



2020–21

A N N U A L R E P O R T



June 29, 2021

The Honourable Seamus O'Regan Jr., P.C., M.P.
Minister of Natural Resources
Government of Canada

The Honourable Andrew Parsons, Q.C., MHA
Minister of Industry, Energy and Technology
Government of Newfoundland and Labrador

The Honourable Sarah Stoodley, MHA
Minister of Digital Government and Service NL
Government of Newfoundland and Labrador

Dear Ministers:

Pursuant to Section 29 of the legislation implementing the *Atlantic Accord*, we are pleased to present the Annual Report, together with the financial statements, of the Canada-Newfoundland and Labrador Offshore Petroleum Board for the fiscal year ending March 31, 2021.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Roger Grimes".

Roger Grimes
Chair

A handwritten signature in blue ink, appearing to read "Scott Tessier".

Scott Tessier
Chief Executive Officer

INTRODUCTION

The Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) is the independent regulatory agency created in 1986 under the *Atlantic Accord Implementation Acts (Accord Acts)* with a mandate that includes offshore safety, environmental protection, resource management and industrial benefits. Safety and environmental protection are paramount in all Board decisions.

As of March 31, 2021, the C-NLOPB had 95 permanent staff and its approved budget for fiscal year 2020-21 was \$22,375,000, although spending was significantly lower due to the COVID-19 pandemic. Pursuant to the *Cost Recovery Regulations and Guidelines*, the C-NLOPB recovered 100% of its costs from industry for 2020-21.

The Board's main office is located at 240 Waterford Bridge Road, The Tower Corporate Campus – West Campus Hall, Suite 7100, St. John's, and its Core Storage and Research Centre is located at 30-32 Duffy Place, St. John's.

The Annual Report of the C-NLOPB highlights its accomplishments and activities for 2020-21. The report is aligned with the C-NLOPB's strategic plan and business plan and includes audited financial statements.

For more information about the activities of the C-NLOPB and offshore Operators, please visit www.cnlopb.ca, e-mail information@cnlopb.ca, follow the C-NLOPB on Twitter @CNLOPB, or phone 709-778-1400.



TABLE OF CONTENTS

BOARD MEMBERS.....	4
MANAGEMENT.....	5
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER.....	6
INTERNATIONAL COLLABORATION.....	8
SAFETY OF OFFSHORE WORKERS.....	9
PROTECTION OF THE ENVIRONMENT.....	12
OFFSHORE OPERATIONS.....	18
RIGHTS MANAGEMENT.....	23
MANAGEMENT OF RESOURCES.....	25
INDUSTRIAL BENEFITS.....	27
CORPORATE SERVICES AND REGULATORY AFFAIRS.....	30
INFORMATION AND DATA MANAGEMENT.....	34
APPENDIX: LIST OF ABBREVIATIONS AND LIST OF UNITS.....	35
FINANCIAL STATEMENTS.....	37

Photo Credits: David Howells, ExxonMobil, Husky Energy, Suncor Energy, Tower Corporate Campus
ISBN: 978-1-927098-95-0

BOARD MEMBERS



Roger Grimes, C.M.
Board Chair and Board Member



Lori Bevan, LL.B
Board Member



Kim Dunphy
Board Member and Audit and Evaluation
Committee Member



Wes Foote, P. Eng
Board Member



Brian Maynard, CA, CPA
Board Member and Audit and Evaluation
Committee Member



Sharon Murphy
Board Member



Ted O'Keefe, P.Eng, MBA
Board Member and Audit and Evaluation
Committee Member

MANAGEMENT

Scott Tessier

Chief Executive Officer

Jeff O’Keefe, P. Eng., P. Geo

Chief Conservation Officer

Kelly Batten Hender, Ph. D., P. Geo

Director, Resource Management

Susan Gover, B. Comm. (Hons), LL.B.

Chief Legal Officer

John Kennedy, P. Eng., CRSP

Director, Operations

Tim Murphy

Director, Regulatory Coordination and Public Engagement

Craig Rowe, M. Sc., P. Geo

Director, Digitalization and Analytics

Paul Alexander, P. Eng., PMP

Chief Safety Officer

Michael Baker, CPHR, SHRM-SCP

Director, Corporate Services

Colin Dyer

Acting Director, Industrial Benefits

Stephanie Johnson, P. Geo

Director, Offshore and Information Resources

Jill Mackey, B.Sc., B.Ed., P.Eng., CRSP

Director, Safety

Lesley Rideout

Communications Lead

Elizabeth Young

Director, Environmental Protection

For further information on Board Members and C-NLOPB Management, please visit www.cnlopb.ca

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



A little over a year ago, the realities of COVID-19 for our community and the local offshore sector became starkly apparent. As the regulator, our immediate questions were whether offshore drilling and production would be able to continue - and if indeed they could, *should* they continue in the face of this new and rapidly unfolding suite of risks? The answer to both of those questions was “yes”.

Drilling and production were able to continue through effective measures that were quickly put in place by governments, Operators, and the supply and service community to protect workers by preventing the spread of COVID-19. At the C-NLOPB, even as we shifted to working from home whenever necessary, we implemented enhanced - albeit often remote - oversight on the plans and procedures put in place by Operators to address the risks of COVID-19. Over 100 million barrels were produced in the Canada-Newfoundland and Labrador Offshore Area in 2020-21, providing critical government royalty revenue, employment and other economic benefits to our province and the rest of Canada during the pandemic, without any significant safety or environmental incidents offshore.

Accordingly, I am pleased to say that - while we are by no means at the finish line - the C-NLOPB is not only satisfied with the local petroleum industry’s pandemic response to date, it has been a model of industry communication and cooperation in the identification and mitigation of risk. Operators have been proactive and effective, sharing with one another and the regulator while: following the letter and spirit of public health direction and guidance; implementing pre-offshore rotation isolation and screening protocols; and using necessary preventative measures to protect workers in transit to and onboard facilities. As a result, as of the end of the reporting period for this report, no worker on a facility in our Offshore Area has tested positive for COVID-19.

Over the past year, I have been proud to serve as Chair of the International Regulators Forum, a collection of the offshore safety regulators from Canada and ten other countries. As a result of sustained online collaboration with this group, we have been able to share information and best practices throughout the pandemic with our international colleagues. Regulators from around the world continue to closely monitor the risks arising from COVID-19.

Regulators worldwide are paying close attention to the industry recovery, with a view to ensuring a sustained focus by Operators and their contractors on preventative and corrective maintenance, training and competency. Attention to safety and environmentally critical items must not fluctuate with oil markets — the resilience of the industry and public confidence depend on it.

The industry is also faced with important challenges such as the need for emissions reductions and the energy transition. At the same time, it is transforming - hopefully in a positive way - through digitalization. I’m looking forward to future discussions on this important topic and how it can play a key role in the resiliency of offshore operations.

I'd like to welcome Sharon Murphy, our newest Board member, whose appointment has again resulted in a full complement of Board members. Her experience and dedication will be tremendous assets, adding to those of Roger Grimes, Lori Bevan, Kim Dunphy, Wes Foote, Brian Maynard and Ted O'Keefe. The support and leadership of our Board help continuously strengthen the regulatory regime in our Offshore Area.

And finally, I would like to recognize and thank our incredible staff who, demonstrating resilience and commitment, continued to maintain the level of oversight required in our Offshore Area while adjusting to the challenges of the pandemic. Your professionalism is exemplary.



Scott Tessier

Chief Executive Officer

INTERNATIONAL COLLABORATION

INTERNATIONAL REGULATORS FORUM

As the Chair of the International Regulators Forum (IRF), the C-NLOPB, along with the Canada Nova Scotia Offshore Petroleum Board (CNSOPB) and the Canada Energy Regulator (CER) on behalf of Canada, helped lead the discussion of industry performance over the past year. Strategic topics included well control, digitalization and incident investigation and learning.

As the offshore petroleum industry continued to monitor the global pandemic, the IRF held their first virtual Annual General Meeting on October 6-7, 2020. Members continued to share information about the ongoing challenges created by COVID-19 and discussed with industry associations the measures that are necessary to reduce the risks associated with the pandemic, immediately and in the future.

IRF members reviewed priorities such as occupational health and safety, process safety, barrier management, corrective and preventative maintenance, training and competency that must remain top of mind for all industry participants. Regulators and the public they serve also expect that any cost cutting driven by lower oil prices will not compromise offshore safety or environmental protection in any way.

Members share a commitment to working together to promote health and safety improvements to protect offshore workers and the environment.

Further information is available at <https://irfoffshoresafety.com>.

INTERNATIONAL OFFSHORE PETROLEUM ENVIRONMENTAL REGULATORS

The C-NLOPB is a founding member of the International Offshore Petroleum Environmental Regulators (IOPER), a collaborative group of national regulators whose focus is to drive improvements to environmental performance in the global offshore petroleum exploration and production industry.

During the reporting period, the C-NLOPB attended the 2020 virtual IOPER status check and 2021 virtual IOPER meeting. IOPER working groups focused their efforts on acoustic effects of offshore oil and gas activities and spill preparedness and response.

IOPER members also continue to share information concerning environmental impact research collaboration opportunities, compliance and enforcement tool research, and decommissioning.

Further information is available at www.ioper.org.

ADDITIONAL INTERNATIONAL COLLABORATION

The C-NLOPB continued a lead role in liaising with groups such as the Wells Working Group and the Health and Safety (Asset Integrity) Working Group for the North Sea Offshore Authorities Forum. The key focus of these efforts is networking with regulatory counterparts to support awareness and sharing of best regulatory practices in the areas of well operations, process safety and asset integrity.

SAFETY OF OFFSHORE WORKERS

SAFETY ASSESSMENTS

Prior to being issued an Operations Authorization (OA) in relation to any petroleum related activity in the Canada-Newfoundland and Labrador Offshore Area (“the Offshore Area”), an Operator must submit comprehensive documentation demonstrating how they will take all reasonable and practical measures to achieve the required level of safety for the proposed scope of work.

The C-NLOPB conducts systematic and comprehensive safety assessments of the Operator’s application, which includes the review of safety plans and other safety-related information submitted in support of the application. Audits and inspections may also be conducted prior to and after issuing an authorization.

