

2019 - 2020 Annual Report

Leading Through
Efficient, Fair & Competent Regulation

CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

Introduction

In a continuing effort to be more environmentally friendly, the Canada-Nova Scotia Offshore Petroleum Board Annual Report is produced digitally, with printed copies available upon request. Additional information on our team and what we do is available on our website at www.cnsopb.ns.ca.

The CNSOPB encourages the public to check our website and Twitter (@CNSOPB) regularly for the latest news and to stay up-to-date on the regulation of oil and gas activity in the Canada-Nova Scotia offshore area.

Should any of the links in this year's Annual Report fail to lead you to the correct page, please go to the main page of our website and search by specific interest, or contact us directly.

Should you wish to request a printed copy of the 2019-2020 Annual Report, please submit your request to info@cnsopb.ns.ca, or by phone at 902-422-5588.

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Message from the Chair of the Board and Acting Chief Executive Officer

Over the past year, we have made great strides in our pursuit of organizational excellence, optimizing regulatory processes, proactively communicating and building relationships in our communities and beyond. We have taken further steps to earn and maintain our social licence to regulate offshore activities through open and transparent stakeholder engagement, cultivating our competencies and holding industry accountable.

We also faced significant change and disruption with respect to COVID-19. This event underscores the importance of our organization's flexibility, adaptability and preparedness in challenging times. Due to COVID-19, at the end of this fiscal year, all of our employees are working from home; however, we are fully operational and committed to fulfilling our mandate including our important oversight of offshore oil and gas operations.

With decommissioning and abandonment activities well underway at the Sable Offshore Energy Project and the Deep Panuke Offshore Gas Development Project, we continue to diligently monitor offshore activities, review plans and documentation to ensure regulatory compliance and protect the health and safety of offshore workers and the environment.

We remain focused on and committed to conducting meaningful engagement in an open and transparent manner. We actively listened and gathered feedback from stakeholders and incorporated these learnings in our new corporate website, which was launched in January 2020. Our new website is in plain language, tells our story, is easy to use and navigate, and hosts a dedicated engagement section. We used Twitter as a platform to educate and create awareness of who we are and what we do. We also responded to media inquiries in a timely and transparent manner.

We would like to recognize and thank Stuart Pinks, P.Eng, former CEO, for his contributions and thoughtful leadership. Mr. Pinks retired in October 2019 after having served in a variety of roles during his time at our organization, including CEO for the last 10 years. Mr. Pinks' regulatory expertise and knowledge of the Canada-Nova Scotia offshore area, combined with his petroleum industry background in Canada and abroad, provided a steady and balanced management approach.

Christine Bonnell-Eisnor, P.Eng, former Director of Regulatory Affairs & Finance and Secretary of the Board, was appointed Acting Chief Executive Officer on November 1, 2019. Ms. Bonnell-Eisnor joined the CNSOPB in 1999 and has served in a variety of roles throughout her career at our organization.

Next year, we will continue our work to oversee and monitor the decommissioning and abandonment of offshore activities, while remaining committed to enhanced communication and process transparency, and we will be ready for any future projects on the horizon.



Keith MacLeod, P. Eng., ICD.D
Chair of the Board



Christine Bonnell-Eisnor, P. Eng.
Acting Chief Executive Officer

1.0 Summary of Offshore Work & Activities

1.1 Authorization Process

No petroleum-related activity can take place in the Canada-Nova Scotia offshore area without a specific authorization from the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB). Operators undergo a rigorous process prior to the CNSOPB issuing any authorization, which includes submission of the following (as applicable, and among other items) for review and acceptance:

- Summary of Proposed Operations;
- Safety Plan;
- Certificate of Fitness;
- Project-Specific Environmental Assessment (includes opportunities for public input);
- Environmental Protection Plan;
- Emergency Response, Spill Response and Contingency Plans;
- Canada-Nova Scotia Benefits Plan;
- Financial Requirements; and
- Declaration of Operator.

The CNSOPB requires Operators to conduct audits and inspections of all vessels and installations (e.g. drilling units, production units, heavy lift vessels, supply and support vessels, etc.) to be used in any program prior to the granting of an authorization. In addition, the CNSOPB conducts its own independent audits and inspections as part of the authorization process.

1.2 Decommissioning and Abandonment

During the 2019-2020 fiscal year, both of the offshore gas production projects, the Sable Offshore Energy Project (SOEP) operated by ExxonMobil Canada Ltd. (ExxonMobil) and the Deep Panuke Offshore Gas Project (Deep Panuke) operated by Ovintiv Canada ULC (Ovintiv), formerly Encana Corporation (Encana), were in a decommissioning and abandonment phase. The CNSOPB's activities through to the end of 2020 will be focused on regulating decommissioning and abandonment operations. Given the non-routine nature of these activities, the CNSOPB is exercising close oversight of the Operators and their contractors throughout every step of the operations. In consideration of the COVID-19 global pandemic, the CNSOPB is conducting some of its 2020 oversight remotely through teleconference, videoconference and other innovative means.

In regulating decommissioning and abandonment operations, the CNSOPB continues to consult with the Canada-Newfoundland and Labrador Offshore Petroleum Board and its peer network of international offshore regulators in jurisdictions like the United Kingdom, Norway, United States of America and Australia to identify best practices that could be applicable for implementation in the Canada-Nova Scotia offshore area.

For authorization applications related to decommissioning and abandonment activity, the CNSOPB required a large suite of plans and procedures to be submitted for review and acceptance, including a Decommissioning and Abandonment Plan that describes the activities to be conducted. The plugging and abandonment of wells and the work to transition the offshore facilities to a state of ‘ready to remove’ were authorized through amendments to existing Operations Authorizations – Production for each Operator. The removal of the offshore facilities will be authorized through the issuance of an Operations Authorization – Removals to each Operator.

1.3 Authorizations and Approvals

In the 2019-2020 fiscal year, the authorizations and approvals issued by the CNSOPB were for decommissioning and abandonment activities.

Figure 1 provides a summary of work activity authorization applications that were submitted and approved between April 1, 2019 and March 31, 2020.

