

June 15, 2021

The Honourable Bernadette Jordan, M.P., P.C.
Minister of Fisheries and Oceans Canada
200 Kent Street
Ottawa, ON K1A 0E6

Dear Minister Jordan:

Re: Canadian Association of Petroleum Producer's (CAPP) response to the Fisheries and Oceans Canada Blue Economy Strategy Engagement Paper

Canada is an ocean nation spanning vast areas from Canada's Arctic regions, to the west coast of British Columbia and to Newfoundland and Labrador. All ocean users have a role to play in the stewardship of our ocean resources and to help Canada's ocean-based economy strive towards a more sustainable future.

The Blue Economy Strategy (BES) is an opportunity to grow and modernize our ocean sectors in a sustainable way. Achieving success will take the time, innovation and hard work by all ocean resource users collectively to chart a successful path forward for generations to come.

CAPP welcomes the opportunity to provide feedback to the Government of Canada in response to Fisheries and Oceans Canada (DFO)'s BES Strategy Engagement Paper and the various consultation sessions CAPP staff and members attended, as part of the government's stakeholder engagement process. This submission provides to DFO and its partners feedback on the important role of the Canadian offshore oil and gas industry as a pathway for growing Canada's Blue Economy.

Oil and gas exploration and development has been occurring in Canadian waters for more than 60 years alongside traditional ocean-based sectors and has a significant role to play in Canada's economic recovery and beyond. Implementing a successful BES will be a complex endeavor, involving a balance of technology, innovation, economics, safety, environment and people from all ocean sectors. The oil and gas industry is up for this important challenge and CAPP, welcomes the opportunity to respond.

This submission is comprised of six sections that we feel are the critical cornerstones of the Blue Economy Strategy.

- Sustainable Development
- Economic Growth

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- Innovation and Collaboration
- Opportunities for Indigenous Communities
- Global Market Access
- Regulatory Certainty

Sustainable Development

One of the big questions asked in the Blue Economy Engagement Paper is: “How can Canada’s Blue Economy Strategy support the Sustainable Development Goals of the United Nations 2030 agenda?”

The values of the Canadian oil and gas industry are largely aligned with the UN’s Sustainable Development 2030 Agenda. The social values of the Canadian and international companies with interests in the offshore are built on investing in the communities where we operate. While operating in an area with some of the most stringent requirements for environmental protection in the world, the offshore sector has made substantial contributions to the well-being of local communities in terms of investment, innovation and employment. For example cumulative expenditures by the producing sector in Atlantic Canada from 1997 to 2019 total more than \$75 billion and cumulative royalties paid to the Governments of Nova Scotia and Newfoundland and Labrador from 1997 to 2017 total more than \$25 billion.

The offshore industry is also very much aligned with stated objectives of the BES. The Ocean-Based Energy section of the Engagement paper describes how:

“ ... future development of ocean-based energy projects must consider the impact that they may have on marine species and habitats, the rights of Indigenous peoples, and the surrounding environment to avoid undermining other economic and environmental objectives and reconciliation.”

Each of these considerations continue to be front of mind for our industry and have been part of each completed environmental assessment. Any new exploration and production project in the Canada-Newfoundland and Labrador offshore area will now require approval under the *Impact Assessment Act*. The Impact Assessment (IA) Act has a broad scope of assessment requirements including:

- economic, social and health impacts;
- gender-based analysis;
- the projects contribution to sustainability;
- how the project contributes to the Government of Canada’s ability to meet its environmental obligations and international climate change commitments; and
- potential impact on Indigenous peoples and their rights.

