June 11, 2019

Dear [Redacted]

Re: Your request for access to information under Part II of the Access to Information and Protection of Privacy Act (File # NR-91-2019)

On May 13, 2019, the Department of Natural Resources received your request for access to the following records/information:

A copy of the following note: Atlantic Offshore Competitiveness Roundtable.

The Department of Natural Resources is providing access to the most information possible but have made redactions in accordance with Sections 29(1)(a), 34(1)(a)(i), 35(1)(d) and 35(1)(f), as follows:

29. (1)(a) The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

34. (1)(a)(i) The head of a public body may refuse to disclose information to an applicant if the disclosure could reasonably be expected to harm the conduct by the government of the province of relations between that government and the following or their agencies: the government of Canada or a province;

35. (1)(d) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to result in the premature disclosure of a proposal or project or in significant loss or gain to a third party;

35. (1)(f) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose positions, plans, procedures, criteria or instructions developed for the purpose of contractual or other negotiations by or on behalf of the government of the province or a public body, or considerations which relate to those negotiations.
Please be advised that this meeting did not occur as scheduled and as such circumstances have changed and some of the contents of the Note may not be factually accurate.

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the Access to Information and Protection of Privacy Act (the Act). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner.

The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John’s, NL A1B 3V8

Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that this letter will be published following a 72 hour period after it is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the letter posted to the Completed Access to Information Requests website within one business day following the applicable period of time.

If you have any questions, please feel free to contact me at 709-729-0463 or rhynes@gov.nl.ca.

Sincerely,

Rod Hynes

Rod Hynes
ATIPP Coordinator
Meeting Note
Department of Natural Resources
Atlantic Offshore Competitiveness Roundtable
April 3, 2019, 2:30 – 4:30pm NST
Ottawa, ON

Attendees: Atlantic Canada Offshore Competitiveness Roundtable: The Canadian Association of Petroleum Producers (CAPP), various Oil and Gas Industry representatives, NRCan, The Canadian Environmental Assessment Agency (CEAA), Fisheries and Oceans Canada (DFO), NS Energy, NLNR (Ted Lomond, Doug Trask, Chris Carter).

Purpose of Meeting:
• Meeting Agenda – see attached.

Background:
• In 2017, discussions were initiated between the Canadian Association of Petroleum Producers (CAPP), the Government of Canada, the Government of Nova Scotia and the Government of Newfoundland and Labrador on various competitiveness issues facing the offshore in Atlantic Canada. From these discussions, the Atlantic Canada Offshore Competitiveness Roundtable was formed and an action plan was developed to address multiple concerns.

Agenda Item #1: Working Group: Closing the Competitiveness Gap; Discussion of fiscal modelling and findings
• Stemming from the industry incentives action item for the Atlantic Offshore Competitiveness Roundtable and building on proposed modeling work to be conducted by CAPP, the Atlantic Canada Joint Working Group (ACJWG) was formed in late 2018.

• The ACJWG is an industry-led working group comprising representation from CAPP, multiple upstream companies currently operating offshore NL, Natural Resources Canada, the NL Department of Natural Resources and NS Department of Energy.

• The ACJWG’s mandate is to quantify different scenarios and options to close the competitiveness gap, model scenarios and develop recommendations, including potential fiscal tools that could improve the competitiveness of the Atlantic offshore oil and gas industry in attracting investment for exploration and development.

• In February 2019, the ACJWG modelling secretariat was formed in support of the detailed economic and fiscal analysis required in the quantification of options to close the competitiveness gap. The modelling secretariat has met multiple times and is currently progressing generic exploration and asset development scenarios for feed into the analysis.

• CAPP has contracted Wood Mackenzie in support of the ACJWG’s mandate and has outlined two development scenarios, including tiebacks, to a shallow water GBS and a deep water FPSO. Data for the GBS and FPSO main field and tieback developments was provided from WM’s extensive database with review and input from various CAPP members and the modelling secretariat.
The base asset development scenarios will be finalized before the end of March. It is intended that the modelling secretariat will identify and analyze government levers that impact competitiveness and test findings with the ACJWG by the end of April 2019.

