to fully disclose information relevant to Newfoundland and Labrador benefits content, including:
  - The nature of the arrangements among the participants in the bid, including the respective shares of equity in the consortium.
  - The share and nature of the work to be carried out by each of the participants in the bid.
  - The nature of arrangements for the transfer of technology.

- e) **Newfoundland and Labrador and Canadian infrastructure use to be encouraged** – Husky will ensure qualified Newfoundland and Labrador fabrication and construction yards are provided a full and fair opportunity to bid on work.
- f) **Contractors and Subcontractors will adhere to philosophy and guiding principles** - Contractors play a large role in the procurement of goods and services.
  - To ensure the benefits objectives and commitments are achieved in all areas, Husky requires all Contractors and Subcontractors to comply with the benefits principles, objectives and commitments.
  - To ensure that the concept of full and fair opportunity is extended to all potential suppliers, Husky requires its Contractors and Subcontractors to also comply with the commitments and provide full and fair opportunity to Canadians including Newfoundland and Labrador manufacturers, consultants, contractors and service companies to participate on a competitive basis in the supply of goods and services to the development.
- g) **Engineering to be done in Newfoundland and Labrador** - Husky will use best efforts within the competitive bidding process to cause the project management and engineering work for the program to take place in Newfoundland and Labrador.
- h) **Technology Transfer, Research and Development** - Technology transfer and research and development are important components of a Canada-Newfoundland and Labrador Benefits Plan. Husky supports and encourages initiatives in these areas.

## **Appendix B: Canada-Newfoundland and Labrador Benefits Monitoring and Reporting Program**

**(Note: To be implemented upon award of the contract)**

### **1.0 INTRODUCTION TO BENEFITS MONITORING AND REPORTING PROGRAM**

Husky's Canada-Newfoundland and Labrador Benefits Monitoring and Reporting Program is used in three stages of the procurement process:

- a) Bid Phase: the completed Canada-Newfoundland and Labrador benefits submissions, in the format set out herein are used in the formal bid evaluation process.
- b) Contract Award Phase: the Canada-Newfoundland and Labrador benefits submissions are included in the legal contracts between the Company and the Contractor. The estimates are the baseline for evaluating the Contractor's benefits performance during the contract-monitoring phase.
- c) Contract Monitoring Phase: Reports are used to monitor and report on overall benefits performance.

Failure to provide the information requested would result in the assumption the Contractor's commitment to Canada-Newfoundland and Labrador benefits in that area is zero.

The content, degree, frequency and format of reporting requirements are subject to change as determined by the Company and the CNLOPB. As a minimum, however, the successful Contractor shall complete and return information regarding the following sections on a monthly and/or quarterly basis in the format set out in the *White Rose Canada-Newfoundland & Labrador Benefits Reporting and Procedure Manual*.




- Other Canadian Resident - a Canadian citizen (or landed immigrant) who has maintained a permanent, primary residence in a province of Canada, other than Newfoundland and Labrador prior to being employed on the White Rose Project.
- Foreign - All persons who are not Newfoundland and Labrador residents or Other Canadian residents.
- Once this determination of residency is made, it will continue to apply for the duration of the contract. To illustrate, if at point of hire an individual is established as an 'Other Canadian Resident', his/her designation as an "Other Canadian Resident" will not change for the remainder of the contract.

**NOTE:** As your reported progress may be subject to audit by Husky Energy and/or the CNLOPB (or its representative), please ensure the accuracy, completeness and verifiability of all information disclosed. If the occupation categories are not appropriate, Contractor may add categories accordingly.

## 2.2 Employment Table (person-hours)

The Contractor shall provide the total number of person hours utilized in completing this scope of work categorized as follows. **Person hours are to be reported based on the location of work. For the purposes of this report, do not report person hours based on residency. This information is to be reported monthly.**

						
<b>PERSON HOURS REPORT</b>						
<b>Contractor:</b> <input style="width: 250px;" type="text"/>						
<b>Period:</b> <input style="width: 60px;" type="text"/> / <input style="width: 60px;" type="text"/> <div style="display: flex; justify-content: space-around; width: 100%;"> <span>Month</span> <span>Year</span> </div>						
OCCUPATION	Newfoundland & Labrador			Other Canadian (Location)	Foreign (Location)	Total
	Onshore	Offshore	Sub-Total			
Management & Administration			0			0
Engineers & Technicians			0			0
Professionals			0			0
Skilled Trades			0			0
Marine Crew			0			0
Other Field Services			0			0
			0			0
<b>TOTAL PERSON HOURS</b>	-	-	-	-	-	-
<div style="display: flex; justify-content: space-between;"> <div> <b>Completed by:</b> <input style="width: 400px;" type="text"/>  <b>Title/Position:</b> <input style="width: 400px;" type="text"/> </div> <div> <b>Date:</b> <input style="width: 150px;" type="text"/>  <b>Contact #:</b> <input style="width: 150px;" type="text"/> </div> </div>						

### Instructions for Completion:

- To be completed at Bid Phase and implemented upon contract award.
- Report the number of person hours anticipated to be worked for White Rose during the reporting period.
- If the occupation categories are not appropriate, Contractor may add categories accordingly.
- Subcontractor hours should also be included in Contractor's summary report.
- Person hours are to be reported based on where the work will be completed. For the purposes of this report do not report person hours based on residency.

**If the occupation categories are not appropriate, Contractor may add categories accordingly.**

The contractor shall provide a brief description of education and training initiatives undertaken for employees engaged in White Rose work. The description should include the name and location of the training facility, a brief course description, and course fees. Associated costs, such as wages, salaries, travel, meals etc. incurred for employees while attending the training program **should not** be included. **This report should only include non-regulatory education and training and is to be submitted by March 1 each year for the previous year.**

[illegible]

- To be completed at Bid Phase and implemented upon contract award.
- Training Course: Provide name, description and date the training course will be delivered.
- Training Institution: Provide name and location of the training institution.
- Course Costs: Provide the costs for education and training initiatives to be undertaken for employees working for White Rose during the contract period, including fully-burdened labour costs for co-op students. Associated


costs, such as wages, salaries, travel; meals etc. to be incurred for employees while attending the training program should not be included.

NOTE: As your reported progress may be subject to audit by Husky Energy and/or the CNLOPB (or its representative), please ensure the accuracy, completeness and verifiability of all information disclosed.

## 2.5 Research and Development Expenditures

The Contractor shall identify and provide a brief explanation of any research and development initiatives undertaken in the Province, particularly those done by, or in conjunction with local training institutions or businesses, relating to or resulting from White Rose work. **This report is to be submitted by March 1 of each year for the previous year.**

### Instructions for Completion:

					
<b>RESEARCH &amp; DEVELOPMENT EXPENDITURE REPORT</b>					
<p><b>Contractor:</b> <input style="width: 150px;" type="text"/></p> <p><b>Period:</b> <input style="width: 40px;" type="text"/> / <input style="width: 40px;" type="text"/></p> <p style="text-align: center;">Month                      Year</p>					
Research and Development Summary					
R&D Initiative			Research Institution/Facility		Initiative Cost
Dates	Name	Description	Name	Location	
<b>Total</b>					<b>0</b>
Completed by: <input style="width: 150px;" type="text"/>			Date: <input style="width: 100px;" type="text"/>		
Title/Position: <input style="width: 150px;" type="text"/>			Contact #: <input style="width: 100px;" type="text"/>		

- To be completed at Bid Phase and implemented upon contract award.
- Identify and provide a brief description, including a summary of the amount that will be spent on these programs, of any R&D initiatives anticipated to be undertaken in the Province, particularly those that will be done by or in conjunction with local training institutions or business, relating to or resulting from White Rose work.
- Date: Identify the date the R&D initiative will take place.
- Name: Indicate the name of the R&D initiative.
- Description: Supply the title and brief description of the R&D initiative.
- Research Institution/Facility: Identify the name and location of the facility at which the research will be undertaken.



