

Speaking Notes for Scott Tessier, Chair and CEO St. John's Rotary, May 30, 2013

Check Against Delivery

Slide 1 – CNLOPB Overview

CHECK AGAINST DELIVERY

Thank you for inviting me here to speak to you today. It's a pleasure to have this opportunity to talk about the good things happening at the C-NLOPB and in the offshore oil and gas industry.

I'd like to begin today with a safety moment. As we move into the summer months, please make sure you are careful working around the garden. The use of lawnmowers in particular can be very dangerous. Please ensure you are wearing hard toe footwear, long pants and safety glasses when operating this equipment.

My Vice-chair, Ed Williams and I started with the Board in February. He and I have received many briefings from staff. We've been meeting with Operators, as many stakeholders as our schedules can accommodate, and managing the business of the Board. As you can imagine it has been like 'drinking from the fire hose', but we have both settled into our positions comfortably.

I want to take the next 15 to 20 minutes to go through some of the highlights of the past year and also give you a glimpse of what you might expect from us in the year ahead.

Slide 2 – Regulatory Agency for Offshore Oil and Gas

The C-NLOPB opened its doors in 1986 and has matured to become a world-class offshore regulatory agency. The Board is a well respected member of the International Regulators Forum, which is a group consisting of the some of the top offshore safety regulators in the world. Members include Norway, UK, USA, Australia, Netherlands, Brazil, New Zealand, Mexico, C-NLOPB and CNSOPB.

We have four key pillars in our mandate – offshore safety, environmental protection, resource management and industrial benefits. Safety is paramount in all Board decisions.

There are seven Board members, but at present we have two vacancies.

Our enabling legislation grants autonomy to the Board for regulating the industry. Some decisions however, such as Calls for Bids and Development Plans, are Fundamental Decisions, which require federal and provincial government approval.

Slide 3 – Expert Capabilities

The purpose of this slide is to illustrate for you the breath and depth of technical competency and expertise at the C-NLOPB. You can see from this list that we have a very well educated and highly skilled staff in areas like engineering, geology, geophysics and petroleum technology.

I am pleased to say that over 90% of our staff received their education and training in Newfoundland and Labrador post-secondary institutions and many have achieved professional designations in their field.

Slide 4 – Offshore Safety: Our Highest Priority

Again, without question, offshore safety is always the top priority throughout the C-NLOPB. While Operators are ultimately responsible for the safety of workers and protection of the environment, the board's role is providing regulatory oversight of Operator activities.

Prior to being issued an authorization from the C-NLOPB, an Operator must submit a Safety Plan that demonstrates that "risks have been reduced to as low as is reasonably practicable".

The C-NLOPB conducts a systematic and comprehensive assessment of the Operator's Safety Plans and other safety-related information. Audits and inspections may also be conducted. 11 safety assessments were completed this past year.

Following authorization of an Operator's work activity, the Safety Department conducts ongoing monitoring activities, which include review of Operator's daily reports, incident reports, complaints and JOHS Committee meeting minutes.

Slide 5 – Offshore Helicopter Safety

Offshore helicopter passenger safety has been a focus of the Board particularly since 2009 for obvious and tragic reasons. Work is on-going to implement the recommendations of the Offshore Helicopter Safety Inquiry (OHSI). To date, 14 of Judge Wells' 29 recommendations have been fully implemented.

Of particular importance is that Cougar Helicopters' new, dedicated First Response hangar was commissioned in June 2012. The hangar is now the base for the dedicated First Response helicopter that has been in service since 2010, enabling launch of the helicopter within a 20 minute timeframe.

I want to underscore that there is no time frame or deadline established for a Board decision with respect to a possible return to night flights. More technical work and consultation are required before that issue will be ready to be brought before the Board for consideration.

Slide 6 – Safety Forums

The C-NLOPB holds semi-annual Safety Forums to provide an opportunity for stakeholders to exchange information so that safety issues can be proactively identified and addressed, to highlight areas of particular concern, and to assist the C-NLOPB in setting goals.

Topics presented and discussed at the 2012-13 Safety Forums included safety culture, human factors, system safety, fatigue management and helicopter safety.

Participant response has been very positive and these sessions have become quite useful for informing the Board. We had 160 participants from across the industry at the last forum.

Slide 7 – Environmental Protection Plans

Environmental protection is also a priority of the Board. Before an Operator is issued an authorization for drilling or production activity in the Offshore Area, an Environmental Protection Plan (EPP) is required to demonstrate to the C-NLOPB that the Operator has taken every reasonable effort to protect the environment.

The EPP is an Operator's plan for all project personnel including contractors, and describes the responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity.

An effective EPP incorporates the following elements:

- Means to comply with requirements of relevant legislation;
- Environmental protection measures identified as part of an EA; and
- Environmental commitments made as part of an application for exploratory drilling or a development.

Slide 8 – Environmental Assessment

Strategic Environmental Assessment involves a broader-scale consideration of the larger ecological setting, as opposed to a project-specific environmental assessment that focuses on site-specific issues with defined boundaries.

