



2018–19

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



June 28, 2019

The Honourable Amarjeet Sohi, P.C., MP.  
Minister of Natural Resources  
Government of Canada

The Honourable Siobhan Coady, MHA  
Minister of Natural Resources and  
Deputy Government House Leader  
Government of Newfoundland and Labrador

The Honourable Sherry Gambin-Walsh, MHA  
Minister of Service Newfoundland and Labrador  
Minister Responsible for Workplace Newfoundland and Labrador  
Minister Responsible for the Government Purchasing Agency  
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, 2019.

Respectfully submitted,

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

Roger Grimes  
Acting 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* with a mandate that includes offshore safety, environmental protection, resource management and industrial benefits. With more than 30 years' experience, the C-NLOPB is a respected, world-class offshore regulator that has served as an effective means of joint management as per the *Atlantic Accord* and the Royal Commission on the Ocean Ranger Marine Disaster. Safety and environmental protection are paramount in all Board decisions.

As of March 31, 2019, the C-NLOPB had 90 permanent staff and its budget for fiscal year 2018-19 was \$18,950,000. Pursuant to the *Cost Recovery Regulations and Guidelines*, the C-NLOPB recovered 99.44% of its costs from industry for 2018-19.

The Board's main office is located at 140 Water Street, 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 2018-19. 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](http://www.cnlopb.ca), e-mail [information@cnlopb.ca](mailto:information@cnlopb.ca), follow the C-NLOPB on Twitter @CNLOPB or phone 709-778-1400.



Hebron Platform

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## BOARD MEMBERS



**Roger Grimes** Acting Chair



**Lidija Cicnjak-Chubbs** Member



**Wes Foote** Member



**Cynthia Hickman** Member



**Ted O'Keefe** Member

## MANAGEMENT

**Scott Tessier**  
Chief Executive Officer

**Paul Alexander, P. Eng., PMP**  
Chief Safety Officer and Director of Safety

**Jeff O'Keefe, P. Eng., P. Geo**  
Chief Conservation Officer and Director of Resource Management

**Michael Baker, CPHR**  
Director of Industrial Benefits

**John Crocker**  
Director of Corporate Services and Regulatory Affairs

**Susan Gover, B. Comm. (Hons), LL.B.**  
General Counsel

**Stephanie Johnson, P. Geo**  
Acting Director of Exploration and Information Resources

**John Kennedy, P. Eng., CRSP**  
Director of Operations

**Craig Rowe, P. Geo**  
Director of Exploration and Information Resources

**Elizabeth Young**  
Director of Environmental Affairs

## MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



In reflecting on the past year, I am proud of the fact that everyone at the C-NLOPB continued to maintain an unwavering focus on safety and environmental protection. The collective efforts of C-NLOPB staff, Board Members and our partners in regulatory oversight ensure that our approach to regulation is modern and world-class.

In mid-November 2018, the Canada-Newfoundland and Labrador Offshore Area experienced a storm unlike any in the region since the *Ocean Ranger* disaster in 1982. Thanks to the efforts of many, there were no workers hurt during the storm. The absence of injuries speaks to the hard-earned advances in safety in our jurisdiction. However, the spill of crude oil in the White Rose Field demonstrated that the risks in offshore oil and gas activity can never be underestimated, especially in our harsh environment.

Following the storm, the C-NLOPB followed up with facility operators to ensure that consistent, unambiguous clarity was achieved on mitigation measures to reduce and manage risk leading up to, during and following adverse weather events. In doing so, we ensured the lessons learned will lead to improvements in industry performance. We will also share our experience with our counterparts in the International Regulators Forum (IRF). During the 2018 Annual General Meeting held in Aberdeen, Canada was chosen by members to serve as IRF Chair for the next three years. This position will be held through the C-NLOPB, Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and the National Energy Board.

In November 2018, the Board announced record-setting results arising from its 2018 Call for Bids. The 2018 seismic season was the second largest year for 3D acquisition in our offshore. These indicators, coupled with the fact that several exploration drilling projects are in the final stages of the federal government's environmental assessment process, point to a significant, near-term increase in industry activities.

Modernization of the offshore regulatory world is occurring at the same time as we enter this period of increased activity. Board staff have been actively engaged with both levels of government in important regulatory reform initiatives, including the move towards more performance-based regulation, and in ensuring that the role of the Board and joint management principles are reflected in the implementation of new federal impact assessment legislation and processes. We see regulatory reform as an opportunity for the Board and the industry to achieve even better results in offshore safety and environmental protection. Digitalization is transforming the global offshore industry, and the Board is working well with governments and others to ensure that we take full advantage of the benefits and meet the challenges arising for regulators from digitalization.

This past year, the Board also continued its efforts to instill, enforce and be part of a collective "local benefits culture" that places a priority on sustaining and enhancing long-term, local supply and service capacity. In the fall, the Board initiated a discussion with industry about industry demographics, future training and competency needs, and how to fill them. We continue to reiterate to industry our

expectation that their contracting and hiring practices conform at all times with *Atlantic Accord* requirements.

Roger Grimes, currently our Acting Chair, and Wes Foote have been appointed as new Board Members by governments this past year and, together with ongoing Board members Lidija Cicnjak-Chubbs, Cynthia Hickman and Ted O'Keefe, our new Board has quickly coalesced into an impressively effective team.

There were also two significant personnel departures in recent months. In February 2019, former Board Vice-Chair Ed Williams retired after successfully delivering his six-year term. In March 2019, after 32 years of service the Board's Director of Environmental Affairs, Dave Burley, retired. We thank Ed and Dave for their many valuable contributions over the years and wish them all the best in the next chapters of their lives.

This past year also brought with it a modernization in Board governance. My former Chair and CEO role was split by governments into two separate positions, a part-time Chair and full-time CEO, with my full support along with that of the entire Board. Governments are in the final stages of completing their Chair recruitment process, which will be finalized in the near term.

Building on an eventful and strong 2018-19 year, I am very confident that the C-NLOPB is well positioned for its anticipated significant workload in the next few years. We have the required set of skills and experience and stand ready to regulate the Newfoundland and Labrador oil and gas industry in the public interest.



Scott Tessier

**Chief Executive Officer**

# 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 information to the C-NLOPB to demonstrate they have taken all reasonable and practicable steps to achieve the required level of safety for the proposed 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/or after issuing an authorization.

In 2018-19, 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 2018-2019**

OPERATOR	ACTIVITY
Equinor Canada Ltd.	<ul style="list-style-type: none"> <li>• Geophysical seabed survey</li> </ul>
ExxonMobil Canada Properties (EMCP)	<ul style="list-style-type: none"> <li>• Geohazard survey program</li> <li>• Two OA amendments to replace or add support vessels</li> <li>• OA amendment for Onshore Support Centre to support petroleum activities</li> </ul>
Fugro GeoSurveys	<ul style="list-style-type: none"> <li>• Two geohazard seeps programs</li> </ul>
GX Technology Canada Ltd. (GXT)	<ul style="list-style-type: none"> <li>• GrandSPAN 2D seismic program</li> </ul>
Hibernia Management Development Company (HMDC)	<ul style="list-style-type: none"> <li>• Two OA amendments for additional support vessels</li> <li>• OA amendment to replace support vessel</li> </ul>
Husky Energy	<ul style="list-style-type: none"> <li>• OA renewal for <i>SeaRose</i> Floating, Production, Storage and Offloading (FPSO) vessel and Mobile Offshore Drilling Unit (MODU) <i>Henry Goodrich</i></li> <li>• Construction program authorization</li> </ul>
Multiklient Invest AS (MKI AS)	<ul style="list-style-type: none"> <li>• Two geophysical program authorizations for 3D seismic program</li> </ul>
Suncor Energy	<ul style="list-style-type: none"> <li>• Construction program authorization</li> <li>• OA amendment for additional support vessel</li> </ul>

## COMPLIANCE AND ENFORCEMENT

Safety Officers conduct enquiries, carry out investigations, issue orders, investigate work refusals and verify compliance by conducting safety inspections, safety audits, pre-approval safety audits and other oversight activities. During 2018-19, the C-NLOPB completed 23 audits, inspections and oversight activities listed in Table 2.

