

East Coast Canada's – Offshore Regulatory Environment

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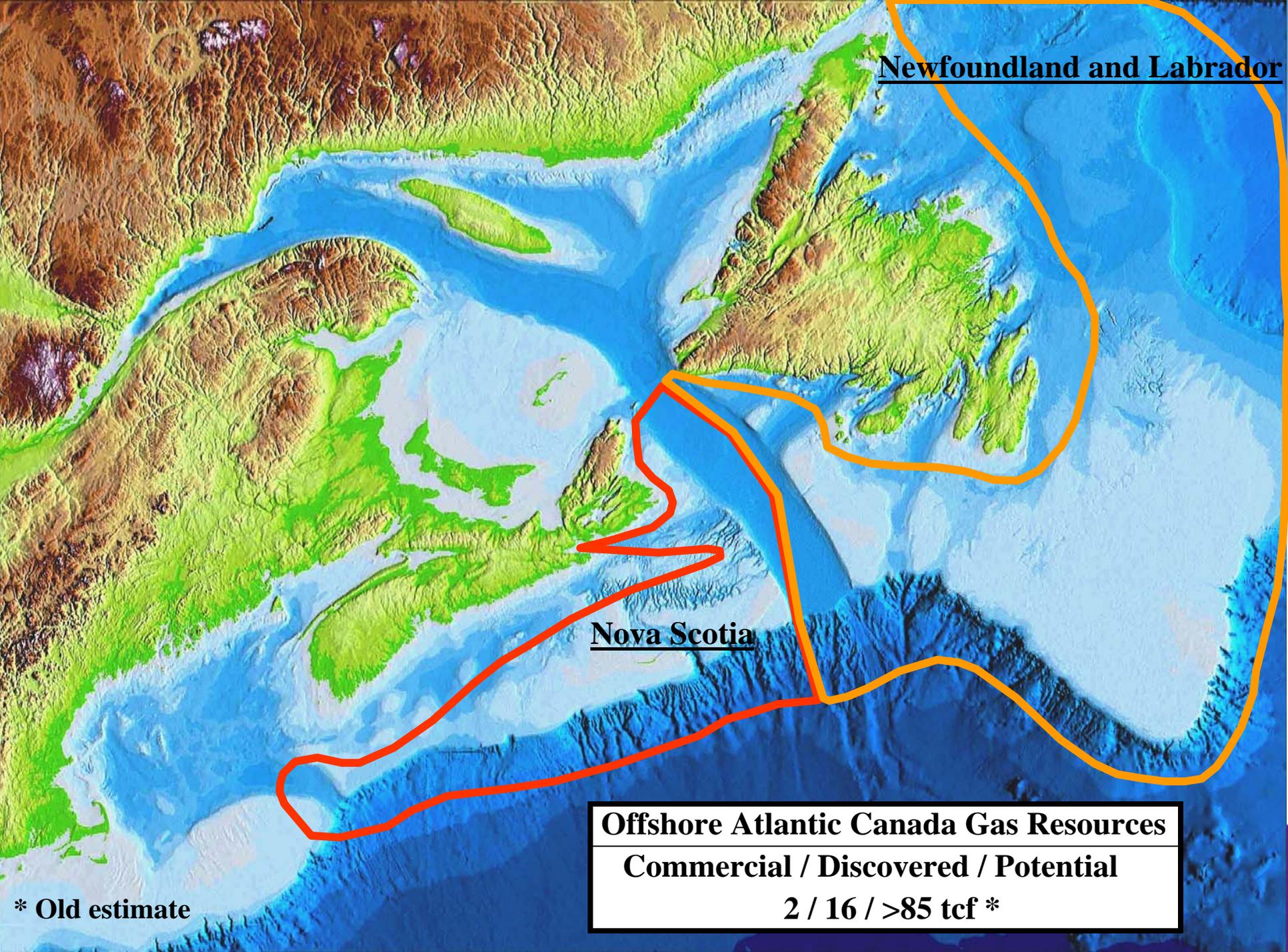
IOGCC – Council of State Oil and Gas Attorneys
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Energy