Figure 1: Authorizations and Approvals 2019-2020

Continuing Authorizations 2019-2020		
<u>Date Issued</u>	<u>Operator</u>	<u>Authorization</u>
February 28, 2017	ExxonMobil Canada Ltd.	Operations Authorization – Production (Effective February 28, 2017-February 28, 2020) Extension granted February 26, 2020 effective until May 31, 2020
July 31, 2017	Encana Corporation / Ovintiv Canada ULC	Operations Authorization – Production (Effective August 1, 2017-August 1, 2019) Extension granted April 8, 2019 effective until September 30, 2020
Authorizations and Approvals Issued in 2019-2020		
April 8, 2019	Encana Corporation	Operations Authorization – Production; Amendment for 2019 decommissioning activities
July 5, 2019	ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Injection disposal and permanent well abandonment of South Venture 1)
July 5, 2019	ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Injection disposal and permanent well abandonment of South Venture 2)
July 31, 2019	ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Permanent well abandonment of South Venture 3)
August 2, 2019	Encana Corporation	Operations Authorization – Production; Amendment for 2019 decommissioning activities
August 19, 2019	Encana Corporation	Well Approval: Approval to Alter the Condition of a Well (Injection into the Deep Panuke gas production zone for flowline flushing and cleaning of Panuke H-08)
August 19, 2019	Encana Corporation	Well Approval: Approval to Alter the Condition of a Well (Injection into the Deep Panuke gas production zone for flowline flushing and cleaning of Margaree F-70)

Authorizations and Approvals Issued in 2019-2020 (continued)		
<u>Date Issued</u>	<u>Operator</u>	<u>Authorization</u>
August 19, 2019	Encana Corporation	Well Approval: Approval to Alter the Condition of a Well (Injection into the Deep Panuke gas production zone for flowline flushing and cleaning of MarCoh D-41)
August 19, 2019	Encana Corporation	Well Approval: Approval to Alter the Condition of a Well (Injection into the Deep Panuke gas production zone for flowline flushing and cleaning of Panuke M-79A)
October 18, 2019	ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Injection disposal and permanent well abandonment of Alma 1)
October 18, 2019	ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Injection disposal and permanent well abandonment of Alma 2)
October 18, 2019	ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Injection disposal and permanent well abandonment of Alma 3)
October 18, 2019	ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Injection disposal and permanent well abandonment of Alma 4A)
February 28, 2020	Ovintiv Canada ULC	Well Approval: Approval to Alter the Condition of a Well (Plugging and abandonment of MarCoh D-41)
February 28, 2020	Ovintiv Canada ULC	Well Approval: Approval to Alter the Condition of a Well (Plugging and abandonment of Margaree E-70)
February 28, 2020	Ovintiv Canada ULC	Well Approval: Approval to Alter the Condition of a Well (Plugging and abandonment of Panuke H-08)
February 28, 2020	Ovintiv Canada ULC	Well Approval: Approval to Alter the Condition of a Well (Plugging and abandonment of Panuke F-70)
February 28, 2020	Ovintiv Canada ULC	Well Approval: Approval to Alter the Condition of a Well (Plugging and abandonment of Panuke M-79A)
February 13, 2020	Ovintiv Canada ULC	Operations Authorization – Production; Amendment for company name change to Ovintiv Canada ULC

1.4 Monitoring and Oversight

The CNSOPB has an effective monitoring and oversight program for the duration of a project that evaluates Operator compliance with regulatory requirements while authorized petroleum-related work activities are being conducted. Operators are required to submit reports (daily, monthly, quarterly, and annually) detailing the status of their work programs, along with other documentation to demonstrate ongoing compliance with regulatory requirements. Additionally, CNSOPB Occupational Health and Safety Officers, Operational Safety Officers and Conservation Officers regularly visit offshore worksites to perform audits and inspections. A summary of these audits and inspections is updated quarterly on the CNSOPB [website](#).

Operators that are found to be not in compliance may face enforcement action, including, but not limited to: facilitated compliance, issuance of orders or directives, cancellation or suspension of authorizations or approvals, monetary penalties, or, prosecution through the courts.

1.5 Sable Offshore Energy Project (Operator: ExxonMobil Canada Ltd.)

Cessation of production of SOEP occurred after 19 years of production on December 31, 2018. The Environmental Effects studies conducted annually demonstrated that the SOEP safely produced gas for almost two decades, within sight of Sable Island National Park Reserve, without significant environmental impacts.

Throughout the 2019-2020 fiscal year, ExxonMobil continued the decommissioning and abandonment of the project. The CNSOPB reviewed all application documentation to ensure activities would be conducted to the high safety, environmental and operational standards required by the regulations and that there would be no waste of the petroleum resource. Well plug and abandonment activities continued with the Noble Regina Allen and all wells were plugged by early December 2019. Each facility was transitioned to an unattended status called 'lighthouse mode' after the plug and abandonment work was completed and facilities were cleaned. The cleaning of interfield pipelines was completed in 2019, including the gas export pipeline from Thebaud to shore.

On July 24, 2019, a Sikorsky S-92 helicopter operated by Canadian Helicopters Offshore (CHO) experienced a drop in altitude as it approached the Thebaud platform. Once serviceability was confirmed, the helicopter pilots made the decision to return to the heliport at the Halifax International Airport with its passengers. There were no injuries. This incident remains under investigation by the Transportation Safety Board of Canada and is being monitored by the CNSOPB.

The CNSOPB completed its investigation into the November 5, 2018 high potential near miss incident on the Noble Regina Allen, which was under contract to ExxonMobil. It was determined that, at the time of the incident, ExxonMobil was not in compliance with Section 25(a) of the *Nova Scotia Offshore Petroleum Drilling and Production Regulations*. The investigation found that equipment used in a lifting operation was not maintained and operated in a manner that prevented the incident. Consequently, the CNSOPB issued an Administrative Monetary Penalty (AMP) of \$40,000 to ExxonMobil. The AMP was paid by ExxonMobil on August 12, 2019. The Notice of Violation can be found [here](#).

The Noble Regina Allen plug and abandonment operations continued to have enhanced oversight through to the end of the program and concluded with an incident free tow to Halifax in December 2019. The CNSOPB also conducted close oversight of the transitioning of offshore facilities to 'lighthouse mode'.

In addition to regular workplace audits and inspections, CNSOPB staff met with ExxonMobil on a frequent basis to discuss associated safety incidents and regulatory requirements, to ensure that the commitments made in the previously approved Development Plan and Benefits Plan applications were upheld, and to identify and plan for the various regulatory interfaces and submissions that will be required on an ongoing basis to the end of decommissioning and abandonment.

