



2016-17

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



June 27, 2017

The Honourable James Carr, P.C., M.P.
Minister of Natural Resources
Government of Canada

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

The Honourable Perry Trimper, MHA
Minister of Service Newfoundland and Labrador
Government of Newfoundland and Labrador

Dear Ministers:

Pursuant to Section 29 of the legislation implementing the *Atlantic Accord*, I am 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, 2017.

Respectfully submitted,

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

Scott Tessier

Chair and Chief Executive Officer

BOARD MEMBERS



Scott Tessier
Chair and Chief Executive Officer



Ed Williams
Vice-Chair



Lidija Cicnjak-Chubbs
Member



Cynthia Hickman
Member

MANAGEMENT

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

Michael Baker, CHRP
Director of Administration and Industrial Benefits

David G. Burley
Director of Environmental Affairs

John Crocker
Manager of Regulatory Affairs

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

Sean Kelly, M.A., APR, FCPRS
Manager of Public Relations

John Kennedy, P. Eng, CRSP
Director of Operations

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

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

IN MEMORIAM



EDWIN M. DROVER
APRIL 13, 1946 – MARCH 16, 2017

The C-NLOPB mourns the passing of Ed Drover, who served on our Board from January 2009 until his resignation in February, 2017.

Originally from Upper Island Cove, Ed was a teacher and principal before moving into financial services in the late 1960s. He was also an entrepreneur with interests in commercial real estate and rental properties, as well as recreational and tourism development.

Ed's commitment to his community was clearly evident in the significant contributions he made to numerous worthwhile organizations. He served on many boards including the Eastern Health Board of Trustees, Health Care Foundation, Evergreen Environmental, Research Advisory Group of Canada, Waterford Hospital Foundation, St. Clare's Mercy Hospital Foundation, Canadian National Institute for the Blind, Community Services Council, Newfoundland Power, National Capital Commission and the Atlantic Canada Opportunities Agency. He was also a Commander with the Military and Hospitaller Order of Saint Lazarus of Jerusalem, Grand Priory of Canada.

For over 39 years, he was a committed and dedicated Rotarian with the Rotary Club of St. John's North West. A Paul Harris Fellow, he was instrumental in starting a number of important initiatives including Rotary Manor, Rotary Music Festival and Food for the Needy.

Ed's passion for his province and country were quickly evident to all who had the pleasure to know him. During his years with our board, he made many significant and lasting contributions to our organization, always keeping the public interest first and foremost.

We extend our condolences to his family and many friends.

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LIST OF ABBREVIATIONS

ACW (Approval to Alter the Condition of a Well)
ADW (Approval to Drill a Well)
CA (Certifying Authority)
CCO (Chief Conservation Officer)
CEAA (*Canadian Environmental Assessment Act*)
C-NLOPB (Canada-Newfoundland and Labrador Offshore Petroleum Board)
CNSOPB (Canada-Nova Scotia Offshore Petroleum Board)
CSEM (Controlled-Source Electromagnetic Survey)
CSO (Chief Safety Officer)
CSRC (Core Storage and Research Centre)
CT (Computerized Tomography)
DVPA (Diving Program Authorization)
EA (Environmental Assessment)
E&T (Education and Training)
EEM (Environmental Effects Monitoring)
EIS (Environmental Impact Statement)
EL (Exploration Licence)
EMGS (Electromagnetic Geoservices Canada, Inc.)
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)
GBS (Gravity Based Structure)
GPA (Geophysical Program Authorization)
HMDC (Hibernia Management and Development Company)
IRF (International Regulators Forum)
JDA (Jeanne d'Arc)
LN (Labrador North)
LR-AIS (Lloyd's Register Asset Integrity Services)
LS (Labrador South)
MG3 (MG3 (Survey) UK Limited)
MKI AS (Multi-Klient Invest AS)
MICP (Mercury Injection Capillary Pressure)
MODU (Mobile Offshore Drilling Unit)
MOU (Memorandum of Understanding)
NEBA (Net Environmental Benefits Analysis)
NEN (North Eastern Newfoundland)
NOIA (Newfoundland and Labrador Oil and Gas Industries Association)
OA (Operations Authorization)
Offshore Area (Canada-Newfoundland and Labrador Offshore Area)
OHS (Occupational Healthy and Safety)
OL (Operating Licence)
OLS (Offshore Loading System)
PL (Production Licence)
R&D (Research and Development)
SDL (Significant Discovery Licence)
SEA (Strategic Environmental Assessment)

SEN (South Eastern Newfoundland)
SN (Southern Newfoundland)
TQSP (Training and Qualifications Standard Practice)
XRD (X-Ray Diffraction)
XRF (X-Ray Fluorescence)

LIST OF UNITS

bbl (Barrel)
Bscf (Billion Standard Cubic Feet)
CMP (Common Midpoint Kilometres)
KM (Kilometres)
MMbbls (Million Barrels)



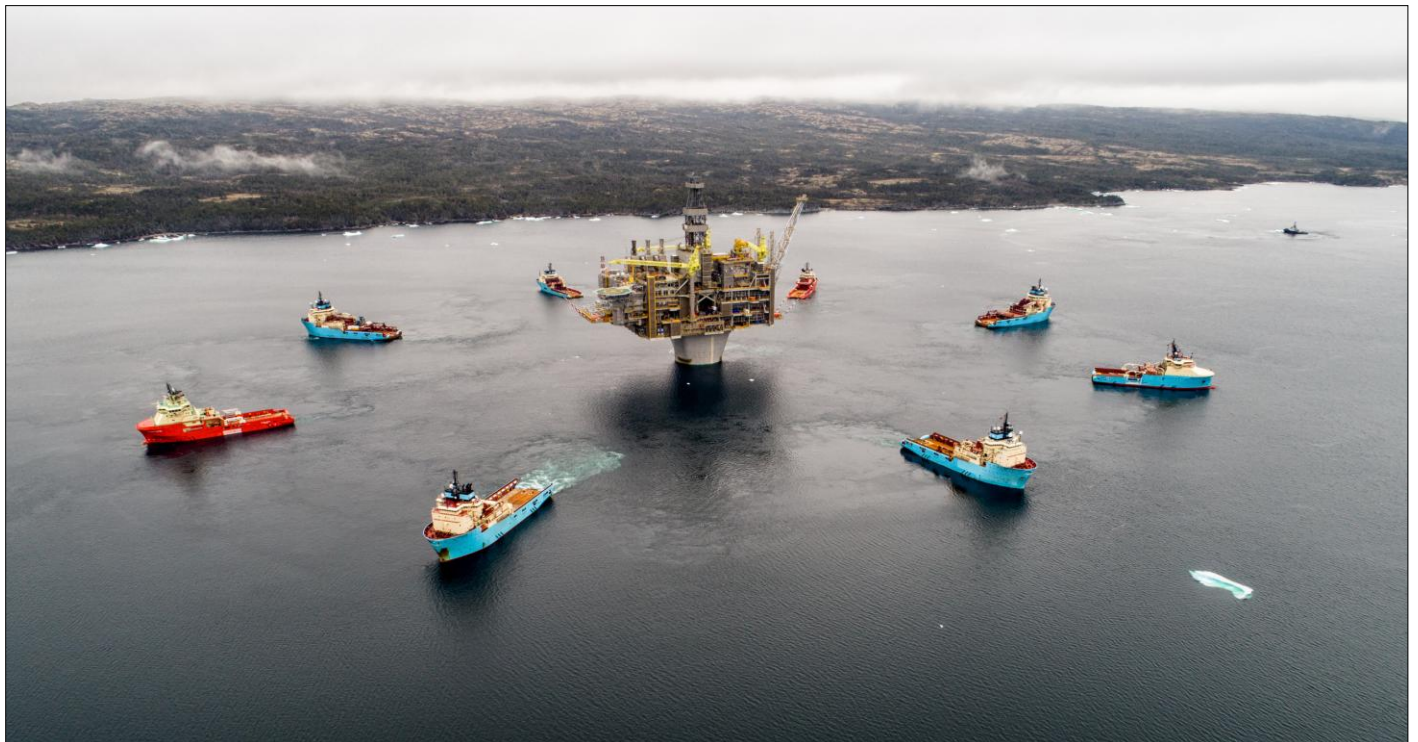
INTRODUCTION

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.

The C-NLOPB has 83 permanent staff and its budget for 2016-17 was \$17,670,000. 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 our accomplishments and activities for the fiscal year 2016-17. The report is aligned with our 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 our website at www.cnlopb.ca, view our videos on YouTube, follow us on Twitter @CNLOPB, phone us at 709-778-1400 or email us at information@cnlopb.ca.



MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER



I am proud to report on the accomplishments of the C-NLOPB for the past fiscal year. To begin, I would like to thank our dedicated staff for their service to the public and tireless work to provide world class regulatory oversight across all areas of our mandate.

Despite the global downturn in oil prices and industry activity, the C-NLOPB had another busy year, with approximately 500 regulatory review, licencing, auditing and authorization activities. The Canada-Newfoundland and Labrador Offshore Area saw several geoscientific programs in various stages. Operators conducted safe and environmentally responsible drilling programs in the Jeanne d’Arc and Flemish Pass basins, and production from four producing fields remained relatively steady.

At the same time, preparations for authorization of the tow to field of the new Hebron Platform were in full swing by the end of the fiscal year. The Board also issued six calls for nominations and two new calls for bids under our scheduled land tenure system. We closed two calls for bids (Eastern Newfoundland Region and Jeanne d’Arc Region) with a total of \$757,989,794 in work commitments.

Regulating through an industry downturn requires enhanced oversight, particularly in the areas of safety, environmental protection and industrial benefits. The C-NLOPB has been unwavering in our expectation that Operators reduce risks to levels that are as low as reasonably practicable, place the highest priority on worker safety and environmental protection and also continue to meet all of their other obligations and commitments under the *Atlantic Accord* regulatory regime.

The C-NLOPB continued its proactive engagement with our Canadian and international counterparts, sharing lessons and best practices. We have provided continued technical advice and support to governments in their work towards regulatory modernization, the federal government’s review of environmental assessment processes and in governments’ action against climate change.