NOVA SCOTIA

Presentation Outline

- **East Coast Offshore**
- **Offshore Accords**
- **Status on Regulatory Reform**
 - FORRI, OHS, Wells Recommendations
- **Environmental Items**
 - SEA, Protected Areas
- **Strategic Plan**



Newfoundland and Labrador

Nova Scotia

Offshore Atlantic Canada Gas Resources
Commercial / Discovered / Potential
2 / 16 / >85 tcf *

* Old estimate

Offshore Nova Scotia Area

Newfoundland & Labrador



New Brunswick

P.E.I.

Nova Scotia

Sydney Basin

Abenaki Subbasin

Sable Subbasin

Carbonate Bank

Shelburne Subbasin

Deep Water Basin

Laurentian Subbasin

Fundy Basin

Georges Bank Basin

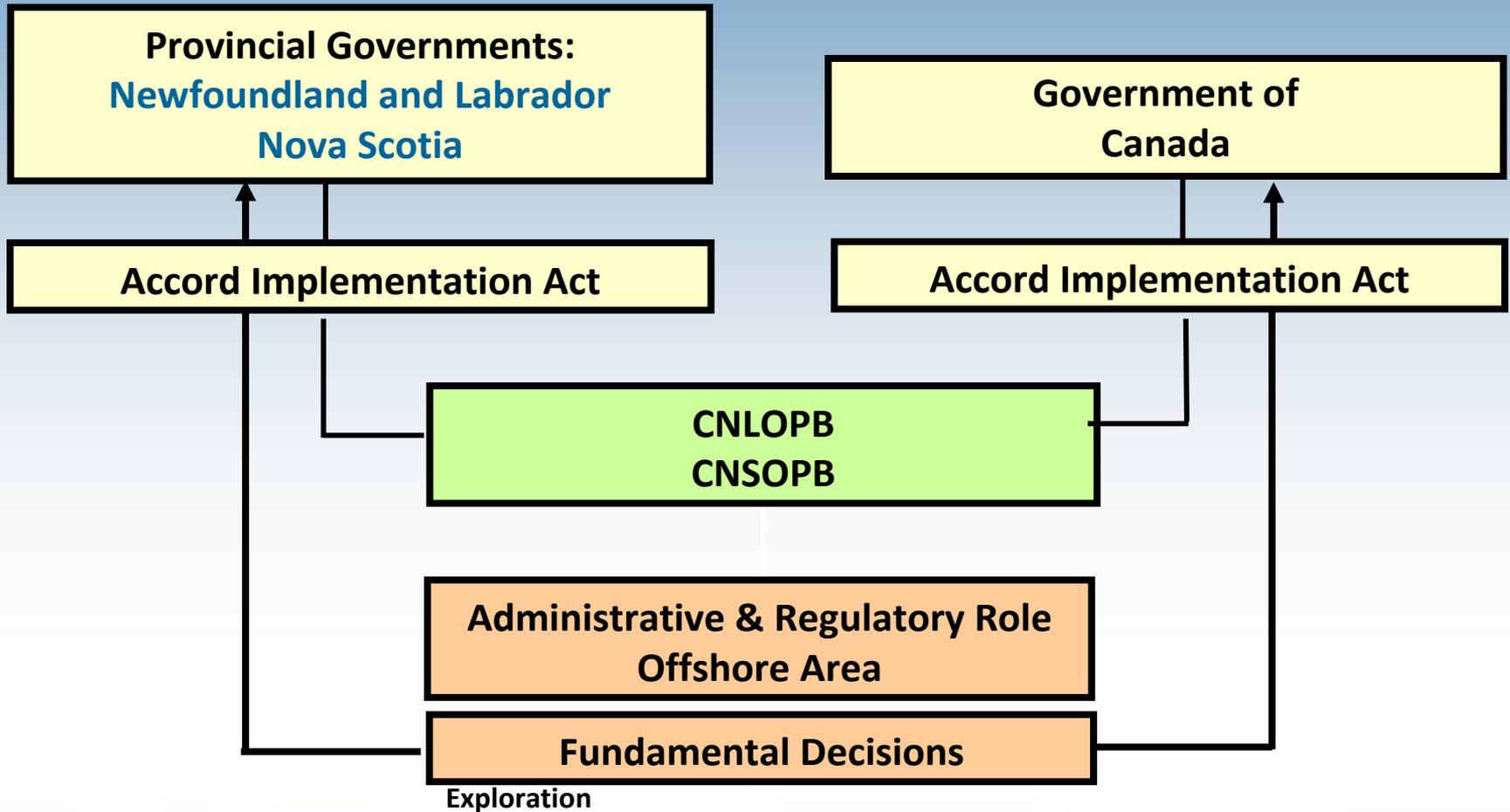
The Accords

- 1984 – Supreme Court of Canada ruling (NL)
- 1985 – Canada-Newfoundland Atlantic Accord
- 1986 – Canada-Nova Scotia Offshore Petroleum Resources Accord
- *1986/87 – Canada-Newfoundland and Labrador Atlantic Accord Implementation Newfoundland and Labrador Act*
- *1988 - Canada-Nova Scotia Offshore Implementation Act*

Accord Acts

- **Gives Province right to set and receive royalties**
- **Administrative responsibility to an appointed offshore board**
- **Retains right for Energy Ministers to:**
 - give joint directives in specific circumstances
 - approve or reject CNSOPB/CNLOPB decisions in specific areas of activity (fundamental decisions)
- **In all other areas, gives the Boards decision making authority within the Accord Acts and Regulations**

Regulatory Structure



Board Mandates

- 1. Resource Management**
- 2. Operations & Safety**
- 3. Environmental Protection**
- 4. Canada - NL Benefits/NS Benefits**

Frontier Offshore Regulatory Renewal Initiative (FORRI)

- **Built on Smart Regulation Initiative and Atlantic Energy Roundtable**
- **Partnership of federal, provincial and territorial departments and regulators**