1.6 Deep Panuke Offshore Gas Project (Operator: Ovintiv Canada ULC, formerly Encana Corporation)

On May 7, 2018, Cessation of Production at Deep Panuke occurred. In 2018, preliminary decommissioning work took place at the Production Field Centre (PFC). Gas production systems were drained, cleaned and purged. All sour gas was removed from the facility. The wells and the gas export pipeline were isolated, while maintaining the ability to continually monitor them. Based on the lack of production, the PFC has been maintained with reduced personnel numbers. Staff have worked with Ovintiv/Encana and the Certifying Authority to ensure that modified maintenance programs maintained safety critical equipment throughout the 2019-2020 period.

In 2019, facility decommissioning continued, and flowlines and the gas export pipeline were cleaned and flushed with seawater. Significant work was undertaken to ensure that the platform's jacking system would be ready for PFC removal in the summer of 2020.

Ovintiv contracted the Noble Regina Allen to conduct the well plug and abandonment work, which began in February 2020. Staff continue to monitor all aspects of the project to ensure continued compliance with regulatory requirements.

1.7 Scotian Basin Exploration Drilling Project (Operator: BP Canada Energy Group ULC)

The BP Canada Energy Group ULC (BP Canada) Scotian Basin Exploration Drilling Project was completed in November 2018. Staff reviewed a number of follow-up and end of well reports for the drilling project that were submitted to the CNSOPB in 2019 in accordance with the *Nova Scotia Offshore Petroleum Drilling and Production Regulations* and the Minister of Environment and Climate Change Canada's Decision Statement for the Project (issued on February 1, 2018).

The CNSOPB conducted a detailed follow-up review of BP Canada's June 22, 2018 unauthorized discharge of drilling mud investigation and issued an Incident Summary Report to inform Indigenous communities, the public and interested stakeholders. The report can be found [here](#). Upon completion of the CNSOPB's review, a Notice of Non-Compliance was issued jointly by the CNSOPB's Chief Conservation Officer and Chief Safety Officer on October 15, 2019 in reference to S. 166(1) of the federal *Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Act* which prohibits spills in the offshore area. In consideration of the root cause of the incident and the immediate and future mitigation measures implemented, a determination was made that additional regulatory action is not warranted. The Notice of Non-Compliance will be taken into account should BP Canada have an incident in relation to any future activity in the Canada-Nova Scotia offshore area.

BP Canada is currently evaluating the data collected during its drilling program to determine next steps.

2.0 Health, Safety and Environmental Protection

2.1 Safety Performance

In 2019-2020, there were over 1.1 million person hours worked under CNSOPB authority in the Canada-Nova Scotia offshore area. This was a significant decline in exposure hours from the previous year with the completion of some of the decommissioning activities for the SOEP. The PFC continued its decommissioning activities and the Noble Regina Allen started working on plugging and abandonment of the wells in the Deep Panuke field. One employee suffered a disabling injury during this period. The individual was manually pulling on a tag line of a heavy load, when he fell causing a hairline fracture to his ankle.

CNSOPB Operational Safety Officers and Occupational Health and Safety Officers follow-up on all employee injuries and other incidents to ensure that root causes are identified and that necessary corrective actions have been taken to prevent reoccurrence. Disabling injury statistics and person hours are shown in **Figure 2**.

Figure 2: Disabling Injury* Statistics

Number of Disabling Injuries	2015-16	2016-17	2017-18	2018-19	2019-20
Installations	3	2	2	3	1
Vessels	0	0	0	1	0
Aviation	0	0	0	0	0
Personnel Transport	0	0	0	0	0
Total	3	2	2	4	1

Person Hours	2015-16	2016-17	2017-18	2018-19	2019-20
Installations	808,104	1,005,852	626,079	1,336,712	694,470
Vessels	397,791	427,464	278,503	452,087	294,194
Aviation	10,207	10,401	7,276	6,992	2,628
Personnel Transport	20,083	23,502	16,019	24,980	10,312
Total	1,236,185	1,467,219	927,877	1,820,771	1,001,604

Frequency Rate (Per 200,000 Person Hours)**	2015-16	2016-17	2017-18	2018-19	2019-20
Installations	0.74	0.40	0.63	0.45	0.29
Vessels	0	0	0	0.44	0
Aviation	0	0	0	0	0
Personnel Transport	0	0	0	0	0
Total	0.49	0.27	0.43	0.44	0.20

* The term "disabling injury" means an employment injury or an occupational disease that (a) prevents an employee from reporting for work or from effectively performing all the duties connected with the employee's regular work on any day subsequent to the day on which the disabling injury occurred, whether or not that subsequent day is a working day for that employee, (b) results in a loss by an employee of a body member or part thereof or in a complete loss of its usefulness, or (c) results in the permanent impairment of a body function of an employee.

** The frequency rate is calculated by dividing the number of disabling injuries by the number of person hours and multiplying by 200,000.

View our Quarterly Disabling Injury Statistics [here](#).

2.2 Environmental Performance

Operators must report spills and unauthorized discharges that occur in the Canada-Nova Scotia offshore area. Each spill and/or unauthorized discharge is followed up by the CNSOPB, with an emphasis on prevention of recurrence. There were 14 spills and unauthorized discharges to the ocean during the 2019-2020 fiscal year. These spills and unauthorized discharges are categorized in **Figures 3 and 4**.

Staff conduct trends analysis of spill incidents on a regular basis. If a trend with a particular installation or piece of equipment is observed, the Operator is notified and appropriate follow-up is conducted to ensure concerns are addressed.

Figure 3: Spills to the Sea (L=Litres)

Material	Less than 1L	1-10L	11-150L	Greater than 150L	Total
Hydraulic Oil	-	-	-	-	-
Hydrocarbon from Installation Equipment or Deck Drainage	5	-	-	-	5
Lubricating Oil	-	-	-	-	-
Total	5	-	-	-	5

Note: Does not include exceedances to authorized overboard discharge limits or gas releases.

Figure 4: Unauthorized Discharges to the Sea (L=Litres)

Material	Less than 1L	1-10L	11-150L	Greater than 150L	Total
Hydraulic Fluid	3	5	1	-	9
Drilling Mud	-	-	-	-	-
Deck Drainage	-	-	-	-	-
Mono-Ethylene Glycol (MEG)	-	-	-	-	-
Total	3	5	1	-	9

View our Spills to the Sea and Unauthorized Discharge reports [here](#).

