CNLOER Bay du Nord Development Plan Consultation
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Please check against delivery

I will begin my comments by saying Energy NL is in full support of the Bay du Nord project and anxiously awaits the final investment decision of Equinor, preceded by approval of the development plan by the CNLOER.

I am sure this comes as no surprise to anyone in the room today.

Energy NL has been an ardent supporter of this project since inception.

Our association has undertaken substantive advocacy efforts in support of the Bay du Nord project, including advocating for the project through a complicated and politically charged environmental assessment process.

Energy NL has established a positive relationship with Equinor and has worked to support their efforts to progress this project.

Our offshore oil and gas industry, in particular the over 500 members of the supply and service sector that Energy NL represents, has been anxiously awaiting approval of the project for years.

Bay du Nord is the next major project that our members can play a leading role in and also have confidence that the offshore oil and gas industry has future growth and opportunity for their business to grow with it.

Energy NL has commissioned research to help quantify the value of this project for our members and for our province as a whole. I do not need to get into specifics of that value because I think everyone associated with the project and with the industry, or anyone who pays any attention to news and current affairs in Newfoundland and Labrador, is cognizant of the impact Bay du Nord will have for a generation, and likely longer.

Development of Bay du Nord will send a major signal to the world that Canada and Newfoundland and Labrador are a great place to invest and I am sure the development of this project will lead to increased offshore exploration and more offshore oil and gas projects.

As is widely discussed in the Newfoundland and Labrador energy industry, Bay du Nord is also a basin opener and will provide further opportunities in the Flemish Pass.

Essentially, Bay du Nord is crucial to the future growth of our offshore oil and gas industry, and speaking honestly, the economic health of not just our sector, but the entire province of Newfoundland and Labrador.

We have already collaborated with Equinor on a supplier development session where over 460 Energy NL members had the opportunity to learn about the project in great detail, and more importantly, meet and share information with the lead proponents of the project Equinor, BW Offshore, and Subsea Integration Alliance.

I speak with confidence when I say I believe the positive relationship we have with Equinor will continue as progress continues to reach FID and once the project commences.

As an industry association we look forward to playing a role in the project and helping our members be aware of opportunities, plan for the future, and fully participate in the project. Energy NL's primary responsibility is to its over 500 members who make up that supply and service sector.

We take that responsibility incredibly seriously and will continue to do so over all stages of the Bay du Nord Project.

The following points pertaining to the project are raised with this objective and responsibility top of mind.

Participation of Energy NL members and the Newfoundland and Labrador supply and service sector must be optimized throughout the lifecycle of the Bay du Project, and any project offshore Newfoundland and Labrador.

Our members have tremendous experience in the offshore as demonstrated by their participation in our current projects and bringing their skills around the globe.

We are here today as part of a process to examine the development plan and for Energy NL our focus is really upon the Benefits Plan - a critical piece of the Development Plan. Along with the Benefits Agreement signed between the Government of Newfoundland and Labrador and Equinor, the Benefits Plan outlines how the supply and service sector will participate in this project.

While I will not spend a great deal of time attempting to corral a horse that has already left the barn, we do have concerns that the project is this far along and we do not yet have a Benefits Plan and the Benefits Agreement was signed not too long ago.

The project has already seen significant work undertaken such as engineering, with major procurement occurring outside of a Benefits Agreement or Benefits Plan.

This is a larger process issue, which Energy NL feels must be addressed by both levels of government, as well as the CNLOER.

Again, that is not necessarily the focus of our discussion today, though I wanted to share the concerns of Energy NL and its members on this issue. We hear it often, and we are concerned about how projects can evolve without benefits guidance provided from the outset.

We believe this must be addressed for future projects and that doing so would be in the interest of not just the supply and service sector, but also project proponents.

From the outset of considering participation, the entire industry, from long-time participants to new entrants, to those who supply materials and services should be aware of the expectations for industrial benefits in Newfoundland and Labrador.

The major questions for Energy NL at this stage of the Development Plan and the Benefits Plan review come down to enforcement.

As I stated earlier, Energy NL believes Equinor values the local supply and services sector and will engage them in the project. Yet, it is our responsibility to our members to ensure their engagement in the project is monitored and enforced.

So, based on this, we would like to understand how the CNLOER will undertake a robust monitoring and enforcement process to uphold the commitments of the Benefits Plan.

Energy NL would like the CNLOER to describe its approach to reviewing and approving the Benefits Plan to ensure the appropriate engagement of the supply community by the proponent and optimizing the participation of the Newfoundland and Labrador supply and service sector.

Similarly, Energy NL would like the CNLOER to explain its process to monitor and enforce the Benefits Plan commitments and ensure they are met throughout the lifecycle of the project.

And, this applies to not just the operator, but to the main contractors for the FPSO and subsea infrastructure, along with any and all tier-ones contracted to work on the Bay du Nord project.

Focus must be placed on the entire scope of the project and all those participating and all those companies issuing tenders, signing contracts, and completing work. Any company working on the project must be subject to the same expectations, the same responsibilities, and the same monitoring and enforcement.

I will now address some specific issues within the Benefits Plan.

My first question on the Benefits Plan is somewhat related to process, and may help us understand the approach moving forward.

Given that approval of the Benefits Plan is part of the approval process for the overall Development Application, to what extent does the Regulator have authority over any or all Benefits Plan commitments?

After approval is given to the Development Plan and/or the Benefits Plan, are there restrictions as to what the company can change or alter? Is the CNLOER re-engaged if changes are made or the project proceeds into another phase of development? Are there thresholds or gates as part of that process where the Regulator plays a role?