- Cost: Provide the cost that will be incurred during the contract period.

**NOTE: As your reported progress may be subject to audit by Husky Energy and/or the CNLOPB (or its representative), please ensure the accuracy, completeness and verifiability of all information disclosed.**

### **3.0 CANADA-NEWFOUNDLAND AND LABRADOR BENEFITS COMMITMENTS**

Where applicable, the Contractor will provide detailed information concerning items 3.1 to 3.9.

#### **3.1 Research & Development**

The Contractor shall, where applicable, detail all Canadian-Newfoundland and Labrador research and development to be conducted or supported by the Contractor for this scope of work.

#### **3.2 Supplier Development**

The Contractor shall, where applicable, detail policies and initiatives to promote the development of Canadian-Newfoundland and Labrador suppliers.

#### **3.3 Technology Transfer**

The Contractor shall, where applicable, detail policies and initiatives to promote technology transfer to the Canadian-Newfoundland and Labrador participants within the Contractor's Company, Partnership or Joint Venture and/or to proposed Canadian-Newfoundland and Labrador contractors; including:

- A description of the intended technology transfer and the strategy and methods which will be employed to achieve this transfer, particularly the arrangements for the transfer of technology from non-Canadian participants to Newfoundland and Labrador and Canadian led, owned or controlled participants and,
- The nature of the arrangements amongst the participants, including the respective shares of equity and the long-term intentions for their business entity and, the share and nature of the work to be carried out by each of the participants and Newfoundland and Labrador suppliers.

#### **3.4 Training**

The Contractor shall, where applicable, detail policies and initiatives for the development and training of Canadian-Newfoundland and Labrador employees, including on-the-job training and formal training programs to be carried out in Newfoundland and Labrador.

#### **3.5 Diversity**

The Contractor shall provide information on its diversity policies and practices, including:

- How the Contractor provides designated groups access to job and training opportunities arising from the contract activities;

- The number of women and persons from designated groups the Contractor currently employs, in total and in different occupational categories; and
- How the Contractor ensures a supportive and respectful working environment for women and other designated groups.

### **3.6 Succession Planning**

The Contractor shall provide details of how Newfoundland and Labrador-Canadian resident succession planning to phase out foreign workers will be implemented as the contract proceeds.

### **3.7 Ownership**

List main shareholders by percentage of ownership.

### **3.8 Canadian facilities**

List Canadian based offices/plants/facilities.

### **3.9 Compliance**

The Contractor must state that it will comply with requirements of the Company (or any governmental authority) with respect to benefits, that it will comply with all applicable guidelines of the Company, and that it will comply with all of the benefits commitments made in this contract.

**Appendix C: Contacts for Local Offshore Associations and Training Establishments**

Please note this list is subject to additions or changes. As such, it may not be exhaustive.

*Revised: April 16, 2012*

**LOCAL TRADE AND INDUSTRY ASSOCIATIONS**

<p>1) <b>Atlantic Canada Opportunities Agency</b> 10 Barters Hill Cabot Place 2, 11th Floor St. John's, NL A1C 5M5</p> <p>Tel: 709-772-2751 / Fax: 709-772-2712</p> <p>Web: <a href="http://www.ACOA.ca">www.ACOA.ca</a></p>	<p>2) <b>Newfoundland Ocean Industries Association (NOIA)</b> P.O. Box 44 Suite 602, Atlantic Place 215 Water Street St John's, NL A1C 6C9</p> <p>Tel: 709-758-6610 / Fax: 709-758-6611</p> <p>e-mail: <a href="mailto:noia@noianet.com">noia@noianet.com</a></p>
<p>3) <b>Department of Natural Resources</b> 50 Elizabeth Avenue P.O. Box 8700 St. John's, NL A1A 1W5</p> <p>Tel: 709-729-3906 / Fax: 709-729-4011</p>	<p>4) <b>St John's Board of Trade</b> Board of Trade Building 34 Harvey Road, 3<sup>rd</sup> Floor P.O Box 5127 St John's, NL A1C 5V5</p> <p>Tel: 709-726-2961 / Fax: 709-726-2003</p> <p>e-mail: <a href="mailto:mail@bot.nf.ca">mail@bot.nf.ca</a></p> <p>web: <a href="http://www.bot.nf.ca">www.bot.nf.ca</a></p>
<p>5) <b>Offshore/Onshore Technologies Association of Nova Scotia (OTANS)</b> 202 Brownlow Ave Suite 305, Cambridge Tower 1 Dartmouth, NS B3B 1T5</p> <p>Tel: 902-425-4774 / Fax: 902-422-2332</p> <p>e-mail: <a href="mailto:otans@otans.com">otans@otans.com</a></p> <p>web: <a href="http://www.otans.com">www.otans.com</a></p>	

## **Appendix C: Contacts for Local Offshore Associations and Training Establishments (continued)**

Please note this list is subject to additions or changes. As such, it may not be exhaustive.

*Revised: April 16, 2012*

### **LOCAL TRAINING INSTITUTIONS**

- 1) **Memorial University of Newfoundland**  
St. John's, NL A1C 5S7  
P.O. Box 4200, Canada  
Tel: 709-864-8000/ Fax: 1-709-864-4569

Web: [www.mun.ca](http://www.mun.ca)

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- 2) **College of the North Atlantic**  
Prince Philip Drive Campus  
P.O. Box 1693  
St. John's, NL A1C 5P7

Tel: 709-758-7284 / Fax: 709-758-7304

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- 3) **Marine Institute**  
P.O. Box 4920  
St. John's, NL A1C 5R3

Tel: 709-778-0200 / Fax: 709-778-0346

Web: [www.mi.mun.ca](http://www.mi.mun.ca)

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- 4) **Operating Engineers College**  
P.O. Box 389  
Salmonier Line  
Holyrood, NL A0A 2R0

Tel: 709-229-6464 / Fax: 709-229-6469

Email: [oeo@oeocollege.com](mailto:oeo@oeocollege.com)

Web: [www.oeocollege.ca](http://www.oeocollege.ca)

## Appendix D: Calculation of Canada-Newfoundland and Labrador Content

### 1.0 SCOPE

This standard defines Canadian content and then gives explanations and examples of the terms in the definition. “Canadian content”, frequently an important aspect of the procurement process, is here defined so that it can be considered from a common understanding.

### 2.0 DEFINITION

2.1 Canadian Content<sup>2</sup> is that portion of the selling price of a product or service associated with the work performed in Canada. Canadian Content may also be calculated as the selling price less the cost of directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.

2.2 Selling Price is the net selling price to the buyer after all discounts. It includes all applicable federal and provincial sales taxes, excise taxes and tariffs.

2.3 Cost of Direct Imports<sup>1</sup> is that portion of the selling price associated with directly imported materials, labour, services and overhead. It includes the tariffs and the cost of transportation to the Canadian place of Importation (place where first landed in Canada).

2.4 Cost of Indirect Imports<sup>1</sup> is that portion of the selling price associated with the costs for materials, labour, services and overheads that, while obtained through a Canadian supplier, in fact originated outside Canada.

**Note:** The definition of “Newfoundland Content” shall be the same definition as “Canadian Content” except that “imported costs” refer to costs incurred in all areas outside the Province of Newfoundland and Labrador.

### 3.0 EXAMPLES

To aid in the interpretation of several terms, the following examples are provided.