This past year, the C-NLOPB initiated an update of the 2005 Western Newfoundland Strategic Environmental Assessment. A Working Group was established consisting of non-governmental organizations and federal and provincial government agencies from the Atlantic Provinces and Quebec. AMEC Environment & Infrastructure was contracted to prepare the SEA Update. Public consultations

were held in each of the Atlantic Provinces and Quebec. A draft SEA Update Report will be made available for public review in June. We expect the completed report to be ready in the fall.

Work has also commenced on a SEA for the Eastern NL Offshore Area. The Working Group has been formed and we are seeking a consultant to prepare the report. We expect the Eastern NL SEA to be completed in April 2014.

Slide 9 – Commissioner of the Environment and Sustainable Development (CESD)

During 2012-2013 the Commissioner of the Environment and Sustainable Development (CESD) of the Office of the Auditor General of Canada conducted an audit of the C-NLOPB and of the CNSOPB. The audit focused on the Boards' management of environmental risk and impacts associated with offshore oil and gas activities.

The Commissioner's report and Board response was released on February 5, 2013, which was my welcoming gift. The Board was pleased with the Commissioner's report. In it, he noted the application of good practices by the Board in a number of respects. The report contained eleven recommendations for improvements, principally in the areas of environmental assessment and environmental emergency response. The Boards agreed, or agreed in principle, with all of the recommendations, and we are proceeding to implement responses to the recommendations in cooperation with the CNSOPB and other government departments.

Slide 10 – Offshore Activity

Let's turn our attention to the resource and industry activity. In this map, you can see where offshore licences have been issued by the Board.

Presently there are:

38 Exploration Licences (EL);

52 Significant Discovery Licences (SDL) ; and

11 Production Licences (PL)

The three production facilities (two FPSOs and Hibernia) are now producing a total of 280,000 barrels/day. The local industry produces 15% of Canada's total production and 40% of Canada's light crude production

Slide 11 – Exploration Activity (Seismic/Well site/Geotechnical)

Seismic is an important first step in offshore exploration. Over the past year, there have been several seismic surveys conducted:

Husky, Statoil and Suncor completed well site surveys in the Jeanne d’Arc Basin

MKI completed 2D Seismic on the Labrador Shelf and the North East Newfoundland Slope and will continue these seismic programs this year.

Statoil completed a 3D Seismic program in the Flemish Pass

ExxonMobil will conduct a 3D/4D Seismic survey of Hebron. The 4th D, in case you are wondering, is time.

Slide12 – Exploration Activity (Wells)

Seismic provides significant information, but the only way to fully know for certain if hydrocarbons are present in a prospect is to drill a well.

In 2012-13, Dragon Lance drilled a well on Shoal Point and Husky drilled the Searcher well in the Jeanne d’Arc Basin.

In 2013-14, Chevron intends to drill the Margaree well; Statoil intends to drill the Harpoon and Federation wells; Suncor plans to drill the West Flank E-19 well and Black Spruce Exploration has plans to drill a well in Shoal Point.

Black Spruce Exploration intends to drill their well using a technique called hydraulic fracturing. However, before they can receive an authorization to drill the well, they must go through the provincial environmental assessment process. Once the EA is completed, the company must be able to meet the regulatory requirements. No authorizations will be granted by the Board or the Provincial Government until the requirements are met.

Slide 13 – 2013 Calls for Bids

The Board recently announced three Calls for Bids:

NL13-01: one parcel in the Flemish Pass

NL13-02: four parcels in the Carson Basin, and

NL 13-03: four parcels in Western NL;

The closing date for these Calls for Bids is 120 days after the completion of the respective SEAs. The details of the Calls for Bids are available on our website and we will post the closing date later on our website.

Slide 14 – Annual Predicted Offshore Oil Production Forecast

The C-NLOPB occasionally produces production forecasts for the Governments, or for occasions like this. You will notice on this chart that we are in for a spike in production in the next few years. Although this spike coincides with my six year term, I can't take any credit for it. It's due to production coming on line from Hebron, North Amethyst and South White Rose Extension.

However, since oil is a finite resource, annual production will decline as reservoirs are depleted.

There are some positive indications of the presence of hydrocarbon resources in the Orphan Basin and Mizzen. But, as you can tell from the chart, in order to have production numbers stay high in the years ahead, there will need to be further exploration and discoveries.

Slide 15 – Industrial Benefits

In 2012, Operators reported expenditures of \$2.89 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$33.92 billion.

As of December 31, 2012, 7,374 persons were working in direct support of petroleum related activity in the Offshore Area.

Based on a review of work expenditure reports, it was determined that approximately \$73 million was spent on Research & Development and Education & Training during 2011, bringing the total to approximately \$205 million since the C-NLOPB's guidelines came into effect on April 1, 2004. The Board is reviewing R&D expenditure reports for 2012.

Slide 16 – For More Information Visit Our Website www.cnlopb.nl.ca

In closing, I want to assure you that that Board's commitment to regulating this industry for the benefit of present and future generations is unwavering. Being the Chair and CEO of this important regulatory agency has special significance to me as the father of three kids aged four and under.

Thank you.