In 2020-21, the C-NLOPB’s Safety Department conducted 17 safety assessments as part of this oversight as outlined in Table 1 below.

Table 1: Safety Assessments Completed in 2020-2021

OPERATOR	ACTIVITY
Equinor Canada Ltd.	<ul style="list-style-type: none">• OA - Drilling• Four OA Amendments
ExxonMobil Canada Properties (EMCP)	<ul style="list-style-type: none">• Five OA Amendments
Hibernia Management Development Company (HMDC)	<ul style="list-style-type: none">• Two OA Amendments
Husky Energy	<ul style="list-style-type: none">• OA Renewal
Multiklient Invest AS (MKI AS)	<ul style="list-style-type: none">• Geophysical Program Authorization
Suncor Energy	<ul style="list-style-type: none">• Diving Program Authorization• OA - Subsea Preservation• OA Amendment

COMPLIANCE AND ENFORCEMENT

Safety Officers conduct enquiries, issue orders, investigate work refusals and verify compliance by conducting safety inspections, safety audits, pre-approval safety audits and other oversight activities. During 2020-21, the C-NLOPB completed 12 audits, inspections and oversight activities listed in Table 2.

Table 2: Audits, Inspections and Oversight Activities Completed in 2020-2021

OPERATOR/PROVIDER OF SERVICE	INSTALLATION/VESSEL	AUDIT/INSPECTION/OVERSIGHT
Cougar Helicopters Inc. and ExxonMobil	<i>Hebron</i> Platform	<ul style="list-style-type: none"> • Helicopter Oversight Safety Review (HOSR) audit
Equinor Canada Ltd.	MODU (Mobil Offshore Drilling Unit) <i>Transocean Barents</i>	<ul style="list-style-type: none"> • Inspection
EMCP	<i>Hebron</i> Platform	<ul style="list-style-type: none"> • Two inspections
EMCP	MODU <i>West Aquarius</i>	<ul style="list-style-type: none"> • Fire and explosion protection audit
HMDC	<i>Hibernia</i> Platform	<ul style="list-style-type: none"> • Fire and explosion protection audit • Two inspections
Husky Energy	<i>SeaRose</i> FPSO	<ul style="list-style-type: none"> • Fire and explosion protection audit • Two inspections
Suncor Energy	M/V <i>Deep Explorer</i>	<ul style="list-style-type: none"> • Pre-approval inspection

During the 2020-21 period, enquires commenced, continued or were closed for a number of safety occurrences as summarized in Table 3.

Table 3: Summary of Safety Enforcement Activities for 2020-2021

INCIDENT DATE	NATURE OF INCIDENT	STATUS
September 6, 2019	A worker on board the MODU <i>Transocean Barents</i> suffered a serious injury when he was pinned (crushed) between a steel adapter weighing 1400kg and a rail during crane operations.	Enquiry ongoing
December 19, 2019	The Chief Safety Officer (CSO) issued an Order to Suspend Production Operations related to Suncor Energy's maintenance management system non-compliance with regulatory requirements which resulted in the impairment of the Fire Water Pump A on board the <i>Terra Nova</i> FPSO.	Closed Operator (Suncor) requires a new OA and Certificate of Fitness for the <i>Terra Nova</i> FPSO, prior to returning to production operations.
December 29, 2019	A worker onboard the <i>Terra Nova</i> FPSO was injured after falling from a ladder in a ballast tank.	Enquiry ongoing
January 15, 2020	The CSO issued an Order Respecting Dangerous Operations to Suncor Energy in relation to the <i>Terra Nova</i> FPSO to take immediate measures to ensure the use of a fall protection system for all vertical ladders greater than six metres in length that are not fitted with a protective cage at or near the <i>Terra Nova</i> FPSO.	Active
June 4, 2020	A notice of non-compliance was issued to HMDC due to overdue inspection of fire extinguishers on the <i>Hibernia</i> Platform.	Closed

MONITORING

Following authorization of an Operator's work activity, the Safety Department conducts monitoring activities that include the review of Operators' operational reports, incident reports, complaints, the installation's workplace committee meeting minutes and training exemptions or equivalencies submitted against the *Atlantic Canada Offshore Petroleum Industry: Training and Qualifications of Personnel Standard Practice*.

The Operator is required to report and investigate all incidents as described in the C-NLOPB *Incident Reporting and Investigation Guidelines*. During 2020-21, the Safety Department reviewed 120 safety related incident reports from Operators.

During this reporting period 3,489,479 hours were worked in the Offshore Area. There were six incidents that resulted in a reportable injury or illness, which translates to a reportable injury frequency rate of 1.72 per million hours worked.

HEALTH AND SAFETY COMPLAINTS

During 2020-21, the C-NLOPB processed three health and safety complaints. Safety Officers reviewed the circumstances surrounding the complaint with the Operator and resolved the complaint appropriately.

SAFETY FORUM

The purpose of the safety forum is to provide an opportunity for offshore industry stakeholders to exchange information so that safety issues can be proactively identified and addressed, and to highlight any additional areas of concern. Unfortunately, due to the COVID-19 pandemic, there were no safety forums or workplace committee meetings held by the C-NLOPB during the reporting period. Offshore Workplace Committee meetings continued on all offshore facilities.

SAFETY CONFERENCE

The C-NLOPB once again partnered with Memorial University of Newfoundland (MUN) and the Centre for Risk, Integrity and Safety Engineering (C-RISE) to organize and host the 5th Safety and Integrity Management of Operations in Harsh Environment workshop and symposium from March 22-23, 2021.

The focus of the conference was on Incidences and Lessons Learned from the COVID-19 Pandemic and Emergency Preparedness and Resilience in Operations – Moving Forward. Close to 800 local and international participants were in attendance. Keynote speakers included offshore industry Operator representatives as well as academia and subject matter experts.

PROTECTION OF THE ENVIRONMENT

ENVIRONMENTAL PROTECTION PLANS

An Environmental Protection Plan (EPP) is a document or set of documents that describes an Operator’s responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity. An Operator’s EPP is reviewed as part of its application for an authorization. As well, if an Operator amends an EPP, the C-NLOPB reviews the proposed changes for acceptability before the changes can be implemented. During the 2020-21 reporting period, 14 new or amended EPPs were reviewed for the following fields or installations, as shown in Table 4.

Table 4: New EPPs or Amendments to Existing EPPs 2020-2021

OPERATOR	FIELD/INSTALLATION/VESSEL	COUNT
ExxonMobil Canada	Hebron Field	2
HMDC	Hibernia Field	3
Husky Energy	SeaRose FPSO	4
Suncor Energy	Terra Nova	4
Equinor Canada Ltd.	MODU <i>Transocean Barents</i>	1

STRATEGIC ENVIRONMENTAL ASSESSMENT

During the reporting period, the C-NLOPB continued with its update to the 2008 Labrador Shelf Offshore Area Strategic Environmental Assessment (SEA) with the assistance of a Working Group co-chaired by the Nunatsiavut Government and the C-NLOPB. The C-NLOPB continued to work with its contractor, Aivek Stantec Limited Partnership to advance the preparation of a draft SEA Update report that was provided to the Working Group for review in March 2021. The report will be made available for public review upon completion of revisions based on feedback from the Working Group.

REGIONAL ASSESSMENT

Throughout the reporting period, the C-NLOPB worked with the Impact Assessment Agency of Canada (IAAC), Natural Resources Canada (NRCan) and Industry, Energy and Technology Newfoundland and Labrador (IET) to support the five-member Regional Assessment Committee (RAC) in finalizing their Regional Assessment (RA) of offshore oil and gas exploratory drilling east of Newfoundland and Labrador. As part of the follow-up program to the RA, the Geographic Information System (GIS) decision support tool was released on May 31, 2020. The C-NLOPB continues to be engaged with IAAC, NRCan, and IET on the RA follow-up program, which will track and report on the progress of commitments outlined in the June 4, 2020 Ministerial Response to the RAC’s *Report for Offshore Exploratory Drilling East of Newfoundland and Labrador*.

Additional information on the Regional Assessment can be found at:

<https://iaac-aeic.gc.ca/050/evaluations/proj/80156?culture=en-CA>

ENVIRONMENTAL ASSESSMENT

As part of its responsibilities under the *Accord Acts* for environmental protection, the C-NLOPB assesses the potential environmental effects of petroleum related work or activity proposed for the Canada- Newfoundland and Labrador Offshore Area.

In accordance with the C-NLOPB’s responsibilities under the *Accord Acts* and section 82 of the *Impact Assessment Act* (S.C. 2019, c. 28, s. 1), there were four environmental assessments (EAs) completed, amended or terminated by the C-NLOPB during the 2020-21 reporting period as shown in Table 5. Documents related to ongoing and completed assessments by the C-NLOPB of offshore activities, are available on the C-NLOPB website at <https://www.cnlopb.ca/assessments/>.

Table 5: Accord Acts Environmental Assessments during 2020-2021

OPERATOR	PROGRAM	LOCATION	STATUS AS OF MARCH 31, 2021
BHP Canada	Seabed Survey	Eastern Newfoundland (EN)	Completed
BP Canada Energy Group ULC	Controlled Source Electromagnetic (CSEM) Survey	EN	Completed
Chevron Canada Limited	3D Seismic	EN	Terminated
MKI AS	4D, 3D and 2D Seismic	EN and Southern Newfoundland (SN)	Undergoing Amendment

Throughout the reporting period, the C-NLOPB, in its role as a “Federal Authority”, provided expert information or knowledge to support IAAC in conducting Impact Assessments (IAs) pertaining to planned projects in the C-NLOPB jurisdiction that had been initiated under the *Canadian Environmental Assessment Act, 2012* (CEAA 2012), and those which would be initiated, continued or completed under the *Impact Assessment Act* (IAA) (S.C. 2019, c. 28, s. 1).