The C-NLOPB recognizes the importance of transparency, accountability and engagement in maintaining public trust and confidence. We have taken measures to make more information accessible to the public in a timely manner. We have actively engaged with stakeholders to discuss shared priorities and we are partners with the Nunatsiavut Government in an update of the Labrador Shelf Offshore Area Strategic Environmental Assessment.

I would like to thank all partners and stakeholders for their cooperation and support, along with my fellow board members: our Vice-Chair Ed Williams, Lidija Cicnjak-Chubbs and Cynthia Hickman. I would also like to thank Con Sullivan, whose term ended in 2016 and whose many contributions to the C-NLOPB are highly valued.

Finally, on February 24, 2017, Board member Ed Drover resigned due to health reasons. Sadly, Ed succumbed to illness a short time later after a long and courageous fight. I miss him immeasurably and will never forget his contribution to our Board, along with his collegiality and friendship.

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

Scott Tessier
Chair and Chief Executive Officer

SAFETY OF OFFSHORE WORKERS

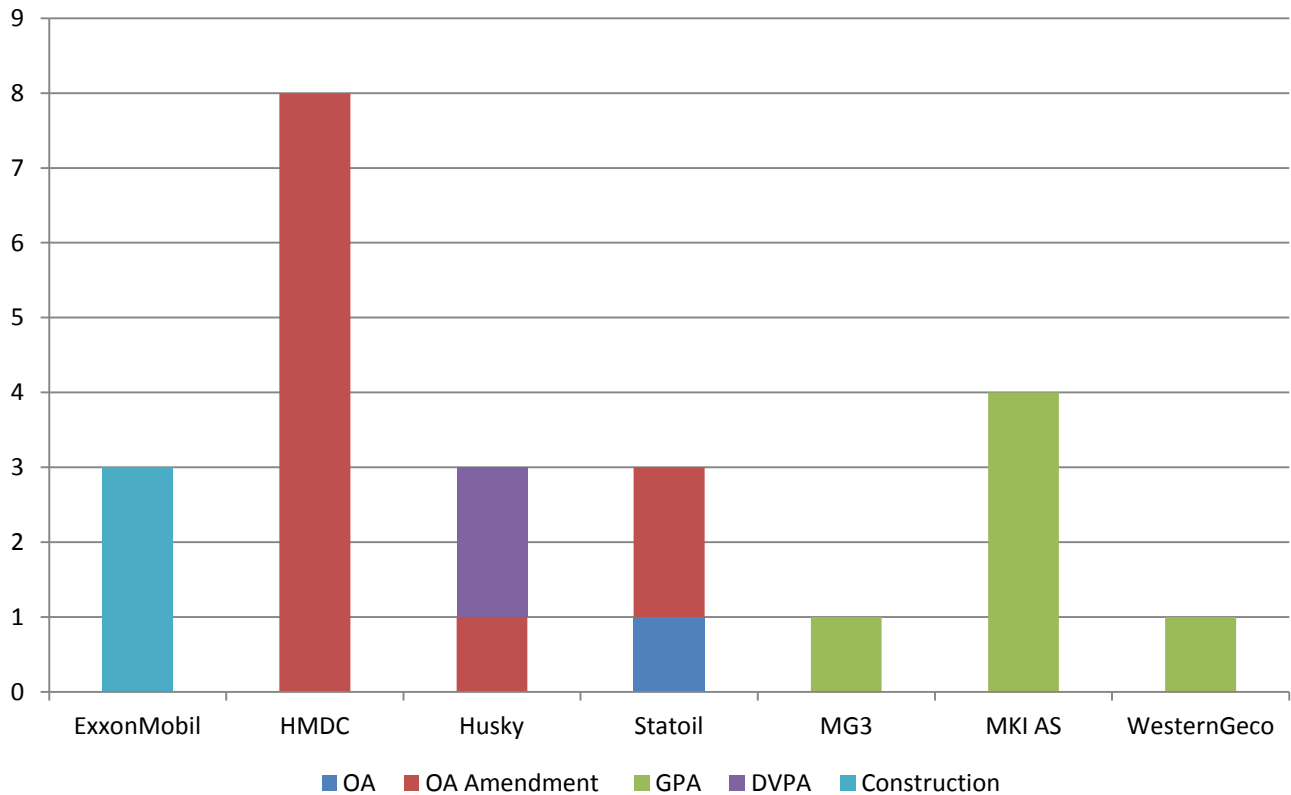
SAFETY ASSESSMENTS

Prior to being issued an Operations Authorization (OA) in relation to any petroleum related activity in the Canada-Newfoundland and Labrador Offshore Area (Offshore Area), an Operator must submit information to the C-NLOPB to demonstrate that the Operator has taken all reasonable and practicable steps to achieve the required level of safety for the proposed work. In 2016-17, the C-NLOPB's Safety Department conducted 23 safety assessments as shown in Figure 1.

The C-NLOPB conducts systematic and comprehensive safety assessments of the Operator's application, which include 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.

Figure 1: Safety Assessments completed in 2016-2017

2016-17 SAFETY ASSESSMENTS



OA (OPERATING AUTHORIZATION)

GPA (GEOPHYSICAL PROGRAM AUTHORIZATION)

DVPA (DIVING PROGRAM AUTHORIZATION)

HMDC (HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY)

MG3 (MG3 (SURVEY) UK LIMITED)

MKI AS (MULTI-KLIENT INVEST AS)

COMPLIANCE AND ENFORCEMENT

Safety Officers carry out investigations, issue orders, investigate work refusals and conduct safety inspections, safety audits, pre-approval safety audits and other oversight activities. During 2016-17, the C-NLOPB completed 24 audits, inspections and oversight activities listed in Table 1.

Table 1: Audits, Inspections and Oversight activities completed in 2016-2017

| OPERATOR | INSTALLATION/VESSEL | AUDIT/INSPECTION/OVERSIGHT |
|----------------------|--|---|
| Atlantic Towing Ltd. | <i>M/V Atlantic Eagle</i> | Observed Standby Vessel Trials |
| Atlantic Towing Ltd. | <i>M/V Atlantic Kestrel</i> | Observed Standby Vessel Trials |
| ExxonMobil Canada | <i>M/V Seven Waves</i> | Pre-Approval Audit |
| ExxonMobil Canada | <i>Hebron Platform</i> | Pre-Approval Audit |
| HMDC | <i>Mobile Offshore Drilling Unit (MODU) West Aquarius</i> | Inspection |
| HMDC | <i>Hibernia Platform</i> | Inspection |
| HMDC | <i>MODU West Aquarius</i> | Hazard Identification and Risk Assessment Audit |
| HMDC | <i>Hibernia Platform</i> | Hazard Identification and Risk Assessment Audit |
| Husky Energy | <i>MODU Henry Goodrich</i> | Pre-Approval Audit |
| Husky Energy | <i>SeaRose Floating, Production, Storage & Offloading (FPSO)</i> | Inspection |
| Husky Energy | <i>MODU Henry Goodrich</i> | Inspection |
| Husky Energy | <i>SeaRose FPSO</i> | Hazard Identification and Risk Assessment Audit |
| Maersk | <i>M/V Maersk Cutter</i> | Observed Standby Vessel Trials |
| Maersk | <i>M/V Maersk Dispatcher</i> | Observed Standby Vessel Trials |
| Maersk | <i>M/V Maersk Norsemen</i> | Observed Standby Vessel Trials |
| MG3 | <i>RV Coriolis II</i> | Pre-Approval Audit |
| MKI AS | <i>M/V Sanco Spirit</i> | Pre-Approval Audit |
| MKI AS | <i>M/V Atlantic Explorer</i> | Pre-Approval Audit |
| MKI AS | <i>M/V Ramform Sterling</i> | Pre-Approval Audit |
| Statoil Canada | <i>MODU West Hercules</i> | Inspection |
| Suncor Energy | <i>Terra Nova FPSO</i> | Observed Asset Integrity Services Survey |
| Suncor Energy | <i>Terra Nova FPSO</i> | Inspection |
| Suncor Energy | <i>Terra Nova FPSO</i> | Hazard Identification and Risk Assessment Audit |
| WesternGeco | <i>M/V Amazon Conqueror</i> | Pre-Approval Audit |

MONITORING

Following authorization of an Operator's work activity, the Safety Department conducts monitoring activities that include the review of Operators' daily 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 2016-17, the Safety Department reviewed 211 safety related incident reports from Operators.

During the reporting period 4,899,162 hours were worked in the Offshore Area. There were 20 incidents that resulted in a reportable injury or illness, which translates to a reportable injury frequency rate of 4.08 per million hours worked.

During 2016-17, the C-NLOPB processed ten health and safety complaints. Safety Officers reviewed the circumstances surrounding each complaint and has recommended or will recommend actions to be taken as necessary.

SAFETY FORUMS

In 2016-17, the C-NLOPB held two safety forums with industry participation. 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, to highlight areas of particular concern and to assist the C-NLOPB in setting goals. The forums are typically held twice per calendar year.

The topics discussed during the Spring 2016 forum included risk tolerance, risk management and risk reduction. Offshore helicopter safety was the topic during the Fall 2016 forum.

INTERNATIONAL REGULATORS FORUM

The C-NLOPB participated in meetings of the International Regulators' Forum (IRF) held in Auckland, New Zealand. The IRF is a group of regulators from 10 countries whose mandate is health and safety in the offshore upstream oil and gas industry. It exists to drive forward improvements in health and safety in the sector through collaboration on joint programmes and information sharing. Members from nine countries attended and discussed the activities of three IRF Working Groups: Performance Measures, Asset Integrity and Safety Culture. Other topics of discussion included challenges facing small regulators, standards, research and technology, training, safety equipment failure reporting and decommissioning.

IRF members also shared their experience regulating through an industry downturn and the efforts being made to enhance oversight, particularly in the areas of safety. The C-NLOPB has been unwavering in our expectation that Operators reduce risks to levels that are as low as reasonably practicable, place the highest priority on worker safety and environmental protection, and continue to meet all of their obligations and commitments under the *Atlantic Accord* regulatory regime, including industrial benefits.