#### 3.1 Cost of Direct Imports

3.1.1 Directly Imported Material Cost – the cost of an electric motor bought directly from a firm producing it outside Canada. The cost of Import includes all duties paid and the transportation cost to the Canadian place of Importation.

3.1.2 Directly Imported Labour Cost – the labour cost of sewing together, in a factory outside Canada, a glove from leather and other materials supplied from Canada.

3.1.3 Directly Imported Service Cost – the cost of design work performed outside Canada.

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2 Reasonableness and materiality should apply when apportioning any of the above costs for foreign and domestic sources

– The content of Profit will be based on where the Profit is taxed

– The content of Leasing shall be consistent with the added value concept for content allocation

– Calculation of Canadian content should be based on information derived through Generally Accepted Accounting Principles

3.1.4 Directly Imported Overhead Cost – the royalties or management fees paid outside Canada.

## 3.2 Cost of Indirect Imports

3.2.1 Indirectly Imported Material Cost – the cost of an electric motor produced outside of Canada and purchased from a distributor located in Canada for incorporation into a product assembled or manufactured in Canada.

3.2.2 Indirectly Imported Labour Cost – the labour cost, to a company with manufacturing facilities in Canada, of testing product in facilities outside Canada.

3.2.3 Indirectly Imported Service Cost – the computer costs, to a Canadian firm that provides computer services, of using a computer outside Canada in providing those services.

## 4.0 NOTES

Examples of the calculation of Canadian content as both a dollar value and a percentage of total net selling price, based on knowledge of either imported costs (4.1) or domestic costs (4.2), are given below:

### 4.1 Calculation Based on Knowledge of Imported Costs

A.	Total Net Selling Price .....	\$287,000
B.	Imported Costs: Costs related to directly and indirectly imported materials, labour, services, overhead and profit not taxable in Canada.	
	Materials (incl. Tariffs)	
	- Direct.....	\$ 35,000
	- Indirect .....	18,000
	Labour	
	- Direct.....	20,000
	- Indirect .....	3,000
	Services	
	- Direct.....	3,000
	- Indirect .....	-----
	Transportation .....	4,000
	(to Place of Importation)	
	Overheads.....	<u>16,000</u>
		<u>\$ 99,000</u>
C.	Canadian Content .....	<u>\$188,000</u> (line A minus line B)
D.	Percentage Canada Content.....	66% (line C) / (line A) x 100

## 4.2 Calculation Based on Knowledge of Domestic Costs

- A. Total Net Selling Price ..... \$287,000
- B. Canadian Content – Cost related to domestic materials, labour services, overheads, taxes and profits
- Domestic Costs
- Materials..... \$ 60,000
- Labour ..... 40,000
- Services ..... 2,500
- Transportation ..... 5,000 (within Canada)
- Overheads (incl. Profit)..... 42,500
- Fed. & Prov. Taxes ..... 38,000..... \$188,000
- C. Percentage Canadian Content ..... 66%
- (line B) / (line A) x 100

### Examples

The following examples illustrate the application of the Canadian General Standards Board (CGSB) "Definition of Canadian Content" in the context of activities associated with or resulting from the White Rose Project.

### Labour:

For expenditures related to labour, the CGSB implies by its definitions of Imported Labour Costs, that the determination of whether labour costs are Newfoundland, Canadian or Foreign Labour is based on where the work is performed, regardless of nationality or residency status of the workers. For expenditure reporting of labour cost, categorization is based on the following matrix:

Resident Status	Work Performed in:		
	Newfoundland	Canada	Foreign Location
<b>Foreign</b>	Newfoundland Cost	Other Canadian Cost	Foreign Cost
<b>Canadian</b>	Newfoundland Cost	Other Canadian Cost	Foreign Cost
<b>Newfoundland</b>	Newfoundland Cost	Other Canadian Cost	Foreign Cost

**Materials:**

Materials content classification depends on the country where the materials used in final processing were obtained. For example, consider a Newfoundland and Labrador cement plant which obtains its materials (limestone and additive requirements) as follows:

- 20% from the United States
- 30% from elsewhere in Canada
- 50% from within Newfoundland and Labrador

Further assume that:

- materials comprise 70% of the cost of the finished product,
- labour, services and overhead, (which are assumed as 100% Newfoundland), comprise the other 30% of the cost of the finished product.

The finished product would be:

- 65% Newfoundland content  $[(5 \times .7) + (1 \times .3) = 65]$
- 21% Other Canadian content  $[(3 \times .7) + (0 \times .3) = 21]$
- 14% Non-Canadian content  $[(2 \times .7) + (0 \times .3) = 14]$

**Equipment:**

Equipment content classification depends on the country where the main components of the finished product were obtained. For example, consider a Canadian plant (located outside of Newfoundland and Labrador) which produces a diesel driven pump set; and, assume that the main components of this pump are sourced and costed as follows:

- diesel engine is 100% U.K. content and comprises 35% of the finished cost
- centrifugal pump is 100% Japanese content and comprises 25% of the finished cost
- pipe work, skid and other materials, labour and overhead are 100% Other Canadian content and comprise 40% of the finished product cost.

This completely assembled equipment (pump set) is then shipped to a construction site in Newfoundland for installation in a module by another contractor. The finished product would be categorized as follows:

- 0% Newfoundland content  $[(0 \times .35) + (0 \times .25) + (0 \times .40) = 0]$
- 40% Other Canadian content  $[(0 \times .35) + (0 \times .25) + (1 \times .40) = 40]$
- 60% Non-Canadian content  $[(1 \times .35) + (1 \times .25) + (0 \times .40) = 60]$



**Services:****A. Contract Value > \$100,000**

The benefit classification is based on an analysis of the components that make up the service fee (i.e. capital cost, labour, overhead and profit) from the supplier's books of records. The Canada-Newfoundland and Labrador benefit content for each of these components is assessed in the following manner:

- Capital component - classified according to the source of the equipment. In instances however, where a leased asset is fully depreciated, the entire fee is broken down into labour, overhead, profit, and classified accordingly.
- Labour component - classified according to the location of the work.
- Overhead component - classified according to the location it was incurred.
- Profit component - classified based upon where the profit is taxed.

**Examples:**

1. A Newfoundland incorporated company provides a fully equipped supply vessel at a total contract value of \$30 million. Assume the vessel is still being depreciated in its books and the source and costing of the main components of the rental fee are as follows:

- vessel is 100% UK content and comprises 60% of the rental fee
- vessel upgrades are 30% Other Canadian and 70% UK and comprises 15% of the rental fee
- remaining 25% of the rental fee is made up of profit, overhead and labour that are 100% Newfoundland.

The categorization of this vessel contract is as follows:

- 25% Newfoundland content  $[(0 \times .60) + (0 \times .15) + (1 \times .25) = 25\%]$
- 5% Other Canadian content  $[(0 \times .60) + (.3 \times .15) + (0 \times .25) = 5\%]$
- 70% Non-Canadian content  $[(1 \times .6) + (.7 \times .15) + (0 \times .25) = 70\%]$

2. Same example as number one above except the vessel is fully depreciated on the books. In this instance any portion of the rental fee associated with the cost of the vessel itself is coded in the same manner as profit. Consequently the Newfoundland content of this vessel then becomes 100%.

- 100% Newfoundland content  $[(1 \times 1) = 100\%]$
- 0% Other Canadian content
- 0% Non-Canadian content

## B. Contract Value < \$100,000

For contracts / POs which are of an estimated value of < CDN \$100,000 and the Canada-Newfoundland and Labrador benefit expenditure breakdown is not readily determinable or available, the following allocation can be applied:

Source of Goods and Services	NEWFOUNDLAND	CANADA	FOREIGN
Firms outside Newfoundland but in Canada		100%	
Firms outside of Canada			100%
Firms in Newfoundland, goods & services originating elsewhere in Canada	25%	75%	
Firms in Newfoundland, goods & services originating outside Canada	25%		75%

### Transportation Charges:

Follow the classification of the labour, materials or services, which are being shipped. (Note that major marine transportation contracts are classified as Services; see above).

