



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

CANADA-NOVA SCOTIA BENEFITS PLAN GUIDELINES

MAY 2011

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1. Introduction

1.1 Purpose

The Accord Acts establish the statutory requirement that a Canada-Nova Scotia Benefits Plan must be submitted to, and approved by, the Canada-Nova Scotia Offshore Petroleum Board (the “Board”) prior to the approval of any development plan, or the authorization of any other work or activity in the Nova Scotia Offshore Area. The Board may, with the consent of the Minister of Natural Resources Canada and the Nova Scotia Minister of Energy, waive the requirement for any Benefits Plan.

A Benefits Plan is the Operator’s documented commitment to providing industrial benefits and employment opportunities on a full and fair basis for residents of Canada, and in particular, Nova Scotia, that arise from petroleum resource activities in the Nova Scotia Offshore Area. The Benefits Plan allows the Operator to describe how it intends to satisfy the statutory requirements outlined in Section 45 of the Accord Acts through the incorporation of organizational policies and procedures that demonstrate commitment to the fundamental principles of the Accord Acts.

The Board does not set targets with respect to industrial benefits and employment requirements; however, the Board requires and diligently monitors a process for ensuring that industrial benefits and employment opportunities are made available to Canadians, and in particular, residents of Nova Scotia.

Subsection 156(1) of the Accord Acts authorizes the Board to issue and publish, in such manner as the Board deems appropriate, guidelines and interpretation notes with respect to the application and administration of Section 45. Although these Guidelines are not a statutory instrument, they are meant to assist Operators in the preparation of a Benefits Plan.

These Guidelines are subject to change. The legislation and any regulations made thereunder will prevail in the event of any inconsistency with the contents of these Guidelines. These Guidelines reflect the Board’s past practices and the conditions which have typically been imposed. However, they do not limit the Board’s discretion to impose different conditions or to vary those described herein.

1.2 Legislative Reference

- *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* (S.C. 1988, c.28)
- *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act.* (S.N.S. 1987, c.3, s.1)

For ease of reference, the section numbers cited herein refer to the Federal version of the Act.

1.3 Responsibility

The Manager, Industrial Benefits is responsible to put into effect and maintain these Guidelines.

1.4 Definitions

- 1.4.1 “Accord Acts” means the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act (S.C 1988, c.28)* and the *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation (Nova Scotia) Act (S.N.S. 1987, c.3, s.1)*.
- 1.4.2 “Allowable Expenditures” means expenditures that have been approved by the Board as credit against the Work Deposit or Rentals payable in respect of an Exploration Licence.
- 1.4.3 The “Board” means the legal entity known as the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB), established by the joint operation of the Accord Acts.
- 1.4.4 “Benefits Plan” refers to a Canada-Nova Scotia Benefits Plan, as defined in Section 45 of the Accord Acts.
- 1.4.5 “Contractors” refers to an individual or business that has entered into a contract with the Operator to deliver a required good or service.
- 1.4.6 “Decision Letter” refers to the document that grants the Board’s final approval of an Operator’s submitted Benefits Plan, submitted with respect to any proposed work or activity other than development projects. The Decision Letter delineates the conditions, if any, on which the Board accepts the submitted Benefits Plan.
- 1.4.7 “Decision Report” refers to the document that grants the Board’s final approval of an Operator’s submitted Benefits Plan and Development Plan, submitted with respect to a proposed development project. The Decision Report delineates the conditions, if any, on which the Board accepts the submitted Benefits Plan and Development Plan.
- 1.4.8 “Education and Training” or “E&T” refers to organized, systematic education and training activities in which people take part in order to obtain knowledge and/or learn new skills. The criteria used in determining the eligibility of the E&T

expenditures for credit against E&T commitments defined in the Benefits Plan are outlined in Section 3.9 of these guidelines.

