



2019–20

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



June 29, 2020

The Honourable Seamus O'Regan, MP.
Minister of Natural Resources
Government of Canada

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

The Honourable Tom Osborne, 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*, we are pleased to present the Annual Report, together with the financial statements, of the Canada-Newfoundland and Labrador Offshore Petroleum Board for the fiscal year ending March 31, 2020.

Respectfully submitted,

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

Roger Grimes
Chair

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

Scott Tessier
Chief Executive Officer

INTRODUCTION

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

As of March 31, 2020, the C-NLOPB had 95 permanent staff and its budget for fiscal year 2019-20 was \$22,375,000. Pursuant to the *Cost Recovery Regulations and Guidelines*, the C-NLOPB recovered 97.80% of its costs from industry for 2019-20.

The Board's main office is located at 140 Water Street, St. John's, and its Core Storage and Research Centre is located at 30-32 Duffy Place, St. John's.

The Annual Report of the C-NLOPB highlights its accomplishments and activities for 2019-20. The report is aligned with the C-NLOPB's strategic plan and business plan and includes audited financial statements.

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



Hibernia Platform

TABLE OF CONTENTS

BOARD MEMBERS AND MANAGEMENT	4
MESSAGE FROM THE CHIEF EXECUTIVE OFFICER	5
INTERNATIONAL COLLABORATION	7
SAFETY OF OFFSHORE WORKERS.....	8
PROTECTION OF THE ENVIRONMENT	12
OFFSHORE OPERATIONS	18
RIGHTS MANAGEMENT.....	23
MANAGEMENT OF RESOURCES	25
INDUSTRIAL BENEFITS.....	28
CORPORATE SERVICES AND REGULATORY AFFAIRS	32
INFORMATION AND DATA MANAGEMENT	35
APPENDIX: LIST OF ABBREVIATIONS AND LIST OF UNITS	36
FINANCIAL STATEMENTS	38

Photo Credits: C-NLOPB, ExxonMobil, Husky Energy, Suncor Energy
ISBN: 978-1-927098-93-6

BOARD MEMBERS



Roger Grimes, Chair



Lori Bevan, Member



Kim Dunphy, Member



Wes Foote, Member



Brian Maynard, Member



Ted O'Keefe, Member

MANAGEMENT

Scott Tessier
Chief Executive Officer

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

John Crocker
Director of Corporate Services and Regulatory Affairs

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

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

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

Michael Baker, CPHR, SHRM-SCP
Director of Industrial Benefits

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

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

Elizabeth Young
Director of Environmental Affairs

For further information on Board Members and C-NLOPB Management, please visit
www.cnlopbc.ca/about/board/

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



This reporting year was among the most challenging in the C-NLOPB's 35-year history. I am pleased to report that our organization has not only met those challenges, but we have learned from them and become more effective as a result.

During this period, our regulatory oversight extended to a number of significant offshore incidents, including serious injuries to two workers in separate incidents in September and December 2019.

There were also two significant petroleum spills earlier in 2019 from the *Hibernia* platform. Each of these incidents is now the subject of a formal, ongoing C-NLOPB investigation. In the meantime, we have ensured the operators responsible have implemented and shared the operational lessons learned and corrective measures arising from these incidents.

These four incidents and two significant unauthorized discharges in 2018 have been acknowledged by operators in the Canada-Newfoundland and Labrador Offshore Area as unacceptable, just as they were and remain disappointing to the C-NLOPB. Last Fall, we communicated clearly to industry that better performance is necessary. We outlined our expectations for an industry-wide improvement agenda to current operators, new entrants, Certifying Authorities, contractors and sub-contractors. We hosted the first annual Oil Spill Prevention and Response Forum in St. John's in December 2019, featuring over 100 participants from regulatory agencies and government departments, oil and gas companies, the supply and service community, and fishing industry representatives. The Forum provided an opportunity for participants to undertake a collective review of lessons learned and corrective actions. In February 2020, industry released *Collaborating for Safety and Sustainability: A Continuous Improvement Plan*.

In 2019-20, Canada proudly assumed the role of Chair of the International Regulators Forum (IRF). The C-NLOPB, along with the Canada-Nova Scotia Offshore Petroleum Board and the Canadian Energy Regulator, continued to share lessons learned with upstream oil and gas health and safety regulators from ten other countries. At its 2019 Annual General Meeting, the IRF reiterated its call to action to industry for enhanced safety leadership with sustained efforts to prevent incidents, particularly with respect to process safety and major incidents. C-NLOPB staff remained active in a number of other bilateral and multilateral international engagements in support of enhanced delivery of our mandate.

The year also featured continued cooperation with Canadian regulators and governments on regulatory reform and preparations for implementation of the new *Impact Assessment Act* and a number of other successful initiatives under the auspices of the *Atlantic Accord* legislative and regulatory regime. I wish to acknowledge the support and cooperation of our regulatory colleagues and governments.

I would also like to thank our Chair, Roger Grimes, and all of our Board members for their support and guidance. This was our first year under a new governance structure with separate Chair and Chief Executive Officer positions. It has proven to be a highly effective change, thanks in no small part to Roger.

Last but certainly not least, the C-NLOPB management team and our staff have again performed admirably under at times difficult circumstances. They have delivered their responsibilities with great professionalism, dedication and resilience, even as COVID-19 changed our work and our entire world beginning in March 2020. To them, I say thank you.



Scott Tessier

Chief Executive Officer

INTERNATIONAL COLLABORATION

INTERNATIONAL REGULATORS FORUM

As the Chair of the International Regulators Forum (IRF), the C-NLOPB, along with the Canada Nova Scotia Offshore Petroleum Board (CNSOPB) and the Canada Energy Regulator (CER) on behalf of Canada, helped lead the exchange of best practices, trend analyses, audit and enforcement strategies, and findings of interest arising from incidents within member jurisdictions.

As the offshore petroleum industry continued to monitor the global pandemic of COVID-19 during 2019-20, the IRF encouraged industry participants (not only operators) to continue to build upon improved information sharing and measures already taken to reduce the risks of transmission or spread of COVID-19. It is vital that the industry continues to focus on prevention, pay attention to the cumulative effects of risks, and maintain appropriate emergency response readiness.

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

INTERNATIONAL OFFSHORE PETROLEUM ENVIRONMENTAL REGULATORS

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

During the reporting period, the C-NLOPB continued to participate in the IOPER forum, including attending its 2019 annual general meeting in Washington, DC. IOPER working groups are currently addressing acoustic effects of offshore oil and gas activities on the environment and oil spill preparedness and response.

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

Further information is available at www.ioper.org.

ADDITIONAL INTERNATIONAL COLLABORATION

The C-NLOPB also continued to exercise a lead role in liaising with external groups such as the Wells Working Group and the Health and Safety (Asset Integrity) Working Group for the North Sea Offshore Authorities Forum.

C-NLOPB staff also continued to conduct bilateral discussions with other regulatory agencies such as the Commission for Regulation of Utilities in Ireland, Health and Safety Executive in the UK and the Petroleum Safety Authority in Norway. Topics included lessons learned from focused enforcement and audit strategies based on the findings of investigation of incidents on common rigs that have operated in their respective jurisdictions and well design practices.

SAFETY OF OFFSHORE WORKERS

SAFETY ASSESSMENTS

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

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

In 2019-20, the C-NLOPB’s Safety Department conducted 27 safety assessments as part of this oversight as outlined in Table 1 below.

Table 1: Safety Assessments Completed in 2019-2020

OPERATOR	ACTIVITY
China National Offshore Oil Corporation (CNOOC) Petroleum North America ULC	<ul style="list-style-type: none"> • Operations Authorization (OA) Drilling • Remotely Operated Vehicle (ROV) seabed survey
Equinor Canada Ltd.	<ul style="list-style-type: none"> • Construction Authorization (wellhead removal) • Geotechnical Program Authorization • OA amendment
ExxonMobil Canada Properties (EMCP)	<ul style="list-style-type: none"> • Construction Authorization • OA Drilling • Two OA amendments • Sponge survey
GX Technology Canada Ltd. (GXT)	<ul style="list-style-type: none"> • Geotechnical program authorization
Hibernia Management Development Company (HMDC)	<ul style="list-style-type: none"> • Five OA amendments
Husky Energy	<ul style="list-style-type: none"> • Three Construction Authorizations • OA amendment
Multiklient Invest AS (MKI AS)	<ul style="list-style-type: none"> • Geophysical Program Authorization
Suncor Energy	<ul style="list-style-type: none"> • Three Construction Authorization amendments • Three OA amendments

COMPLIANCE AND ENFORCEMENT

Safety Officers conduct enquiries, issue orders, investigate work refusals and verify compliance by conducting safety inspections, safety audits, pre-approval safety audits and other oversight activities. During 2019-20, the C-NLOPB completed 24 audits, inspections and oversight activities listed in Table 2.