The IA Act requires early and inclusive engagement with communities, rights holders, stakeholders and the public. Indigenous engagement is conducted with the aim of working with Indigenous People in a way that advances reconciliation, respects the rights and culture of Indigenous peoples, and protects and ensures consideration of Indigenous knowledge. The

Minister or Governor in Council must be satisfied that the Crown's duty to consult and accommodate Indigenous peoples has been fulfilled. The decision of whether a proposed project can proceed is based on these five factors of public interest:

- The extent to which the designated project contributes to sustainability;
- The extent to which the adverse effects within federal jurisdiction and the adverse direct or incidental effects that are indicated in the Impact Assessment Report in respect of the designated project are significant;
- The implementation of the mitigation measures that the Minister or the Governor in Council considers appropriate;
- The impact that the designated project may have on any Indigenous group and any adverse impact that the designated project may have on the rights of the Indigenous peoples of Canada recognized and affirmed by section 35 of the Constitution Act, 1982; and
- The extent to which the effects of the designated project hinder or contribute to the Government of Canada's ability to meet its environmental obligations and its commitments in respect of climate change.

Through the Impact Assessment process, a proponent of an offshore oil and gas project is therefore required to demonstrate how these five factors of public interest have been fulfilled; several of which are in complete alignment with the BES.

The completion of the Regional Assessment of Offshore Oil and Gas Exploratory Drilling East of Newfoundland and Labrador allows for a drilling program exemption from the requirement to complete an Impact Assessment under the IA Act. However, proponents are still required to adhere to a series of regulatory conditions that ensure environmental and meaningful Indigenous engagement. Standards, guidelines, regulatory and legislative requirements such as the *Accord Acts*, *Fisheries Act*, *the Oceans Act*, *the Navigation Protection Act*, *the Migratory Birds Convention Act, 1994* and *the Canadian Environmental Protection Act, 1999*, also apply to all offshore projects.

Offshore operators prepare Environmental Effects Monitoring (EEM) plans to identify and quantify any environmental effects related to their operations. These plans are designed to evaluate the effectiveness of actions to reduce effects, provide an early warning of undesirable changes in the environment, and assist in identifying research and development needs.

EEM programs are generally comprised of the sampling of marine sediments and one or more fishery species, both near the installations and at more distant control sites. The plans are developed according to guidelines outlined in the Environmental Effects Monitoring Coordination Framework developed by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB), Canada-Nova Scotia Offshore Petroleum Board (C-NSOPB), the federal Department of Fisheries and Oceans and Environment Canada.

EEM is an adaptive process that builds on lessons learned from previous years of monitoring, including monitoring from other offshore projects. Every year, EEM results are submitted to regulators via annual reports which are posted to the C-NLOPB and C-NSOPB websites. The reports include a proposed new EEM plan for the upcoming year.

Over the last 25 years, EEM programs submitted by offshore operators in Atlantic Canada show no adverse impacts.

Economic Growth

The oil and natural gas industry does more than meet the energy needs of society. It creates opportunity. It generates employment, boosts local businesses, drives crucial research and development, and promotes education and training, while generating and maintaining sustainable infrastructure.

The oil and gas industry in Canada is predominately in Atlantic Canada (although there is interest in the Beaufort Sea area of the North West Territories), and directly employs more than 5,500 people (and thousands more indirectly) and supports more than 600 supply/service companies. Royalty payments directly support provincial government programs, and contribute to crucial services and infrastructure such as transportation, education and health care.

In 2018, Petroleum Research Newfoundland and Labrador (PRNL) commissioned a study led by Stantec Consulting to build on previous studies on the socio-economic impact from petroleum activity in Newfoundland and Labrador (ACPI 2003, PRAC 2005 and 2009, PRNL 2012, PRNL2015), this study documents the scale and range of economic benefits accruing to Newfoundland and Labrador as a result of petroleum industry activity between 2015 and 2017.¹ The outcomes of this study found that industry activity resulted in major socio-economic benefits, including significant increases to personal income and labour income, new housing starts in the province, and significant indirect and induced employment.