### Overhead Charges:

Refer to costs such as supplier carrying charges and restocking costs are included as part of the cost of labour, materials or services. The content classification of this portion of the cost is allocated on a proportional basis to the locations where the expenses were incurred.

### Profit Charges:

The content classification of profit margins depends on where the profit is taxed. Ownership usually determines this. For example, assume a US manufactured valve is supplied from a Newfoundland incorporated branch office for a total cost of \$2 million. Assume the main components of the valve are sourced and costed as follows:

- valve is 100% US content and comprises 80% of the total cost,
- remaining 20% is profit.

Assume also that 85% of the profit associated with this contract will accrue to the US parent through head office charges and/or other transfers and consequently be taxed in the US. In this case, the categorization is as follows:

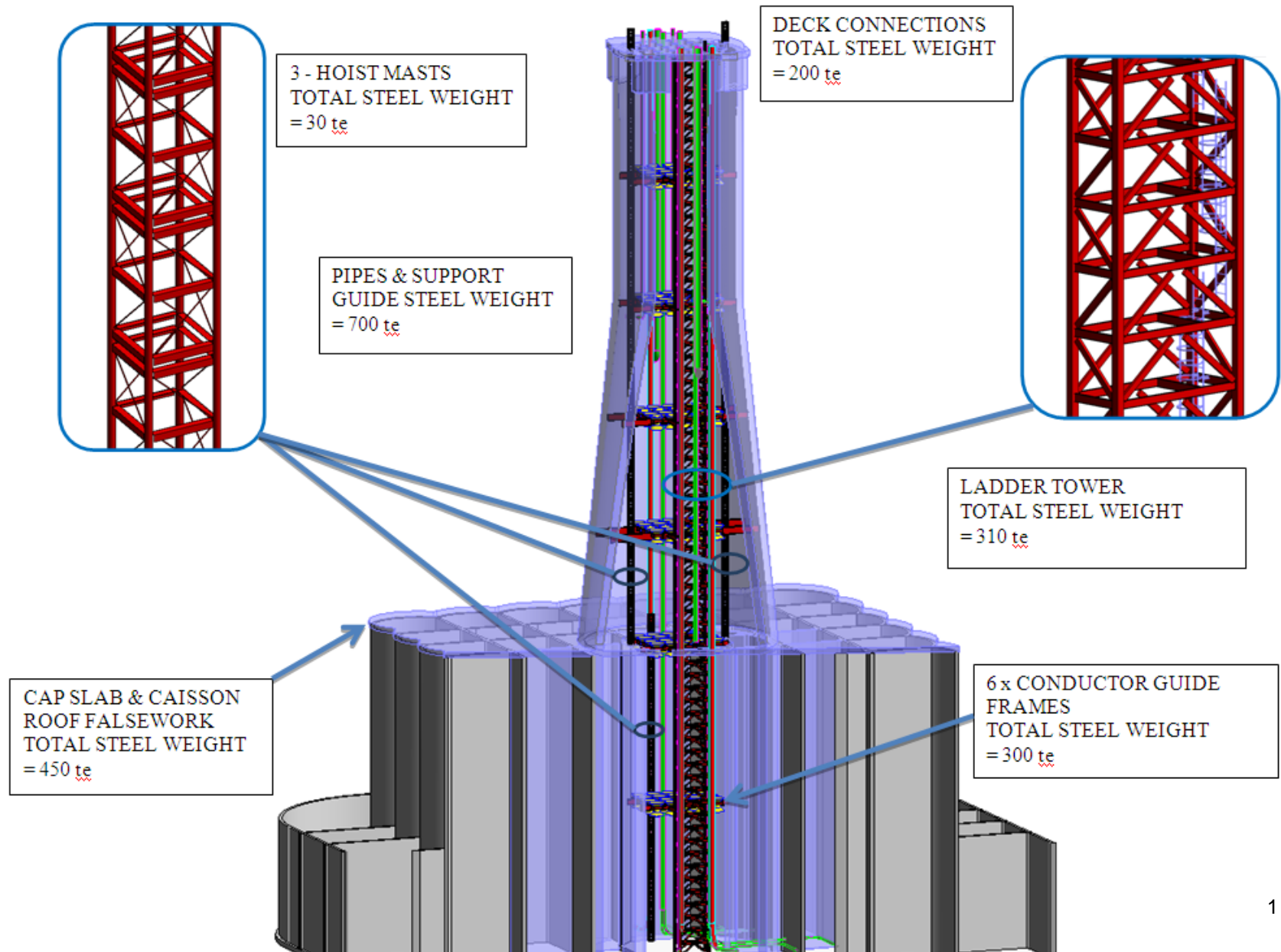
- 3% Newfoundland content  $[(0 \times .8) + (.2 \times .15) = 3]$
- 0% Other Canadian content
- 97% Foreign content  $[(1 \times .8) + (.2 \times .85) = 97]$

