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1 INTRODUCTION

Condition 11 of the Canada-Nova Scotia Benefits Plan Decision Report and Development Plan Decision Report (the Decision Report) as issued by the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) on October 3, 2007 requires Encana to provide a Supplier and Infrastructure Assessment on an annual basis during the development phase of the Deep Panuke Project (the Project).

The initial submission in response to this Condition 11 requirement (document number DMEN-RP-RE-0011) was submitted to the CNSOPB in March 2009 (Original Assessment). Subsequent updates were filed in March 2010 (document number DMEN-RP-RE-0051), March 2011 (document number DMEN-RP-RE-0062) and March 2012 (document number DMEN-RP-RE-0063). Those reports are posted on the CNSOPB website.

Building upon previous submissions, this document provides an update in accordance with the requirement under Condition 11 as pertaining to Project activities in 2012.

1.1 Deep Panuke

The project involves the installation of facilities required to produce and process natural gas from the Deep Panuke field, approximately 250 kilometres (155 miles) southeast of Halifax, Nova Scotia on the Scotian Shelf. Natural gas from Deep Panuke will be processed offshore and transported, via subsea export pipeline, to Goldboro, Nova Scotia for further transport to market via the Maritimes & Northeast Pipeline.

2 PROCUREMENT

2.1 Background

Past editions of this report have described in detail Encana's approach to procurement at Deep Panuke. In 2012, Encana carried forward with the established approach. Local suppliers continued to demonstrate a high level of familiarity about the qualifications and requirements for participation in tendering opportunities at Deep Panuke and have a full understanding of how to participate in project procurement opportunities.

2.2 Tendering in 2012

As the Deep Panuke Project is nearing first gas production and the majority of development phase work is complete, the number of new procurement activities was lower in 2012 than in previous years. Contracts to support operations activities are in place, and many of those companies have been providing ongoing support for the project since the installation of the Production Field Centre (PFC) offshore, and in some cases before its arrival in Nova Scotia. Nova Scotian-based companies successful with opportunities released by Encana in 2012 provided expertise in marine consultancy services and natural gas export pipeline preparation activities (nitrogen pumping). In

addition, the disposal of surplus air winches was executed through an open Invitation to Bid process, with a Nova Scotia company selected.

Single Buoy Moorings are responsible for the engineering, procurement, construction, installation, and commissioning of the PFC for Deep Panuke, as well as the ongoing operations for the PFC. Local companies and workers continue to participate in the hook-up and offshore installation and commissioning of the PFC, led by AMEC Black & McDonald (SBM’s hook-up and commissioning contractor). As well, SBM awarded contracts in 2012 for weather services, corrosion management, breathing air equipment and services related to flushing, cleaning and leak testing.

2.3 Tendering – Summary

The chart below summarizes tender activities by Encana and its major contractors, including participation by Nova Scotian companies, since project sanction in 2007:

Reporting Period	Expressions of Interest (EOI)	Requests for Proposals (RFP)		
		Issued	Nova Scotian Companies	
			Participated	Successful
Cumulative, 2007-2012	346	309	511	130

3 ASSESSMENT OF LOCAL SUPPLIER CAPABILITY

With Deep Panuke in the ramp up to first gas and production operations, most contracts are now in place to support the project.

There is an experienced stable of local suppliers in Nova Scotia with marine industry skills and experience that are transferrable to offshore oil and gas projects.

As well, a local pool of specialized oil and gas suppliers are established in Nova Scotia to support existing offshore natural gas production; thus key personnel and previous experience can be deployed at Deep Panuke when these suppliers are successful in the tendering process.

In addition, suppliers in Nova Scotia are advantaged as a result of their location in proximity to the Deep Panuke field during the operations phase of the project.

4 AREAS FOR IMPROVEMENT

As noted in previous editions of this report, further growth of the local supply industry is challenged by the intermittent pattern of field development in Nova Scotia’s offshore, with projects taking place approximately one decade apart from each other. Recent exploration commitments by other operators in the province’s offshore will encourage the supply and service community to compete for new work, and further enhance their capabilities and skills.

Maintaining exploration momentum, which could in turn lead to the development of additional offshore projects, is fundamental to improving local opportunities for local suppliers.

5 CONCLUSIONS

Nova Scotian and Canadian companies are expected to continue to be competitive and successful in bidding for contracts required during the operations phase at Deep Panuke and through the life of the field.

Demonstrated marine industry skills and experience readily available in Nova Scotia are transferable to the offshore oil and gas industry. As well, key personnel and previous industry experience within the local pool of specialized oil and gas suppliers has contributed to success for these firms with respect to tendering at Deep Panuke.

If recent offshore leases acquired by Shell and BP lead to new exploration drilling success and subsequent field development, experience suggests that Nova Scotian and Canadian companies will be positioned to compete for contracting opportunities.

Encana and its contractors, including platform owner and operator SBM, will continue to consult with the local supply community and communicate Deep Panuke opportunities on an ongoing basis.