2.3 Environmental Effects Monitoring

The results of Environmental Effects Monitoring (EEM) programs are used to determine the effects of oil and gas activity to the natural environment. EEM is required during production for all development projects, for certain aspects of decommissioning, and, occasionally, for certain exploration activities. While monitoring offshore environmental compliance continued daily, and annual environmental reporting is required, minimal EEM program-specific activity occurred during decommissioning this year as EEM is tied to production.

To view annual EEM reports, please visit:

- [SOEP Environmental Effects Monitoring](#)
- [Deep Panuke Environmental Effects Monitoring](#)

2.4 Environmental Assessments

Strategic Environmental Assessments

Prior to issuing a Call for Bids within a given area, the CNSOPB typically conducts Strategic Environmental Assessments (SEAs) to identify specific environmental sensitivities, and to provide a preliminary assessment of potential mitigation measures that may be required, should exploration activity be proposed within the area in the future. The completion of a SEA provides early opportunities for input from Indigenous communities, interested stakeholders, and the general public in advance of the CNSOPB's consideration of the issuance of Exploration Licences (ELs) within the study area. SEA reports are posted on the CNSOPB website so as to inform Indigenous communities, interested stakeholders, potential bidders and the general public.

In 2019, a new SEA, the Middle Scotian Shelf and Slope Strategic Environmental Assessment, was completed. In early 2020, preparation began for a SEA for offshore petroleum exploration activities in the Western Scotian Shelf area. This SEA is still under development and will serve as an update to SEAs prepared in 2014 for a similar area of the Western Scotian Shelf.

CNSOPB SEAs are reviewed and updated as appropriate.

To view the current SEA, related comments, and the SEA archive, click [here](#).

Project-Specific Environmental Assessments

No new Environmental Assessments (EAs) were completed for work in the Canada-Nova Scotia offshore area this year.

To view an archive of previously completed EAs, [click here](#).

3.0 Rights Management

3.1 Call for Bids for Exploration Licences and Licensing Update

Call for Bids NS18-3 was issued on December 10, 2018, and closed on May 8, 2019. This Call for Bids consisted of two industry-nominated parcels located on the Scotian Shelf within the Sable Subbasin. A public comment period was provided within this timeframe. No bids were received and the lands remain as Crown Land.

There were no changes to the number of Exploration Licences (ELs), Significant Discovery Licences or Production Licences during the past year.

In January 2020, BP Canada forfeited its drilling deposit to the Receiver General for Canada and submitted an amended drilling deposit to extend Period 1 of EL 2434R by one year.

Figure 5: Interests in the Canada-Nova Scotia Offshore Area

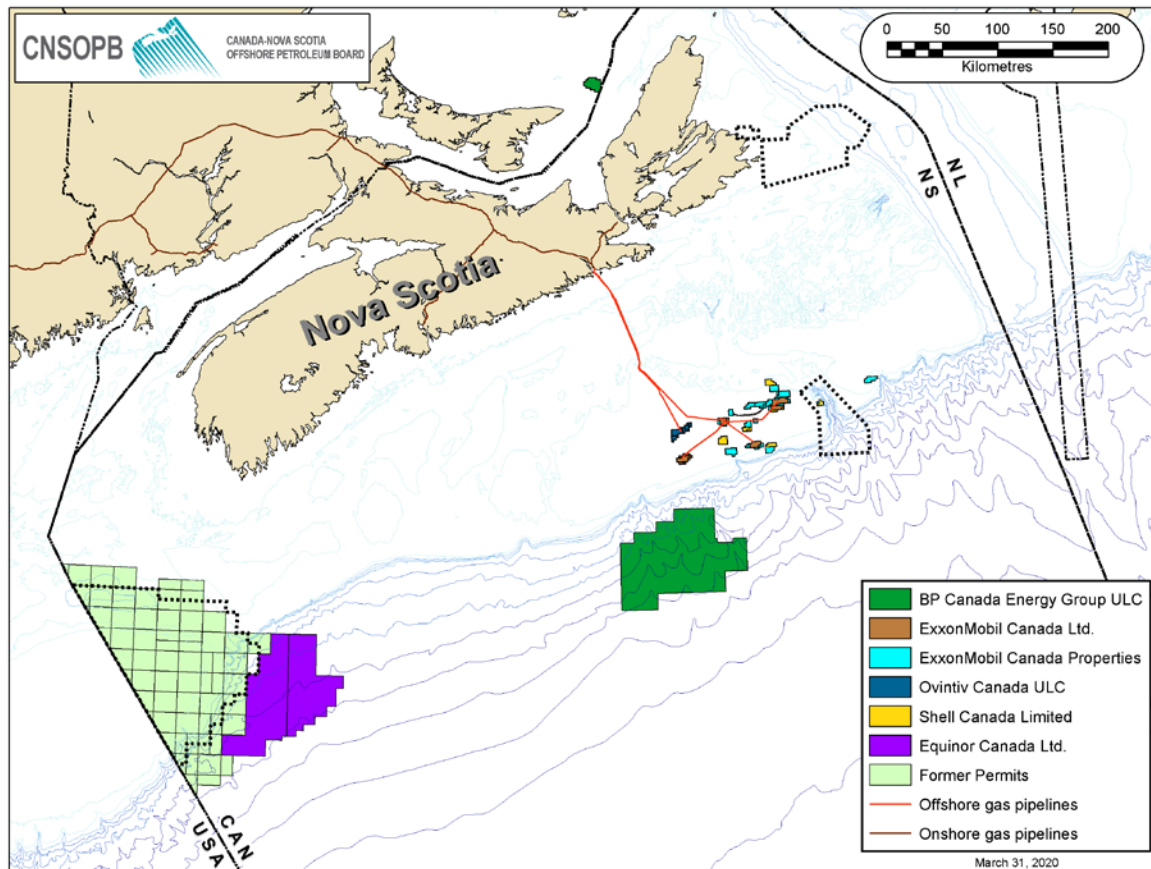


Figure 5 shows the current active ELs in the Canada-Nova Scotia offshore area as of March 31, 2020. Additional maps, tables and information specific to all active licences (Exploration Licences, Significant Discovery Licences and Production Licences) in the Canada-Nova Scotia offshore area can be found [here](#).

4.0 Resource Management

4.1 Sable Offshore Energy Project Production Information

During the reporting period, there was no production from the SOEP as production from SOEP was permanently shut-in on December 31, 2018. The SOEP safely produced a total of 59.9 E9m3 (billion cubic metres) or 2.12 Tcf (trillion cubic feet) of gas over the life of the project without a significant impact on the environment. Production data for SOEP can be accessed [here](#).