- 1.4.9 “Industrial Benefits” refers to the economic benefits and opportunities that accrue from petroleum resource activities in the Nova Scotia Offshore Area.
- 1.4.10 “Offshore Area” means the lands and submarine areas described in Section 2 of the Accord Acts.
- 1.4.11 “Operator” means a person, corporation or other body that has been authorized to carry out any petroleum work or activity in the Nova Scotia Offshore Area. For the purpose of these Guidelines, the term “Operator” also includes those persons, corporations, or other bodies whose intent is to apply for authorization to carry out petroleum work or activities in the Nova Scotia Offshore Area.
- 1.4.12 “Province” means the Province of Nova Scotia.
- 1.4.13 “Research and Development” or “R&D” refers to the creation of, or attempt to create, new knowledge to improve products, processes, and/or services. The criteria used in determining the eligibility of R&D expenditures for credit against the R&D commitments defined in the Benefits Plan are outlined in Section 3.9 of these guidelines.
- 1.4.14 “Resident of Canada” means:
- (a) A person who was born in Canada and who has not relinquished his/her Canadian citizenship; or, a person who has been granted permanent resident status (landed immigrant status); or,
 - (b) In the case of a corporation, an entity that has an operating office in Canada, is duly registered with appropriate authorities to conduct business in Canada and has controlling shareholders who are residents of Canada, as described in Section 1.4.13(a) above.
- 1.4.15 “Resident of Nova Scotia” means:
- (a) A Canadian (or landed immigrant) who meets the residency requirements for voting in the Province, as defined in the Nova Scotia Elections Act.
 - (b) In the case of a corporation, an entity that has an operating office in the province, is duly registered with the Registry of Joint Stock Companies to conduct business in the Province and has controlling shareholders who are residents of the Province.

1.4.16 “Subcontractor” refers to a third party that enters into a contract with a Contractor, or another Subcontractor, to perform all or part of a good or service.

1.4.17 “Supply Community” refers to the manufacturers, contractors and service companies in the Province and other parts of Canada.

2. Benefits Plans Overview

Section 45 of the Accord Acts establishes the requirement that an Operator have an approved Benefits Plan prior to the approval or authorization of any development plan, work or activity in the Nova Scotia Offshore Area. In addition, the Accord Acts outline the specific provisions that the Operator must commit to within its Benefits Plan. These include the requirements that the Operator:

- *“establish in the Province an office where appropriate levels of decision-making are to take place”*
- *provide “... manufacturers consultants, contractors and service companies in the Province and other parts of Canada with a full and fair opportunity to participate on a competitive basis in the supply of goods and services used in any proposed work or activity referred to in the benefits plan...” and that “...first consideration shall be given to services provided from within the Province to goods and services manufactured in the Province, where those services and goods are competitive in terms of fair market price, quality and delivery”*
- *provide for “...the employment of Canadians and, in particular, members of the labour force of the Province...” and that “consistent with the Canadian Charter of Rights and Freedoms, individuals resident in the Province shall be given first consideration for training and employment...”*
- *address Research & Development and Education & Training in the following manner: “...a program shall be carried out and expenditures shall be made for the promotion of education and training and research and development in the Province in relation to petroleum resources activities in the offshore area...”*
- *include “...provisions to ensure that disadvantaged individuals or groups have access to training and employment opportunities and to enable such individuals or groups or corporations owned or cooperatives operated by them to participate in the supply of goods and services used...”*

2.1 Benefits Plans for Exploration

Benefits Plans will vary in their degree of comprehensiveness, as a result of the underlying work or activity for which the Benefits Plan is submitted. When developing a Benefits Plan

for approval by the Board, the Operator should give careful consideration to the underlying work or activity for which the Benefits Plan is required and take appropriate measures to ensure that proposed commitments are reasonable and appropriate in magnitude given the proposed work or activity.

Benefits Plans submitted in respect of an exploratory program or activity can reasonably be expected to be lesser in magnitude than a Benefits Plan submitted in respect of a development project; however, it is essential that in any Benefits Plan submitted the statutory requirements delineated in the Accord Acts are addressed.

2.2 Coverage Period

The Benefits Plan should cover the entirety of the expected life of the proposed work or activity.

2.3 Board Consultation

The Board stresses the importance of early consultation between the Operator and the Board in preparation of a Benefits Plan. It is intended that such consultations, if diligently pursued, should facilitate the preparation of a Benefits Plan and expedite its consideration by the Board upon its completion and submission. The Board's participation in early consultations with the Operator will not prejudice any decisions the Board may make with respect to a submitted Benefits Plan.

2.4 Review Process

In reviewing a Benefits Plan, Board staff will consult with both the Minister of Natural Resources Canada and the Nova Scotia Minister of Energy on the extent to which the Benefits Plan meets the statutory requirements outlined in Section 45 of the Accord Acts.