Table 2: Audits, Inspections and Oversight Activities Completed in 2019-2020

OPERATOR/PROVIDER OF SERVICE	INSTALLATION/VESSEL	AUDIT/INSPECTION/OVERSIGHT
CNOOC	M/V <i>Horizon Star</i>	<ul style="list-style-type: none"> • Pre-approval inspection
CNOOC	<i>Stena IceMAX</i>	<ul style="list-style-type: none"> • Pre-approval inspection
Cougar Helicopters Inc. and Suncor Energy	N/A	<ul style="list-style-type: none"> • Helicopter Oversight Safety Review audit
Equinor Canada Ltd.	M/V <i>Fugro Synergy</i>	<ul style="list-style-type: none"> • Pre-approval inspection
EMCP	<i>Hebron</i> Platform	<ul style="list-style-type: none"> • Control of Work/Permit to Work audit • Fire Protection audit • Two inspections
GXT	M/V <i>HAI YANG SHI YOU 760</i>	<ul style="list-style-type: none"> • Pre-approval inspection
HMDC	M/V <i>Heerema Thialf</i>	<ul style="list-style-type: none"> • Pre-approval inspection
HMDC	<i>Hibernia</i> Platform	<ul style="list-style-type: none"> • Inspection
HMDC	Mobile Offshore Drilling Unit (MODU) <i>West Aquarius</i>	<ul style="list-style-type: none"> • Pre-approval audit • Inspection
Husky Energy	MODU <i>Henry Goodrich</i>	<ul style="list-style-type: none"> • Inspection
Husky Energy	<i>SeaRose</i> Floating, Production, Storage and Offloading (FPSO)	<ul style="list-style-type: none"> • Two inspections
MKI AS	M/V <i>Sanco Atlantic</i>	<ul style="list-style-type: none"> • Pre-approval inspection
MKI AS	M/V <i>Ramform Titan</i>	<ul style="list-style-type: none"> • Pre-approval inspection
MKI AS	M/V <i>Ramform Atlas</i>	<ul style="list-style-type: none"> • Pre-approval inspection
Suncor Energy	<i>Terra Nova</i> FPSO	<ul style="list-style-type: none"> • Three inspections
Suncor Energy	MODU <i>Transocean Barents</i>	<ul style="list-style-type: none"> • Control of Work/Permit to Work audit • Inspection

During the 2019-20 period, enquires continued or commenced into a number of safety occurrences as summarized in Table 3.

Table 3: Summary of Safety Enforcement Activities for 2019-2020

INCIDENT DATE	NATURE OF INCIDENT	STATUS
September 6, 2019	A worker on board the MODU <i>Transocean Barents</i> suffered a serious injury when they were caught between a steel adapter weighing 1400kg and a rail during crane operations.	Enquiry Ongoing
December 19, 2019	The Chief Safety Officer (CSO) issued a Notice of Non-Compliance and an Order to Suspend Production in the Terra Nova Field to Suncor Energy related to the maintenance management system, which was not in compliance with regulatory requirements and resulted in the impairment of the Fire Water Pump A on the <i>Terra Nova</i> FPSO.	Active
December 29, 2019	A worker onboard the <i>Terra Nova</i> FPSO was injured after falling from a ladder while conducting gas testing.	Enquiry Ongoing
January 15, 2020	The CSO issued an Order Respecting Dangerous Operations to Suncor Energy in relation to the <i>Terra Nova</i> FPSO to take immediate measures to ensure the use of a fall protection system for all vertical ladders greater than six metres in length that are not fitted with a protective cage at or near the <i>Terra Nova</i> FPSO.	Active
January 20, 2020	The CSO issued an Order Respecting Dangerous Operations to Suncor Energy in relation to the <i>Terra Nova</i> FPSO to immediately cease all confined space work and that all confined space work policies and procedures be reviewed by Suncor Energy.	Closed

MONITORING

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

The operator is required to report and investigate all incidents as described in the C-NLOPB *Incident Reporting and Investigation Guidelines*. During 2019-20, the Safety Department reviewed 222 safety related incident reports from operators.

During this reporting period 5,834,891 hours were worked in the Offshore Area. There were 17 incidents that resulted in a reportable injury or illness, which translates to a reportable injury frequency rate of 2.91 per million hours worked.

HEALTH AND SAFETY COMPLAINTS

During 2019-20, the C-NLOPB processed one health and safety complaint. Safety Officers reviewed the circumstances surrounding the complaint with the operator and resolved the complaint appropriately.

SAFETY FORUM

There was one C-NLOPB safety forum and two workplace committee meetings held during the reporting period. The purpose of the safety forum is to provide an opportunity for offshore industry stakeholders to exchange information so that safety issues can be proactively identified and addressed, and to highlight any additional areas of concern. The focus of the fall 2019 forum was “Digitization and Safety in the Offshore Industry”.

SAFETY CONFERENCE

The C-NLOPB once again partnered with Memorial University of Newfoundland (MUN) and the Centre for Risk, Integrity and Safety Engineering (C-RISE) to organize and host the 4th Safety and Integrity Management of Operations in Harsh Environment workshop and symposium from July 15-17, 2019.

Over 200 local and international participants were in attendance. Keynote speakers included offshore industry operator representatives as well as university professors and subject matter experts. Representatives from the C-NLOPB moderated panel sessions on topics that included performance based regulations and transportation safety.



2019 C-NLOPB Safety Forum

PROTECTION OF THE ENVIRONMENT

ENVIRONMENTAL PROTECTION PLANS

An Environmental Protection Plan (EPP) is a document or set of documents that describes an operator’s responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity. An operator’s EPP is reviewed as part of its application for an authorization. As well, if an operator amends an EPP, the C-NLOPB reviews the proposed changes for acceptability before the changes can be implemented. During the 2019-20 reporting period, 10 new or amended EPPs were reviewed for the following fields or installations.

Table 4: New EPPs or Amendments to Existing EPPs 2019-2020

OPERATOR	FIELD/INSTALLATION/VESSEL	COUNT
ExxonMobil Canada	MODU <i>West Aquarius</i>	1
HMDC	Hibernia Field	2
Husky Energy	<i>SeaRose</i> FPSO and MODU <i>Henry Goodrich</i>	2
Suncor Energy	<i>Terra Nova</i> FPSO and MODU <i>Transocean Barents</i>	5

STRATEGIC ENVIRONMENTAL ASSESSMENT

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

REGIONAL ASSESSMENT

Throughout the reporting period, the C-NLOPB worked with the Impact Assessment Agency of Canada (IAAC), Natural Resources Canada (NRCan) and Natural Resources Newfoundland and Labrador (NRNL) to support the five-member Regional Assessment Committee (RAC) conducting a Regional Assessment (RA) of offshore oil and gas exploratory drilling east of Newfoundland and Labrador. Both the RAC and the supporting Task Team were co-chaired by C-NLOPB representatives. The final RA Report was submitted to the Minister of Environment and Climate Change Canada (ECCC) in February 2020 and made public in early March. The RA Report is supported by a Geographic Information System Decision-Support Tool, a draft of which was released for public comment on February 3, 2020. The final report is expected to be released in June 2020. The C-NLOPB continues to be engaged with NRCan, NRNL and IAAC on the forthcoming Ministerial Regulation and Response.

Additional information on the Regional Assessment can be found at:

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

ENVIRONMENTAL ASSESSMENT

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

In accordance with the C-NLOPB's responsibilities under the Accord Acts and section 82 of the *Impact Assessment Act* (S.C. 2019, c. 28, s. 1), there were eight environmental assessments (EAs) initiated, continued, amended or terminated by the C-NLOPB during the 2019-20 reporting period as shown in Table 5. Documents related to ongoing and completed assessments by the C-NLOPB of offshore activities, are available on the C-NLOPB website: <https://www.cnlopb.ca/assessments/>.

Table 5: Accord Acts Environmental Assessments during 2019-2020

OPERATOR	PROGRAM	LOCATION	STATUS AS OF MARCH 31, 2020
BHP Canada	Seabed Survey	Eastern Newfoundland (EN)	Active
BP Canada Energy Group ULC	ROV Video Survey	EN	Completed
BP Canada Energy Group ULC	Controlled Source Electromagnetic (CSEM) Survey	EN	Active
Chevron Canada Limited	3D Seismic	EN	Active
Corridor Resources Inc.	Exploratory Drilling	Western Newfoundland	Terminated
GXT	GrandSPAN Marine 2D Seismic, Gravity and Magnetic Survey	EN	Amended
MKI AS	4D, 3D and 2D Seismic	Labrador Shelf	Completed
MKI AS	4D, 3D and 2D Seismic	EN and Southern Newfoundland (SN)	Undergoing Amendment

In accordance with its responsibilities under section 23 of the *Impact Assessment Act* (IAA) (S.C. 2019, c. 28, s. 1), the C-NLOPB provided expert information or knowledge to the IAAC in the ten exploratory drilling EAs that were triggered under the *Canadian Environmental Assessment Act, 2012* (CEAA 2012), during the reporting period. When the IAA came into force on August 28, 2019, eight of these projects continued under the IAA. Five were still in progress as of March 31, 2020. The C-NLOPB also continued to support the assessment of the Bay du Nord Development Project.