Further information about the IRF can be obtained from its website: <http://www.irfoffshoresafety.com>.

PROTECTION OF THE ENVIRONMENT

ENVIRONMENTAL PROTECTION PLANS

The Environmental Protection Plan (EPP) is an Operator's plan describing the responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity. When Operators amend their EPPs they provide the C-NLOPB with an opportunity to review and comment on the plans before they are implemented. During the 2016-17 reporting period, eight EPPs were amended for the following fields or installations:

Table 2: Amended Environmental Protection Plans for 2016-2017

| OPERATOR | FIELD/INSTALLATION/VESSEL | COMMENTS |
|---------------|----------------------------|--|
| HMDC | Hibernia Field | Hibernia Operational Plan (EPP) testing of cement system |
| HMDC | Hibernia South Extension | West Aquarius Environmental Protection Plan for release of 3 L Monoethylene Glycol/Methanol |
| HMDC | Hibernia South Extension | West Aquarius Environmental Protection Plan for discharge of 15 m ³ cement with additives |
| Husky Energy | <i>MODU Henry Goodrich</i> | Entire Report |
| Husky Energy | <i>SeaRose FPSO</i> | Entire Report |
| Husky Energy | <i>SeaRose FPSO</i> | Planned Discharges – Installation & Maintenance of Subsea Systems |
| Suncor Energy | <i>Terra Nova FPSO</i> | Entire Report |

STRATEGIC ENVIRONMENTAL ASSESSMENT

During the reporting period, the C-NLOPB commenced planning for an update to the August 2008 Labrador Shelf Offshore Area Strategic Environmental Assessment (SEA). A Working Group, co-chaired by the C-NLOPB and the Nunatsiavut Government, consists of members of federal and provincial government agencies, fishing interest groups, Indigenous organizations, academia, and non-governmental organizations. This Working Group will assist in the technical development of the scope and content of the SEA Update.

ENVIRONMENTAL ASSESSMENT

The C-NLOPB assesses the potential environmental effects of petroleum related work or activity proposed for the Offshore Area. Documents relating to all completed and active assessments may be found on the C-NLOPB website.

During 2016-17, the C-NLOPB completed Environmental Assessments (EAs) for three projects in accordance with the *Accord Acts* as shown in Table 3.

Table 3: Completed Environmental Assessments during 2016-2017

| OPERATOR | PROGRAM | LOCATION |
|----------------------------|--|---|
| CGG Services (Canada) Inc. | 4D, 3D and 2D Seismic | Eastern and Southeastern Newfoundland |
| ExxonMobil Canada | Geophysical, Geochemical, Environmental and Geotechnical | Eastern Newfoundland |
| Seitel Canada Ltd. | 4D, 3D and 2D Seismic | Labrador Shelf, Eastern and Southern Newfoundland |

There were six EAs active as of March 31, 2017 as shown in Table 4.

Table 4: Active Environmental Assessments as of March 31, 2017

| OPERATOR | PROGRAM | LOCATION |
|-------------------------|--|---|
| BSE Corp. and SPE Ltd. | Exploratory Drilling | Western Newfoundland |
| Corridor Resources Inc. | Exploratory Drilling | Western Newfoundland |
| EMGS Canada Inc. | Controlled Source Electromagnetic Survey | Western Newfoundland |
| MKI AS | 4D, 3D and 2D Seismic | Labrador Shelf, Eastern and Southern Newfoundland |
| Nexen Energy ULC | Geophysical, Geochemical, Environmental and Geotechnical | Eastern Newfoundland |
| Polarcus UK Ltd. | 4D, 3D and 2D Seismic | Eastern Newfoundland |

The following table outlines the status of amended, or EAs undergoing amendment, during the 2016-17 fiscal year.

Table 5: Environmental Assessments amended or undergoing amendment during 2016-2017

| OPERATOR | PROGRAM | LOCATION | STATUS |
|------------------------------|---|-----------------------------------|---------|
| EMGS Canada Inc. | Controlled Source Electromagnetic | Eastern Newfoundland | Ongoing |
| GXT Canada Ltd. | GrandSPAN Marine 2D Seismic, Gravity and Magnetic | Eastern and Southern Newfoundland | Amended |
| GXT Canada Ltd. | 2D Seismic, Gravity and Magnetic Survey | Labrador Shelf | Ongoing |
| Husky Energy | Drill Centre Construction, Installation and Operation | Eastern Newfoundland | Amended |
| MKI AS | Northeast Newfoundland Slope | Eastern Newfoundland | Amended |
| MKI AS | Southern Grand Banks Seismic | Southern Newfoundland | Amended |
| Statoil Canada | Jeanne d'Arc and North Ridge/Flemish Pass Basin Geophysical | Eastern Newfoundland | Amended |
| StatoilHydro Canada E&P Inc. | Exploration/Appraisal/Delineation Drilling | Eastern Newfoundland | Ongoing |

During 2016-17, the C-NLOPB participated as a Federal Authority in three Environmental Impact Statements (EIS) triggered by the *Canadian Environmental Assessment Act, 2012 (CEAA, 2012)* that were initiated during the reporting period. All three were still in progress at year-end.

Table 6: Environmental Impact Statements for 2016-2017

| OPERATOR | PROJECT | LOCATION |
|-------------------|-----------------------------------|---|
| ExxonMobil Canada | Exploration Drilling | Eastern Newfoundland – Flemish Pass Region and Jeanne d’Arc Basin |
| Husky Energy | Exploration Drilling | Eastern Newfoundland – Jeanne d’Arc Basin |
| Statoil Canada | Flemish Pass Exploration Drilling | Eastern Newfoundland – Flemish Pass |

CANADIAN ENVIRONMENTAL ASSESSMENT REVIEW

The Minister of Environment and Climate Change Canada established an Expert Panel to review federal EA processes associated with the *CEAA, 2012*. The C-NLOPB participated in a workshop hosted by the EA Review Panel in Ottawa on November 2, 2016. The Board submitted a presentation to the Panel outlining the Board’s position with respect to *CEAA* EAs, EAs conducted under the *Atlantic Accord Acts*, SEAs and Responsible Authority designation. The presentation is available on the EA Panel website <http://eareview-examenee.ca/>

COMPLIANCE AND ENFORCEMENT

Operators must report all pollution incidents to the C-NLOPB for all offshore installations, including petroleum spills, unauthorized and/or unplanned discharges, releases and problems with effluent quality. The C-NLOPB reviews these reports and investigates as required.

Of the three petroleum spills reported in 2016-17, all were less than one litre. A summary of spill information for 2016-17 is provided in Table 7.

Table 7: Summary of Spill Information for 2016-2017

| COMPONENT | LITRES | PERCENTAGE OF ANNUAL TOTAL | NUMBER OF INCIDENTS |
|-------------------------------|--------|----------------------------|---------------------|
| Synthetic Based Mud | 0 | 0 | 0 |
| Crude Oil | 0 | 0 | 0 |
| Hydraulic and Lubricating Oil | 0.306 | 100 | 3 |
| Other Petroleum | 0 | 0 | 0 |

At year end, the matter related to a spill of petroleum at or near the Hibernia offloading system remained before the Courts. It is alleged that HMDC did cause a spill of crude in the Offshore Area in 2013. The matter was referred to the prosecutor after an investigation by C-NLOPB officers. A not guilty plea has been entered by HMDC.

In July 2016, the C-NLOPB issued a Notice of Non-Conformance to MKI AS in respect of the absence of its chase/picket vessel during the conduct of its Northeast Newfoundland Slope 2D Seismic Survey Program. Subsequently, the C-NLOPB has developed a risk-based approach to absences of chase/picket vessels that will be implemented for subsequent programs.

During the reporting period, Environmental Compliance Officers conducted three environmental audits. A summary of the audit activity is shown in Table 8.

Table 8: Environmental Audits conducted in 2016-2017

| OPERATOR | FIELD OR INSTALLATION | PURPOSE OF AUDIT |
|--------------|---|---|
| HMDC | Hibernia Field | Audit of third party contractor |
| HMDC | Hibernia South Extension <i>Hibernia Platform and MODU West Aquarius</i> | Oversight by HMDC for authorized releases |
| Husky Energy | <i>SeaRose FPSO</i> | Regulated Discharges |

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 the EEM review of HMDC and Suncor Energy were ongoing and the review of Husky Energy's EEM Report for 2014 was completed. The C-NLOPB, in association with external departments, reviewed and approved a request by Suncor Energy to execute their EEM survey triennially. The Hebron project draft EEM Plan, provided by ExxonMobil, is currently undergoing review.

Completed EEM reports are available in hard copy from the C-NLOPB, with more recent reports available on the C-NLOPB website.

ENVIRONMENTAL STUDIES RESEARCH FUND

The Environmental Studies Research Fund (ESRF) is a national research program which 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 (all reports are in publication):

- Baseline Surveys for Seabirds on the Labrador Sea;
- Development, Validation and Implementation of an Operational Ocean Forecasting System for the Grand Banks and Orphan Basin for Daily Operational Delivery at the Canadian Meteorological Centre;
- Mid-Labrador Marine Megafauna and Acoustic Surveys on the Labrador Coast; and
- Simulation of the Fate and Detectability of Dead Seabirds.

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

- Acoustic Modelling and Monitoring on Canada’s East Coast;
- Assessing the Quality of Marine Mammal Detection using Three Complimentary Methods;
- Assessment of the Potential Risks of Seismic Surveys to Affect Snow Crab Resources;
- Effect of Platform Discharges on Juvenile Fish in the Field; and
- Realistic Oil Spill and Mitigation Exposure Scenario Effects on Commercially Harvested Species.

Further information on the ESRF is available at 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 and exploration industry.

During the reporting period, IOPER advanced discussions on key issues facing regulators and made good progress on a number of key priority issues at its 2016 annual general meeting in Dublin, Ireland. In addition to providing updates and discussing emerging issues in their jurisdictions, IOPER members refined the IOPER work program, which currently focuses on five key priority issue areas:

- Environment Performance Indicators;
- Regulating Oil Spill Preparedness and Response;
- Public Consultation and Decision Making;
- Environmental Impact Research Collaboration Opportunities; and
- Enforcement Tool Research.