The Benefits Plan for a development project may be subject to a public review process, pursuant to Section 44 of the Accord Acts, unless the Board determines that, in the public interest, a hearing is not required. Public Reviews are more thoroughly discussed in Section 2.4 of the Board's *Guidelines on Plans and Authorizations Required for Development Projects*.

2.5 Amendments to the Benefits Plan

During the course of the proposed work or activity, it may be determined that an amendment to the Benefits Plan is necessary.

Should the Operator present a development plan amendment for consideration by the Board, an accompanying assessment of the impact that such an amendment will have on the approved Benefits Plan should be provided. The assessment should identify any

required amendments that would need to be made to the Benefits Plan, as well as any mitigating measures required to offset potential negative impacts. Where, in the Operator's opinion, an amendment to the Benefits Plan is not required, a rationale should be provided as to why this is the case and a determination will be made by the Board. In the case where the Board determines a Benefits Plan amendment is required, it must be approved prior to approval of the development plan amendment.

In cases where a Benefits Plan has previously undergone a public review, it may be required that the proposed amendment be made available for public review and comment.

2.6 Audit

The Operator, Contractors and Sub-contractors involved in the work or activity may be subject to periodic Industrial Benefits audits undertaken by the Board or its designated agents. Auditors shall have access to, and the right to report on, any information (financial or otherwise) necessary to satisfy their audit requirements. Audit expenses may be recovered by the Board.

3. Benefits Plans Components

A Benefits Plan must address the statutory requirements described in Section 45 of the Accord Acts, and outlined in Section 2 of these Guidelines. In addition, the Operator's commitment to these statutory requirements should be reflected in its proposed policies and procedures for planning and executing the work or activity.

The following sections of these Guidelines describe the various components of a Benefits Plan.

3.1 Scope

The scope should be described in sufficient detail to allow an understanding of the nature of the work or activity proposed, including major components and milestones, the expected timeframe for achieving the milestones, and the expected termination date of the work or activity.

3.2 Economic Impacts and Opportunities

Petroleum activity in the Nova Scotia Offshore Area provides Canada, and in particular, Nova Scotia, with opportunities for economic growth. An assessment of the economic impact in terms of project expenditures, and opportunities in terms of person-hours, should be included in the Benefits Plan. The expenditures and employment opportunities should be provided for each major component of the work or activity.

In the case of a development project and where a public review is being undertaken, the Board may require the Operator to submit a Socio-Economic Impact Statement, as per Section 44(2)(d) of the Accord Acts. The Operator is encouraged to consult with the Board with respect to the requirement of a Socio-Economic Impact Statement.

3.3 Project Management

The Benefits Plan should specifically provide an understanding of the Operator's overall project management philosophy, including information that supports how the Operator intends to carry out its commitment to each statutory requirement. The Benefits Plan should describe the Operator's proposed processes for communication with the Board with respect to its compliance with the approved Benefits Plan and any conditions of approval, or any subsequent commitments made by the Operator.

3.3.1 Management System

The Benefits Plan should clearly describe how the Operator will incorporate its Benefits Plan commitments, and any conditions or requirements imposed by the Board, into its internal management system.

3.3.2 Contractor Obligation

It is important that the Operator assure that any Contractors or Subcontractors who undertake components of the work or activity understand and commit to the same obligations that are contained in the Benefits Plan. The Operator will be held accountable for its Contractors' and Subcontractors' adherence to the obligations outlined in their Benefits Plan.

3.3.3 Benefits Reference Manual

The Benefits Reference Manual describes the Operator's commitments made within the Benefits Plan, as well as the processes developed for ensuring adherence to those commitments. In the case of a development project, it is the Board's expectation that the Operator develop and maintain a Benefits Reference Manual to ensure that all Contractors and Subcontractors fully understand and abide by the Accord Acts and the commitments made within the Operator's Benefits Plan.

3.4 Office in the Province

The Benefits Plan shall contain provisions that ensure that the Operator establishes and maintains an office within the Province, and that the office is staffed with an appropriate number of personnel that have decision-making authority related to the work or activity for which the Benefits Plan is being submitted.

In circumstances where the Operator has delegated a substantial portion of the work or activity to a contractor, the contractor may also be required to establish and maintain an office within the Province, staffed with an appropriate number of personnel that have decision-making authority related to the work or activity for which the Benefits Plan is being submitted.