In addition to the PRNL study, the Newfoundland Offshore Industries Association (NOIA) released an independent economic impact report in 2018 led by David Campbell of Jupia Consultants and formerly chief economist for the Government of New Brunswick. His report states that if three moderately sized production facilities come online in the coming years the impacts will be significant. This report states that by 2045 the Government of Newfoundland and Labrador could receive over \$100 billion in taxes and royalties. By 2033, jobs supported by the industry can grow to 56,000 and wages and consumer spending in the province has the potential to double. By 2033, the oil & gas industry will generate more tax and royalty revenue for the provincial government than all other sources combined.²

The impacts of a thriving Newfoundland and Labrador offshore oil & gas industry will be felt across the country with over 22,700 jobs being supported in the rest of Canada. By 2033, every

¹ <https://petroleumresearch.ca>

² www.noia.ca

direct job in Newfoundland and Labrador's oil & gas industry will create 2.3 jobs in the rest of Canada. As well, significant growth has the potential to occur in industry wages and consumer spending in Canada, with \$3.3 billion in taxes collected by the federal and other provincial governments in 2033.³

Oil and natural gas companies also make major investments in research and development, education and training in Atlantic Canada. These investments have helped Atlantic Canada develop an expertise in developments in arctic and harsh environments as well as environment, health and safety in cold-water environments. Further information on the types and amounts of investments made in in research and development, education and training in Atlantic Canada are available in the Stantec Consulting report referenced above.

All of these benefits come from an industry which produces oil that is 30 per cent below the global average for greenhouse gas emissions at extraction.

Also, the Government of Newfoundland and Labrador's Advance 2030 Plan for Growth in the Newfoundland and Labrador Oil and Gas Industry sets the path forward for future offshore oil and gas development and should be an integral part of the Blue Economy Strategy.

CAPP recommends that the economic opportunities resulting from oil and natural gas sector be recognized as a key opportunity for continued economic growth as part of the BES. Also, taking action to improve Canada's ability to compete for international investment across ocean resource industries would also create jobs and other benefits that are critical to economic prosperity.

Innovation

Technology and innovation is a key driver for the BES. Advancements in areas such as artificial intelligence, emissions reduction, underwater acoustics, imaging and interpretation which could have a profound effect on not only the development but the management of our ocean resources.

Atlantic Canada has one of the highest concentrations of oceans-related PhDs in the world and ocean technologies is a key strength. This concentration of expertise coupled with opportunities for innovative partnerships and funding opportunities from organizations such as Canada's Oceans Supercluster and PRNL who are delivering the offshore research, development and demonstration component of Natural Resources Canada's (NRCan) Emissions Reduction Fund creates a unique opportunity to identify technology and innovation ideas at the community level without having to recreate program delivery mechanisms.

The recent Emission Reduction Fund awards indicate several potential pathways to achieving emission reductions in the offshore oil and gas industry. Many of these studies are in the concept

³ www.noia.ca

development phase to understand which options are currently feasible. The pace of advancement in processing and digital technologies will require near continuous evaluation of feasibility studies. Research initiatives are therefore essential to understanding the applicability of new technologies to the offshore. Funding mechanisms are needed to incentivize companies to participate in research, without an undue burden. Taxation and royalty payments may be re-directed towards R&D investment, for example. Industry supports the adoption of digital and clean technologies in offshore oil and gas operations to reduce emissions, however we must identify mechanisms to de-risk private sector investments in new technology development and testing.

Innovation and new technology is steadily occurring within the oil and natural gas sector. The biggest challenge to developing new technology remains the lead time needed to test and implement advanced innovations and technologies. Having access to proof-of-concept funding for capital improvement projects as part of NRCan's Emission Reduction Fund is a unique opportunity.

Innovative, collaborative, multi-disciplinary research and development will be key to tackling climate change while advancing the oceans economy. The Ocean Supercluster brings together the combined expertise of marine renewable energy, oil and gas, fisheries, aquaculture, defense, shipbuilding and ocean technology. Having these companies work together to drive technology advancement for the oceans economy is innovative and will help advance some of the most significant challenges in ocean research.