Further information is available at www.ioper.org.



OFFSHORE OPERATIONS

WELL OPERATIONS

Regulatory oversight of industry’s well operations is an important function of the C-NLOPB. The C-NLOPB may issue an Approval to Drill a Well (ADW) or an Approval to Alter the Condition of a Well (ACW). The latter may be issued when 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 comply with regulatory requirements, particularly in relation to the dual well barrier envelope requirement.

During 2016-17, Statoil concluded an 18 month deepwater drilling campaign. Special oversight measures were implemented by the C-NLOPB on a total of four wells drilled in this campaign during the reporting period.

Also during this fiscal year, the C-NLOPB undertook an effort to have quarterly reporting completed on the “health status” of all development wells within the Offshore Area. This was done so that staff could be satisfied that Operators were maintaining well integrity to the highest standards. Table 9 outlines the well operations oversight activity for this past fiscal year.

Table 9: Well Operations Oversight activity for 2016-2017

| ACTIVITY | NUMBER COMPLETED |
|--|------------------|
| ADWs | 14 |
| ACWs | 21 |
| Well Operations Monitored | 15 |
| Development Wells – Integrity Monitoring | 139 |
| OA Operational Safety Assessments | 2 |
| Operational Audits/Inspections | 4 |
| Wells Subject to Special Oversight | 4 |
| Well Termination Notifications | 23 |

INTERNATIONAL AND REGIONAL COLLABORATION

The C-NLOPB’s Well Operations Engineers continued to exercise a lead role in liaising with external groups such as the Wells Working Group for the North Sea Offshore Authorities Forum and also with members of the IRF to share best regulatory practices in the area of well operations. Attendance at key well control conferences and exhibitions also provided the opportunity to stay abreast of key technological developments and state-of-the-art well control training, practices and procedures.

The Well Operations Engineers have been engaged with the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) and local Operators to assess and recommend revisions to the Well Control training expectations detailed in the *Training and Qualifications Standard Practice (TQSP)* so as to modernize and enhance training expectations.

C-NLOPB staff has also undertaken a collaborative effort with the CNSOPB to prepare an update to the *Drilling and Production Guidelines*. The purpose of this update is to continue to address gaps from lessons we learned from the *Deepwater Horizon* incident and other key industry learnings related to well operations. At year end this update was undergoing public consultation and is targeted for issuance in 2017.

CERTIFICATION OVERSIGHT

The C-NLOPB's Certification Engineers assessed six proposed Scopes of Work for Certifying Authorities (CAs) which described the verification activities that CAs would conduct in order to issue and maintain Certificates of Fitness for prescribed installations operating in the Offshore Area. These were assessed for compliance with the regulations and then presented to the Chief Safety Officer (CSO) for approval, as required by the legislation. As part of the ongoing oversight of certification activities, Certification Engineers also received periodic CA reports, held 37 oversight meetings with the CAs and attended select CA offshore surveys. Installations monitored for CA activities are reported in Table 10.

Table 10: Installations monitored for Certifying Authorities' activities in 2016-2017

| INSTALLATION NAME | INSTALLATION TYPE | CERTIFYING AUTHORITY |
|--------------------------------|-------------------|---|
| <i>DSV Wellservicer</i> | Diving | Det Norske Veritas – Germanischer Lloyd |
| <i>Hebron Platform</i> | Production | Det Norske Veritas – Germanischer Lloyd |
| <i>MODU Henry Goodrich</i> | Drilling | Det Norske Veritas – Germanischer Lloyd |
| <i>Hibernia Platform</i> | Production | Lloyd's Register North America Inc |
| <i>MV North Sea Giant</i> | Diving | Det Norske Veritas – Germanischer Lloyd |
| <i>SeaRose FPSO</i> | Production | Det Norske Veritas – Germanischer Lloyd |
| <i>Terra Nova FPSO</i> | Production | Lloyd's Register North America Inc |
| <i>MODU Transocean Barents</i> | Drilling | Det Norske Veritas – Germanischer Lloyd |
| <i>MODU West Aquarius</i> | Drilling | Det Norske Veritas – Germanischer Lloyd |
| <i>MODU West Hercules</i> | Drilling | Det Norske Veritas – Germanischer Lloyd |

TERRA NOVA FPSO ASSET INTEGRITY REVIEW

During 2016-17, the C-NLOPB contracted Lloyd's Register Asset Integrity Services (LR-AIS) to conduct a special verification to assess; the integrity of the *Terra Nova FPSO*, the effectiveness of the Operator's maintenance management system in maintaining the asset and the Operator's compliance with regulations, codes, standards and requirements. The LR-AIS team conducted an onshore document review and offshore verification of 13 Safety Environment Critical systems. A total of 51 integrity issues were identified and while the majority of these have been addressed by the Operator, the C-NLOPB continues to monitor Suncor Energy's management of the items that remain open.

HEBRON INSTALLATION CERTIFYING AUTHORITY TRANSITION

The C-NLOPB was presented with the first occurrence of a change of CA for an installation during 2016-17. C-NLOPB Certification Engineers have been engaged with the Operator, as well as both the outgoing and incoming CAs, to ensure that a comprehensive transition plan is in place. This is necessary for the Operator and incoming CA to ensure there are no certification gaps resulting from this change in CA. This process has included review and approval of the Scope of Work for both CAs with a focus on clarity that there is a comprehensive transition program for the incoming CA and a clearly defined transition point, as there can only be one active CA and associated Certificate of Fitness for an installation at any one time.

SUBSTITUTIONS, EQUIVALENCIES OR EXEMPTIONS

The CSO and/or the Chief Conservation Officer (CCO) may authorize the use of equipment, methods, measures or standards in lieu of any required by regulations, or grant an exemption from any regulatory requirement, if satisfied that it 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 of applications for regulatory equivalencies, substitutions or exemptions. Table 11 outlines the Regulatory Query activity for this past fiscal year.

Table 11: Regulatory Query activity for 2016-2017

| STATUS | NUMBER OF EQUIVALENCIES, SUBSTITUTIONS OR EXEMPTIONS |
|----------------------------------|--|
| Applications Received in 2016-17 | 152 |
| Approved | 147 |
| Not Required | 6 |
| Rejected | 1 |
| Under Consideration at Year-End | 53 |
| Withdrawn by Applicant | 6 |

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

RIGHTS MANAGEMENT

CALLS FOR NOMINATIONS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued the following Calls for Nominations in 2016-17:

Table 12: Calls for Nominations, 2016-2017

| CALL FOR NOMINATIONS | ISSUANCE DATE | CLOSING DATE |
|--------------------------------|-------------------|-------------------|
| NL16-CFN01 (Areas of Interest) | January 25, 2016 | April 27, 2016 |
| NL16-CFN02 (Areas of Interest) | January 25, 2016 | April 27, 2016 |
| NL16-CFN03 (Parcels) | January 25, 2016 | March 16, 2016 |
| NL16-CFN04 (Areas of Interest) | September 1, 2016 | November 30, 2016 |
| NL16-CFN05 (Parcels) | September 1, 2016 | October 27, 2016 |
| NL17-CFN01 (Areas of Interest) | February 2, 2017 | April 26, 2017* |

* Once these nominations close, the C-NLOPB will review the nominations and post sectors in the successful regions from which a call for bids (Parcels) will ultimately be issued (pending Board and Ministerial approval), during the scheduled land rights issuance cycle and land tenure timing cycle.

CALLS FOR BIDS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued the following Calls for Bids in 2016-17:

Table 13: Calls for Bids, 2016-2017

| CALL FOR BIDS | PARCELS OFFERED | PARCELS AWARDED | CLOSING DATE | SUCCESSFUL BID (WORK EXPENDITURE COMMITMENTS) |
|--------------------------------------|-----------------|-----------------|-------------------|---|
| NL16-CFB01 (Eastern Newfoundland) | 13 | 6 | November 9, 2016 | \$513,972,018 |
| NL16-CFB02 (Jeanne d'Arc) as Amended | 3 | 2 | November 9, 2016 | \$244,017,776 |
| NL16-CFB03 (Labrador South Region) | 10 | - | November 8, 2017* | - |
| NL17-CFB01 (Jeanne d'Arc) | 3 | - | November 8, 2017 | - |

* or 120 days after the completion of the Labrador 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). Eight ELs were issued in the 2016-17 fiscal year from the Calls for Bids licencing rounds and one new licence issued in exchange for a licence surrender. Overall, six ELs were surrendered, one EL expired and two ELs were cancelled in the 2016-17 fiscal year.

As of March 31, 2016, there were 29 ELs, 55 SDLs and 11 PLs in the Offshore Area. In January 2017, Period I was extended for ELs 1120 and 1121.

SIGNIFICANT DISCOVERY LICENCES

During the reporting year, the Chair appointed technical committees to review significant and commercial discovery applications and amendments in accordance with the *Accord Acts* and guidelines.

OPERATING LICENCES

Any person wishing to undertake any petroleum related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 14 shows the 20 OLs issued by the C-NLOPB during the 2016-17 fiscal year.

Table 14: Operating Licences issued during Fiscal Year 2016-2017

| OPERATING LICENCE | OPERATOR |
|-------------------|--|
| OL 1601 | Electromagnetic Geoservices Canada Inc. |
| OL 1602 | ExxonMobil Canada Ltd. |
| OL 1603 | ExxonMobil Canada Ltd., as Managing Partner for ExxonMobil Canada Properties |
| OL 1604 | Statoil Canada Ltd. |
| OL 1605 | Husky Oil Operations Limited |
| OL 1606 | Schlumberger Canada Limited, as Managing Partner of WesternGeco Canada |
| OL 1607 | Hibernia Management and Development Company Ltd. |
| OL 1608 | GX Technology Canada Ltd. |
| OL 1609 | Imperial Oil Resources Limited |
| OL 1610 | Imperial Oil Resources Ventures Limited |
| OL 1611 | Chevron Canada Limited |
| OL 1612 | Chevron Canada Limited, as Managing Partner for Chevron Canada Resources |
| OL 1613 | Ptarmigan Energy Inc. |
| OL 1614 | Suncor Energy Inc. |
| OL 1615 | Shell Canada Limited |
| OL 1616 | Shoal Point Energy Ltd. |
| OL 1617 | Black Spruce Exploration Corp. |
| OL 1618 | Multi Klient Invest AS |
| OL 1619 | Corridor Resources Inc. |
| OL 1620 | MG3 (Survey) UK Ltd. |

FUNDS COLLECTED

Under the *Accord Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2016-17, \$28,265,535 was collected and remitted to the Receiver General for Canada (see Table 15). Since its inception, the C-NLOPB has collected \$287,037,460.77 on behalf of the Crown.

