



May 6, 2020

580 Booth Street, 21st Floor, Room: C7-1
Ottawa, Ontario
K1A 0E4
Canada

Re: Incentives for Canada's Offshore Oil and Gas Industry

Dear Minister O'Regan,

We trust you are remaining safe and well during this challenging period.

Given Noia's recent discussions with Natural Resources Canada officials, we felt it was timely to once again write you regarding initiatives to help Canada's offshore oil and gas industry re-emerge from the global COVID-19 pandemic and the collapse of oil prices.

Firstly, we would like to thank you for the ongoing discussions we have had and your willingness to discuss the needs of our industry, as well as for partaking in the Noia virtual town hall. Further, your recent comments in the media regarding the need to help our industry at this time through incentives, along with your comments on the benefits of the light, sweet crude of our offshore and the role it can play in the global industry have been reassuring.

As you know from our discussions, to help our industry through this challenging time Noia has two main requests of the Government of Canada. In order to remain globally competitive with jurisdictions such as Norway, the United Kingdom and Australia, we will need to provide incentives to attract investment, specifically, incentives for offshore exploration. Incentives have been used in the Newfoundland and Labrador offshore in the past and our four current production facilities can be traced back to the Petroleum Incentive Program (commonly referred to as PIP) of the 1980s. By encouraging exploration through incentives, Newfoundland and Labrador will be able to compete with the other jurisdictions doing the same and preserve commitments made to date by those who have invested in our offshore and also retain the drill rigs currently in our waters and not lose them to jurisdictions such as Norway.

Noia also requests that development incentives be considered so that delayed or deferred projects become more economically feasible during this difficult time. Financial incentives to encourage as much of the Terra Nova FPSO asset life extension project to be done in the province would utilize the unique circumstance created by the inability of the foreign yard to undertake the work. As well, incentives could encourage projects such as subsea tiebacks and renew the deferred West White Rose project and the deepwater Bay du Nord development project.

Until 2012, offshore related capital projects could avail of the Atlantic Investment Tax Credit and Noia requests that a similar such program once again be offered to encourage development. Otherwise, if swift action is not taken, the current circumstances will be detrimental to the service and supply sector, and indeed, our province. The needs of our members and the province are urgent and require immediate assistance.

While the challenge facing our industry is unprecedented, the solutions are not. Incentives have been offered in the past for both exploration and project development and such action can once again have a significant impact upon Newfoundland and Labrador. The projects referenced above, along with other potential projects that would occur as a result of exploration, will provide substantial benefits to the people of Newfoundland and Labrador through employment, taxes, and royalties. As an example, for the ten-year period of 2009-10 to 2018-19, the Auditor General of Newfoundland and Labrador reports that on average oil revenues accounted for 21.5% of provincial revenues with a peak of 31.7% in 2011-12. In the view of Noia, the assistance we are requesting from the federal government is an investment in the future of not only the offshore industry, but the province of Newfoundland and Labrador.

Again, thank you for your continued dedication to helping the offshore oil and gas industry through this difficult period. We remain available to discuss these issues with you at any time.

Sincerely,



Karen Winsor
Chair



Charlene Johnson
CEO

CC: Minister Morneau