

April 3, 2020

Honourable Derek Mombourquette
Minister of Energy and Mines
1690 Hollis Street
Halifax, NS B3J 3P7
(via e-mail: energyminister@novascotia.ca)

Dear Minister Mombourquette:

Re: Covid-19 Business Continuity Support

We would like to acknowledge the hard work and difficult choices that governments across Canada are taking to protect the health and safety of Canadians, including the Government of Nova Scotia. The depth of the impacts of COVID-19 are profound. Thank you for your continued commitment to protecting the health and safety of Nova Scotians and for your support as our industry works to navigate the changing health, social and economic environment during this crisis.

We are writing today to request the Government of Nova Scotia's support on two key issues related to COVID-19 and its impact on the oil and gas sector: deeming the energy sector to be "critical infrastructure" or an "essential service" and fiscal relief/economic recovery support.

Oil and Gas as Critical Infrastructure or Essential Service

Last week, CAPP sent a letter to federal Ministers Freeland and O'Regan (attached) to ask that the Government of Canada designate the energy sector as "critical infrastructure" or an "essential service" and help advance discussions with the provinces on this key issue. The most important thing both levels of government can do to assist the offshore industry right now is to support our ongoing operations. Designating the oil and gas sector as "critical infrastructure" or an "essential service", as appropriate within jurisdictional frameworks, would ensure that policies which are announced with the intent of restricting the spread of the virus do not have unintended impacts on our workforce, operations, and supply chains. Companies are taking appropriate measures to ensure workers remain safe in the context of COVID-19 offshore. Ensuring our industry can continue with activity, such as decommissioning, energy transmission and construction projects, is a top priority.

Fiscal Relief/Economic Recovery

As an industry we are pleased to see that the Government of Nova Scotia is staying closely coordinated with the Government of Canada on broader economic recovery measures. The necessary actions taken to control the rate of infection worldwide are having widespread economic impact. Measures taken have disrupted supply chains, caused unprecedented market volatility and have resulted in a significant drop in oil demand and prices. This drop in oil price is compounded by an OPEC-Russia price war, which has driven oil prices to the lowest levels we have seen in almost 20 years. This is having previously unimaginable impacts on the upstream oil and natural gas industry and the economies of Canada and Provinces, which benefit from responsible development of oil and natural gas resources.

Low prices are having perilous and negative impacts on cash flow across the industry; without this cash flow there can be little or no capital expenditure for oil and natural gas development in Canada, including investment in the offshore. Preserving liquidity is critically important in the short term, to preserve jobs, position for recovery and attract new investment in the future. In the long term we believe the industry has resiliency, however, under current circumstances companies are in survival mode and are deeply cutting all discretionary capital and operating expenditures, looking for ways to control costs and maintain liquidity.

Since the initial price crash on March 9, 2020 the upstream industry across Canada has already announced \$6.25 billion in cuts to capital expenditures for this year. These cuts will have significant impacts on upstream activities.

The scale of this crisis is catastrophic and the challenges it presents across the oil and natural gas value chain reinforces the critical need for urgent, prudent and competitive policies. In light of the deepening crisis, we believe it is important for government and industry to work together on a substantial and comprehensive response. There is a need to act to support industry by reducing direct and indirect costs and adding operational flexibility in the short-term to assist with current challenges, and strengthening competitiveness in the long-term to ensure that Nova Scotia is properly positioned to attract investment as oil prices recover and send a signal that this province is open for business. We are seeking your support in this regard as we advocate for various fiscal relief measures, as outlined below.

Given that the offshore is jointly managed by the Governments of Canada and Nova Scotia, the options considered include those that fall within federal jurisdiction and provincial jurisdiction. For those that are not within the province's control we are seeking your support as we advocate to the federal government for these changes.

Short-term fiscal relief options (to provide immediate relief and/or flexibility to free up near-term cash flow):

1. Instigate a 'stop the clock' mechanism on the term of exploration licences for up to three years. (Federal/NS). *Rationale: Allows flexibility to ensure campaigns proceed, given the frontier nature of offshore oil and gas exploration in Nova Scotia and current market conditions.*
2. Allow security deposit forfeitures on exploration licences to be payable at the end of Period 2, with Period 2 expenditures applying against security deposits and/or Period 2 rental payments (Federal/NS). *Rationale: Provides additional flexibility and opportunity to offset additional costs.*
3. Government funding, in place of cost recovery, of the Canada-Nova Scotia Offshore Petroleum Board for 2020 and 2021 (Federal/NS). *Rationale: Short-term cost reduction.*
4. For existing Exploration Licences, increase refund of Security Deposits to the extent of 100% of Allowable Expenditures (Federal/NS). *Rationale: Improve competitiveness for scarce capital, incentivize activity and the creation of associated employment opportunities.*
5. Eliminate R&D expenditure requirements for 2020 and 2021,
6. Eliminate Environmental Studies Research Fund levies (Federal). *Rationale: Short-term cost reduction.*