The establishment of an office must occur *prior* to the Operator carrying out any work or activity in the Nova Scotia Offshore Area. The size and scope of the office may vary depending upon the nature of the underlying work or activity for which the Benefits Plan is submitted.

3.5 Full and Fair Opportunity

A fundamental principle of the Accord Acts is the requirement for the Operator to provide full and fair opportunity to manufacturers, consultants, contractors and service companies in the Province, and other parts of Canada, to participate on a competitive basis in the supply of goods and services used in the work or activity, and furthermore, that the Operator describe this commitment within their Benefits Plan.

3.5.1 Full Opportunity

Full opportunity refers to the extent of access afforded to Nova Scotians and other Canadians to participate in opportunities that arise from any proposed work or activity. Factors considered in ensuring that full opportunity is afforded to Nova Scotians and other Canadians include, but are not limited to, ensuring that all interested potential suppliers are provided a sufficient amount of detailed information regarding the required good or service, as well as a sufficient amount of time to assess the information and formulate their response. Moreover, full opportunity should ensure that local suppliers have no less information or time available to them than any other supplier to assess the opportunity and formulate their response.

3.5.2 Fair Opportunity

Fair opportunity refers to the equitable treatment of Nova Scotians and other Canadians in participating in opportunities that arise from any proposed work or activity. Factors that are considered in ensuring that fair opportunity is afforded to Nova Scotians and other Canadians include, but are not limited to, the structure of the given contract and the impartial treatment of all potential suppliers in the evaluation process. Operators should use best efforts, where possible, to remove impediments that may limit Nova Scotian and other Canadian suppliers to compete in the procurement process for goods and services used in any proposed work or activity.

3.6 First Consideration

Another fundamental principle of the Accord Acts is the requirement that the Operator commit to providing First Consideration to residents of Nova Scotia in employment and training opportunities related to, and the supply of goods and services required for, any work or activity, and furthermore, that the Operator describe this commitment within its Benefits Plan.

3.6.1 Employment & Training

Operators are expected to establish, in advance of any recruitment process, the qualifications, experience and competencies required of candidates for employment. The Accord Acts require that once these requirements have been established, the Operator must look first to the Nova Scotia labour market to meet its human resources requirements, and that any resident of Nova Scotia who meets these requirements be given employment preference over non-residents. This requirement also exists with respect to the crewing of vessels contracted to conduct work related to the project. A transboundary crewing guidance, provided in Appendix I, was developed jointly between the CNSOPB and the Canada-Newfoundland and Labrador Offshore Petroleum Board for vessels that move between the Nova Scotia and Newfoundland offshore jurisdictions.

The Board does not set targets for participation of the Nova Scotia workforce in offshore activities; however, the Board does expect an appropriate level of employment for residents of Nova Scotia. *Appropriateness* is assessed giving consideration to the nature and time frame for the work or activity, and in particular, the degree of specialized knowledge required by employees, to ensure that safety of workers is not compromised.

The Operator is expected to develop succession plans that entail on-the-job training, or other forms of training, that will promote job progression for residents of Nova Scotia into more senior positions over time.

The Board has a Memorandum of Understanding (MOU) with the Minister of Human Resources and Skills Development Canada (formerly Human Resources Development Canada) that allows for the exchange of employment information related to work or activities subject to a Benefits Plan. This MOU facilitates the Board's oversight of Full and Fair Opportunity and First Consideration in employment opportunities resulting from offshore work or activities.

3.6.2 Procurement of Goods and Services

It is a statutory requirement that the Operator give First Consideration to the services provided from within the Province and to goods manufactured in the Province, where

those services and goods are considered to be competitive. *Competitive basis* is described by the Accord Acts as one where goods and services are competitive in terms of “fair market price, quality and delivery.”

The Board encourages a procurement process, such as the process outlined in Section 3.8.2, that supports the fundamental principles of Full and Fair Opportunity and First Consideration.

Where the local content expenditure of a service or good is required to be calculated, the Board may select an appropriate methodology.

3.7 Collective Agreements

In respect of collective agreements, whether existing or imminent, terms of the agreement shall be consistent with Section 45(3)(b) of the Accord Acts.