Table 15: Funds collected on behalf of the Receiver General for Canada for Fiscal Year 2016-2017

| FEES, FORFEITURES AND RENTALS | AMOUNT COLLECTED |
|---------------------------------|------------------------|
| Rentals | \$1,993,310.00 |
| Forfeitures (Security Deposits) | \$24,250,000.00 |
| Operating Licences | \$350.00 |
| Registry Fees | \$21,775.00 |
| Access to Information Requests | \$100.00 |
| Forfeitures (Drilling Deposits) | \$2,000,000.00 |
| Total | \$28,265,535.00 |

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. The CSRC facility has recently added a third core viewing room to increase availability for clients to access well materials.

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 22 geological programs without fieldwork, covering various land tenure regions were authorized during 2016-17. Studies conducted included petrographic, biostratigraphic, geochemical and fluid inclusion, with the Jeanne d'Arc and Eastern Newfoundland regions being the most frequently studied.

Table 16: Geological programs without fieldwork authorized during 2016-2017

| COMPANY | STUDY TYPE | REGION |
|--|--------------------------------------|--------------------------|
| Applied Petroleum Technology (UK) Ltd | Geochemical | All Regions |
| Beicip-Franlab | Geochemical | SEN, JDA, EN, LS, LN, SN |
| Core Laboratories | Regional Geological Study | All Regions |
| ExxonMobil Canada | Geochemical | JDA, EN |
| ExxonMobil Canada | Petrographic | JDA, EN |
| ExxonMobil Canada | Biostratigraphic | JDA, EN |
| ExxonMobil Canada | Petrographic and Geochemical | EN |
| ExxonMobil Canada | XRD, MICP and Petrographic | JDA, EN |
| ExxonMobil Canada | Petrographic | NEN, EN, JDA, SEN, SN |
| Fluid Inclusion Technologies | Fluid Inclusion | JDA, EN |
| Geological Survey of Canada | Lithological and Paleoenvironmental | LS |
| Memorial University of Newfoundland and Labrador | CT Scanner | JDA |
| Memorial University of Newfoundland and Labrador | Petrographic | JDA |
| Nalcor Energy | Biostratigraphic | LS |
| Nalcor Energy | Fluid Inclusion | EN |
| Nalcor Energy | Fluid Inclusion | LS |
| Nalcor Energy | Geochemical | EN |
| Nexen CNOOC | Petrographic | JDA, EN |
| RockWash | Digital Imaging and XRF | JDA, EN |
| Statoil Canada | Petrographic and Petrophysical | EN |
| Statoil Canada | Geochemical | EN |
| Statoil Canada | Paleoenvironmental and Mineralogical | EN |

The C-NLOPB reviewed and authorized six applications for geophysical programs with fieldwork in the Offshore Area in 2016-17. These programs included 2D and 3D seismic, gravity surveys and geochemical sampling/seabed coring.

Table 17: Geoscientific programs with fieldwork authorized during 2016-2017

| OPERATOR | PROGRAM | REGION | SEISMIC CMP KM | OTHER KM | GRAVITY/MAGNETIC KM |
|-------------|----------------------|-------------|----------------|-------------------------|---------------------|
| MG3 Survey | Geochemical Survey | LS, NEN, EN | N/A | 3776.9km (103 cores) | N/A |
| MKI AS | 2D Seismic & Gravity | EN | 17220.9 | N/A | 17220.9 |
| MKI AS | 2D Seismic & Gravity | SN, SEN | 16570.5 | N/A | 16570.5 |
| MKI AS | 2D Seismic & Gravity | LS, NEN | 7087.7 | N/A | 7087.7 |
| MKI AS | 3D Seismic Survey | EN | 1908.1 | N/A | N/A |
| WesternGeco | 3D Seismic Survey | EN | 10890.1 | N/A | N/A |

Note: Other Km includes data such as sidescan sonar, multibeam, bathymetry and oil slick sampling/seabed coring.

Key for Tables 16 and 17

| | | |
|----------------------------------|--|----------------------------------|
| CMP = Common Midpoint Kilometres | LS = Labrador South | SEN = South Eastern Newfoundland |
| CT= Computerized Tomography | MICP= Mercury Injection Capillary Pressure | SN = Southern Newfoundland |
| EN = Eastern Newfoundland | MKI = Multi Klient Invest AS | XRD= X-Ray Diffraction |
| JDA = Jeanne d’Arc | NEN = North Eastern Newfoundland | XRF= X-Ray Fluorescence |
| LN = Labrador North | | |



PRODUCTION ACTIVITIES

As part of the C-NLOPB's mandate, Resource Management provides oversight of Operator production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans. The C-NLOPB's resource management staff provides daily monitoring and reviews monthly production data to ensure Operators are following all approved plans.

HIBERNIA

Total oil production at the Hibernia Field for 2016-17 was 52.59 million barrels (MMbbls) with a daily average of 144,089 barrels (bbls). A major milestone was achieved on December 21, 2016 when the Hibernia Platform produced its one billionth barrel of oil. The C-NLOPB estimates oil reserves at the Hibernia Field to be 1,644 MMbbls.

Table 18: Hibernia Field production statistics for 2016-2017

| | | 2016-17 | CUMULATIVE TO MARCH 31, 2017 |
|------------------------|--------|---------|------------------------------|
| Production | | | |
| Oil | MMbbls | 52.59 | 1015.41 |
| Gas | Bscf | 99.24 | 1643.11 |
| Water | MMbbls | 34.28 | 545.49 |
| Gas Disposition | | | |
| Flared | Bscf | 2.38 | 93.08 |
| Fuel | Bscf | 5.55 | 102.50 |
| Injected | Bscf | 91.15 | 1447.37 |
| Lift | Bscf | 2.21 | 2.21 |
| Water Injected | MMbbls | 84.46 | 1476.58 |

TERRA NOVA

Total oil production at the Terra Nova Field for 2016-17 was 12.49 MMbbls, with a daily average of 34,207 bbls. The C-NLOPB estimates oil reserves and resources at the Terra Nova Field to be 506 MMbbls.

Table 19: Terra Nova Field production statistics for 2016-2017

| | | 2016-17 | CUMULATIVE TO MARCH 31, 2017 |
|------------------------|--------|---------|------------------------------|
| Production | | | |
| Oil | MMbbls | 12.49 | 394.77 |
| Gas | Bscf | 55.23 | 681.28 |
| Water | MMbbls | 32.98 | 303.68 |
| Gas Disposition | | | |
| Flared | Bscf | 1.63 | 58.37 |
| Fuel | Bscf | 5.05 | 62.62 |
| Injected | Bscf | 48.55 | 560.29 |
| Lift | Bscf | 13.26 | 107.28 |
| Water Injected | MMbbls | 51.46 | 683.25 |

WHITE ROSE

Total oil production at the White Rose Field for 2016-17 was 11.19 MMbbls with a daily average of 30,653 bbls. The C-NLOPB estimates oil reserves and resources at the White Rose Field to be 404 MMbbls.

Table 20: White Rose Field production statistics for 2016-2017

| | | 2016-17 | CUMULATIVE TO MARCH 31, 2017 |
|------------------------|--------|---------|---------------------------------|
| Production | | | |
| Oil | MMbbls | 11.19 | 226.45 |
| Gas | Bscf | 23.99 | 225.43 |
| Water | MMbbls | 11.57 | 131.41 |
| Gas Disposition | | | |
| Flared | Bscf | 1.84 | 34.46 |
| Fuel | Bscf | 3.71 | 32.91 |
| Injected | Bscf | 18.45 | 158.06 |
| Lift | Bscf | 13.32 | 91.66 |
| Water Injected | | | |
| | MMbbls | 35.87 | 493.22 |

NORTH AMETHYST

Total oil production at the North Amethyst Field for 2016-17 was 3.44 MMbbls, with a daily average rate of 9,434 bbls. The C-NLOPB estimates oil reserves and resources at the North Amethyst Field to be 75 MMbbls.

Table 21: North Amethyst Field production statistics for 2016-2017

| | | 2016-17 | CUMULATIVE TO MARCH 31, 2017 |
|------------------------|--------|---------|---------------------------------|
| Production | | | |
| Oil | MMbbls | 3.44 | 47.23 |
| Gas | Bscf | 2.82 | 34.99 |
| Water | MMbbls | 8.72 | 56.71 |
| Gas Disposition | | | |
| Flared | Bscf | 0.20 | 3.49 |
| Fuel | Bscf | 0.43 | 6.29 |
| Injected | Bscf | 2.18 | 25.20 |
| Lift | Bscf | 7.85 | 36.76 |
| Water Injected | | | |
| | MMbbls | 12.25 | 127.98 |

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

HEBRON

The Hebron Asset, discovered in 1981, consists of three fields; Hebron, Ben Nevis and West Ben Nevis. These undeveloped fields are located north of the Terra Nova Field. A Development Plan was filed with the C-NLOPB during 2011-12 and was approved in April 2012. First oil is expected from the Hebron Asset in 2017. Total reserves for the Hebron Asset are estimated at 707 MMbbls.

INDUSTRIAL BENEFITS ADMINISTRATION

BENEFITS PLANS

In 2016-17, the offshore exploration and production activities of the Hibernia, Terra Nova, White Rose and North Amethyst projects continued to be monitored for compliance with the approved benefits plan provisions in relation to contracting and employment, supply of goods and services, diversity, research and development (R&D) and education and training (E&T). Staff also continued to monitor contracting, procurement and employment associated with the construction phase of the Hebron project.

