

Speaking Notes for Scott Tessier, Chief Executive Officer
“Enhancing Confidence Through Regulatory Innovation”

NOIA Conference Session 4: Operating in an Offshore Environment
Wednesday – June 19, 2019

- Thanks Jason, and thank you to NOIA for the opportunity to speak today, and for your ongoing, constructive engagement with the C-NLOPB.
- I’d also like to extend a warm welcome on behalf of our Board to visitors to St. John’s.
- I took note of Jim Keating’s basketball tie-in yesterday, and thought I’d give a shout out to the real, unsung heroes of the Raptors’ championship. Referees are regulators, too and a bad referee can ruin the whole game for everyone!
- So on that note, as you can see I’m back for another tour of duty and I believe there’s never been a better time to be the CEO of the C-NLOPB.
- I’d like to thank our Board and the federal and provincial governments for the honour of continuing to serve in that capacity. Our Acting Chair, Roger Grimes, and Board member Ted O’Keefe are attending this week. Board member Wes Foote is otherwise engaged these days, as you’ll hear about it a moment. We expect our roster of Board members to be rounded out in the very near future.
- Significant change is underway to the authorizing environments in which Canadian energy regulators work. There’s no escaping the fact that public, government and industry expectations of regulators are higher than ever before.
- Being the brilliant sort that he is, Professor Malcolm Sparrow of the Harvard Kennedy School articulated very well the challenges for regulators way back in the year 2000, when he wrote the words that appear on the screen.
- As we work today in the world that was forecasted by Professor Sparrow, we anticipate a significant increase in offshore activities around here in the next couple of years, along with tremendous advances through digitalization and other

forms of innovation...just as all the while, our offshore environmental conditions seem to be becoming more severe.

- We know that our work as regulators is important to all of your businesses, and to the provincial and national economies, and to our environment. Even if our role is more complex than ever, we are committed to delivering it better than ever.
- Through all of the changes, the one constant on which everyone should rest assured is that safety and environmental protection are remaining paramount in all Board decisions.
- I have the privilege of working daily with a team of close to 100 highly trained, experienced and competent staff – several of whom are also here -who are relentlessly focused on those values, while we enhance the confidence of the public and those we regulate in providing a regulatory regime that, as you've heard this week, must be competitive, innovative and world-class.
- I want to start with a Safety Moment arising out of last November's severe storm.
- Our investigation into the oil spill at the White Rose Field continues. The steps that Husky has taken since have been cautious and appropriate from a regulatory perspective, but I want to focus here on our follow up from the effects of the storm on offshore facilities, all of which were impacted.
- As many in this room will know, that storm was the worst this region has seen since the *Ocean Ranger* disaster in 1982. But thanks to advances in offshore safety, this time no one was hurt.
- In the aftermath of that storm, we have worked with operators to identify and share lessons learned and opportunities for improvements, which are also being shared this week with our regulatory counterparts at a meeting of the International Regulators Forum.
- An excellent workshop was held locally last month with operators, which is leading to even further refinements.
- I am confident that operators now have a clearer, much more robust set of adverse weather protocols that provide better mitigating measures to reduce and

manage risks...leading up to, during, and after severe storms.

- The C-NLOPB has now been regulating our offshore for over 30 years.
- With time comes innovation and with that, the need for regulators to *allow* for innovation, while keeping the industry safer than ever.
- Many of you are now familiar with FORRI -- the Frontier and Offshore Regulatory Renewal Initiative -- which is a federal-provincial partnership, working closely with the two Offshore Boards.
- Concurrent to FORRI's work, the Atlantic Occupational Health and Safety Initiative is modernizing OHS regulations.
- The C-NLOPB's Regulatory Reform Project Team and others on our staff are working closely with governments and the CNSOPB, and they are currently focused on managing the C-NLOPB innovations that will arise from the new Regulations, which will include everything from our guidance documents to our job descriptions.
- A stakeholder engagement plan is being developed for consultation on new Board guidance in early 2020, after the new regulations are released for public input.
- Yesterday, Peter Larden of ExxonMobil raised the possibility of a more performance-based approach to the duration of our operations authorizations, which is something that makes sense to me as well.
- Our staff are also at the table for a collective effort to streamline rig intake.
- One area where I'd like to see a more coordinated and focused approach by the industry is in Canada's engagement in international standards development, along with appropriate Canadian standards where they're needed.
- Appropriate and agreed upon standards will be essential to the effective implementation of performance-based regulation.
- I'm confident that a new, modern suite of Framework and OHS Regulations, our updated guidance and other, performance-based regulatory innovations are going

to improve the safety, environmental protection, and resource management in our offshore, with enhanced efficiency and competitiveness.

- As this audience knows, Bill C-69 is likely to change how offshore oil and gas development and other major energy projects will be assessed across Canada in the future.
- The C-NLOPB has participated in the reviews of C-69 carried out by Standing Committees in both the House of Commons and the Senate. In our submissions to these Committees, we indicated that the C-NLOPB supports the objectives of the legislation, with due consideration of coordination with the joint management provisions of the Atlantic Accord.
- This remains the case and I can assure you that the C-NLOPB continues to work closely with the Canadian Environmental Assessment Agency, Natural Resources Canada, the CNSOPB, and the Governments of Newfoundland and Labrador and Nova Scotia, to ensure we will be ready to deliver whenever C-69 comes into force...and whatever it looks like.
- We all hear the loud and clear messages about joint management, timelines and competitiveness, and the need to protect our environment.
- Linked to Bill C-69 is the ongoing Regional Assessment of Offshore Exploratory Drilling East of Newfoundland and Labrador, which you will hear more about in a few minutes from Steve.
- The C-NLOPB is directly involved in this initiative -- one of our Board members, Wes Foote, is co-chairing the Committee overseeing this very important work, and staff from our Environmental Affairs Department are also fully engaged. Wes would certainly otherwise be in attendance here today.
- Earlier this year, the C-NLOPB and CEAA also entered into an MOU which has the C-NLOPB taking on the lead role for compliance and enforcement of *CEAA 2012* Decision Statements and Conditions.
- In a real-life effort to test out some of the key considerations of Bill C-69, the C-NLOPB and CEAA have entered into another MOU for the review of the proposed Bay du Nord Development Project.

- As Bay du Nord continues to be progressed by Equinor and Husky, the C-NLOPB and CEAA are working collaboratively to ensure the timely delivery of both the Agency's Environmental Assessment and the C-NLOPB's Development Plan Application process.
- Our goal is an effective, coordinated, and to the extent possible, integrated and concurrent discharge of respective environmental and regulatory responsibilities with respect to this project.
- We are committed to utilizing the outcome of the Environmental Assessment to help satisfy the requirements of and streamline our Development Plan Application review.
- One of the C-NLOPB's most important, innovative initiatives in recent years was been the establishment of our Scheduled Land Tenure System.
- Our Calls for Bids on potential Exploration Licences are the highest-profile product of this system, which is transparent, multi-phased, planned well in advance, and ratified by governments.
- As you heard yesterday, our 2018 Call for Bids resulted in a record, single successful bid of over \$621 million. 2018 also featured record cumulative bids – more than \$1.3 billion.
- In April of this year, we issued our 2019 Call for Bids for acreage in the South Eastern Newfoundland and Jeanne d'Arc regions. Interested parties have until November 6 to submit bids in response to this Call.
- In a few months' time, our plan is to issue a Call for Nominations for parcels in the Eastern Newfoundland and Jeanne d'Arc regions, which will assist in selecting parcels to be included in our 2020 Call for Bids.
- While I'm on the topic of land tenure, let me be clear on one very important point, particularly for the benefit of the Board's critics: while we definitely understand its economic importance to the province and the country, the C-NLOPB does not "promote" or "champion" the industry.

- Promotion and marketing of the industry are best left to governments if they see fit, along with the industry and its associations.
- Our responsibility for the administration of land tenure, along with our regulatory oversight of industrial benefits, should never be conflated with industry promotion.
- I'm certain I'm preaching to the choir in this room when I say that having a strong and competitive local supply and service community is in everyone's best interest, and helps underpin the strong social licence that the local industry enjoys in our province.
- The C-NLOPB places a major priority on ensuring that both current and new operators and their contractors don't lose sight of the importance of sustaining and enhancing local capacity.
- The misuse of procurement instruments like global frame agreements, contract bundling, and unfavourable payment terms under the guise of competitiveness or synergies is not compliant, nor is it in the long-term best interest of those who seek to do so.
- Such actions do not fit within what I have repeatedly been assured is a willingness on the part of operators and tier one contractors to do more than merely comply, and a desire to help build local capacity.
- The significant investments that have been made by local supply and service providers, in helping to develop Newfoundland and Labrador's offshore industry to date, need to be recognized and respected.
- So, when operators and contractors consider exercising global frame agreements, or bundling work, or seeking synergies with projects in other parts of the world, they should first assess whether that will unfairly disadvantage local interests.
- In turn, local companies need to do their part by keeping an unwavering focus on competitiveness in the contract bidding process. That will help us to help you.
- I'm excited to see the products and projects arising from government and industry investments in the Oceans Supercluster and other research and

development-focused initiatives, which offer the potential for leading-edge innovation in the local industry, and enhanced local capacity and competitiveness.

- It's clear from our engagements with operators, others in the industry and other regulators that there is an increased focus on digitalization, which I'll use as shorthand here for digitization, big data, automation, and remote operations. Operators and others in the offshore oil and gas industry worldwide are rapidly advancing digitalization strategies.
- At the C-NLOPB, there is a strong recognition that we need to keep pace with innovations in the industry that we regulate. We see the potential of digitalization to improve operational performance, and we recognize the shared challenges around training and competency, standards, data management and IT security.
- One of my top priorities for this year is to ensure the C-NLOPB is well positioned in this area. Among other things we have dedicated funding in our 2019-20 budget to modernize our digital infrastructure, and we are working to appropriately "free the data" within the confines of our enabling framework.
- Two weeks ago, I had the opportunity to travel to the U.K. and Norway as part of a government/industry/regulator mission to the North Sea.
- I was struck by how discussions about digitalization over there started first with how it will make improvements in HSEQ performance, with added benefits to efficiency and cost cutting.
- We've also hosted recent visits from the Alberta Energy Regulator and Norway's Petroleum Safety Authority, during which approaches to regulatory challenges and opportunities from digitalization were a major focus in each case.
- Another key focus area for the C-NLOPB is working collaboratively with Fisheries and Oceans Canada, and others, in support of science and evidence-based marine conservation agenda, with protection measures that are commensurate with conservation objectives.
- Earlier this year, the federal government refined its approach to marine conservation, including the establishment of standards for the areas that it designates to protect sensitive and important parts of Canada's oceans.

- In detailing this new approach, clarity was provided regarding the types of industrial activities that can occur in various protected areas. In particular, it established higher protection standards for marine protected areas versus other effective conservation measures such as marine refuges.
- At the C-NLOPB, we recognize that our role as the lead regulator for offshore oil and gas activities dovetails with issues managed by DFO and federal government marine conservation initiatives.
- Given this reality, the C-NLOPB and DFO have committed to regular and frequent engagement to ensure the objectives of our respective organizations are achieved, and conflicts are avoided.
- Our staff participate in DFO-led governance structures for oceans management, are providing input to new DFO-led marine spatial planning initiatives, and are engaging in DFO-led scientific meetings related to the “Statement of Canadian Practice with Respect to the Mitigation of Seismic Sound in the Marine Environment”.
- We are also working with DFO to optimize the sharing of operational information related to the Board’s land tenure system and the federal marine conservation areas.
- At the C-NLOPB, we recognize the importance of working collaboratively with other regulators, both in Canada and internationally.
- This year we are focused on ensuring the C-NLOPB plays a strong contributing role in Canada’s leadership of the International Regulators Forum, which is meeting as we speak in The Netherlands.
- Canada has taken on the role of Chair of the IRF Management Committee in the person of Stuart Pinks, my counterpart at the CNSOPB, with our support and that of the National Energy Board.
- Our Chief Safety Officer, Paul Alexander, and a number of our Safety Department staff, are directly engaged as part of Canada’s IRF leadership.

- I suspect that the IRF meeting this week will issue new challenges from regulators to industry to drive better performance in incident prevention and follow up, enhanced well control and reducing unauthorized discharges.
- We'll be following up with CAPP and its members on local efforts to support that global call to action.
- Another organization that we continue to be active in, and learn from, is the International Offshore Petroleum Environmental Regulators.
- 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.
- Staff also continue to be actively involved with the North Sea Offshore Authorities Forum Wells Working Group and the Health and Safety/Asset Integrity Working Group.
- We've also discussed with Norway's regulatory leadership the work that the PSA is doing to respond to the call for stricter supervision that came from Norway's Auditor General in January.
- The various activities that take place in our offshore area require more than regulatory approvals. Public confidence and support are also necessary.
- The C-NLOPB doesn't issue social licences, nor audit against them. Everyone involved in the offshore petroleum industry has a role to play in ensuring that public confidence is maintained.
- Regulators should not be exempt from public scrutiny and the C-NLOPB welcomes high expectations and world-class standards.
- We have a great story to tell, one about highly competent and experienced staff who provide strong, transparent and open oversight that helps prevent incidents, supplemented by range of investigation and enforcement tools that we will not hesitate to use when required.

- We want to engage more proactively with fishing groups, other non-governmental organizations, Indigenous groups and the general public, in the interest of transparency and engagement, and in support of science and evidence-based decision making.
- There's an undeniable increase in the appetite within the general public to connect with decision makers on topics that matter to people, which increasingly include our climate, the health of our oceans, natural resource management, and the transition to lower carbon and renewable energy sources.
- How we satisfy that public appetite is directly related to the degree of confidence the public has in regulators, governments and industry.
- Before I go, I want to put a plug in for a safety-related conference coming up in a month's time.
- The C-NLOPB and Memorial University's Centre for Risk, Integrity and Safety Engineering, also known as C-RISE, have partnered to host its 4th workshop/symposium in St. John's at the Holiday Inn, July 15-17. This year's theme is "Safety and Integrity Management of Operations in Harsh Environments: Risk, Reliability and Resilience", with a special focus on performance-based regulation.
- I invite you to visit the Conference website and register online. There is a link to the Conference website on our homepage.
- In closing, I'm excited about what's to come for the industry and the C-NLOPB, and thrilled to have an opportunity to continue to contribute to its world-class regulatory oversight.
- With safety and environmental protection first and foremost, we will continue to work with governments and others to enhance the competitiveness of our offshore, build local capacity and enhance public confidence.
- That's a significant undertaking, but it's a series of challenges on which the C-NLOPB stands ready to deliver.

- Thank you for your attention this morning and I'll gladly welcome any questions you may have.