Designated Projects under IAA and previously CEAA 2012, supported by the C-NLOPB during the reporting period, are provided in Table 6 below. Further information on these assessments can be obtained from the IAAC Registry <https://iaac-aeic.gc.ca/050/evaluations>.

Table 6: CEAA 2012 Impact Assessment Act Designated Projects for 2019-2020

OPERATOR	PROJECT	LOCATION	STATUS
BHP Canada*	Exploration Drilling	EN	Ongoing
BP Canada Energy Group ULC*	Exploration Drilling	EN	Completed
Chevron Canada Limited*	Exploration Drilling	EN	Ongoing
CNOOC*	Exploration Drilling	EN	Completed
Equinor Canada Ltd.	Exploration Drilling (Flemish Pass)	EN	Completed
Equinor Canada Ltd.*	Exploration Drilling (Central Ridge)	EN	Ongoing
Equinor Canada Ltd.*	Bay du Nord Development	EN and Flemish Pass	Ongoing
ExxonMobil Canada Ltd. (EMCL)	Exploration Drilling	EN and Jeanne d’Arc (JDA)	Completed
EMCL*	Exploration Drilling	SEN	Ongoing
Husky Energy*	Exploration Drilling	JDA	Completed
Suncor Energy Offshore Exploration Partnership*	Exploration Drilling	JDA	Ongoing

Notes: *Assessments continued under *Impact Assessment Act* (IAA)

Prior to the enacting of the new IAA, the C-NLOPB participated in a working group with the Canadian Environmental Assessment Agency (CEAA), NRCAN, NRNL, CNSOPB and the Nova Scotia Department of Energy and Mines, to ensure a state of readiness when the bill was passed.

Throughout the reporting period, the C-NLOPB, in its role as a Federal Authority, provided expert information or knowledge to support IAAC in conducting Impact Assessments (IAs) pertaining to planned projects in C-NLOPB jurisdiction that had been initiated under CEAA 2012, and those which would be initiated, continued or completed under the IAA.

The C-NLOPB also provides ongoing compliance verification and enforcement services in respect of the conditions imposed by assessments completed under the Accord Acts, CEAA 2012 or the IAA for operations authorized by the C-NLOPB. Conservation Officers and Environmental Assessment Officers review program applications to ensure that planned activities are compliant. Compliance with the conditions imposed by assessments and conformance to operator commitments made during the assessment process are made enforceable by condition of the C-NLOPB-issued OA.

COMPLIANCE AND ENFORCEMENT

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

There were 19 spills of petroleum during the reporting period. A summary of spill information for the 2019-20 reporting period is provided in Table 7 and more information is available at the C-NLOPB's website: www.cnlopb.ca/information/statistics/.

Table 7: Summary of Spill Information for 2019-2020

COMPONENT	LITRES	PERCENTAGE OF ANNUAL TOTAL	NUMBER OF INCIDENTS
Crude Oil	4,217.4	99.986	6
Hydraulic and Lubricating Oil	1.9	0.013	7
All Other Petroleum	0.1	0.001	6

During the 2019-20 period, enquires continued or commenced into a number of environmental occurrences as summarized in Table 8.

Table 8: Summary of Environmental Enforcement Activities for 2019-2020

INCIDENT DATE	NATURE OF INCIDENT	STATUS
April 27, 2018	Spill of 28,000 litres of synthetic based mud from the MODU <i>Transocean Barents</i> . A formal enquiry was conducted by C-NLOPB Officers. The enquiry was completed in late March 2020 and the C-NLOPB was determining the most appropriate enforcement action as of March 31, 2020.	Enquiry Complete Under Review by C-NLOPB
November 16, 2018	Spill of 250,000 litres of crude oil from a failed subsea weak-link at the South White Rose Extension Drill Centre. A formal enquiry was conducted by C-NLOPB Officers and was ongoing as of March 31, 2020.	Enquiry Ongoing
July 17, 2019	Spill of 12,000 litres of petroleum from the crude storage system of the <i>Hibernia</i> Platform. C-NLOPB officers initiated a formal enquiry which was ongoing as of March 31, 2020.	Enquiry Ongoing
August 17, 2019	Spill of 2,194 litres of petroleum from the drainage system of the <i>Hibernia</i> Platform. C-NLOPB officers initiated a formal enquiry which was ongoing as of March 31, 2020.	Enquiry Ongoing

During 2019-20, C-NLOPB staff provided technical review and support for a number of amendments to Husky's OA. This was to facilitate the replacement of the weak-link that failed in November 2018, in the South White Rose Extension Drill Centre and the restart of production from affected portions of the project, in a safe and environmentally responsible manner.

As a follow up to a Notice of Non-Compliance issued to GXT in February 2019 regarding seismic acquisition in close proximity to the *Industry-Fisheries and Oceans Canada Collaborative Post-Season Crab Trap Survey*, GXT met with the C-NLOPB in April 2019 to discuss improvements to their procedural controls. A C-NLOPB Conservation Officer attended the *Hai Yang Shi You 760* prior to the start of the program to verify that the measures had been implemented.

Environmental Affairs staff also undertook enhanced communications with the Fish, Food and Allied Workers (FFAW) during the 2019 seismic season, to ensure that issues related to interactions between seismic operators and fishers were brought to the attention of the C-NLOPB, in a timely manner.

An audit of HMDC's management of environmentally critical equipment at the *Hibernia* platform was started in late 2018 and completed during the reporting period. An audit of Suncor Energy's compliance with the EPP and Waste Management Plan for the *Terra Nova* FPSO, was conducted during the reporting period. Audit results were shared with the operators, and, where an audit identified non-compliance, the operator committed to correct that non-compliance.

ENVIRONMENTAL EFFECTS MONITORING

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

During the reporting period, EEM reports for HMDC's *Hibernia* and *Hibernia South Extension* Projects for 2018, ExxonMobil Canada Ltd.'s *Hebron* Project for 2018 and Husky Energy's *White Rose* Project for 2018 were ongoing. The review of Suncor's *Terra Nova* 2017 EEM Report was completed during the reporting period. Completed EEM reports are available on the C-NLOPB website: <https://www.cnlopb.ca/environment/projects/>.

In June 2019, Husky Energy submitted its proposed revisions to the *White Rose* Environmental Effects Monitoring Program to Monitor Potential Effects of Discharges from the West *White Rose* Platform. Consolidated comments from the C-NLOPB, Fisheries and Oceans Canada (DFO) and ECCC were submitted regarding the proposal. Husky was preparing its response at the end of the reporting period.

SPILL PREVENTION AND RESPONSE FORUM

The C-NLOPB hosted its first annual Spill Prevention and Response Forum in St. John's on December 3-4, 2019. The forum featured over 100 participants from regulatory agencies and government departments, oil and gas industry companies that are, or will soon be, active in the Canada-Newfoundland and Labrador Offshore Area, along with fishing industry representatives. The Forum provided an opportunity for regulators, governments and those 'on the water' to undertake a collective review of lessons learned from spills in the Offshore Area between April 2018 and August 2019. Discussion reflected participants' commitment to continuous improvement, with particular

emphasis on ensuring operators have all the right people, processes and equipment in place for incident prevention and preparedness. There were four key priority areas identified for further work to be undertaken by the industry: better surveillance and monitoring; review and update operator contingency plans; improve initial data collection and sharing; and update a marine hydrocarbon spill response capability report to reflect lessons learned.

ENVIRONMENTAL STUDIES RESEARCH FUND

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

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

- Assessing the Quality of Marine Mammal Detection using Three Complementary Methods (in publication); and
- Assessment of the Potential Risks of Seismic Surveys to Affect Snow Crab Resources.

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

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

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

OFFSHORE OPERATIONS

WELL OPERATIONS

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

During 2019-20, with an increase in wells that required Special Oversight Measures, staff placed a focus on high-pressure/high temperature practices and source control measures for ongoing and upcoming exploration drilling campaigns. Focused sessions were conducted with operators and companies such as Wild Well Control and Add Energy, who specialize in blowout contingency planning.

