

# Report from the “Lessons Learned Workshop”

Hosted by Regulatory Issues Steering Committee

for

## Atlantic Energy Roundtable

June 2003

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## 1. Introduction

On June 3 and 4, 2003, 31 participants and 11 observers gathered for a workshop to discuss regulatory issues pertaining to effective regulation of the offshore oil and gas industry in Atlantic Canada (the "Workshop"). Participants included representatives of government agencies with relevant regulatory authorities, industry operators and industry associations.

This report provides information on the background, design, delivery and outcomes of the workshop.

This introduction, which describes the general content and format of the report, is Section 1.

In Section 2 we discuss the background and context for the initiative, which began with the Atlantic Roundtable in November 2002.

Workshop design is described in Section 3, including the request for proposal process, interaction of the Facilitators with the members of the Working Group, submission of 2 page overviews by the majority of participants, and the development of a concise issue summary paper.

Prior to the Workshop, the participants submitted 2 page overviews. This provided an initial indication of ten common interests; a critical foundation for moving forward. In Section 4 the results of small group and plenary discussions are described, which expanded, clarified and confirmed those key interests.

Section 5 describes the process that was used to prioritize issues. As sometimes happens in multi-stakeholder processes, the mechanics of the Workshop were adapted to the needs of the participants themselves, rather than the following the process which was initially planned.

The three broad issue areas were discussed in small groups for approximately 4 hours in small groups, and in plenary sessions for 3 hours. Section 6 is the result of those discussions - description/definition of the issues, key factors, barriers, objectives and action plans.

In Section 7 we make some concluding observations.

This report has four Appendices. Workshop attendees are listed in Appendix 'A'. The Summary Issues Paper is Appendix 'B'. Results of the small group work

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presentations, captured as flip chart notes, are reproduced in Appendix 'C'. A summary of the Workshop evaluations completed by the participants is attached as Appendix 'D'.

To request copies of pre-workshop and other related background materials, please contact:

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PO Box 2664  
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Halifax, NS B3J 3P7

- or -

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## 1. Background and Context

In November 2002 four federal and three provincial Ministers convened the Atlantic Energy Roundtable together with senior representatives of the oil and gas industry, government and relevant regulatory bodies. The purpose was to identify challenges facing the offshore oil and gas industry, and look for ways to “improve regulatory efficiency and encourage increased investment and local involvement.”

The Roundtable specified the following Mandate for a Regulatory Issues Steering Committee (the “Committee” or “Steering Committee”):

The Regulatory Issues Steering Committee will bring senior decision-makers from governments, agencies, boards and industry together to identify policies and/or regulatory practices, which enhance the competitiveness of the offshore oil and gas industry in Atlantic Canada, and to prepare, for consideration by governments, recommendations for change.

The Committee will adhere to principles of sustainable development approach and will institute work to research matters and provide appropriate advice to the industry and the Ministers responsible for Energy.

The Roundtable also described the functions of the committee, including:

- Identification of priority issues
- Ways to address the issues
- Assignment of tasks as necessary

In identifying the issues, the Roundtable specified that “The test for issues to be addressed will be that issues must be those for which Committee members agree that **substantial progress** can be made and which will have **substantial impact** on the competitiveness of the Atlantic oil and gas industry [emphasis added].”

The Roundtable also provided guidance in the form of working principles, which include the use of an interest-based approach that is responsive, flexible and inclusive, and in which, to the extent possible, decisions are made by consensus. Importantly, the Committee was to be a forum for the exchange of information. It

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would not fetter statutory decision-making or place participants in a conflict situation with respect to any matters before the relevant Ministers for decision.

In order to fulfill its mandate from the Roundtable, the Committee determined that work should be undertaken in two areas: (1) identification of regulatory policies and/or practices that may be impeding the competitiveness of the offshore oil and gas industry in Atlantic Canada, and; (2) identifying opportunities for changes in the offshore regulatory environment for those processes that could potentially have the most significant positive impact on the competitiveness of the Atlantic oil and gas industry.

In carrying out its responsibilities, the Committee decided that holding a multi-stakeholder workshop, bringing together representatives of industry, government and regulatory bodies, would be a productive way to proceed. A Regulatory Issues Working Group ("Working Group") was struck to manage this, and other initiatives under the auspices of the Committee. Invitations to the Workshop were sent to approximately 80 representatives from more than 30 organizations with relevant experience and/or involvement.

The invitation letter stated that the Workshop would bring together government departments, regulatory bodies and industry officials having firsthand experiences with petroleum exploration and development regulatory approval processes on the East Coast of Canada to identify opportunities for process improvements and make suggestions to participating government organizations regarding meaningful process changes.

In April 2003 the Working Group issued a Request for Proposals (RFP) regarding the provision of consulting services for design, planning, facilitation and writing of a workshop report. The Working Group chose the proposal submitted by Bedford Consulting & Associates and BLSmith Groupwork Inc. (the "Consultants" or "the Facilitators").

The Workshop was held on June 3 and 4, 2003 at the Park Place Ramada Plaza Hotel in Dartmouth, Nova Scotia. The results of the workshop will be used in concert with a benchmarking study and updating of the Regulatory Roadmaps Project as a basis for recommendations when the responsible Ministers reconvene the Atlantic Energy Roundtable in Fall 2004.

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### 3. Workshop Design

The workshop was designed collaboratively by the Working Group and the Consultants.

Workshop design was undertaken during May. Members of the Working Group met on several occasions with the Consultants in Halifax. A full meeting was held in Ottawa on May 23, with the Consultants participating by telephone.

The Working Group developed the invitation list, and in the letter of invitation requested that each organization submit a short (2 page) background paper that documented past experiences and lessons learned with the relevant exploration and development processes. Replies were received from almost all organizations.

The invitation letter stated: "We are looking forward to your organization's participation in this event. Worldwide experience suggests regulatory processes can be continuously improved through the diligent and regular exchange of experiences and information on lessons learned. We are confident that the planned Workshop will benefit all participants through a better understanding of the East Coast challenges and opportunities in creating and maintaining a 'smart' offshore oil and gas regulatory system."

The 2-page backgrounders provided the substance for a detailed issue matrix, and ultimately a Lessons Learned Workshop Background Summary Issues Paper that was developed by the Working Group of the Committee. Everyone who attended the workshop received an electronic file and/or binder containing all of the 2-page background papers, as well as the Summary Issues Paper.

Participating organizations were asked to designate an individual to sit at the main table as their formal representative for plenary discussions. Additional delegates and observers were welcome to participate fully in small group discussions. There were 31 representatives at the table, and 11 observers.

The following Workshop goals were established, as set out in a May 28, 2003 memo from the Facilitators sent to all participants:

1. To identify and prioritize key issues relating to regulatory effectiveness and efficiency which have potential to be resolved in the short-term, and develop detailed work plans for 4 - 6 of those which have the highest priority (based on do-ability and/or impact.)
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2. To identify and prioritize issues which have significant impact and may be resolved in the mid- to long-term (2 – 5 years). These will provide the basis to lay out future work plans. Depending upon available time, we will capture some detail on these issues and outline a path forward for each.
3. To build or enhance the working relationships among workshop participants, including their ability to engage in dialogue, joint problem-solving and productive group work.

The Facilitators' memo also described common interests evident in the 2-page summaries. The memo further asked that those attending familiarize themselves with the Summary Issues Paper, workshop goals and common interests as a starting point for the workshop.

In keeping with the philosophy of the Committee, an interest-based approach was used, and decisions were made by consensus of the group whenever possible.

At the end of Day 2, all participants were asked to evaluate the workshop. A summary of the evaluation comments is attached as Appendix D.



#### 4. Common Interests

As explained above, the Facilitators' memo to participants highlighted ten common interests that were evident from both industry and regulators' submissions. Interests are important. They speak to fundamental needs of people and organizations. By focusing on interests, parties can more effectively develop opportunities for mutual gain ("win-win" outcomes), as opposed to less-efficient, distributive exercises based on positional debate.