 - Participants: NRCan, NEB, CNSOPB, CNLOPB, NS , NL, BC, Quebec, NB, PEI, Yukon, Northwest Territories, Nunavut, others
- **Consistent with international jurisdictions and Red Tape Reduction Initiative**

What are we trying to achieve with FORRI ?

- The FORRI vision is essentially a *goal-oriented approach*, developing a regulatory regime that is characterized by:
 - improved safety, environmental and conservation outcomes
 - flexibility and continuous improvement
 - minimal administrative burden
 - clarity
 - international competitiveness

FORRI Work Plan

Existing Regulations

- *Drilling*
- *Production & Conservation*
- Installation
- Diving
- Geophysical Operations
- Operations
- Spills & Debris Liability
- Certificate of Fitness

Work Plan

- Completed new Drilling and Production Regulations in Dec. 2010
- Currently working on a consolidated framework regulation (3-4 year project)

Accord Act OHS

- **Offshore Occupational Health and Safety (OHS)**
 - Amendment to the Accord Acts to insert Part III.I to deal with OHS
 - Lengthy complex multi-jurisdictional effort nearing completion
 - Expect introduction of the draft bill in Canadian parliament, NS and NL legislatures early 2012
 - Will clarify roles and responsibilities for work place parties employees, employers, contractors, suppliers, operators

Wells Recommendations

- **Newfoundland Helicopter Crash Inquiry Report**
 - Justice Wells' recommendations are influencing changes in the NS offshore
- **Canada NS Offshore Petroleum Board had already implemented a governance structure to separate safety decision making from economic decisions**
 - CSO reports directly to the Board of Directors not to the CEO
 - New measure - the Board of Directors now has created a safety sub-committee to advise it on safety matters
- **Further implications of Wells recommendations to be discussed by the three jurisdictions**

