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Canadian Environmental Assessment Agency
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Submission of the Newfoundland and Labrador Oil & Gas Industries Association (Noia) regarding the Draft Agreement for a Regional Assessment of Offshore Oil and Gas Exploratory Drilling East of Newfoundland and Labrador.

Introduction

The Newfoundland and Labrador Oil & Gas Industries Association (Noia) was founded in 1977 to represent the supply and service sector of the offshore oil and gas industry. Today Noia represents approximately 600-member organizations worldwide who are involved in, or benefit from, the oil and gas industry of Newfoundland and Labrador.

Noia is pleased to have the opportunity to comment on the Draft Agreement for a Regional Assessment of Offshore Oil and Gas Exploratory Drilling East of Newfoundland and Labrador. Before doing so, it is appropriate to provide context to the value the industry has provided.

The offshore oil and gas industry is one of tremendous importance to Newfoundland and Labrador. To quantify that importance Noia recently engaged Mr. David Campbell of Jupia Consultants to undertake a study on the value of the industry. Mr. Campbell is a former chief economist for the Government of New Brunswick and is experienced in assessing the economic value of large energy sector industries such as oil and gas. To understand historic values of the industry the study used information available through Statistics Canada. To model future values the study used the objectives of the Government of Newfoundland and Labrador's Advance 2030 plan for the offshore oil and gas industry. The International Energy Agency and the U.S. Energy Information Administration Brent crude oil price and demand forecasts were used for oil and gas projections.

Mr. Campbell's study showed that at the peak of the industry in 2003, 36 per cent of Newfoundland and Labrador's GDP was derived from the oil and gas industry. GDP contribution was within that contribution level for seven years. The industry currently contributes more to the provincial economy than the three next contributing industries (construction, public administration, and healthcare) combined.

Due to the industry, the average weekly wage in Newfoundland and Labrador is now six per cent higher than the Canadian average, having been 13 per cent below that average in 1998. In 2017, the oil and gas industry generated 23,500 full-time equivalent jobs in the province (including direct, indirect, and induced jobs). This resulted in approximately \$2 billion in labour income – which is 15 per cent of the provincial total – and \$1.45 billion in consumer spending. The industry generated \$973 million in capital expenditure, \$920 million in royalty payments, and over \$1.4 billion in total tax and royalty revenue.

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The study also demonstrated that Newfoundland and Labrador offshore oil and gas is clearly a national industry with significant economic impacts for Canadians. For every direct job in Newfoundland and Labrador in the oil and gas industry, 1.8 jobs are created in Canada. \$755 million in labour income, \$561.5 million in consumer spending and \$680 million in tax revenue was generated in the rest of Canada in 2017 as a result of our offshore oil and gas industry.

The economic value has been significant and the potential of the industry is tremendous. The study forecasts royalty and tax revenue to Newfoundland and Labrador to exceed \$100 billion by 2045, with 56,000 jobs created in 2033. Labour income is modelled to more than double to \$4.6 billion, as is consumer spending to \$3.5 billion. In 2033, the oil and gas sector has the potential to generate more revenue for the province (\$5.1 billion) than the entire economy currently does (\$4.6 billion).

Similarly, for Canada, the future impacts are significant. By 2033, every direct job in Newfoundland and Labrador's oil and gas industry is expected to create 2.3 jobs in Canada. The model predicts 22,700 direct jobs with the total for indirect and induced rising to 78,700. Forecasted impacts include \$1.6 billion in labour income, \$1.2 billion in consumer spending, and \$3.3 billion in tax revenue, all in the rest of Canada.

All of this is for an industry which is considered by most observers to only be in the early stages of development. Less than seven per cent of the Newfoundland and Labrador offshore has undergone independent resource assessment, and within this area there are 49.2 billion barrels of oil estimated offshore with an additional 193.8 trillion cubic feet of gas. The past three years has seen \$2.55 billion in new work commitments and seven new entrants have come into the industry. Prospectivity is world class with over 600 leads and prospects. Optimism and confidence are steadily increasing with four producing offshore installations and another, West White Rose, expecting first oil in 2022. A framework agreement for an FPSO to develop the Bay du Nord field and see first oil in 2025 has recently been agreed upon, with this installation operating in a new basin (the Flemish Pass) for the industry.

Newfoundland and Labrador was recently ranked as the most attractive province in Canada for oil and gas investment and ranked as the fourth most attractive global jurisdiction.¹ This is largely due to the geological database that has been developed. However, these rankings are at risk due to regulatory uncertainty. A Regional Assessment may alleviate some of the concerns with respect to regulatory uncertainty.