## **Appendix C**

### **Mechanical Outfitting of CGS Shaft – Process and Utilities**



# CGS Shaft – General View of Structure





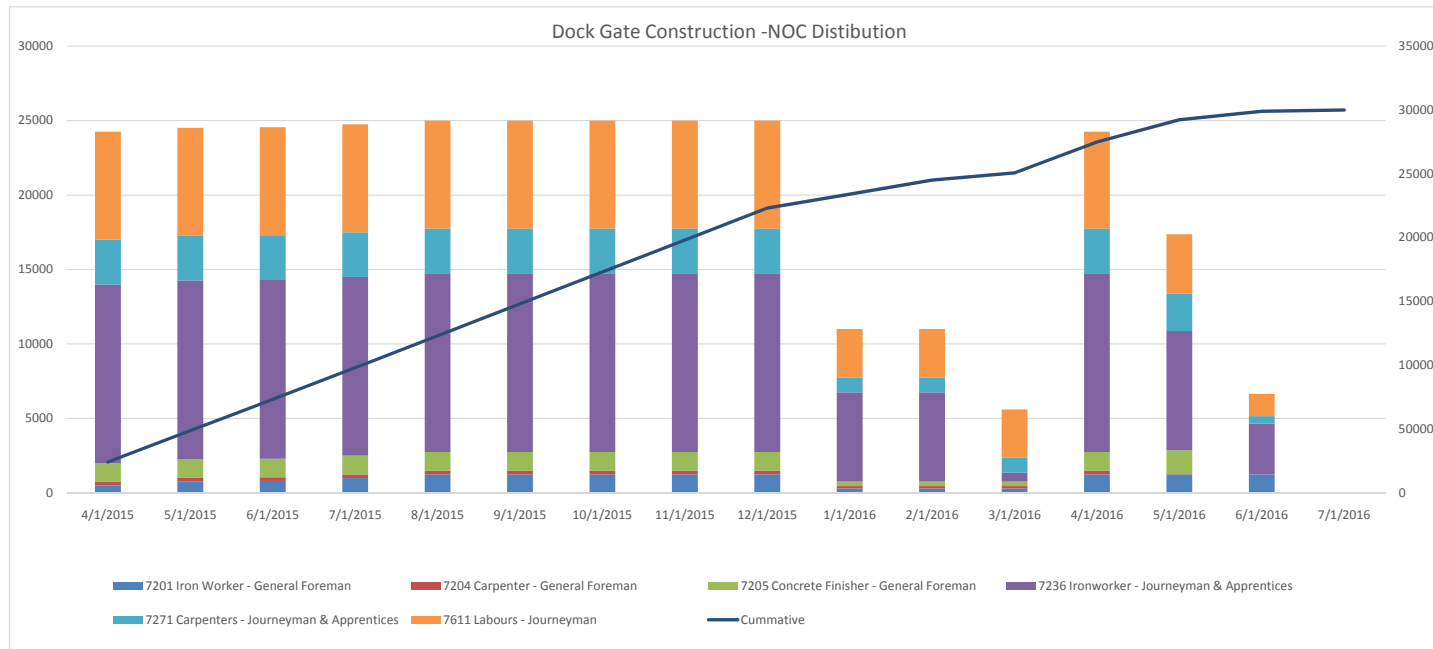


**Appendix D**

**Anticipated Newfoundland and Labrador Labour Requirements (by NOC)  
Associated with Completion of the WREP**

## Dock Gate Construction

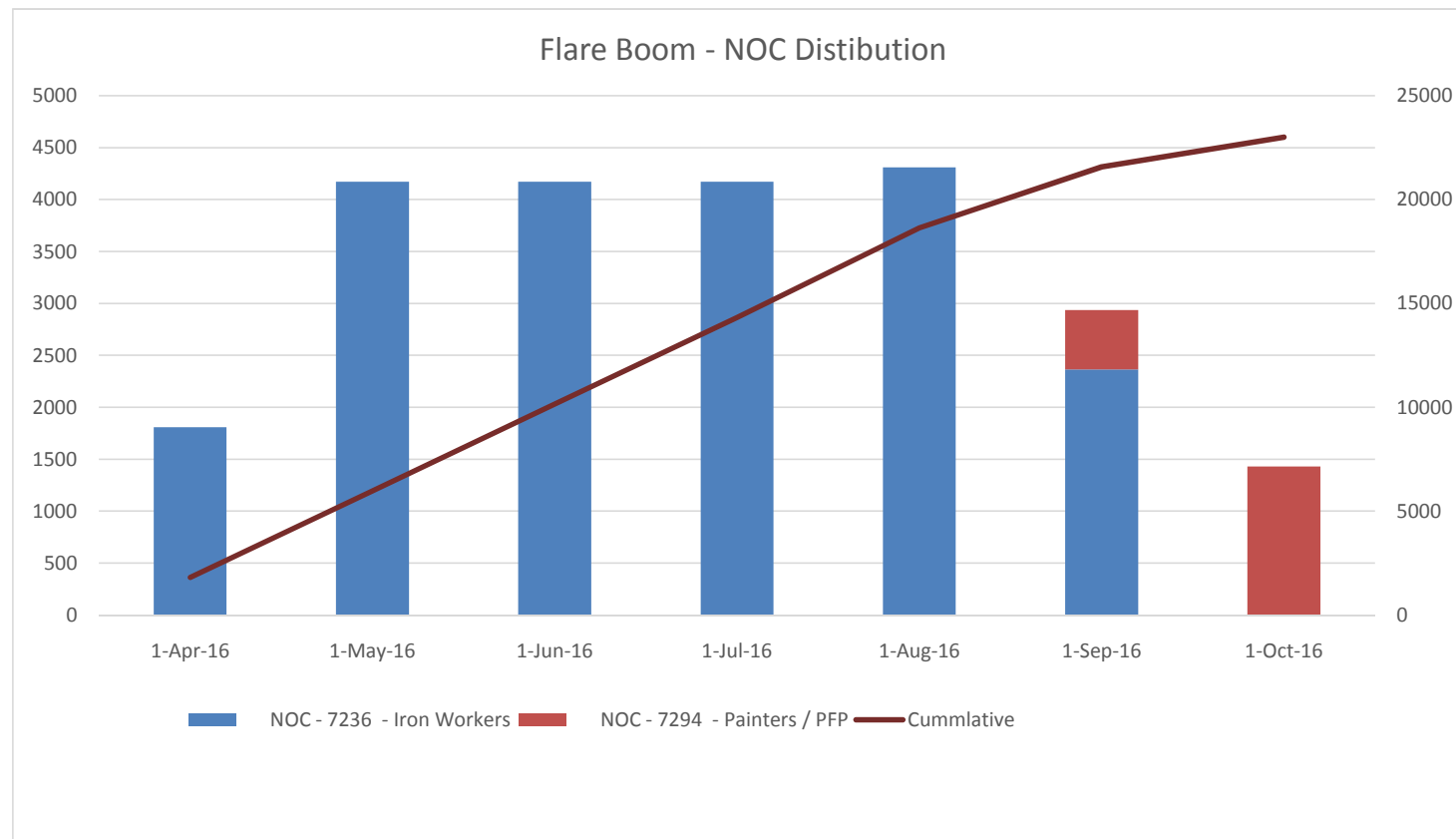
NOC Code	NOC Description	Person-Hours	4/1/2015	5/1/2015	6/1/2015	7/1/2015	8/1/2015	9/1/2015	10/1/2015	11/1/2015	12/1/2015	1/1/2016	2/1/2016	3/1/2016	4/1/2016	5/1/2016	6/1/2016	7/1/2016
7201	Iron Worker - General Foreman	15000	500	760	800	1000	1250	1250	1250	1250	1250	300	300	300	1250	1250	1250	1040
7204	Carpenter - General Foreman	3000	250	250	250	250	250	250	250	250	250	160	160	160	250	20		
7205	Concrete Finisher - General Foreman	15000	1250	1250	1250	1250	1250	1250	1250	1250	1250	300	300	300	1250	1600		
7236	Ironworker - Journeyman & Apprentices	144000	12000	12000	12000	12000	12000	12000	12000	12000	12000	6000	6000	600	12000	8000	3400	
7271	Carpenters - Journeyman & Apprentices	36000	3000	3000	3000	3000	3000	3000	3000	3000	3000	1000	1000	1000	3000	2500	500	
7611	Labours - Journeyman	87000	7250	7250	7250	7250	7250	7250	7250	7250	7250	3250	3250	3250	6500	4000	1500	
Sub-Total		300000	24250	24510	24550	24750	25000	25000	25000	25000	25000	11010	11010	5610	24250	17370	6650	1040
Cummlative			24250	48760	73310	98060	123060	148060	173060	198060	223060	234070	245080	250690	274940	292310	298960	300000