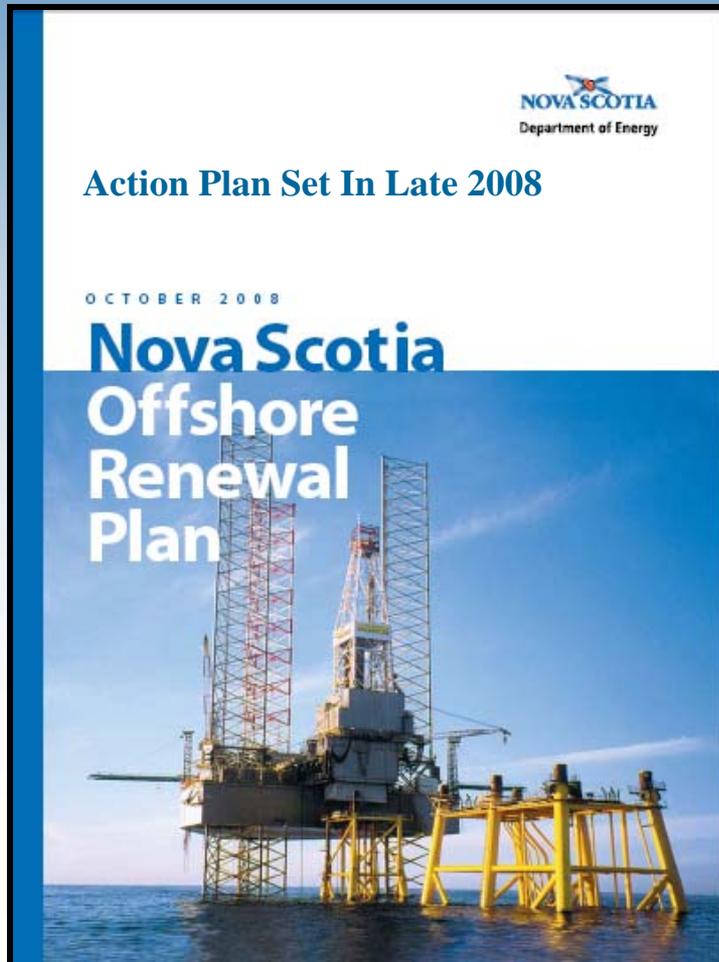
Protected Areas

- **Protected Areas**
 - St. Ann's Bank MPA Area of Interest process is underway. NS is working with federal Department of Fisheries to ensure interests are respected.
- **Sable Island National Park**
 - National Park announced Oct. 17, 2011
 - will enshrine in law current drilling ban on surface of island and within one nautical mile
 - preserves access to petroleum resources under and around the island
 - voluntary amendment by industry of current SDLs on the island to adopt drilling ban

Strategic Environmental Assessment

- **Current Strategic Environmental Assessment (SEA) being conducted by CNSOPB**
 - covers area of southwestern Scotia Shelf in area of CNSOPB Call for Bids NS 11-1
 - available for public comment period ending Oct. 27, 2011
- **Participating in update of SEA being conducted by CNLOPB**
 - covers offshore western NL in area of Old Harry prospect
 - draft scope will be out for public comment over the next few weeks

Nova Scotia Offshore Renewal Plan



GEOSCIENCE

- 4 I. Resource Analysis Project
- II. Data Package Project

NEW POLICY

- 5 III. Access to Infrastructure Project
- IV. Data Release Project
- V. Rights Issuance Project
- VI. Research and Development (R&D) Incentives Project
- VII. Global Competitiveness Project

