



The View From The Regulator: \$50 Oil and Beyond

Scott Tessier, Chair and CEO
June 18, 2015

Safety Moment – 2014/15 Local Industry Safety Performance

- 49 incidents involving damage or impairments to Safety or Environmentally Critical Equipment
- 49 helicopter occurrences
- 14 medevacs (mostly for non-occupational illnesses)
- 12 security incidents (mainly errors on flight manifests)
- 6 incidents involving adverse environmental conditions

Compared to last year:

- Dropped objects are showing an uptick
- Fires are fewer, but still too many
- Hydrocarbon releases increased, includes leaks of hazardous substances, and
- Injury rate is down, but still a significant number of high potential incidents

The Safety Record Is Good, But There is Always Room For Improvement

CNLOPB Videos – You Tube and www.cnlopb.ca



Legislative Improvements

Governments, the two offshore boards and the National Energy Board worked together on two significant legislative initiatives:

1. Amendments to the *Atlantic Accord Implementation Acts* to include occupational health and safety
2. The federal *Energy, Safety and Security Act and its provincial equivalent*

Occupational Health and Safety

Atlantic Accord Amendments – Part III.1 Occupational Health and Safety

- Came into force December 31, 2014, providing additional protection for the health, safety and well-being of offshore workers
- Create a formal, legislative and regulatory regime for offshore occupational health and safety and a more effective enforcement tool kit for our officers
- Clarify the roles of governments, regulators, employers and employees, recognizing that operators are ultimately responsible for ensuring worker safety
- Provide authority to disclose occupational health and safety information when in the public interest
- Clarify previous jurisdictional uncertainties respecting OSH, in particular the ‘Right to Refuse’ and the requirement for workplace OSH committees
- More clearly applies to workers in transit to, from, or between offshore workplaces
- Provision made for an Advisory Council on matters related to occupational health and safety

Energy, Safety and Security Act Federal and Provincial Equivalent (Bill 2)

- Focus on four main areas — prevention, response, accountability and transparency
- The “polluter pays” principle has been enshrined in legislation
- Increased absolute liability to \$1billion and governments now have the ability to seek environmental damages
- Offshore regulators have “direct and unfettered access” to \$100 million in funds per project or a pooled fund of \$250 million
- Offshore boards given the tools to become a “responsible authority” under the Canadian Environmental Assessment Act, 2012
- Offshore boards granted authority to levy administrative and monetary penalties for regulatory contraventions
- Enable the safe use of spill treating agents, where their use is expected to achieve a net environmental benefit
- Authorization holders are liable for the actions of their contractors
- Improve transparency
- Formalize a statutory basis for cost recovery

Risks of Cost Cutting

- Industry is facing significant, market-driven price and cost pressures. Companies have reduced spending globally
- Our concern is potential for increased temptation to cut corners with respect to safety, environmental protection, or other areas of regulatory compliance
- Companies have been publicly affirming their commitments to safety and environmental protection
- Public expect steady regulatory oversight
- The Atlantic Accord Implementation Acts and associated regulations are silent on the price of oil
- “ALARP” then is “ALARP” now
- “Full and fair” then is “Full and fair” now, but the local industry must do its part

Asset Integrity

- Asset integrity is of concern for many regulatory agencies around the world
- Upcoming International Regulators Forum conference, October 19-20, 2015 in Washington, DC. Additional information will be available at www.irfshoresafety.com
- Asset integrity was a key area of focus at C-NLOPB Spring Safety Forum
- In our Offshore Area, production installations are in the range of 11 to 19 years old and are subjected to extremes of weather, waves, ice and oxidation in addition to normal wear and tear
- Operators are required to have strong preventative maintenance programs and pay particular attention to safety and environmentally critical equipment



Improving Safety – Prevention

“Prevention, while it is not cost free, is almost always cheaper than experiencing a catastrophe. The ability to maintain schedule without interruption, and the avoidance of crushing liabilities, are major incentives to make safe operations a priority. So from that perspective, there is commonality of purpose between the regulated and the regulator.”

Brian Salerno

Director, US Bureau of Safety and Environmental Protection

“All decisions must meet two requirements in particular – prudent operation and continuous safety improvements. Even at a time of cut-backs and savings, nobody can compromise on these basic principles.”