4.2 Deep Panuke Offshore Gas Project Production Information

During the reporting period, there was no production from Deep Panuke as production from the field was permanently shut-in on May 7, 2018. Deep Panuke safely produced a total of 4.2 E9m3 (billion cubic metres) or 147.2 Bcf (billion cubic feet) of gas over the life of the project without a significant impact on the environment. Production data for Deep Panuke can be accessed [here](#).

4.3 Geoscience and Resource Management Studies

Staff continued work on their deepwater study of the central and western Scotian Slope. This study uses the latest 3D seismic surveys to establish a new sequence stratigraphic framework for the Scotian Slope that is calibrated to recent deepwater exploration wells. This study should be completed by summer 2020. Staff are also completing a resource management study of the Deep Panuke field, which will describe well and field performance, resource management strategies and lessons learned over the life of the project. This study should be completed by the third quarter of 2020.

4.4 Regulatory Oversight

Staff were involved in the review of the SOEP and Deep Panuke well plug and abandonment programs to ensure regulatory compliance. In addition, staff performed daily monitoring of SOEP and Deep Panuke well plug and abandonment to ensure these activities were conducted in accordance with the zonal isolation requirements of the *Nova Scotia Offshore Petroleum Drilling and Production Regulations*.

5.0 Industrial Benefits

For more information on Canada-Nova Scotia benefits, including benefits plans and annual benefits reports filed by producing Operators, click [here](#).

5.1 Sable Offshore Energy Project

ExxonMobil, the Operator of the SOEP, is required to file an annual benefits report with the CNSOPB. As stated in the report submitted to the CNSOPB for the period ending December 31, 2019, the SOEP has spent

more than \$3.2 billion in Nova Scotia to date; \$1.4 billion has been spent in the rest of Canada, with overall Canadian spending totaling \$4.7 billion. Cumulatively, Nova Scotia person hours amounted to 27 million, while the rest of Canada totaled more than 4.3 million person hours.

5.2 Deep Panuke Offshore Gas Project

Ovintiv, the Operator of the Deep Panuke, is required to file an annual benefits report with the CNSOPB. According to the report submitted to the CNSOPB for the period ending December 31, 2019, cumulative Nova Scotian person hours amounted to more than 7.8 million, while the rest of Canada totaled more than 1.3 million person hours.

5.3 Exploration Programs

The CNSOPB monitored benefits activity related to exploration programs carried out by BP Canada for compliance with legislative requirements and benefits plan commitments.

6.0 Financial Statements

The 2019-20 audited Financial Statements, prepared by Levy Casey Carter MacLean, follow.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

FINANCIAL STATEMENTS

MARCH 31, 2020

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of the Canada-Nova Scotia Offshore Petroleum Board and have been prepared in compliance with legislation and generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Management is also responsible for the notes and schedules to the financial statements, and for ensuring this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Audit, Evaluation and Human Resources Committee is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through regular meetings with them. The Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The external auditors, Levy Casey Carter MacLean Chartered Professional Accountants, conducted an independent examination, in accordance with Canadian generally accepted auditing standards, and expressed their opinion on the financial statements. The external auditors have full and free access to the financial management of the CNSOPB and meet when required.

On behalf of management of the Canada-Nova Scotia Offshore Petroleum Board:

Christine Bonnell-Eisnor

Christine Bonnell-Eisnor
Acting Chief Executive Officer

May 12, 2020

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD:

Opinion

We have audited the financial statements of the Canada-Nova Scotia Offshore Petroleum Board (the "CNSOPB"), which comprise the statement of financial position as at March 31, 2020, statement of operations and accumulated operating surplus, remeasurement gains (losses), changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the CNSOPB in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the CNSOPB's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the CNSOPB or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the CNSOPB's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Levy
Casey
Carter
MacLean**
Chartered Professional
Accountants

Stuart S. MacLean Inc.
J.E. Melvin Inc.
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INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CNSOPB's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the CNSOPB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditors' report. However, future events or conditions may cause the CNSOPB to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Halifax, Nova Scotia
May 12, 2020


Chartered Professional Accountants

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2020

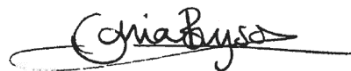
	<u>2020</u>	<u>2019</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 4,039,035	\$ 3,563,025
Receivables	126,223	103,379
Investments (note 2(j)) (note 3)	<u>2,728,919</u>	<u>2,879,538</u>
	<u>6,894,177</u>	<u>6,545,942</u>
LIABILITIES		
Payables and accruals	881,791	860,808
Payable to governments (note 4)	1,979,472	2,071,523
Supplementary employee retirement plan obligation (note 5)	1,070,586	998,122
Post-retirement health and retiring allowance obligation (note 6)	<u>1,585,930</u>	<u>1,664,710</u>
	<u>5,517,779</u>	<u>5,595,163</u>
Net financial assets	<u>1,376,398</u>	<u>950,779</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	240,792	335,554
Tangible capital assets (page 18)	<u>121,674</u>	<u>66,896</u>
	<u>362,466</u>	<u>402,450</u>
Accumulated surplus	\$ <u>1,738,864</u>	\$ <u>1,353,229</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 5)	\$ 1,681,736	\$ 1,338,239
Accumulated remeasurement gains (losses) (page 6)	<u>57,128</u>	<u>14,990</u>
	\$ <u>1,738,864</u>	\$ <u>1,353,229</u>

Commitments (note 9)