In May 2019, the exploration scenario and further lever modeling will be completed with findings to be compiled into a report for sign off and finalization by the ACJWG. The report will be submitted to the Atlantic Offshore Competitiveness Roundtable in June 2019.

Speaking Points:
- The Department of Natural Resources (NR) has completed prior work, in conjunction with Wood Mackenzie, assessing international competitiveness issues. That report, entitled 'Newfoundland and Labrador, Competitiveness in Oil and Gas Investment' in was released in February 2018 as an initiative of Advance 2030.
- NR supports the mandate of the ACJWG and will continue to engage in the action plan of the Atlantic Offshore Competitiveness Roundtable.

Agenda item #2: Impact Assessment - Issue #1 (C-69)

- On February 8, 2018, the federal government tabled Bill C-69 which proposes to repeal the Canadian Environmental Assessment Act, 2012 (CEAA 2012) and replace it with the Impact Assessment Act (IAA 2018). The proposed IAA sets out a federal process for impact assessment of major projects in order to assess and mitigate significant adverse environmental effects for projects on federal lands and outside Canada. The CEA Agency will continue, but under a new name - the Impact Assessment Agency (IA Agency).

- The Impact Assessment Act will not change the basic assignment of responsibility for impact assessments (IAs) of offshore oil and gas activities that are on the project list or designated by the Minister. The IA Agency will continue to be in charge of IAs for offshore activities on the designated project list with Offshore Boards continuing EAs for smaller projects that are not listed thereunder.

- IAA will change the Offshore Boards’ role in IAs by ensuring its regulatory expertise is clearer than its current role. The Impact Assessment Act mandates the inclusion of the Offshore Boards (referred to as life-cycle regulators) expertise on IA review panels.

Analysis
- Thorough and timely environmental assessment processes are critical to a strong and robust oil and gas sector in the Canada-Newfoundland and Labrador (C-NL) Offshore Area which is a vital component of the Newfoundland and Labrador economy. This sector provides high skill employment, investment, business, and research and development opportunities for the province. It is, therefore, essential that any legislation ensures an effective and efficient regulatory regime while achieving the objectives of enhancing environmental protection.

- The stated policy intent of Bill C-69 is to provide a more rigorous and efficient assessment process with reduced legislated timelines and clearer upfront requirements, but many crucial aspects of the proposed legislation do not fully reflect this.
Potential Speaking Points

- Continued interest and growth in the C-NL offshore oil and gas industry requires a regulatory regime that is efficient, effective, transparent and globally competitive. As it currently stands, C-69 will likely lead to an overly complex regulatory system that does little to improve outcomes or obtain "social licence".

Agenda item #2: Impact Assessment - Issue #2 (Regulations: Project list and Time management)

- The Federal Government is developing two regulations to support the proposed new Impact Assessment Act.
  - The Regulations Designating Physical Activities, also known as the Project List, identify projects that would be subject to the Impact Assessment Act,
  - The Information Requirements and Time Management Regulations set out the information that a project proponent is required to provide at the beginning of an impact assessment so that potentially affected Indigenous groups, communities, and others can understand what the proposed project involves and whether it could affect them.

Analysis

- The Project List depends on the nature of adverse environmental effects considering such factors as - magnitude, geographic extent, timing, frequency, duration, and reversibility. For exploratory wells, geophysical and geological surveys in the Offshore Area, consideration should be given to the short duration of these operations, application of an extensive suite of standards and enhanced mitigation measures.

- There is low potential for environmental effects from routine discharges/emissions, and there is little likelihood for spills reaching coastal areas of the island of Newfoundland or interaction with existing or proposed critical habitat areas of at-risk marine species.

- There is also a large well-established knowledge base with respect to environmental impacts related to these activities.

- Industry has also learned much in the recent past regarding prevention and response to large spills/blowouts.

- Therefore, such activities should be excluded from the project list under the IAA.

- The inclusion of a mandatory early planning and engagement phase and the mechanism of “stopping the clock” for regulated timelines could lengthen assessment process.

Potential Speaking Points

- Exploratory wells, geophysical and geological surveys activities are of short duration and are subject to specific requirements, including environmental processes, prior to approval by the C-NLOPB. Therefore, such projects should be exempt from the Project List.
Agenda item #2: Impact Assessment - Issue #3 (Regional Assessment)

- The Regional Assessment (RA) provisions under the CEAA 2012 provide the Federal Minister with the authority to establish a Committee to conduct a study of the effects of existing or future physical activities.