3.8 Procurement & Contracting Strategy

The Benefits Plan should clearly describe how the Operator intends to proceed with contracting the goods and services that are required for the work or activity. The Benefits Plan should describe how the operator plans to execute the proposed work or activity in terms of procuring and contracting goods and services. It should specifically describe what work or activities are to be conducted using the Operator’s own resources, and what work or activities the Operator plans to contract out and how such contracts will be packaged or bundled.

3.8.1 Supplier and Infrastructure Assessment and Development

The Benefits Plan is expected to provide an assessment of local capabilities for the work or activity, in terms of both existing suppliers and infrastructure. The Board may, from time to time, expect the Operator to provide an update to this assessment and identify areas where the supply community may improve to provide greater participation.

3.8.2 Procurement

To meet the statutory requirement of Full and Fair Opportunity, it is important that an Operator’s procurement is actively managed within its Nova Scotia office. The Board expects a procurement process that is transparent, open, fair, and one that utilizes local electronic bulletin boards and other websites to communicate procurement opportunities to the local supply community.

The following three-stage process, which is consistent with the process described by Canadian Association of Petroleum Producers (CAPP) in its guidance document

Atlantic Canada Offshore Petroleum Industry – Supply Chain Management, provides an example of a procurement process viewed as acceptable by the Board:

- (i) Expression of Interest (EOI) stage – the Operator is expected to provide the supply community with a detailed description of the scope of the goods and/or services required, as well as the minimum qualification criteria, allowing a minimum of two-weeks for the supply community to respond.
- (ii) Request for Proposal/Request for Quote (RFP/RFQ) stage – the Operator is expected to provide suppliers with a reasonable time to respond to an RFP/RFQ, which will be dependent on the complexity of the bid package. The RFP/RFQ should clearly outline the criteria on which the bids received would be evaluated.
- (iii) Award stage – the Operator is expected to provide the supply community with a notice of award once the good or service has been awarded to the successful bidder. The Operator is expected to communicate with unsuccessful bidders, when requested, to help them bid more competitively in the future.

If, at any time during the procurement process, the scope of a package for required goods and services changes in such a way that the response from the supply community could be potentially altered, the Operator is expected to ensure that Full and Fair Opportunity is afforded under the revised scope. This may mean a new three-stage process is undertaken, commencing with an EOI that clearly indicated the revised scope change.

Generally, the Board requires the Operator to provide formal notification of procurement information. An acceptable notification and review framework is outlined in Appendix II.

3.9 Education & Training and Research & Development

A Benefits Plan must clearly outline the Operator's commitment to developing a program aimed at promoting both Education and Training (E&T) and Research and Development (R&D) in the Province in relation to petroleum resource activities in the Offshore Area.

For shorter-term work or activities related to exploration it is acceptable that the Operator focus mainly on the E&T component in the Benefits Plan.

For development projects, it is expected that the Operator will commit to spending a percentage of the gross revenue of the project on both E&T and R&D initiatives over the life of the project. During the development phase of the project, the percentage calculation will be based on annual allowed capital cost, while during the production phase the percentage calculation will be based on annual gross revenue during the life of the project. The percentage value will be a point of discussion between the Operator and the Board;

hence, early consultation with the Board on E&T and R&D commitments is encouraged. Credit may be granted in the production phase for expenditures made on E&T and R&D during the development phase.

In order to be considered eligible for credit against the committed expenditure amount, the Accord Acts require that any E&T or R&D undertaken must:

- (i) be conducted within Nova Scotia, and
- (ii) promote offshore petroleum resources activities.

In addition, E&T and R&D initiatives should provide incremental value; expenditures made as an operational requirement, or pursuant to any other regulatory requirement of the Board or any other governmental body will not be considered as an acceptable E&T/R&D expenditure (e.g. Environmental Studies Research Fund levies). Expenditures related to the prospecting, exploration and/or drilling for petroleum, or expenditures that have been approved for credit as Allowable Expenditures, will not be considered as an acceptable E&T/R&D expenditure.

3.9.1 Research & Development

The Operator is encouraged to undertake collaborative R&D initiatives that will engage the Local Supply Community to contribute to the growth of relevant local innovative research capacity and that results in the creation of, or attempts to create, new exportable technologies and capabilities related to offshore petroleum resources activities.