Long-term fiscal stimulus (to encourage investment in the Atlantic offshore as oil prices recover and competitors implement changes to attract capital)

1. Implement immediate deductibility of capital costs - all tangible and intangible capital is expensed against taxable income in the year it is spent (Federal). *Rationale: Improves competitiveness.*
2. Reinstate the Atlantic Investment Tax Credit - providing a tax credit of the cost of qualifying depreciable investments against federal corporate income tax payable (Federal). *Rationale: Improves competitiveness.*
3. Eliminate duty relief on specialized world asset vessels (Federal). *Rationale: Reduces costs and levels the playing field with other jurisdictions.*

In addition to the recommendations outlined above, CAPP has submitted a letter to Natural Resources Minister O'Regan recommending that during this time of crisis and as the economy recovers following this crisis, governments adopt a *do no harm* principle with respect to regulations and the costs they impose on industry. Attached is a table of such regulations that apply to the Atlantic Canada offshore, for your reference.

Again, CAPP sincerely appreciates the Government of Nova Scotia's support of our industry. Thank you for your attention and consideration of this request. If you would like to meet to further discuss the ideas outlined above, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "R. Paul Barnes".

R. Paul Barnes
Director, Atlantic Canada & Arctic

Cc: Minister Seamus O'Regan, Natural Resources Canada

Attachments

March 26, 2020

The Honourable Chrystia Freeland, P.C., M.P.
Deputy Prime Minister of Canada
80 Wellington Street
Ottawa, Ontario K1A 0A3 (via e-mail: Chrystia.Freeland@parl.gc.ca)

The Honourable Seamus O'Regan, P.C., M.P.
580 Booth Street, 21st Floor
Ottawa, Ontario K1A 0E4 (via e-mail: Seamus.OREgan@parl.gc.ca)

Dear Ministers Freeland and O'Regan:

Re: Ensuring business continuity and treatment of oil and gas as an essential service

CAPP would like to thank the government for the bold actions it has taken to date during this health and economic crisis. For our member companies, health and safety is a top priority and we are committed to supporting the government and the measures it has taken to protect the health of Canadians and halt the spread of COVID 19. At the same time, the crisis poses a unique threat to the ongoing operations of our members and their ability to maintain critical infrastructure and essential services, including oil and natural gas production.

In view of the current evolving situation, we will identify for the Government of Canada key issues that will be critical to business continuity for our members in the context of energy as an essential service. These include: (1) Treatment of oil and gas and its associated supply chain, including manufacturing, as an essential service; (2) Coordinated measures, including with the provinces and other jurisdictions to ensure workforce mobility; (3) Coordinated measures to ensure movement of essential supplies and services across Canada and at the US-Canada border.

Oil and Gas as an Essential Service

It is critical that Canada adopt a definition of essential services and critical infrastructure that allows operations in the oil and natural gas and petrochemicals sector to continue even as non-essential business closures are implemented as part of increasing provincial or federal health measures. We hope the following recommendations can be a starting point for the government's work in this regard, including in its discussions with provincial and territorial governments and with the U.S. government.

The National Strategy for Critical Infrastructure identifies the Energy and Utilities Sector as a critical infrastructure, this includes the production, refining, transportation, generation, and distribution of

crude oil, petroleum products, natural gas and electricity. Responsibilities for critical infrastructure in Canada are shared by federal, provincial and territorial governments, local authorities and critical infrastructure owners and operators. Considering this definition of critical infrastructure, CAPP recommends that the government incorporate the following two further components into its general definition of essential services:

Essential Service:

Businesses that are essential and exempted from mandated business closures are those that ensure domestic and global continuity of supply of petroleum (including synthetic crude, petroleum by-products and petrochemicals), electricity, natural gas and natural gas liquids that support supply chains throughout Canada, including but not limited to:

- a. Drilling, extraction and production operations;
- b. oil sands mines and in situ facilities;
- c. processing, upgrading, petrochemicals and refining facilities;
- d. cogeneration and emissions management facilities;
- e. natural gas plants and processing facilities;
- f. petroleum pipelines and related pumping stations, natural gas pipelines and related compressor stations;
- g. petroleum and natural gas wells, satellite sites and batteries;
- h. storage and terminalling facilities;
- i. retail; and
- j. pipeline and trucking transportation for distribution and the provision of products to any of the above.

