

SPEAKING NOTES FOR BOTWOOD TALK – OCT 24/19
Scott Tessier, C-NLOPB, October 24, 2019

- pleased to be here this morning to provide an introduction to the important work of the C-NLOPB.
- In my talk, I'm going to cover our history and mandate, our role and key areas of authority, describe the Canada-NL Offshore Area, review at a high level our Scheduled Land Tenure System including the timing and location of recent and projected future land sales, which is a key predictor of industry activity in the Offshore Area going forward.
- The C-NLOPB was created in 1985 via the *Atlantic Accord* Agreement between the Governments of Newfoundland and Labrador and Canada, and is enshrined in law in the *Atlantic Accord Implementation Acts*.
- For over 30 years, the C-NLOPB has served as an effective agent of independent, joint management of the Canada-Newfoundland and Labrador Offshore Area.
- Our mandate is to interpret and apply the provisions of the *Atlantic Accord* and the *Accord Acts* to all activities of operators in our Offshore Area, and to oversee operator compliance with those provisions.
- The role of the C-NLOPB is to facilitate the exploration for, and development of, petroleum resources in the Offshore Area in a manner consistent with our mandate in five key areas of authority:
 - health and safety of workers;
 - environmental protection;
 - resource management;
 - Canada/Newfoundland and Labrador benefits; and
 - Exploration and licencing.
- In delivering on this mandate, worker health and safety, and environmental protection, are paramount in all Board decisions.
- To give you a flavour for the type of work we do as a regulator, the next three slides provide an overview of our key lines of business, related to these five main areas of authority.

- We verify that operators have a prudent regime for achieving worker health and safety and protection of the environment.
- We verify that all statutory and regulatory requirements are fulfilled prior to the issuance of an approval or authorization (I should note that any activity in the Offshore Area by an operator must be authorized by the C-NLOPB before the activity can occur).
- We process applications for approvals and authorizations in a consistent and timely manner.
- We verify, through audits and compliance verification, that operators follow plans described in applications.
- We ensure that environmental assessments (EAs) are completed before any offshore activity is authorized, and we're responsible for compliance and enforcement of all conditions of EA approvals.
- We verify that if deviations from an approval or authorization are found, that these matters are corrected in a consistent and timely manner.
- We conduct investigations following significant incidents, and take appropriate enforcement actions.
- We provide effective and efficient administration of the Scheduled Land Tenure System, the method by which offshore acreage is made available to industry for exploration and development.
- We oversee operators' production activities to ensure that they're consistent with the goals of maximizing recovery, good oilfield practices, production accounting and approved plans.
- We oversee operators' exploration activities including geophysical, geological, environmental and geotechnical programs.
- We oversee operators' exploration, delineation and production drilling activity and apply special oversight measures to deep-water drilling programs.
- We oversee and monitor the work of independent Certifying Authorities in respect of approved scopes of work for installations.

- We maintain an inventory of petroleum resource information for the Offshore Area through the acquisition and curation of such information from exploration and production activity.
- We verify that each operator has an approved Canada-Newfoundland and Labrador Benefits Plan that addresses statutory obligations for individuals and businesses to have a full and fair opportunity to participate; and
- We monitor and evaluate the compliance of operators with contracting, employment, diversity and R&D obligations and commitments under the *Act* and approved Benefits Plans.
- With that overview of what we do, I think it's important to point out a few things which we don't do, to clarify some key aspects of our role that sometimes get confused.
- The C-NLOPB does not:
 - Guarantee the health and safety of workers or protection of the environment; industry operators are responsible for the health and safety of workers and environmental protection;
 - We don't manage reservoirs or production; again, that's the role of an operator within the context of an approved Development Plan;
 - We don't guarantee the participation of Canadian or Newfoundland and Labrador workers and businesses – we do ensure, however, that they have a full and fair opportunity to participate;
 - We don't have any role, beyond the provision of required data and information to governments, in the establishment or administration of the fiscal regime (including royalties and taxes) for any offshore activity;
 - We don't approve or comment on benefits agreements between governments and companies who are pursuing major development projects; and
 - And while we definitely understand the industry's economic importance to the province and the country, the C-NLOPB does not “promote” or “champion” the industry. Promotion and marketing of the industry is best left to governments, along with the industry itself and its associations.