**Table 2: Audits, Inspections and Oversight Activities Completed in 2018-19**

OPERATOR/PROVIDER OF SERVICE	INSTALLATION/VESSEL	AUDIT/INSPECTION/OVERSIGHT
Diving Certification Board of Canada	N/A	<ul style="list-style-type: none"> <li>• Audit</li> </ul>
Cougar Helicopters Inc. and Husky Energy	N/A	<ul style="list-style-type: none"> <li>• Helicopter Oversight Safety Review audit</li> </ul>
EMCP	<i>Hebron Platform</i>	<ul style="list-style-type: none"> <li>• Marine Operations and Materials Handling audit</li> <li>• Inspection</li> </ul>
GXT	<i>M/V Hai Yang Shi You 760</i>	<ul style="list-style-type: none"> <li>• Pre-Approval audit</li> </ul>
HMDC	<i>Hibernia Platform</i>	<ul style="list-style-type: none"> <li>• Inspection</li> <li>• Control of Work/Permit to Work audit</li> </ul>
Husky Energy	<i>MODU Henry Goodrich</i>	<ul style="list-style-type: none"> <li>• Marine Operations and Materials Handling audit</li> <li>• Inspection</li> <li>• Control of Work/Permit to Work audit</li> </ul>
Husky Energy	<i>SeaRose FPSO</i>	<ul style="list-style-type: none"> <li>• Marine Operations and Materials Handling audit</li> <li>• Two inspections</li> <li>• Control of Work/Permit to Work audit</li> </ul>
Maersk	<i>M/V Maersk Cutter</i>	<ul style="list-style-type: none"> <li>• Observed Standby Vessel Trial</li> </ul>
MKI AS	<i>M/V Ramform Hyperion</i>	<ul style="list-style-type: none"> <li>• Pre-Approval audit</li> </ul>
Suncor Energy	<i>Terra Nova FPSO</i>	<ul style="list-style-type: none"> <li>• Marine Operations and Materials Handling audit</li> <li>• Three inspections</li> <li>• Control of Work/Permit to Work audit</li> </ul>
Suncor Energy	<i>MODU Transocean Barents</i>	<ul style="list-style-type: none"> <li>• Marine Operations and Materials Handling audit</li> <li>• Inspection</li> </ul>

## **MONITORING**

Following authorization of an operator's work activity, the Safety Department conducts monitoring activities that include the review of operators' daily 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 (TQSP)*.

The operator is required to report and investigate all incidents as described in the C-NLOPB *Incident Reporting and Investigation Guidelines*. During 2018-19, the Safety Department reviewed 261 safety related incident reports from operators.

The C-NLOPB released its Policy Respecting Public Disclosure of Incidents and Related Information on April 24, 2018 after releasing it for public consultation in February 2018. This policy was developed to enhance the C-NLOPB's transparency and accountability, by providing clarity to the public on the basis for disclosure of information related to incidents reported to the C-NLOPB. The C-NLOPB seeks to promote transparency about incidents through the publication of incident information in the form of Incident Bulletins, Quarterly Safety Incident Reports and Hydrocarbon Spills, including Liquid and Unauthorized Gaseous Releases and Unauthorized Discharges, all of which are posted to the C-NLOPB's website. Further information on the Policy Respecting Public Disclosure of Incidents and Related Information can be found here <https://www.cnlopb.ca/incidents/>.

During this reporting period 5,816,384 hours were worked in the Offshore Area. There were eight incidents that resulted in a reportable injury or illness, which translates to a reportable injury frequency rate of 1.38 per million hours worked.

## **HEALTH AND SAFETY COMPLAINTS**

During 2018-19, the C-NLOPB processed seven health and safety complaints. Safety Officers reviewed the circumstances surrounding each complaint and recommended, or will recommend actions to be taken as necessary.

## **FINAL ENQUIRY REPORT INTO THE SEAROSE ICE INCURSION INCIDENT**

The final Enquiry Report of the *SeaRose* FPSO ice incursion incident was released by the C-NLOPB on August 15, 2018.

The Enquiry was conducted as per the *Atlantic Accord Implementation Acts*. Subsequent to the preliminary Enquiry Report, interim measures had been taken by the C-NLOPB in January 2018, which included the suspension of Husky Energy's operations to ensure the safety of offshore workers and the protection of the environment.

The findings and contributing factors of the final Enquiry Report were the same as those in the C-NLOPB's preliminary report. All contributing factors that had been identified and provided to Husky Energy in the preliminary Enquiry Report were addressed by Husky Energy to the satisfaction of the Chief Safety Officer (CSO) and Chief Conservation Officer (CCO).

Further information on this incident can be found on the C-NLOPB's website ([www.cnlopb.ca](http://www.cnlopb.ca)) under the Incident Disclosure and News Release sections.

### **MID-NOVEMBER STORM**

Given the forecast of a major storm, early in the week of November 12, 2018, C-NLOPB Safety Officers were in contact with all operators of offshore facilities to ensure that necessary storm protocols were in place and would be followed. Following the storm, the CSO reminded all operators to take the time necessary to address known storm impacts, while ensuring there were no surprises, as operators considered getting ready to resume operations. Further details on the status of all offshore facilities during this time can be found here: <https://www.cnlopb.ca/incidents/ibnov202018/>.

On November 16, 2018, while preparing to restart production, the *SeaRose* FPSO experienced a loss of pressure from a subsea flowline to the South White Rose Extension Drill Centre and an estimated 250,000 litres of oil was released to the environment. Further information can be found on page 14 of this report with additional information on the spill available on the C-NLOPB's website: <https://www.cnlopb.ca/incidents/>.

Following the oil spill at the White Rose Field, the C-NLOPB CEO and senior staff contacted all operators in the Offshore Area. Operations at the other facilities were not permitted to resume until the operators had demonstrated that it was safe to do so.

Since the mid-November storm event, the C-NLOPB initiated a review of all operator adverse weather plans and procedures with the goal of addressing lessons learned across the industry. Following this review, significant improvements have been incorporated into each operator's adverse weather procedures.

### **SAFETY FORUMS**

There were two C-NLOPB safety forums and two workplace committee meetings held during the reporting period. 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. The focus of the spring forum was "Events that Changed Offshore Safety" and the fall forum focused on "The Effects of Marijuana Use in the workplace".

# 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. When an operator amends its EPP, the C-NLOPB reviews the proposed changes for acceptability before the changes can be implemented. During the 2018-19 reporting period, 17 EPP amendments were reviewed for the following fields or installations:

**Table 3: Amended Environmental Protection Plans for 2018-2019**

OPERATOR	FIELD/INSTALLATION/VESSEL	NUMBER OF AMENDMENTS
EMCP	Hebron Field	2
HMDC	Hibernia Field	3
Husky Energy	<i>SeaRose</i> FPSO and MODU <i>Henry Goodrich</i>	3
Suncor Energy	<i>Terra Nova</i> FPSO and MODU <i>Transocean Barents</i>	9

## STRATEGIC ENVIRONMENTAL ASSESSMENT

During the reporting period, the C-NLOPB continued with an update to the 2008 Labrador Shelf Offshore Area Strategic Environmental Assessment (SEA) being conducted by Aivek Stantec Limited Partnership. Aivek Stantec advanced the preparation of a draft SEA Update report that will be made available for public review upon completion. Public information sessions, held by a working group comprised of members from the C-NLOPB, Nunatsiavut Government (NG), Innu Nation, and the NunatuKavut Community Council, were held in Labrador communities from August 2018 to February 2019. The NG, along with the C-NLOPB, co-chair this working group.

## REGIONAL ASSESSMENT

The C-NLOPB is working with the Canadian Environmental Assessment Agency (“the Agency”), Natural Resources Canada (NRCan) and Natural Resources Newfoundland and Labrador (NRNL) on a Regional Assessment (RA) of offshore oil and gas exploratory drilling, east of Newfoundland and Labrador. The RA is being led by the Agency and will be the first such assessment to be undertaken under federal Environmental Assessment (EA) legislation in Canada. An Agreement for this purpose has been finalized and signed. A Committee to conduct the RA will be supported by a Task Team, both of which will be co-chaired by the C-NLOPB. In addition, a Technical Advisory Group will support the Task Team and Committee.

## 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 Offshore Area.

There were 10 EAs initiated, continued or suspended during 2018-19, as shown in Table 4. Documents relating to all ongoing assessments and completed assessments that still may apply to offshore activities, are available on the C-NLOPB website <https://www.cnlopb.ca/assessments/>.