- The CEA Agency, the C-NLOPB, NRCan, NR and IIAS have developed an agreement for a Regional Assessment of Offshore Oil and Gas Exploratory Drilling East of Newfoundland and Labrador, in the C-NL Offshore Area. This will be the first Regional Assessment (RA) under CEAA, 2012.

- A Committee will be established to conduct an RA of the effects of existing and anticipated exploratory drilling in the eastern Newfoundland and Labrador offshore. It is anticipated that the Committee will submit its Report to the Ministers in the Fall 2019.

- The Report received by Ministers is a public document used to inform future regulatory decision-making such as the determination if a federal environmental assessment is required for a specific project or activity.

Analysis

- The RA design allows it to remain applicable under the Impact Assessment Act, once that Act comes into force. For example, the Federal Government will exempt offshore exploratory drilling from the project-specific Impact Assessment where a RA is in place, subject to the Minister's approval.

- The results of the RA are also a factor considered in environmental assessments for projects within the study region in the future. It will also include the Committee's advice on how to best use the results in a systematic way to aid decision-making.

- These processes are not well defined - there are no mandated triggers or timelines, and there is no clear role for the life-cycle regulator (i.e. the C-NLOPB) in these processes.

Potential Speaking Points

- RA needs to be clearly defined in terms of their function, structure, objectives and processes involved; the decision-making process and the criteria involved in that process; and how the results will be used to inform future projects and activities so as to avoid needless delays and duplication of comparable assessment processes.

Agenda item #2 Impact Assessment - Issue #4 (Bay du Nord)

- Equinor, in partnership with Husky Oil, is proposing to install and operate a floating offshore oil and gas production facility in the Flemish Pass, approximately 450 kms east of St. John's. As proposed, the Bay du Nord Development Project would be in operation for approximately 30 years, with the potential for additional wells and tie-backs to the production facility.

• A Memorandum of Understanding (MOU) was entered into between the CEA Agency and the C-NLOPB on the Integrated Environmental Assessment and Development Application Review of the Bay du Nord Development Project.

Analysis
• This MOU is intended to:
  o foster cooperation between the Parties, encourage effective and timely public participation, promote certainty and predictability of process and avoid regulatory duplication and unnecessary delay in the EA and Development Application review of the Project;
  o to that end, describe the roles and responsibilities of the Parties to enable timely, well-informed decisions; and
  o establish an administrative framework that will facilitate the efficient and effective EA and Development Application review of the Project.

Potential Speaking Points
• The world will need oil for the near future and Newfoundland and Labrador’s oil is one of the greenest produced. Further development of Bay du Nord will attract additional investment in other unexplored deepwater basins. The Provincial government is committed to advancing exploration and development opportunities and the scale of opportunity offshore is immense.

• The Government of Newfoundland and Labrador is committed to environmental protection, and all decisions on future economic development should be rendered using an evidence-based balanced approach. The integrated Environmental Assessment and Development Application Review facilitated by this MOU is one way to operationalize such an approach.

Agenda item #3 (Marine Protected Areas)
• In 2010, Canada agreed to Marine Conservation Targets (MCTs) established under the United Nations Convention on Biological Diversity to conserve 10 percent of coastal and marine areas through effectively managed networks of protected areas and other effective area-based conservation measures in place by 2020.

• The Federal Government announced in 2017 that it had reached 7.75 percent of its MCT. NL has contributed ~1.76 percent (22 percent of total) towards this MCT. The Department of Fisheries and Oceans (DFO) is subsequently continuing its plans to meet its 10 percent MCT commitment.

• Following the 2017 announcement the Minister of DFO has launched a National Advisory Panel on Marine Protected Area (MPA) Protection Standards.

• The mandate of the Panel is to gather perspectives and offer recommendations to the Minister of DFO on categories and associated protection standards for federal MPAs, using International Union for the Conservation of Nature (IUCN) guidance as a baseline.

