



Arctic Technology Conference

Objectives and Expectations of Local Stakeholders in the Resource Development of Frontier Areas

Scott Tessier, Chair and CEO

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10:40 a.m.

“Check Against Delivery”

SLIDE 1 – Introductory Slide

Thank you for inviting me to speak today.

I'll warn you up front that I've just returned from the Annual General Meeting of the International Regulators Forum in Auckland, New Zealand, where it is currently about 2AM tomorrow. So I'm indeed back from the future!

It was a great meeting with safety regulators from nine countries. I'll provide some details a little later during my remarks.

SLIDES 2 - Safety Moment

But first, as is common practice in the oil and gas sector, I'd like to begin with a safety moment.

Offshore tragedies of the past are poignant reminders of the importance of caution, prevention and doing things right.

The past tragedies of the local offshore are well known – especially the 1982 Ocean Ranger Disaster, the crash of Cougar 491 in 2009, and the crash of a Universal helicopter in 1985 carrying six people.

We've also had some very serious near-misses, or "near hits", as they should be considered.

Governments, regulators and the industry all share the objective of reducing risks to a level that is low as is reasonably practicable, but the ultimate responsibility for doing that offshore rests with the Operators.

The risk in offshore operations is especially acute in our relatively remote, usually harsh environment. The top priority should always be to get home safely when the work is

completed. And that applies even -- and perhaps especially -- in the current, low oil price environment.

SLIDE 3 – Regulator for Canada-NL Offshore Area

My recent trip to New Zealand again underscored the C-NLOPB's status as a world-class safety regulator.

The Board was established over thirty years ago under the Atlantic Accord to provide regulatory oversight in four areas:

- Safety
- Environment
- Resource Management, and
- Industrial Benefits

We provide an effective mechanism for arm's length, joint management on behalf of the federal government and the Government of Newfoundland and Labrador.

We are one of three Canadian offshore regulators, along with the Canada-Nova Scotia Offshore Petroleum Board and the National Energy Board. It is important to note for this audience in particular that the NEB is the regulator with jurisdiction for offshore activities in Canada's Arctic.

The C-NLOPB reports to Parliament and the provincial House of Assembly through the federal and provincial Ministers of Natural Resources, and we also have a reporting relationship with the Minister of Service NL.

The Board consists of seven Members: a Chair and CEO appointed by both governments, three federal appointees and three provincial appointees. One of the six members is also jointly designated as the Vice-chair.

Governments are currently actively recruiting to fill two vacancies. So if you or someone you know meets the criteria for the job and is seeking a demanding and rewarding

opportunity, I encourage you to visit the federal or provincial government appointments websites for further information.

SLIDE 4 – Our Role

As noted, the Board’s role is to exercise regulatory oversight of Operators’ activities.

The *Atlantic Accord Acts* place ultimate responsibility for safety and environmental protection on Operators, requiring them to mitigate risk to a level that is “as low as is reasonably practicable”, or ALARP.

Our regulatory tools include legislation, regulations, guidance and operational conditions imposed on specific activities.

Enforcement and compliance tools include notices of non-compliance, orders, revoking of authorizations and prosecution.

The recent federal *Energy, Safety and Security Act* and its provincial counterpart strengthened our enforcement capability with provisions that will also enable us to impose administrative monetary penalties.

The Atlantic Accord has stood the test of time and served the country and the province well over the past 30 years.

Slide 5 – Offshore Safety and Environmental Protection – Our Highest Priority

Offshore safety and environmental protection are paramount in all Board decisions. The regulatory regime is robust and activity cannot occur without an authorization or approval from the C-NLOPB.

There is a long list of requirements that must be met by Operators, including, but not limited to: Safety Plans, Contingency Plans, Oil Spill Response Plans and Ice Management Plans.

In addition to reviewing and approving those, our oversight activities include:

- audits and inspections;
- reviews of Operators' daily reports, incident reports, complaints and Workplace Committee meeting minutes; and
- quarterly meetings with Operators.