**Table 4: Accord Acts Environmental Assessments during 2018-2019**

OPERATOR	PROGRAM	LOCATION	STATUS AS OF MARCH 31, 2019
BP Canada Energy Group ULC	Remotely Operated Vehicle (ROV) Video Survey	Eastern Newfoundland (EN)	Active
Chevron Canada Limited	3D Seismic	EN	Active
CNOOC Petroleum North America ULC (formerly known as Nexen Energy ULC)	Geophysical, Geochemical, Environmental and Geotechnical	EN	Active
Corridor Resources Inc.	Exploratory Drilling	WN	Suspended
Fugro GeoSurveys	Seafloor and Seep Sampling Program	EN	Amended
MKI AS	4D, 3D and 2D Seismic	Labrador Shelf (LS)	Active
MKI AS	4D, 3D and 2D Seismic	EN and Southern Newfoundland (SN)	Completed
Nexen Energy ULC	Geophysical, Geochemical, Environmental and Geotechnical	EN	Completed
Polarcus UK Ltd	4D, 3D and 2D Seismic	EN	Completed
TGS NOPEC	Seafloor and Seep Sampling Program	LS and EN	Undergoing Amendment

The C-NLOPB participated as a Federal Authority in the eight exploratory drilling EAs triggered by the *Canadian Environmental Assessment Act, 2012 (CEAA 2012)* that were initiated or continued during the reporting period. Seven were still in progress and one had been placed on-hold as of March 31, 2019. Further information on CEAA 2012 EAs can be found here: <https://www.cnlopb.ca/assessments/>.

**Table 5: CEAA 2012 Environmental Assessments for 2018-2019**

OPERATOR	PROJECT	LOCATION
BP Canada Energy Group ULC	Exploration Drilling	EN
Chevron Canada Limited	Exploration Drilling	EN
CNOOC Petroleum North America ULC (formerly known as Nexen Energy ULC)	Exploration Drilling	EN
Equinor Canada Ltd. (formerly known as Statoil Canada)	Exploration Drilling	EN
Equinor Canada Ltd.	Bay du Nord Development	EN and Flemish Pass
ExxonMobil Canada Ltd. (EMCL)	Exploration Drilling	EN and Jeanne d’Arc (JDA)
EMCL	Exploration Drilling (on hold)	SEN
Husky Energy	Exploration Drilling	JDA

**BILL C-69: AN ACT TO ENACT THE IMPACT ASSESSMENT ACT AND THE CANADIAN ENERGY REGULATOR ACT**

Bill C-69 entails a potentially significant revamp to how offshore oil and gas development and other major projects will be assessed across Canada in the future. The C-NLOPB supports the objectives of Bill C-69, with due consideration of coordination with the joint management provisions of the *Atlantic Accord*.

For most of 2018, and continuing in 2019, C-NLOPB staff have been participating in a Working Group on C-69 Integrated Assessments with the Agency, NRCAN, the CNSOPB, NRNL and the Nova Scotia Department of Energy. The objective of the Working Group is to work through each of the detailed steps in the proposed new Impact Assessment process, noting the respective roles at each step for the Agency, the Offshore Boards, NRCAN and Governments. The C-NLOPB’s objective is to ensure its state of readiness if and when C-69 comes into force.

**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, releases and problems with effluent quality. The C-NLOPB reviews these reports and investigates as required.

A summary of spill information for 2018-19 is provided in Table 6.

**Table 6: Summary of Spill Information for 2018-2019**

COMPONENT	LITRES	PERCENTAGE OF ANNUAL TOTAL	NUMBER OF INCIDENTS
Crude Oil	250,060	89.79	3
Hydraulic and Lubricating Oil	420	0.151	2
Other Petroleum	0.002	0.00003	1
Synthetic Based Mud	28,004	10.056	2

#### **UNAUTHORIZED DISCHARGE OF SYNTHETIC BASED MUD**

On April 27, 2018, the MODU *Transocean Barents* reported a spill of 28,000 litres of synthetic based mud. The C-NLOPB initiated a formal Enquiry on May 14, 2018 and the Enquiry was ongoing as of March 31, 2019.

#### **ISSUANCE OF NOTICE OF NON-COMPLIANCE**

The C-NLOPB was advised on October 18, 2018 by One Ocean, an inter-industry organization which operates as a liaison organization for the fishing and petroleum sectors, that seismic data had been acquired too close to at least one post-season crab trap survey station, while it was still being actively sampled. Further investigation indicated that on October 3, 2018, the GXT contracted vessel, the *Hai Yang Shi You 760*, had conducted active seismic survey operations in close proximity to deployed fishing gear associated with the Industry-Fisheries and Oceans Canada (DFO) Collaborative Post-Season Crab Trap Survey. On February 28, 2019, the C-NLOPB issued a Notice of Non-Compliance to GXT in respect of the requirements of its Geophysical Program Authorization (GPA) and required GXT to implement measures to prevent future occurrences.

#### **SPILL IN WHITE ROSE FIELD AND PLUGGING AND RETRIEVAL OF FAILED FLOWLINE**

On November 16, 2018, the *SeaRose* FPSO reported a spill of an estimated 250,000 litres of crude oil from a subsea flowline to the South White Rose Extension Drill Centre while preparing to restart production. The C-NLOPB initiated a formal Enquiry on November 19, 2018.

Following the November failure of the flowline connector and spill at the South White Rose Extension Drill Centre, C-NLOPB staff continued to work closely with officials from partner agencies, the Canadian Coast Guard (CCG), DFO, Environment and Climate Change Canada (ECCC) and the Canadian Wildlife Service (CWS) to review Husky Energy's plans for plugging of the subsea flowline and retrieval of the failed connector. This work led to the development of a project specific oil spill response plan for any spills associated with Husky's recovery efforts. Requirements were put in place during recovery operations which included: ongoing aerial surveillance; restricted operations during daylight hours only; enhanced wildlife monitoring; pre-deployment of Tier 1 oil spill response equipment; the deployment of observers from the C-NLOPB and CCG on project vessels; and the deployment of observers from the CCG on aerial surveillance flights.

Additional information on the spill can be found here: <https://www.cnlopb.ca/incidents/>.

The Enquiry was ongoing as of March 31, 2019.

## 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 operate 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 survey.

During the reporting period, EEM reports for HMDC's Hibernia South Extension Project for 2015 and Suncor Energy's Terra Nova Project for 2017 were ongoing. The reviews of HMDC's Hibernia and Hibernia Southern Extension 2016 EEM reports were completed, as well as Husky Energy's White Rose 2016 EEM Reports.

Completed EEM reports are available on the C-NLOPB website:  
<https://www.cnlopb.ca/environment/projects/>.

## RISK-BASED AUDIT

During the reporting period, C-NLOPB Environmental Compliance Officers created and implemented a new, risk-based audit approach and conducted an Environmentally Critical Equipment Audit on the *Hibernia* Gravity Based Structure in accordance with this approach.

## ENVIRONMENTAL STUDIES RESEARCH FUND

The Environmental Studies Research Fund (ESRF) is a national research program that sponsors environmental and social studies. It is designed to assist in the decision-making process related to oil and gas exploration and development on Canada's frontier lands.

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 is a member.

The following research projects relating to the Offshore Area were completed during the reporting period by the ESRF:

- Acoustic Modelling and Monitoring on Canada's East Coast;
- Assessing the Quality of Marine Mammal Detection using Three Complementary Methods (in publication); and
- Assessment of the Potential Risks of Seismic Surveys to Affect Snow Crab Resources.

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

- An Assessment of the Potential Risks of Seismic Surveys to Affect Groundfish Resources; and
- Investigation of effects of East Coast Canada water accommodated fraction and chemically enhanced water accommodated fraction on early life stages of commercially harvested marine species.

Further information on the ESRF is available at [www.esrfunds.org](http://www.esrfunds.org).

## **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 continued to participate in the IOPER forum, including attending its 2018 annual general meeting in Houston, Texas. IOPER working groups are currently addressing the following priority areas:

- Effects of sound on marine life;
- Environment performance indicators; and
- Regulating oil 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](http://www.ioper.org).



*SeaRose 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 or the completion, re-completion, suspension or abandonment of a well. In the case of well termination operations, these activities are also assessed to verify that the completion, or plugging and abandonment (or suspension) operations conform to regulatory requirements, particularly in relation to the dual well barrier requirement.

The audit focus for well operations in 2018-19 was well control. Well control audits were conducted on multiple drilling facilities to ensure operators were complying with local regulations and commitments outlined in their approved OA. No findings were raised as a result of these audits.

HMDC conducted a planned full shutdown of the *Hibernia* platform in August 2018, which allowed for a comprehensive preventative maintenance program to be completed. The shutdown was approximately 80 days and included both rigs and well work activities. HMDC resumed drilling in late October 2018.

