

STATEMENT FROM THE CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

REGARDING THE FEDERAL AUDITOR GENERAL'S COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT'S (CESD) REPORT – CHAPTER 1: ATLANTIC OFFSHORE OIL & GAS ACTIVITIES

FEBRUARY 5, 2013

The audit report tabled today by the federal Auditor General's Commissioner of the Environment and Sustainable Development (CESD) is the result of a rigorous, in-depth performance review of the Canada-Nova Scotia Offshore Petroleum Board's (The Board) management of environmental risks and impacts associated with offshore oil and gas activities. The Board is pleased with the results of the audit.

The report concludes that the Board is appropriately managing the environmental aspects of its mandate in regulating Offshore Nova Scotia's current natural gas projects. Specifically, the report highlights a number of positive findings including:

- the Board exercises due diligence when assessing and approving offshore projects and activities;
- the Board takes adequate steps to ensure that operators comply with environmental requirements; and
- overall, the Board manages the current environmental impacts associated with natural gas activities in the Nova Scotia offshore area in a manner consistent with the size and scale of current operations.

As with any audit, certain improvement opportunities have been identified which have been accepted and endorsed, in keeping with the Board's commitment to continuous improvement. They will serve to further strengthen our already robust regulatory regime; many of these are already underway or have been completed.

The CESD's news release indicates that its primary concern is with respect to preparedness of the Board and other federal agencies in responding to a major oil spill, and specifically, in the unlikely scenario where the Board may have to take over the management of the response to a spill. At present, production offshore Nova Scotia is natural gas, with exploratory drilling that may encounter oil not expected until 2015.

Protection of the environment through managing risk, the application of preventative measures, and the response to any spills that may occur is the responsibility of operators. The Board's focus is, and will continue to be, on ensuring that operators and drilling contractors have the necessary competencies to carry out their work, that they exercise due diligence in preventing incidents from occurring, and that they clearly demonstrate that they have the capability and capacity to respond to any incidents that may occur including spills. This being the case, the Board should not find itself in a situation where it would have to take over the management of a response to a spill from an operator. Notwithstanding this, the CESD audit effectively validated a

number of actions that were already underway at the Board. This includes working in a coordinated manner with other federal responders as the Board readies itself for overseeing future drilling activities that may encounter oil, including preparedness for the unlikely scenario of taking over the management of an oil spill response. These actions will be completed ahead of the commencement of such drilling activities.

The Board fully acknowledges the recent changes to the Canadian Environmental Assessment Act and has updated its environmental assessment policies and procedures in line with the new legislation. In doing so, the Board has ensured that environmental assessments that may now be conducted under Board practices, rather than under the CEEA, will be to the same rigour as before.

In carrying out its regulatory mandate, the Board has structured its organization to ensure that decision making respecting safety and environmental protection is paramount. The checks and balances in place, carried out by highly qualified Board staff, form a well-respected regulatory regime that is focused on the prevention of incidents, and one that holds operators fully accountable and responsible for their activities.

Attached are the recommendations from the CESD report and an outline of the Board's actions to address them.

For the full report, please visit <http://www.oag-bvg.gc.ca>

CNSOPB Response and Action Plan – CESD Report, Chapter 1, Atlantic Offshore Oil and Gas Activities (February 5, 2013)

Recommendation (from CESD Report)	Joint CNSOPB / C-NLOPB Response	CNSOPB Action Plan	Timeline (Targeted)
<p>Paragraph 1.27</p> <p>To maximize opportunities for protecting the environment and to ensure that potential project proponents have the environmental information to make appropriate decisions, the boards should ensure that the results of up-to-date strategic environmental assessments are available prior to issuing a call for bids.</p>	<p>Agreed – in principle. The boards have in place processes that maximize opportunities for protecting the environment and disseminating environmental information while also ensuring the fairness and efficiency of the rights issuance regime.</p> <p>The boards' practice regarding strategic environmental assessments (SEAs) is to ensure that the results of up-to-date SEAs are known either ahead of the issuance of a call for bids, or sufficiently in advance of the closing of a call for bids and ahead of irrevocable decisions that would be taken by bidders and by the boards.</p> <p>With respect to the Nova Scotia Board, this practice is based on joint policy direction by the federal and Nova Scotia governments. The Newfoundland-Labrador Board has no such restriction.</p> <p>Consistent with the recommendation, the boards plan to maintain current SEAs in areas where there is the most potential for petroleum exploration and where future calls for bids are most likely.</p> <p>If there is not an SEA (or updated SEA) available at the time of a call for bids, the call document would state that, ensuring full transparency of the process. In addition, the call would be made without prejudice to the environmental assessment process. The issuance of an exploration licence by the Board is also subject to fundamental decision approval by the federal and respective provincial governments.</p>	<p>Practice already in place.</p>	
<p>Paragraph 1.32</p> <p>The boards should work with their federal partners, including Environment Canada and Fisheries and Oceans Canada, to identify and address the key information gaps in strategic and project environmental assessments.</p>	<p>Agreed. The Boards will continue to identify priority areas of research in cooperation with federal departments and agencies and other stakeholders. This would be for targeted research by government departments and agencies, through initiatives such as the Environmental Studies Research Funds and the Program of Energy Research and Development, and through a wider body of domestic and international work in specific areas. This will be done on an ongoing basis.</p>	<p>Work plans generated under existing Memoranda of Understanding include reference to research collaboration.</p> <p>This existing cooperation will be formalized within the body of Memoranda of Understanding currently being updated.</p>	<p>See note 1.</p>