R&D may be consistent with, but not limited to, the criteria outlined in Section 248(1) of the Income Tax Act (Scientific Research and Experimental Development), where acceptable R&D includes:

- (i) basic research, which is done to advance scientific knowledge without practical application;
- (ii) applied research, which is done to advance scientific knowledge with a specific practical application in view; or
- (iii) experimental development, which is done to achieve technological advancement for the purpose of creating new, or improving existing, materials, devices, products or processes.

In addition to the elements included in the above definition, eligible R&D expenditures may extend beyond science and technology to include research in such areas as business/commercial development, socio-economic and environmental matters.

3.9.2 Commercial R&D

In instances where an Operator and a local Supplier enter into a collaborative relationship with the end-goal of developing, or attempting to develop, commercially viable R&D, the Board may provide an additional credit. Further guidance on this additional credit can be found in Appendix IV.

3.9.2 Annual Submission

On an annual basis, the Operator is required to submit to the Board the detailed description of the R&D/E&T initiatives for the upcoming year and the associated expected expenditures. The proposed annual expenditures on E&T and R&D will be subject to Board assessment of eligibility against the above noted criteria. The process for submission to, and assessment by, the Board is outlined in Appendix V.

3.10 Disadvantaged Individuals or Groups

The Board may require the Operator to include provisions in its Benefits Plan that ensure that, consistent with the *Canadian Charter of Rights and Freedoms*, disadvantaged individuals or groups have access to training and employment opportunities arising from, as well as opportunities to participate in the supply of goods and services required for, the work or activity for which the Benefits Plan is being submitted. The Benefits Plan should clearly define how the Operator intends to ensure these opportunities are made available and communicated to disadvantaged individuals or groups. Furthermore, the Operator should provide sufficient detail in its plan to ensure that this requirement is integrated and addressed by Contractors and Subcontractors.

3.11 Reporting

Operators are generally required to submit regular Benefits Reports detailing the actual benefits that have accrued to Canada, and in particular Nova Scotia, during the reporting period. The Benefits Plan should outline how the Operator intends to fulfill such a requirement. Details regarding the required contents of a Benefits Report are provided in Appendix III.

In the case of development projects, the Board may require the Operator to report on various specific commitments made in the Benefits Plan, or as a requirement of the Decision Report.

3.12 Monitoring

The Board monitors the Operator's ongoing compliance with the Accord Acts, the commitments set forth within its Benefits Plan, and in the case of a development project, the Board's Decision Report. Accordingly, the Benefits Plan should describe the Operator's

plan for supplying necessary information to allow the Board to regularly monitor the efforts of the Operator and its Contractors and Subcontractors in accruing benefits to Canada, and in particular, Nova Scotia.

APPENDIX I – Joint CNSOPB / C-NLOPB Transboundary Crewing Guidance

Offshore oil and gas activities from time to time involve the use of transboundary vessels – vessels that move between Nova Scotia and any other Canadian offshore jurisdiction – for multi-well programs or similar offshore activity. It is recognized that there is a need for policy change to not only ensure that the safety of offshore workers is not compromised but also to provide for the efficient and effective operation of such rigs and vessels. The Canada-Nova Scotia Offshore Petroleum Board and the Canada-Newfoundland and Labrador Offshore Petroleum Board acknowledged these challenges and in 2002 reached an accommodation on the crewing of the drilling rig Eirik Raude and associated support vessels.

In recognition of the need to move toward a longer-term crewing approach/policy for drilling rigs and support vessels which are planning to work in more than one provincial jurisdiction, the following policy applies:

“operators/companies responsible for drilling rigs and support vessels that operate transboundary vessels respect the spirit and intent of the Accords over the planned period by crewing such vessels with a proportionate mix of Nova Scotian and other Canadian residents based on the expected time spent working in the respective jurisdictions.”

This action shall be taken only to the degree that it is achievable recognizing the need for competent and qualified crews as required for the safe operation of these vessels. Any distribution of crewing by residency shall respect an equitable occupational split.

“For the short-term deployment of support vessels, less than 90 days, vessel owners/operators will be given full flexibility with respect to crewing. Any contract(s) extending beyond 90 days will follow the policy as outlined above for longer-term crewing.”

Notwithstanding this policy change, it is clearly understood that operators will continue to manage their operations from the Offshore Area for which an authorization was issued. This guidance will be reviewed for effectiveness on a regular basis.