Hebron Platform

In accordance with its responsibilities under section 23 of the IAA, the C-NLOPB provided expert information or knowledge to the IAAC concerning exploratory drilling EAs. Two were still in progress as of March 31, 2021. The C-NLOPB also continued to support the assessment of the Bay du Nord Development Project. Designated Projects supported by the C-NLOPB during the reporting period, and their status, are provided in Table 6 below. Further information on these assessments can be obtained from the IAAC Registry at <https://iaac-aeic.gc.ca/050/evaluations>.

Table 6: CEAA 2012 and Impact Assessment Act Designated Projects for 2020-2021

OPERATOR	PROJECT	LOCATION	REFERENCE #	STATUS AS OF MARCH 31, 2021
BHP Canada*	Exploration Drilling BHP Canada Exploration	EN	80174	Completed
Chevron Canada Limited*	Exploration Drilling West Flemish Pass	EN	80161	Completed
Equinor Canada Ltd.*	Exploration Drilling (Central Ridge)	EN	80175	Completed
Equinor Canada Ltd.*	Bay du Nord Development	EN and Flemish Pass	80154	Ongoing
EMCL*	Exploration Drilling Southeastern Newfoundland	SEN	80158	Ongoing
Suncor Energy Offshore Exploration Partnership*	Exploration Drilling (Tilt Cove)	Jeanne d'Arc (JDA)	80177	Ongoing

*CEAA 2012 Assessments continued under *Impact Assessment Act* (IAA)

The C-NLOPB also provides ongoing compliance verification and enforcement services in respect of the conditions imposed by assessments completed under the Accord Acts, CEAA 2012 or the IAA for operations authorized by the C-NLOPB. Conservation Officers and Environmental Assessment Officers review program applications to ensure that planned activities are compliant. Compliance with the conditions imposed by assessments and conformance to Operator commitments made during the assessment process are made enforceable by condition of the C-NLOPB-issued OAs. Compliance verification activities occurred throughout the reporting period for three exploration drilling projects conducted by the following Operators: Equinor Canada Limited; ExxonMobil Canada Properties; and China National Offshore Oil Corporation (CNOOC) Petroleum North America ULC.

COMPLIANCE AND ENFORCEMENT

Operators must report all pollution incidents to the C-NLOPB for all offshore installations, including those related to: petroleum spills; unauthorized and/or unplanned discharges; and releases and issues with effluent quality. The C-NLOPB reviews these reports and conducts follow-up, as required.

There were six spills of petroleum during the reporting period. A summary of spill information for the 2020-21 reporting period is provided in Table 7 and more information is available at the C-NLOPB's website at www.cnlopb.ca/information/statistics/.

Table 7: Summary of Spill Information for 2020-2021

COMPONENT	LITRES	PERCENTAGE OF ANNUAL TOTAL	NUMBER OF INCIDENTS
Crude Oil	320.78318	100	6
Hydraulic and Lubricating Oil	0	0	0
All Other Petroleum	0	0	0

During the 2020-21 period, enquires continued or commenced into a number of environmental occurrences as summarized in Table 8.

Table 8: Summary of Environmental Enforcement Activities for 2020-2021

INCIDENT DATE	NATURE OF INCIDENT	STATUS
April 27, 2018	Spill of 28,000 litres of synthetic based mud from the MODU <i>Transocean Barents</i> . A formal enquiry was conducted by C-NLOPB Officers. The enquiry was completed in late March 2020 and the C-NLOPB issued a Notice of Violation (NOV) to each of Suncor Energy Inc. and Transocean Canada Drilling Services Ltd. on April 23, 2020. An NOV review was requested by both parties and these reviews were complete as of March 31, 2021.	Enquiry Complete
November 16, 2018	Spill of 250,000 litres of crude oil from a failed subsea weak-link at the South White Rose Extension Drill Centre. A formal enquiry is being conducted by C-NLOPB Officers.	Enquiry Ongoing
July 17, 2019	Spill of 12,000 litres of petroleum from the crude storage system of the <i>Hibernia</i> Platform. A formal enquiry is being conducted by C-NLOPB Officers.	Enquiry Ongoing
August 17, 2019	Spill of 2,194 litres of petroleum from the drainage system of the <i>Hibernia</i> Platform. A formal enquiry is being conducted by C-NLOPB Officers.	Enquiry Ongoing

Environmental Protection staff undertook enhanced communications with the Fish, Food and Allied Workers (FFAW) during the 2020 seismic season, to ensure that potential issues related to interactions between seismic operators and fishers were brought to the attention of the C-NLOPB in a timely manner.

Between August and October 2020, an audit of the management of discharges and other waste at the MODU *Transocean Barents* operated by Equinor Canada Limited as part of the Flemish Pass Exploration Drilling Project was conducted. This audit included onshore document review, questionnaires and interviews, and onsite verification of compliance.

An onsite verification activity was conducted in September 2020 at the MODU *Transocean Barents* to ensure that a bird monitoring program was being conducted as required by Condition 4.3 of the

Decision Statement issued under Section 54 of the CEAA 2012, to Equinor Canada Ltd. for the Flemish Pass Exploration Drilling Project.

Between November 2020 and March 2021, an audit of the management of discharges and other waste at the *Hebron* Platform Operated by ExxonMobil Canada Properties was conducted. This audit included onshore document review, questionnaires and interviews, and onsite verification of compliance.

An onsite verification activity was conducted in July 2020, at the *Hibernia* Platform to ensure that the produced water treatment system was being operated in the manner described in HMDC's EPP.

An audit of the Management of Discharges and Other Waste at the *SeaRose* FPSO was initiated in January 2021.

ENVIRONMENTAL EFFECTS MONITORING

Environmental Effects Monitoring (EEM) is used to determine the effects of ongoing industrial activity on the natural environment. In the Offshore Area, EEM has been undertaken for development drilling and production operations because of the greater variety and volume of their regulated discharges, such as produced water and the length of time they remain in the Offshore Area. EEM surveys are initiated during the first full year of offshore development drilling and are executed annually for at least two additional years, becoming biennial thereafter. The C-NLOPB and federal and provincial Environment and Fisheries Departments review the design of each EEM program and the detailed reports from each program.

During the reporting period, EEM reports for HMDC's *Hibernia* and *Hibernia South Extension* Projects for 2018, and Husky Energy's *White Rose* Project for 2018 were ongoing. The review of ExxonMobil Canada Ltd's *Hebron* Project for 2018 was completed during the reporting period. Completed EEM program reports are available on the C-NLOPB website at <https://www.cnlopb.ca/environment/projects/>.

ENVIRONMENTAL EFFECTS MONITORING PROGRAM EXTENSION

Due to constraints the COVID-19 pandemic placed on the ability to safely execute scheduled 2020 EEM programs, the C-NLOPB supported a short-term deferral of EEM Programs scheduled to begin late spring 2020. The Alert Level System implemented by the provincial government provided a helpful indicator of health risks and commensurate measures and precautions to be undertaken by the public, including some commercial operations. The C-NLOPB deemed it appropriate for Operator's to re-evaluate the ability to safely and successfully execute their 2020 EEM Programs, and all producing Operators successfully executed the majority of their EEM Programs throughout summer and fall 2020.

SPILL PREVENTION AND RESPONSE FORUM

The C-NLOPB hosted its second annual Spill Prevention and Response Forum, in virtual format, on January 13-14, 2021. The Forum featured over 300 participants from regulatory agencies and government departments, oil and gas industry companies that are, or will soon be, active in the Canada-Newfoundland and Labrador Offshore Area, along with fishing industry representatives and academia. The Forum provided an opportunity for regulators, governments and those 'on the water' to undertake a collective review of response mechanisms to mitigate the potential effects of oil spills,

including the use of dispersants and in situ burning. Discussion reflected participants' knowledge and presented newer results on the efficacy of dispersant use and in situ burning.

ENVIRONMENTAL STUDIES RESEARCH FUND

The Environmental Studies Research Fund (ESRF) is a national research program for environmental and social studies. Funding is provided through levies on frontier lands paid by interest holders. The ESRF is directed by a joint government/industry/public Management Board, of which the C-NLOPB's Director of Environmental Protection is a member.

The following research project related to the Offshore Area was completed during the reporting period by the ESRF:

- Investigation of effects of East Coast Canada Water Accommodated Fraction (WAF) and Chemically Enhanced Water Accommodated Fraction (CEWAF) on Early Life Stages of Commercially Harvested Marine Species (2014-04S).

The following research projects were ongoing at the end of the reporting period:

- Assessment of the Potential Risks of Seismic Surveys to Affect Groundfish Resources (2018-01S); and
- Atlantic salmon in the Eastern Canadian offshore regions (ESRF Regions 8 to 15): timing, duration and the effects of environmental variability and climate change (2019-01S).

Further information on the ESRF is available at www.esrfunds.org.



Terra Nova FPSO

OFFSHORE OPERATIONS

WELL OPERATIONS

Regulatory oversight of industry's well operations is an important function of the C-NLOPB. Well operations activities may be approved in the form of an Approval to Drill a Well (ADW) in relation to the initial drilling of a well, or an Approval to Alter the Condition of a Well (ACW) where an Operator re-enters a well to perform any subsequent well operation, including a well intervention, workover operation, completion, re-completion, suspension or abandonment. In the case of well termination operations, these activities are also assessed to verify that the completion, plugging and abandonment and suspension operations conform to regulatory requirements, particularly in relation to the dual well barrier requirement.

During 2020-21, multiple exploration wells were drilled that required Special Oversight Measures. Staff placed a focus on high-pressure/high temperature drilling practices and well control measures in place throughout these campaigns.

During the reporting period, there were OA applications processed for an exploration drilling program and a subsea asset preservation program. In support of this, staff provided technical support to the safety assessment review, conducted a special oversight rig inspection and assessed documentation with a primary focus to drilling, well integrity, and preventative maintenance related policies and procedures. This was to ascertain that Operators' practices were appropriately risk assessed and in compliance with local regulations and also in alignment with good industry practice. Three additional OA applications for drilling and/or production activities remain under review at this time.