Anne Myhrvold

Director-General of Norway’s Petroleum Safety Authority

Information Sharing and Cooperation

- MOU between Norway's PSA and C-NLOPB formalizes commitment to exchange information and to cooperate on matters of mutual interest
- Regulators across Canada and around the world are united in ensuring that safety and environmental protection remain paramount even at times of depressed oil prices



L - Anne Myhrvold, Director, PSA
R- Scott Tessier, Chair and CEO, C-NLOPB

5 Key Areas of Focus – Offshore Safety



Training and Competency

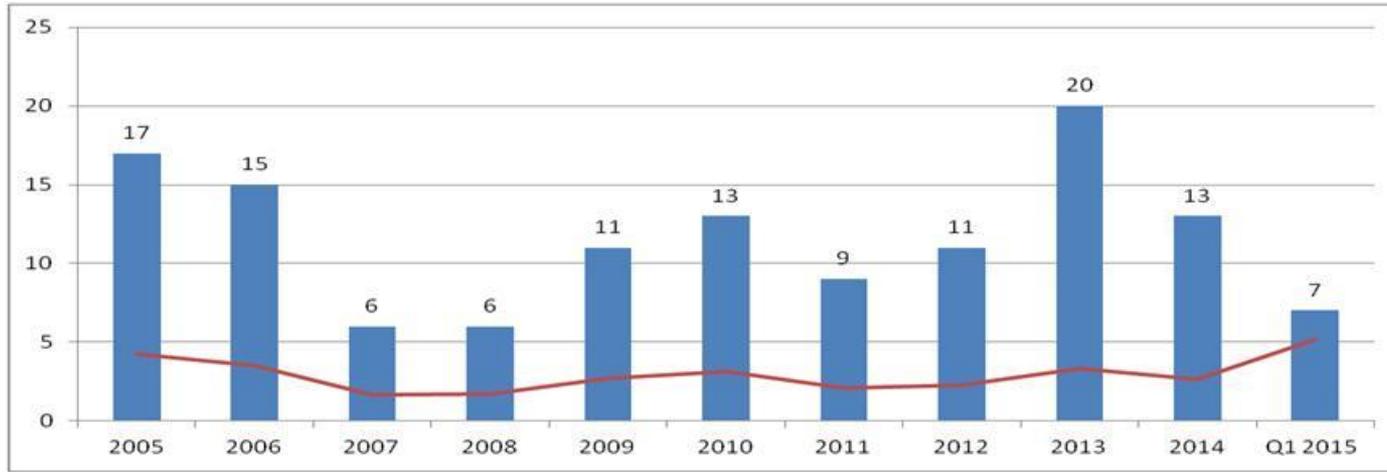
Dropped Objects

Information Sharing

Asset Integrity

Global Standards

Dropped Objects



Red line = rate per million person hours

Number of dropped objects decreased in 2014, however, latest statistics show this number is on track to increase. A number of the latest incidents had a potential for fatality

Sharing Lessons Learned

Sharing Lessons Learned Helps Prevent Accidents and Improves Safety Culture

2014 C-NLOPB Safety Conference



C-NLOPB Safety Forums



Safer Offshore Helicopter Transportation

Highlights of Safety Improvements Since Cougar 491

- 21 of 29 recommendations fully implemented
- A dedicated SAR service is in place with wheels up time of 15-20 minutes
- A First Response Dispatch Protocol is in place as is a formal protocol between DND and Cougar
- Offshore workers have greater access to information about flight safety
- New passenger transportation suits being introduced to the industry in 2015
- The C-NLOPB holds safety forums semi-annually and held a safety conference in November 2014



Safer Drilling in Deep Water

Updated Drilling and Production Guidelines

Regulatory oversight of deep water drilling programs now includes:

- A dedicated regulatory oversight team within the C-NLOPB to oversee the Operator's execution of the drilling program
- Timely submittal of daily reports, seven days a week
- Formal bi-weekly meetings between the oversight team and the Operator
- Increased frequency of audits and inspections onboard the offshore installation
- C-NLOPB onboard presence during specific operations
- Scrutinizing reports received from Operators respecting the testing of both primary and back-up BOP control systems
- Operator access to a rapidly deployable subsea well incident intervention system such as the Subsea Well Response Project (SWRP) and Oil Spill Response Limited (OSRL) system
- Stricter expectations for relief well drilling contingency arrangements
- Support for study of the biodegradation of natural and chemically dispersed Grand Banks crude oils



International Offshore Petroleum Environmental Regulators (IOPER)

- Collaborative group of regulators whose focus is to drive improvements to environmental performance in the global offshore petroleum and exploration industry
- Progress in 2014 focused on five priorities:
 1. Performance Indicators;
 2. Spill Preparedness and Response;
 3. Consultation;
 4. Environmental Impact Research Collaboration; and
 5. Enforcement Tool Research
- Further information is available at www.ioper.org