The C-NLOPB has Special Oversight Measures for higher risk drilling programs such as high pressure and high temperature wells, ultra deepwater wells, and harsh environment drilling where there is increased potential for a well control incident.

The Board also holds bi-annual Safety Forums combined with meetings with Workplace Committees. Those are next being held later this week.

Slide 6 – The Public Environment

For the past two years, the industry has met significant, market-driven price and cost pressures with cost-cutting measures that have included layoffs and reduced levels of activity world-wide.

Regulators from all over share the concern that cost cutting can increase the temptation to cut corners with respect to safety, environmental protection, or other areas of regulatory compliance. This of course would not be acceptable to regulators nor the public, in whose interest we serve.

To their credit, the companies operating locally have to date been responsible in affirming their commitments to safety and environmental protection in rolling out their cost-cutting measures.

We expect this commitment to be reflected in future decisions and activities as well.

While we are all sensitive to the challenges of the current operating environment, the public expects us to be steady in our oversight of legislative and regulatory compliance.

For the past couple of years we have been in what a colleague from the International Regulators Forum has called a period of “hyper-vigilance”.

I think this describes the present regulatory approach in Canada and elsewhere very well.

The *Atlantic Accord Implementation Acts* and associated regulations are silent on the price of oil.

So, risks that were deemed to be ALARP at \$100 per barrel should not be seen differently at \$40 per barrel.

If ALARP is the only level of risk we were willing to accept at \$100 oil, it remains the only standard we’re willing to accept now.

As well, the requirement for Operators to provide full and fair opportunity and first consideration for local companies should be no different at \$100 per barrel than it is at \$40 per barrel -- provided of course that the local industry does its part to adjust to the market and remain competitive.

And while the industry must adjust to the market without compromising on its legislative and regulatory obligations, regulators must be predictable and not unduly swayed by market considerations.

The provincial government has felt the negative effects of low oil prices. Significantly less oil and gas royalties, reduced activity and less employment for Newfoundlanders and Labradorians in the oil and gas sector in other places have taken a drastic toll on the Province’s financial situation.

The C-NLOPB remains committed to operating efficiently and effectively through sound management practices.

The Board was created by governments as an independent regulator with a degree of autonomy that enables us to make decisions that are in the public interest.

Of course, there are many factors that contribute to the meaning of ‘in the public interest’, but safety and environmental protection are always paramount.

Some critics of oil and gas development have expressed concerns that the Board “promotes” the industry. This is incorrect.

The Board has a role in enabling the exploration for and development of petroleum resources in our offshore area. Promotion is left to others.

Similarly, governments develop the legislation and regulations that we administer on the public’s behalf. We also play a supporting or advisory role to governments in this regard.

Slide 7 – Governments – Stronger, Modern Legislation and Regulations

Legislative change can be a very slow process, especially when it involves the creation of mirror federal and provincial legislation and regulations. However, Governments, the two offshore boards, the National Energy Board and others have worked well together in recent years to modernize the regulatory regime.

In December 2014, amendments to *the Atlantic Accord Implementation Acts* came into force, providing additional protection for the health, safety and well-being of offshore workers. With the legislative amendments came transitional regulations, to be replaced by permanent regulations within five years.

These amendments have undoubtedly strengthened how we do our job by creating a formal, legislative and regulatory regime for offshore occupational health and safety, and a more effective enforcement tool kit for our officers.

They also clarify the roles of governments, regulators, employers and employees, recognizing that operators are ultimately responsible for ensuring worker safety.

The boards also now have more formal authority to disclose information related to occupational health and safety when it is deemed to be in the public interest.

The new legislation has clarified previous jurisdictional uncertainties, in particular with respect to the “Right to Refuse” and the requirement for workplace OHS committees.

Another important feature is that the occupational health and safety regime more clearly applies to workers in transit to, from, or between offshore workplaces.

Provision has also been made for establishment of an Advisory Council, which will feature representatives from industry, governments and the workforce to provide advice on matters related to occupational health and safety.