## PRODUCTION OPERATIONS

Regulatory oversight of industry's production operations is another important function of the C-NLOPB. Production operations activities are approved in the form of an OA. As the Board progresses its efforts to shift to a hybrid regulatory approach with a balance of prescriptive and goal-based requirements through the Frontier Offshore Regulatory Renewal Initiative (FORRI), a dedicated role has been established to solely focus on regulatory monitoring of the operational safety of production operations.

Throughout the year, the operators have been engaged, with a specific focus on more effective and consistent risk-based discussions regarding production operation issues and any proposed production system modifications.

## 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 are maintaining well integrity to the highest standards. Seven workovers were conducted this year, two of these were to address well impairment issues. Additional mitigations and monitoring plans are in place for all wells with impairments, as plans progress toward repairs.

Table 7 summarizes the number of approvals and monitoring activities completed during the year.

**Table 7: Well Operations Oversight Activity for 2018-2019**

ACTIVITY	NUMBER COMPLETED
ACWs	19
ADWs	13
Well Operations Monitored	46
Development Wells - Integrity Monitoring	152
OA Operational Safety Assessments	4
Operational Audits/Inspections	6
Wells Subject to Special Oversight	0
Well Termination Notifications	21
Production Operations Oversight Meetings	7

**INTERNATIONAL AND REGIONAL COLLABORATION**

The C-NLOPB continued to exercise a lead role in liaising with external groups such as the Wells Working Group and the Health and Safety Working Group for the North Sea Offshore Authorities Forum. Staff have also been engaged with the International Regulators Forum (IRF) and the Canadian Standards Association Offshore Structures Technical Working Group. The key focus is awareness and the sharing of best regulatory practices in the area of well operations, process safety and asset integrity.

The C-NLOPB hosted a meeting with the Commission for Regulation of Utilities (CRU), the Irish energy and water regulator on September 18, 2018. Items discussed during the meeting were related to regulatory process, incident investigation, audits/inspections, and asset life extension. Further engagement and collaboration between both Regulators was discussed whereby both the CRU and C-NLOPB agreed to continue bi-lateral engagement in the future.

In March 2019, staff met with external expertise, Wild Well Control Inc., to review currently available response capabilities for source control, as a part of the C-NLOPB’s continuous efforts to stay apprised of current technologies and good practice.

**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 (COF) 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.

Table 8 outlines the installations that were monitored for CA activities during 2018-19.

**Table 8: Installations Monitored for Certifying Authority Activities in 2018-2019**

INSTALLATION NAME	INSTALLATION TYPE	CERTIFYING AUTHORITY
<i>Hebron</i> Platform	Production	Lloyd's Register North America Inc.
<i>Hibernia</i> Platform	Production	Lloyd's Register North America Inc.
MODU <i>Henry Goodrich</i>	Drilling	Det Norske Veritas – Germanischer Lloyd (DNV-GL)
MODU <i>Transocean Barents</i>	Drilling	DNV-GL
<i>SeaRose</i> FPSO	Production	DNV-GL
<i>Terra Nova</i> FPSO	Production	Lloyd's Register North America Inc.

Table 9 outlines the CA oversight activities for this past fiscal year.

**Table 9: Certifying Authority Oversight Activity for 2018-2019**

ACTIVITY	NUMBER COMPLETED
CA Oversight Meetings	42
Scope of Work Assessments	1

### ASSET LIFE EXTENSION

C-NLOPB staff undertook a collaborative effort with industry and stakeholders to prepare a draft *Asset Design Life Extension Program Guideline* for the Offshore Area. This Guideline provides clarity of C-NLOPB expectations regarding the scope of assessment and asset integrity work, conducted by the operator, for validating a proposed extension to the design life of an aging asset. This Guideline also provides understanding of the extent and timing of engagement of the C-NLOPB for obtaining alignment on plans and efforts for extending the design life. At the end of the reporting period, staff were preparing to send the draft Guideline to Governments and the public for consultation.

In parallel to the Guideline development work, the local petroleum industry has been progressing plans for extending the life of certain installations operating in the Offshore Area. The C-NLOPB has been working closely with Suncor Energy as they develop and execute an Asset Life Extension (ALE) program for the *Terra Nova* FPSO, whose COF expires in 2021. Staff is also working with Husky Energy as they develop an ALE program for the *SeaRose* FPSO, whose COF expires in 2020.

### WHITE ROSE EXTENSION PROJECT

In 2017, Husky Energy officially resumed the White Rose Extension Project, which includes the design and construction of the West White Rose Platform (WWRP). This is an ongoing project for the next several years until the WWRP is in operation. During the fiscal year the C-NLOPB conducted monitoring activities of design verification efforts by the CA and of the construction work being completed for the project in Argientia and Marystown, both of which are located in Newfoundland and Labrador.

## SUBSTITUTIONS, EQUIVALENCIES OR EXEMPTIONS

The CSO and/or the 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 would 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 in respect to applications for regulatory equivalencies, substitutions or exemptions. Table 10 outlines the Regulatory Query activity for this past fiscal year.

**Table 10: Regulatory Query Activity for 2018-2019**

STATUS	NUMBER OF EQUIVALENCIES, SUBSTITUTIONS OR EXEMPTIONS
Applications Received	40
Approved	39
Not Required	5
Rejected	1
Still Under Consideration	18
Withdrawn	7

*Note: Applications processed and under consideration may include carryover from the previous year*



**Terra Nova FPSO**

## RIGHTS MANAGEMENT

### CALLS FOR NOMINATIONS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued the following Calls for Nominations in 2018-19:

**Table 11: Calls for Nominations during 2018-2019**

CALL FOR NOMINATIONS	ISSUANCE DATE	CLOSING DATE
NL18-CFN02 (SEN)	August 30, 2018	November 14, 2018
NL18-CFN03 (JDA) – Amended	August 30, 2018	January 23, 2019

### CALLS FOR BIDS

Pursuant to the Scheduled Land Tenure System, the following Calls for Bids were offered as of March 31, 2019:

**Table 12: Active Calls for Bids during 2018-2019**

CALL FOR BIDS	PARCELS OFFERED	PARCELS AWARDED	CLOSING DATE	SUCCESSFUL BID (WORK EXPENDITURE COMMITMENTS)
NL16-CFB03 (Labrador South)	10	TBD	TBD*	TBD
NL18-CFB01 (EN) <i>Record cumulative successful bid amount</i>	16	4	November 7, 2018	\$1,334,274,381.00
NL18-CFB02 (JDA) <i>Record single successful bid amount</i>	1	1	November 7, 2018	\$51,999,555.00
NL18-CFB03 (JDA) (Production Licence)	1	0	November 7, 2018	n/a
NL19-CFB01 (SEN)	9	TBD	November 6, 2019	TBD
NL19-CFB02 (JDA)	4	TBD	November 6, 2019	TBD

\* 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). Five ELs were issued in the 2018-19 fiscal year from the Call for Bids licencing round and one new consolidated exploration licence was issued. One licence was surrendered.

As of March 31, 2019, there were 30 ELs, 56 SDLs and 12 PLs in the Offshore Area.

### SIGNIFICANT DISCOVERY LICENCES

During the reporting year, a technical committee was appointed to review a significant discovery application for Baccalieu F-89 - Flemish Pass Basin, in accordance with the *Accord Acts* and C-NLOPB guidelines. As of March 31, 2019 this review was ongoing.

## OPERATING LICENCES

Any person planning to undertake any petroleum-related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 13 shows the 16 OLs issued by the C-NLOPB during the 2018-19 fiscal year.

**Table 13: Operating Licences Issued during Fiscal Year 2018-2019**

OPERATING LICENCE	OPERATOR
OL 1801	Fugro GeoSurveys, a division of Fugro Canada Corp.
OL 1802	Hibernia Management and Development Company Ltd.
OL 1803	Husky Oil Operations Limited
OL 1804	Imperial Oil Resources Limited
OL 1805	Multiklient Invest AS
OL 1806	Chevron Canada Limited
OL 1807	Chevron Canada Limited as Managing Partner for Chevron Canada Resources
OL 1808	Suncor Energy Inc.
OL 1809	ExxonMobil Canada Ltd.
OL 1810	ExxonMobil Canada Ltd. as Managing Partner for ExxonMobil Canada Properties
OL 1811	Equinor Canada Ltd. (formerly Statoil Canada Ltd.)
OL 1812	Ptarmigan Energy Inc.
OL 1813	GX Technology Canada Ltd.
OL 1814	Shoal Point Energy Ltd.
OL 1815	Corridor Resources Inc.
OL 1816	Schlumberger Limited as Managing Partner of WesternGeco Canada

## FUNDS COLLECTED

Under the *Accord Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2018-19, \$3,199,135 was collected and remitted to the Receiver General for Canada (see Table 14). Since its inception, the C-NLOPB has collected \$300,063,465 on behalf of the Crown for land tenure transactions.