During the reporting period, there were also multiple OA Applications processed associated with drilling programs. In support of this, staff provided technical support to the safety assessment review, conducted several rig inspections and assessed documentation with a primary focus to drilling, completion, workover and intervention policies and procedures to ascertain that operators' practices were in compliance with local regulations and also in alignment with good industry practice.

PRODUCTION OPERATIONS

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

Production Operations staff have also provided technical subject matter expert support for ongoing enquiries and for regulatory review of operators' plans for the safe restart of production operations.

DEVELOPMENT WELL INTEGRITY MONITORING

During the reporting period the C-NLOPB continued efforts for quarterly reporting on the integrity status of all development wells within the Offshore Area, to be satisfied that operators were maintaining well integrity to the highest standards. Six well integrity impairments were addressed during 2019-20, increasing the healthy well status from 95.4% to 98.7%. The impairments were addressed through a variety of means including reservoir abandonment and uphole suspension or slot reclaim, wireline intervention activity and a workover. Staff continue to verify that operators have additional mitigations and monitoring plans in place for all wells with impairments, while plans progress toward repairs.

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

Table 9: Well Operations Oversight Activity for 2019-2020

ACTIVITY	NUMBER COMPLETED
ACWs	23
ADWs	13
Well Operations Monitored	61
Development Wells - Integrity Monitoring	161
OA Operational Safety Assessments	3
Operational Audits/Inspections	7
Wells Subject to Special Oversight	4
Well Termination Notifications	29
Production Operations Oversight Meetings	8

REGIONAL COLLABORATION

C-NLOPB staff continues to be engaged with the Canadian Standards Association Offshore Structures Technical Working Group. The key focus is awareness and the sharing of best regulatory practices in the areas of well operations, process safety and asset integrity.

CERTIFICATION OVERSIGHT

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

In collaboration with the CNSOPB, C-NLOPB staff conducted a joint training and competency focused audit of the CA, Lloyds Register in November 2019. Two observations were raised as a result of the audit and related corrective actions were in the process of being resolved as of March 31, 2020.

Following the CSO's Notice of Non-Compliance and Order issued to Suncor on December 19, 2019, enhanced oversight of CA activities were continuing as of March 31, 2020 by the C-NLOPB, as Suncor continues to address findings from a January 2020 maintenance management audit.

Table 10 outlines the installations that were monitored for CA activities during 2019-20.

Table 10: Installations Monitored for Certifying Authority Activities in 2019-2020

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

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

Table 11: C-NLOPB Oversight of Certifying Authority Activity for 2019-2020

ACTIVITY	NUMBER COMPLETED
C-NLOPB/CA Oversight Meetings	47
Scope of Work Assessments	3
Oversight of CA Installation Verification	7

ASSET LIFE EXTENSION

During the reporting period, staff continued to develop technical content for Asset Life Extension (ALE) Program guidance, which will establish parameters to effectively manage the risks associated with aging assets in the area and promote industry best practices. Following a 45-day government and public consultation review period, the *Asset Design Life Extension Program Guideline* was subsequently published on August 6, 2019.

In parallel to this guideline development work, the local petroleum industry has been progressing plans for extending the life of other installations operating in the Offshore Area. The C-NLOPB has had significant regulatory engagement with Suncor Energy as it develops an ALE program for the *Terra Nova* FPSO, which has a design life that expires in June 2021. The *Terra Nova* FPSO Life Extension Plan remained under review as of March 31, 2020. Staff had also commenced regulatory engagement with Husky Energy as it develops an ALE program for the *SeaRose* FPSO, which has a design life that expires in 2025.

WHITE ROSE EXTENSION PROJECT

In 2017, Husky Energy officially resumed the White Rose Extension Project, which includes the design and construction of the West White Rose Platform. During 2019-20, C-NLOPB staff conducted monitoring activities of the concrete gravity structure in Argentia, NL as well as topsides construction in Ingleside, TX.

SUBSTITUTIONS, EQUIVALENCIES OR EXEMPTIONS

The CSO or the Chief Conservation Officer 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 on applications for regulatory equivalencies, substitutions or exemptions. Substitutions or Exemptions can be found on the C-NLOPB website <https://www.cnlopb.ca/legislation/equivalencies/>.

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

Table 12: Regulatory Query Activity for 2019-2020

STATUS	NUMBER OF EQUIVALENCIES, SUBSTITUTIONS OR EXEMPTIONS
Applications Received	123
Approved	70
Not Required	2
Rejected	0
Still Under Consideration	66
Withdrawn	2

Note: Applications processed and under consideration may include carryover

REGULATORY REFORM PROJECT TEAM UPDATE

During the reporting period, the C-NLOPB's Regulatory Reform Project Team continued its focus on preparing for the implementation of the new Framework and Occupational Health and Safety (OHS) Regulations. The team spent the period researching, analyzing and developing draft guidance for the respective parts of the proposed regulations. Working jointly with the CNSOPB, the team held a number of technical working group meetings with staff from both Boards. Efforts will continue in 2020-21 to progress the development of guidance for this important initiative. Several working sessions were also held with the Canadian Association of Petroleum Producers to discuss operator transition plans and certain aspects of guidance for the new regulations.

The Project Team also participated in Framework and OHS government-led regulatory initiatives by providing technical advice, as the policy intent is converted into a draft regulation. During the reporting period, the C-NLOPB received a draft of the Framework regulation from governments respecting Part III

of the Accord Acts. The team coordinated a comprehensive internal technical review of the draft regulation, provided consolidated feedback to governments and participated in follow-up meetings. This work is expected to continue through 2020-21.

Work was also started on a review of the management system framework to identify changes required in relation to new regulations and to also progress continual improvement opportunities to internal processes. As well, a review was completed to identify areas where the website, guidelines, interpretation notes, safety notices, etc. required updating. Work has been progressing on these updates and will continue through 2020-21.



Terra Nova FPSO

RIGHTS MANAGEMENT

CALLS FOR NOMINATIONS

Pursuant to the Scheduled Land Tenure System, the C-NLOPB issued the following Calls for Nominations in 2019-20.

Table 13: Calls for Nominations during 2019-2020

CALL FOR NOMINATIONS	ISSUANCE DATE	CLOSING DATE
NL19-CFN01 (EN)	August 29, 2019	November 13, 2019
NL19-CFN02 (JDA)	August 29, 2019	November 13, 2019
NL20-CFN01 (EN)	January 9, 2020	March 11, 2020

CALLS FOR BIDS

Pursuant to the Scheduled Land Tenure System, the following Calls for Bids were offered as of March 31, 2020.

Table 14: Active Calls for Bids during 2019-2020

CALL FOR BIDS	PARCELS OFFERED	PARCELS AWARDED	CLOSING DATE	SUCCESSFUL BID (WORK EXPENDITURE COMMITMENTS)
NL16-CFB03 (Labrador South - LS)	10	TBD	TBD*	TBD
NL19-CFB01 (South Eastern Newfoundland - SEN)	9	1	November 6, 2019	\$10,135,948.00
NL19-CFB02 (JDA)	4	2	November 6, 2019	\$28,472,496.00

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

STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). Three ELs and two SDLs were issued in the 2019-20 fiscal year from the Call for Bids licencing round and two licences expired.

As of March 31, 2020 there were 31 ELs, 58 SDLs and 12 PLs in the Offshore Area.

SIGNIFICANT DISCOVERY LICENCES

During the reporting year, a technical committee was appointed to review a significant discovery application for Harpoon O-85 - Flemish Pass Basin, in accordance with the Accord Acts and C-NLOPB guidelines. As of March 31, 2020, this review was ongoing.

OPERATING LICENCES

Any person planning to undertake any petroleum-related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 15 shows the 16 OLs issued by the C-NLOPB during the 2019-20 fiscal year.

Table 15: Operating Licences Issued During Fiscal Year 2019-2020

OPERATING LICENCE	OPERATOR
OL 2001	BHP Petroleum (New Ventures) Corporation
OL 2002	ExxonMobil Canada Ltd.
OL 2003	ExxonMobil Canada Ltd., as Managing Partner for ExxonMobil Canada Properties
OL 2004	Imperial Oil Resources Limited
OL 2005	Multiklient Invest AS
OL 2006	WesternGeco Canada, a division of Schlumberger Canada Limited
OL 2007	Husky Oil Operations Limited
OL 2008	Fugro Geosurveys, a division of Fugro Canada Corp.
OL 2009	CNOOC Petroleum North America ULC
OL 2010	BP Canada Energy Group ULC
OL 2011	Chevron Canada Limited
OL 2012	Chevron Canada Limited, as Managing Partner for Chevron Canada Resources
OL 2013	Equinor Canada Ltd.
OL 2014	Suncory Energy Inc.
OL 2015	Hibernia Management and Development Company Ltd.
OL 2016	Shoal Point Energy Ltd.