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

- Electromagnetic Geoservices Canada, Inc. (EMGS) Controlled-Source Electromagnetic Survey (CSEM);
- ExxonMobil 2016-2025 exploration activities;
- Hebron Offshore Loading System (OLS) Base Installation;
- Hebron OLS Pipeline Installation;
- Statoil 2016-2021 exploration activities;
- Husky Energy Saturation Diving Campaign;
- Husky Energy MODU Henry Goodrich authorization;
- Husky Energy Air Dive Campaign;
- MG3 Multi-beam Echo Sounder Survey and Shallow Seabed Coring;
- MKI 2D Seismic Geophysical Programs;
- Statoil Wellhead Retrieval Program; and
- WesternGeco Seismic Survey Program.

In addition, Industrial Benefits staff also review complaints from persons and companies regarding Operator employment and procurement practices. Due to sustained low oil prices, activities at both the Operator and contractor levels triggered many complaints. Nine comprehensive reviews were conducted in these areas in 2016-17, along with multiple others of lesser scope.

EXPENDITURE AND EMPLOYMENT DATA

During the 2016 calendar year, Operators reported expenditures of \$4.8 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$56.1 billion.

As of December 31, 2016, there were 7,608 Newfoundland and Labrador and other Canadian residents working in direct support of petroleum-related activity in the Offshore Area.

During 2016, \$444.7 million was spent on exploration programs generating approximately 3,898 person-months of employment. Ongoing production activities accounted for expenditures of \$1.6 billion in 2016, of which approximately 52 percent of annual expenditures occurred in Newfoundland and Labrador and a further 24 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 the construction phase of the Hebron project.

HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY LTD.

HMDC reported expenditures of \$1.1 billion for the 2016-17 fiscal year, with 76 percent Canadian content including 53 percent Newfoundland and Labrador content.

As of March 31, 2017, total direct employment in the province in support of the Hibernia project was 1,804 persons. Of this amount, 87 percent of the workers was Newfoundland and Labrador residents at the time of hire, and nine percent was other Canadian residents.

Table 22: Hibernia Employment (as of March 31, 2017)

| LOCATION | RESIDENCY | | | TOTAL |
|---------------------|---------------------------|-----------------|---------------|--------------|
| | NEWFOUNDLAND AND LABRADOR | OTHER CANADIANS | NON-CANADIANS | |
| Onshore Operations | 583 | 97 | 32 | 712 |
| Offshore Operations | 992 | 68 | 32 | 1,092 |
| Total | 1,575 | 165 | 64 | 1,804 |

TERRA NOVA

Suncor Energy reported expenditures of \$287 million for the fiscal year 2016-17, with 73 percent Canadian content including 56 percent Newfoundland and Labrador content.

As of March 31, 2017, total direct employment in support of the Terra Nova project was 725 persons. At the time of hire, 93 percent of this total was Newfoundland and Labrador residents and five percent was other Canadian residents.

Table 23: Terra Nova Employment (as of March 31, 2017)

| LOCATION | RESIDENCY | | | TOTAL |
|---------------------|---------------------------|-----------------|---------------|------------|
| | NEWFOUNDLAND AND LABRADOR | OTHER CANADIANS | NON-CANADIANS | |
| Onshore Operations | 403 | 24 | 15 | 442 |
| Offshore Operations | 269 | 13 | 1 | 283 |
| Total | 672 | 37 | 16 | 725 |

WHITE ROSE/NORTH AMETHYST

Husky Energy reported expenditures of \$425 million for the fiscal year 2016-17, with 84 percent Canadian content including 64 percent Newfoundland and Labrador content.

As of March 31, 2017, total direct employment in support of the White Rose/North Amethyst projects was 1,575 persons. At the time of hire, 83 percent of this total was Newfoundland and Labrador residents and eight percent was other Canadian residents.

Table 24: White Rose/North Amethyst Employment (as of March 31, 2017)

| LOCATION | RESIDENCY | | | TOTAL |
|---------------------|---------------------------|-----------------|---------------|--------------|
| | NEWFOUNDLAND AND LABRADOR | OTHER CANADIANS | NON-CANADIANS | |
| Onshore Operations | 808 | 65 | 143 | 1,016 |
| Offshore Operations | 493 | 58 | 8 | 559 |
| Total | 1,301 | 123 | 151 | 1,575 |

HEBRON

Of the expenditures reported by ExxonMobil during the fiscal year of 2016-17, total Canadian content was 62 percent, including 57 percent Newfoundland and Labrador content. As of March 31, 2017, total direct employment in support of the Hebron project was 3,263 persons. At the time of hire, 91 percent of this total was Newfoundland and Labrador residents and three percent were other Canadian residents.

Table 25: Hebron Employment (as of March 31, 2017)

| LOCATION | RESIDENCY | | | TOTAL |
|-------------------------|---------------------------|-----------------|---------------|--------------|
| | NEWFOUNDLAND AND LABRADOR | OTHER CANADIANS | NON-CANADIANS | |
| Newfoundland & Labrador | 2,978 | 82 | 169 | 3,229 |
| Other Canada | - | 8 | - | 8 |
| Outside Canada | 1 | 2 | 23 | 26 |
| Total | 2,979 | 92 | 192 | 3,263 |

RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

The C-NLOPB continued to monitor Operator's obligations to carry out R&D and E&T in the province. The total number of R&D/E&T applications approved throughout 2016-17 was 33. These applications account for approximately \$32 million in potential R&D/E&T funding. Areas of interest related to submitted applications include:

- Health and Safety;
- Environmental studies;
- Enhanced Oil Recovery (EOR);
- Ice Management;
- FPSO & Gravity Based Structure (GBS) improvements; and
- Educational initiatives.

Expenditures for the 2015 calendar year were reviewed in 2016 to determine eligibility under the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$62 million was spent on eligible R&D and E&T, bringing the total to approximately \$463 million since the C-NLOPB's guidelines came into effect on April 1, 2004. A breakdown of expenditures for the 2015 calendar year can be found on the C-NLOPB's website. Updates to these expenditures will be posted on an annual basis.



REGULATORY AFFAIRS

REGULATORY INITIATIVES

During the reporting period, C-NLOPB staff participated in the following government-led regulatory initiatives:

- Frontier Offshore Regulatory Renewal Initiative (FORRI) – Framework Regulations;
- Occupational Health and Safety (OHS) Regulations;
- Methane Regulations;
- Spill Treating Agent Regulations; and
- Net Environmental Benefits Analysis (NEBA) Guidelines.

During the reporting period the provincial department of Natural Resources and the C-NLOPB developed a Memorandum of Understanding (MOU) in respect of cross jurisdictional drilling programs. It is anticipated this MOU will be signed early in the next fiscal year.

Pursuant to Section 26.1 of the *Accord Acts*, the C-NLOPB is required to establish an audit and evaluation committee and to conduct internal audits. During 2016-17, the C-NLOPB undertook a risk profile exercise to identify, update and assess the key risks within its area of operations and a risk-based audit plan was developed. Grant Thornton was selected as the C-NLOPB's internal audit service provider and the inaugural internal audit is scheduled to be completed in early 2017-18.

The *Canada-Newfoundland and Labrador Offshore Petroleum Cost Recovery Regulations* came into force on April 1, 2016, and allow the government to recover costs associated with regulating offshore oil and gas activity from industry. In conjunction with the CNSOPB, the C-NLOPB issued new *Cost Recovery Guidelines* and implemented the new Regulations to recover costs from industry and return the funds to both governments throughout 2016-17. As a result, the governments recovered 100 percent of the C-NLOPB's costs from industry.

AUTHORIZATIONS

During 2016-17, C-NLOPB staff coordinated the issuance of 12 Authorizations which are captured in Table 26. C-NLOPB staff also issued 10 amendments to Authorizations, mainly covering the addition of support vessels to existing Authorizations.

Table 26: Authorizations issued by the C-NLOPB 2016-2017

| OPERATOR | AUTHORIZATION TYPE | INSTALLATION/VESSEL |
|--------------|---|----------------------------------|
| HMDC | OA (Renewal) - Extension | <i>MODU West Aquarius</i> |
| Husky Energy | OA | <i>MODU Henry Goodrich</i> |
| Husky Energy | DVPA | <i>North Sea Giant/Seahunter</i> |
| Husky Energy | DVPA | <i>DSV Wellservicer</i> |
| Hebron | OA (Construction) | <i>Audacia/Calamity Jane</i> |
| Hebron | OA (Construction) | <i>Seven Waves</i> |
| MG3 | Geological/Geotechnical/Environmental Authorization | <i>M/V Coriolis II</i> |
| WesternGeco | GPA (Flemish Pass) | <i>M/V Amazon Conqueror</i> |
| MKI AS | GPA (Northeast NL Slope) | <i>M/V Sanco Spirit</i> |
| MKI AS | GPA (Labrador) | <i>M/V Sanco Spirit</i> |
| MKI AS | GPA (Southern Grand Banks) | <i>M/V Atlantic Explorer</i> |
| MKI AS | GPA (Northeast NL Slope) | <i>M/V Ramform Sterling</i> |

Table 27: Regulatory Review, Licencing, Auditing and Approval Activities for 2016-2017

| ACTIVITY | NUMBER |
|---|--------|
| Applications for Regulatory Equivalency | 264 |
| Approval to Alter the Condition of a Well | 21 |
| Approval to Drill a Well | 14 |
| Benefits Plans Approvals (new or amended) | 11 |
| Commingled Production Approval | 0 |
| Diving Program Authorization | 2 |
| Environmental Assessments (new, amended or updated) | 17 |
| Environmental Audits and Inspections | 3 |
| Exploration Licences (new or amended) | 9 |
| Field Data Acquisition Program Approval | 2 |
| Flow System Application Approval | 0 |
| Flow System (Metering) Audits/Witness | 8 |
| Formation Flow Test Program Approval | 0 |
| Gas Flaring Approvals | 3 |
| Geological Programs (without fieldwork) | 22 |
| Geological Programs (with fieldwork) | 1 |
| Geophysical Operations Authorization (with fieldwork) | 5 |
| Geophysical Program Authorization (without fieldwork) | 0 |
| Geotechnical Program Authorization | 0 |
| Notices of Non-Compliance | 3 |
| Operations Authorization (new or amended) | 15 |
| Operating Licences | 20 |
| Pooling Designation | 1 |
| Production Licences (new or amended) | 0 |
| Safety Assessments | 22 |
| Safety Audits/Inspections | 24 |
| Significant Discovery Licences (new or amended) | 0 |
| Strategic Environmental Assessments | 0 |
| Work Refusals Received | 0 |
| Offshore Worker Complaints Reviewed | 10 |
| Well Termination Notifications | 23 |

PUBLIC AFFAIRS

SPEAKING ENGAGEMENTS

As part of the C-NLOPB's public outreach initiatives, C-NLOPB staff gave presentations at a number of events, including:

- Annual Newfoundland Oil and Gas Industries Association (NOIA) Conference;
- Newfoundland and Labrador Environmental Industry Association's Newleaf Conference;
- Annual Arctic Oil and Gas Symposium;
- Arctic Technology Conference;
- Luncheon for the Rotary Club of St. John's Northwest;
- Seismic Workshop organized by One Ocean;
- Northern Exposure Conference;
- Husky Energy's Diversity Forum;
- Geoscience Day (as part of Oil and Gas Week); and
- Student Society of Petroleum Engineers event.