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<p>Paragraph 1.45</p> <p>The boards should work with the operators to improve the transparency, accessibility, and utility of the environmental effects monitoring programs and the results obtained. This should include facilitating continual improvement and collaborative research involving industry, government and academia, with the aim of improving understanding of the effects of oil and gas activities on the offshore environment.</p>	<p>Agreed. The Newfoundland-Labrador Board currently publishes the results from environmental effects monitoring programs on its website. It will continue to work with operators and government agencies and external reviewers to ensure that the programs remain transparent and relevant. Subject to the cited constraints of the Accord Acts, the Nova Scotia Board will seek the cooperation of relevant parties to implement this recommendation.</p>	<p>The CNSOPB publishes on its website environmental effects monitoring (EEM) programs, and the results obtained, for relevant projects that have been assessed under the <i>Canadian Environmental Assessment Act (CEAA)</i>.</p> <p>Additionally, for all future projects, the Board will seek release agreements, as and when necessary, with operators so that EEM programs and their results can be published.</p> <p>For projects that were assessed prior to CEAA coming into effect (e.g. the Sable Offshore Energy Project), the <i>Accord Acts</i> restrict disclosure of EEM programs and their results. The CNSOPB will seek the cooperation of relevant operators to waive this privilege.</p> <p>The CNSOPB will continue to facilitate continual improvement and collaborative research involving industry, government and academia, with the aim of improving understanding of the effects of oil and gas activities on the offshore environment.</p> <p>Discussions continue with governments with respect to amending legislation to remove the protection of EEM programs and their results from disclosure.</p>	<p>April 2013</p> <p>Ongoing</p> <p>Ongoing</p>

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Recommendation (from CESD Report)	Joint CNSOPB / C-NLOPB Response	CNSOPB Action Plan	Timeline (Targeted)
<p>Paragraph 1.54</p> <p>Each board should establish a systematic process to prepare an annual risk-based audit plan and use it to implement audits of operators' management systems in keeping with board policies.</p>	<p>Agreed. The boards will incorporate a risk classification matrix into their current auditing and inspection policies and procedures to further strengthen the systematic manner in which annual risk-based audit plans are developed. This will be done commensurate with the scale of offshore operations within the respective jurisdictions.</p>	<p>A risk classification matrix has been developed and is currently undergoing external validation. Once finalized, the CNSOPB's auditing and inspection policy and procedure will be amended to incorporate this matrix.</p>	<p>June 2013</p>
<p>Paragraph 1.72</p> <p>The boards should seek the advice of Transport Canada, the Canadian Coast Guard, and international partners to design an approach for third-party verification of the capacity of organizations that would respond to spills from offshore oil and gas facilities.</p>	<p>The boards agree with this recommendation with the following understanding: According to legislation, the boards' role is to assess the adequacy of operators' spill response plans and commitments to ensure their sufficiency and robustness. The operators hold the duty to verify the capacity of any organizations that support those plans.</p> <p>In keeping with the legislated regulatory regime, the Boards commit to tasking operators with defining an approach - to the satisfaction of the Boards - that ensures third party verification of the capacity of organizations that they would rely on for responding to spills from offshore oil and gas facilities. In providing guidance to operators in undertaking this task, and in evaluating acceptability of proposed approaches, the boards will consult with Transport Canada and the Canadian Coast Guard.</p>	<p>The CNSOPB, working with the C-NLOPB, will consult directly with experts (e.g., Transport Canada, Canadian Coast Guard, and international organizations) in developing guidance that will then be provided to operators for defining an approach for ensuring third party verification of spill response organizations.</p> <p>Using this guidance, the CNSOPB / C-NLOPB will then task operators to define a satisfactory approach.</p> <p>The CNSOPB / C-NLOPB will then consult with the same experts to determine acceptability of the proposed approach.</p>	<p>To be determined after consulting with identified experts.</p>

CNSOPB Response and Action Plan – CESD Report, Chapter 1, Atlantic Offshore Oil and Gas Activities (February 5, 2013)

Recommendation (from CESD Report)	Joint CNSOPB / C-NLOPB Response	CNSOPB Action Plan	Timeline (Targeted)
<p>Paragraph 1.84</p> <p>The boards should work with appropriate federal departments and agencies, and other organizations as necessary, to ensure that individual and collective response plans for a major oil spill are adequately resourced and coordinated, well defined, and regularly tested, individually and collectively. The plans should be supported by up-to-date and effective memoranda of understanding between all involved parties.</p>	<p>Agreed. The Boards are current in the involvement with the operators who, as first responders, are legally required to respond to any spill event.</p> <p>The Boards will continue to work with appropriate federal departments and agencies to ensure that the individual and collective response plans for responding to a major oil spill remain up-to-date. These plans will be supported by updated memoranda of understanding as appropriate.</p>	<p>The CNSOPB will participate in future NRCan led exercises to test emergency response plans.</p> <p>The CNSOPB has already updated its emergency response plan taking into account findings of the audit.</p> <p>The CNSOPB will make further changes necessary to its emergency response plan to take into account lessons learned from exercises, and to take into account possible spills from oil exploration.</p>	<p>Ongoing</p> <p>Complete</p> <p>To be completed as required, and prior to a future exploratory drilling program that may encounter oil (expected in 2015).</p>