**Table 14: Funds Collected on behalf of the Receiver General for Fiscal Year 2018-2019**

FEES, FORFEITURES AND RENTALS	AMOUNT COLLECTED
Rentals	\$1,633,545.00
Forfeitures (Security Deposits)	\$300,000.00
Operating Licences	\$475.00
Access to Information Requests	\$15.00
Registry Fees (New Licences)	\$15,100.00
Forfeitures (Drilling Deposits)	\$1,250,000.00
<b>Total</b>	<b>\$3,199,135.00</b>

# 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 once the legislated privilege period has expired. A review of CSRC material storage methods completed in August 2017 resulted in the decision to transition to palletized storage and acquire a new forklift. This transition to palletized storage is nearing completion and it will provide efficiencies and safer handling procedures at the CSRC.

## GEOSCIENTIFIC PROGRAMS

Through the CSRC, the C-NLOPB offers various samples for geological studies to enhance the knowledge of offshore basins of Newfoundland and Labrador. A total of 11 geological programs without fieldwork covering various land tenure regions were approved during 2018-19. The type of studies conducted covered a wide range of disciplines, as shown in Table 15, with the Jeanne d’Arc and Eastern Newfoundland regions being the most frequently studied.

**Table 15: Geological Programs without Fieldwork Authorized during 2018-2019**

COMPANY	STUDY TYPE	REGION
Applied Petroleum Technology	Geochemical	JDA
BHP Petroleum	Biostratigraphic	EN, JDA
Chemostrat Ltd.	Petrographic	EN, JDA
ExxonMobil Canada Ltd.	Petrographic	EN, JDA, SEN
ExxonMobil Canada Ltd.	Petrographic	JDA
Future Geoscience Ltd.	Stratigraphic	SEN
Husky Energy	Petrographic	JDA
Husky Energy	Petrographic	EN, JDA
Husky Energy	Rock Mechanics	JDA
Memorial University of Newfoundland (MUN)	EOR Study	JDA
MUN	Petrographic	EN

### Key for Tables 15 and 16

AUV = Autonomous Underwater Vehicle	HF = Heat Flow	NEN = North Eastern Newfoundland
2D = Two Dimensional	JDA = Jeanne d’Arc	SEN = South Eastern Newfoundland
3D = Three Dimensional	MKI AS = Multiklient Invest AS	SBP = Sub Bottom Profiler
EN = Eastern Newfoundland	MBES = Multibeam Echo Sound System	SBES = Sub Bottom Echo Sound System
EOR = Enhanced Oil Recovery	MUN = Memorial University of Newfoundland and Labrador	SSS = Side Scan Sonar

The C-NLOPB reviewed and authorized five applications for geophysical programs with fieldwork and one geological program with fieldwork in the Offshore Area in 2018-19. These programs included 2D and 3D seismic, a geohazards survey, gravity surveys and geochemical sampling/seabed coring.

**Table 16: Geoscientific Programs with Fieldwork Authorized during 2018-2019**

OPERATOR	PROGRAM	REGION	SEISMIC ACQUIRE	GRAVITY/MAGNETIC ACQUIRED	OTHER DATA
Equinor Canada Ltd.	Geohazards Survey	EN	N/A	N/A	90.25 Km AUV Camera 2203.92 Km MBES 2203.92 Km SBP 2203.92 Km SSS 18.3 Km video
ExxonMobil Canada Ltd.	Geohazards Survey	EN	N/A	N/A	855.5 Km MBES 855.5 Km SBES 855.5 Km SBP 632.5 Km SSS 13.8 Km video
ExxonMobil Canada Ltd.	Geohazards Survey	EN	N/A	N/A	600.5 Km MBES 600.5 Km SBES 1200.5 Km SBP 581 Km SSS 3 Km video
Fugro Geosurveys	Seabed Mapping and Seep Sampling	SEN	N/A	N/A	5352 Km MBES 5323 Km SBP 105 Cores 10 HF
GX Technology Canada Ltd.	2D Seismic, Gravity and Magnetic	EN, JDA, NEN and SEN	10,756 Km	21,512 Km	N/A
MKI AS	3D Seismic, Gravity and Magnetic	EN and SEN	14,735 Km <sup>2</sup>	1295 Km	N/A

## 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 provide daily monitoring and review monthly production data to ensure operators are following all approved plans.

The following table shows production for each field during 2018-19:

**Table 17: Field Production Statistics for 2018-2019**

FIELD	PRODUCTION			GAS DISPOSITION				WATER INJECTED	DAILY OIL AVERAGE
	Oil	Gas	Water	Flared	Fuel	Injected	Lift		
	MMbbls	Bscf	MMbbls	Bscf	Bscf	Bscf	Bscf	MMbbls	bbls
Hibernia	40.80	93.95	30.95	2.54	4.90	86.51	6.64	65.77	111,738
Terra Nova	10.83	58.15	23.10	2.75	4.50	50.89	12.37	48.42	29,741
White Rose	5.19	23.73	5.39	1.14	2.47	20.22	6.60	11.95	14,186
North Amethyst	1.29	2.99	5.32	0.20	0.45	2.33	4.32	2.26	3,535
Hebron	26.83	8.74	0.12	2.86	4.07	1.80	7.32	8.81	73,496

Table 18 shows total cumulative production for each field up to March 31, 2019.

**Table 18: Field Production Statistics Cumulative to March 31, 2019**

FIELD	PRODUCTION			GAS DISPOSITION				WATER INJECTED
	Oil	Gas	Water	Flared	Fuel	Injected	Lift	
	MMbbls	Bscf	MMbbls	Bscf	Bscf	Bscf	Bscf	MMbbls
Hibernia	1,107.36	1,841.33	613.84	97.54	112.99	1,630.73	12.79	1,613.31
Terra Nova	416.91	797.70	353.69	63.67	71.81	662.21	132.75	773.51
White Rose	241.55	279.61	147.85	37.36	38.92	203.43	115.25	525.58
North Amethyst	52.85	43.78	71.55	4.03	7.42	32.32	47.74	131.31
Hebron	31.13	10.11	0.13	3.68	4.62	1.80	7.92	8.81

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

# INDUSTRIAL BENEFITS

## BENEFITS PLANS

In 2018-19, the offshore exploration and 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).

Specifically, staff reviewed and assessed benefits plans and supplementary benefits information for various offshore activities, including:

- ExxonMobil Exploration Benefits Plan to conduct exploration drilling activity on exploration licenses in the Flemish Pass area from 2018 – 2024;
- MKI Exploration Benefits Plan to conduct 2-D and 3-D seismic surveys offshore Newfoundland and Labrador;
- GXT Exploration Benefits Plan to conduct a 2-D regional Basin Span seismic survey on the Grand Banks;
- Fugro Exploration Benefits Plan to conduct seafloor mapping and seep sampling exploration activities in the south eastern Newfoundland offshore area;
- Husky Exploration Benefits Plan in support of drilling one to three exploration wells from 2018-2021;
- ExxonMobil Exploration Benefits Plan Supplement in support of two wellsite survey activities; and
- Equinor Exploration Benefits Plan Supplement to conduct wellsite survey activities.

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 a full and fair opportunity is provided to companies from within Canada, and that first consideration is afforded to Newfoundland and Labrador residents and companies for any employment or procurement opportunities that arise. Multiple comprehensive reviews were conducted in these areas in 2018-19, along with others of lesser scope.

The C-NLOPB also designated numerous operator contracts for detailed review and encouraged operators to consider the impact of their procurement choices on the Newfoundland and Labrador market and supply chain.

## EXPENDITURE AND EMPLOYMENT DATA

During the 2018 calendar year, operators reported expenditures of \$3.3 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$62.7 billion.

As of December 31, 2018, there were 6,928 Newfoundland and Labrador and other Canadian residents working in direct support of petroleum-related activity in the Offshore Area.

During 2018, \$139.2 million was spent on exploration programs generating approximately 2,471 person-months of employment. Ongoing production activities accounted for expenditures of \$2.2 billion in 2018, of which approximately 61 percent of annual expenditures occurred in Newfoundland and Labrador and a further 19 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 \$607 million for the 2018-19 fiscal year, with 82 percent Canadian content including 62 percent Newfoundland and Labrador content.