C-NLOPB staff also hosted students from Mobil Central High School and O'Donel High School at the CSRC during Oil and Gas Week. Students received presentations from staff and a tour of the facility.

A copy of C-NLOPB presentations and speaking notes are available on the C-NLOPB's website.

PUBLIC CONSULTATIONS

The C-NLOPB consults stakeholders on a wide variety of matters including EAs, development plans, development plan amendments and draft guidelines. In 2016-17 the C-NLOPB conducted consultations on the following:

- Revisions to Drilling and Production Guidelines
- Draft Guidelines Respecting Financial Requirements and draft Administrative Monetary Penalty Guidelines
- Draft Joint Cost Recovery Guidelines
- Draft revised Canada-Newfoundland and Labrador Benefits Plan Guidelines
- Draft Atlantic Canada Standby Vessel Guidelines
- Eastern Newfoundland and Labrador Offshore Area SEA Update
- Hebron Development Plan Application
- Western Newfoundland and Labrador Offshore Area SEA Update
- White Rose Development Plan Amendment Application (South White Rose Extension Tie-Back Project)
- White Rose Extension Development Plan Amendment

C-NLOPB BLOG

The C-NLOPB introduced a new blog page on its website. Members of the public are invited to visit this page where C-NLOPB staff members share their thoughts on matters of interest.

C-NLOPB YOUTUBE CHANNEL

The C-NLOPB also has a YouTube channel available and is planning on adding several more videos during 2017-18.

INFORMATION AND DATA MANAGEMENT

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

During 2016-17, the C-NLOPB received 378 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 20 formal requests and seven formal consultation requests under the *Access to Information Act* during 2016-17. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the Act during 2016-17 will be tabled in Parliament in 2017.

Table 27: Requests under the *Access to Information Act* for 2016-2017

| | |
|--|-----------|
| INFORMAL REQUESTS | |
| Informal requests received during reporting period | 1 |
| FORMAL REQUESTS | |
| Formal requests were received during reporting period from | |
| Media | 2 |
| Academia | 0 |
| Business (private sector) | 17 |
| Organization | 0 |
| Public | 1 |
| Decline to Identify | 0 |
| Total | 20 |
| REQUESTS CLOSED DURING REPORTING PERIOD | |
| Requests where all records disclosed | 4 |
| Requests where partial records disclosed | 15 |
| Requests where no records existed | 1 |
| Requests where all records were exempted | 2 |
| Total | 22 |
| Requests brought forward to next reporting period | 1 |
| CONSULTATIONS | |
| Consultations received during reporting period | 7 |
| Number of pages reviewed | 114 |
| COMPLAINTS | |
| Complaints registered | 13 |
| COURT ACTION | |
| Requests where Federal Court review initiated | 5 |

APPENDIX: FINANCIAL STATEMENTS

Financial Statements of

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

Year ended March 31, 2017

Statement of Responsibility

The accompanying financial statements are the responsibility of the management of the Canada-Newfoundland and Labrador Offshore Petroleum Board (the "Board") and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Professional Accountants of Canada (CPA Canada).

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Audit Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to their approval of the finalized financial statements.

KPMG LLP as the Board's appointed external auditors, have audited the financial statements. The auditor's report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.



Chair



Director



KPMG LLP
Toronto Dominion Place
140 Water St, Suite 1001
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INDEPENDENT AUDITORS' REPORT

To the Directors of Canada- Newfoundland and Labrador Offshore Petroleum Board

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, 2017, the statements of operations, changes in accumulated surplus, net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canada - Newfoundland and Labrador Offshore Petroleum Board as at March 31, 2017, 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.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 to the financial statements which indicates that the comparative information presented as at for the year ended March 31, 2016 has been restated. The financial statements of Canada- Newfoundland and Labrador Offshore Petroleum Board as at and for the year ended March 31, 2016 were audited by another auditor who expressed an unqualified opinion on those statements. As part of our audit of the financial statements as at and for the year ended March 31, 2017, we audited the restatement described in Note 2 to the financial statements that was applied to restate the comparative information presented as at and for the year ended March 31, 2016. In our opinion, the restatement is appropriate and has been properly applied.

Chartered Professional Accountants

May 30, 2017

St. John's, Canada

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position
March 31, 2017 with comparative information for 2016

| | 2017 | 2016 (as restated) |
|---|-----------------------|-----------------------|
| Financial assets | | |
| Cash and cash equivalents | \$ 9,590,431 | \$ 6,957,365 |
| Receivables | 1,772,801 | 3,752,768 |
| | <u>11,363,232</u> | <u>10,710,133</u> |
| Liabilities | | |
| Payables and accruals (note 3) | 6,269,594 | 6,775,993 |
| Accrued employee future benefit obligation (note 4) | 7,940,800 | 7,018,200 |
| | <u>14,210,394</u> | <u>13,794,193</u> |
| Net debt | <u>\$ (2,847,162)</u> | <u>\$ (3,084,060)</u> |
| Non-financial assets | | |
| Prepays | \$ 591,296 | \$ 828,193 |
| Tangible capital assets (schedule 1) | 2,774,519 | 2,831,120 |
| | <u>3,365,815</u> | <u>3,659,313</u> |
| Commitments (note 6) | | |
| Contingencies (note 7) | | |
| Accumulated surplus | <u>\$ 518,653</u> | <u>\$ 575,253</u> |

See accompanying notes to the financial statements.

On behalf of the Board



Chair



Director

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Operations

Year ended March 31, 2017 with comparative information for 2016

| | Actual 2017 | Budget 2017 | Actual 2016 (as restated) |
|--|-------------------|-------------------|---------------------------------|
| Revenue: | | | |
| Operating grants: | | | |
| Government of Canada | \$ 8,694,964 | \$ 8,835,000 | \$ 8,577,820 |
| Government of Newfoundland and Labrador | 8,694,964 | 8,835,000 | 8,577,820 |
| | <u>17,389,928</u> | <u>17,670,000</u> | <u>17,155,640</u> |
| Add: | | | |
| Costs recovered from industry | 17,389,928 | 17,670,000 | 12,866,730 |
| Interest and other | 29,132 | 25,116 | 118,892 |
| | <u>17,419,060</u> | <u>17,695,116</u> | <u>12,985,622</u> |
| Less: | | | |
| Cost recoveries refunded to governments | (17,389,928) | (17,670,000) | (12,866,730) |
| Net revenue | 17,419,060 | 17,695,116 | 17,274,532 |
| Expenses (schedule 2) | | | |
| Board and executive office | 2,223,506 | 1,935,437 | 2,135,920 |
| Environmental affairs | 873,747 | 909,006 | 915,801 |
| Exploration | 2,073,832 | 2,212,526 | 1,534,899 |
| Legal, regulatory affairs and public affairs | 1,004,761 | 1,052,510 | 1,494,305 |
| Operations | 1,169,699 | 1,221,265 | 1,234,883 |
| Resource management | 2,445,563 | 2,474,323 | 2,380,676 |
| Safety | 2,450,740 | 3,001,794 | 2,832,597 |
| Administration and industrial benefits | 5,233,812 | 4,800,455 | 5,150,529 |
| | <u>17,475,660</u> | <u>17,607,316</u> | <u>17,679,610</u> |
| Annual (deficit) surplus | \$ (56,600) | \$ 87,800 | \$ (405,078) |

See accompanying notes to the financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Changes in Accumulated Surplus
Year ended March 31, 2017 with comparative information for 2016

| | Actual 2017 | Budget 2017 | Actual 2016 (as restated) |
|--|----------------|----------------|---------------------------------|
| Accumulated surplus, beginning of year | \$ 1,141,007 | \$ 575,253 | \$ 1,531,985 |
| Restatement (note 2) | (565,754) | - | (551,654) |
| Accumulated surplus, beginning of year as restated | 575,253 | - | 980,331 |
| Annual (deficit) surplus | (56,600) | 87,800 | (405,078) |
| Accumulated surplus, end of year | \$ 518,653 | \$ 663,053 | \$ 575,253 |

See accompanying notes to financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Net Debt

Year ended March 31, 2017 with comparative information for 2016

| | Actual 2017 | Actual 2016 (as restated) |
|---|----------------|---------------------------------|
| Annual deficit | \$ (56,600) | \$ (405,078) |
| Acquisition of tangible capital assets | (493,673) | (234,616) |
| Amortization of tangible capital assets | 550,274 | 625,594 |
| Decrease (decrease) in prepaids | 236,897 | (361,343) |
| Decrease (increase) in net debt | 236,898 | (375,443) |
| Net debt, beginning of year | (3,084,060) | (2,708,617) |
| Net debt, end of year | \$ (2,847,162) | \$ (3,084,060) |

See accompanying notes to financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Cash Flows

Year ended March 31, 2017 with comparative information for 2016

| | 2017 | 2016 (as restated) |
|--|--------------|-----------------------|
| Cash provided by (used in): | | |
| Operating activities: | | |
| Annual deficit | \$ (56,600) | \$ (405,078) |
| Amortization of tangible capital assets | 550,274 | 625,594 |
| | 493,674 | 220,516 |
| Change in non-cash items: | | |
| Accrued employee future benefit obligation | 922,600 | 335,600 |
| Receivables | 1,979,967 | (43,418) |
| Prepays | 236,897 | (362,343) |
| Payables and accruals | (506,399) | (3,115,189) |
| Deferred revenue | - | (30,000) |
| Operating transactions | 3,126,739 | (2,994,834) |
| Capital activity: | | |
| Cash used to acquire tangible capital assets | (493,673) | (234,616) |
| Increase (decrease) in cash and cash equivalents | 2,633,066 | (3,229,450) |
| Cash and cash equivalents, beginning of year | 6,957,365 | 10,186,815 |
| Cash and cash equivalents, end of year | \$ 9,590,431 | \$ 6,957,365 |

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2017

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 severance, 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 reasonable 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, 2017

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:

Tangible capital assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

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 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, 2017

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. Changes in fair value are recognized in annual surplus.