- The C-NLOPB is staffed with a team of 95 full-time regulatory professionals in a wide variety of disciplines including safety officers, environmental compliance officers, reservoir engineers, geologists, geophysicists and measurement analysts – to name but a few.
- As you can see from the org chart, our CEO reports to a part-time Board which, when fully constituted, has seven members. Three Board members are appointed by the federal government, and three are appointed by the provincial government, and the Chair is a joint appointment by both governments. And we'll have the pleasure of hearing from our current Board Chair, Roger Grimes, at lunch hour today.
- The C-NLOPB reports to the federal and Newfoundland and Labrador Ministers of Natural Resources, as these two Ministers retain certain powers and approvals in relation to some Board decisions.
- There's also a reporting relationship to the Minister of Service NL, related to responsibilities for offshore occupational health and safety.
- Our operating budget in the current fiscal year is \$22.3 million, funded equally by the federal and Newfoundland and Labrador Governments. The C-NLOPB operates on a cost-recovery basis, meaning that all of our budgetary expenditures are recovered from industry operators in accordance with our Cost Recovery Guidelines.
- These next couple of slides provide an overview of the Canada-Newfoundland and Labrador Offshore Area.
- The jurisdiction of the C-NLOPB extends to the farther of 200 nautical miles or the outer edge of the Continental Shelf. The Offshore Area, as defined in the Accord Acts, covers some 185 million hectares.
- The areal extent exceeds 1.8 million square kilometres. By comparison, the US Gulf of Mexico is 1.6 million square kilometres and the Norwegian Continental Shelf is 1.5 million square kilometres.
- There are over 20 offshore sedimentary basins, with proven petroleum systems in several basins.

- From a statistical perspective, there have been 477 wells spud in the Offshore Area since 1966, including 172 exploration wells
- 1.8 billion barrels of oil have been produced from four producing projects
- The equivalent of 6.6 million line kilometres of seismic data has been acquired.
- And in terms of current licences, we have 30 Exploration Licences along with 58 Significant Discovery Licences and 12 Production Licences.
- During the 2018 calendar year, operators reported expenditures of \$3.3 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$62.7 billion.
- As of December 31, 2018, there were around 7,000 Newfoundland and Labrador and other Canadian residents working in direct support of petroleum-related activity in the Offshore Area. And of course the number is much higher when indirect employment is factored in.
- At the C-NLOPB, we recognize the importance of working collaboratively with other regulators, both in Canada and internationally.
- This year our focus has been on ensuring we play a strong contributing role in Canada's leadership of the International Regulators Forum. The IRF is a group of offshore regulators of health and safety from 10 countries.
- The Chair role of the IRF Management Committee is led by our colleagues at the Canada-Nova Scotia Offshore Petroleum Board, with the support of the C-NLOPB and the Canadian Energy Regulator (formerly the National Energy Board).
- Another organization we continue to be active in, and learn from, is the International Offshore Petroleum Environmental Regulators, a collaborative group of national regulators whose focus is to drive improvements to environmental performance in the global offshore petroleum exploration and production industry.
- In May, members of our staff travelled to Australia to attend *SpillCon 2019*, a gathering of regulators, industry, government and non-government organizations to discuss oil spill cause and prevention, preparedness, response management and related issues.

- Our staff also continue to be actively involved with the North Sea Offshore Authorities Forum – with its Wells Working Group and the Health and Safety/Asset Integrity Working Group.
- So changing gears a bit now, the next few slides deal with our Land Tenure and Call for Bids process.
- In 2013, the C-NLOPB implemented a Scheduled Land Tenure System. The System provides transparency, predictability and consistency to the way lands are made available to industry for exploration, and then potentially, development.
- Under the System, Industry and stakeholders know well in advance where and when to expect Calls for Bids, and it enables better planning and assessment of prospectivity prior to industry bidding on available land parcels.
- As you can see from this map, the Offshore Area has been divided into eight regions under this system, which have been individually categorized as either mature, high activity, or low activity, based on the level of oil and gas exploration and development activities.
- Currently, the only land tenure region designated as Mature is the Jeanne d’Arc Region (depicted on the map as the rectangular box east of the Avalon Peninsula).
 - This region has substantial 2D and 3D seismic data coverage, and extensive exploration and delineation drilling.
 - All current production facilities are also located in the Jeanne d’Arc region.
 - Parcels of land are offered to industry in a Call for Bids process in this Jeanne d’Arc Region on an annual basis.
- The one land tenure region designated as High Activity is the Eastern Newfoundland Region, as you can see on the map.
 - In this High Activity region, parcels of land are offered for bid every two years.
 - I should note that Equinor’s proposed Bay du Nord Development Project is located in this High Activity region, which you will see on a later map.
- And finally, the other six Land Tenure regions you see on the map are classified as Low Activity.
 - In those six Low Activity regions, lands are offered for bid every four years.
- Prior to the actual Call for Bids on specific lands parcels, the C-NLOPB invites industry to nominate fairly large areas of interest followed by smaller sectors within those areas.

With this input from industry, focused land parcels are developed for land sales in a Call for Bids process.