Approved by the Board



Chair



Board member

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS YEAR ENDED MARCH 31, 2020

	(Note 11) <u>Budget</u>	<u>2020</u>	<u>2019</u>
Revenue			
Government grants			
Government of Canada	\$ 4,305,000	\$ 4,305,000	\$ 4,305,000
Government of Nova Scotia	4,305,000	4,305,000	4,305,000
Government of Canada - Translation services	-	-	50,909
Costs recovered from industry	8,610,000	7,919,010	8,087,501
Interest and other	-	67,604	52,039
Interest on overdue balances	-	-	12,239
	<u>17,220,000</u>	<u>16,596,614</u>	<u>16,812,688</u>
Less:			
Cost recoveries refunded to government (page 19)	8,610,000	7,919,010	8,087,502
Cost recoveries refundable to industry	-	335,564	-
Interest remitted to government	-	-	12,239
	<u>8,610,000</u>	<u>8,254,574</u>	<u>8,099,741</u>
Net revenue	8,610,000	8,342,040	8,712,947
Expenses			
Regulation of petroleum activities (page 19)	<u>8,610,000</u>	<u>7,481,161</u>	<u>8,118,795</u>
Operating surplus before other revenue (expenses)	<u>-</u>	<u>860,879</u>	<u>594,152</u>
Amortization of tangible capital assets	-	(47,508)	(49,024)
Net investment income (note 7)	-	49,220	61,078
	<u>-</u>	<u>1,712</u>	<u>12,054</u>
Operating surplus	-	862,591	606,206
Accumulated operating surplus, beginning of year	-	1,338,239	1,241,386
Repayment to Government of Canada - prior year surplus	-	(259,547)	(212,138)
Repayment to Government of Nova Scotia - prior year surplus	-	(259,547)	(297,215)
	<u>-</u>	<u>(259,547)</u>	<u>(297,215)</u>
Accumulated operating surplus, end of year	\$ <u>-</u>	\$ <u>1,681,736</u>	\$ <u>1,338,239</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF REMEASUREMENT GAINS (LOSSES)
YEAR ENDED MARCH 31, 2020

	<u>2020</u>	<u>2019</u>
Accumulated remeasurement gains (losses), beginning of the year	\$ 14,990	\$ (20,773)
Unrealized gain arising during the year on investments	<u>42,138</u>	<u>35,763</u>
Accumulated remeasurement gains, end of year	<u>\$ 57,128</u>	<u>\$ 14,990</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2020

	(Note 11) <u>Budget</u>	<u>2020</u>	<u>2019</u>
Operating surplus	\$ -	\$ 862,591	\$ 606,206
Repayment to Government of Canada	-	(259,547)	(212,138)
Repayment to Government of Nova Scotia	-	(259,547)	(297,215)
	<u>-</u>	<u>343,497</u>	<u>96,853</u>
Change in tangible capital assets			
Acquisition of tangible capital assets (page 18)	(165,000)	(102,285)	(23,020)
Amortization of tangible capital assets (page 18)	-	47,508	49,024
Increase (decrease) in tangible capital assets	<u>(165,000)</u>	<u>(54,777)</u>	<u>26,004</u>
Change in other non-financial assets			
Use of prepaid expense	-	94,761	29,646
Net remeasurement gain (page 6)	-	42,138	35,763
Increase (decrease) in net financial assets	(165,000)	425,619	188,266
Net financial assets, beginning of the year	<u>950,779</u>	<u>950,779</u>	<u>762,513</u>
Net financial assets, end of the year	<u>\$ 785,779</u>	<u>\$ 1,376,398</u>	<u>\$ 950,779</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2020**

	<u>2020</u>	<u>2019</u>
Operating Activities		
Operating surplus	\$ 862,591	\$ 606,206
Amortization of tangible capital assets	47,508	49,024
Loss on disposal of investments	15,877	6,598
Repayment to Government of Canada	(259,547)	(212,138)
Repayment to Government of Nova Scotia	(259,547)	(297,215)
Increase in supplementary employee retirement plan obligation	72,464	75,914
Increase (decrease) in post-retirement health and retiring allowance obligation	<u>(78,780)</u>	<u>113,956</u>
	400,566	342,345
Net change in non-cash working capital balances related to operations (note 8)	<u>849</u>	<u>(832,677)</u>
	<u>401,415</u>	<u>(490,332)</u>
Investing Activities		
Decrease (increase) in accrued interest on investments	1,847	(1,757)
Purchase of investments	(472,377)	(402,072)
Proceeds on disposal of investments	<u>643,916</u>	<u>366,590</u>
	<u>173,386</u>	<u>(37,239)</u>
Capital Activities		
Purchase of		
Furniture and equipment	(18,566)	-
Computer equipment	(42,631)	(19,980)
Computer software	(12,441)	-
Equipment	<u>(28,647)</u>	<u>(3,040)</u>
	<u>(102,285)</u>	<u>(23,020)</u>
Increase (decrease) in cash and cash equivalents during year	472,516	(550,591)
Cash and cash equivalents, beginning of year	<u>3,575,213</u>	<u>4,125,804</u>
Cash and cash equivalents, end of year	\$ <u>4,047,729</u>	\$ <u>3,575,213</u>
Represented by:		
Cash	\$ 4,039,035	\$ 3,563,025
Investment cash	<u>8,694</u>	<u>12,188</u>
	\$ <u>4,047,729</u>	\$ <u>3,575,213</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

1. Purpose of organization

The Canada-Nova Scotia Offshore Petroleum Board was formed to administer the relevant provisions of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Acts as enacted by the Parliament of Canada and the Legislature of Nova Scotia. The CNSOPB is funded primarily by grants from the Federal and Provincial Governments in equal contributions. The CNSOPB also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 100% of the CNSOPB's approved budget. The CNSOPB is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada) and reflect the following significant accounting policies.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and cash held within the investment portfolio.

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the operating surplus or deficit and the net remeasurement gains or losses, provides the change in net financial assets or net debt for the year.

(d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all costs directly attributable to the acquisition, construction, development, installation or betterment of the tangible capital asset. The CNSOPB capitalizes assets with a value greater than \$2,500 and a useful life greater than one year. Amortization is recorded using the straight-line method over four years for furniture, fixtures and equipment and over three years for computer equipment and software. Leasehold improvements are amortized over the life of the lease.

(e) Impairment of long-lived assets

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer contributes to the CNSOPB's ability to provide services resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

2. Significant accounting policies (continued)

(f) Use of estimates

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material difference between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. The supplementary employee retirement plan obligation and the post-retirement health and retiring allowance obligation are items requiring the use of significant estimates because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace.

Estimates are based upon the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from these estimates.

(g) Revenue recognition

Revenues are recorded on the accrual basis. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Government transfers are recognized when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

Cost recoveries from industry are recognized when invoiced which are based upon estimated costs and units of CNSOPB time for the fiscal year, as per the Cost Recovery Guidelines. Cost recoveries are adjusted at the end of each fiscal year based upon the actual full cost of providing regulatory services, as defined in the Cost Recovery Guidelines.

Investment income is recorded as earned.

(h) Supplementary employee retirement plan obligation

The projected unit credit method prorated on services has been used to determine the accrued benefit obligation and current service cost. The objective under this method is to expense each participant's benefits under the plan as they would accrue, taking into consideration future salary increases and the plan's benefit allocation formula.

Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

(i) Post-retirement health and retiring allowance obligation

Employees of the CNSOPB participate in the Province of Nova Scotia Pensioners Extended Health Plan upon retirement. This plan provides health care coverage to age 65. Employees are also eligible for one week of salary for each year of pensionable service, to a maximum of 26 weeks for CNSOPB staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

2. Significant accounting policies (continued)

(i) Post-retirement health and retiring allowance obligation (continued)

Effective June 30, 2015, employees are no longer eligible to earn and accrue a retirement allowance. In 2018, those Employees who were employed by the CNSOPB prior to this date, were offered a one-time option to receive a service payout in place of the retirement allowance. Employees who did not choose this option have been advised in writing of their accrued entitlement, which will be payable to them on their retirement date so long as they are eligible to retire and are entitled to receive benefits from the Public Service Superannuation Plan.

(j) Investments

The CNSOPB has designated its investment portfolio to fund the CNSOPB's obligations for supplementary employee retirement plans and post-retirement health and retiring allowances.

(k) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method. Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses until such time that the financial instrument is derecognized. When the financial instrument is derecognized the accumulated remeasurement gain or loss is reversed and recognized on the statement of operations. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, payables and accruals, payable to governments, supplementary employee retirement plan obligation and post-retirement health and retiring allowance obligations are recorded using the cost method. Cash and investments are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

3. Investments

	<u>2020</u>	<u>2019</u>
Investments, at cost	\$ 2,639,056	\$ 2,826,471
Accrued investment income	24,041	25,889
Unrealized gain on investments	57,128	14,990
Investment cash	<u>8,694</u>	<u>12,188</u>
Investments, at fair market value	\$ <u>2,728,919</u>	\$ <u>2,879,538</u>

The reduction in investments during the year was due to the pay out of retiring allowances and not as a result of any downturn in the investment portfolio.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

4. Payable to governments

	<u>2020</u>	<u>2019</u>
Federal government - cost recovery funds	\$ 989,736	\$ 1,023,716
Federal government - unused translation services grant	-	24,091
Provincial government - cost recovery funds	<u>989,736</u>	<u>1,023,716</u>
	<u>\$ 1,979,472</u>	<u>\$ 2,071,523</u>

5. Pension obligations

(a) Supplementary employee retirement plan (SERP)

The CNSOPB Supplementary Employee Retirement Plan provides benefits to its employees who are members of the Public Service Superannuation Plan (PSSP). Employees are eligible for membership in this plan once their pensionable earnings have reached a level such that their benefits under the PSSP are limited by the maximum pension limits under the Income Tax Act.

The CNSOPB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. An actuarial valuation of the retirement plan for funding purposes was completed as of June 30, 2017 and was extrapolated to March 31, 2020. An updated actuarial valuation is completed at least every three years.

The CNSOPB has adopted the recommendations of Section 3250 of the Public Sector Accounting Standards Handbook. The following is required for disclosure purposes:

	<u>2020</u>	<u>2019</u>
<u>Components of Supplementary Employee Retirement Plan Cost</u>		
Current service cost	\$ 37,096	\$ 34,894
Interest cost	37,510	37,076
Amortization of net actuarial losses	<u>35,873</u>	<u>32,415</u>
Supplementary Employee Retirement Plan Cost	<u>\$ 110,479</u>	<u>\$ 104,385</u>
 <u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>3.29 %</u>	<u>3.42 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>
 <u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>3.29 %</u>	<u>3.42 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

5. Pension obligations (continued)

	<u>2020</u>	<u>2019</u>
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 1,097,244	\$ 1,029,533
Current service cost	37,096	34,894
Interest cost	37,510	37,076
Benefits paid	(38,015)	(28,471)
Actuarial loss	<u>19,076</u>	<u>24,212</u>
Accrued benefit obligation at the end of the year	\$ <u>1,152,911</u>	\$ <u>1,097,244</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at end of year	\$ 1,152,911	\$ 1,097,244
Unamortized net actuarial loss	<u>(82,325)</u>	<u>(99,122)</u>
Accrued benefit liability	\$ <u>1,070,586</u>	\$ <u>998,122</u>

(b) Multiemployer defined benefit pension plan

The CNSOPB contributes to a pension plan under the Public Service Superannuation Act administered by the Public Service Superannuation Plan Trustee Inc. The CNSOPB matches employees' contributions calculated as follows: 8.4% (2019 - 8.4%) on that part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan and 10.9% (2019 - 10.9%) on the part of their salary that is in excess of the YMPE. The CNSOPB has recognized contributions of \$378,687 in 2020 (2019 - \$407,641). There is no further liability with respect to past service at March 31, 2020.

6. Post-retirement health and retiring allowance obligation

The CNSOPB provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program and also provides retiring allowance benefits to those employees who retire from the CNSOPB. Both benefits are funded on a pay-as-you-go basis. The CNSOPB funds on a cash basis as contributions are made.

An actuarial valuation of the retirement plan for funding purposes was completed as of June 30, 2017 and extrapolated to March 31, 2020. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the CNSOPB's best estimates.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020

6. Post-retirement health and retiring allowance obligation (continued)

	<u>2020</u>	<u>2019</u>
<u>Components of Post-Retirement Health and Retiring Allowance Cost</u>		
Current service cost (employer portion)	\$ 74,551	\$ 68,929
Interest cost	54,990	55,359
Actuarial loss	<u>4,490</u>	<u>391</u>
Post-Retirement Health and Retiring Allowance Cost	<u>\$ 134,031</u>	<u>\$ 124,679</u>
<u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>3.29</u> %	<u>3.42</u> %
Rate of compensation increase	<u>2.25</u> %	<u>2.25</u> %
Initial weighted average health care trend rate	<u>6.17</u> %	<u>6.33</u> %
Ultimate weighted average health care trend rate	<u>4.50</u> %	<u>4.50</u> %
Year ultimate rate reached	<u>2030</u>	<u>2030</u>
<u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>3.29</u> %	<u>3.42</u> %
Rate of compensation increase	<u>2.25</u> %	<u>2.25</u> %
Initial weighted average health care trend rate	<u>6.17</u> %	<u>6.33</u> %
Ultimate weighted average health care trend rate	<u>4.50</u> %	<u>4.50</u> %
Year ultimate rate reached	<u>2030</u>	<u>2030</u>
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 1,677,034	\$ 1,512,916
Current service cost (employer portion)	74,551	68,929
Interest cost	54,990	55,359
Benefits paid	(212,811)	(10,723)
Actuarial loss	<u>42,275</u>	<u>50,553</u>
Accrued benefit obligation at the end of the year	<u>\$ 1,636,039</u>	<u>\$ 1,677,034</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at the end of year	\$ 1,636,039	\$ 1,677,034
Unamortized net actuarial gain	<u>(50,109)</u>	<u>(12,324)</u>
Accrued benefit liability	<u>\$ 1,585,930</u>	<u>\$ 1,664,710</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