Exploration Drilling Wells in Accord Act Areas

Noia has consistently advocated, including during consultation on Bill C-69 “An Act to enact the Impact Assessment Act and the Canadian Energy Regulator Act, to amend the Navigation Protection Act and to make consequential amendments to other Acts,” that offshore exploration drilling wells in Accord Act areas not be included as part of the Designated Project List for the new Impact Assessment Agency. Noia continues to strongly hold this view as offshore exploration drilling (including delineation wells) has defined standard mitigation measures that have been adopted and developed over many years. Exploration wells in Accord Act areas have been subject to stringent federal regulations and have proven to be effective in mitigating any harmful effects, and accordingly should not be included on the Designated Project List.

¹ Fraser Institute (Centre for Natural Resources), *2017 Global Petroleum Survey*

The following comments regarding the Draft Agreement to Conduct a Regional Assessment of Offshore Oil and Gas Exploratory Drilling East of Newfoundland and Labrador are offered by Noia in the event that offshore exploration wells in Accord Act areas are included as part of the Designated Project List and the Regional Assessment process is used as a substitution process for impact assessment.

General Comments

Should exploratory drilling wells remain as part of the Designated Project List, Noia supports the concept of a Regional Assessment for the Newfoundland and Labrador offshore in so far as a consistent framework is put in place so all members of the ocean economy understand the requirements to operate.

The draft agreement preamble recognizes that both levels of government “are interested in improving the efficiency of the environmental assessment process as it applies to oil and gas exploration drilling” and Noia fully supports this statement. Our offshore oil and gas industry must remain competitive in the global context and timelines for review of exploration drilling programs are a significant function of that.

As part of such an efficient process, Noia feels that timelines must be established for all phases of the Regional Assessment and this includes timelines for public and Indigenous consultation, completion and submission of the Regional Assessment itself, and review by the Ministers. Established timelines provide clarity for everyone involved in the process and ensure an efficient and effective process.

Further, the draft agreement also states that the “highest standards of environmental protection continue to be applied and maintained” and this is also Noia’s position. The oil and gas industry in Newfoundland and Labrador has a decades old history of activity which has ensured appropriate environmental stewardship and mitigation practices. Such practices can, and must, continue and an efficient process can clearly exist within this context. Such regimes exist throughout the world in this industry.

Noia is also pleased to see numerous references in the draft agreement to considerations of socioeconomic factors. A true Regional Assessment of the offshore cannot be undertaken without an analysis of the social and economic impacts the industry can have upon Newfoundland and Labrador. As outlined above, the industry has already had a significant impact upon the economy of the province and the country.

During the Regional Assessment process, consideration should also be given to previous Strategic Environmental Assessments conducted in the Newfoundland and Labrador offshore so as not to duplicate work and ensure a timely process occurs. For example, the Strategic Environmental Assessment of 2014 has provided detailed information related to the offshore of Newfoundland and Labrador and should be considered as part of the Regional Assessment process.

The Canada-Newfoundland and Labrador Offshore Petroleum Board

The involvement of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB) in the framework agreement is viewed positively by Noia. The C-NLOPB is the regulatory agency closest to the resource and has accumulated tremendous knowledge of the Newfoundland and Labrador

offshore oil and gas industry. The expertise available through this regulator, including its international affiliation as a founding member of the International Offshore Petroleum Environmental Regulators, is an advantage for the industry and must be used as a resource for the Regional Assessment. The inclusion of the C-NLOPB throughout the Regional Assessment process is paramount for Noia.

Committee Structure

Further to the important point of those adjacent to the resource and with knowledge of the industry being a part of the process, Noia strongly feels that at least one of the co-chairs must be a Newfoundlander and Labradorian who is familiar with the current operations of the offshore industry of the province.

The process of appointing the co-chairs remains somewhat unclear in section 3.1 of the draft agreement. This section states there will be two co-chairs appointed by the federal Minister of Environment with one jointly recommended by the federal Minister of Natural Resources and the provincial ministers. This assumes the other co-chair is appointed by the federal Minister of Environment, though the process to select that co-chair is unclear. Are there recommendations made, and if so, by whom? Clarity as to the process of appointing the two co-chairs must be provided. Again, Noia feels strongly that at least one co-chair must be a Newfoundlander and Labradorian familiar with the current industry, and all members of the Committee should be knowledgeable with the industry, as well as possessing knowledge and experience relevant to the Regional Assessment.

Task Team & Technical Advisory Group

The inclusion of the C-NLOPB in the role of co-chairing the Task Team is extremely positive for Noia. The draft agreement should be clarified to indicate if the C-NLOPB appoints the co-chair or if a staff or board member serves in this capacity.

In the interest of transparency, all members of the Task Team and Technical Group should be made public. This will ensure that all those interested and those participating in the process are aware of the membership.

As well, the draft agreement indicates that members of the Task Team can move in and out, depending upon the expertise required. While Noia has no issue with this approach and encourages the use of those with the best skill set and knowledge, Noia does feel that such changes should also be publicly noted. This could be accomplished by updating the current Task Team membership on a website.