PRODUCTION OPERATIONS

Regulatory oversight of production operations is another important function of the C-NLOPB. Production operations staff provided technical support to safety assessment reviews and conducted ongoing monitoring of offshore production facilities. During the past year a regulatory inspection, with a specific focus on production operation practices, was conducted on each production facility. Monthly meetings were conducted with Operators, with a specific focus on more effective and consistent risk-based discussions regarding production operation issues and any proposed production system modifications.

Production operations staff have also provided technical subject matter expert support for the regulatory review of Operator's proposed use of onshore control room operations.

DEVELOPMENT WELL INTEGRITY MONITORING

During the reporting period, the C-NLOPB continued efforts for quarterly reporting on the integrity status of all development wells within the Offshore Area, to be satisfied that Operators were maintaining well integrity to the highest standards. During 2020-21, 95.5% of development wells had a healthy well status, with no well integrity impairments. Also during 2020-21, integrity impairments were addressed on five wells through intervention activities that included temporary suspension of reservoir, by placing plugs and/or wireline intervention activity to replace failed valves. Staff continue to verify that Operators have additional mitigations and monitoring plans in place for all wells with impairments, while plans progress toward repairs.

Table 9 summarizes the number of approvals and monitoring activities completed during the reporting period.

Table 9: Well Operations Oversight Activity for 2020-2021

ACTIVITY	NUMBER COMPLETED
ACWs	10
ADWs	11
Well Operations Monitored	34
Development Wells - Integrity Monitoring	176
OA Operational Safety Assessments	2
Operational Audits/Inspections	7
Wells Subject to Special Oversight	7
Well Termination Notifications	16
Production Operations Oversight Meetings	33

REGIONAL TECHNICAL COLLABORATION

C-NLOPB staff continued to be engaged with the Canadian Standards Association Offshore Structures Steering Committee and the related Technical Working Group in the development of standards.

CERTIFICATION OVERSIGHT

C-NLOPB staff assess proposed Scopes of Work that describe the verification activities that Certifying Authorities (CAs) will conduct in order to issue and maintain Certificates of Fitness for prescribed installations operating in the Offshore Area. These are assessed for compliance with the regulations and then presented for approval by the CSO, as required by the legislation. As part of the ongoing oversight of certification activities, staff of the C-NLOPB also receive periodic CA reports, meet regularly with CAs and attend select CA offshore surveys.

The CAs also undertake verification activities under their roles as Class Societies and also as Delegated Authority on behalf of Flag States. They undertake inspection of Standby Vessels to assess compliance against regulations and local requirements and to issue related certificates. In respect to this latter item, staff have conducted audits of Det Norske Veritas – Germanischer Lloyd (DNV-GL) and American Bureau of Shipping, to assess how each CA is undertaking standby vessel inspections and issuing certificates in keeping with local requirements. In the context of DNV-GL and Lloyd’s Register (LR) as delegated authority for Canadian Flagged installations, C-NLOPB staff have continued with ongoing interaction with Transport Canada to share information on mutual matters of marine safety. This has included quarterly meetings with the local Transport Canada Marine office, to further enable sharing of information, with a focus on robust regulatory oversight of matters related to marine safety.

The move toward goal oriented regulations being undertaken through the Frontier and Offshore Regulatory Renewal Initiative (FORRI), has identified the requirement for Certification Plans that will contain details against which CAs will undertake verification activity and that will be referenced in CA

Scopes of Work. As this is a new element of the certification activity, staff have been working on the necessary internal processes to enable effective and efficient review of these new documents. Discussions have occurred with industry regarding this new requirement that will come into effect when the new FORRI regulations are promulgated and a draft plan has been submitted for one installation to be used as a trial, by both industry and the C-NLOPB to aid in the development of respective protocols. This trial effort will continue into the upcoming fiscal year.

Table 10 outlines the installations that were monitored for CA activities during 2020-2021.

Table 10: Installations Monitored for Certifying Authority Activities in 2020-2021

INSTALLATION NAME	INSTALLATION TYPE	CERTIFYING AUTHORITY
MODU <i>Transocean Barents</i>	Drilling	DNV-GL
MODU <i>West Aquarius</i>	Drilling	DNV-GL
<i>Hibernia</i> Platform	Production	Lloyd's Register North America Inc.
<i>Hebron</i> Platform	Production	Lloyd's Register North America Inc.
<i>SeaRose</i> FPSO	Production	DNV-GL
<i>Terra Nova</i> FPSO	Production	Lloyd's Register North America Inc.
MODU <i>IceMax</i>	Drilling	DNV-GL
MODU <i>Stena Forth</i>	Drilling	DNV-GL
DSV <i>Deep Explorer</i>	Diving	DNV-GL

Table 11 outlines the CA oversight activities for the fiscal year.

Table 11: C-NLOPB Oversight of Certifying Authority Activity for 2020-2021

ACTIVITY	NUMBER COMPLETED
C-NLOPB/CA Oversight Meetings	55
Scope of Work Assessments	2
Oversight of CA Installation Verification	2

ASSET LIFE EXTENSION

During the reporting period, staff continued to assess Suncor Energy's plan to execute life extension for the *Terra Nova* FPSO. As a result of the COVID-19 pandemic, Suncor Energy was not able to undertake the planned 2020 related shipyard work required to support its life extension program. Suncor Energy continues to progress its efforts on the life extension plan for the *Terra Nova* FPSO and related work for the 2021-22 fiscal year. While a final decision regarding life extension is being progressed, Suncor moved the *Terra Nova* FPSO to near shore and on July 23, 2020 the CA placed a limitation on the related Certificate of Fitness to preclude the *Terra Nova* FPSO from returning to the offshore area until the CA assesses compliance to an approved return to service plan. During the reporting period, staff

also commenced the initial review of the SeaRose Life Extension Plan, as the Operator prepares for related shipyard work that is currently being targeted for 2024.

WHITE ROSE EXTENSION PROJECT

Staff continued to monitor the related activities that were conducted for the West White Rose Project by LR, as the CA for the project.

SUBSTITUTIONS, EQUIVALENCIES OR EXEMPTIONS

The CSO and/or the Chief Conservation Officer (CCO) may authorize the use of equipment, methods, measures or standards in lieu of any required by regulations or grant an exemption from any regulatory requirement, if satisfied that it will provide a level of safety, protection of the environment and resource conservation greater than, or equivalent to, that provided by compliance with regulations. A regulatory query process is in place to evaluate and render decisions on applications for regulatory equivalencies, substitutions or exemptions. Substitutions or Exemptions can be found on the C-NLOPB website <https://www.cnlopb.ca/legislation/equivalencies/>.

Table 12 outlines the Regulatory Query activity for the fiscal year.

Table 12: Regulatory Query Activity for 2020-2021

STATUS	NUMBER OF EQUIVALENCIES, SUBSTITUTIONS OR EXEMPTIONS
Applications Received	85
Approved	115
Not Required	4
Rejected	1
Withdrawn	4
Still Under Consideration	24

Note: Applications processed and under consideration may include carryover

REGULATORY REFORM PROJECT TEAM UPDATE

During the reporting period, the C-NLOPB’s Regulatory Reform Project Team continued its focus on preparing for the implementation of the new Framework FORRI Regulations and the new Occupational Health and Safety (OHS) Regulations. The team spent the period researching, analyzing and developing draft guidance for the respective parts of the proposed regulations. Working jointly with the CNSOPB, the team held a number of technical working group meetings with staff from both Boards. Efforts will continue in 2021-22 to progress the development of guidance for this important initiative.

Besides the development of new guidelines associated with the new Framework and OHS regulations, revisions will be required to other key existing guidance documents. Table 13 highlights key existing guidelines for which updates are being progressed. There are other guidelines, interpretation notes,

codes of practice, etc. that are also being assessed for updates or consolidation, but as the changes are not considered significant they are not listed in the below table. Industry has continued to be engaged and updated on these efforts through quarterly meetings that are held with the Canadian Association of Petroleum Producers (CAPP).

Table 13: List of Key Existing Guidelines Requiring Revision

NAME OF GUIDELINE
Safety Plan Guidelines
Environmental Protection Plan Guidelines
Development Plan Guidelines
Data Acquisition and Reporting Guidelines
Incident Reporting and Investigation Guidelines
Physical Environmental Program Guidelines

The Project Team also supported the governments’ efforts in development of the Framework and OHS Regulations by coordinating internal feedback on queries from NRCan, as the policy intent was being converted into draft regulation. At the end of the reporting period, a draft of the OHS Regulation was provided by NRCan for review and feedback. The project team coordinated an internal comprehensive technical review and provided NRCan with consolidated feedback.



SeaRose FPSO

RIGHTS MANAGEMENT

CALLS FOR NOMINATIONS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued the following Calls for Nominations in 2020-21.

Table 14: Calls for Nominations during 2020-2021

CALL FOR NOMINATIONS	ISSUANCE DATE	CLOSING DATE
NL20-CFN02 (Parcels-Sector NL02-SEN)	September 9, 2020	November 10, 2020
NL20-CFN03 (Parcels-Jeanne d’Arc-JDA)	September 9, 2020	November 10, 2020

CALLS FOR BIDS

Pursuant to the Scheduled Land Tenure System, the following Calls for Bids were offered as of March 31, 2021.

Table 15: Active Calls for Bids during 2020-2021

CALL FOR BIDS	PARCELS OFFERED	PARCELS AWARDED	CLOSING DATE	SUCCESSFUL BID (WORK EXPENDITURE COMMITMENTS)
NL16-CFB03 (Labrador South-LS)	10	TBD	*By end of 2021 calendar year	TBD
NL20-CFB01 (EN)	17	1	November 4, 2020	\$27,000,000.00

** At least 120 days following the completion of the SEA update*

STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). In the 2020-21 fiscal year, two ELs were consolidated, one EL was issued from the Call for Bids licencing round and two ELs expired. One SDL was issued and one SDL was surrendered.

As of March 31, 2021 there were 28 ELs, 58 SDLs and 12 PLs in the Offshore Area.

SIGNIFICANT DISCOVERY LICENCES

During the reporting year, the technical committee appointed during the previous reporting year to review the significant discovery application for Harpoon O-85 - Flemish Pass Basin completed its analysis and the Board issued SDL 1058 in October 2020.