• The Panel provided its recommendations in a final report to the Minister of DFO on September 26, 2018. The Federal Government has yet to respond to the Panel’s recommendations.
Potential Speaking Points

- Protecting the environment and growing the economy must go hand-in-hand. We are committed to a competitive offshore industry and to ensuring a stable and predictable offshore environment. Sustainable offshore oil and gas activities can take place while meeting our marine conservation objectives.

- As oil and gas activities continue to move forward in the offshore, regulators and departments will work together to ensure that the impacts of activities to the marine environment are minimized.

Agenda Item #4: Fall Economic Statement/Budget 2019 – Accelerated Investment Incentive

- The 2018 Fall Economic Statement was tabled on Nov. 21, 2018 and focused on increasing Canadian competitiveness in the wake of significant corporate tax cuts by the United States.

- The Government of Canada proposed changes to the tax treatment of capital investment with the changes falling under three main headings:
  1. Accelerated Investment Incentive;
  2. Immediate business write offs on effectively 100% of the cost of machinery and equipment in the manufacturing or processing (M&P) of goods; and
  3. Immediate business write offs on effectively 100% of the cost of specified clean energy equipment.

Accelerated Investment Incentive (All)

- Canada’s Income Tax Act generally allows taxpayers to deduct a portion of the cost of depreciable property from their business or property income as a capital cost allowance (CCA).

- Under the CCA system, the costs of depreciable properties are pooled into various CCA classes and deductible at a rate per year generally estimated to equate to the useful life of the properties in each class. The All will generally allow businesses to deduct CCA faster to increase the attractiveness of making capital investments in Canada.

Analysis

- The proposed legislative amendments will be temporary in nature, having effect for investments made after November 20, 2018, and before 2024, with reduced incentives for investments made after 2023 and before 2028.

- All will generally apply to qualifying property belonging to all CCA classes, with the exception of property in CCA classes belonging to M&P machinery and equipment and clean energy equipment.
• Depending on existing tax rules, the All will allow from 1.5 to 3 times the CCA a business can deduct in a year prior to 2024, with enhanced benefits falling to 1.25 to 2 times normal CCA deductions prior to 2028.

• The All will also accelerate the deductibility of Canadian development expenses (CDE) and Canadian oil and gas property expenses (COGPE). CDE and COGPE are tax pools specific to Canada’s natural resource sector. Drilling and completion costs are generally included in CDE and deductible at a rate of 30% per year whereas COGPE generally includes intangible costs associated with the acquisition of Canadian resource properties and is deductible at a rate of 10% per year.

• Accelerated CDE and COGPE effectively allow businesses to claim an additional 15% deduction for new CDE, and an additional 5% deduction for new COGPE, for years that end before 2024. Accelerated benefits are reduced to 7.5% and 2.5% for new CDE and COGPE respectively after 2023 and before 2028.

• Budget 2019 confirms Canada’s intentions to proceed with these previously announced measures.

Potential Speaking Points

• The Department of Natural Resources supports the federal tax initiatives as they improve fiscal competitiveness and align with actions under Advance 2030, the Way Forward on Oil and Gas.

Prepared/Approved by: Regulatory Affairs (H. Simms, C. Carter)
Economics and Benefits (G. Collins, N. Abundo)

Deputy Minister Approval: 

March 27, 2019
## Agenda
**Atlantic Offshore Competitiveness Roundtable**  
April 3, 2019, 2:30 – 4:30pm NST  
Ottawa, ON

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| **Welcome and Introductory Remarks**  
1:00-1:10 |  
- Christyne Tremblay, Deputy Minister, Natural Resources Canada to provide opening remarks |
| **Agenda Item 1: Working Group: Closing the Competitiveness Gap**  
1:10-1:35 |  
- Discussion of fiscal modelling and findings |
| **Agenda Item 2: Impact Assessment**  
1:35-2:00 |  
- C-69  
- Regulations: Project list and Time management  
- Regional Assessment  
- Bay du Nord |
| **Agenda Item 3: Marine Protected Areas**  
2:00-2:25 |  
- Government Response to National Advisory Panel |
| **Agenda Item 4: Fall Economic Statement/Budget 2019**  
2:25-2:50 |  
- Accelerated Investment Incentive |
| **Next Steps**  
2:50-3:00 |  
- Timing and agenda for next meeting |