- Upon receipt of Ministerial approval, the C-NLOPB initiates a Call for Bids process, normally commencing in March or April, and closing in November of the same year.
- A Call for Bids will specify the form and manner in which a bid is to be submitted by industry and any terms and conditions that a bid must satisfy to be considered by the C-NLOPB.
- This sole criterion in assessing bids received from industry is the highest dollar bid - how much money a bidder commits to spend on exploration work during the term of an Exploration Licence.
- The minimum bid on a land parcel is \$10 million in work commitments. Bidders are required to submit a 25% deposit with the Board.
- Successful bidders are announced typically on the same day a Call for Bids closes. The identity of unsuccessful bidders is kept confidential.
- Under the Scheduled Land Tenure System, any parcels not awarded in a Call for Bids will be reassessed and re-posted in a subsequent Call for Bids for that Land Tenure region.
- Upon Ministerial approval, an Exploration Licence is issued to successful bidders in a land sale.
- An exploration licence confers:
 - the right to explore for, and the exclusive right to drill and test for petroleum;
 - the exclusive right to develop those portions of the Offshore Area in order to produce petroleum; and
 - the exclusive right, subject to compliance with the other provisions of the Accord Acts, to obtain a production licence.
- In the offshore area, exploration licences have a maximum nine-year term consisting of two consecutive periods - referred to as Period I (six years) and Period II (three years).
- The interest owner is required to drill or spud and diligently pursue one exploration well before the expiry date of Period I as a condition to obtaining tenure to Period II.

- ELs expire after 9 years unless there's been a discovery, and a Significant Discovery Application has been made.
- It's important to note that the issuance of an Exploration Licence does not authorize the licence holder to carry out physical exploration activities within that licence area.
 - The drilling of an exploration well requires environmental assessment approval along with specific regulatory approvals, through which the operator must present to the C-NLOPB detailed information on its planned exploration activities.
 - The operator must demonstrate that it can undertake such work in keeping with requirements and standards for safety and environmental protection.
- This map provides a pretty good indication of where exploratory drilling will likely occur in the next 3-4 years.
- All of the blocks you see on the map represent Exploration Licences that have been awarded to operators via the C-NLOPB's Call for Bids process in recent years.
- Those EL's with green line boundaries have recently received federal environmental assessment approval, while those with red shading are still going through the environmental assessment process.
- It's important to note that exploration wells will likely not be drilled on all of these Exploration Licences. Historically, one exploration well has been drilled on 78% of Exploration Licences which the C-NLOPB has awarded. Operators will make decisions on the location, timing and number of exploration wells as part of their overall exploration plan for various areas in which they operate.
- There is one exploration well currently being drilled in our Offshore Area. ExxonMobil Canada spud the Harp L-42 exploration well on September 11, and the location is noted on the map.
- The map also shows the proposed location of Equinor's Bay du Nord project, which is the next potential major development project in our Offshore Area.
- The current environmental assessment process for exploratory drilling requires each company which has been awarded Exploration Licences to go through a lengthy environmental assessment process. At present, eight separate environmental

assessments of exploratory drilling are ongoing in our Offshore Area. The proposed Bay du Nord Development project is also currently making its way through the EA process.

- In an effort to improve the efficiency of the environmental assessment process, the federal and Newfoundland and Labrador Governments, and the C-NLOPB, are working on a Regional Assessment of Exploratory Drilling in Eastern Newfoundland.
- The grey shading on the map shows the large geographic area which is in scope for this Regional Assessment.
- The Committee which has been tasked with completing the Regional Assessment, co-chaired by Wes Foote from our Board, is expected to have its report ready for public consultation around the end of this year or early next.
- When this Regional Assessment is complete, the federal government has indicated it plans to make regulations that would exempt future exploratory wells from being designated projects requiring separate environmental assessments if they're in the area covered by the Regional Assessment, and the proponent commits to complying with the conditions in the regulations.
- The end result will be that any offshore exploration projects, including the eight company-specific EAs which are ongoing, that meet the criteria for exemption would no longer be designated projects and would not require separate environmental assessments.
- As I indicated in introducing the Scheduled Land Tenure System, a key benefit of the System is its transparency and predictability.
- This map provides an indication of the projected closing dates for Calls for Bids on land parcels going forward.
- The blocks shaded in yellow represent Calls for Bids that have been approved by the Board and Ministers to proceed. Those shaded in purple are subject to Board and Ministerial approval before a Call for Bids can proceed.
- Towards the bottom right of the map, the blocks in yellow are part of a Call for Bids in the Jeanne d'Arc and South Eastern Newfoundland regions which will close in two weeks' time, on November 6. The C-NLOPB will then publicly announce the identity of any successful bidders and the successful bid amounts.

- A Call for Bids has also been approved for the blocks shaded in yellow in the Labrador South land tenure region. The C-NLOPB and the Nunatsiavut Government are currently co-chairing the work to update a Strategic Environmental Assessment for Offshore Labrador. When that SEA update is complete, the Call for Bids will proceed, and that's anticipated in 2021.
- In closing, hopefully this presentation has given you at least a high-level sense of the important work of the C-NLOPB.
- Thank you again for the opportunity to present.