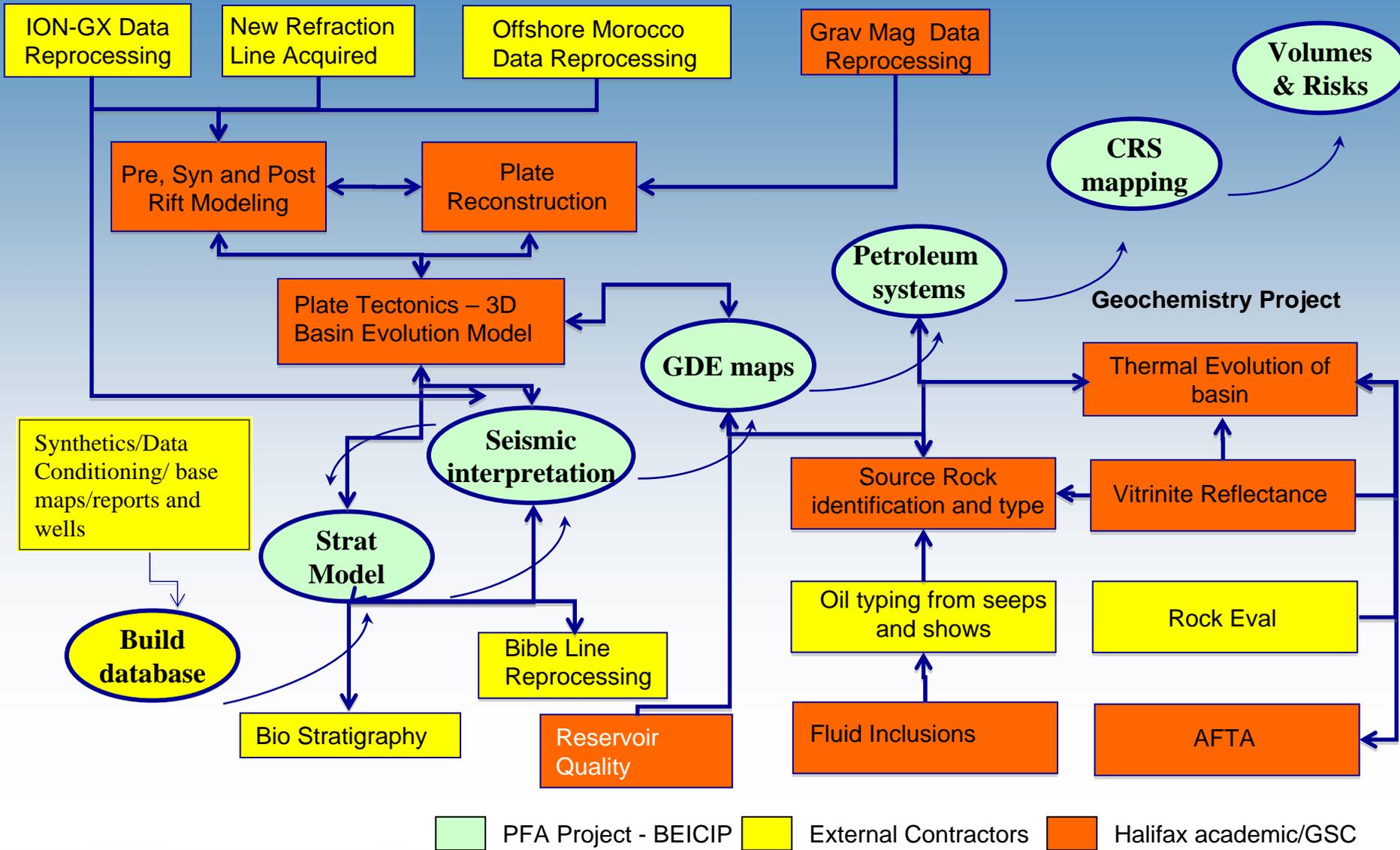
REGULATION

- 6 VIII. Coastal Trading Act Project
- IX. Frontier Offshore Regulatory Renewal Initiative (FORRI) Project
- X. Occupational Health and Safety (OHS) Project
- XI. Drilling Rig Pool Project
- XII. Extended Rig Duty Relief Project