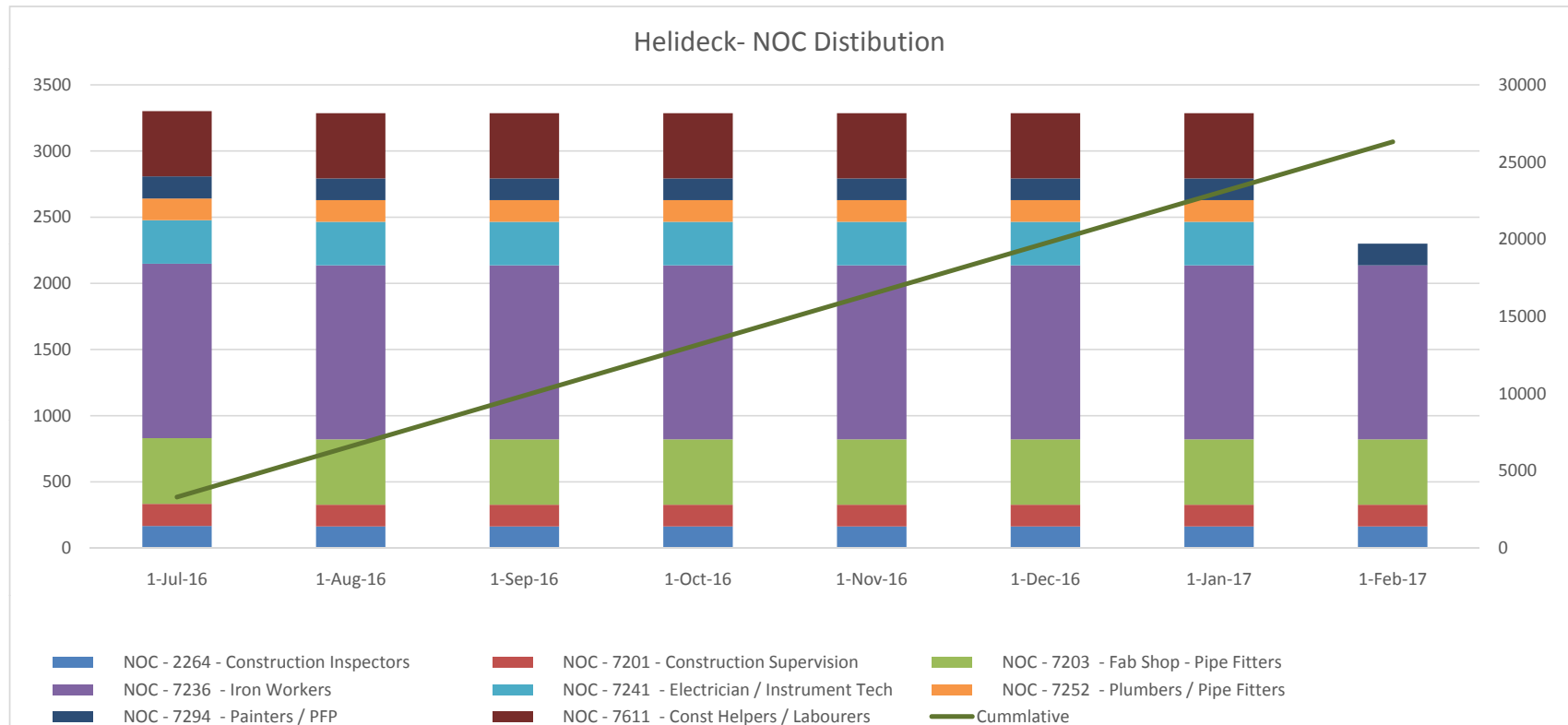
## Flare Boom Fabrication

NOC Description	Person-Hrs	1-Apr-16	1-May-16	1-Jun-16	1-Jul-16	1-Aug-16	1-Sep-16	1-Oct-16
WREP - NOC National Occupational Classification NOC CODES - CONSTRUCTION <b>NOC - 7236 - Iron Workers</b> <b>NOC - 7294 - Painters / PFP</b>	21000 2000	1808	4172	4172	4172	4311	2365 571	1429
Sub-Total	23000	1808	4172	4172	4172	4311	2936	1429
Cummlative		1808	5980	10152	14324	18635	21571	23000