CNSOPB Response and Action Plan – CESD Report, Chapter 1, Atlantic Offshore Oil and Gas Activities (February 5, 2013)

Recommendation (from CESD Report)	Joint CNSOPB / C-NLOPB Response	CNSOPB Action Plan	Timeline (Targeted)
<p>Paragraph 1.85</p> <p>Natural Resources Canada, the Canadian Coast Guard, Transport Canada, and Environment Canada should work with the boards and others, as necessary, to establish and clarify the roles and responsibilities of federal government departments and agencies in the event of a major oil spill, as well as the resources that would be available. This should include a coordinated response plan.</p>		<p>The CNSOPB will support NRCan and the other federal departments in implementing this recommendation.</p> <p>The CNSOPB is developing and updating various memoranda of understanding to clearly define roles and responsibilities in the event of a major oil spill. The CNSOPB will also assure that emergency response plans are appropriately coordinated for responding to a major oil spill.</p>	<p>To be completed prior to a future exploratory drilling program that may encounter oil (expected in 2015). Also, see note 1.</p>
<p>Paragraph 1.91</p> <p>The boards should develop and maintain systematic practices for identifying and applying lessons learned from their own and other jurisdictions. They should integrate what they have learned with the boards' procedures for continuous improvement and with lessons learned processes in federal departments and agencies.</p>	<p>Agreed. The boards currently have processes in place by which lessons learned from their own and other jurisdictions are applied. This was shown in the Macondo Deepwater Horizon event and by the Review of Offshore Oil-spill Prevention and Remediation Requirements and Practices in Newfoundland and Labrador, with departmental managers at both boards assessing the numerous reports and modifying board practices, where necessary. Internationally, many of these lessons learned are available to us through our charter member status in the International Regulators' Forum and the International Offshore Petroleum Environmental Regulators' Forum in which the Boards will continue their memberships. Additionally, the boards will continue to liaise with federal departments, agencies and non-governmental organizations. The boards' internal practices and procedures will be strengthened by applying a systematic process to maintain their high standard.</p>	<p>As part of ongoing continuous improvement, the CNSOPB is developing an internal procedure for systematically tracking major event lessons learned and the application of those lessons to activities in the Nova Scotia offshore area.</p>	<p>September 2013</p>

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<p>Paragraph 1.102</p> <p>Given the new environmental assessment legislation, the boards should document or update their policies and procedures, and update their memoranda of understanding with their federal partners, including Environment Canada and Fisheries and Oceans Canada, to ensure that the boards will have the capacity for effective environmental review of projects not designated under the Canadian Environmental Assessment Act 2012.</p>	<p>Agreed. The Boards are undertaking a review of their processes for environmental assessment of projects not designated under the <i>Canadian Environmental Assessment Act, 2012</i> (CEAA 2012) and will update their policies and procedures by the end of the first quarter of 2013 at the latest. In the interim, since the adoption of the CEAA 2012, the boards have been reviewing the potential environmental effects of proposed activities in a manner consistent with the previously existing <i>Canadian Environmental Assessment Act</i> (S.C. 1992, c. 37), and publishing the associated documents on their websites. The Boards have already commenced the process of updating existing memoranda of understanding with Environment Canada and with Fisheries and Oceans Canada.</p>	<p>The CNSOPB has updated its environmental assessment policies and procedures in line with the new legislation. In doing so, the CNSOPB has ensured that environmental assessments that may now be conducted under Board practices rather than under the CEAA will be to the same rigour as before.</p> <p>The CNSOPB has received the written commitment of both Environment Canada and Fisheries and Oceans Canada confirming their continued support for environmental reviews of projects not designated under the Canadian Environmental Assessment Act 2012.</p> <p>This commitment will be reflected in updated memoranda of understanding.</p>	<p>Implemented</p> <p>See note 1.</p>
<p>Paragraph 1.104</p> <p>Working with the boards and its other partners, Natural Resources Canada should assess the capacity of the boards to exercise their responsibilities, including how they rely on other federal parties, and should explore opportunities for sharing expertise among those responsible for offshore oil and gas activities.</p>	<p>The boards are willing to be part of an on-going discussion with relevant federal departments and agencies to ensure that the requirements for effective spill prevention and response and the sharing of expertise and coordination needed for effecting this are addressed on a continuous basis.</p>	<p>Being led by NRCan</p>	<p>Ongoing</p>

Note: 1. NRCan is creating a working group to renew / develop MOUs between regulators and federal departments that will set timelines.