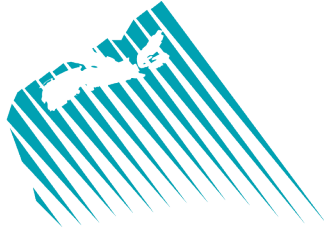


CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

Speaking Notes for the
Canada-Nova Scotia Offshore Petroleum Board
(CNSOPB)
on the occasion of presenting to the Senate
(Energy, The Environment and Natural Resources)

May 27, 2010

Speaking Notes for the Canada-Nova Scotia Offshore Petroleum Board

Introduction

Thank you for the opportunity for the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) to provide information on the state of the emergency response assets available and the adequacy of current regulations governing this industry as they pertain to offshore Nova Scotia.

Let me start by firstly providing a brief background of our Board and its mandate. The Board, which was formed in 1990, is the independent joint agency of the Governments of Canada and Nova Scotia responsible for the regulation of petroleum activities in the Nova Scotia Offshore Area which totals in area some 45.5 million hectares.

Since the drilling of the first exploration well in 1967, there have now been a total of 207 wells drilled to date in the Nova Scotia offshore area. During this time, there have been two producing projects brought on stream, with a third under development. At present, there is no drilling activity taking place in the Nova Scotia offshore area.

The Board's regulatory mandate includes, among other things, the regulation of the health & safety of offshore workers, protection of the environment, and the prevention of waste of hydrocarbon resources. The CNSOPB regulates pursuant to the Accord Acts, and regulations promulgated thereunder. The CNSOPB also has the authority to issue guidelines and interpretation notes with respect to the regulations and currently has 20 such guidelines issued for use.

Production Summary

The Cohasset - Panuke Project operated from 1992 to 1999, producing a total of 44.5 MMBbls of light oil (condensate). When it began production in 1992, it became Canada's first offshore oil project. During the life of this project, there were no significant spills or well control incidents.

The Sable Offshore Energy Project (SOEP) is the only currently operating project. It involves production of natural gas from 5 separate fields in shallow water approximately 225 km off the east coast of Nova Scotia. Production began in December 1999 and is expected to continue well into this decade.

Development of additional past discoveries and any new discoveries could extend that project life. The Project is producing approximately 350 MMscf/d of natural gas. Gas is brought ashore via subsea pipeline to a processing plant in Goldboro, NS.

Now under development is Encana's Deep Panuke Offshore Gas Development Project which involves the production of natural gas from an offshore field located approximately 250 km southeast of Halifax in shallow water. The gas is to be transported to shore at Goldboro via subsea pipeline. Production is scheduled to begin in 2011 and is anticipated to continue for a mean production life of 13 years. Over the life of the Project up to 900 Bcf of natural gas will be produced.

As you will have noted, the NS offshore area is a gas prone region; only small amounts of light oil has been discovered to date.

Regulatory Regime

The regulatory regime in place is permissive in nature, meaning that any work or activity to be conducted in the offshore area must firstly be authorized by our Board. To obtain an authorization to conduct a particular work or activity, an application must be submitted by the licence holder. There are a number of attendant elements including demonstration of financial responsibility, safety, environmental protection, resource conservation, industrial benefits, certification, declarations, and operating licences that must be considered and evaluated in dealing with each application.

The health and safety of offshore workers and the protection of the environment is paramount for the Board. By regulation, an application for authorization of drilling or production operations must be accompanied by both a safety plan and an environmental protection plan along with contingency plans and emergency response procedures.

These plans must demonstrate that an operator has in place robust safety and environmental management systems, and must clearly demonstrate that the operator has properly identified the health, safety, and environmental hazards associated with the proposed work activities.

The operator must also demonstrate that the associated risks have been evaluated and can be appropriately mitigated and managed.

Drilling and production activities proposed in the offshore area trigger a requirement under the Canadian Environmental Assessment Act (CEAA) to conduct an environmental assessment. The Board is a Federal Authority under this Act and follows the environmental assessment requirements outlined in the Act. Environmental assessments must also be in compliance with the Species at Risk Act to ensure the protection of listed species that may be affected by offshore activities. These environmental assessments must be completed, and a determination made that the project is not likely to cause significant adverse environmental effects, before the Board would issue an Authorization for a proposed work or activity.

Specific to drilling and production installations, such facilities must also have a valid Certificate of Fitness issued by a government recognized, independent Certifying Authority before that installation can be used to conduct any activity in the offshore area. In addition to verifying compliance to regulations and to a detailed scope of work which is approved by the Board's Chief Safety Officer, the Certifying Authority reviews and approves the maintenance, inspecting and testing programs and the Operations Manual for the installation.