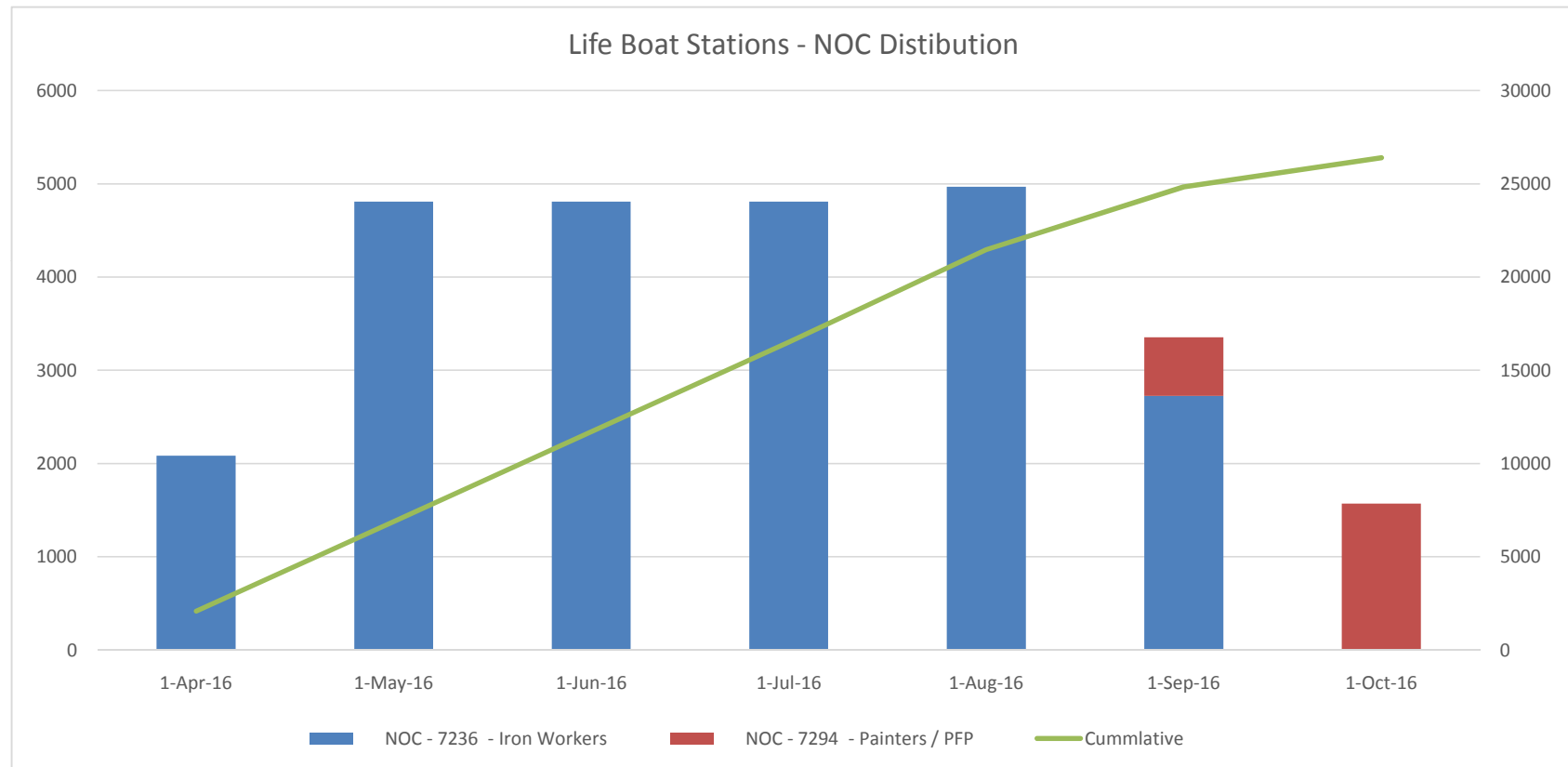
## Helideck Fabrication

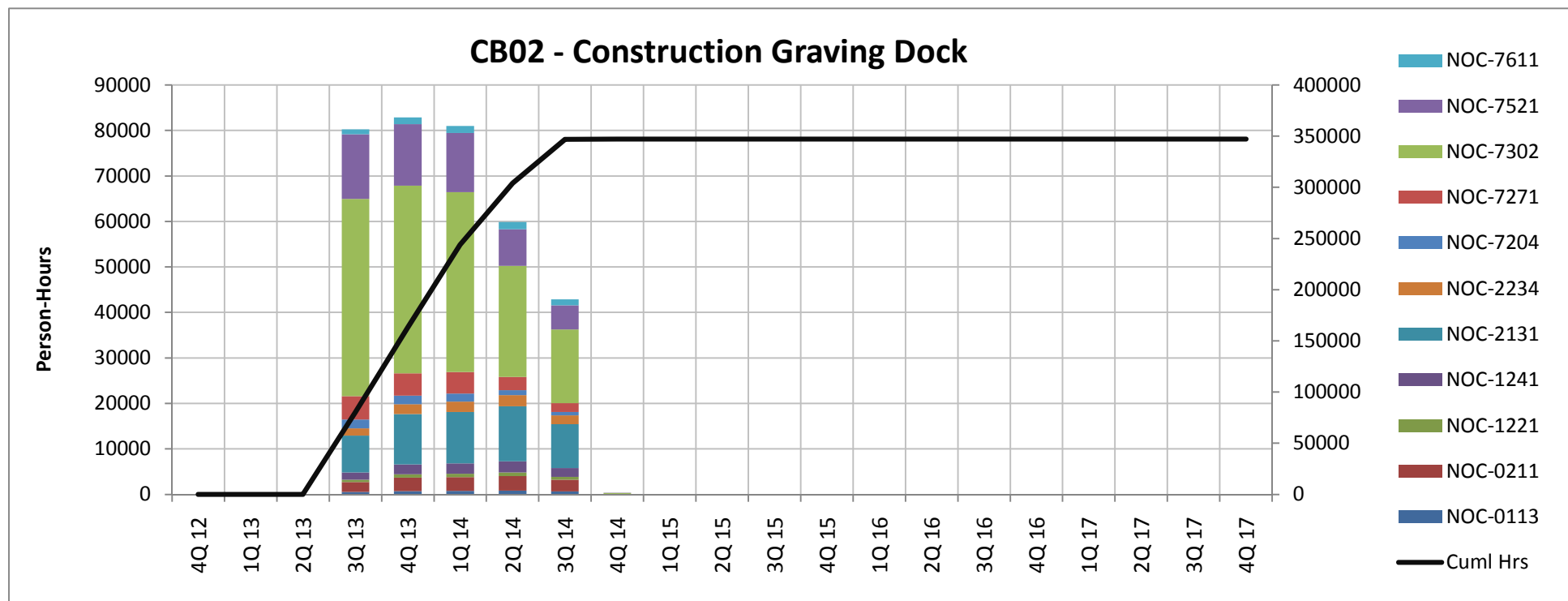
NOC Descriptions	Person-Hrs	1-Jul-16	1-Aug-16	1-Sep-16	1-Oct-16	1-Nov-16	1-Dec-16	1-Jan-17	1-Feb-17
WREP - NOC National Occupational Classification									
NOC CODES - CONSTRUCTION									
<b>NOC - 2264 - Construction Inspectors</b>	1315	167.4	164	164	164	164	164	164	164
<b>NOC - 7201 - Construction Supervision</b>	1315	167.4	164	164	164	164	164	164	164
<b>NOC - 7203 - Fab Shop - Pipe Fitters</b>	3946	495.2	493	493	493	493	493	493	493
<b>NOC - 7236 - Iron Workers</b>	10523	1318.2	1315	1315	1315	1315	1315	1315	1315
<b>NOC - 7241 - Electrician / Instrument Tech</b>	2632	328.8	329	329	329	329	329	329	329
<b>NOC - 7252 - Plumbers / Pipe Fitters</b>	1315	167	164	164	164	164	164	164	164
<b>NOC - 7294 - Painters / PFP</b>	1315	167	164	164	164	164	164	164	164
<b>NOC - 7611 - Const Helpers / Labourers</b>	3946	495	493	493	493	493	493	493	493
<b>Sub-Total</b>	26308	3306	3286	3286	3286	3286	3286	3286	3286
<b>Cummlative</b>		3306	6592	9878	13164	16450	19736	23022	26308



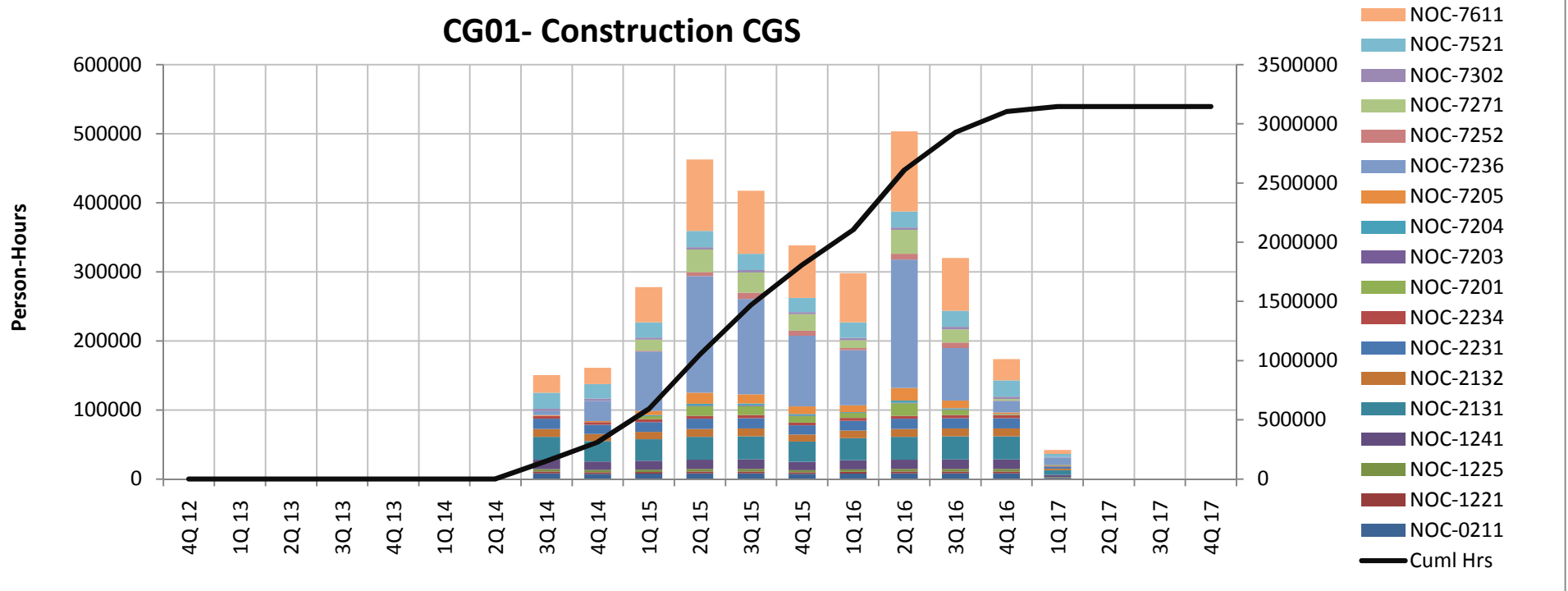
## Life Boat Stations

NOC Descriptions	Person-Hours	1-Apr-16	1-May-16	1-Jun-16	1-Jul-16	1-Aug-16	1-Sep-16	1-Oct-16
WREP - NOC National Occupational Classification	26400							
NOC CODES - CONSTRUCTION								
<b>NOC - 7236 - Iron Workers</b>	24200	2083	4808	4808	4808	4968	2725	
<b>NOC - 7294 - Painters / PFP</b>	2200						629	1571
Sub-Total	26400	2083	4808	4808	4808	4968	3354	1571
Cummlative		2083	6891	11699	16507	21475	24829	26400