As both Equinor and the CNLOER know, Energy NL believes bidders lists and contract awards are important information for our membership to have so they understand who is completing work scopes related to projects and can seek to work with successful bidders.

For this reason, Energy NL has advocated for the release of bidders lists and contract awards. Can Equinor and CNLOER address the approach for the release of this information during the project?

Supplier development sessions are exceptional opportunities for our members to learn about projects and prepare for them. Similarly, detailed project forecasting helps Energy NL members prepare for future work scopes. Is there a planned approach to provide detailed project forecasting to Energy NL members in the supply and service sector?

With respect to opportunities for the supply sector and specific references within the Benefits plan, we have some concerns with wording.

As we all know, the Atlantic Accord references to "first consideration" and "full and fair opportunity" are foundational aspects of our offshore and for helping to build a supply and service sector. The Atlantic Accord guides the approach to industrial benefits in our offshore and we are very protective of those principles.

Page 9 of the plan refers to "First consideration be given to services provided from within NL and to goods manufactured in NL," with "full and fair opportunity for businesses in NL and other parts of Canada to participate in supplying goods and services used in carrying out any proposed work or activity referred to in the Plan."

This is consistent with the Atlantic Accord in that "first consideration is to NL, with full and fair opportunity for Canada."

However, Page 33 refers to "Canadian and, in particular Newfoundland and Labrador manufacturers and suppliers…" Energy NL would like to see consistency throughout the Benefits Plan, in keeping with the wording and requirements of the Atlantic Accord.

A section of Page 32 refers to International Scope and says the following:

> "Certain Project activities may occur outside Canada. Where appropriate, Equinor may work with contractors to identify opportunities for NL and Canadian suppliers to participate competitively in these activities. Information on such opportunities may be communicated in a manner that supports fair and competitive participation."

The use of the word "may" when referring to NL contractors and communicating information is concerning for Energy NL. Can Equinor provide insight into their planned approach for these situations? Can the Regulator provide similar for their role in these situations?

Page 34 states:

> "contracting strategies may include life-of-field support provisions, subject to evaluation and approval processes, recognizing that such approaches may provide opportunities for longer-term supplier engagement where aligned with project needs."

Are there certain activities which, at this stage, Equinor sees as being likely or most appropriate fit for this? What are the implications for local benefits?

Supply chain members have long felt that having decision makers for projects located within Newfoundland and Labrador allows them to be visible and competitive for work on projects. It allows those decision makers to be familiar with the companies located in Newfoundland and Labrador and the skills and products they bring to projects. This is really about connection and knowledge, and decision makers must be present in Newfoundland and Labrador for that to truly be possible.

Could Equinor provide details on its approach to having senior decision makers - including in areas such as procurement - working in Newfoundland and Labrador and with appropriate authority to make decisions which impact the project and supply chain and could the CNLOER provide details on how they monitor and enforce this approach? While the Benefits Plan provides some wording on this topic, it is somewhat unclear and potentially open to interpretation.

Does the Regulator see a correlation between the monitoring and enforcement of both the Benefits Plan and the Benefits Agreement and if so, could it provide clarity on how that process works?

Will the data collected as part of monitoring be shared so that the industry is aware of the status of work undertaken in province?

Further, section 53 of the Atlantic Accord memorandum of understanding establishes a further MOU between the federal and provincial governments "…regarding the coordination of industrial and employment benefits…" and "…industrial and employment benefits review and evaluation procedures…."

Energy NL understands that a Benefits Monitoring Committee was in effect for a long period of time with positive impacts on the supply sector, as a result of this Atlantic Accord requirement.

Is this committee still active, and if not, will consideration be given to re-establishing such a committee or similar? If one is active or established, Energy NL offers its knowledge and experience in helping to provide context pertaining to Energy NL members.

And of course, Energy NL does not support the use of frame agreements, which often preclude local companies from participating in projects. Can the CNLOER confirm such agreements will not be used for Bay du Nord or any project?

Conclusion

I hope I have made clear today the importance of this project to Energy NL members and not just in the project proceeding, but in their full and fair participation in the entire lifecycle of the project and the expectations we have on Equinor, subcontractors, and the CNLOER to ensure this occurs.

We will only have one chance to get this right.

We need to use our skills and expertise to ensure this project is a success.

We need to build new competencies to ensure we have additional projects and have a dynamic industry ready to adopt to the skills and competencies of the future.

We need all parties to the Bay du Nord project, including the proponent, the Regulator, the industry association, and participating companies to be collaborating to establish the path to success and ensure we are all traveling that path together.

No doubt, there will be bumps. No doubt, there will be challenges.

Though, if we start off with the right approach and a collective understanding, we will overcome every one of those challenges and ensure a successful project.

Bay du Nord has already had challenges. Equinor has worked hard to overcome them.

We have worked together to overcome them.

We have worked together to establish a strong understanding of our mutual expectations and to build a strong foundation for success.

The Bay du Nord Benefits Plan is the next part of the journey on the path to success.

We look forward to working on that plan and continuing to work together throughout the entirety of this project.

Energy NL looks forward to our collective success and getting there together.

Thank you to both the Canada-Newfoundland and Labrador Energy Regulator and Equinor for this opportunity to explore the Benefits Plan as part of the Development Plan.

Thank you for answering our questions and addressing our issues.

We remain available at any point to offer clarity and feedback.

Thank you.