Industrial Benefits

- Lower prices are no excuse to bypass the Atlantic Accord's legislative requirements
- Local supply industry has matured considerably over the past 30 years or more
- To remain competitive, the local industry must meet the challenges of an industry that is expanding into deeper water, further away from shore, and in an increasingly global marketplace
- New entrants should become familiar with the local supply industry and the obligations in the Atlantic Accord for full and fair opportunity and first consideration to Newfoundland and Labrador companies on a competitive basis
- Global Frame or Supply Agreements may not afford full and fair opportunity to companies in the Province or in Canada
- Solutions of the last 30 years will not necessarily work for the next 30 years
- The C-NLOPB is pleased to be part of the Redefining Oil discussion

Benefits Agreement versus Benefits Plan

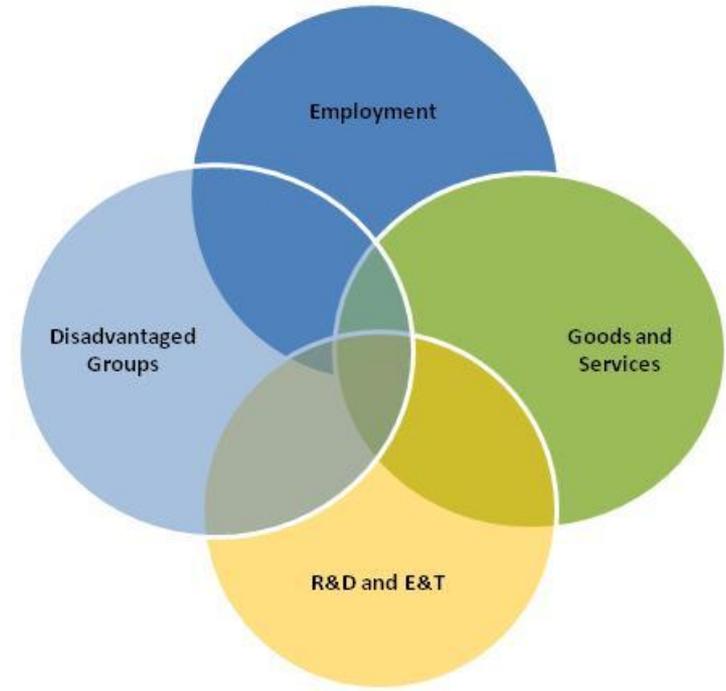
Benefits Agreement

- A Benefits Agreement is between the Provincial Government and an Operator. It commits the Operator to undertake specific work in the province. Examples include: Graving Dock and Gates, Concrete Gravity Structure, Accommodations Module, other fabricated Items
- The Board is not at the table, but agreed to monitor Benefits Agreements on behalf of the Province

Benefits Plan (Section 45)

A Benefits Plan is a plan for the employment of Canadians and, in particular members of the labour force of the province; and for providing 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

- Office in the Province with appropriate levels of decision
- First consideration to services provided from within the Province and to goods manufactured in the Province
- Individuals resident in the Province shall be given first consideration for training and employment
- Expenditures shall be made for R&D to be carried out in the Province and for E&T to be provided in the Province
- Disadvantaged individuals or groups are to have access to training and employment opportunities
- Must enable corporations owned or operated by disadvantaged groups to participate in the supply of goods and services