OPERATING LICENCES

Any person planning to undertake any petroleum-related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 16 shows the 12 OLs issued by the C-NLOPB during the 2020-21 fiscal year.

Table 16: Operating Licences Issued During Fiscal Year 2020-2021

OPERATING LICENCE	OPERATOR
OL 2001	BHP Petroleum (New Ventures) Corporation
OL 2002	ExxonMobil Canada Ltd.
OL 2003	ExxonMobil Canada Ltd., as Managing Partner for ExxonMobil Canada Properties
OL 2004	Imperial Oil Resources Limited
OL 2005	Multikliient Invest AS
OL 2006	WesternGeco Canada, a division of Schlumberger Canada Limited
OL 2007	Husky Oil Operations Limited
OL 2008	Fugro Geosurveys, a division of Fugro Canada Corp.
OL 2009	CNOOC Petroleum North America ULC
OL 2010	BP Canada Energy Group ULC
OL 2011	Chevron Canada Limited
OL 2012	Chevron Canada Limited, as Managing Partner for Chevron Canada Resources

FUNDS COLLECTED AND RECORDED

Under the *Accord Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2020-21, \$1,021,970.00 was collected and recorded by the Receiver General for Canada (see Table 17a).

Table 17a: Funds Collected and Recorded on Behalf of the Receiver General for Fiscal Year 2020-2021

FEES, FORFEITURES AND RENTALS	AMOUNT COLLECTED
Rentals	\$1,021,570.00
Forfeitures (Security Deposits)	\$0.00
Operating Licences	\$400.00
Registry Fees (New Licences)	\$0.00
Forfeitures (Drilling Deposits)	\$0.00
Total	\$1,021,970.00

Table 17b: Funds Collected by C-NLOPB and sent to the Receiver General For Canada to be recorded by Governments in next fiscal Year 2021-22

AMOUNTS COLLECTED BY	
Operating Licences	\$175.00
Registry Fees (New Licences)	\$4,000.00
Total	\$4,175.00

Since its inception, the C-NLOPB has collected \$301,166,115 on behalf of the Crown for land tenure transactions.

MANAGEMENT OF RESOURCES

CORE STORAGE AND RESEARCH

The C-NLOPB's Core Storage and Research Centre (CSRC) archives core, cuttings, fluid samples, petrographic slides, biostratigraphic slides and other geological material derived from wells drilled in the Offshore Area. The CSRC provides public access to materials for studies and viewing once the legislated privilege period has expired. For the first quarter of 2020-21, the CSRC was closed to public access in response to the COVID-19 pandemic. Upon reopening, the CSRC adhered to all public health guidelines to facilitate client access to the facility.

GEOSCIENTIFIC PROGRAMS

Three geological programs without fieldwork covering various Land Tenure regions and study types were approved during 2020-21, as shown in Table 18. The C-NLOPB reviewed and authorized one application for a geophysical program with fieldwork in the Offshore Area in 2020-21, as detailed in Table 19.

Table 18: Geological Programs without Fieldwork Authorized during 2020-2021

COMPANY	STUDY TYPE	REGION
Future Geoscience Ltd.	Biostratigraphic	EN, JDA
Geological Survey of Canada	Geochemical	EN
Nalcor Energy	Biostratigraphic	SN

Table 19: Geoscientific Programs with Fieldwork Authorized during 2020-2021

OPERATOR	PROGRAM	REGION	SEISMIC ACQUIRED	GRAVITY/MAGNETIC ACQUIRED	OTHER DATA
MKI AS	3D Seismic	EN, LS, SEN	9,799 Km ²	N/A	N/A

Key for Tables 18 and 19

3D = Three Dimensional	LS = Labrador South	SEN = South Eastern Newfoundland
EN = Eastern Newfoundland	MKI AS = Multiklient Invest AS	SN = Southern Newfoundland
JDA = Jeanne d'Arc		

PRODUCTION ACTIVITIES

As part of the C-NLOPB's mandate, the Resource Management Department provides oversight of Operator production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans. Resource Management staff conduct daily monitoring and review monthly production data to ensure Operators are following all approved plans. The following table shows production for each field during 2020-21.

Table 20: Field Production Statistics for 2020-2021

FIELD	PRODUCTION			GAS DISPOSITION				WATER INJECTED	DAILY OIL AVERAGE
	Oil	Gas	Water	Flared	Fuel	Injected	Lift		
	MMbbl	Bscf	MMbbl	Bscf	Bscf	Bscf	Bscf	MMbbl	bbl
Hibernia	41.38	100.90	41.45	1.92	5.79	93.19	11.05	85.22	113,411
Terra Nova	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
White Rose	6.73	41.16	6.68	1.09	4.22	35.04	11.61	15.38	18,465
North Amethyst	2.01	2.51	10.22	0.06	0.25	2.08	8.73	4.84	5,492
Hebron	51.64	23.66	6.05	1.73	5.99	15.97	15.44	61.50	141,274

Table 21 shows total cumulative production for each field up to March 31, 2021.

Table 21: Field Production Statistics Cumulative to March 31, 2021

FIELD	PRODUCTION			GAS DISPOSITION				WATER INJECTED
	Oil	Gas	Water	Flared	Fuel	Injected	Lift	
	MMbbl	Bscf	MMbbl	Bscf	Bscf	Bscf	Bscf	MMbbl
Hibernia	1,185.86	2,026.48	681.58	101.40	123.41	1,801.59	29.95	1,791.12
Terra Nova	425.03	842.35	378.15	64.65	75.27	702.43	144.52	810.58
White Rose	255.20	347.10	162.03	39.41	46.34	260.52	139.63	555.46
North Amethyst	56.45	48.81	89.36	4.25	8.12	36.32	61.56	139.80
Hebron	128.47	56.54	7.97	9.38	16.40	30.79	34.42	118.77

Note: North Amethyst gas injection goes into White Rose Field.

INDUSTRIAL BENEFITS

BENEFITS PLANS

In 2020-21, the offshore production activities of the Hibernia, Terra Nova, White Rose/North Amethyst and Hebron projects continued to be monitored for compliance with the approved benefits plan provisions in relation to contracting and employment, supply of goods and services, diversity, research and development (R&D) and education and training (E&T).

Staff reviewed and assessed four benefits plans and supplementary benefits information for various offshore activities, including:

- MKI 2020-22 Exploration Benefits Plan to conduct 3-D surveys in the Offshore Area;
- Equinor Benefits Plan Supplement in support of its 2020 drilling campaign utilizing the drill rig *Transocean Barents* and support vessels *Siem Diamond*, *Atlantic Kingfisher* and *Horizon Star*;
- Suncor Benefits Plan Supplement for its 2020 diving program to inspect and apply protective coating to its Spider Buoy and I-Tubes; and
- CNOOC Benefits Plan Supplement in support of a drilling program on EL 1144 in the Flemish Basin. The proponent proposed drilling the Pelles A-71 well using the drillship *Stena IceMax*, and support vessels *Maersk Maker*, *Maersk Mobilizer* and *Horizon Arctic*. However, the program was deferred and will now take place in the spring of 2021 utilizing different vessels.

In addition, Industrial Benefits staff reviewed complaints from persons and companies regarding Operator employment and procurement practices. The C-NLOPB's role in such reviews is to ensure that Operators have provided manufacturers, consultants, contractors and service 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. First consideration must be given to services provided from within the Province and to goods manufactured in the Province, where those services and goods are competitive in terms of fair market price, quality and delivery; and residents of the Province must be given first consideration for training and employment. Multiple comprehensive reviews were conducted in these areas in 2020-21, along with others of lesser scope.

EXPENDITURE AND EMPLOYMENT DATA

During the 2020 calendar year, Operators reported expenditures of \$2.8 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total approximately \$69.4 billion.

As of December 31, 2020, there were 3,876 Newfoundland and Labrador and other Canadian residents working in direct support of petroleum-related activity in the Offshore Area. During the 2020 calendar year, approximately \$482.4 million was spent on exploration programs generating approximately 3,173 person-months of employment. Ongoing production activities accounted for expenditures of \$1.77 billion in 2020, of which approximately 55 percent of annual expenditures occurred in Newfoundland and Labrador and a further 17 percent in the rest of Canada.

The following tables summarize the participation of Newfoundland and Labrador residents and other Canadians in the production phase at Hibernia, Terra Nova, White Rose/North Amethyst, and Hebron, as well as the West White Rose construction phase.

HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY LTD.

HMDC reported expenditures of approximately \$488 million in the 2020 calendar year, with 81 percent Canadian content including 65 percent Newfoundland and Labrador content.

As of December 31, 2020, total direct employment in the province in support of the Hibernia project was 1,119 persons. Of this amount, 93 percent of the workers were Newfoundland and Labrador residents at the time of hire, and four percent were other Canadian residents.

Table 22: Hibernia Employment (as of December 31, 2020)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	419	22	17	458
Offshore Operations	618	26	17	661
Total	1,037	48	34	1,119

TERRA NOVA

Suncor Energy reported expenditures of approximately \$378 million in the 2020 calendar year, with 72 percent Canadian content including 54 percent Newfoundland and Labrador content.

As of December 31, 2020, total direct employment in support of the Terra Nova project was 493 persons. At the time of hire, 91 percent of this total were Newfoundland and Labrador residents and eight percent were other Canadian residents.

Table 23: Terra Nova Employment (as of December 31, 2020)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	258	26	6	290
Offshore Operations	192	11	-	203
Total	450	37	6	493

WHITE ROSE/NORTH AMETHYST/WEST WHITE ROSE

Husky Energy reported expenditures of approximately \$792 million in the 2020 calendar year, with 65 percent Canadian content including 49 percent Newfoundland and Labrador content.

As of December 31, 2020, total direct employment in support of the White Rose/North Amethyst/West White Rose projects was 1,336 persons. At the time of hire, 69 percent of this total were Newfoundland and Labrador residents and four percent were other Canadian residents.