FUNDS COLLECTED

Under the Accord Acts, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2019-20, \$76,505.00 was collected and remitted to the Receiver General for Canada (see Table 16). Since its inception, the C-NLOPB has collected \$300,139,970 on behalf of the Crown for land tenure transactions.

Table 16: Funds Collected on Behalf of the Receiver General for Fiscal Year 2019-2020

FEES, FORFEITURES AND RENTALS	AMOUNT COLLECTED
Rentals	\$70,760.00
Forfeitures (Security Deposits)	nil
Operating Licences	\$200.00
Access to Information Requests	\$45.00
Registry Fees (New Licences)	\$5,500.00
Forfeitures (Drilling Deposits)	nil
Total	\$76,505.00

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. During 2019-20, the CSRC warehouse transitioned from high density storage of curated materials to palletized storage. Successful implementation of palletized storage has resulted in greater efficiency and safer handling of samples.

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 14 geological programs without fieldwork covering various land tenure regions were approved during 2019-20. The type of studies conducted covered a wide range of disciplines, as shown in Table 17, with the Jeanne d'Arc and Eastern Newfoundland regions being the most frequently studied.

Table 17: Geological Programs without Fieldwork Authorized during 2019-2020

COMPANY	STUDY TYPE	REGION
Applied Petroleum Technology (Canada) Ltd.	Geochemical	EN, JDA
Applied Petroleum Technology (Canada) Ltd.	Geochemical	JDA, SEN, SN
BHP Group Ltd.	Biostratigraphic	EN
Equinor Canada Ltd.	Geochemical	EN, JDA
ExxonMobil Canada Ltd.	Petrographic	JDA
Geological Survey of Canada	Biostratigraphic	EN
Husky Energy	Geochemical	EN
MUN	Provenance	LN
MUN	Provenance	JDA
MUN	Provenance	JDA
Nalcor Energy	Fluid Inclusion	EN
Nalcor Oil and Gas Inc.	Relative Permeability	EN
Suncor Energy Inc.	Environmental Study	JDA
Suncor Energy Inc.	Petrographic	EN

Key for Tables 17 and 18

2D = Two Dimensional	EN = Eastern Newfoundland	MUN = Memorial University of Newfoundland
3D = Three Dimensional	JDA = Jeanne d'Arc	NEN = North Eastern Newfoundland
CNOOC = CNOOC Petroleum North America Limited	LN = Labrador North	ROV = Remotely Operated Vehicle
CPT = Cone Penetration Testing	LS = Labrador South	SEN = South Eastern Newfoundland
EMCL = ExxonMobil Canada Limited	MKI AS = Multiklient Invest AS	SN = Southern Newfoundland

The C-NLOPB reviewed and authorized three applications for geophysical programs with fieldwork, two environmental surveys and one geotechnical survey in the Offshore Area in 2019-20. These programs included 2D and 3D seismic, gravity surveys, magnetic surveys, geotechnical sampling and ROV surveys.

Table 18: Geoscientific Programs with Fieldwork Authorized during 2019-2020

OPERATOR	PROGRAM	REGION	SEISMIC ACQUIRED	GRAVITY/MAGNETIC ACQUIRED	OTHER DATA
CNOOC	ROV Survey	EN	N/A	N/A	15.55 km video
EMCL	ROV Survey	EN	N/A	N/A	12.4 km video
Equinor Canada Ltd.	Geotechnical Survey	EN	N/A	N/A	8.13 km video 10 locations 18 CPTs
GX Technology Canada Ltd.	2D Seismic, Gravity and Magnetic	EN, JDA, NEN, SEN and SN	13,216 km	25,555 km	N/A
MKI AS	3D Seismic	EN, JDA, LS	13,873 km ²	N/A	N/A
MKI AS	2D Seismic and Gravity	EN, SEN and SN	11,665 km	11,665 km	N/A

PRODUCTION ACTIVITIES

As part of the C-NLOPB's mandate, the Resource Management Department provides oversight of operator production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans. Resource Management staff conduct daily monitoring and review monthly production data to ensure operators are following all approved plans. The following table shows production for each field during 2019-20.

Table 19: Field Production Statistics for 2019-2020

FIELD	PRODUCTION			GAS DISPOSITION				WATER INJECTED	DAILY OIL AVERAGE
	Oil	Gas	Water	Flared	Fuel	Injected	Lift		
	MMbbl	Bscf	MMbbl	Bscf	Bscf	Bscf	Bscf		
Hibernia	37.10	84.24	26.29	1.93	4.62	77.67	6.11	68.44	101,541
Terra Nova	8.12	44.66	24.47	0.98	3.46	40.21	11.77	37.06	22,209
White Rose	6.92	26.33	7.50	0.93	3.21	21.84	13.10	14.89	18,912
North Amethyst	1.59	2.51	7.59	0.15	0.44	1.91	5.57	3.65	4,349
Hebron	45.69	22.78	1.78	3.97	5.79	13.01	11.05	44.77	124,790

Table 20 shows total cumulative production for each field up to March 31, 2020.

Table 20: Field Production Statistics Cumulative to March 31, 2020

FIELD	PRODUCTION			GAS DISPOSITION				WATER INJECTED
	Oil	Gas	Water	Flared	Fuel	Injected	Lift	MMbbl
	MMbbl	Bscf	MMbbl	Bscf	Bscf	Bscf	Bscf	
Hibernia	1,144.47	1,925.58	640.13	99.47	117.61	1,708.40	18.89	1,685.32
Terra Nova	425.03	842.35	378.15	64.65	75.27	702.43	144.52	810.57
White Rose	248.47	305.93	155.35	38.32	42.13	225.16	128.46	540.47
North Amethyst	54.43	46.29	79.14	4.18	7.87	34.24	52.83	134.96
Hebron	76.83	32.88	1.91	7.65	10.41	14.82	18.97	56.15

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



SeaRose FPSO

INDUSTRIAL BENEFITS

BENEFITS PLANS

In 2019-20, the offshore production activities of the Hibernia, Terra Nova, White Rose/North Amethyst and Hebron projects continued to be monitored for compliance with the approved benefits plan provisions in relation to contracting and employment, supply of goods and services, diversity, research and development (R&D) and education and training (E&T).

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

- CNOOC Exploration Benefits Plan for the period 2019-2024 to conduct drilling activity in the Flemish Pass;
- CNOOC Exploration Benefits Plan Supplement to conduct a ROV Seabed Survey in the Flemish Pass using the vessel *Horizon Star*.
- Equinor Exploration Benefits Plan Supplement to conduct a geotechnical program using the vessel *Fugro Synergy* over the Bay du Nord area;
- Equinor Exploration Benefits Plan Supplement to conduct a wellhead retrieval campaign for five wells utilizing the vessel, *Horizon Star*;
- ExxonMobil Exploration Benefits Plan Supplement in support of its exploration drilling campaign using Seadrill's MODU *West Aquarius*;
- ExxonMobil Exploration Benefits Plan Supplement in support of a corals and sponges ROV survey at the Harp well location;
- GXT Exploration Benefits Plan to conduct a 2-D geophysical survey on the Eastern and Southern Grand Banks; and
- MKI Exploration Benefits Plan to conduct 3-D surveys in the Offshore Area using seismic vessels *Ramform Atlas*, *Ramform Titan* and *Sanco Spirit*.

In addition, Industrial Benefits staff reviewed complaints from persons and companies regarding operator employment and procurement practices. The C-NLOPB's role in such reviews is to ensure that operators have provided manufacturers, consultants, contractors and service companies in the Province and other parts of Canada with a full and fair opportunity to participate on a competitive basis in the supply of goods and services. First consideration must be given to services provided from within the Province and to goods manufactured in the Province, where those services and goods are competitive in terms of fair market price, quality and delivery; and individuals resident in the Province must be given first consideration for training and employment. Multiple comprehensive reviews were conducted in these areas in 2019-20, along with others of lesser scope.

EXPENDITURE AND EMPLOYMENT DATA

During the 2019 calendar year, operators reported expenditures of \$3.7 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$66.3 billion.

As of December 31, 2019, there were 7,351 Newfoundland and Labrador and other Canadian residents working in direct support of petroleum-related activity in the Offshore Area.

During the 2019 calendar year, \$137.3 million was spent on exploration programs generating approximately 2,655 person-months of employment. Ongoing production activities accounted for expenditures of \$2.5 billion in 2019, of which approximately 60 percent of annual expenditures occurred in Newfoundland and Labrador and a further 19 percent in the rest of Canada.

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

HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY LTD.

HMDC reported expenditures of \$770 million in the 2019 calendar year, with 78 percent Canadian content including 60 percent Newfoundland and Labrador content.