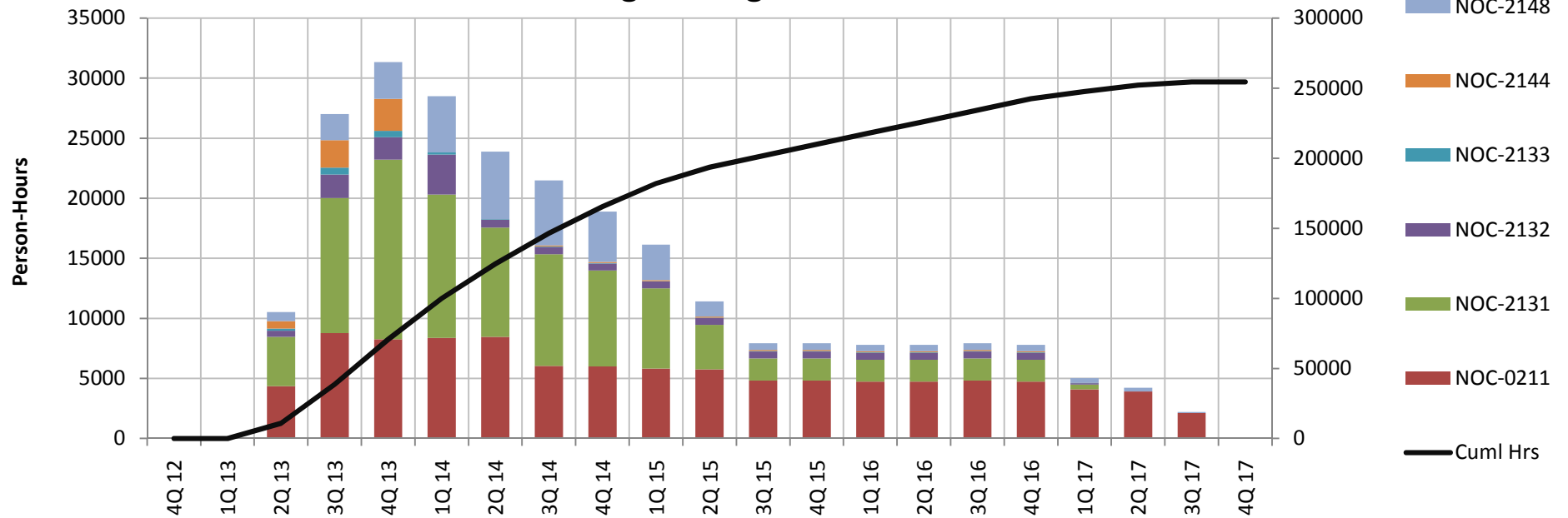




# CG01- Construction CGS

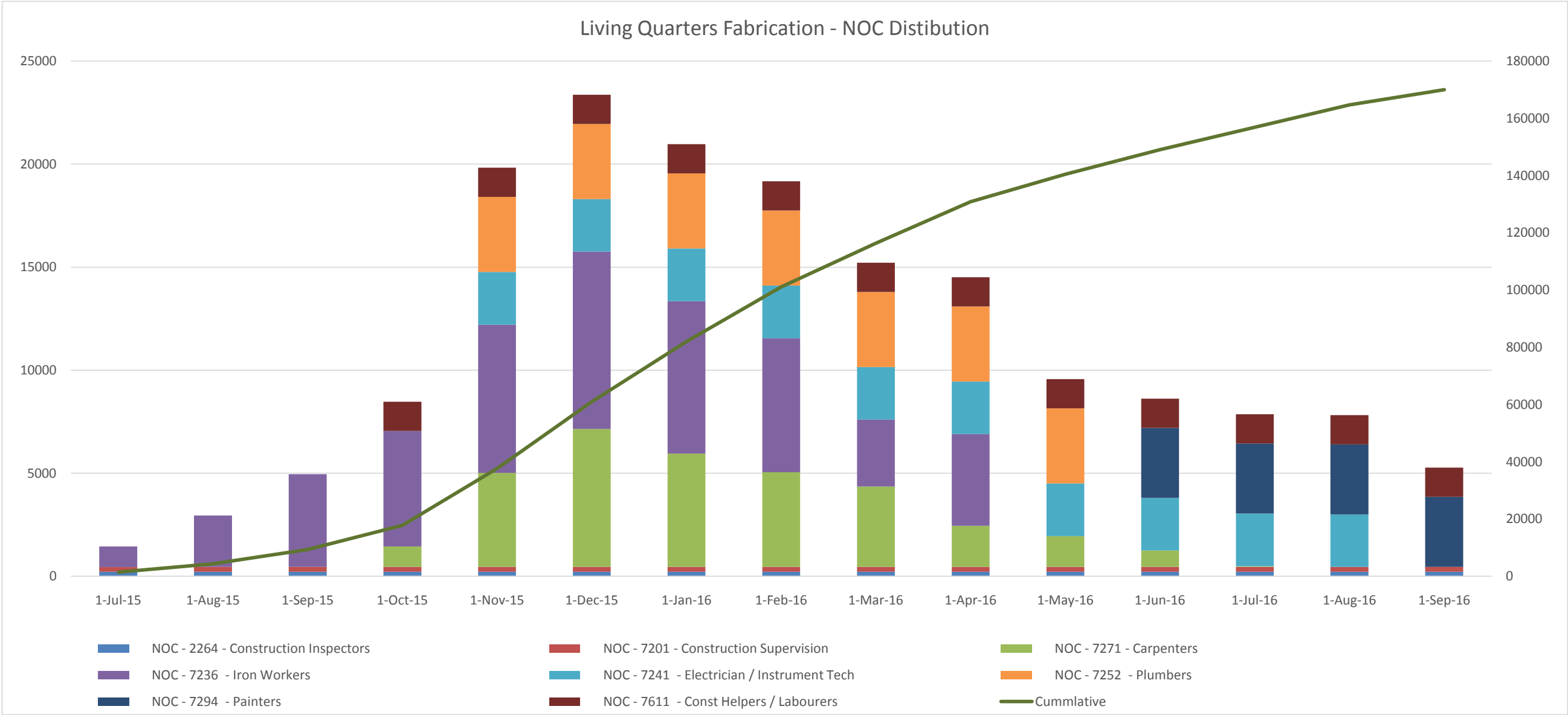


### CG01E- Engineering CGS



Living Quarters Fabrication

NOC Descriptions	Person Hrs	1-Jul-15	1-Aug-15	1-Sep-15	1-Oct-15	1-Nov-15	1-Dec-15	1-Jan-16	1-Feb-16	1-Mar-16	1-Apr-16	1-May-16	1-Jun-16	1-Jul-16	1-Aug-16	1-Sep-16
WREP - NOC National Occupational Classification																
NOC CODES - CONSTRUCTION																
NOC - 2264 - Construction Inspectors	3400	222	227	227	227	227	227	227	227	227	227	227	227	227	227	227
NOC - 7201 - Construction Supervision	3400	222	227	227	227	227	227	227	227	227	227	227	227	227	227	227
NOC - 7271 - Carpenters	30600				1000	4560	6700	5500	4600	3900	2000	1500	800	40		
NOC - 7236 - Iron Workers	51000	1000	2500	4500	5600	7200	8600	7400	6500	3250	4450					
NOC - 7241 - Electrician / Instrument Tech	25500					2550	2550	2550	2550	2550	2550	2550	2550	2550	2550	
NOC - 7252 - Plumbers	25500					3642	3643	3643	3643	3643	3643	3643				
NOC - 7294 - Painters	13600												3400	3400	3400	3400
NOC - 7611 - Const Helpers / Labourers	17000				1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417	1417
Sub- Total	170000	1444	2954	4954	8471	19823	23364	20964	19164	15214	14514	9564	8621	7861	7821	5271
Cummlative		1444	4398	9352	17823	37645	61009	81973	101136	116350	130864	140427	149048	156909	164729	170000



NOTE: 43,000 person hours of the total person hours will be executed outside NL for final integration and installation