In accordance with the Accord Acts, the Board, prior to issuing an Authorization for a proposed work or activity, considers safety by reviewing, in consultation with its Chief Safety Officer, the system as a whole and its components.

With regard to evidence of financial responsibility, the operator must submit to the Board, documentation which evidences the required proof of financial capacity. No authorization will be issued until that evidence is satisfactory to the Board.

The basic objectives of financial responsibility include: providing financial compensation to any party respecting claims attributable to the work or activity, restoring and preserving the natural environment, including the sea bed, while the work or activity is going on and after it is completed and abandoned; and ensuring that the operator will properly terminate the authorized work or activity, having regard to environmental, safety, and other concerns.

Activities authorized by the Board are subject to an ongoing monitoring program which evaluates operator compliance with health, safety and environmental requirements.

Operators must submit a variety of reports to the Board providing information on the status of their work programs and to confirm compliance with regulatory requirements.

Board staff regularly conducts health, safety and environmental compliance audits and inspections at offshore work sites.

Operators are required to report all spills and other specified hazardous incidents that occur at their offshore work locations. In each case, the Board ensures that the operator takes appropriate action to determine the causes of the spills or incidents and to prevent their recurrence, and in more serious cases, the Board will conduct its own independent investigations.

The Board has an established compliance and enforcement policy to address regulatory non-compliance. Under this policy, the Board will normally seek voluntary compliance from the operator, but other possible actions may include: issuance of orders, directives or notices, suspension or revocation of approvals and authorizations, and prosecution.

The regulations that we enforce are written and promulgated by governments. A key element of the regulatory regime in which we operate under are the set of comprehensive guidelines issued by our Board to aid operators in understanding and interpreting how they may achieve regulatory compliance. With the promulgation of the new Drilling and Production Regulations in December of last year, the CNSOPB, after working in collaboration with the National Energy Board, and the Canada-Newfoundland and Labrador Offshore Petroleum Board, issued a set of four guideline documents in association with these new regulations. These guidelines address, among other things, requirements for the submission of details with respect to well control and cementing programs for drilling program approvals, and furthermore, for the submission of safety plans and environmental protection plans.

Emergency Response

The Board's focus in its review of applications is to ensure that operators have taken the necessary steps to prevent hazardous incidents or spills. Should, however a major accident, spill, or uncontrolled release of hydrocarbons occur during an authorized activity, the Board would lead the government response. The exception to this is in cases of a rupture of an export pipeline for which the government response would be jointly led by our Board and the National Energy Board. The operator would be fully accountable and responsible for attending to any spill and for any damages.

The CNSOPB has an Emergency Response Plan which would be activated during a significant spill event. Depending upon the significance of the spill and the Operator's response, the Board's role ranges from monitoring of the Operators activities, giving direction to the Operator, or in the most severe case to actually managing the spill response.

The regulatory requirements in place require a very high level of training and demonstrated competency for the offshore workforce. This includes well control certification and emergency response training combined with regular drills and exercises. These standards are in keeping with or exceed the highest of international standards.

In the unlikely event that relief well operational plans must be executed, the contingency plans referred to earlier must provide details of how they would secure, in a timely manner, the necessary equipment to undertake such operations.

Some of the natural gas producing fields offshore Nova Scotia do contain some light hydrocarbon liquids called, "condensate". Should a release occur from one of these fields, there would be a plume dispersed down current from the source over the duration of the release. However, given the properties of condensate, the resultant surface sheen would have a thickness that would be measured in microns, and its overall size would be limited given that it would rapidly dissipate through evaporation and through dispersion within the upper water column.

All operators have a contract with an environmental response organization, such as Eastern Canada Response Corporation to provide additional resources and expertise as and when necessary in responding to a spill. Transport Canada can also provide aerial surveillance services.

The Board would also coordinate with the Regional Environmental Emergencies Team (REET) which is chaired by Environment Canada to provide expert advice. REET membership includes Transport Canada, Canadian Coast Guard, Canadian Wildlife Service, and many other departments, provincial governments and Aboriginal groups where appropriate.

Closing

In closing, the Board is of the opinion that the regulatory regime that is in place provides for a high level of safety and environmental protection. The Board is vigilant in its administration of its mandate and holds all operators accountable to meet the expected standards. We are keen to learn from the unfortunate accident in the Gulf of Mexico and, like others, will apply learnings that come out of that investigation.