7. Net investment income

	<u>2020</u>	<u>2019</u>
Investment income	\$ 80,357	\$ 84,338
Loss on disposal of investments	(15,877)	(6,598)
Portfolio management fees	<u>(15,260)</u>	<u>(16,662)</u>
	<u>\$ 49,220</u>	<u>\$ 61,078</u>

8. Net change in non-cash working capital balances related to operations

	<u>2020</u>	<u>2019</u>
Increase (decrease) in cash from changes in:		
Receivables	\$ (22,844)	\$ 167,344
Prepaid expenses	94,761	29,646
Payables and accruals	20,983	(346,028)
Payable to governments	<u>(92,051)</u>	<u>(683,639)</u>
	<u>\$ 849</u>	<u>\$ (832,677)</u>

9. Commitments

The CNSOPB has entered into various lease agreements for premises and equipment. The approximate minimum payments required over the next four fiscal years are as follows:

2021	\$ 348,724
2022	\$ 356,863
2023	\$ 357,988
2024	\$ 122,811

10. Financial instruments

The following are the significant risks that the CNSOPB is exposed to through its financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The CNSOPB's main credit risks relate to its accounts receivable. In order to reduce its credit risk, the CNSOPB has adopted credit policies which include the analysis of the financial position of its regulated entities and the regular review of their credit limits. The CNSOPB does not have a significant exposure to any individual regulated entity or counterpart. Management reviews accounts receivable on a case by case basis to determine if an allowance is necessary to reflect an impairment in collectability.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

10. Financial instruments (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The CNSOPB has investments in guaranteed investment certificates, debentures, bonds, mid and medium term notes and high-interest savings accounts which bear interest at fixed rates ranging between 1.95% and 5.04%. Consequently, the CNSOPB's exposure to interest rate risk on these investments is minimal.

(c) Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The debentures, bonds and mid and medium term notes held in the CNSOPB's investment portfolio expose the CNSOPB to market risk as such investments are subject to price changes in the open market.

(d) Liquidity risk

Liquidity risk is the risk that the CNSOPB will encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The CNSOPB's ability to meet its obligations depends on the receipt of funds whether in the form of revenue or advances.

11. Budget information

The budget figures presented are for comparison purposes and are unaudited. Amortization was not contemplated in the development of the budget and, as such, has not been included.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

12. Impact of COVID-19 pandemic

During the fiscal year, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long indefinite periods of time. The CNSOPB has successfully continued operations to regulate an essential service during the pandemic by implementing work from home policies for all staff and enhanced safety measures for staff travelling offshore. The CNSOPB has worked closely with the federal and provincial governments to ensure that all relevant health directives are being followed by staff and adequate measures are being taken by operators in the CNSOPB's jurisdiction.

The CNSOPB has considered these events while preparing the year end financial statements in order to ensure the financial position and results of operations present fairly at March 31, 2020.

The CNSOPB is funded primarily by grants from the Federal and Provincial Governments in equal contributions. These grants are expected to continue, so the CNSOPB does not face the same financial uncertainty as many organizations. The CNSOPB also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 100% of the CNSOPB's approved budget. The impact on industry due to the COVID-19 pandemic is unknown at this time and may affect future cost recovery received by the CNSOPB.

The CNSOPB has considered this and any other COVID-19 related subsequent events and has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the CNSOPB for future periods.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2020

COST

	<u>Opening</u>	<u>Additions</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ -	\$ -	\$ 78,061
Furniture and fixtures	453,564	18,566	-	472,130
Computer equipment	659,351	42,631	185,637	516,345
Computer software	550,553	12,441	-	562,994
Equipment	<u>201,470</u>	<u>28,647</u>	<u>12,877</u>	<u>217,240</u>
	<u>\$ 1,942,999</u>	<u>\$ 102,285</u>	<u>\$ 198,514</u>	<u>\$ 1,846,770</u>

ACCUMULATED AMORTIZATION

	<u>Opening</u>	<u>Amortization</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ -	\$ -	\$ 78,061
Furniture and fixtures	452,831	1,491	-	454,322
Computer equipment	597,448	40,867	185,637	452,678
Computer software	548,952	3,674	-	552,626
Equipment	<u>198,810</u>	<u>1,476</u>	<u>12,877</u>	<u>187,409</u>
	<u>\$ 1,876,102</u>	<u>\$ 47,508</u>	<u>\$ 198,514</u>	<u>\$ 1,725,096</u>

NET BOOK VALUE

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 17,808	\$ 733
Computer equipment	63,667	61,903
Computer software	10,368	1,600
Equipment	<u>29,831</u>	<u>2,660</u>
	<u>\$ 121,674</u>	<u>\$ 66,896</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2020

	(Note 11) <u>Budget</u>	<u>2020</u>	<u>2019</u>
Cost recoveries refunded to government			
Government of Canada	\$ 4,305,000	\$ 3,959,505	\$ 4,043,751
Government of Nova Scotia	<u>4,305,000</u>	<u>3,959,505</u>	<u>4,043,751</u>
Total cost recoveries refunded to government	\$ <u>8,610,000</u>	\$ <u>7,919,010</u>	\$ <u>8,087,502</u>
Regulation of petroleum activities			
Personnel and Board members	\$ 6,045,000	\$ 5,078,471	\$ 5,360,093
General office and support	1,204,500	897,324	1,105,301
Office and laboratory premise costs	708,000	739,473	698,555
Consulting and legal	412,500	511,383	705,782
Supplementary employee retirement plan cost	125,000	110,479	104,385
Post-retirement health and retiring allowance cost	105,000	134,031	124,679
Diving certification & standards development	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>
Total regulation of petroleum activities	\$ <u>8,610,000</u>	\$ <u>7,481,161</u>	\$ <u>8,118,795</u>