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.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2017

2. Restatement:

During the year, the Board identified a correction in the previous recording of accrued retiring allowances. The Board historically accrued retiring allowance for employees as they reached entitlement. As retiring allowance benefits accumulate the obligation should be accrued as the employees render the service that gives rise to the benefits.

| | As previously reported | Impact of correction of an error | As restated |
|--|------------------------|----------------------------------|--------------|
| Accrued employee future benefit obligation | \$ 6,237,900 | \$ 780,300 | \$ 7,018,200 |
| Accounts payable and accrued liabilities | 6,990,539 | (214,546) | 6,775,993 |
| Board and executive office | 2,121,820 | 14,100 | 2,135,920 |
| Accumulated surplus, March 31, 2015 | 1,531,985 | (551,654) | 980,331 |

3. Payables and accruals:

| | 2017 | 2016 |
|---|--------------|--------------|
| Trade | \$ 1,854,028 | \$ 2,755,449 |
| Government of Canada | 2,207,783 | 2,010,272 |
| Government of Newfoundland and Labrador | 2,207,783 | 2,010,272 |
| | \$ 6,269,594 | \$ 6,775,993 |

4. 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, 2017.

| | 2017 | 2016 |
|---------------------------------|--------------|--------------|
| Reconciliation of funded status | \$ 7,519,900 | \$ 7,502,200 |
| Unamortized net actuarial loss | (420,600) | (1,264,300) |
| Accrued benefit liability | \$ 7,099,300 | \$ 6,237,900 |

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements
Year ended March 31, 2017

4. Accrued employee future benefit obligation (continued):

| | 2017 | 2016 |
|---------------------------------------|------------|------------|
| Net benefit expense | | |
| Current service cost | \$ 627,000 | \$ 395,200 |
| Amortization of actuarial gain (loss) | 98,300 | (98,500) |
| Interest cost | 226,500 | 116,900 |
| | \$ 951,800 | \$ 413,600 |

Retiring allowance:

The board provides a retiring allowance to employees upon death or retirement. The allowance is equal to one weeks 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.

| | 2017 | 2016 (as restated) |
|---------------------------|------------|-----------------------|
| Accrued benefit liability | \$ 841,500 | \$ 780,300 |

| | 2017 | 2016 (as restated) |
|---------------------------------------|------------|-----------------------|
| Net benefit expense: | | |
| Current service cost | \$ 93,300 | \$ 96,100 |
| Amortization of actuarial gain (loss) | (2,000) | - |
| Interest cost | 24,100 | 20,000 |
| | \$ 115,400 | \$ 116,100 |

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

| | 2017 | 2016 |
|---|------|------|
| Discount rate | 3.0% | 2.8% |
| Rate of increase in compensation levels | 2.0% | 2.0% |
| Dental inflation rate | 4.5% | 4.5% |
| Medical inflation rate | 4.5% | 4.5% |

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2017

5. 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.

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 \$1,002,146 (2016 - \$946,294). Additional information about the plan surplus or deficit is not available.

6. Commitments:

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

| | |
|----------------|--------------|
| March 31, 2018 | \$ 1,241,308 |
| March 31, 2019 | 1,241,308 |
| March 31, 2020 | 1,241,308 |
| March 31, 2021 | 103,442 |

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2017

7. 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.

8. 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, 2017.

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 \$6,269,594 (2016 - \$6,990,539), 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 \$1,772,801 (2016 - \$3,752,768). 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.

9. Related party transactions:

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

| | |
|---|--------------|
| Operating grant: | |
| Government of Canada | \$ 8,694,964 |
| Government of Newfoundland and Labrador | 8,694,964 |
| Cost recoveries refunded to Government of Canada | (8,694,964) |
| Cost recoveries refunded to Government of Newfoundland and Labrador | (8,694,964) |

10. Comparative figures

The comparative figures have been reclassified, where applicable, to conform with the presentation used in the current year. The changes do not affect prior year earnings.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 1 - Tangible Capital Assets
Year ended March 31, 2017

| | Land and parking lot | Buildings | Leasehold improvements | Furniture and fixtures | Data and management system | Computer software | Computer equipment | 2017 | 2016 |
|---|----------------------|---------------------|------------------------|------------------------|----------------------------|---------------------|---------------------|----------------------|---------------------|
| Cost, beginning of year | \$ 258,297 | \$ 3,317,089 | \$ 377,415 | \$ 997,040 | \$ 1,108,298 | \$ 1,008,712 | \$ 2,454,829 | \$ 9,521,680 | \$ 9,567,427 |
| Additions during the year | - | - | - | 73,285 | - | 265,538 | 154,850 | 493,673 | 234,616 |
| Disposals during the year | - | - | - | (1,578) | - | - | (10,816) | (12,394) | (280,363) |
| Cost, end of year | \$ 258,297 | \$ 3,317,089 | \$ 377,415 | \$ 1,068,747 | \$ 1,108,298 | \$ 1,274,250 | \$ 2,598,863 | \$ 10,002,959 | \$ 9,521,680 |
| Accumulated amortization, beginning of year | \$ - | \$ 1,291,235 | \$ 377,415 | \$ 879,900 | \$ 1,108,298 | \$ 991,969 | \$ 2,041,743 | \$ 6,690,560 | \$ 6,345,329 |
| Amortization | - | 81,034 | - | 67,207 | - | 141,140 | 260,893 | 550,274 | 625,594 |
| Reversals of accumulated depreciation relating to disposals | - | - | - | (1,578) | - | - | (10,816) | (12,394) | (280,363) |
| Accumulated amortization, end of year | \$ - | \$ 1,372,269 | \$ 377,415 | \$ 945,529 | \$ 1,108,298 | \$ 1,133,109 | \$ 2,291,820 | \$ 7,228,440 | \$ 6,690,560 |
| Net book value of tangible capital assets | \$ 258,297 | \$ 1,944,820 | \$ - | \$ 123,218 | \$ - | \$ 141,141 | \$ 307,043 | \$ 2,774,519 | \$ 2,831,120 |

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 2 - Expenses
Year ended March 31, 2017

| | 2017 | 2016 (as restated) |
|--|------------------|-----------------------|
| Board and executive office: | | |
| Consultants fees | \$ 289,524 | \$ 729,343 |
| Miscellaneous | 6,660 | 6,217 |
| Training and conferences | 55,331 | 113,640 |
| Travel | 32,018 | 39,196 |
| Wages and benefits | 1,839,973 | 1,247,524 |
| | <u>2,223,506</u> | <u>2,135,920</u> |
| Environmental affairs: | | |
| Miscellaneous | 2,612 | 2,131 |
| Training and conferences | 13,822 | 17,081 |
| Travel | 6,103 | 10,341 |
| Wages and benefits | 851,211 | 886,248 |
| | <u>873,747</u> | <u>915,801</u> |
| Exploration: | | |
| Miscellaneous | 5,327 | 3,807 |
| Training and conferences | 49,230 | 75,280 |
| Travel | 3,774 | 4,544 |
| Wages and benefits | 2,015,502 | 1,451,268 |
| | <u>2,073,832</u> | <u>1,534,899</u> |
| Legal, regulatory affairs and public affairs: | | |
| Miscellaneous | 3,923 | 3,431 |
| Training and conferences | 7,471 | 25,994 |
| Travel | 7,279 | 19,269 |
| Wages and benefits | 986,088 | 1,445,611 |
| | <u>1,004,761</u> | <u>1,494,305</u> |
| Operations: | | |
| Miscellaneous | 2,913 | 3,766 |
| Training and conferences | 40,753 | 58,333 |
| Travel | 26,304 | 11,657 |
| Wages and benefits | 1,099,729 | 1,161,127 |
| | <u>1,169,699</u> | <u>1,234,883</u> |
| Resource management: | | |
| Miscellaneous | 7,006 | 5,254 |
| Training and conferences | 111,268 | 132,243 |
| Travel | 1,145 | 4,297 |
| Wages and benefits | 2,326,144 | 2,238,882 |
| | <u>2,445,563</u> | <u>2,380,676</u> |

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses (continued)
Year ended March 31, 2017

| | 2017 | 2016 (as restated) |
|--|----------------------|-----------------------|
| Safety: | | |
| Consultants fees | \$ 199,344 | \$ 763,971 |
| Miscellaneous | 7,505 | 5,126 |
| Training and conferences | 129,561 | 153,320 |
| Travel | 28,271 | 16,008 |
| Wages and benefits | 2,086,059 | 1,894,172 |
| | <u>2,450,740</u> | <u>2,832,597</u> |
| Administration and industrial benefits: | | |
| Amortization of tangible capital assets | 550,274 | 625,594 |
| Computer support and maintenance | 956,917 | 940,310 |
| General office maintenance | 499,602 | 561,879 |
| Rent | 1,452,784 | 1,300,369 |
| Training and conferences | 5,293 | 11,289 |
| Travel | - | 2,539 |
| Wages and benefits | 1,768,942 | 1,708,549 |
| | <u>5,233,812</u> | <u>5,150,529</u> |
| | <u>\$ 17,475,660</u> | <u>\$ 17,679,610</u> |



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