As of March 31, 2019, total direct employment in the province in support of the Hibernia project was 1,457 persons. Of this amount, 91 percent of the workers were Newfoundland and Labrador residents at the time of hire, and seven percent were other Canadian residents.

**Table 19: Hibernia Employment** (as of March 31, 2019)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	684	64	31	779
Offshore Operations	640	31	7	678
<b>Total</b>	<b>1,324</b>	<b>95</b>	<b>38</b>	<b>1,457</b>

#### **TERRA NOVA**

Suncor Energy reported expenditures of \$540 million for the fiscal year 2018-19, with 74 percent Canadian content including 58 percent Newfoundland and Labrador content.

As of March 31, 2019, total direct employment in support of the Terra Nova project was 1,125 persons. At the time of hire, 89 percent of this total were Newfoundland and Labrador residents and nine percent were other Canadian residents.

**Table 20: Terra Nova Employment** (as of March 31, 2019)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	520	45	20	585
Offshore Operations	478	51	11	540
<b>Total</b>	<b>998</b>	<b>96</b>	<b>31</b>	<b>1,125</b>

## WHITE ROSE/NORTH AMETHYST/WEST WHITE ROSE

Husky Energy reported expenditures of \$1.37 billion for the fiscal year 2018-19, with 68 percent Canadian content including 49 percent Newfoundland and Labrador content.

As of March 31, 2019, total direct employment in support of the White Rose/North Amethyst/West White Rose projects was 3,135 persons. At the time of hire, 65 percent of this total were Newfoundland and Labrador residents and four percent were other Canadian residents.

**Table 21: White Rose/North Amethyst/West White Rose Employment (as of March 31, 2019)**

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	1,579	86	955	2,620
Offshore Operations	459	44	12	515
<b>Total</b>	<b>2,038</b>	<b>130</b>	<b>967</b>	<b>3,135</b>

## HEBRON

ExxonMobil reported expenditures of \$701 million for the 2018-19 fiscal year, with 73 percent Canadian content including 59 percent Newfoundland and Labrador content.

As of March 31, 2019, total direct employment in the province in support of the Hebron project was 1,268 persons. Of this amount, 91 percent of the workers were Newfoundland and Labrador residents at the time of hire, and five percent were other Canadian residents.

**Table 22: Hebron Employment (as of March 31, 2019)**

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	634	36	43	713
Offshore Operations	525	27	3	555
<b>Total</b>	<b>1,159</b>	<b>63</b>	<b>46</b>	<b>1,268</b>

## 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 a total number of 22 R&D/E&T applications submitted during 2018-19. These applications account for approximately \$30 million in potential R&D/E&T funding. Areas of interest related to submitted applications include:

- Science, Technology, Engineering and Math (STEM) Educational Initiatives;
- Helicopter Operational Efficiency;
- Design Management Software Engineering;
- Subsea Technology Advancements;
- Unmanned Aerial Vehicle Ice Management Technology; and
- Environmental and Worker Safety studies.

Expenditures for the 2017 calendar year were reviewed in 2018 to determine eligibility under the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$41 million was spent on eligible R&D and E&T, bringing the total expenditure to approximately \$547 million since the C-NLOPB's guidelines came into effect on April 1, 2004. A breakdown of expenditures for the 2017 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/>.



*Hibernia Platform*

## CORPORATE SERVICES AND REGULATORY AFFAIRS

### REGULATORY INITIATIVES

During the reporting period, C-NLOPB staff participated in the following government-led regulatory initiatives by providing technical advice to the federal and provincial governments in drafting policy intent documents for these regulations:

- FORRI – Framework Regulations;
- Occupational Health and Safety (OHS) Regulations;
- Methane Regulations; and
- Spill Treating Agent Regulations.

The C-NLOPB has established a Regulatory Reform Project Team consisting of senior staff which is chaired by the CEO. The Team’s primary responsibility is to ensure the C-NLOPB is ready for the implementation of a new modern hybrid regulatory approach with a balance of prescriptive and performance-based requirements. This team is working closely with the C-NLOPB’s management team, the CNSOPB and Governments, and are also engaged with operators to ensure a smooth transition to this new regime.

During 2018-19, the C-NLOPB signed the following Memoranda of Understanding (MOU):

**Table 23: MOUs signed during 2018-2019**

PARTNER	DESCRIPTION
Canadian Environmental Assessment Agency	For compliance and enforcement of <i>CEAA</i> 2012 Decision Statements by C-NLOPB Officers
Canadian Environmental Assessment Agency	Efficient regulatory assessment of the Bay du Nord Development Project
Government of Newfoundland – Department of Environment	Sharing of Information and Documents for the Investigation of the Husky Energy Spill – November 16, 2018
National Research Council of Canada	Provide support to C-NLOPB on research and development matters
Natural Resources Canada	French Translation
Public Services and Procurement Canada and Seized Property Management Directorate	Storage and Services on as, and when, required basis

During the reporting period, discussions were initiated with the Treasury Board Secretariat for Access to Information and Privacy (ATIP) online request service onboarding through a MOU. The C-NLOPB has also started discussions with the Canadian Hydrograph Service (CHS) on a MOU for the provision of CHS boundaries and limits, coordinated in digital format.

In 2018-19 the C-NLOPB updated the following guidelines:

- *Atlantic Canada Standby Vessel Guidelines*; and
- *Geophysical, Geological, Environmental and Geotechnical Program Guidelines*

During the reporting period the C-NLOPB was finalizing the following Guideline and was preparing to release for public consultation:

- *Draft Asset Design Life Extension Program Guideline for Offshore Canada-Newfoundland and Labrador*

During June 2017, the C-NLOPB received a Development Plan Amendment (DPA) from Husky Energy for *Gas Flood in Support of Oil Production at the North Amethyst Field*. The application was deemed complete in October 2018. The C-NLOPB approved the DPA in February 2019 and both Governments ratified the decision through a fundamental decision in March 2019.

### OFFICE SPACE RENEWAL

The C-NLOPB issued a request for proposals (RFP) for new office space on November 2, 2018. The RFP closed on December 10, 2018 and there were a number of proposals received. An internal working group was struck, ranking criteria for RFPs was developed and the group evaluated each proposal. The C-NLOPB was undergoing lease negotiations with one proponent as of March 31, 2019.

### AUTHORIZATIONS

During 2018-19, C-NLOPB staff coordinated the issuance of nine Authorizations and issued 13 amendments to Authorizations, mainly covering the addition of support vessels to existing Authorizations. As of note, these amendments also covered an 18 month extension to the Drilling and Production Operations Authorization for Hebron, as well as an approval for Hebron to use an OSC for fire and gas monitoring activities.

**Table 24: Authorizations Issued by the C-NLOPB during 2018-2019**

OPERATOR	AUTHORIZATION TYPE	INSTALLATION/VESSEL
EMCP	Wellsite Survey (EN)	MV <i>Fugro Searcher</i> and MV <i>Paul A Sacuta</i>
Equinor Canada Ltd.	Wellsite Survey (EN)	MV <i>Maersk Detector</i>
Fugro Geosurveys	Geological Program Authorization (GLA) (SEN)	MV <i>Fugro Searcher</i> and MV <i>Atlantic Eagle</i>
GX Technology Canada Ltd.	Geophysical Program Authorization (GPA) (GrandSPAN) (EN, JDA, NEN and SEN)	MV <i>Hai Yang Shi You 760</i>
HMDC	OA (Drilling and Production)	<i>Hibernia</i> Platform
Husky Energy	OA (Drilling and Production)	<i>SeaRose</i> FPSO and MODU <i>Henry Goodrich</i>
MKI AS	GPA (EN and SEN)	MV <i>Ramform Hyperion</i> and MV <i>Ramform Sterling</i>

Table 25 shows all regulatory review, licencing, auditing and approved activities for the C-NLOPB during the 2018-19 fiscal year.