INVESTMENT ATTRACTION

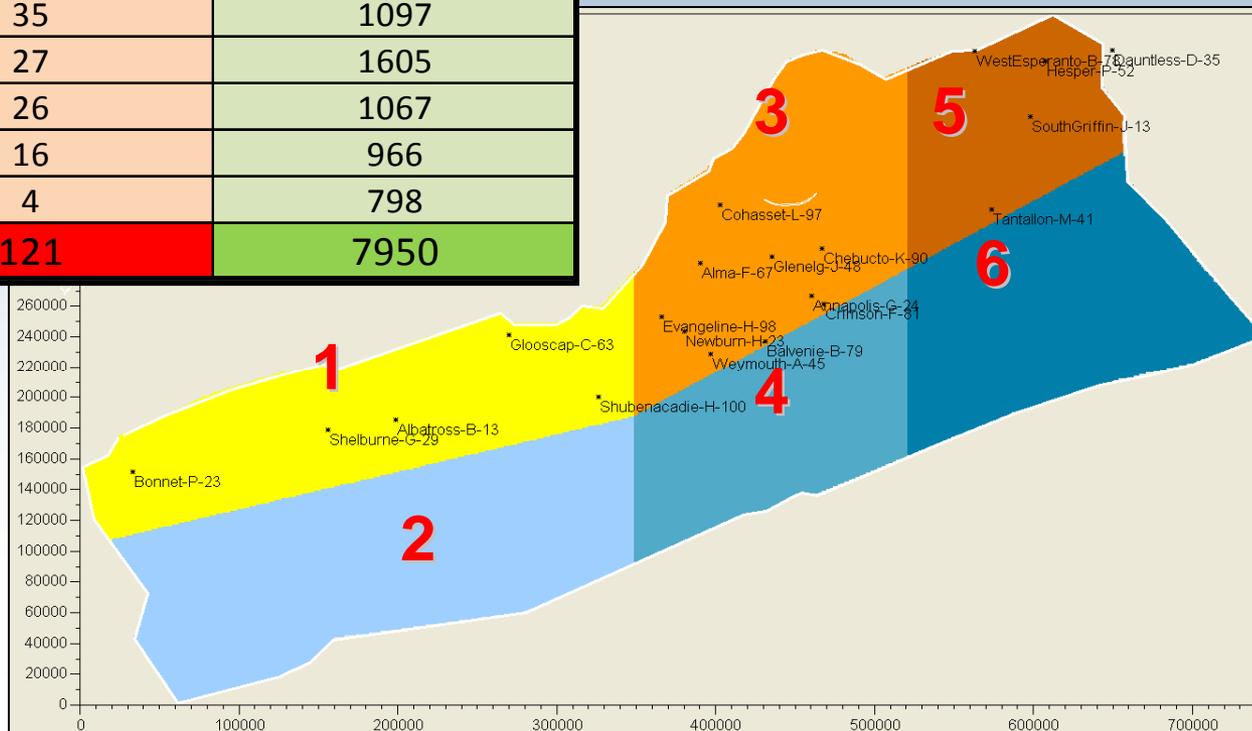
- 7 XIII. Interim Investment Attraction Project

Plate Tectonics Project



PFA Results :

By ZONE	TOTAL GAS volume in surface (Tcf) IN PLACE UNRISKED	TOTAL OIL volume in surface (Mbbbl) IN PLACE UNRISKED
ZONE 1	14	2416
ZONE 3	35	1097
ZONE 5	27	1605
ZONE 6	26	1067
ZONE 4	16	966
ZONE 2	4	798
Whole Basin	121	7950



Offshore Marketing Strategy and Implementation Plan

Key Features:

Technical (the geoscience):

- Focus on marketing the PFA first
- One-on-ones with supermajors
- Technical seminars at select international sites, marketing with seismic industry

Non-Technical (strategic media relations):

- Change our current operating reputation
- Ensure our environmental and safety regime is internationally recognized
- Manage media to advance project messages

*Completed in March, 2011
(RPS Energy and Cohn&Wolfe)*

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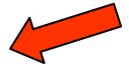
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Questions ?

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