In February, 2021 the \$18 million Digital Offshore Canada project was announced which is co-funded by the Clean Resource Innovation Network (CRIN), Canada's Ocean Supercluster and led by fellow CRIN member PRNL along with technology partners and Memorial University. This is one example of innovative research opportunities to develop world class digitalization capability in the region and collaboration across business sectors, industries and academia to ensure the development of new talent. Through the power of network, those benefits can also extend westward.⁴

CAPP recommends that federal programs such as the capital portion of the Emissions Reduction Fund be reexamined and repayment terms reconsidered based on opportunities for emissions reduction and testing of new technologies. This also helps de-risk private sector investment and facilitate more opportunities between technology suppliers and technology users to develop advanced ocean technologies and new collaborations. Programs should encourage more collaboration between academia, technology developers and oil and gas companies without the burden of repayment.

Collaboration

The oil and natural gas industry has worked to develop positive, collaborative relationships with the fishing industry through effective communication and engagement.

⁴ <https://cleanresourceinnovation.com>

The fishing industry is consulted as part of the environmental assessment process and communications strategies are built into project planning to ensure fishers are aware of ongoing offshore activity. The fishing industry is also advised of specific programs, like marine seismic surveys, through direct communication, communiqués with unions and committees, public service announcements in local media and Notices to Mariners/Shipping.

One Ocean

The petroleum industry in Newfoundland and Labrador partnered with the fishing industry to establish One Ocean, an organization created to promote mutual understanding between these two vital industries and their common marine environment. With equal representation from fishing and petroleum industry members, One Ocean provides a forum to address issues and challenges that arise and improve communication between industries.

Nova Scotia Fisheries Advisory Committee

In Nova Scotia, offshore operators work with the Canada-Nova Scotia Offshore Petroleum Board's (CNSOPB) Fisheries Advisory Committee to engage the fishing industry. The Committee includes representatives from various fishing groups, DFO, NRCan, the Nova Scotia Department of Agriculture and Fisheries, and the Nova Scotia Department of Energy. Committee members provide advice and suggestions to the CNSOPB for consideration in work authorization applications, regulations and guidelines. Meetings are held quarterly and briefings are sent out to inform and engage members in discussion of upcoming projects and other petroleum-related activities. Committee members are provided with notice of all environmental assessments and are invited to submit comments to the CNSOPB for consideration during the review processes.

CAPP recommends that federal government consider establishing a multi-stakeholder Committee comprised of ocean resource users, Indigenous leaders, provincial and federal government departments to discuss collaborative opportunities to advance the BES. The Ocean Supercluster model should also be considered in this context to avoid duplicating efforts to advance ocean innovation and technology development.

Opportunities for Indigenous Communities

Nationally, in 2015-2016, the oil and natural gas industry spent more than \$3.3 billion on procurement from Indigenous-owned businesses. The energy sector is one of the largest employers of Indigenous peoples in Canada.⁵

In Atlantic Canada CAPP continues to build on successful safety culture seminars involving offshore operators and all 13 Nova Scotia Mi'kmaq communities in 2018. Similar sessions in St. John's, NL were held in 2020 to discuss community safety issues and strategies to

⁵ (Sept 2020) A Vision for Canada's Recovery Canada's Natural Gas and Oil Industry: Driving Economic Recovery and Environmental Leadership

address them, develop awareness about industry safety, and set the groundwork for offshore supply chain opportunities.

Member companies who have completed environmental assessments under CEAA 2012 have made strides in building relationships with various Indigenous groups in Atlantic Canada through face-to-face meetings, engagement sessions and follow-up conversations. Commitments are in place to continue engagement through Indigenous communication plans, follow-up programs and monitoring requirements for each of these projects.

As the conversation continues, companies will continue to seek opportunities for Indigenous communities. East Coast Catering and Miawpukek Horizon Maritime Services are two great examples of service sector partnerships.