The common interests underlying an improved regulatory environment, as expressed through the "2-pagers" submitted by participating organizations were:

- Effectiveness
- Efficiency
- Transparency
- Clarity
- Certainty
- Economically responsible
- Environmentally responsible
- Socially responsible
- Timeliness
- Public confidence

Creating a shared awareness and understanding of these interests was seen as an important step. Doing so could help the participants establish a foundation upon which to build relationships and work plans that would capture mutual gains based on the foregoing interests and in support of the Steering Committee's mandate. It was also seen as providing a means of objectively judging potential solutions for "lessons learned" to be developed during the Workshop, and beyond.

In order to get a better understanding of the foregoing common interests, an initial exercise asked the participants, working in groups of 3-4, to spend 15 minutes fleshing out the nature of one interest, discussing definition, key factors, links to other interests, and others as determined by the group. These were presented back to the plenary for full discussion.

The following overview of the ten interests is based on the reports back from each of the ten small group discussions and follows the wording of the participants themselves.

**Effectiveness** (Seen as an overarching interest to the remaining nine)

- Meet the desired outcomes and goals
  - It is measured by the nine other attributes (below)
  - Continuous effort is an indicator
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**Efficiency**

- Effort is optimised
- You get acceptable results at the lowest cost (i.e. economic, social and environmental) and with the least number of steps (i.e. remove duplication)

**Transparency**

- There is a clear understanding of what's required
- The process is understandable (stakeholders participate if they want)
- There are clear and likely outcomes
- There are clear mandates and roles
- "How and why" decisions are made are known
- There is understanding of the rules and process

**Clarity**

- (We know) who is and is not involved
- There is a defined endpoint
- No ambiguity-there is a single interpretation
- (We know) what's being measured
- (I know) what I have to do
- (I know) how I am to do it.
- Use of decision trees (steps, milestones, decision-maker)
- (There is) a common understanding of expectations and definitions

**Certainty**

- Predictable timelines
  - Fixed
  - Tightly defined
  - Optimal
- The steps and content of process are known
  - Early meeting(s) with senior advisors of all relevant players
  - No 2 DPA's are alike
- Players
  - (We know) which Acts apply and who leads
- Cost - certainty leads to return on investment
- Predictability and repeatability

**Timeliness**

- We build on experience
  - A greater number of parties are now involved
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- It balances time and public interest
- It requires planning, preparation and resources
- Community expectations are “aligned”
- Decisions are given at the “right” time
- There is accountability both ways

### **Economically Responsible**

- Environmental - efficient spending
- Global - maintain or improve competitiveness (maintain focus)
- Natural Resources - maximize benefits from all offshore resources
- Social - develop local infrastructure
- Public Education - invest in consultation
- CBA - what do expenses mean? (spending yields results)

### **Environmentally Responsible**

- The public philosophy is “sustainability”
- Minimize environmental impacts
- Assess and manage risk
- The challenge is to define “what is acceptable risk and impact?”
- Who is responsible? We are all responsible

### **Socially Responsible**

- Optimize economic benefits
- Optimize community benefits
- Protecting things of importance (e.g. culture)
- Maximize sustainability
- Allows for public input

### **Public Confidence**

- Must know “who is the public?” (Industry, Interest Groups)
- Trust - performance-based, not just words
- A “Fair Process”:
  - Impartial
  - Open to all interests
  - Genuine (transparent)
  - Balanced (consensus??)
  - Factual, rational and science-based
  - Educates through better public involvement

At the end of "Day 1", the foregoing list of interests was distributed to all participants. They were asked to review it and provide any clarifications, questions or corrections. No responses were received.

## 5. Issues

The initial workshop design called for a comprehensive prioritization of the issues in the Summary Paper along two lines – extent of impact and “do-ability.”

Based on the mandate statement for the Steering Committee, the following five criteria were agreed upon to determine what issues could and should be discussed at this workshop. The five criteria were:

- Substantial progress is possible;
- Substantial impact on competitiveness;
- Within existing legislative authorities;
- Within decision-making authorities and mandates;
- Reduce cycle times, facilitate decisions or both.

An in-depth review of the issues included a review of the Lessons Learned Workshop Summary Issues (from the Summary Issues Paper) and extensive discussion of the issues in the large group format. The outcome was a consensus among participants that there were in fact three larger categories of issues that needed to be discussed. Additionally, four situations were highlighted that, while considered very important, were acknowledged to be outside the scope of the participants’ ability to advance within the Workshop itself.

First, issues titled “Gaining Jobs and Business Opportunities” were considered by participants to be very high priority. But, because another committee formed pursuant to the Atlantic Energy Roundtable had been established to examine this area, participants decided not to duplicate or risk interfering with that work.

Second, the issue of whether comprehensive environmental assessments are the appropriate level of assessment for exploratory drilling was also identified as very important. This issue is currently being studied by the Canadian Environmental Assessment Agency’s Regulatory Advisory Committee, Oil and Gas Sub-Committee and so was determined to be outside the scope of this Workshop. Approaches to improve and facilitate the environmental assessment process were however felt to be within the scope of the Workshop.

Third, the requirement for workers on non-Canadian vessels and mobile offshore drilling units to obtain work permits from Canadian embassies was also cited as having an impact. Without representation at the Workshop from the appropriate federal agency, however, it was not possible to discuss this issue.

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Finally, the duty imposed on non-North American drilling rigs was cited as a major cost impact by many industry participants. This was stated to be inappropriate, as there was no domestic industry for rig construction that could be protected by such duty. One observer added that the same issue applied to pipeline lay barges. While the magnitude of these duties was agreed to be significant, a separate task force is working on this issue and participants therefore felt it was outside the scope of this Workshop.

For ease of reference, the table used at the Workshop to summarize and focus dialogue on the twenty-two issues is reproduced as Table 1, below.

**Table 1: Issue Summary Table**

Issue	I/O	Explanation, Comments, Examples
<b>OFFSHORE REGULATORY PROCESS - Efficiency, Clarity, Certainty</b>	IN	
<i>Protecting the Environment</i>		
Determining the appropriate level for environmental assessments		
Overlaps among regulators and their legislative mandates		
Coordinating the Accord Acts, CEAA and NEB Processes		
Working issues out in advance		This is a strategy to address overlaps
Managing public and business expectations	OUT	Covered by "competitiveness" Committee
Contracting and reporting on contracts	OUT	
Province specific benefits requirements	OUT	
Different regulators - same job	IN	Not environmental issues
Reaching consistent decisions*		
Making decisions in a timely fashion		
<b>AMENDING REGULATIONS - MAKING THEM MODERN</b>	IN	Mechanism to update
Performance-based Regulations		
Mechanism to Share RQF's (Regulations not up to date)		

Issue	I/O	Explanation, Comments, Examples
Lack of Clear Regulatory Authority (Guidelines become conditions - prescriptive system)		
Dated Imbedded Standards Preclude Adoption of More Current international Standards		
<b>USING INTERNATIONAL STANDARDS</b>	IN	
Certifying Authorities		
Rig Standards		
When and How Should Canadian Standards Be Applied?		
Temporary Import Duty on non-North American Rigs and Lay Barges	OUT	There is taskforce. They will provide information.
Additional Safety Assessment by Chief Safety Officer	IN*	*Under consistency
Mandatory Requirement to Test Every Well That Meets Minimum Pay Thickness	IN*	*Under consistency
Requirement to Remove Sub-Sea Well-Head Equipment	IN*	*May be consistency
Non-Canadian Vessel and MODU Crews Work Permit Process	OUT	There is an impact.

## 6. Work Plans

At the conclusion of the prioritization discussion, participants identified 4 issue clusters from the Table in Section 5. These were:

1. Protecting the Environment;
2. Duplication and Overlap, and;
3. Using International Standards;
4. Amending Regulations - Making Them Modern.

Participants were asked to sign up to work on the issue that was most important to them and/or their organization. Nine signed up to work on international standards, 14 on environmental protection and 13 on duplication and overlap. A single individual signed up for "Amending Regulations - Making Them Modern", and this issue was removed as a priority topic. (It should be noted that it did surface again as a substantive part of the "Using International Standards" discussion.)

Group work began towards the end of Day 1 and continued through the second day of the workshop. It was devoted to having these three groups meet, discuss their issues and produce reports back to the plenary session. In total the small group discussion time was approximately 4 hours, with another 3 hours dedicated to plenary presentations, questions and discussion. All of this work was within the context of: "How do we move forward towards an improved regulatory system, as characterized by the common interests defined on Day 1?"