Supply Chain:

Businesses that supply other essential businesses or essential services with the support, supplies, systems or services, including processing, transportation, distribution, delivery and maintenance, health and emergency services, movement and accommodation of workers necessary to operate.

Ultimately, federal policy on essential services should result in continuity for:

- Operations: critical oil and gas infrastructure including but not limited to upstream production assets, transportation including pipelines, rail, and trucking, upgrading and refining infrastructure, work camps and related critical services.
- Supports to workforce mobility: including necessary exemptions related to federal authorities for aviation and airports, navigable waters, interprovincial trade and movement across international borders.

Crude oil, natural gas, and other petroleum products are essential feedstock for transportation fuels, heating and electricity generation for all Canadians. For example, over 20% of Alberta's electricity comes from the upstream oil and gas industry. The industry also has an integrated supply chain that includes almost every jurisdiction in Canada. The supply chain of oil sands producers is associated with close to 10,000 business and over half a million jobs across the country. As an example, Ontario's participation in the oil sands supply chain is valued at \$1.89 billion, supporting over 63,000 jobs and 1,162 businesses. Beyond this, hundreds of workers and equipment necessary to the operations of the industry cross the U.S./Canada border on a regular basis. Ongoing engagement by the Federal government with industry and with governmental counterparts will be critical to ensuring both the health and safety of Canadians as well as business continuity.

Workforce Mobility

The oil and gas industry operates with a highly mobile workforce and with work arrangements associated with operations in remote areas. As such, it is critical, that the Federal government, in collaboration with provinces ensure that public health measures permit reasonable exception for workers in essential services.

Specifically, CAPP would recommend the following regarding workforce mobility:

- Asymptomatic workers (i.e. with no flu-like symptoms) arriving to and from a province or territory for work in the oil and gas sector should be exempted from the requirement to self-isolate for 14 days. Our companies will rigorously monitor these individuals in the context of this exemption to ensure health objectives continue to be met.
 - Similar exceptions should be made for essential workers crossing the Canada/US border.
- The Federal government should work with provinces, territories and industry to ensure that an appropriate balance is developed to ensure public health measures, such as self-isolation, do not compromise delivery of essential services.
- Oil and gas workers should be considered in any COVID 19 testing prioritization that includes essential services beyond health care or risk management and response services.
- The government should implement a robust administration mechanism for endorsing essential services and critical infrastructure, including the capability to respond to industry and workforce requests and waivers. The government should develop online tools for pre-clearances.

It should be noted that companies will continue to implement workplace health and safety measures in their operations to limit COVID 19 transmission, including specific measures in work camps, in transport and other activities. These measures include implementing screening and self-isolation protocols for workers, implementing advanced cleaning and disinfecting protocols, implementing protocols for the safe transfer of workers in and out of the region, and safely back to their homes as well as utilizing on-

site medical clinics, professionals and resources. Companies will continue to work with the provincial governments to support health and critical infrastructure objectives.

Movement of Essential Supplies

There are certain supplies, inputs, and services that are critical to operations – if one day of shipment is missed, operations halt. Moreover certain supplies, including medical supplies are essential to continued operations as many operators have medical facilities at camp sites that are part of the health and safety measures of companies, particularly in the context of the COVID 19 crisis. To this end, included as **Annex A** is a list of supplies that should be deemed essential to continued activity of oil and gas as an essential service. This list is not exhaustive but should be considered in discussions related to border controls and interprovincial movement of goods.

Closing

We are committed to working with your government to help Canada’s near and long-term economic recovery while ensuring there is no disruption of essential services during this public health crisis.

If there is anything our organization or our members can do to assist further, please do not hesitate to contact me directly at tim.mcmillan@capp.ca

Sincerely,

A handwritten signature in blue ink, appearing to read 'Tim McMillan', is written in a cursive style.

Tim McMillan
President and CEO

Excerpt from March 27th, 2020 Letter to Minister O'Regan Regulatory Impact Request - Offshore Items

CAPP recommends that, during this time of crisis, governments adopt a *do no harm principle* with respect to regulations and the costs they impose on industry. This principle will also be crucial in the longer term in planning for economic recovery. Recommendations for short term actions related to Federal policy or regulatory requirements that have an offshore component are included in the tables below.