Table 24: White Rose/North Amethyst/West White Rose Employment (as of December 31, 2020)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	716	35	370	1,121
Offshore Operations	203	12	-	215
Total	919	47	370	1,336

HEBRON

ExxonMobil reported expenditures of approximately \$654 million in the 2020 calendar year, with 71 percent Canadian content including 56 percent Newfoundland and Labrador content.

As of December 31, 2020, total direct employment in the province in support of the Hebron project was 1,176 persons. Of this amount, 92 percent of the workers were Newfoundland and Labrador residents at the time of hire, and 5 percent were other Canadian residents.

Table 25: Hebron Employment (as of December 31, 2020)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	483	22	21	526
Offshore Operations	595	33	22	650
Total	1,078	55	43	1,176

RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

The C-NLOPB continued to monitor Operators' obligations to carry out R&D and E&T in the province. Before making R&D/E&T expenditures, Operators may submit proposed projects to the C-NLOPB for determination of eligibility under the C-NLOPB's R&D/E&T guidelines. There were seven R&D/E&T applications submitted during 2020-21. These applications account for approximately \$2.1 million in potential R&D/E&T funding. Areas of interest related to submitted applications include:

- Digital Twinning;
- FPSO Ice Impact Studies;
- Project Economic Analysis;
- Marine-life Environmental Studies; and
- Ice Radar Technology.

R&D/E&T expenditures for the 2019 calendar year were reviewed in 2020 to determine eligibility under the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$30 million was spent on eligible R&D and E&T, bringing the total expenditure to approximately \$607 million since the C-NLOPB's guidelines came into effect on April 1, 2004. A breakdown of expenditures for the 2019 calendar year can be found on the C-NLOPB's website. Updates to these expenditures will be posted on an annual basis and can be found at the following link under the Industrial Benefits tab: <https://www.cnlopb.ca/information/statistics/>.

CORPORATE SERVICES AND REGULATORY AFFAIRS

COVID-19 PANDEMIC RESPONSE

In March 2020, the C-NLOPB began the transition from an “in-office” work arrangement to a “work-from-home” one. The C-NLOPB successfully established this new arrangement in a short period of time and continued to maintain its high standards of oversight of the industry as well as progressed regulatory and operational files.

Through the summer of 2020, the C-NLOPB began planning for a safe transition back to the work place while at the same time planning to move to a new office. To assist in this planning an internal Transition Team was created. This Team was tasked with following the advice of the Chief Medical Officer and adapting it into recommendations for a safe return to work. Once the C-NLOPB completed its move in the summer, it was able to safely transition all staff to the office in September 2020.

OFFICE MOVE

During the fiscal year, the C-NLOPB moved from TD Place, its workplace of about 35 years to the Tower Corporate Campus on Waterford Bridge Road. The office move was a significant initiative which involved the moving of approximately 100 employees to a new workplace. Following approximately two years of preparation and planning, the physical office move took place over the summer 2020 period. The move was executed in accordance with COVID-19 protocols and while the majority of employees were still working from home.

BUSINESS MANAGEMENT SYSTEM

During 2020-21 the C-NLOPB hired a consultant to perform a gap assessment of its Quality Management System and processes. Stemming from this review, the need for a Business Management System was identified and a full time Quality Manager position was created. This position is tasked to develop and implement a Business Management System in cooperation with the C-NLOPB Management Team. This system, once completed, will ensure that the Board’s processes are lean and effective and will provide accountability through regular internal audits.

DIGITALIZATION

C-NLOPB staff are working on a number of initiatives to support innovative regulatory oversight as the industry increasingly moves to more digital solutions. Remote operations, simulators and increased digital data availability are transforming the petroleum sector worldwide, creating opportunities and challenges for regulators.

During the fiscal year, the C-NLOPB signed a license agreement with DN-VGL for the configured version of the Synergi Life tool, which will become the backbone of the Safety Oversight Management Information System (SOMIS), as well as expansion into other organization-wide applications. The tool will be used to manage incidents and audits/inspections stemming from offshore operations. The tool is also being planned for use within the organization for general activity and quality management, and for internal auditing purposes.

During the 2020-2021 fiscal year, the C-NLOPB continued its objective to ensure that digitalization results in enhanced safety and environmental protection in industry operations. To achieve this objective, the C-NLOPB has worked to enable enhanced availability of digital data, and has also worked with Operators, other regulators and government partners in areas such as information technology security.

During the reporting period, the C-NLOPB’s office operations have progressively moved away from paper-based transactions in favour of digital ones. This effort has been supported by a substantial investment in video conferencing, digitalizing paper records and the use of electronic signatures.

REGULATORY INITIATIVES

During the reporting period, the C-NLOPB began the process of updating the *Allowable Expenditure Credit Guidelines*. The Board also approved the *Remotely Piloted Aircraft Systems (RPAS) Guidelines* and *Benefits Guidelines* for government consultation during 2020-21.

During 2020-21, the C-NLOPB signed the following Memoranda of Understanding (MOU):

Table 26: MOUs signed during 2020-2021

PARTNER	DESCRIPTION
Department of Fisheries and Oceans	MOU language was modernized; new section added pursuant to June 2020 Government of Canada Regulations further to Regional Assessment of Exploratory Drilling East of Newfoundland (updated July 2020)
Petroleum Safety Authority of Norway	MOU for the promotion of cooperative activities (October 2020)
Impact Assessment Agency of Canada	C-NLOPB lead role in compliance and enforcement of Conditions in CEAA 2012 and Impact Assessment Agency Decision Statements, and Conditions in June 2020 RA Regulation (January 2021)

In 2020-21 there has also been some discussion regarding an update to the MOU the C-NLOPB has in place with Canadian Coast Guard.

AUTHORIZATIONS

During 2020-21, C-NLOPB staff coordinated the issuance of five Authorizations and issued 14 amendments to Authorizations.

Table 27: Authorizations Issued by the C-NLOPB during 2020-2021

OPERATOR	AUTHORIZATION TYPE	INSTALLATION/VESSEL
Equinor	New Drilling OA	<i>Transocean Barents</i>
Multi Klient Invest AS	3-Year Geophysical Operations Authorization for 2D and 3D Seismic Activity	<i>Ramform Titan and Ramform Atlas</i>
Suncor Energy	Diving Program Authorization	<i>DSV Deep Explorer, Maersk Nexus, Maersk Clipper and the Horizon Arctic Support Vessels</i>
Suncor Energy	Subsea Preservation OA Renewal	N/A
Husky Energy	Production OA Renewal	<i>SeaRose FPSO</i>



Hibernia Platform

Table 28 shows all regulatory review, licensing, auditing and approved activities for the C-NLOPB during the 2020-21 fiscal year.

Table 28: Regulatory Review, Licensing, Auditing and Approval Activities for 2020-2021

ACTIVITY	NUMBER
Application for Regulatory Equivalency	85
Approval to Alter the Condition of a Well	10
Approval to Drill a Well	11
Benefits Plan Approval (new or amended)	4
Commingled Production Approval	0
Diving Program Authorization	1
Environmental Assessment (new, amended or updated)	4
Environmental Audit and Inspection	5
Environmental Program Authorization	0
Exploration License (new or amended)	3
Field Data Acquisition Program Approval	3
Flow System Application Approval	3
Flow System (Metering) Audit/Witness	6
Greenhouse Gas Audit/Witness	4
Formation Flow Test Program Approval	1
Gas Flaring Approval	3
Geological Program (without fieldwork)	3
Geological Program (with fieldwork)	0
Geophysical Operations Authorization (with fieldwork)	1
Geophysical Program Authorization (without fieldwork)	1
Geotechnical Program Authorization	0
Notice of Non-Compliance/Non-Conformance	1
Offshore Worker Complaints Reviewed	3
Operations Authorization (new or amended)	3
Operating License	12
Pooling Designation	0
Production License (new or amended)	0
Regional Assessment (new or ongoing)	1
Safety Assessment	17
Safety Audit/Inspection	12
Significant Discovery License (new or amended)	1
Strategic Environmental Assessment (new or ongoing)	1

INFORMATION AND DATA MANAGEMENT

The C-NLOPB receives and disseminates information relevant to work authorized in the Offshore Area. Requests for this information are received and processed in the C-NLOPB Information Resources Centre. Any information which has passed the statutory privilege period may be requested either in person or by emailing information@cnlopb.ca.

During 2020-21, the C-NLOPB received 177 requests for information from external parties. These requests were primarily related to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators. These did not require formal applications under the *Access to Information Act*. The C-NLOPB received two formal requests and four formal consultation requests under the *Access to Information Act* during 2020-21. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the *Act* during 2020-21 will be tabled in Parliament in 2021.

The following table outlines requests received during the reporting period under the *Access to Information Act*.

Table 29: Requests under the *Access to Information Act* for 2020-2021

TYPE OF REQUEST	NUMBER OF REQUESTS
Requests Closed During Reporting Period	2
Consultations	4
Complaints	0
Court Action	1
Total Requests	2

Requests for Information received in 2020-21 can be found in the following table:

Table 30: Requests for Information Received in 2020-2021

TYPE OF REQUEST	NUMBER OF REQUESTS
Government of Newfoundland and Labrador	24
Government of Canada	15
Education	13
Industry	100
Total Requests	177