As of December 31, 2019, total direct employment in the province in support of the Hibernia project was 2,777 persons. Of this amount, 87 percent of the workers were Newfoundland and Labrador residents at the time of hire, and seven percent were other Canadian residents.

Table 21: Hibernia Employment (as of December 31, 2019)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	1,511	140	130	1,781
Offshore Operations	909	50	37	996
Total	2,420	190	167	2,777

TERRA NOVA

Suncor Energy reported expenditures of \$552 million in the 2019 calendar year, with 75 percent Canadian content including 58 percent Newfoundland and Labrador content.

As of December 31, 2019, total direct employment in support of the Terra Nova project was 853 persons. At the time of hire, 92 percent of this total were Newfoundland and Labrador residents and six percent were other Canadian residents.

Table 22: Terra Nova Employment (as of December 31, 2019)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	416	39	12	467
Offshore Operations	370	9	7	386
Total	786	48	19	853

WHITE ROSE/NORTH AMETHYST/WEST WHITE ROSE

Husky Energy reported expenditures of \$1.4 billion in the 2019 calendar year, with 74 percent Canadian content including 54 percent Newfoundland and Labrador content.

As of December 31, 2019, total direct employment in support of the White Rose/North Amethyst/West White Rose projects was 3,376 persons. At the time of hire, 73 percent of this total were Newfoundland and Labrador residents and four percent were other Canadian residents.

Table 23: White Rose/North Amethyst/West White Rose Employment (as of December 31, 2019)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	1,998	96	765	2,859
Offshore Operations	466	39	12	517
Total	2,464	135	777	3,376

HEBRON

ExxonMobil reported expenditures of \$745 million in the 2019 calendar year, with 72 percent Canadian content including 57 percent Newfoundland and Labrador content.

As of December 31, 2019, total direct employment in the province in support of the Hebron project was 1,162 persons. Of this amount, 91 percent of the workers were Newfoundland and Labrador residents at the time of hire, and six percent were other Canadian residents.

Table 24: Hebron Employment (as of December 31, 2019)

LOCATION	RESIDENCY			TOTAL
	NEWFOUNDLAND AND LABRADOR	OTHER CANADIANS	NON-CANADIANS	
Onshore Operations	455	27	20	502
Offshore Operations	607	43	10	660
Total	1,062	70	30	1,162

RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

In consultation with the Governments of Canada and Newfoundland and Labrador, the C-NLOPB implemented a ceiling of 0.5 per cent of project revenues on its calculation of R&D/E&T expenditure requirements for all producing projects in the Offshore Area.

In consultation with the Governments of Canada and Newfoundland and Labrador, the C-NLOPB implemented a ceiling of 0.5 per cent of project revenues on its calculation of R&D/E&T expenditure requirements for all producing projects in the Offshore Area. This was in line with what most oil and gas companies spend globally on research and development as a percentage of gross sales. The Statistics Canada benchmark had increased significantly in recent years, primarily due to the decline in global oil and gas prices since 2014, and the unchecked application of that benchmark in the Offshore Area would unduly inflate expenditure requirements locally despite the downturn. Instead, the ceiling will help to ensure that expenditure requirements are predictable and more reflective of changes in

annual oil prices as well as production levels, which are expected to increase in the years ahead. Along with creating a more competitive investment climate, this regulatory certainty also helps Canada meet its international trade obligations.

The C-NLOPB continued to monitor operators' obligations to carry out R&D and E&T in the province. Before making R&D/E&T expenditures, operators may submit proposed projects to the C-NLOPB for determination of eligibility under the C-NLOPB's R&D/E&T guidelines. There were 20 R&D/E&T applications submitted during 2019-20. These applications account for approximately \$8.5 million in potential R&D/E&T funding. Areas of interest related to submitted applications include:

- Environmental Cleaning Agents and Associated Technology;
- Lifeboat Simulators;
- Design Management Software Engineering;
- Subsea Technology Advancements;
- Ice Management Technology; and
- Well Completion Technology.

R&D/E&T expenditures for the 2018 calendar year were reviewed in 2019 to determine eligibility under the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$30 million was spent on eligible R&D and E&T, bringing the total expenditure to approximately \$577 million since the C-NLOPB's guidelines came into effect on April 1, 2004. A breakdown of expenditures for the 2018 calendar year can be found on the C-NLOPB's website. Updates to these expenditures will be posted on an annual basis and can be found at the following link under the Industrial Benefits tab: <https://www.cnlopb.ca/information/statistics/>.

CORPORATE SERVICES AND REGULATORY AFFAIRS

REGULATORY INITIATIVES

During the reporting period, C-NLOPB staff participated in government-led regulatory initiatives by providing technical advice to the federal and provincial governments, in drafting policy intent documents for *Methane Regulations* and *Spill Treating Agent Regulations*.

During 2019-20, the C-NLOPB signed the following Memoranda of Understanding (MOU):

Table 25: MOUs signed during 2019-2020

PARTNER	DESCRIPTION
Minister of Fisheries and Oceans, on behalf of the Canadian Hydrographic Service (CHS)	Regarding provision of CHS digital latitude/longitude geographic coordinates of boundaries and limits
Treasury Board of Canada Secretariat	ATIP Online Request Service

In 2019-20 the C-NLOPB updated the *Geophysical, Geological, Environmental and Geotechnical Program Guidelines* and *Data Acquisition and Reporting Guidelines* and continued to develop the *Remotely Piloted Aircraft (RPA) Guidelines for Offshore Canada-Newfoundland and Labrador*.

AUTHORIZATIONS

During 2019-20, C-NLOPB staff coordinated the issuance of five Authorizations and issued 29 amendments to Authorizations, which mainly covered the addition of support vessels to existing Authorizations.

Table 26: Authorizations Issued by the C-NLOPB during 2019-2020

OPERATOR	AUTHORIZATION TYPE	INSTALLATION/VESSEL
CNOOC	Environmental Authorization - Coral and Sponge Survey	MV <i>Atlantic Horizon</i>
Equinor Canada Ltd.	Geotechnical Program Authorization	MV <i>Fugro Synergy</i>
EMCL	Environmental Authorization – Coral and Sponge Survey	MV <i>Paul A. Sacuta</i>
GXT	Geophysical Program Authorization (GPA)	MV <i>Hai Yang Shi You 760</i>
MKI AS	GPA	MV <i>Ramform Titan</i> and MV <i>Sanco Atlantic</i>

Table 27 shows all regulatory review, licensing, auditing and approved activities for the C-NLOPB during the 2019-20 fiscal year.

Table 27: Regulatory Review, Licensing, Auditing and Approval Activities for 2019-2020

ACTIVITY	NUMBER
Application for Regulatory Equivalency	123
Approval to Alter the Condition of a Well	23
Approval to Drill a Well	13
Benefits Plan Approval (new or amended)	8
Commingled Production Approval	1
Diving Program Authorization	0
Environmental Assessment (new, amended or updated)	10
Environmental Audit and Inspection	2
Environmental Program Authorization	2
Exploration License (new or amended)	3
Field Data Acquisition Program Approval	0
Flow System Application Approval	0
Flow System (Metering) Audit/Witness	9
Formation Flow Test Program Approval	0
Gas Flaring Approval	7
Geological Program (without fieldwork)	14
Geological Program (with fieldwork)	0
Geophysical Operations Authorization (with fieldwork)	2
Geophysical Program Authorization (without fieldwork)	0
Geotechnical Program Authorization	1
Notice of Non-Compliance/Non-Conformance	3
Offshore Worker Complaints Reviewed	1
Operations Authorization (new or amended)	31
Operating License	16
Pooling Designation	0
Production License (new or amended)	0
Regional Assessment (new or ongoing)	1
Safety Assessment	27
Safety Audit/Inspection	24
Significant Discovery License (new or amended)	2
Strategic Environmental Assessment (new or ongoing)	1

Digitalization

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

The C-NLOPB continues its work in this area through enabling enhanced availability of digital data, development of a digital Safety Oversight Management Information System, and working with operators, other regulators and government partners in areas such as information technology security. Engagements with Norway's Petroleum Safety Authority and other organizations from the North Sea, as well as the Alberta Energy Regulator have been helpful to C-NLOPB staff, whose objective is to ensure that digitalization results in enhanced safety and environmental protection in industry operations. The C-NLOPB's office operations have progressively moved away from paper-based transactions in favour of digital ones.

OFFICE SPACE RENEWAL

The C-NLOPB signed the lease for its new office space at The Tower Corporate Campus on November 15, 2019. Subsequent redesign and construction activities commenced on November 18, 2019, and construction was still ongoing as of the reporting period. Due to the global pandemic of COVID-19, the move will be done in a phased approach and will follow the direction and guidance of health authorities. C-NLOPB is now completing an execution plan for the move, which is planned for Q2, 2020.