APPENDIX II – Procurement Reporting Framework

The Board's framework for review of designated contracts, subcontracts and purchase orders (including contracting and procurement by all contractors and subcontractors) associated with work or activity in the Nova Scotia Offshore Area, is comprised of three elements:

- Quarterly Procurement Report
- Notification Review Procedures
- Vessel Crewing Report

1) Quarterly Procurement Report

Thirty days prior to the first day of each quarter, the Operator shall submit a procurement report, in both hard copy and digital formats (e.g. Microsoft Excel), detailing the following:

(i) Procurement Forecast

A listing of all contracts, subcontracts and purchase orders which are scheduled to begin the tendering process in the upcoming quarter, and whose dollar value is greater than or equal to the value specified in the Decision Report or Benefits Plan approval.

For each contract, subcontract or purchase order this listing shall provide:

- scope of work (material and equipment specifications shall be provided upon request);
- unique reference number;
- estimated value in Canadian dollars;
 - +/- 10% for direct contracts and purchase orders;
 - +/- 20% for subcontracts and sub-orders.
- anticipated date for issuance of the Request for Proposals (RFP) or Request for Quotes (RFQ);
- anticipated date for RFP/RFQ closure;
- anticipated date for contract award.

The Board will advise the Operator, by the first day of each quarter, which contracts, subcontracts and purchase orders have been designated for review.

The Board reserves the right to request notification of any contracts, subcontracts and purchase orders deemed to be of special interest.

The Board shall be informed of all changes to the submitted forecast and will advise the Operator of its contract notification requirements accordingly.

(ii) Award Summary

A listing of all contracts, subcontracts and purchase orders that were awarded in the previous quarter, and whose dollar value is greater than or equal to the value specified in the Decision Report or Benefits Plan approval.

2) Notification Review Process

For contracts, subcontracts and purchase orders which have been designated for review, there are three stages of notification:

- Expression of Interest
- Bidder's List
- Contract Award

(i) Expression of Interest

Prior to issuing an Expression of Interest (EOI) and prequalification questionnaire to prospective bidders, the Board requires:

- a copy of the proposed EOI;
- a copy of the prequalification questionnaire, if these documents differ from the standard prequalification questionnaire previously reviewed by the Board;
- anticipated date for closure of the EOI; and
- anticipated date for issuance of the RFP/RFQ.

(ii) Bidder's List

Prior to issuing the RFP or RFQ, the Board requires:

- a list of proposed bidders, including company, contact name, mailing address, telephone number, fax number, website and email address;
- a list of the respondents not selected for inclusion on the bidder's list, including company, contact name, mailing address, telephone number, fax number, website and email address, and the rationale for exclusion (e.g. not technically acceptable, no relevant experience, etc.);
- anticipated date for closure of bids;
- anticipated date for award of the contract/purchase order; and,
- estimated value in Canadian dollars.

(iii) Contract Award

Prior to awarding the contract/purchase order, the Board requires:

- the successful vendor, including company, contact name, mailing address, telephone number, fax number, website and email address;
- award rationale;
- a listing of all designated subcontractors;
- the estimated labour content (person hours) by residency/citizenship (Nova Scotian, Other Canadian and Foreign);
- anticipated commencement date and duration of the contract, as well as any options for renewal or extension; and,
- estimated value in Canadian dollars.

(iv) Review Timing

Notifications received by the Board no later than 2:00 p.m., are subject to the following timeframe for review and response (unless otherwise agreed upon):

<u>Notification Stage</u>	<u>Response timeframe</u>
Prequalification	by 2:00 pm two business days after receipt by the Board
Bidder's List	by 2:00 pm two business days after receipt by the Board
Contract Award	by 2:00 pm one business day after receipt by the Board

Notifications received after 2:00 p.m. may be subject to an additional business day for review and response.

3) Vessel Crewing Reporting

For all contracts involving vessels, the Operator is required to provide the crew list of each respective vessel. Where possible, the crew list should be provided four weeks in advance of the activity. The crew list must identify each individual and position, and state whether the crew member is Nova Scotian, Other Canadian or non-Canadian.

APPENDIX III – Benefits Reporting Framework

The Operator is required to report the results of the work or activity outlined in the Benefits Plan. Benefits Reports are expected to include a summary of the work or activities undertaken during the reporting period, an update on planned work or activities, status reports on special initiatives, information to document compliance with regulatory requirements and an achievement report with respect to past Canada-Nova Scotia Benefits.