The morning saw each group define, clarify and understand their issues. In some cases, the group spent time discussing barriers and challenges that would have to be addressed. Upon reporting back to the plenary session, questions and suggestions were posed by the larger group, which each small group could consider in the course of their afternoon deliberations.

The goal of the afternoon sessions was to develop, as much as possible, specific action steps with responsibilities and scheduling to move towards an improved regulatory environment. Notwithstanding the stated complexity of the current regulatory environment, the shared commitment, knowledge and levels of experience among the participants resulted in significant progress.

The discussions that took place and work plans that were developed are

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described in the following three sub-sections. Appendix 'C' contains transcriptions of the small group "flip chart" notes on which the following sub-sections are based.

### **Group 1: Protecting the Environment**

The "Protecting the Environment Group" developed a cooperative model of tiered or layered environmental assessment. The proposed strategy is to build successively on knowledge first at the generic/strategic level, then at a regional level and finally through coordination among project-specific assessments. Regional assessments could be conducted by the responsible agencies themselves, prior to issuance of land rights. This would be followed by project-specific assessments completed by proponents. This second tier would build upon the regional knowledge base, or focus on the gaps cited in regional reports.

The vehicle for moving forward with this approach would be development of an up-front generic Memorandum of Understanding (MOU) to clearly define process and roles rather than project specific MOU's currently developed for some projects. The goal would be certainty and efficiency by ensuring all parties were clear on what had to be done and the process to be followed.

A key aspect of this approach would be the creation of a multi-agency regulatory review team to lead assessment review, including determination of generic and project-specific scopes. Emphasis would be placed on early interaction between proponents and the regulatory authority to firm up issues and requirements. There would be timing and cost incentive for proponents to coordinate assessments among contiguous and/or proximate project locations, where appropriate. By conducting regional assessments prior to issuance of land rights, the concept also addressed a stated concern over lack of public participation prior to such issuance. These aspects of the group's proposal fully reflected the common interests identified in Day 1.

The group developed some level of detail for each of four elements of the solution: development of an MOU; establishment of a regulatory review process/team; scoping; and, a tiered EA process.

1. Development of an MOU would involve doing work up-front to ensure that the process, and individual roles and responsibilities were clearly understood. It was suggested that the CNSOPB, CNOPB, DFO, NEB, CEAA, EC, NRCAN, and the governments of Nova Scotia and Newfoundland and Labrador could be involved. Lead agencies in this initiative would be the 2 offshore boards, NEB

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and CEAA.

Barriers and challenges may include: organizational willingness to participate, and recognition of legislative constraints. The group suggested that the lead agencies should start the process by meeting in the third quarter, 2003, and that a draft MOU should be completed by first quarter, 2004.

2. Establishment of a dedicated Regulatory Review Process/Team for individual projects was seen as an important element of an overall solution, although one that could be challenged by a scarcity of resources. The group felt that it could be initiated through the MOU initiative itself and Bill C-9. Signatories to the generic MOU and the Regulatory Issues Steering Committee would be involved. This should be tabled as an issue at the Fall 2003 meeting of the Roundtable.

3. One of the key benefits of early Scoping is to clarify issues and information requirements up front, to give increased certainty to the process. Greater reliance on codes of practice and earlier description of issues were seen as both an opportunity and a challenge. While it could simplify both scoping and process, it would require early interaction between proponents and responsible authorities. Challenges could include: cost/demand on resources, need to avoid duplication, and ensuring public acceptability.

A proposal for development of a generic scope should be submitted to ESRF by 3rd quarter 2003. Lead agencies in this initiative are NR Can, DFO and EC.

4. A Tiered EA Process would involve three levels: generic/strategic, regional and project specific.

Generic/strategic EA would require better definition, which could be coordinated with current ongoing initiatives. It would be done by government, and would involve getting an overview of regional issues prior to the issuance of land rights.

A Regional EA would then be carried out jointly by acreage holders winning land rights in a specific area utilizing "standardized" activity scenario templates. This would require new mechanisms, and data ownership would need to be considered as a possible issue.

A Project specific EA prepared in preparation of an individual proponent's defined activity would be focused on more location specific issues following the

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issuance of land rights and regional EA -- it would "fill in the blanks" (gaps between regional EA and project EA.). Additionally, the project-specific EA could receive better direction and focus, based on the results of the generic and regional EAs.

It will be important to avoid duplication between levels with each level building on the results of the previous work.

CEAA would lead the definition and development of the generic EA/framework. CAPP would lead on work relating to Regional and Project Specific EA.

## **Group 2: Duplication and Overlap**

The “Duplication and Overlap Group” recognized the current complex state of multiple regulatory jurisdictions in Atlantic Canada. While overlap in processes and jurisdictions exists, the group identified a clear need to fully understand the reasons and avoid unnecessary situations. The group acknowledged that certain public interest issues may require a continuation of such overlap, and that such interests are respected. In some cases, jurisdiction is seen as part of closely held values grounded in history. But, it also recognized that elimination of unnecessary overlap would serve the common interests identified in Day 1 and lead to mutual gains that could benefit a wide range stakeholders. It was noted that regulators do not make the regulations -- they enforce them, and often do the best they can with the status quo.

The group identified a fundamental issue in that overlap, if unaddressed, has the potential to become imbedded in the system. This could lead to process inertia in extreme cases. Recognizing the significance of this risk, the group cited the need for policy and accountability in addressing the overlap issue. Governments must clearly state their intention to avoid unnecessary overlap and duplication and must make officials accountable for addressing it.

This group expressed confidence that further work among responsible agencies and industry would lead to greater understanding and movement towards the improved regulatory environment interests/characteristics developed on the first morning of the workshop (see Section 4, Common Interests.) The Regulatory Roadmaps updates and the Benchmarking Study were seen as key components of the action plan.

### **The group developed the following specific steps and timelines for its action plan:**

- A Statement or Protocol supporting elimination of duplication and overlap should be developed by the three levels of government -- by Fall 2003. Government of Canada has committed to “smart” regulations; Nova Scotia Energy Strategy makes commitment to effective and efficient regulation. These are a good start -- clear government policy and direction are needed.
  - Meet with CNOBP in June to understand their model with respect to the Board/HRDC roles for approvals and foreign workers and see if it would work for Nova Scotia (CNSOPB).
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- Get legal evaluation about delegating responsibility without loss of authority. Need the ability to delegate decision making without jeopardizing jurisdiction by the Fall Roundtable meeting. A key priority for this would be to streamline offshore approvals from the platforms to the shore.
- Develop a catalog of the differences in interpretation between the two Boards and the rationale behind them. The Working Group and Steering Committee have initiated this through a consultant and PRAC. Work is in progress, with results expected by July 2003.

While offering some important steps for their path forward, the group realized that progress will require ongoing, inclusive effort with trust- and relationship-building among all parties. The issue must be examined holistically, so as to focus on the most important or most impactful areas; “one-off” solutions are not the goal. There will be many areas where work in this area will need to link with environmental assessment initiatives. Creating opportunity for regulatory and business planning to proceed in parallel, rather than in series is an example.

The group also spent some time discussing the need to model an offshore project development to identify opportunities to reduce cycle time. More information is required to be gathered on the regulatory approval processes, but this work is underway on contract. The group felt a workshop of key regulators and other stakeholders should be held once the processes were updated. The workshop would look at opportunities to coordinate their activities to reduce regulatory uncertainty (issue resolution in advance of regulatory processes); the development of standard requirements and processes; and opportunities to run processes in parallel to reduce cycle time.

### **Group 3: International Standards and Best Practices**

The International Standards Group took a structured approach to its topic, using many specific examples as a base to work from. The group defined a vision of improvement, described the current state of their examples, evaluated options to move ahead and selected their proposed plans of action.

This group’s focus was on the application of standards in the offshore. Central to their approach was to seek the most appropriate “best-practice” from among international standards and Canadian. As standards are currently imbedded in offshore regulations, the group focused on revision of offshore regulations with use of performance-based regulations.

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The group's vision of improvement or vision of success included a number of components. With regard to rig certification it included a consistent approach to mobile offshore drill unit (MODU) codes through one federal agency, and greater reliance on the work of certifying authorities without additional regulatory layering.

The group's vision of improvement in the area of standards rested on a performance-based regulatory system. Best practices and continuous improvement would be implemented that included consultation with all relevant stakeholders, rigorous operator management systems and audit authority by offshore Boards.

Among the challenges anticipated by the group was building trust and reaching consensus with stakeholders, the small size of Atlantic Canada's oil and gas industry (a resource issue), building a common understanding and vision of performance-based regulation and working through cost and multi-party ownership of the issues.

The group produced a detailed set of actions and jointly committed to their follow-up after the Workshop. Action Plans are specific to Canadian vs. International Standards, and Rig Standards. The Canadian vs. International Standards Action Plan includes development of an interim solution.

The group decided that a thorough assessment of the use and impact of performance-based regulations was necessary to fully inform all stakeholders. Work on a performance based model will be pursued through information gathering with British and Norwegian authorities who currently operate in this manner. Working with the National Energy Board, who have taken performance-based initiatives, the group plans to develop a report on costs and benefits for the Regulatory Issues Steering Committee this August with a report available in time for the Fall Atlantic Energy Round Table. It will be critical to develop a set of stakeholder recommended practices as part of this initiative. CAPP will also lead discussions among operators for development of the key aspects of rigorous management systems to support performance-based regulation.

The follow-up steps planned by this group are detailed in Appendix C, but their major lines of action can be briefly summarized as follows.

- Investigate Performance-based model ("SMART Regs") working with information from regulatory systems in the United Kingdom and Norway and evaluate the benefits through the Regulatory Issues Steering Committee.
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- Have a consultation between industry and government to determine if there is a desire to pursue performance based regulation. This will include dialogue between the National Energy Board and offshore Boards, to share information on the former's experience with performance-based regulation.
- Industry, through CAPP intends to consult with relevant stakeholders on the use of recommended "best" practices that could underpin a performance-based system. This would include industry consensus on adopting rigorous management systems which include certification, verification, independent audit, reporting mechanisms and an auditable trail.

Given the possible length of time and complexity of the path forward, an interim solution was proposed. This would see the creation of a mechanism to facilitate deviations from out-dated standards, plus likely a catalogue of approved equivalencies.

Regarding rig certifications, the relevant regulatory authorities plan to meet, document the current requirements from certificates of fitness and certifying authorities, as well as their application. The two Boards will review this documentation with the certifying authorities with a view to consistency and strengthening the role of the certifying authority. Industry (contractors, operators, regulators, service companies) will work to develop the critical stakeholder recommended practices on how to move forward to a performance based system.

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## **7. Summary and Conclusions - The Path Forward**

As outlined in Section 6, each of the small groups developed a plan to recommend to the Steering Committee as a way forward on their issues. One of the small groups has indicated its intention to continue to meet and continue its work following the Workshop.

The Steering Committee will be meeting in late August 2003 to review the work completed to date and prepare to bring a progress report and further recommendations to the meeting of the Roundtable this Fall.

This report is intended as a milestone and foundation piece for the Working Group as it strives to complete its work for the Steering Committee. Sections 2-5 provide a base on which future work can be grounded. Section 6 (and Appendix 'C') provides both a general overview and specific steps on the path forward, as determined by the participants themselves for the three priority issue areas.

There was a strong common will to have frank and open discussions at the workshop, and that in large measure, this was achieved. However comments at the workshop and in an evaluation stated that there is a lack of certainty among some participants about the views, interests and commitment of several important stakeholders. The Facilitators believe further joint-dialogue will help to bring these stakeholders into the planning of, and hopefully a consensus for a path forward.

Workshop participants are encouraged to continue to work together in an interest-based manner, seeking consensus when possible, to achieve substantive results, as well as continuing to build and strengthen productive and respectful relationships.

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## Appendix A Workshop Attendees

<b>PARTICIPANTS</b>			
<b>Last Name</b>	<b>First Name</b>	<b>Title</b>	<b>Company, Department or Agency</b>
Slade	David	Director, General Policy	Atlantic Canada Opportunities Agency
Sheppard	Martin	Special Advisor to Chairman	Canada-Newfoundland Offshore Petroleum Board
McPhee	Mike	General Counsel and Secretary to the Board	Canada-Nova Scotia Offshore Petroleum Board
Pinks	Stuart	Manager, Health, Safety and Operations	Canada-Nova Scotia Offshore Petroleum Board
Formas	Dave	Operations Manager Global SantaFe	Canadian Association of Oilwell Drilling Contractors
Walsh	Deborah	Manager, Atlantic Canada	Canadian Association of Petroleum Producers
MacDonald	Derek	Senior Program Officer	Canadian Environmental Assessment Agency
Chapman	Steve	Project Manager	Canadian Environmental Assessment Association
Coolen	Mike	Director, East Coast Operations	Canadian Superior Energy Inc.
Pilon	Danielle	Manager, Marine Complaints and Investigation	Canadian Transportation Agency
Taylor	Drew	Advisor, Drilling and Engineering	Chevron Canada Resources
Lester	Charlie	Director, Policy and Strategic Planning	Department of Mines & Energy
McNeil	Norm	Manager Operations & Loss	EnCana

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## **Appendix B Summary Issues Document**

The following text was prepared by the Regulatory Issues Steering Committee Working Group - May 28, 2003.

### **Lessons Learned Workshop Background Summary Issues Paper – May 28, 2003**

#### **OVERVIEW**

In the course of preparing for the workshop, all participants were asked to submit a two-page background paper identifying issues and opportunities for improvement in the regulatory process. The full background papers have been distributed in advance of the workshop. This background summary is the first attempt to group some of the major issues identified into common themes.

As a summary this paper is not meant to be exhaustive. For example, it does not include opportunities for improvement as different perspectives on solutions are expected to emerge during the workshop process. Nevertheless, all participants are encouraged to read the full set of papers. In this summary we have simply tried to capture the major issues to assist discussion and focus our efforts during the limited time available.

#### **OFFSHORE REGULATORY PROCESS: ACHIEVING EFFICIENCY, CLARITY & CERTAINTY**

##### **Protecting the Environment**

###### *Determining the appropriate level for environmental assessments*

Industry and provincial governments have stated that the level of environmental impacts seen over the past decade or more does not justify including exploration wells in a new area on the Comprehensive Study List. There is concern that the requirement for comprehensive studies will slow or delay offshore exploration by increasing uncertainty as well as increasing approval timelines. The Canadian Environmental Assessment Agency has set up a Subcommittee on Oil and Gas Issues under its Regulatory Advisory Committee (RAC). Determining the level of assessment required and the potential for reducing the level of assessments required once Comprehensive or Regional Studies are completed is a major part of this sub-committee's mandate.

###### *Overlaps among regulators and their legislative mandates*

Governments through the Offshore Accords adopted the principle of co-management to address many jurisdictional issues. The challenge is to ensure this system is as efficient as possible. Environmental assessments during all phases of offshore activity are governed by a number of acts and regulators that could be overlapping in their impact. SARA, CEAA, Oceans Act, Accord Acts have potential application. There is concern about implementation and integration. A similar concern is expressed with respect to the

multiple levels of environmental assessment required and how they are integrated and what process should be used to determine what is enough. Government Agencies and Departments with mandates beyond the Oil & Gas sector are reluctant to move far from their established approaches where specific accommodations have the potential to establish precedents in a broader context.

#### *Integrating the Accord Acts CEAA and NEB Processes*

The Accord Acts and the environmental review processes under CEAA are not well integrated for development applications. It is not clear whether separate reviews are effective and efficient. This process seems to have worked reasonably well for White Rose, but not as well for Deep Panuke. For example environmental issues were addressed fully in the Deep Panuke CSR, but could be raised again at the development hearings. The NEB's regulation of offshore pipelines also presents a challenge to integration with the Offshore Boards. Multiple regulation remains a major challenge for efficiency.

#### *Working issues out in advance*

A consistent theme from government and regulator papers is the need for an offshore industry that is still in early days of development to maintain an open dialogue on issues and concerns in advance of the more formal regulatory processes. As experience is gained, approaches become standardized and more predictable. In the meantime, mechanisms are required to eliminate misunderstandings as far in advance as possible. A failure to properly address all of these issues could slow the rate of exploration as uncertainty, delays and the risk of contradictory findings increases costs and discourages investment.

### **Gaining Jobs and Business Opportunities**

#### *Managing public and business expectations*

Industry sees a disconnect between the public expectation of work to be done in the region and the capability of local firms to do the work competitively. They believe benefits requirements should be tempered by a need for economic efficiency.

Concern is also raised about whether the legislative requirements are being interpreted properly and the impact that has on the design, methodology and economics of projects. Uneconomic projects ultimately reduce job and business opportunities. Nevertheless, oil and gas is a publicly owned resource and all parties need to be able to demonstrate that economic rents and other opportunities arising from development of these public resources are being fairly maximized.

#### *Contracting and reporting on contracts*

Exploration is a relatively repetitive and predictable exercise. The bulk of the contract awards (in numbers not dollars) go to local firms. Industry is questioning the need to always tender on local contract awards, which they say adds almost a year to the regulatory cycle time to each and every well. They also see a loss of opportunity for sharing resources and reducing costs. Detailed exploration benefits' reporting is also seen as burdensome under these circumstances. Ambiguity in the interpretation of the

requirements is identified as a factor. There is also the question of establishing benefits estimates in advance of awards to major contractors. Contractors need to be part of the process for levels to be realistic. They also need to be committed to initiatives for the program to be successful. Different approaches to benefits and varied outcomes among projects are often cited as justifying the need for a transparent standardized reporting process.

#### *Provincial benefits requirements*

Province-specific requirements for crewing is seen by industry as a problem for short-term single well projects as well as those that may include projects in multiple provinces. New crews can also represent an increased safety risk to themselves and the ship/rig. There is also the more general issue of how to achieve full and fair opportunity when operators set up global procurement to reduce costs and ensure competitiveness. Industry is also questioning provisions for R & D dollar requirements in a province, as they believe it discourages our ability to develop regional centres of excellence.

### **Duplication and Overlap of Regulatory Processes**

#### *Different regulators – same job*

The complex nature of the multiple regulatory approval processes and joint management structure raises issues of overlap and duplication. Some of the examples cited by industry include:

- CNSOPB and HRDC on immigration and importation of foreign workers (overlap of Section 45 Accord Act / Immigration Act) and parallel paperwork for Operator and Contractor
- Pipeline approvals required from UARB, CNSOPB, NEB
- Gas plants require duplicate authorizations
- New project assessments have to consider issues previously assessed.

The result of duplicated effort is a waste of time and effort for both the operators and the regulators. It is also noted that industry pays approximately half the costs of the Offshore Boards and a higher portion of costs with some regulators such as the NEB. Duplicated processes also raise the possibility that decisions may be contradictory which could also raise costs directly or at the least increase uncertainty, which indirectly raises costs as well.

#### *Reaching consistent decisions*

Industry has identified a number of inconsistent applications of regulatory requirements and processes by various agencies and departments in both jurisdictions. More specifically they see:

- Differences in application and interpretation and weight given to the same regulation; and
- Differences in processes including enforcement processes;

As a result there are numerous examples of differences in approach and outcomes that industry does not see as being justified. Some of the examples include:

- Inconsistencies in certifications for vessels and equipment
- Process inconsistencies between the C-NSOPB and the C-NOPB: e.g. the drilling Program Authorization process. The level of justification for a RQF (request for deviation from a regulation) is also different.
- Differences between Nfld. and NS on foreign worker authorizations
- The Offshore Boards interpret and enforce existing regulations differently (e.g. BOP stack and casing pressure testing).
- Inconsistent audit approaches.
- Inconsistent decision making within Boards when different operators are given different responses to the same RQF
- Inconsistent policy direction: e.g. NRCan direction to NEB but not to Offshore Boards re proceeding with performance based regulations

#### *Making Decisions in a timely fashion*

There are no stated timelines for development regulatory approvals other than the 270 days for the environmental review panel process. The very best outcome is 12 months. A more likely outcome is 18 to 24 months. Industry believes the timeframe is too long and results in increased costs. Both industry and governments believe the objective is a regulatory regime where business planning can progress concurrently with the development regulatory review process particularly for those projects that may be smaller or less robust commercially. Lengthy Drilling Program Authorization processes can also have a negative impact on cycle time.

#### **AMENDING REGULATIONS – MAKING THEM MODERN**

Regulators around the world are adopting goal setting or performance-based regulations. Performance-based regulations allow for new technologies and evolving approaches in areas such as wireline logging and logging while drilling. The advent of deepwater drilling has made the problem more acute because many aspects of existing regulations are inappropriate. Industry believes it is forced to undertake unnecessary or inappropriate procedures at high cost i.e well-head abandonment, drill stem testing, coring and logging.

There is also a safety aspect as codes and standards referenced in the regulations are often not the most current and appropriate. This results in the need for a costly RQF process. These exemptions are numerous (hundreds for each project and dozens for each exploration well). They are also time consuming and costly for all parties. At present there is no mechanism in place to share the results of past RQF's.

The lack of clear regulatory authority in areas of clear public interest, has resulted in boards using other mechanisms. Guidelines are being used as regulations by making them a condition of authorization, but guidelines are not subject to same rigorous review process as regulations and are often being drawn up in a very prescriptive manner. A prescriptive regulatory process results in loss of flexibility to implement best practices and lessons learned from other jurisdictions.

Dated standards imbedded/prescribed in regulations preclude adoption of more current

international standards. The result is mandatory upgrades to machinery and ships used globally that are not required in other international similar jurisdictions.

## **USING INTERNATIONAL STANDARDS**

### *Certifying Authorities*

Industry believes the role of Certifying Authority is not fully endorsed by Offshore Boards because the Boards are applying conditions to the certifying authority approvals. They believe international standards should be applied more frequently to reduce duplication and costs. They also believe that when the Offshore Boards modify a CA approval, there is an inappropriate transfer of risk from Certifying Authority to Offshore Board.

### *Rig standards*

There is the particular case of rig modifications. Costly upgrades are required for every rig deployed in Atlantic Canada despite the fact that many are classified internationally as Harsh Environment.

### *When and how should Canadian standards be required?*

The more general question is one of what principles should be employed in determining a Canadian Standard is required over the international one. For example: For what reason or under what principles is Basic Survival Training (BST&BST-R) required every three years versus 4 years in other international jurisdictions (i.e. North Sea and Gulf of Mexico).

## **OTHER OPPORTUNITIES TO IMPROVE COMPETITIVENESS OF THE REGION**

A number of other issues and opportunities have been identified in a number of industry background papers that are grouped here as “others” as they have no particular common theme except that the application of current government policy and regulation is costly and may no longer be justifiable.

- The temporary import duty on non-North American built rigs and drill ships is very expensive and yet has not achieved its purpose of encouraging construction of large modern drilling units in Canada. There is little likelihood of any such construction within the near future.
- There is a requirement for an additional safety assessment by the Chief Safety Officer before well flow testing is allowed. Industry believes this requirement is unnecessary and should be eliminated as it add time and expense to drilling.
- The mandatory requirement to test every well that meet a minimum pay thickness requirement was designed to give the resource owners access to geological information. Similarly drill stem testing ensures a discovery was significant enough to result in a permanent licence. Other technologies now exist that may achieve the same results. Dropping the mandatory testing could significantly reduce the time spent drilling and thus the cost of a well.
- The current requirement to remove sub-sea well-head equipment is designed to



avoid leaving permanent sub-sea hazards. The rationale for this in very deep waters may be less justified. The extra time required to remove this equipment in deep waters is significant and removing this requirement could be very cost beneficial to operators.

- Non-Canadian vessel and MODU crews must now arrive here with work permits. However, applications must be made at Canadian embassies or consulates overseas and include original signatures. These requirements add costs and potential delays at a critical (and expensive) time for industry.
-

## **Appendix C**

### **Small Group Work Plan Proposals**

This appendix summarizes the results of the three groups' work and is presented according to the sequencing of morning and afternoon sessions for each group. Notes in parentheses are those of the Facilitators and capture discussion of the small group reports in the plenary sessions or provide clarifying statements from the small group spokespersons during their presentations.

#### **Group 1: Protecting the Environment**

##### **Participants:**

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#### **PART "A" - MORNING SESSION**

1. Challenges
2. Concepts

##### Challenges and Barriers [Gateways?]

- Must have dedicated resources
- Industry must deliver
- Stakeholders must "play ball" [agree to engage in process]
- Can't just be adding another level [of approvals]
- [Need a] Better definition of layers
- Benefit - Data is immediately available
- Challenge - data in public domain or private?

##### Concepts

1. Joint Multi-Agency MOU's
    - Defines the process and role
    - Generic
-

- [Done in advance (what needs to be done, how does process work?)]

## 2. Regulatory Review Team

- FEAC should be the lead to look at various scopes for the EIA and information request coordination
- Problem? – resources

## 3. Scoping (from Generic to Project Specific)

- [For exploration and development]
- [Standard scopes] clearly define issues [out front (e.g. determination of “significance”) that are fine tuned to individual projects]
- [Generic scope simplifies public comment process]

## 4. Tiered or Cascading Assessments

- Regional Environmental Assessment (REA)[ overview of regional issues prior to issuance of land rights - done by government]
- [regional EA’s by industry on issuance of land rights]
- Project specific EA would be focused on more (location) specific issues following issuance of land rights - “fill in the blanks” (gap analysis between REA and Project EIA) and each project builds on previous knowledge
- [Levels don’t duplicate each other]

## Coordination of EIA’s by Industry

- Where it makes temporal and spatial sense
- [Addresses limited resources on review teams.]

## Early In Scoping

- Proponent and regulator should have meetings to clarify issues and information requirements

## [Rely on] Codes of Practice

- [Provides clarity on “how things will be done”]
- This should simplify scoping and review processes.]

## Questions/Suggestions from plenary dialogue and discussion:

1. Who leads this effort for REA’s? The companies need to meet and decide how to organize the location-specific EIA work.
  2. Sometimes it is not easy to get industry players to cooperate [timing of projects, etc.]. There is incentive to “make things easier (i.e. less burdensome)
-

for everyone” especially on the East Coast. Works better after rights have been acquired.

3. Needs resources to make this work – i.e. dedicated regulatory review teams and Industry also has to deliver. “Both groups have to play ball to make this work.”
4. There is an incentive for players to work together. Those going it alone may face a CSR level assessment and therefore greater uncertainty.
5. Must only do this where it is meaningful – not just add another level of EA.
6. Must think through where the public input is incorporated. Regional EA could address the criticism of no public input prior to rights issuance.
7. What happens if a single operator needs to go forward? Can this somehow be incorporated in the process?
8. Who should address the cost issue of Regional EA’s? Industry or regulators? (i.e. who pays the freight and what about those who hop on board later?) [A mechanism is needed - analogy: pipeline tolls and tariffs]
9. If the Regional EA is flawed, the related/sub-set project EA’s are based on flawed information.

## **PART “B” - AFTERNOON SESSION**

### Solutions

#### **1. MOU’s**

##### Barriers/Challenges

- Willingness to participate
- Legislative constraints

##### [Need] MOU’s for:

- Each offshore area
- Screening/CSR
- Panel – start with a 3 person

##### Objectives

- Up front work
  - Roles/responsibilities
  - Process
-

Precedent MOU's

- Terra Nova
- Sable

Who?

- CNOPB, CNSOPB, NEB, CEAA are leads
- Initiated by Offshore Boards

[Note: Three boards and CEAA to lead initiated by Offshore Boards and [game plan] should be shared with Industry as it is developed.]

What?

- A draft MOU which provides a model for public review

When?

- Lead agencies to start process [**meet Q3 2003**]
- **Draft MOU Q1 2004**

Participants

CNSOPB, CNOPB

DFO

NEB

CEAA

EC

NS

NL

NRCan

*2. Regulatory Review Team*

Barriers/Challenges

- Resources

What?

- Initiated through MOU and Bill C-9
- Table as an Issue - **Fall 2003 Roundtable**
- Protocols for Review Team operations

Who

- Steering Committee
-

- MOU Signatories

### 3. *Scoping*

#### Barriers/Challenges

- Requirements of new legislation (e.g. SARA)
- [Capture early identification of issues and code of practice]

#### Who?

- Initiated by Boards and involve all potential federal agencies involved under CEAA.
- NRCan, DFO and EC to [seek funding] (e.g. ESRF, or who?)

#### When

- **Proposal to ESRF by Q3 2003**

### 4. *Tiered EA process*

#### Barriers/Challenges

1. Costs
2. Avoid duplication
3. Public acceptability

#### What?

1. Generic Environmental Overview
  - Done prior to rights issuance
2. Regional EA
3. Project Specific EA

#### Actions

##### Generic

- Define each EA [- what each one means]. Will have to be coordinated with ongoing initiatives (ESRF/RAC Sub Committee)

##### Regional

- Mechanisms
- Data ownership

##### Project Specific

- Coordination among operators
-

Who

CEAA to define each [Generic] EA/framework

CAPP [for Regional]

CAPP [for Project Specific]

## Group 2: Duplication and Overlap

### **Participants:**

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## **PART "A" - MORNING SESSION**

### "Overlap Happens" - Reality and Challenges

- [Industry understands this but is concerned not everyone has the same level of concern about the impact. There are different agencies with different mandates. Perhaps some overlap is necessary to fulfill mandates, but a concerted effort is needed to streamline, regardless.]
- Address where it exists
- Recognize and mitigate for future initiatives/actions
- Acknowledge mandates and accountabilities of regulators
- [How do you identify the overlap early on?]
- [How do you forecast the impacts of overlap?]
- [The areas of overlap need to be better defined.]

### What is Overlap? - Implications

- Potential for conflict in interpretation of regulations.
- Duplicated activity that could lead to lengthened timeframes and a delay in activity.

### Potential Solutions

- Issue: lack of clear policy
  - Get clear government policies re. reduction
  - Need clear statement/protocols from all three governments. Calling for "smart" regulation is not enough if it is only interpreted or acted on from within a given agency or component of government.
  - [Address lack of clear government policy and direction at some federal and provincial levels. Bureaucrats can address solutions if they are made accountable to do so. **ACTION: A statement or protocol by all three governments' policy arms at CEM by September 2003.**]
-



Examples:

## Foreign Worker Authorizations

- HRDC vs. CNSOPB and inconsistent with CNOBP
- Options:
  1. Delegate whole process to HRDC
  2. Get a macro framework [from operators. Approve it then have it] audited by regulators or operators themselves

**ACTIONS:**

- **Meet with CNOBP this June** [to understand their model to see if it works for CNSOPB.]
- **Bring back to NS**
- **HRDC will work through mechanics**
- **Deadline: August, 2003**

## Offshore Pipelines

- Issue: Overlap of jurisdictional claims between Canada [NEB], NS and Boards
  - Concern: Back off may lead to loss of jurisdiction - get political OK
- ACTION: Get legal OK to delegate without loss of authority. [Get legal clarity on this issue** (ability to delegate decision-making without jeopardizing jurisdiction)] Get understanding if possible. NRCan and NS Department of Industry to work with Justice officials at both levels to determine whether a path forward is legally possible. **WHEN: By Fall 2003 Roundtable**

## Overlapping or Conflicting Mandates Among Ministers

- Federal and provincial
  - Duplication (especially with regard to environmental processes)
  - Disagreement (with authorization or plan) is a potential issue when overlap occurs
  - Solution:
    1. Early identification of potential problems
      - work with decision-makers
      - ensure there is agreement, up front, on who is in charge on a given issue
    2. Policy
      - promote use of process efficiency lens
      - Broad scope - understand all impacts (process efficiency
-

lens)

- Overlaps become imbedded quickly once they are established and should be avoided whenever possible

[Notes on dialogue at this stage:

- Industry needs to be aware overlap sometimes happens.
- We need to promote the use of a process efficiency lens at senior levels.
- Need to understand the broad scope of the impact from these overlaps (i.e. not just DFO, or NRCan, etc. but fully integrated across all jurisdictions)  
RISK: If not addressed overlaps become imbedded.]

[In]Consistencies

- Between Boards
- [There are] 7 to 10 different issues initially identified [from industry. (Usually interpretation differs among different people, either within, or between regulatory bodies)]
- Wording/interpretation allows differences to occur
- [There should always be a] rationale for the [necessary] differences
- Some mechanisms in place [but we need mechanisms to ensure consistencies in all appropriate situations.]
- Do a catalogue to document differences, consistencies, rationale (and include costs)
- Being done (ordered) by Steering Committee

**[ACTION: Develop a catalogue** of the differences in interpretations and the rationale behind them. (Note: Working Group and Steering Committee has initiated this through a consultant and PRAC). **Target: Mid-Summer.]**

[Questions/Suggestions from plenary discussion and dialogue:

1. Is there a government appetite to initiate work in this area? (In Nova Scotia, the Energy Strategy addresses this issue.) Do we need more work to give specific policy direction? Need to examine what specific overlaps needs to be addressed.
  2. At federal level - "smart" regulations.
  3. Is there a mechanism among all three governments to address this? Yes - OGAC.
  4. There needs to be a collective vigilance that where overlap does happen, it needs to be well-justified.
  5. The Roundtable should send a message to federal and provincial ministers to make this an issue and have it addressed. This was cited as a very key
-

aspect for success. "We need some empowerment to deal with this." (Note Minister of Natural Resources Canada and Ministers of Energy are the leads for energy matters). Make sure Minister of Transport is included. [The group felt this was one of the most important actions to pursue.]

NFLD - supportive and has been talking to NS but recognize existing differences in areas and jurisdictions.

Please note: "...there are some very fundamental achievements in our history that we are not willing to undo." There needs to be an understanding that we are not being asked to surrender sovereignty or jurisdiction. [Note - this comment was in response to a suggestion of one single regulatory body for the offshore.]

6. Would like to see the catalogue of overlap (see above) also capture costs.
7. Reduce inconsistencies to those which exist for a good reason and that they are well-understood, conscious and intentional. "No surprises."
8. Many mechanisms are already in place.
9. Clear direction must come from the top; maybe empowerment.

## **PART "B" - AFTERNOON SESSION**

### ***Work Plan***

Conclusion - "this needs a lot more work". The group recognized there are enough parties involved with different mandates or perspectives that this issue will take some time to resolve.

Part 1 - Exploratory Wells

Part 2 - Allow business planning concurrent with regulatory review process

Goals of review process:

- Benefits - identification, resolution, capture
- Public interest - information, communication, benefits, environmental
- Environmental issues (if not already addressed)
- Technical, operating and engineering issues

[If these are uncertain you can't move forward.]

[There was also discussion of the extent to which fundamental engineering and technical issues should be part of the full development review, since if these are in question, there is no opportunity to advance or optimize purchasing, fabrication etc.]

---

[It was noted that some regulators are proud of regulatory performance (outcomes, timelines) but industry often does not see it this way. There needs to be a meeting of the two perspectives. This gap in expectations demonstrates the challenge faced by all involved parties.]

There are two initiatives underway now:

- Benchmarking Study (Gaffney Cline) on Cycle Times for the Working Group (Critical information)
  - How does Atlantic Canada compare?
  - Cycle Time [Are applications being processed as quickly as possible? Regulators may not be getting all that they need in a timely fashion.] There may be a need for a facilitator or coordinator to help drive the process [to identify needs and outcomes] and keep steps moving.
- [The second initiative is the update to the Regulatory Roadmap, being led by PRAC]

#### Greatest Uncertainty and Challenge

- How to get the concept issues [conditions (benefits and technical)] well-enough defined so business planning and actions can start earlier?
- May add or reduce risk

#### Key Action

- We need to bring forward an ideal/replicable template to work from; something designed for development applications. [This requires multi-party effort (NEB, EC, CEAA, Boards, governments, NRCan)]
  - Avoid continual “one-offs”
  - Must include 8-10 parties (Boards, feds, provinces)
  - Link to environmental process is mandatory
  - Need time frame
  - Same folk do work?
  - Must get a sense of priority. [Is this initiative our “biggest win” or are there others within the other 2 areas that are more productive in shorter timeframe?] Where is biggest bang?
  - [Note: industry felt that lack of having a “template” is a significant business hurdle for them in Atlantic Canada and want to know that government fully appreciates this concern.]
  - [Need to wrestle with these challenges to map out a timeframe and action plan. Accountability to tackle this issue should be assigned (perhaps a joint CNOPB-CNSOPB initiative?). Industry is looking for a clear template that lays out deliverables, timeframes and turnaround responsibilities that all parties could sign-off on.]
-

## [“Critical Success Factors”, Comments and Discussion

- Working Group will need to dovetail into overall action plan.
- This is a multiple-step process to continually build relationships and trust.
- Note: there is bound to be a natural reduction of cycle times as experience is gained.]
- Benchmark Study and next generation of “Regulatory Road Maps Phase 2, Issues and Opportunities”
- Why is Atlantic Canada one of the longest cycle times in the world? Is that OK? (Must compare apples and apples.)
- Examine the whole and parts. Treat symptoms, but find root causes for longer term actions.]

[Other Ideas:

- Can regulatory processes be run in parallel with some overlap, instead of in series? What are the opportunities and the risks?]
-

### Group 3: International Standards

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Blair Wylie

### **PART "A" - MORNING SESSION**

#### Process we followed in our group:

1. Identify issues
2. Define success
3. How do we get there?
4. Select alternate/options path forward
5. Who, what, where and how to get there?

#### Issues

##### Rig Standards

- MODU standards
- Nfld. - Canadian MODU standards
- NS - IMO standards
- Canadian regulations and standards
- RQF's - can they be made public?
- Acceptance of Northern North Sea
- Certifying rigs to International Standards
- Crewing - Canadian vs. International
- Legislative requirement for "full and fair" opportunities for Canadians

##### Canadian vs. International

- RQF's
- Prescriptive nature of Canadian standards (dated)
- RQF's
- When should Canadian standard be applied?

##### Certifying Authorities (CA)

- CA puts conditions on certificate of fitness. Board adds conditions via the

### Development Plan Approval

- CA reviews RQF's and approves. Board sometimes adds conditions.
- Audits - audits becoming *de facto* regulations
- Define R&R [role and responsibility] of CA
- Scope of work for CA (e.g. DP classing and certifying)

### Define Success

What would success look like?

### Rig Certification Vision of Success

1. Consistent approach to application of MODU codes and regulation i.e. involvement of Transport Canada (across Atlantic Canada)
2. Boards reliance on work of Certifying Authorities (CA's) without redoing work, adding conditions, etc. for a defined scope of work.
3. Full (and consistent) transparency on CA scope of review [and Board Scope of Review] (no regulatory incremental creep)

### Vision of Success on Use of Standards [Includes Canada vs. International]

1. Performance based regulatory framework
2. Use of industry\* recommended practices (includes training). [\*This means all stakeholders (regulators, operators, contractors and service companies)]
3. Mechanism for continuous improvement of practices.
4. Operators have rigorous management systems (e.g. U.K. model)
5. Board accountable for auditing operator management system.

### [Questions/suggestions from plenary discussion and dialogue]:

- Need to look at challenges and barriers to success
  - Time and commitment, plus (small) size of industry here (i.e. available resources) - stakeholder development of recommended practices
  - Need to harmonize codes
  - Getting all stakeholders to agree to the Vision(s)
  - Wording of international standards (subject to flag administration satisfaction)
  - Lack of consistency at present between NS and NFLD
  - Standards are subject to stakeholder needs and satisfaction
  - Want to pick the most appropriate or best of all available standards
-

- Classification societies have their own rules and regulations. We need common ground from them.