Hebron Platform

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 2019-20, the C-NLOPB received 370 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 eight formal requests and eight formal consultation requests under the *Access to Information Act* during 2019-20. As required by the *Access to Information Act*, a separate annual report on the C-NLOPB's administration of the *Act* during 2019-20 will be tabled in Parliament in 2020.

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

Table 28: Requests under the *Access to Information Act* for 2019-2020

TYPE OF REQUEST	NUMBER OF REQUESTS
Requests Closed During Reporting Period	8
Consultations	8
Complaints	1
Court Action	1
Total Requests	8

Requests for Information received in 2019-20 can be found in the following table:

Table 29: Requests for Information Received in 2019-2020

TYPE OF REQUEST	NUMBER OF REQUESTS
Government of Newfoundland and Labrador	40
Government of Canada	31
Education	22
Industry	277
Total Requests	370

APPENDIX: LIST OF ABBREVIATIONS AND UNITS

LIST OF ABBREVIATIONS

ACW (Approval to Alter the Condition of a Well)
ADW (Approval to Drill a Well)
ALE (Asset Life Extension)
CA (Certifying Authority)
CEAA (Canadian Environmental Assessment Agency)
CEAA 2012 (*Canadian Environmental Assessment Act 2012*)
CER (Canadian Energy Regulator)
CHS (Canadian Hydrograph Service)
C-NLOPB (Canada-Newfoundland and Labrador Offshore Petroleum Board)
CNOOC (China National Offshore Oil Corporation Petroleum North America ULC)
CNSOPB (Canada Nova Scotia Offshore Petroleum Board)
C-RISE (Centre for Risk, Integrity and Safety Engineering)
CSEM (Controlled Source Electromagnetic Survey)
CSO (Chief Safety Officer)
CSRC (Core Storage and Research Centre)
DFO (Fisheries and Oceans Canada)
DNV-GL (Det Norske Veritas – Germanischer Lloyd)
EA (Environmental Assessment)
ECCC (Environment and Climate Change Canada)
E&T (Education and Training)
EEM (Environmental Effects Monitoring)
EL (Exploration Licence)
EMCL (ExxonMobil Canada Ltd.)
EMCP (ExxonMobil Canada Properties)
EN (Eastern Newfoundland)
EPP (Environmental Protection Plan)
ESRF (Environmental Studies Research Fund)
FFAW (Fish, Food and Allied Workers)
FPSO (Floating, Production, Storage and Offloading)
GPA (Geophysical Program Authorization)
GXT (GX Technology Canada Ltd.)
HMDC (Hibernia Management and Development Company)
IA (Impact Assessment)
IAA (Impact Assessment Act)
IAAC (Impact Assessment Agency of Canada)
IOPER (International Offshore Petroleum Environmental Regulators)
IRF (International Regulators Forum)
JDA (Jeanne d’Arc)
LS (Labrador South)
MKI AS (MultiKlient Invest AS)
MODU (Mobile Offshore Drilling Unit)
MOU (Memorandum of Understanding)
MUN (Memorial University of Newfoundland)
NEN (North Eastern Newfoundland)
NRCan (Natural Resources Canada)

NRNL (Natural Resources Newfoundland and Labrador)
OA (Operations Authorization)
Offshore Area (Canada-Newfoundland and Labrador Offshore Area)
OHS (Occupational Health and Safety)
OL (Operating Licence)
PL (Production Licence)
RA (Regional Assessment)
RAC (Regional Assessment Committee)
R&D (Research and Development)
ROV (Remotely Operated Vehicle)
SDL (Significant Discovery Licence)
SEA (Strategic Environmental Assessment)
SEN (South Eastern Newfoundland)
SN (Southern Newfoundland)

LIST OF UNITS

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

FINANCIAL STATEMENTS

Financial Statements of

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

And Independent Auditors' Report thereon

Year ended March 31, 2020



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

INDEPENDENT AUDITORS' REPORT

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

Opinion

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

- the statement of financial position as at March 31, 2020
- the statement of operations for the year then ended
- the statement of changes in accumulated surplus for the year then ended
- the statement of net debt for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Canada – Newfoundland and Labrador Offshore Petroleum Board as at March 31, 2020, and its results of operations and the changes in its accumulated surplus and net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

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

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

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



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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

We also:

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

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

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



Page 3

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

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

Chartered Professional Accountants

St. John's, Canada

June 15, 2020

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position

March 31, 2020 with comparative information for 2019

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 19,677,115	\$ 11,325,290
Receivables	1,558,238	1,536,256
	<u>21,235,353</u>	<u>12,861,546</u>
Liabilities		
Payables and accruals (note 2)	13,053,706	5,966,029
Accrued employee future benefit obligation (note 3)	10,819,300	10,112,500
	<u>23,873,006</u>	<u>16,078,529</u>
Net debt	<u>(2,637,653)</u>	<u>(3,216,983)</u>
Non-financial assets		
Prepays	381,784	961,117
Tangible capital assets (schedule 1)	3,959,045	2,617,817
	<u>4,340,829</u>	<u>3,578,934</u>
Commitments (note 5)		
Contingencies (note 6)		
Subsequent events (note 9)		
Accumulated surplus	\$ 1,703,176	\$ 361,951

See accompanying notes to the financial statements.

On behalf of the Board



Chair



Board Member

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Operations

Year ended March 31, 2020 with comparative information for 2019

	Actual 2020	Budget 2020	Actual 2019
Revenue:			
Operating grants:			
Government of Canada	\$ 10,564,641	\$ 11,187,500	\$ 9,514,715
Government of Newfoundland and Labrador	10,564,641	11,187,500	9,514,715
	21,129,282	22,375,000	19,029,430
Add:			
Costs recovered from industry	20,743,022	22,375,000	18,844,232
Interest and other	180,932	94,947	132,687
	20,923,954	22,469,947	18,976,919
Less:			
Cost recoveries refunded to governments	20,743,022	22,375,000	18,844,232
Net revenue	21,310,214	22,469,947	19,162,117
Expenses (schedule 2)			
Board and Executive Office	2,427,172	2,878,015	2,963,627
Environmental Affairs	1,245,982	1,409,287	1,432,271
Exploration	2,170,057	2,547,111	2,143,517
Industrial Benefits	531,396	554,246	510,779
Legal	471,556	496,913	589,401
Operations	1,597,308	1,731,193	1,410,264
Resource Management	2,771,908	2,891,584	2,610,030
Safety	2,973,924	3,227,210	2,739,346
Corporate Services and Regulatory Affairs	5,779,686	5,950,639	4,990,987
	19,968,989	21,686,198	19,390,222
Annual surplus (deficit)	\$ 1,341,225	\$ 783,749	\$ (228,105)

See accompanying notes to the financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Changes in Accumulated Surplus

Year ended March 31, 2020 with comparative information for 2019

	Actual 2020	Budget 2020	Actual 2019
Accumulated surplus, beginning of year	\$ 361,951	\$ 361,951	\$ 590,056
Annual surplus (deficit)	1,341,225	783,749	(228,105)
Accumulated surplus, end of year	\$ 1,703,176	\$ 1,145,700	\$ 361,951

See accompanying notes to financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Net Debt

Year ended March 31, 2020 with comparative information for 2019

	Actual 2020	Actual 2019
Annual surplus (deficit)	\$ 1,341,225	\$ (228,105)
Acquisition of tangible capital assets	(1,981,415)	(250,000)
Amortization of tangible capital assets	640,187	478,104
Decrease (increase) in prepaids	579,333	(327,958)
Increase (decrease) in net debt	579,330	(327,959)
Net debt, beginning of year	(3,216,983)	(2,889,024)
Net debt, end of year	\$ (2,637,653)	\$ (3,216,983)

See accompanying notes to financial statements.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Statement of Cash Flows

Year ended March 31, 2020 with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operating activities:		
Annual surplus (deficit)	\$ 1,341,225	\$ (228,105)
Amortization of tangible capital assets	640,187	478,104
	1,981,412	249,999
Change in non-cash items:		
Accrued employee future benefit obligation	706,800	1,289,600
Receivables	(21,982)	(1,099,303)
Prepays	579,333	(327,958)
Payables and accruals	7,087,677	(944,858)
Operating transactions	10,333,240	(832,520)
Capital activity:		
Cash used to acquire tangible capital assets	(1,981,415)	(250,000)
Increase (decrease) in cash and cash equivalents	8,351,825	(1,082,520)
Cash and cash equivalents, beginning of year	11,325,290	12,407,810
Cash and cash equivalents, end of year	\$ 19,677,115	\$ 11,325,290

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2020

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

1. Significant accounting policies:

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

a) Use of estimates:

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

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

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

b) Revenue recognition:

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

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

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

c) Cash and cash equivalents:

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

d) Non-financial assets:

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

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2020

1. Significant accounting policies (continued):

e) Tangible capital assets:

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

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

f) Impairment of tangible capital assets:

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

g) Capital grants:

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

h) Employee future benefits:

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

These retirement benefits are recorded on an accrual basis based on an actuary's estimate. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of the active members expected to receive benefits under the plan (16 years).

i) Retiring allowance:

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

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements
Year ended March 31, 2020

1. Significant accounting policies (continued):

j) Financial instruments:

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

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

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

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

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

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

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

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

2. Payables and accruals:

	2020	2019
Trade	\$ 2,857,654	\$ 1,602,469
Government of Canada	5,098,026	2,181,780
Government of Newfoundland and Labrador	5,098,026	2,181,780
	<u>\$ 13,053,706</u>	<u>\$ 5,966,029</u>

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2020

3. Accrued employee future benefit obligation:

Group life and group health plans:

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

The following information for these plans is based upon an actuarial valuation completed as at March 31, 2020.