Benefits Reports should include, but not be limited to:

- (i) A description of the work program activities documenting the periods in which they occurred, as well as an outline of any major modifications to anticipated work activities over the remaining term;
- (ii) Expenditures during the reporting period and cumulatively;
- (iii) Employment figures, including:
 - a) the number of person hours by residency/citizenship (Nova Scotian, other Canadian, non-Canadian) achieved during the reporting period and cumulatively; and
 - b) the number of jobs or people directly associated with the project;
- (iv) A description of E&T initiatives, including a description of each program, expenditures and, if applicable, the effect on the Operator's Succession Plan;
- (v) A description of R&D initiatives, including a description of each program, list of participants, and expenditures;
- (vi) Details on any special initiatives undertaken, including a review of progress and results, problems encountered, remedial action taken or planned and future activities.

Benefits Reports may be required on completion of a work or activity component, semi-annually or annually, depending on the underlying work or activity for which the Benefits Plan has been submitted.

APPENDIX IV – Commercial R&D Guidance

To be determined

APPENDIX V – Development Projects E&T/R&D Administrative Process

During the course of the project, Operators will expend funds on a variety of initiatives within Nova Scotia that may be deemed acceptable Education & Training (E&T) and/or Research & Development (R&D) for credit against the required E&T/R&D investment, as outlined in Section 3.9 of these Guidelines. For the purpose of gaining credit against the required investment, the following procedures have been developed.

1) Statement of Funds Available for E&T/R&D

Prior to the beginning of the year, the Operator shall provide to the Board a statement of the funds available to be spent on E&T/R&D in the impending year, calculated using the agreed upon formula, pursuant to Section 3.9 of these Guidelines. This amount shall be verified by a third-party auditor, at the expense of the Operator, once audited figures from the previous calendar year become available.

2) Annual E&T/R&D Expenditure Plan

Prior to the beginning of the year, the Operator shall submit a detailed summary of the expected expenditures on E&T/R&D initiatives in the upcoming year. This summary should be provided in both hard copy and digital (e.g. Microsoft Excel) formats. In addition to the summary, and using the E&T/R&D Application provided herein, the Operator shall provide an application form for each individual initiative, providing a sufficient level of detail to enable Board staff to render an assessment of the initiative's acceptability based on the criteria for E&T/R&D expenditures. Board staff will review this submission and provide feedback to the Operator on the acceptability of the proposed expenditures identified in the submission.

This annual process, however, should not be viewed as precluding any E&T/R&D initiatives that arise during the course of the year.

3) Ad-Hoc E&T/R&D Initiatives

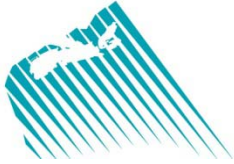
At any point during the course of the year, the Operator may submit an application for E&T/R&D eligibility assessment. Ad-hoc applications should provide a sufficient level of detail to enable Board staff to render an assessment of the initiative's compliance with the acceptability criteria for E&T/R&D expenditures.

The Board will review this submission and provide feedback to the Operator on the acceptability of the proposed expenditure.

4) End of Year Summary and Reconciliation

Each year, the Operator shall provide the Board with a detailed summary of the initiatives funded during the previous year, verifying the actual dollar amount spent *during* the previous year on each initiative. For multi-year expenditures, only the amount spent *during* the previous year shall be submitted. These values shall be verified by a third-party auditor, at the expense of the Operator, once audited figures from the year become available.

After receipt and processing of the End of Year Summary, for the reconciliation purposes, the Board will provide the Operator with a statement of *E&T/R&D Expenditures To Date* that will summarize the Operator's E&T/R&D approved expenditures during the course of the project, or specified phase of the project.



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

**EMPLOYMENT & TRAINING / RESEARCH & DEVELOPMENT
WORK EXPENDITURE APPLICATION FORM**

Education & Training

Research & Development

Application Date: _____

Project Title: _____

Researcher / Recipient: _____

Location of Activity: _____

Investment: \$ _____

If this is a multi-year commitment, please indicate:

Number of years _____

Project Background & Description:

How does the investment help advance the offshore Oil & Gas Industry in Nova Scotia:
