

Keynote: Noia Fall Seminar

/ What's Next for the C-NLOPB?

Introduction

Good afternoon head table guests, ladies and gentlemen.

I want to start by thanking Charlene and the Noia Board of Directors for the invitation to speak today. And on behalf of the C-NLOPB, congratulations to Erin Burt.

I'd also like to acknowledge Noia's recent economic impact report, which along with the province's Advance 2030 plan, clearly illustrate the potential of Newfoundland and Labrador's oil and gas industry. Several members of our Board and staff attended briefings on Noia's recent work, which we all found to be very informative.

While the potential here is clear for all to see, we all know that there's work to be done.

My talk today is about the C-NLOPB's role in that work. It's a bit of a departure from what you've become accustomed to hearing and seeing from me.

At Noia events over the years, my usual approach has been to provide a report on industry performance and the associated work of the regulator.

While I'm sure you've found my past speeches on that subject matter to be both riveting **and** insightful, my focus today will be more about the future.

I'll highlight for you a range of important regulatory initiatives in which we are immersed, and speak to what the C-NLOPB is doing, to be well-prepared for the significant legislative and regulatory changes which are in motion.

As this audience knows better than most, modernization of the offshore regulatory world is occurring at the same time as we enter a period of increased industry activity, in the Canada-Newfoundland and Labrador Offshore Area.

Several exploratory drilling programs are now undergoing environmental assessment review (with some operators that will be relatively new to our area), we saw a record-setting land sale for new acreage last week, Equinor is progressing the Bay du Nord Development Project, Hebron is off to a very strong start, Suncor is weighing asset life extension, and concrete is now flowing in Argentina, for the Husky-led wellhead platform.

So, at the C-NLOPB, we have a unique view of the uptick in activity that is already upon us. And among the external changes, we see regulatory reform as an opportunity for us, and for the industry, to do things even better.

I can assure you that our staff and our Board are focused on ensuring that the C-NLOPB is positioned to continue to respond to further increases in industry activity, and that our approach to regulation is modern and best-in class.

As always, we'll maintain an unwavering focus on safety and environmental protection.

Safety Moment

On that note and before I dive into some other specific issues, I'm going to offer a safety moment of sorts, which is, in the spirit of today's theme, forward looking.

As some of you may already know, during the Spring, Canada was elected to lead the International Regulators Forum (otherwise known as the IRF), beginning in 2019.

As a joint effort with the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and the National Energy Board, this leadership position on the world's offshore oil and gas regulatory stage will allow us to have a more direct role, in setting the regulatory agenda at the international level.

During its last Annual General Meeting in June, the IRF reported that statistics had plateaued over the past five years in the industry's performance when it comes to fatalities, loss of containment and hydrocarbon gas releases, so we're looking to see improvements in those areas in particular.

The IRF is also collectively calling for enhanced efforts by the industry, to improve the quality of root cause investigations and contributing factors.

So there's a challenge for everyone: to make our offshore safer than ever, even when we are busier than ever.

I suppose those messages so far are not much of a departure for me after all. But everything to do with offshore oil should begin and end with safety and environmental protection.

After all, nothing would derail success, curtail ambition or erode public confidence faster than having a serious incident offshore.

Scheduled Land Tenure

Along with our work with the IRF, one of the Board's most important initiatives in my time since 2013, has been the establishment of our Scheduled Land Tenure System.

Our Calls for Bids on potential Exploration Licences are perhaps the highest-profile product of this system, which is transparent, multi-phased, planned well in advance, and subject to ratification through Fundamental Decisions, by the federal and provincial governments as required under the *Atlantic Accord Implementation Acts*.

Last Wednesday, we announced record setting results from our 2018 Calls for Bids.

As you know by now, not only did we receive a record single successful bid amount of over \$621 million, the call also resulted in a record cumulative successful bid amount of over \$1.3 billion.

If that wasn't enough of a positive indication of things to come, our most recent seismic season, which covered five land tenure regions by five different operators, just finished with the collection of over 14,000 square kms of 3D data, making it the second largest year for 3D acquisition in our offshore, with the record having been set in 2017.

So what's next for our Scheduled Land Tenure System?

Well, today is actually the deadline to submit a Call for Nominations for Parcels, for both the South Eastern Newfoundland and the Jeanne d'Arc Regions.

We'll be opening those nominations later this afternoon, which will assist the Board in selecting parcels to be included in a subsequent Call for Bids, that will close next November, pending Board approval and ratification by the federal and provincial governments. Any successful bidders will be awarded licences in early 2020. And our longer term plans for Scheduled Land Tenure will then be communicated as they are available.

Changes to how Offshore Oil and Gas Projects are Assessed

Bill C-69

As this audience knows well, Bill C-69 entails a significant revamp to how offshore oil and gas development and other major projects will be assessed across Canada in the future.

The new *Impact Assessment Act* is currently being reviewed in the Senate, and the Government of Canada has set June 2019 as its target date for the new law to come into force.

Many different perspectives have been provided by various groups and individuals in the months following the tabling of Bill C-69 in the House of Commons.

When I spoke to the House Standing Committee on Environment and Sustainable Development in April, I indicated that the C-NLOPB supported the objectives of Bill C-69, with due consideration of coordination with the joint management provisions of the *Atlantic Accord*.

This remains the case and I can tell you today that the C-NLOPB is working closely with the Canadian Environmental Assessment Agency (CEAA), Natural Resources Canada, the CNSOPB, and the Governments of Newfoundland and Labrador and Nova Scotia, to ensure we are ready when Bill C-69 comes into force.

These various government and regulatory entities are currently working through each phase of the proposed *Impact Assessment Act*, along with the current regulatory process of the Offshore Boards, with a view to coordinating and integrating our reviews to the degree possible.

As we do that, there is a firm and strong commitment amongst all parties to respect the role of the two Offshore Boards, and the joint management principles which are fundamental in the *Atlantic Accord*.

In short, when Bill C-69 becomes the law of the land, we intend to be ready, with a well-designed and effective regulatory review process – one that is consistent with both Bill C-69 and the *Atlantic Accord* legislation.

Regional Assessment of Offshore Exploratory Drilling East of Newfoundland and Labrador

Through virtually all of 2018, the C-NLOPB has again been working closely with CEAA, Natural Resources Canada and the Newfoundland and Labrador Department of Natural Resources, on the design of a Regional Assessment of Offshore Exploratory Drilling, East of Newfoundland and Labrador.

In mid-September, a draft Agreement for this Regional Assessment was issued for public comment by CEAA and the C-NLOPB. I want to thank Noia for its submission which is currently being reviewed, along with all other comments received.

This is the first Regional Assessment to be undertaken in Canada under the *Canadian Environmental Assessment Act, 2012*.

The objective of the Regional Assessment is to improve the efficiency of environmental assessment as it applies to oil and gas exploratory drilling, while at the same time ensuring the highest standards of environmental protection continue to be applied and maintained.

In the coming weeks a finalized Agreement will be made public, and the two Governments are expected to announce the members of a Committee to oversee this very important work.

There will be continued opportunities for groups like Noia and other stakeholders to engage further in this effort in the early part of 2019.

Performance-Based Regulation

The C-NLOPB has been successfully and safely regulating the offshore for over 30 years. However, with time comes innovation, and as importantly, the need to **allow** for innovation, while keeping the industry safer than ever.

The Frontier and Offshore Regulatory Renewal Initiative, otherwise known as FORRI, is a federal-provincial partnership, working closely with the two Offshore Boards, to modernize the regulatory framework for frontier and offshore oil and gas activities in Canada.

The objective is to modernize the regulatory framework by:

- Reducing redundancy amongst multiple regulations;
- Bringing standards up to date;
- Moving, where possible, to performance-based requirements instead of prescribing specific technologies and approaches; and
- Ensuring an efficient and effective regulatory regime.

FORRI's current focus is on the development of a modern suite of operational requirements, for frontier and offshore oil and gas activities, termed the "Framework Regulations".

Concurrent to FORRI's work, the Atlantic Occupational Health and Safety (OHS) Initiative is modernizing the OHS Regulations, for offshore oil and gas activities in Canada.

These initiatives aim to advance the already high standards for safety, environmental protection and resource management in our offshore.

Earlier this year, the Board assigned a dedicated four-person Regulatory Reform Project Team, to lead our change management plan. We recognized that this work is too significant to be done off the corners of desks.

Therefore, this Team is now working closely with governments and the CNSOPB, and is focused on managing all internal C-NLOPB changes, that are arising from these new Regulations.

As well, the Team is leading the plan to modernize external Board Guidance for industry, flowing from the new Framework and OHS Regulations. A stakeholder engagement plan is being developed for consultation on new Board Guidance in 2019, and we look forward to engaging with Noia and others on this important topic.

Through these efforts, the C-NLOPB will be ready when the new Framework and OHS Regulations come into force, currently expected in the latter part of 2020.

Bay du Nord Development Project Regulatory Review

As the Bay du Nord Development Project continues to be progressed by Equinor, the parties in the ongoing environmental assessment and subsequent regulatory review are working to ensure the timely delivery of all regulatory processes.

The C-NLOPB is working closely with CEAA, Natural Resources Canada and the Newfoundland and Labrador Department of Natural Resources – there's that lineup of players again -- to ensure an effective, coordinated, and to the extent possible, integrated and concurrent discharge of respective environmental and regulatory responsibilities, with respect to this project.

Climate Change and Carbon Pricing

In the latter part of October, the Government of Newfoundland and Labrador announced its Carbon Pricing Plan.

At the same time, the Government indicated that the C-NLOPB would be delegated responsibility for receiving and approving annual Green House Gas reports from offshore petroleum facilities, pending necessary amendments to the federal and provincial *Atlantic Accord Implementation Acts*.

We believe we are well-positioned to take on that responsibility, and C-NLOPB staff are continuing to discuss the details of an implementation plan with the Province.

Subsea Tiebacks

Another priority topic in which the C-NLOPB has been engaged over the past few months is the potential offered by subsea tiebacks.

We understand that the industry is progressing their technical options regarding subsea tiebacks, and the Board's work in this regard is also ongoing.

We're part of efforts to look at marginalized field tie-backs and possible alternatives to excavated drill centers, and we understand that Operators are assessing new technologies and efficiencies, in subsea infrastructure installation for smaller pools, that would otherwise be commercially non-viable.

New approaches in well design need to have levels of safety and environmental protection that are as good, or better, than what we see now, as each Operator commits in their Development Plans to the fundamental principles of managing risk, safety and environmental protection.

We continue to engage with Operators to understand their efforts and as they refine their thinking, propose new approaches, and ensure that risks are reduced to levels that are as low as reasonably practicable.

Rig Intake

For the past few months, the C-NLOPB has also been an active participant in a government-industry-regulator working group, focused on the rig intake process. This is a topic that has come up at past Noia sessions and we're taking it on.

The Working Group is reviewing past rig intakes, with a goal of identifying improvements going forward.

Such improvements could entail better quality submissions on the industry's part, and clearer expectation on ours, without compromising safety or environmental protection.

Digitalization

Another area in which we're working collaboratively with others, to the degree appropriate, is digitalization.

It's clear from our regular engagements with operators, and other regulators, that there is an increased focus on digitization, digitalization, automation and remote operations.

At the C-NLOPB, we have also embarked on a game-plan for how we can become more efficient, and improve our own operations, through digital applications and solutions.

For the past several weeks, I've been working with a government-industry- regulator committee that is planning a Digitalization Workshop for November 19, here in St. John's.

The objective of that Workshop, which Noia and many other groups will attend, is to inform decision-making by governments, regulators and industry, around digital transformation in the offshore oil and gas industry.

I look forward to engaging more on the topic of digitalization at this workshop, and to share our perspectives from a regulator's point of view. We see the potential for improvements in operational performance, and we recognize the shared challenges around training and competency, standards, data management and IT security.

Public, Stakeholder and Indigenous Engagement

We are also working with governments these days to redesign how our public consultation will look, as we recognize the need to engage more proactively with Indigenous communities, fishing groups, other non-governmental organizations and the general public.

The oil and gas industry can be subject to polarized debate at times, and the regulator's role in such debates should not be to serve as a proxy or an apologist for the industry.

There's an undeniable increase in the appetite within the general public to engage with decision makers on topics that matter to people, which increasingly include our climate, the health of the ocean, natural resource management, and the state of the provincial and national economy.

Long-Term Capacity and Competency

Another topic of great interest to those in this room is local benefits.

The industry has made great strides in the area of safety culture, and we're trying to instill, enforce and be part of, a collective **local benefits culture** -- one that puts a priority on sustaining and enhancing long-term local capacity.

One initiative we've recently taken is to kick-start a discussion around industry demographics, and future training and competency needs and how to fill them.

With the anticipated increase in industry activity, it is imperative that we collectively identify and address any potential labour shortages, and training and competency gaps.

Gaps can occur for a number of reasons such as age-related attrition, potential activity increases, digitalization and new technologies.

Flowing from this analysis, strategies for training and employment of Newfoundland and Labrador residents are our preferred course of action.

We have encouraged Operators to initiate discussions with local educational institutions, training organizations, unions, governments and the industry associations, as soon as possible about any pending skills or training and competency shortages.

The same approach I might add, is also required for contractor and service capacity issues.

Enhancing Local Capacity

The industry is undoubtedly more global than ever before in terms of its outlook and its competitiveness, but the Board will not allow Operators and contractors to lose sight of the importance of sustaining and enhancing local capacity.

Having a strong and competitive local supply and service community, is in everyone's long term best interests, and it helps underpin the strong social licence that the industry enjoys in our province.

The misuse of global frame agreements and tactics like contract bundling that can unfairly disadvantage local interests under the guise of competitiveness, are inconsistent with the Board's expectations. Nor do such actions fit with what I have been repeatedly assured, is a willingness on the part of Operators to help sustain and build local capacity.

The significant investments that have been made by local supply and service providers, in building Newfoundland and Labrador's offshore industry, must be recognized and respected by Operators, and by tier one and two contractors.

In turn, local companies need to do their part by keeping an unwavering focus on their competitiveness, and they should not expect the *Atlantic Accord*, or the regulator, to step in when it's clear that their own pencil sharpeners haven't been properly utilized in some time.

People Changes

So far in my talk I have focused on the many changes which are coming our way, and how we are working hard to ensure that the C-NLOPB is ready.

There are also changes occurring on the people side of things. In recent months, we have seen great new appointments to the C-NLOPB Board. Ted O'Keefe, Roger Grimes and more recently Wes Foote are paying immediate dividends, and will continue to make valuable contributions. I'd also like to thank my longer standing colleagues Ed Williams, Lidija Cicnjak-Chubbs and Cindy Hickman for unwavering their support over the past five years.

And I want to begin to wrap up by thanking Gordon McIntosh on behalf of the C-NLOPB as he prepares to finish his tenure as Deputy Minister of Natural Resources in the near future. Gordon's support and collegiality have been tremendous, and I hope we haven't seen the last of him in these parts.

Conclusion

In closing, I trust that my talk today has provided a flavour of the degree to which the C-NLOPB is leaning into the many changes which are coming our way, along with a sense of the many important initiatives that we're working on.

Thank you again for the opportunity, and I believe we have time for questions.