CAPP recommends that the BES consider opportunities to support Indigenous partnerships. This should also include opportunities to train future employees in areas of interest within current operations and to develop the necessary labour force and skills required for the energy transition.

Global Market Access

Market access is crucial for Canada to move products to emerging global markets such as China and Southeast Asia. Global market access for all ocean resource users must be a critical element for consideration in the final BES.

Safety of marine shipping will always be the priority and we applaud government's historic investments in Ocean Protection and the work to enhance participation of Indigenous Peoples in the marine regime. However, it remains important to ensure Canada can remain competitive in its aspirations to diversify access to global markets for oil and gas resources. New projects on the West Coast will enhance our country's ability to get oil and gas products to tidewater, and there is continued interest in how effectively the supply chain can deliver to foreign markets to leverage the full value and return on investment. We encourage the government and relevant authorities to continue their work in reducing bottlenecks and ensure continuity of the maritime supply chain.

CAPP recommends that the Blue Economy Strategy make a visible commitment to work with all ocean industries to provide clarity and certainty to global capital investors by promoting Canada's leadership in environment, social and governance (ESG) performance.

Specifically:

- Work with industry to implement appropriate recommendations of the Federal Expert Panel on Sustainable Finance and advance an ESG strategy promoting Canada as an oil and natural gas supplier of choice among global markets.
- Canada's energy industry is a world leader in environment, social and governance (ESG) practice, which has a potentially transformative impact on competitiveness as investors increasingly seek corporate progress in the ESG space as a basis for investment decisions.

According to the Federal Expert Panel on Sustainable Finance, “Canada’s oil and gas companies are competing against major sovereign producers that face little pressure for transparency or risk of divestment. Divestment from these public companies essentially transfers market share from the minority producers most obliged to act responsibly and transparently, to monopoly producers without similar obligations.” The Panel recommended that the federal government “Support Canada’s oil and natural gas industry in building a low emissions, globally competitive future,” in which “The federal government has an active role to play in promoting Canada as a supplier of choice among global markets.”

CAPP recommends that the Blue Economy Strategy continue to address supply change bottlenecks on Canada’s west coast and to ensure continuity of the maritime supply chain.

Specifically:

- Improvements to traffic throughput at Second Narrows crossing in Vancouver Harbour to address potential bottlenecks
- Advancement of the national anchorages initiative
- Smooth implementation of amendments to the Pilotage Act
- Investments in maritime employment and training initiatives to address the potential shortage of qualified mariners (from deckhands to master mariners)
- Continued engagement with coastal communities and accommodation

Regulatory Certainty

CAPP agrees with the statement in the Blue Economy Strategy that “Regulatory systems must be agile, transparent, and responsive to the needs of business and the natural environment. Such frameworks must also be adaptable to technological developments.” Appropriate policy solutions must be collaborative and solutions orientated and involve ocean users. Policy solutions must be drafted and discussed to truly drive improvements, be adaptive and carefully consider environmental, economic and social outcomes. Also, regulatory systems need to be efficient, effective and predictable. For example, climate policy should target reductions where they are most efficient and effective right across the entire value chain considering fairly all sectors and jurisdictions. Also, revenues from climate policy should be fully recycled back into the economy to incent innovation, assist transition or reduce other taxes and levies. Regulatory certainty will also enable economic growth and sustainable development by improving attractiveness to investors.

CAPP recommends that any policy developed in conjunction with the BES be efficient, effective, predictable and adaptive to changing technologies and innovation that can be exported globally.

Closing Remarks

CAPP appreciates the opportunity to comment on the Blue Economy Strategy. CAPP and its members support innovative, collaborative solutions that lower greenhouse gas emissions while meeting the world's growing need for abundant, low cost reliable energy. CAPP contributes operational expertise and analysis to help governments develop practical and operationally viable solutions and we look forward to working with all stakeholders on the delivery of the Blue Economy Strategy.

Yours truly,

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

R. Paul Barnes
Director, Atlantic Canada and Arctic