## PART "B" - AFTERNOON SESSION

### How do we get there?

#### Barriers [Gateways] to Success

1. Political Will – is it there? How will we get it?
2. Time and dedicated resources. How will we get them?
3. Common understanding and agreement on vision and value [of PBR].
4. Trust between stakeholders. [How will we build it?]
5. Cost of change.
6. Benefit requirements [local components vs. International]

### Work Plans

#### *Canadian vs. International Standards*

1. Performance-Based Model:
    - Sub-committee CAPP (DCW), CNSOPB (SJP), Petro Canada (BJW), NOIA (KP), [CNOPB], NRCan) meet with NL Board at NOIA
    - SMP to obtain information from HSE (U.K.) and NPD (Norway) [through CAPP] for lessons learned on legislation requirements, what's worked - what hasn't and cost-benefits of PBR's.
    - CAPP (DW) to contact UKOOA regarding lessons learned, how it's working, costs vs. benefits and review with NRCan (this will include rig certification information). Study mechanism for selecting I.R.P.'s.
    - [Provide a] value evaluation to Regulatory Issues Steering Committee or OGAAC.
    - Government policy/appetite/endorsement (e.g. safety case legislation PFEER).
    - NEB to share transition experience and impact with offshore boards.
    - Table an ACTION PLAN at Atlantic Energy Roundtable for endorsement to continue - **needed by August**.
  2. Industry to develop S.H.a.R.P. on use of recommended practices.
  3. CAPP to test interest of its members [to commit to] adopting rigorous management systems which includes *ceteris paribus*:
    - certification;
    - verification;
    - independent audit;
    - reporting mechanisms;
-



- auditable trail
4. CAPP would like to be provided with the Boards' clearly defined scope of review for rig certification/drilling program/ADW.

[Note: There was some debate about the length of this process (1 to 5+/- years) There was also a question whether we could engage all fronts and get commitment to reach this goal (i.e. from industry and government).]

#### *Interim Solution*

1. Mechanism for agreed deviations to specifications [to allow best practice pending PBR to be implemented.]
  - Develop an approved catalogue of equivalencies (start with drilling)
  - [Chief Safety and Chief Environment office to sign off on certifications and place in catalogue to] Displace repetitive RQF's.
  - CAPP, both Boards and COADC to **meet by end of June 2003 to develop ACTION PLAN.**

#### *Rig Certification*

1. 2 boards, Transport Canada, NEB, CAODC, CAPP to meet to detail and document current requirements and application, COF Guidelines and CA Issues;
  2. CNOPB and CNSOPB to then bring in Certifying Authorities;
  3. Industry (defined as Operators, Regulators, Contractors, Well Service companies) to develop the SHaRP's on how to go forward.
  4. [CAPP would like to be provided with the Boards' clearly defined scope of review for rig certification, drilling program authorization, authority to drill a well.]
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**Flip Chart Notes on "Next Steps" from Workshop**

1. Consolidation of presentations and check recording from flip charts.
    - Volunteers (or voluntolds) from each group to review notes
    - Actions are being followed up.
    - There may/should be a follow-up meeting to assess progress (TBA)
    - Feedback completions to Bruce Cameron for inclusion in documentation
  2. Facilitators' consolidated record of proceedings - **June 30, 2003**.
    - To be circulated to Lessons Learned participants
  3. Working group - 3 Day workshop - **mid-July**
    - Benchmarking
    - This report
    - Synthesis into recommendation to Steering Committee for presentation to Roundtable
  4. Roundtable - **September/October**
  5. Possibility of Web Page for access to documentation arising from the process.
  6. Feedback your progress on tasks to Bruce Cameron - there will be accountability to the larger group.
-

## Appendix D Participant Evaluations

Participants were asked to give their views on three specific aspects of the workshop. Twenty evaluations were received. The following are the consolidated results.

**Question #1: Please indicate how well you felt the issues were identified and defined through the workshop process (including pre-workshop information.)**

Not at all	Somewhat	Satisfactory	Well	Very Well
	1	3	16	

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Comments on Question #1:

- Generally quite good - only limitation was voluntary assignment did not bring all interests to some discussions, so problems and solutions occasionally not as well explored as could be.
  - Issues were well defined - lots of work by Bruce, Sharon and Debora; good discussion on issues; all major and most minor issues I had got on to the table
  - Materials provided and initial discussion identified most key issues. I don't feel that what were identified as interests were strictly interests, but rather attributes.
  - Although we had identified a large number of issues, paring or focusing on three major issue groups was very beneficial.
  - Correct mix of attendees
  - Circulating background papers and summary prior to the meeting was useful
  - Pre-meeting material was not complete. I didn't have a good understanding of objectives prior to the workshop - issues were identified as the workshop proceeded.
  - Excellent way issues were identified, proof will be how we move forward.
-

- Facilitation process during first day could have been shorter and better organized to focus group on defining issues. Additional tools for building consensus could have been used. This would have led to time saving that could have been used for group discussions.
- Asked to focus on development plan applications but really looked from exploration to production. Pre-workshop information was difficult to limit to 2 pgs.
- Pre-workshop information was too late in coming to allow for review. Some were never submitted. Four page overview was helpful.

**Question #2: Please indicate how well you felt the workshop format allowed you to express your concerns, questions, ideas and interests.**

Not at all	Somewhat	Satisfactory	Well	Very Well
	1	3	10	6

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Comments on Question #2:

- If you wanted to participate you were able to. There were a few people who tended to dominate the discussion that tends to stifle input from less aggressive individuals.
  - Good size for discussions, open atmosphere, relaxed, people listened to one another.
  - Difficult to get everyone to participate in a meaningful way - format was fairly successful in getting actions identified.
  - The format allowed for frank, honest and open dialogue.
  - As an observer I felt constrained during the plenary sessions. Our role and ability to speak should have been clarified.
  - The facilitators did an excellent job.
  - Good format and balance.
  - Participants seemed willing to be open to new or different thoughts.
-

- My ideas were expressed in the small group, worked very well.
- Too large a group for adequate discussion, review, options, alternatives, and interim and long term solutions for all identified issues.
- Those that were interested in making their thoughts known were afforded the time to do so.
- It dragged a lot at the beginning. The working groups did engage everyone and worked very well.

**Question #3: Please indicate how the workshop met your expectations.**

Not at all	Somewhat	Satisfactory	Well	Very Well
		8	9	3

Comments on Question #3:

- This is the first time I sat in such a group with all stakeholders, got a good view from all sides.
- It is too early to see whether the long term expectations have been met. Short term goals were met.
- Education for me - much better understanding of regulators issues, and who the players are.
- It has provided some consensus on next steps. The value will rest with the ability of participants to move things forward.
- Not reaching consensus in all three groups was expected.
- It exceeded my expectations, since it is usually difficult with such large groups to make headway.
- Worked well, flagged some "barriers", a start. But did not get far out of the existing "box."
- Workshop was beneficial from lessons learned perspective. Bigger question and issue is political will to effect change.

- An additional follow-up meeting would be very useful!
- A lot of good issues tabled, discussed and actions agreed. I am concerned that there may not be enough resources to keep all of these actions going. Consolidation /final rationalization perhaps should have been considered.
- I believe you needed more representation and it focused primarily on operators and regulators and could easily have been expanded to drillers and major contractors. Could have more input from regulators.
- Gave me a much better appreciation for the impact/cost of regulations to the operator.

**Other comments:**

- All issues resolved. Good participation by the right level of people from all organizations. Now need to make some things happen!!!
  - Thanks for letting me participate. I believe some positive forward plans were developed which are workable on the road to regulatory streamlining.
  - Breakout groups may have been more effective had one or two members been briefed in advance about expectations and deliverables. Those targeted for leading the group should have had some facilitation skills/guidance.
  - There was a lack of active participation by many of those invited.
  - First morning exercise was not useful. Too much time spent on presentations. Defining the 10 attributes did not provide much of value for subsequent discussions.
  - Consider making this an annual exercise; have an update meeting in Q1 2004
  - We should have an annual forum/workshop with similar makeup. Can report on previous actions, discuss new issues, drill down deeper level and consider best practices that emerged over the past year.
  - Sometimes felt reluctant to make commitments on behalf of my organization because there might be obstacles of which I am not aware or I might not have the necessary authority. Internal checking will be required before moving forward.
-

- Prior to Roundtable, validate submission with broader group, particularly the plan for 2003.
  - I am concerned that we will take some time before real progress is shown. Not too much low hanging fruit. A lot of medium to long term important work. A good step in what will be a glacially slow process.
  - Agree with the need for a follow-up meeting after the fall Roundtable. This meeting should provide a forum for progress made to date in addressing the issues raised. Some successes will go along way to maintaining the interest of both operators and regulators.
  - We need political empowerment to move forward with most actions; we only sense Ministers now agree with industry that things are broken and need to be fixed. Still largely up to industry to point out gaps (i.e. this workshop should not have been required.)
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