With respect to the Technical Advisory Group, the membership direction in the agreement as described in section 4.12 is broad and Noia recommends that those involved with the offshore oil and gas industry who hold a strong knowledge base and skill set be included as members.

Consultation

Noia supports the opportunity for those potentially impacted by exploration wells to have the opportunity to provide their comments during a consultation process. Noia also feels that such consultation processes should have specific timeframes in place in order to ensure a consistent and efficient process for all involved.

With respect to Indigenous consultations, Noia certainly respects the intention to consult with Indigenous peoples and special interest groups. Consultation should occur with said groups where scientific evidence demonstrates the likelihood of them being directly impacted. A list of groups for consideration as part of the consultation process must be defined early in the planning process to allow for certainty.

Reporting

The draft agreement outlines numerous guidelines to be followed to ensure the public and those with a direct interest are informed throughout the process and Noia encourages the Committee to ensure those guidelines are met. Noia is also pleased that a report is expected no later than Fall 2019 and encourages the Committee to complete their work as expeditiously as possible and further encourages both levels of government to act upon the report as expeditiously as possible. The sooner a consistent process, including Regional Assessment, can be provided to the global industry, the sooner clarity is available to everyone who works within the Newfoundland and Labrador ocean economy and who is considering joining that economy.

As well, Appendix A section 2.1 refers to the “spatial boundary” and Noia feels this boundary must be further clarified in this context. It is assumed it is the boundary provided in the Appendix D map, but this must be made clear, especially for individuals or groups who may not be as familiar with the offshore mapping process as those directly involved in the industry.

Appendix C – Factors to be Considered

Section 1. (d) refers to “the purpose of and need for offshore exploratory drilling” to be considered. This is a broad statement and further clarity must be provided on how this will impact the Regional Assessment. Will the Regional Assessment now make determinations of the necessity of exploratory drilling, thus superseding other legislative and regulatory processes already in place? Noia assumes this is not the case, however, this section is ambiguous and the language should be clarified to explain the intended purpose.

Stringent regulations and mitigation measures are in place and must continue to be so for all participants in the ocean economy. Oil and gas industry efforts to help protect marine habitat have included surveys of corals and other sensitive species and action has been taken to avoid such habitat, including the moving of planned anchors to avoid coral. All operators conduct Environmental Effects Monitoring and have indicated they will incorporate guidelines on cold water corals developed in Norway and the United Kingdom. Historic and ongoing practice of those involved in the offshore oil and gas industry should be considered as part of the Regional Assessment.

The draft agreement refers to socioeconomic aspects which must also be considered as part of the Regional Assessment. Noia strongly believes that all decisions regarding offshore activity must consider environmental, economic, and social impacts and must be undertaken in a collaborative manner. Historically, this approach has proven successful. Environmentally-sustainable development based upon evidence and a scientific approach must occur.

Conclusion

As indicated above, Noia feels strongly that exploration drilling wells in Accord Act areas should not be included on the Designated Project List of the Impact Assessment Agency. Such activities have a long

history in the offshore of Newfoundland and Labrador with stringent federal regulations and mitigation practices in place. Further, the role of the C-NLOPB as life-cycle regulator has been effective due to the extensive experience and knowledge accumulated over two decades. Should exploratory wells remain on the Designated Project list, Noia generally supports the concept of a Regional Assessment for the Newfoundland and Labrador offshore.

The International Energy Agency (IEA) and the U.S. Energy Information Administration have both indicated that the demand for oil will grow for decades to come. The IEA stated that demand is currently growing by one million barrels per day, with aging fields losing three million barrels per day. Clearly the demand exists and must be met. The oil offshore Newfoundland and Labrador is a light, sweet crude that is 30 per cent below the global average of greenhouse gas emissions at extraction. As the global demand for oil increases, supplying this demand with an oil that has less greenhouse gas emissions than most other producing areas helps to solve a global demand problem in a manner which has less impact on the environment. The oil offshore Newfoundland and Labrador can also help Canada achieve greenhouse gas emission targets while increasing its energy independence.

Noia supports an ocean economy where all of the ocean industries work together for the socioeconomic benefit of the nation and where activity is undertaken in an environmentally conscious manner. The various industries involved in the ocean economy can co-exist and they can do so in a manner that takes into consideration protection of all ocean resources. This has occurred for decades offshore Newfoundland and Labrador and will certainly continue in the best interest of all Canadians. The potential of our ocean economy is both staggering and inspiring and we must strive for a regulatory process which provides opportunities, ensures efficiency, and supports environmental stewardship that is based upon scientific evidence. A Regional Assessment should help guide the implementation of such principles.

Again, Noia is pleased to be provided an opportunity to submit the above comments for inclusion in the Draft Agreement for a Regional Assessment of Offshore Oil and Gas Exploratory Drilling East of Newfoundland and Labrador.