	2020	2019
Reconciliation of funded status	\$ 9,657,500	\$ 10,740,400
Unamortized net actuarial loss	-	(1,699,600)
Accrued benefit liability	\$ 9,657,500	\$ 9,040,800

	2020	2019
Net benefit expense		
Current service cost	\$ 731,600	\$ 788,000
Amortization of actuarial loss	156,900	186,600
Interest cost	318,800	293,800
Cost of plan amendment	(3,071,800)	-
Recognition of net unamortized losses	2,602,700	-
	\$ 738,200	\$ 1,268,400

Retiring allowance:

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

	2020	2019
Accrued benefit liability	\$ 1,161,800	\$ 1,071,700

The accrued benefit liability is net of unamortized actuarial losses of \$38,800 (2019 - gain of \$24,600).

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements
Year ended March 31, 2020

3. Accrued employee future benefit obligation (continued):

	2020	2019
Net benefit expense:		
Current service cost	\$ 99,100	\$ 98,400
Amortization of actuarial loss	(1,900)	(1,300)
Interest cost	31,600	27,800
	\$ 128,800	\$ 124,900

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

	2020	2019
Discount rate	2.30%	2.80%
Rate of increase in compensation levels	2.00%	2.00%
Dental inflation rate	4.00%	4.00%
Medical inflation rate	4.00%	4.00%

4. Defined benefit public service pension plan:

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

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

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

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

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

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

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2020

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

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

Employer contributions paid and expensed by the Board during the year totaled \$1,101,409 (2019 - \$1,035,284). Additional information about the plan surplus or deficit is not available.

5. Commitments:

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

March 31, 2021	\$ 1,855,982
March 31, 2022	1,714,392
March 31, 2023	1,714,392
March 31, 2024	1,714,392
March 31, 2025	1,714,392

6. Contingencies:

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

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2020

7. Financial instruments risks and concentrations:

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at March 31, 2020.

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 \$13,053,706 (2019 - \$5,966,029), 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 \$1,558,238 (2019 - \$1,536,256). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

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

8. Related party transactions:

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

Operating grant:	
Government of Canada	\$ 10,564,641
Government of Newfoundland and Labrador	10,564,641
Cost recoveries refunded to Government of Canada	10,371,511
Cost recoveries refunded to Government of Newfoundland and Labrador	10,371,511

Canada - Newfoundland and Labrador Offshore Petroleum Board

Notes to the financial statements

Year ended March 31, 2020

9. Subsequent events:

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

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

Financial statements are required to be adjusted for events occurring between the date of the financial statements and the date of the auditors' report which provide additional evidence relating to conditions that existed as at year end. An estimate of the financial effect is not practicable at this time.

Subsequent to year end the Board amended its employee future benefits policy as disclosed in note 1(h). Based on this amendment the changes to the group life and group health plan as disclosed in note 1(h) will be effective for employees retiring after December 31, 2025 versus March 31, 2025. Management has estimated the impact of this amendment on its accrued employee future benefit obligation and its employee future benefit expense and determined that the impact of this change was immaterial and as such has not adjusted the financial statements for this subsequent event.

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 1 - Tangible Capital Assets

Year ended March 31, 2020

	Land and parking lot	Buildings	Leasehold improvements	Furniture and fixtures	Data management system	Computer software	Computer equipment	2020	2019
Cost, beginning of year	\$ 258,297	\$ 3,317,089	\$ 377,415	\$ 1,190,067	\$ 1,108,298	\$ 1,463,966	\$ 3,168,034	\$ 10,883,166	\$ 10,696,566
Additions during the year	–	–	120,938	146,940	–	498,277	1,215,260	1,981,415	250,000
Disposals during the year	–	–	–	(7,571)	–	–	(36,545)	(44,116)	(63,400)
Cost, end of year	\$ 258,297	\$ 3,317,089	\$ 498,353	\$ 1,329,436	\$ 1,108,298	\$ 1,962,243	\$ 4,346,749	\$ 12,820,465	\$ 10,883,166
Accumulated amortization, beginning of year	\$ –	\$ 1,524,742	\$ 377,415	\$ 1,060,206	\$ 1,108,298	\$ 1,463,966	\$ 2,730,722	\$ 8,265,349	\$ 7,850,645
Amortization	–	71,694	–	54,705	–	245,036	268,752	640,187	478,104
Reversals of accumulated depreciation relating to disposals	–	–	–	(7,569)	–	–	(36,547)	(44,116)	(63,400)
Accumulated amortization, end of year	\$ –	\$ 1,596,436	\$ 377,415	\$ 1,107,342	\$ 1,108,298	\$ 1,709,002	\$ 2,962,927	\$ 8,861,420	\$ 8,265,349
Net book value of tangible capital assets	\$ 258,297	\$ 1,720,653	\$ 120,938	\$ 222,094	\$ –	\$ 253,241	\$ 1,383,822	\$ 3,959,045	\$ 2,617,817

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule 2 - Expenses
Year ended March 31, 2020

	2020	2019
Board and Executive Office:		
Consultants fees	\$ 351,010	\$ 356,396
Miscellaneous	12,560	13,524
Training and conferences	59,584	119,110
Travel	69,163	44,400
Wages and benefits	1,934,855	2,430,197
	<u>2,427,172</u>	<u>2,963,627</u>
Environmental Affairs:		
Consultants Fees	62,509	365,124
Miscellaneous	2,780	2,623
Training and conferences	19,526	5,875
Travel	7,575	33,555
Wages and benefits	1,153,592	1,025,094
	<u>1,245,982</u>	<u>1,432,271</u>
Exploration:		
Miscellaneous	5,915	5,965
Training and conferences	51,088	68,759
Travel	-	1,416
Wages and benefits	2,113,054	2,067,377
	<u>2,170,057</u>	<u>2,143,517</u>
Industrial Benefits:		
Miscellaneous	953	1,119
Training and conferences	14,263	10,108
Wages and benefits	516,180	499,552
	<u>531,396</u>	<u>510,779</u>
Legal:		
Miscellaneous	980	1,166
Training and conferences	5,923	30,878
Travel	2,822	2,344
Wages and benefits	461,831	555,013
	<u>471,556</u>	<u>589,401</u>
Operations:		
Miscellaneous	3,984	3,938
Training and conferences	26,627	37,795
Travel	16,493	13,683
Wages and benefits	1,550,204	1,354,848
	<u>1,597,308</u>	<u>1,410,264</u>
Resource Management:		
Miscellaneous	5,304	5,512
Training and conferences	95,318	94,155
Travel	-	1,312
Wages and benefits	2,671,286	2,509,051
	<u>\$ 2,771,908</u>	<u>\$ 2,610,030</u>

Canada - Newfoundland and Labrador Offshore Petroleum Board

Schedule of Expenses (continued)
Year ended March 31, 2020

	2020	2019
Safety:		
Consultants fees	\$ 275,730	\$ 349,645
Miscellaneous	5,832	5,881
Training and conferences	121,409	143,138
Travel	26,019	14,725
Wages and benefits	2,544,934	2,225,957
	2,973,924	2,739,346
Corporate Services and Regulatory Affairs:		
Amortization of tangible capital assets	640,187	478,104
Computer support and maintenance	1,307,162	1,013,254
General office maintenance	573,998	510,866
Rent and premises	1,516,589	1,464,349
Training and conferences	13,306	15,355
Travel	16,392	5,233
Wages and benefits	1,712,052	1,503,826
	5,779,686	4,990,987
	\$ 19,968,989	\$ 19,390,222



First Floor, TD Place

140 Water Street
St. John's, NL
Canada A1C 6H6

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

Core Storage and Research Centre

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

t: 709-778-1500

CNLOPB.CA

 @CNLOPB