Table 1 - Defer, suspend, or waive near-term, low-risk regulatory obligations in support of the public health response

Regulation / Policy / Directive	Agency	Aspect	Issue / Justification	Recommendation
Fisheries Act	DFO	Reporting Activity	Reporting requirements for approvals needs to be amended to focus on necessary components during the health crisis.	Reporting be required only for incidents that harm human health and result in adverse and irreversible harm to the environment. Sampling requirements are reduced to include only those samples necessary to ensure safe plant operations, protection against long term adverse environmental effects, and/or worker health. All other reportable events will be recorded by operators and reported to DFO within 60 days at the end of the emergency health crisis. An extension for all deadlines for submission of non-emergency regulatory documents, including compliance reporting plans, research reporting and demonstrations.
Fisheries Act	DFO	Audits and Inspections	There is limited capacity to manage and fulfill low risk regulatory audits and inspections. Staff is focused	Defer low risk inspections and audits.

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			on critical and essential work to maintain safe and reliable operations.	
National Pollutant Release Inventory (NPRI)	ECCC	Reporting - Air/Water	Requirements to work from home have reduced operators' computing capacity making calculations and data uploading more difficult. Also reports require site-level data collection, which is not an essential service at the moment. The quality of the various report data will not be sacrificed if the reporting deadline is pushed back for 2020.	Defer reporting deadlines for NPRI to August 31, 2020

Table 2 - Defer the development or implementation of policy and regulations that are important but require additional resources or meaningful consultation in order to be completed effectively

Regulation / Policy / Directive	Agency	Aspect	Issue / Justification	Recommendation
Canada Gazette Publications	All	Consultations	Recognize and support that the federal government has advised on the Canada Gazette "that given the current situation with the coronavirus (COVID-19), until further notice, only urgent notices will be published in the Canada Gazette." Provided that this action is a postponement of publications only and not a by-pass of the publication and consultation stages, this action will ease the burden on both government and industry resources.	Clarify/ensure that this action is a postponement of publications only and not a by-pass of the publication and consultation stages.
TDG Regulations, Part 6	Transport Canada	Training & Certifications	Transport Canada is currently in the process of updating the requirements in Part 6 Training of the TDG	The requirements in Part 6 of the TDG regulation have been in effect for over 20 years.

			<p>Regulations.</p> <p>The update to part 6 Training involves the development of a CAN/CGSB 192.3 TDG Training & Competency Standard (CGSB Standard). This CGSB Standard is currently for ballot, and is expected to be approved in May 2020.</p> <p>The new CGSB standard will require additional training and a new competency verification component that will add additional costs to industry.</p> <p>The CGSB Standard will be referenced in the next update to Part 6 of the TDGR.</p>	<p>Transport Canada should allow for extensions of the current training certificates that expire in 2020 (as certificates are currently valid for only 2 years).</p> <p>Transport Canada should also review their approach to the revision of Part 6, as the majority of training is already captured under the jurisdictional occupational health & safety regulators.</p> <p>A business case of the proposed regulatory change to Part 6 is needed.</p>
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Table 3 - Defer implementation or make amendments to policy and regulations to support recovery from the economic crisis

Regulation / Policy / Directive	Agency	Aspect	Issue / Justification	Recommendation
Federal Clean Fuel Standards (CFS)	ECCC	Clean Fuel Standards	The Government of Canada has proposed the CFS as a means to achieve 30 megatonnes of greenhouse gas emissions reductions. This policy will impose significant costs on industry and the public when it is implemented and there substantive overlap with provincial and other federal regulatory tools. In addition, consultation will not be able to undertaken effectively.	Halt development of regulation until consultation can be undertaken. Postpone the implementation of the CFS for 3 years (i.e. effective date of the CFS regulation from 2022 to 2025 for the liquid stream and from 2023 to 2026 for the gaseous stream).

<p>Offshore Rig Intake</p>	<p>CNSOPB and C-NLOPB (offshore Boards)</p>	<p>Process certainty for rig intake</p>	<p>Clear process to reduce the timeline and regulatory approval process required to bring a foreign flagged Marine Installation or Structure into Canada and obtain regulatory approval from the appropriate offshore Board.</p>	<p>CAPP recommends the offshore Boards in consultation with industry develop a clear and timely process for rig intake offshore east coast Canada.</p>
<p>Regulations Designating Physical Activities</p>	<p>ECCC</p>	<p>Offshore Exploration Drilling</p>	<p>Exploration drilling does not belong on the Designated Projects List. This activity is routine, of limited duration and occur multiple times each year. The risks and proven mitigations are well understood.</p>	<p>CAPP recommends that exploration drilling be removed as a Designated Project from the Regulations Designating Physical Activities.</p>