APPENDIX: LIST OF ABBREVIATIONS AND UNITS

LIST OF ABBREVIATIONS

ACW (Approval to Alter the Condition of a Well)
ADW (Approval to Drill a Well)
CA (Certifying Authority)
CAPP (Canadian Association of Petroleum Producers)
CEAA 2012 (*Canadian Environmental Assessment Act 2012*)
CER (Canada Energy Regulator)
C-NLOPB (Canada-Newfoundland and Labrador Offshore Petroleum Board)
CNOOC (China National Offshore Oil Corporation Petroleum North America ULC)
CNSOPB (Canada Nova Scotia Offshore Petroleum Board)
C-RISE (Centre for Risk, Integrity and Safety Engineering)
CSEM (Controlled Source Electromagnetic Survey)
CCO (Chief Conservation Officer)
CSO (Chief Safety Officer)
CSRC (Core Storage and Research Centre)
DNV-GL (Det Norske Veritas – Germanischer Lloyd)
EA (Environmental Assessment)
E&T (Education and Training)
EEM (Environmental Effects Monitoring)
EL (Exploration Licence)
EMCL (ExxonMobil Canada Ltd.)
EMCP (ExxonMobil Canada Properties)
EN (Eastern Newfoundland)
EPP (Environmental Protection Plan)
ESRF (Environmental Studies Research Fund)
FFAW (Fish, Food and Allied Workers)
FORRI (Frontier and Offshore Regulatory Renewal Initiative)
FPSO (Floating, Production, Storage and Offloading)
GIS (Geographic Information System)
HMDC (Hibernia Management and Development Company)
HOSR (Helicopter Oversight Safety Review)
IA (Impact Assessment)
IAA (Impact Assessment Act)
IAAC (Impact Assessment Agency of Canada)
IET (Industry, Energy and Technology Newfoundland and Labrador)
IOPER (International Offshore Petroleum Environmental Regulators)
IRF (International Regulators Forum)
JDA (Jeanne d’Arc)
LS (Labrador South)
LR (Lloyd’s Register)
MKI AS (MultiKlient Invest AS)
MODU (Mobile Offshore Drilling Unit)
MOU (Memoranda of Understanding)
MUN (Memorial University of Newfoundland)
NRCan (Natural Resources Canada)
OA (Operations Authorization)
Offshore Area (Canada-Newfoundland and Labrador Offshore Area)

OHS (Occupational Health and Safety)
OL (Operating Licence)
PL (Production Licence)
RA (Regional Assessment)
RAC (Regional Assessment Committee)
R&D (Research and Development)
SDL (Significant Discovery Licence)
SEA (Strategic Environmental Assessment)
SEN (South Eastern Newfoundland)
SN (Southern Newfoundland)

LIST OF UNITS

bbbl (Barrel)
Km (Kilometres)
MMbbbl (Million Barrels)

FINANCIAL STATEMENTS

Financial Statements of

**CANADA - NEWFOUNDLAND AND
LABRADOR OFFSHORE PETROLEUM
BOARD**

And Independent Auditors' Report thereon

Year ended March 31, 2021



KPMG LLP
TD Place
140 Water St., Suite 1001
St. John's NL A1C 6H6
Canada
Tel 709-733-5000
Fax 709-733-5050

INDEPENDENT AUDITORS' REPORT

To the Board Members of Canada – Newfoundland and Labrador Offshore Petroleum Board

Opinion

We have audited the accompanying financial statements of Canada – Newfoundland and Labrador Offshore Petroleum Board (the Board), which comprise:

- the statement of financial position as at March 31, 2021
- the statement of operations for the year then ended
- the statement of changes in accumulated surplus for the year then ended
- the statement of net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canada – Newfoundland and Labrador Offshore Petroleum Board as at March 31, 2021, and its results of operations and the changes in its accumulated surplus and net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Board's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

St. John's, Canada

May 25, 2021

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position

March 31, 2021 with comparative information for 2020

	2021	2020
Financial assets		
Cash and cash equivalents	\$ 18,444,880	\$ 19,677,115
Receivables	269,322	1,558,238
	<u>18,714,202</u>	<u>21,235,353</u>
Liabilities		
Payables and accruals (note 2)	10,501,607	13,053,706
Accrued employee future benefit obligation (note 3)	11,624,400	10,819,300
	<u>22,126,007</u>	<u>23,873,006</u>
Net debt	<u>(3,411,805)</u>	<u>(2,637,653)</u>
Non-financial assets		
Prepays	1,155,937	381,784
Tangible capital assets (schedule 1)	4,230,237	3,959,045
	<u>5,386,174</u>	<u>4,340,829</u>
Commitments (note 5)		
Contingencies (note 6)		
Impact of COVID-19 (note 9)		
Accumulated surplus	\$ 1,974,369	\$ 1,703,176

See accompanying notes to the financial statements.

On behalf of the Board



Chair



Board Member

Wes Foote

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Operations

Year ended March 31, 2021 with comparative information for 2020

	Actual 2021	Budget 2021	Actual 2020
Revenue:			
Operating grants:			
Government of Canada	\$ 10,660,258	\$ 11,187,500	\$ 10,564,641
Government of Newfoundland and Labrador	10,660,258	11,187,500	10,564,641
	21,320,516	22,375,000	21,129,282
Add:			
Costs recovered from industry	21,320,516	22,375,000	20,743,022
Interest and other	17,912	43,993	180,932
	21,338,428	22,418,993	20,923,954
Less:			
Cost recoveries refunded to governments	21,320,516	22,375,000	20,743,022
Net revenue	21,338,428	22,418,993	21,310,214
Expenses (schedule 2)			
Board and executive office	2,475,605	2,492,526	2,427,172
Environmental affairs	1,216,670	1,318,244	1,245,982
Exploration	2,289,798	2,588,498	2,170,057
Industrial benefits	521,922	526,506	531,396
Legal	498,301	489,937	471,556
Operations	1,564,574	1,842,141	1,597,308
Resource management	2,796,268	2,863,164	2,771,908
Safety	2,615,073	2,847,118	2,973,924
Corporate services and regulatory affairs	7,089,024	7,188,882	5,779,686
	21,067,235	22,157,016	19,968,989
Annual surplus	\$ 271,193	\$ 261,977	\$ 1,341,225

See accompanying notes to the financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Changes in Accumulated Surplus

Year ended March 31, 2021 with comparative information for 2020

	Actual 2021	Budget 2021	Actual 2020
Accumulated surplus, beginning of year	\$ 1,703,176	\$ 1,703,176	\$ 361,951
Annual surplus	271,193	261,977	1,341,225
Accumulated surplus, end of year	\$ 1,974,369	\$ 1,965,153	\$ 1,703,176

See accompanying notes to financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Net Debt

Year ended March 31, 2021 with comparative information for 2020

	2021	2020
Annual surplus	\$ 271,193	\$ 1,341,225
Acquisition of tangible capital assets	(1,266,963)	(1,981,415)
Amortization of tangible capital assets	995,771	640,187
(Increase) decrease in prepaids	(774,153)	579,333
(Decrease) increase in net debt	(774,152)	579,330
Net debt, beginning of year	(2,637,653)	(3,216,983)
Net debt, end of year	\$ (3,411,805)	\$ (2,637,653)

See accompanying notes to financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Cash Flows

Year ended March 31, 2021 with comparative information for 2020

	2021	2020
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 271,193	\$ 1,341,225
Amortization of tangible capital assets	995,771	640,187
	1,266,964	1,981,412
Change in non-cash items:		
Accrued employee future benefit obligation	805,100	706,800
Receivables	1,288,916	(21,982)
Prepays	(774,153)	579,333
Payables and accruals	(2,552,099)	7,087,677
Operating transactions	34,728	10,333,240
Capital activity:		
Cash used to acquire tangible capital assets	(1,266,963)	(1,981,415)
(Decrease) increase in cash and cash equivalents	(1,232,235)	8,351,825
Cash and cash equivalents, beginning of year	19,677,115	11,325,290
Cash and cash equivalents, end of year	\$ 18,444,880	\$ 19,677,115

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2021

The Canada-Newfoundland & Labrador Offshore Petroleum Board (the Board) was formed in 1985 to administer the relevant provisions of the *Canada-Newfoundland Atlantic Accord Implementation Acts* as enacted by the Parliament of Canada and the Legislature of Newfoundland and Labrador.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants and reflect the following significant accounting policies.

a) Use of estimates:

In preparing the Board's financial statements in conformity with Canadian public sector accounting standards, management are required to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. Items requiring the use of significant estimates include the useful life of tangible capital assets, estimated accrued employee future benefits, rates of amortization, and impairment of assets.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available.

Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

b) Revenue recognition:

Operating grants are recognized when approved, less amounts repayable for expenses not incurred.

Costs recovered from industry are recognized in the period in which the expenses are incurred and when collection is reasonably assured.

Interest and other revenues are recognized as earned and when collection is reasonably assured.

c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and balances with banks.

d) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives generally extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the annual surplus (deficit), provides the change in net debt for the year.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements
Year ended March 31, 2021

1. Significant accounting policies (continued):

e) Tangible capital assets:

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

Buildings	4%	declining balance
Leasehold improvements	5 years	straight line
Furniture and fixtures	4 years	straight line
Data management system	3 years	straight line
Computer software	1 year	straight line
Computer equipment	3 years	straight line

f) Impairment of tangible capital assets:

When a tangible capital asset no longer contributes to the Board's ability to provide service, and the value of future economic benefits associated with the tangible capital asset is less than the net book value, the carrying value of the tangible capital asset is reduced to reflect the decline in the asset's value.

g) Capital grants:

Federal and provincial grants received for annual capital expenditures are recognized as revenue in the year in which they are received.

h) Employee future benefits:

The Board provides group life and health benefits for eligible employees. The Board currently contributes 100% of the premiums for medical and dental benefits, and 50% for life insurance for retired employees. During the prior year reporting period this plan was amended such that it was closed to new employees hired after March 31, 2020. In the current year, the plan was amended such that employees retiring after December 31, 2025 (previously March 31, 2025) will be subject to 50% retiree medical and dental benefits premium cost sharing.

These retirement benefits are recorded on an accrual basis based on an actuary's estimate. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of the active members expected to receive benefits under the plan (15 years).

i) Retiring allowance:

The Board also provides a retirement allowance benefit for eligible employees. This benefit accrues over the estimated service life of the employees and is expensed according to actuarial estimates and assumptions. During the prior year the Board made a decision to modify the Retiring allowance policy. The policy will not apply to new hires after March 31, 2020.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements
Year ended March 31, 2021

1. Significant accounting policies (continued):

j) Financial instruments:

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables; and
- payables and accruals.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost.

Financial assets measured at cost include cash and cash equivalents, and receivables. Financial liabilities measured at cost include payables and accruals.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled, or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

2. Payables and accruals:

	2021	2020
Trade	\$ 4,022,079	\$ 2,857,654
Government of Canada	3,239,764	5,098,026
Government of Newfoundland and Labrador	3,239,764	5,098,026
	<u>\$ 10,501,607</u>	<u>\$ 13,053,706</u>

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2021

3. Accrued employee future benefit obligation:

Group life and group health plans:

The Board provides for coverage under the group life and group health plans upon retirement from active service for its employees.