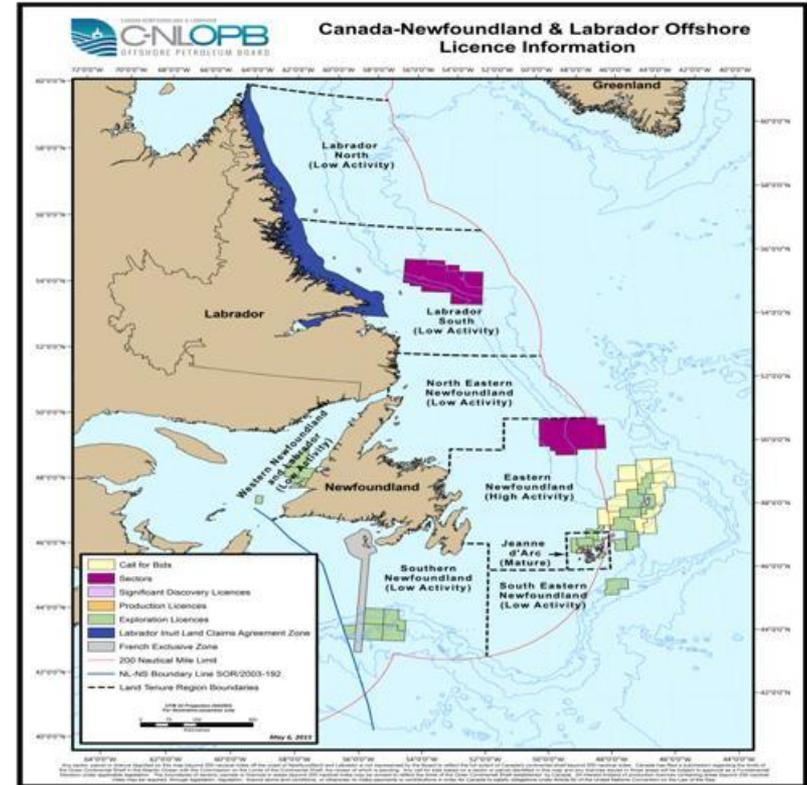


Offshore Exploration Activity 2014-15

2014 – highest single season 2D seismic acquisition in 30 years.

2015 Programs

- 2D seismic programs – EN and SEN
- 3D seismic programs – LS and EN
- 4D seismic program – JDA
- Controlled Source Electromagnetic programs – EN and WN
- A geological program, including Seafloor and Seep Sampling offshore Labrador
- Geotechnical, geohazard and drilling programs - FPB
- Statoil geohazard program



Drilling and Production Activity

- 416 wells have been spudded since 1966, including 160 exploration wells
- 24 wells have been in deep water (>500 metres)
- As of December 31, 2014, 1.52 billion barrels of oil have been produced from 4 projects:
 - Hibernia
 - Terra Nova
 - White Rose, and
 - North Amethyst



Improved Scheduled Land Tenure System

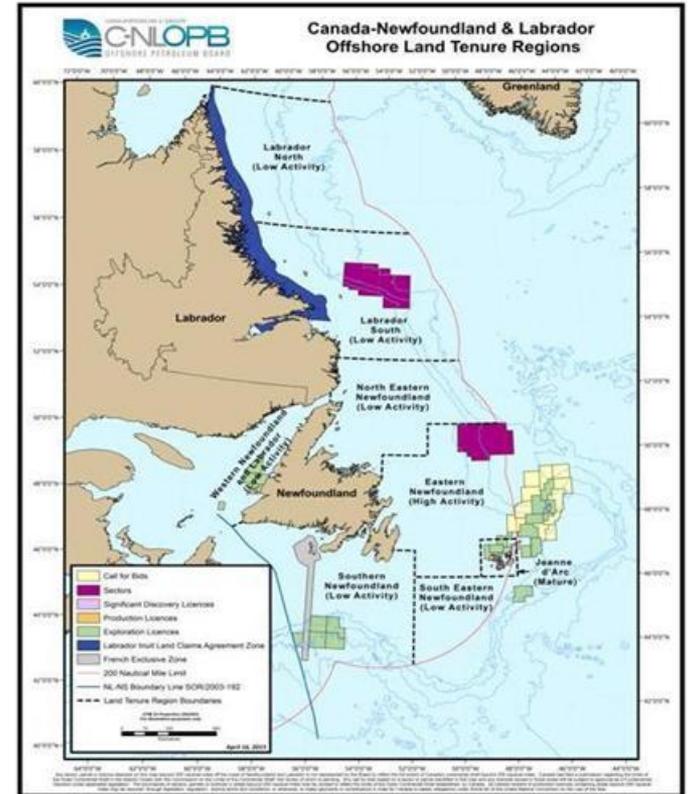
The new land tenure system has received favourable response from industry

Seeing interest from several companies that do not currently have a presence in our Offshore Area

Since its inception in December 2013, we have issued 5 Calls for Nominations and 4 Calls for Bids