**Table 25: Regulatory Review, Licencing, Auditing and Approval Activities for 2018-2019**

ACTIVITY	NUMBER
Application for Regulatory Equivalency	40
Approval to Alter the Condition of a Well	19
Approval to Drill a Well	13
Benefits Plan Approval (new or amended)	7
Commingled Production Approval	0
Diving Program Authorization	0
Environmental Assessment (new, amended or updated)	11
Environmental Audit and Inspection	4
Exploration Licence (new or amended)	5
Field Data Acquisition Program Approval	1
Flow System Application Approval	2
Flow System (Metering) Audit/Witness	5
Formation Flow Test Program Approval	1
Gas Flaring Approval	4
Geological Program (without fieldwork)	11
Geological Program (with fieldwork)	1
Geophysical Operations Authorization (with fieldwork)	4
Geophysical Program Authorization (without fieldwork)	0
Geotechnical Program Authorization	0
Notice of Non-Compliance/Non-Conformance	1
Offshore Worker Complaints Reviewed	7
Operations Authorization (new or amended)	15
Operating Licence	16
Pooling Designation	0
Production Licence (new or amended)	0
Safety Assessment	17
Safety Audit/Inspection	22
Significant Discovery Licence (new or amended)	0
Strategic Environmental Assessment	1 (ongoing)
Well Termination Notification	21
Work Refusals Received	0

## 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](mailto:information@cnlopb.ca).

During 2018-19, the C-NLOPB received 410 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 five formal requests and seven formal consultation requests under the *Access to Information Act* during 2018-19. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the *Act* during 2018-19 will be tabled in Parliament in 2019.

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

**Table 26: Requests under the Access to Information Act for 2018-2019**

TYPE OF REQUEST	NUMBER OF REQUESTS
Requests Closed During Reporting Period	8
Consultations	7
Complaints	8
Court Action	2
<b>Total Requests</b>	<b>5</b>

Requests for Information received in 2018-19 can be found in the following table:

**Table 27: Requests for Information Received in 2018-2019**

TYPE OF REQUEST	NUMBER OF REQUESTS
Government of Newfoundland and Labrador	37
Government of Canada	35
Education	39
Industry	299
<b>Total Requests</b>	<b>410</b>

## APPENDIX: LIST OF ABBREVIATIONS

**ACW** (Approval to Alter the Condition of a Well)  
**ADW** (Approval to Drill a Well)  
**ALE** (Asset Life Extension)  
**ATIP** (Access to Information and Privacy)  
**AUV** (Autonomous Underwater Vehicle)  
**CA** (Certifying Authority)  
**CCG** (Canadian Coast Guard)  
**CCO** (Chief Conservation Officer)  
**CEAA** (*Canadian Environmental Assessment Act*)  
**CHS** (Canadian Hydrograph Service)  
**C-NLOPB** (Canada-Newfoundland and Labrador Offshore Petroleum Board)  
**CNSOPB** (Canada Nova Scotia Offshore Petroleum Board)  
**COF** (Certificate of Fitness)  
**CRU** (Commission for Regulation of Utilities)  
**CSO** (Chief Safety Officer)  
**CSRC** (Core Storage and Research Centre)  
**CWS** (Canadian Wildlife Service)  
**DFO** (Fisheries and Oceans Canada)  
**DNV-GL** (Det Norske Veritas – Germanischer Lloyd)  
**DPA** (Development Plan Amendment)  
**EA** (Environmental Assessment)  
**ECCC** (Environment and Climate Change Canada)  
**E&T** (Education and Training)  
**EEM** (Environmental Effects Monitoring)  
**EL** (Exploration Licence)  
**EMCL** (ExxonMobil Canada Ltd.)  
**EMCP** (ExxonMobil Canada Properties)  
**EN** (Eastern Newfoundland)  
**EOR** (Enhanced Oil Recovery)  
**EPP** (Environmental Protection Plan)  
**ESRF** (Environmental Studies Research Fund)  
**FORRI** (Frontier Offshore Regulatory Renewal Initiative)  
**FPSO** (Floating, Production, Storage and Offloading)  
**GLA** (Geological Program Authorization)  
**GPA** (Geophysical Program Authorization)  
**GXT** (GX Technology)  
**HF** (Heat Flow)  
**HMDC** (Hibernia Management and Development Company)  
**IOPER** (International Offshore Petroleum Environmental Regulators)  
**IRF** (International Regulators Forum)  
**JDA** (Jeanne d’Arc)  
**LS** (Labrador Shelf)  
**MBES** (Multibeam Echo Sound System)  
**MKI AS** (Multi-Klient Invest AS)  
**MODU** (Mobile Offshore Drilling Unit)  
**MOU** (Memorandum of Understanding)  
**MUN** (Memorial University of Newfoundland)  
**NEN** (North Eastern Newfoundland)

**NG** (Nunatsiavut Government)  
**NRCan** (Natural Resources Canada)  
**NRNL** (Natural Resources Newfoundland and Labrador)  
**OA** (Operations Authorization)  
**Offshore Area** (Canada-Newfoundland and Labrador Offshore Area)  
**OHS** (Occupational Health and Safety)  
**OL** (Operating Licence)  
**OSC** (Onshore Support Centre)  
**PL** (Production Licence)  
**RA** (Regional Assessment)  
**R&D** (Research and Development)  
**RFP** (Request for Proposals)  
**ROV** (Remotely Operated Vehicle)  
**SBES** (Sub Bottom Echo Sound System)  
**SBP** (Sub Bottom Profiler)  
**SDL** (Significant Discovery Licence)  
**SEA** (Strategic Environmental Assessment)  
**SEN** (South Eastern Newfoundland)  
**SN** (Southern Newfoundland)  
**SSS** (Side Scan Sonar)  
**STEM** (Science, Technology, Engineering and Math)  
**TBD** (To Be Determined)  
**TQSP** (Training and Qualifications of Personnel Standard Practice)  
**WN** (Western Newfoundland)  
**WWRP** (West White Rose Platform)

## **LIST OF UNITS**

**bbl** (Barrel)  
**Km** (Kilometres)  
**MMbbls** (Million Barrels)

# FINANCIAL STATEMENTS

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2019



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

- the statement of financial position as at March 31, 2019
- 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, 2019, 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.
- 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 30, 2019

# Canada - Newfoundland and Labrador Offshore Petroleum Board

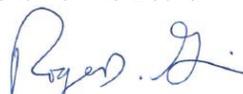
Statement of Financial Position

March 31, 2019 with comparative information for 2018

	2019	2018
<b>Financial assets</b>		
Cash and cash equivalents	\$ 11,325,290	\$ 12,407,810
Receivables	1,536,256	436,953
	<u>12,861,546</u>	<u>12,844,763</u>
<b>Liabilities</b>		
Payables and accruals (note 2)	5,966,029	6,910,887
Accrued employee future benefit obligation (note 3)	10,112,500	8,822,900
	<u>16,078,529</u>	<u>15,733,787</u>
Net debt	<u>(3,216,983)</u>	<u>(2,889,024)</u>
<b>Non-financial assets</b>		
Prepays	961,117	633,159
Tangible capital assets (schedule 1)	2,617,817	2,845,921
	<u>3,578,934</u>	<u>3,479,080</u>
Commitments (note 5)		
Contingencies (note 6)		
Accumulated surplus	<u>\$ 361,951</u>	<u>\$ 590,056</u>

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, 2019 with comparative information for 2018

	Actual 2019	Budget 2019	Actual 2018
Revenue:			
Operating grants:			
Government of Canada	\$ 9,514,715	\$ 9,475,000	\$ 8,757,795
Government of Newfoundland and Labrador	9,514,715	9,475,000	8,757,795
	19,029,430	18,950,000	17,515,590
Add:			
Costs recovered from industry	18,844,232	18,950,000	17,378,947
Interest and other	132,687	29,880	59,325
	18,976,919	18,979,880	17,438,272
Less:			
Cost recoveries refunded to governments	18,844,232	18,950,000	17,378,947
Net revenue	19,162,117	18,979,880	17,574,915
Expenses (schedule 2)			
Board and Executive Office	2,963,627	2,325,814	2,356,004
Environmental Affairs	1,432,271	1,335,171	879,286
Exploration	2,143,517	2,429,426	1,951,902
Industrial Benefits	510,779	544,102	487,218
Legal and Public Affairs	589,401	656,697	751,531
Operations	1,410,264	1,502,353	1,296,407
Resource Management	2,610,030	2,612,883	2,437,699
Safety	2,739,346	2,867,377	2,536,432
Corporate Services and Regulatory Affairs	4,990,987	4,546,057	4,807,033
	19,390,222	18,819,880	17,503,512
Annual (deficit) surplus	\$ (228,105)	\$ 160,000	\$ 71,403

See accompanying notes to the financial statements.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Changes in Accumulated Surplus

Year ended March 31, 2019 with comparative information for 2018

	Actual 2019	Budget 2019	Actual 2018
Accumulated surplus, beginning of year	\$ 590,056	\$ 100,853	\$ 518,653
Annual (deficit) surplus	(228,105)	160,000	71,403
Accumulated surplus, end of year	\$ 361,951	\$ 260,853	\$ 590,056