The federal government also passed the *Energy Safety and Security Act*, which with its provincial equivalent focuses on four areas: prevention, response, accountability and transparency.

This legislation helps to further strengthen safety and security, to prevent incidents and ensure swift response in the unlikely event of a spill.

The “polluter pays” principle has been enshrined in legislation.

Other key elements are the increase in absolute liability and provision for offshore regulators to have “direct and unfettered access” to funds in the unlikely case that we need to take direct action to respond to a spill.

The legislation also provided the necessary tools for the offshore boards to become a “responsible authority” under the *Canadian Environmental Assessment Act*, which is currently under consideration as the federal government reviews its environmental assessment regime.

Work is also now underway to develop appropriate mechanisms for administrative monetary penalties for regulatory contraventions.

And the legislation enables the safe use of spill treating agents, where their use is expected to achieve a net environmental benefit.

Authorization holders are now liable for the actions of their contractors, ensuring that liabilities can be recovered even if a smaller company is responsible for an incident.

These Acts will improve transparency by making emergency planning, environmental plans and other documents available to the public when such disclosure is deemed to be in the public interest (and not merely say, interesting to the public).

And finally, they formalize a statutory basis for the recovery of the regulator's costs from industry.

The Frontier and Offshore Regulatory Renewal Initiative, referred to as FORRI, is another initiative by governments to modernize frontier and offshore petroleum regulations by adopting a more goal oriented approach where appropriate.

These will then be consolidated into a single, Framework Regulation. C-NLOPB staff are participating on project teams and technical working groups for these initiatives.

Slide 8 – New Federal Priorities

In the past year, environmental issues have received heightened focus from governments, which has led to some new considerations for the Board.

In particular, climate change and the previously noted federal environmental assessment review.

Slide 9 – Climate Change

Climate change has of course been an area of concern for many years and is high on governments' list of priorities. They have begun to take action to meet the commitments Canada made in signing the Paris Agreement on Climate Change in April, aiming to limit global warming to two degrees as countries prepare national targets.

For our local industry, Operators are required to address climate change in their project-specific environmental assessments.

Slide 10 – Federal Environmental Assessment Review

The Minister of Environment and Climate Change has established an expert panel to review federal environmental assessment processes.

The panel was in St. John's and Happy Valley-Goose Bay recently and heard from a number of local presenters.

The panel is engaging broadly with Indigenous people, key stakeholders, and other Canadians.

The C-NLOPB conducts environmental assessments under the *Atlantic Accord Acts*. No activity can take place without a project-specific Environmental Assessment.

The Canadian Environmental Assessment Agency also conducts environmental assessments on offshore activities that are designated projects under CEEA 2012.

The Agency is presently seeking public input on the environmental assessments for proposed drilling programs by ExxonMobil, Husky Energy and Statoil, each of which is a designated project.

The C-NLOPB has been invited to a meeting with the Panel in Ottawa in November. Our EA process is very comprehensive and transparent and offers ample opportunity for public input, and we are looking forward to the meeting.

The Board also prepares Strategic Environmental Assessments, or SEAs, that provide an overview of the biophysical and socio-economic environment, including potential environmental sensitivities -- principally conducted in support of the C-NLOPB rights issuance process.

Calls for Bids issued in a region do not close until a minimum of 120 days after the completion of an SEA or SEA Update.

We are presently working to prepare for an update of the Labrador SEA in partnership with the Nunatsiavut Government.

Slide 11 – How the C-NLOPB is Meeting Stakeholder Expectations

Last year, we completed a Strategic Plan setting out our mission and values, as well as strategic priorities and goals for the next five years.

The plan was developed in careful consideration of our external environment, government, public and stakeholder expectations, and of course, our own expectations.

It identifies three strategic priorities: operational efficiency and effectiveness; effective change management; and effective information and data management.