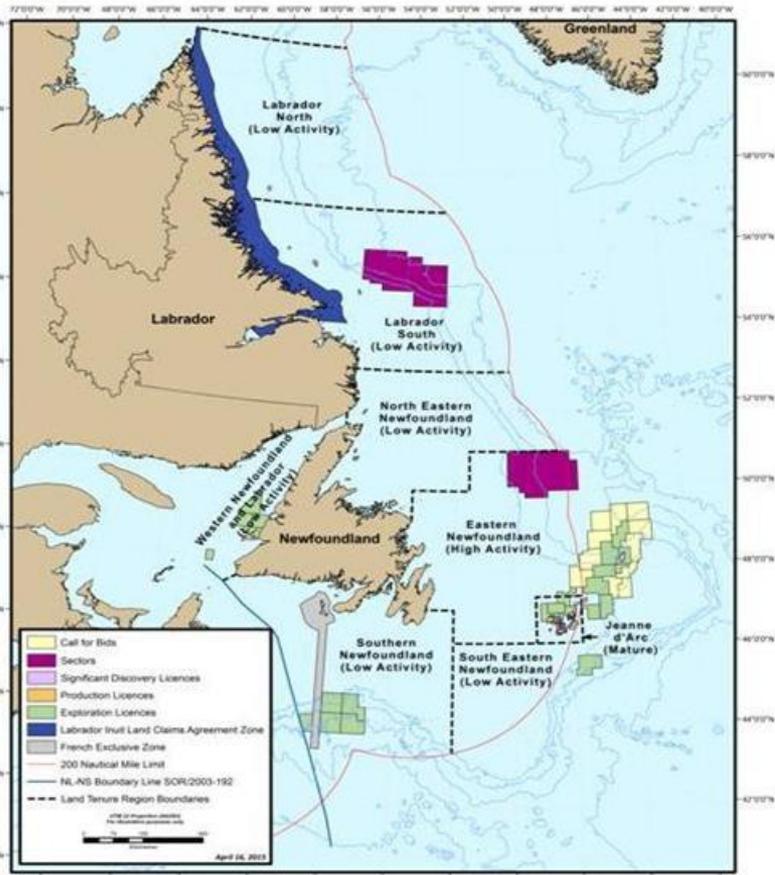
The Board also released the results of Call for Bids NL13-01 in the Flemish Pass, which saw the largest bid on a single parcel in the history of the Canada-Newfoundland and Labrador Offshore Area, totaling \$559 million

Upcoming Call for Bids closing November 12, 2015 over highly prospective Eastern Newfoundland Region

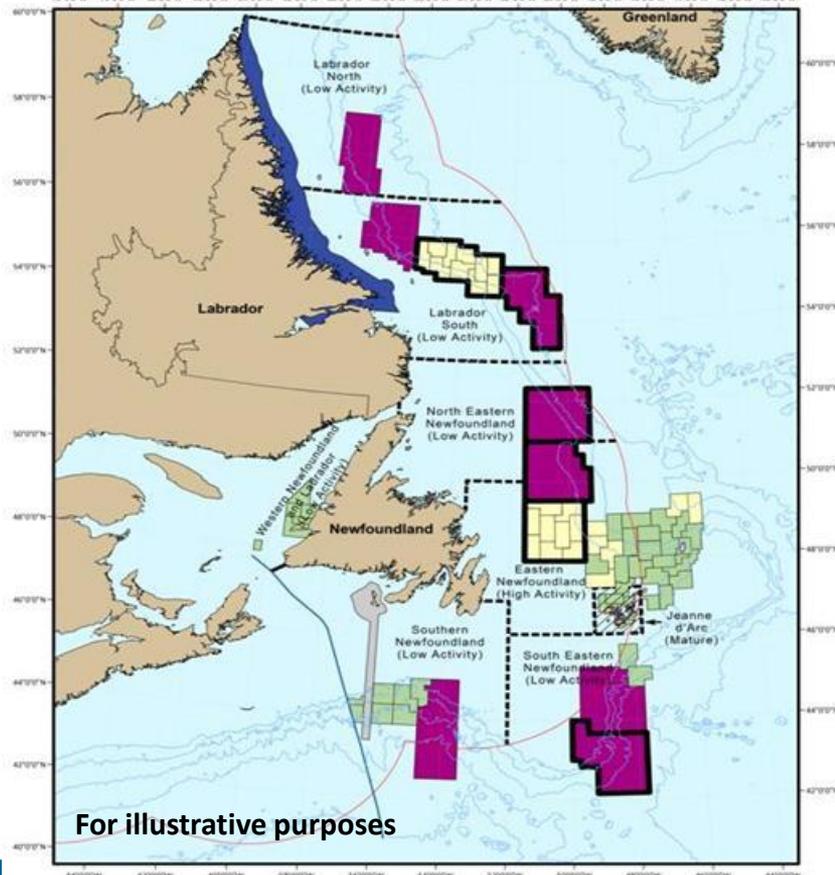


Scheduled Land Tenure Summary

2015 - 9% under licence/CFB/sector



2017 - 20% under licence/CFB/sector



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