See accompanying notes to financial statements.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

## Statement of Net Debt

Year ended March 31, 2019 with comparative information for 2018

	Actual 2019	Actual 2018
Annual (deficit) surplus	\$ (228,105)	\$ 71,403
Acquisition of tangible capital assets	(250,000)	(693,607)
Amortization of tangible capital assets	478,104	622,205
Increase in prepaids	(327,958)	(41,863)
Increase in net debt	(327,959)	(41,862)
Net debt, beginning of year	(2,889,024)	(2,847,162)
Net debt, end of year	\$ (3,216,983)	\$ (2,889,024)

See accompanying notes to financial statements.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

## Statement of Cash Flows

Year ended March 31, 2019 with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ (228,105)	\$ 71,403
Amortization of tangible capital assets	478,104	622,205
	249,999	693,608
Change in non-cash items:		
Accrued employee future benefit obligation	1,289,600	882,100
Receivables	(1,099,303)	1,335,848
Prepays	(327,958)	(41,863)
Payables and accruals	(944,858)	641,294
Operating transactions	(832,520)	3,510,987
Capital activity:		
Cash used to acquire tangible capital assets	(250,000)	(693,608)
Increase (decrease) in cash and cash equivalents	(1,082,520)	2,817,379
Cash and cash equivalents, beginning of year	12,407,810	9,590,431
Cash and cash equivalents, end of year	\$ 11,325,290	\$ 12,407,810

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements  
Year ended March 31, 2019

---

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, 2019

---

## 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 contributes 100% of the premiums for medical and dental benefits, and 50% for life insurance for retired employees. 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 (13 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.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements  
Year ended March 31, 2019

---

## 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:

	2019	2018
Trade	\$ 1,602,469	\$ 1,767,362
Government of Canada	2,181,780	2,571,763
Government of Newfoundland and Labrador	2,181,780	2,571,763
	<u>\$ 5,966,029</u>	<u>\$ 6,910,888</u>

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements  
Year ended March 31, 2019

### 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, 2019.

	2019	2018
Reconciliation of funded status	\$ 10,740,400	\$ 10,146,700
Unamortized net actuarial loss	(1,699,600)	(2,273,200)
<b>Accrued benefit liability</b>	<b>\$ 9,040,800</b>	<b>\$ 7,873,500</b>

	2019	2018
Net benefit expense		
Current service cost	\$ 788,000	\$ 597,200
Amortization of actuarial loss	186,600	41,000
Interest cost	293,800	242,100
	<b>\$ 1,268,400</b>	<b>\$ 880,300</b>

Retiring allowance:

The board provides a retiring allowance to employees 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.

	2019	2018
<b>Accrued benefit liability</b>	<b>\$ 1,071,700</b>	<b>\$ 949,400</b>

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements  
Year ended March 31, 2019

### 3. Accrued employee future benefit obligation (continued):

	2019	2018
Net benefit expense:		
Current service cost	\$ 98,400	\$ 92,800
Amortization of actuarial loss	(1,300)	(3,100)
Interest cost	27,800	27,200
	\$ 124,900	\$ 116,900

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

	2019	2018
Discount rate	2.80%	2.70%
Rate of increase in compensation levels	2.00%	2.00%
Dental inflation rate	4.00%	4.50%
Medical inflation rate	4.00%	6.95%

### 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, 2019

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#### 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 \$1,035,284 (2018 - \$966,874). 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, 2020	\$ 1,299,888
March 31, 2021	108,324

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#### 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.

#### 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, 2019.

##### *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 \$5,966,029 (2018 - \$6,910,888), 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 \$1,536,256 (2018 - \$436,953). 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.

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2019

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## 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:

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Operating grant:	
Government of Canada	\$ 9,514,715
Government of Newfoundland and Labrador	9,514,715
Cost recoveries refunded to Government of Canada	9,422,116
Cost recoveries refunded to Government of Newfoundland and Labrador	9,422,116

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# Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 1 - Tangible Capital Assets

Year ended March 31, 2019

	Land and parking lot	Buildings	Leasehold improvements	Furniture and fixtures	Data management system	Computer software	Computer equipment	2019	2018
Cost, beginning of year	\$ 258,297	\$ 3,317,089	\$ 377,415	\$ 1,184,419	\$ 1,108,298	\$ 1,463,966	\$ 2,987,082	\$ 10,696,566	\$ 10,002,959
Additions during the year	–	–	–	12,132	–	–	237,868	250,000	693,607
Disposals during the year	–	–	–	(6,484)	–	–	(56,916)	(63,400)	–
Cost, end of year	\$ 258,297	\$ 3,317,089	\$ 377,415	\$ 1,190,067	\$ 1,108,298	\$ 1,463,966	\$ 3,168,034	\$ 10,883,166	\$ 10,696,566
Accumulated amortization, beginning of year	\$ –	\$ 1,450,062	\$ 377,415	\$ 1,009,545	\$ 1,108,298	\$ 1,369,107	\$ 2,536,218	\$ 7,850,645	\$ 7,228,440
Amortization	–	74,680	–	57,145	–	94,859	251,420	478,104	622,205
Reversals of accumulated depreciation relating to disposals	–	–	–	(6,484)	–	–	(56,916)	(63,400)	–
Accumulated amortization, end of year	\$ –	\$ 1,524,742	\$ 377,415	\$ 1,060,206	\$ 1,108,298	\$ 1,463,966	\$ 2,730,722	\$ 8,265,349	\$ 7,850,645
Net book value of tangible capital assets	\$ 258,297	\$ 1,792,347	\$ –	\$ 129,861	\$ –	\$ –	\$ 437,312	\$ 2,617,817	\$ 2,845,921

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 2 - Expenses  
Year ended March 31, 2019

	2019	2018
<b>Board and Executive Office:</b>		
Consultants fees	\$ 356,396	\$ 508,166
Miscellaneous	13,524	7,471
Training and conferences	119,110	62,004
Travel	44,400	41,310
Wages and benefits	2,430,197	1,737,053
	<u>2,963,627</u>	<u>2,356,004</u>
<b>Environmental Affairs:</b>		
Consultants Fees	365,124	-
Miscellaneous	2,623	2,164
Training and conferences	5,875	13,609
Travel	33,555	2,597
Wages and benefits	1,025,094	860,916
	<u>1,432,271</u>	<u>879,286</u>
<b>Exploration:</b>		
Miscellaneous	5,965	5,550
Training and conferences	68,759	61,696
Travel	1,416	-
Wages and benefits	2,067,377	1,884,656
	<u>2,143,517</u>	<u>1,951,902</u>
<b>Industrial Benefits:</b>		
Miscellaneous	1,119	711
Training and conferences	10,108	199
Wages and benefits	499,552	486,308
	<u>510,779</u>	<u>487,218</u>
<b>Legal and Public Affairs:</b>		
Miscellaneous	1,166	1,707
Training and conferences	30,878	24,101
Travel	2,344	1,895
Wages and benefits	555,013	723,828
	<u>589,401</u>	<u>751,531</u>
<b>Operations:</b>		
Miscellaneous	3,938	3,112
Training and conferences	37,795	43,162
Travel	13,683	12,393
Wages and benefits	1,354,848	1,237,740
	<u>1,410,264</u>	<u>1,296,407</u>
<b>Resource Management:</b>		
Miscellaneous	5,512	5,656
Training and conferences	94,155	78,104
Travel	1,312	3,156
Wages and benefits	2,509,051	2,350,783
	<u>\$ 2,610,030</u>	<u>\$ 2,437,699</u>

# Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses (continued)  
Year ended March 31, 2019

	2019	2018
Safety:		
Consultants fees	\$ 349,645	\$ 247,641
Miscellaneous	5,881	5,778
Training and conferences	143,138	138,814
Travel	14,725	34,148
Wages and benefits	2,225,957	2,110,051
	<u>2,739,346</u>	<u>2,536,432</u>
Corporate Services and Regulatory Affairs:		
Amortization of tangible capital assets	478,104	622,205
Computer support and maintenance	1,013,254	903,329
General office maintenance	510,866	457,838
Rent	1,464,349	1,437,003
Training and conferences	15,355	24,807
Travel	5,233	7,260
Wages and benefits	1,503,826	1,354,591
	<u>4,990,987</u>	<u>4,807,033</u>
	<u>\$ 19,390,222</u>	<u>\$ 17,503,512</u>



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