Within these priority areas we have established goals that include:

- ensuring we have qualified and competent staff;
- optimizing our organizational structure;
- ensuring we have processes that enable consistent, efficient and effective assessment of applications and prudent oversight of industry activity;
- having administrative policies and procedures that are current, easy to understand and reflect best practices;
- effectively responding to changes in the external environment;
- planning internal change carefully; and
- ensuring that information procured or produced by the Board is captured and curated in a complete, accurate and timely manner and accessible by appropriate users.

The strategic plan is a useful tool in guiding our actions. It sets out what we expect of ourselves and what the public can expect from us. Our performance as a world class regulator can be assessed against this plan by the public and by the Board itself.

Another useful tool in helping us to meet public and stakeholder expectations is our annual work plan. This is where our vision, goals and priorities are reflected in our yearly activities. Each year we forecast what is likely to lie ahead in terms of offshore, regulatory and internal activity. We then set priorities and make decisions so that we can efficiently and effectively implement our mandate.

We see increasingly these days that transparency and accountability are critical for regulators if we are to maintain public trust and confidence. It would be practically impossible for us to function effectively without this.

Public reporting and sharing information is an important part of what we do. Our main communications vehicle is our website, which has recently undergone an update and modernization. The website contains a lot of information across all areas of our mandate, and it receives constant attention to keep it as up-to date and relevant as we can. We always welcome suggestions in this regard.

Over the past three years, we have become more engaged in social media. We now have about 1200 followers on Twitter, which is not too bad for a regulatory agency that prides itself on being boring.

Twitter has become an important communications tool for the Board, particularly for outreach to stakeholders.

Our C-NLOPB YouTube Channel is getting plenty of views and is an important medium for reaching younger audiences in particular. This is a new channel for us and we plan on expanding the videos we offer there.

We also launched a blog page in April, which can be a very useful tool to share ideas, information and perspectives with our audiences. Blog posts are written by staff and cover a range of topics.

Finally, the Board produces an Annual Report that is available to the public in August after it has been tabled in both the House of Commons and the House of Assembly. It covers the full range of our mandate and highlights our activities for the past fiscal year.

We welcome opportunities like this to speak about who we are and what we are doing. Several of our staff participate in conferences and we have a strong presence at this one.

Our Director of Exploration and Information Resources has been involved in the planning of this conference and one of our Well Operations Engineers is participating in a poster panel presentation about our Special Oversight Measures for Deepwater Drilling.

We are also quite open to the media and respond to interview requests however it is most appropriate to do so.

The C-NLOPB values its relationships with other regulators. As already mentioned, we are active participants in the International Regulators Forum, or IRF, and we are a founding member of the International Offshore Petroleum Environment Regulators, or IOPER.

The IRF exists to drive forward improvements in health and safety in the offshore sector through collaboration on joint programs and information sharing.

In New Zealand, we focused on asset integrity, performance measurement, safety culture, and decommissioning, with the overarching objective of maintaining safe operations in a low cost environment.

IOPER members are dedicated to raising environmental performance standards applicable to the industry's normal operations, as well as environmental emergency prevention, preparedness and response.

The C-NLOPB's Well Operations Engineers have a lead role in liaison within external groups such as the Wells Working Group for the North Sea Offshore Authorities Forum and also with the IRF. Their attendance at well control conferences and exhibitions provides the opportunity to stay abreast of key technological developments and state-of-the-art well control training, practices and procedures.

Of course, we also work closely within Canada, with our counterparts at the Canada-Nova Scotia Offshore Petroleum Board and the NEB to improve safety and environmental protection.

Slide 12 – Thank You and Contact Information

In closing, it is imperative for the C-NLOPB, like all regulators, to pay attention to the objectives and expectations of the public and local stakeholders and to adapt with an ever-changing external environment.

We have been described at times as a rubber stamp for industry one day, then by others as their greatest impediment the next. It all depends on who is doing the criticizing and why.

Fortunately, being a regulator is not a popularity contest and our role is to take decisions that are always in the public interest.

Thank you for your attention. If you would like to know more about us, again please visit our website, follow us on Twitter, or view our videos on YouTube.