The following information for these plans is based upon an actuarial valuation completed as at March 31, 2021.

	2021	2020
Reconciliation of funded status	\$ 12,488,300	\$ 9,657,500
Unamortized net actuarial loss	2,092,700	-
Accrued benefit liability	\$ 10,395,600	\$ 9,657,500

	2021	2020
Net benefit expense		
Current service cost	\$ 540,700	\$ 731,600
Amortization of actuarial loss	-	156,900
Interest cost	232,500	318,800
Cost of plan amendment	102,900	(3,071,800)
Recognition of net unamortized losses	-	2,602,700
	\$ 876,100	\$ 738,200

Retiring allowance:

The board provides a retiring allowance to employees hired before March 31, 2020 upon death or retirement. The allowance is equal to one week's pay for each year of employment with the Board, to a maximum of 20 week's pay. Employees must have a minimum of five year's employment with the Board to qualify under this policy.

	2021	2020
Accrued benefit liability	\$ 1,228,800	\$ 1,161,800

The accrued benefit liability is net of unamortized actuarial losses of \$103,200 (2020 - gain of \$38,800).

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements
Year ended March 31, 2021

3. Accrued employee future benefit obligation (continued):

	2021	2020
Net benefit expense:		
Current service cost	\$ 119,400	\$ 99,100
Amortization of actuarial loss (gain)	1,900	(1,900)
Interest cost	29,400	31,600
	\$ 150,700	\$ 128,800

Significant actuarial assumptions used in calculating the accrued benefit liability for the employee future benefit and the retiring allowance is as follows:

	2021	2020
Discount rate	1.80%	2.30%
Rate of increase in compensation levels	2.00%	2.00%
Dental inflation rate	4.00%	4.00%
Medical inflation rate	4.00%	4.00%

4. Defined benefit public service pension plan:

The Board participates in the Government of Newfoundland and Labrador's defined benefit Public Service Pension Plan ("the Plan"). The assets of the Plan are held separately from those of the Board in an independently administered fund. Plan participation is mandatory for all full-time employees with greater than 3 calendar months of continuous employment.

Effective on January 1, 2015, pension plan changes came into effect that required increase to contribution rates, and changes to pension eligibility. Plan members must now have a minimum of 10 years of pensionable service (with a 5 year transition under the old rules) to obtain a pension benefit. Normal retirement age under the Plan is 65 however early retirement options are available.

Members of the Plan are required to make contributions toward the funding of their pension benefits as follows:

- (i) 10.75% of earnings up to the Year's Basic Exemption, the portion of earnings upon which no CPP contributions are required;
- (ii) 8.95% of earnings in excess of the Year's Basic Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
- (iii) 11.85% of earnings in excess of the YMPE.

Pensions paid under the Plan are indexed annually. Indexing is applied at the rate of 60% of the increase in the Consumer Price Index (CPI), with the increase in the CPI capped at 2%.

Employees who retire after January 1, 2015 shall have their pensions indexed only on the service credited before January 1, 2015. Indexing applies to benefits of pensioners who have attained age 65 prior to October 1 of each year.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2021

4. Defined benefit public service pension plan (continued):

For future service, pensions will be calculated by using the best 6 years of average pensionable earnings. For past service, pensions will be calculated by using the higher of: the frozen best 5 years of average pensionable earnings (calculated up to the effective date (January 1, 2015)), or the best 6 years average for all past and future service.

Employer contributions paid and expensed by the Board during the year totaled \$1,148,006 (2020 - \$1,101,409). Additional information about the plan surplus or deficit is not available.

5. Commitments:

The Board is committed under terms of a premises lease to make the following minimum annual lease payments:

March 31, 2022	\$	1,714,397
March 31, 2023		1,714,397
March 31, 2024		1,714,397
March 31, 2025		1,714,397
March 31, 2026		1,714,397

6. Contingencies:

Claims have been initiated against the Board for unspecified compensatory damages and costs. The outcome of these claims are not determinable at this time, consequently no amount has been reflected in the financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2021

7. Financial instruments risks and concentrations:

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at March 31, 2021.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals in the amount of \$10,501,607 (2020 - \$13,053,706), which have a maturity of not later than one year. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Board's credit risk is attributable to receivables in the amount of \$269,322 (2020 - \$1,558,238). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

The Board does not believe there is exposure to interest rate risk or foreign currency risk.

8. Related party transactions:

The Board is jointly controlled due to ability to appoint board members by the federal Government of Canada and the provincial Government of Newfoundland and Labrador. During the year, the Board had the following transactions with these governments:

Operating grant:	
Government of Canada	\$ 10,660,258
Government of Newfoundland and Labrador	10,660,258
Cost recoveries refunded to Government of Canada	10,660,258
Cost recoveries refunded to Government of Newfoundland and Labrador	10,660,258

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2021

9. Impact of COVID-19:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. At the time of approval of these financial statements, C-NLOPB has experienced the following indicators of financial implications and undertaken the following activities in relation to the COVID-19 pandemic:

- closure of administrative buildings based on public health recommendations;
- and work from home requirements for those able to do so.

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. Management has assessed the financial impacts of COVID-19 and the impacts on the 2021 year discussed above have been reflected in the financial statements. The ongoing pandemic may continue to have an impact on future operations and an estimate of the financial effect is not practicable at this time.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 1 - Tangible Capital Assets

Year ended March 31, 2021

	Land and parking lot	Buildings	Leasehold improvements	Furniture and fixtures	Data management system	Computer software	Computer equipment	2021	2020
Cost, beginning of year	\$ 258,297	\$ 3,317,089	\$ 498,353	\$ 1,329,436	\$ 1,108,298	\$ 1,962,243	\$ 4,346,749	\$ 12,820,465	\$ 10,883,166
Additions during the year	–	–	120,937	35,754	–	70,861	1,039,411	1,266,963	1,981,415
Disposals during the year	–	–	(377,415)	(836,799)	–	–	(25,833)	(1,240,047)	(44,116)
Cost, end of year	\$ 258,297	\$ 3,317,089	\$ 241,875	\$ 528,391	\$ 1,108,298	\$ 2,033,104	\$ 5,360,327	\$ 12,847,381	\$ 12,820,465
Accumulated amortization, beginning of year	\$ –	\$ 1,596,436	\$ 377,415	\$ 1,107,342	\$ 1,108,298	\$ 1,709,002	\$ 2,962,927	\$ 8,861,420	\$ 8,265,349
Amortization	–	68,826	24,188	64,187	–	284,569	554,001	995,771	640,187
Reversals of accumulated depreciation relating to disposals	–	–	(377,415)	(836,799)	–	–	(25,833)	(1,240,047)	(44,116)
Accumulated amortization, end of year	\$ –	\$ 1,665,262	\$ 24,188	\$ 334,730	\$ 1,108,298	\$ 1,993,571	\$ 3,491,095	\$ 8,617,144	\$ 8,861,420
Net book value of tangible capital assets	\$ 258,297	\$ 1,651,827	\$ 217,687	\$ 193,661	\$ –	\$ 39,533	\$ 1,869,232	\$ 4,230,237	\$ 3,959,045

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 2 - Expenses
Year ended March 31, 2021

	2021	2020
Board and Executive Office:		
Consultants fees	\$ 425,820	\$ 351,010
Miscellaneous	7,651	12,560
Training and conferences	3,910	59,584
Travel	1,840	69,163
Wages and benefits	2,036,384	1,934,855
	<u>2,475,605</u>	<u>2,427,172</u>
Environmental Affairs:		
Consultants Fees	78,422	62,509
Miscellaneous	2,384	2,780
Training and conferences	3,277	19,526
Travel	-	7,575
Wages and benefits	1,132,586	1,153,592
	<u>1,216,669</u>	<u>1,245,982</u>
Exploration:		
Miscellaneous	3,601	5,915
Training and conferences	15,033	51,088
Wages and benefits	2,271,164	2,113,054
	<u>2,289,798</u>	<u>2,170,057</u>
Industrial Benefits:		
Miscellaneous	609	953
Training and conferences	(2,949)	14,263
Wages and benefits	524,262	516,180
	<u>521,922</u>	<u>531,396</u>
Legal:		
Miscellaneous	932	980
Training and conferences	3,370	5,923
Travel	-	2,822
Wages and benefits	493,998	461,831
	<u>498,300</u>	<u>471,556</u>
Operations:		
Miscellaneous	2,145	3,984
Training and conferences	22,351	26,627
Travel	-	16,493
Wages and benefits	1,540,078	1,550,204
	<u>1,564,574</u>	<u>1,597,308</u>
Resource Management:		
Miscellaneous	3,384	5,304
Training and conferences	27,642	95,318
Wages and benefits	2,765,241	2,671,286
	<u>\$ 2,796,267</u>	<u>\$ 2,771,908</u>

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses (continued)
Year ended March 31, 2021

	2021	2020
Safety:		
Consultants fees	\$ -	\$ 275,730
Miscellaneous	3,781	5,832
Training and conferences	18,028	121,409
Travel	1,106	26,019
Wages and benefits	2,592,159	2,544,934
	2,615,074	2,973,924
Corporate Services and Regulatory Affairs:		
Amortization of tangible capital assets	995,771	640,187
Computer support and maintenance	1,588,561	1,307,162
General office maintenance	522,911	573,998
Rent and premises	2,015,228	1,516,589
Training and conferences	(591)	13,306
Travel	(1,069)	16,392
Wages and benefits	1,968,215	1,712,052
	7,089,026	5,779,686
	\$ 21,067,235	\$ 19,968,989



240 Waterford Bridge Road
The Tower Corporate Campus
West Campus Hall
Suite 7100
St. John's, NL
Canada A1E 1E2

t: 709-778-1400
f: 709-778-1473

CNLOPB.CA

 **@CNLOPB**

Core Storage and Research Centre

30-32 Duffy Place
St. John's, NL
Canada A1B 4M5

t: 709-778-1500