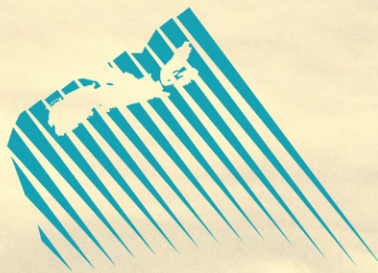


CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD



2020 - 2021 Annual Report

Leading Through
Efficient, Fair & Competent Regulation

CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

Introduction

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 2020-2021 Annual Report, please submit your request to info@cnsopb.ns.ca, or by phone at 902-422-5588.

Table of Contents – 2020-2021 CNSOPB Annual Report

| | |
|--|----|
| Message from the Chair of the Board and Acting Chief Executive Officer | 1 |
| 1.0 Summary of Offshore Work & Activities | 3 |
| 1.1 Authorization Process | 3 |
| 1.2 Decommissioning and Abandonment | 3 |
| 1.3 Authorizations and Approvals | 4 |
| 1.4 Monitoring and Oversight | 5 |
| 1.5 Sable Offshore Energy Project | 5 |
| 1.6 Deep Panuke Offshore Gas Project | 6 |
| 1.7 Scotian Basin Exploration Drilling Project | 6 |
| 2.0 Health, Safety and Environmental Protection | 6 |
| 2.1 Safety Performance | 6 |
| 2.2 COVID-19 Pandemic | 8 |
| 2.3 Environmental Performance | 9 |
| 2.4 Environmental Compliance Monitoring | 10 |
| 2.5 Environmental Assessments | 10 |
| 3.0 Rights Management | 11 |
| 3.1 Call for Bids for Exploration Licences and Licensing Update | 11 |
| 4.0 Resource Management | 12 |
| 4.1 Sable Offshore Energy Project Production Information | 12 |
| 4.2 Deep Panuke Offshore Gas Project Production Information | 12 |
| 4.3 Geoscience Resource Management & Resource Assessment Studies | 12 |
| 4.4 Regulatory Oversight | 12 |
| 5.0 Industrial Benefits | 13 |
| 5.1 Sable Offshore Energy Project | 13 |
| 5.2 Deep Panuke Offshore Gas Project | 13 |
| 5.3 Exploration Programs | 13 |
| 6.0 Information Services | 13 |
| 6.1 Business Continuity | 14 |
| 7.0 Financial Statements | 14 |



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

2020 marked the 30th anniversary of the Canada-Nova Scotia Offshore Petroleum Board. Over those years, the CNSOPB can proudly say that it successfully regulated the full life-cycle of three (3) offshore developments, including Canada's first offshore oil project as well as Canada's first and second offshore natural gas projects. Offshore production resulted in 2.3 trillion cubic feet of natural gas and 44.5 Million barrels of oil produced, created more than 42.9 million person hours of work for Canadians, and did not result in any significant environmental impacts.

In 2020 we monitored the safe removal of the Sable Offshore Energy Project offshore facilities. This was followed by the plugging and abandonment of all wells, and the de-installation and removal of the Production Field Centre for the Deep Panuke Project. With enhanced protective health measures put in place onshore, in-transit, and offshore, more than 1.1 million person hours were worked in Nova Scotia and there were no COVID-19 cases among the onshore and offshore workforce.

The past year challenged all of us to react to rapid change and adjust to the new realities of a global pandemic. COVID-19 added a layer of complexity to operations and regulatory oversight. It also demonstrated our vigilance, adaptability, and preparedness in fulfilling our mandate, and highlighted our commitment to safeguard the health and safety of offshore workers and protect the environment.

COVID-19 has changed many facets of how we live and work. Our business functions and services were delivered with minimal disruption, and implementation of a remote information technology with our existing data management processes allowed our staff to securely complete the majority of their duties and responsibilities remotely. Where necessary, we also completed on-site audits and inspections safely and effectively, following COVID-19 protocols. At year-end we remain fully operational, with our employees dividing their time between working from home and at the office.

Throughout the year we maintained a high level of communications with the Federal and Provincial governments, as well as other regulators in Canada and around the world. Updates from the Federal and Provincial Medical Officers were monitored to ensure informed decision making. A new section was added to our website dedicated to providing COVID-19 updates and information.

The CNSOPB remains dedicated to the pursuit of regulatory excellence. Participation in government-led initiatives underway to modernize regulatory processes continues. Collaboration with other worldwide regulators ensures we stay abreast of technical advances and provides opportunities for our continuous improvement.

There may be uncertainty in the times ahead, but we remain committed to providing diligent oversight of upcoming post-abandonment monitoring activities, as well as any other offshore activity proposed in the future. We will continue to conduct meaningful engagement with Indigenous groups, the public, and other stakeholders in an open and transparent manner. We plan to work proactively to provide relevant and reliable information, build further public trust and strengthen our social licence to regulate. Thank you to all those who participated in our commenting periods and meetings, as well as to those individuals or organizations that reached out to us with questions. We look forward to our continued engagement with you in the 2021-2022 fiscal year.

We would like to recognize and thank the CNSOPB staff and Board Members for their hard work and dedication during this past exceptional year.



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 (EA) (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 2020-2021 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), were in a decommissioning and abandonment phase. The CNSOPB's activities through to the end of the fiscal year focused on regulating these operations and conducting close oversight. The removal of offshore facilities was completed by Ovintiv in October 2020, and by ExxonMobil in November 2020. Post-abandonment monitoring of the seabed is the final step in the decommissioning and abandonment process. Both Operators will conduct these programs in the summer of 2021 using a vessel and a remotely operated vehicle (ROV).

In regulating removals operations, the CNSOPB continued to consult with the Canada-Newfoundland and Labrador Offshore Petroleum Board and its peer network of international offshore regulators in jurisdictions such as the United Kingdom, Norway, the 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 comprehensive plans and procedures to be submitted for review and acceptance. The removal of the offshore facilities was authorized through the issuance of an Operations Authorization – Removals to each Operator. Post-abandonment work will require updates to these Authorizations.

1.3 Authorizations and Approvals

In the 2020-2021 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, 2020 and March 31, 2021.

Figure 1: Authorizations and Approvals 2020-2021

| Authorizations and Approvals Issued in 2020-2021 | | |
|---|------------------------|---|
| <u>Date Issued</u> | <u>Operator</u> | <u>Authorization</u> |
| May 1, 2020 | ExxonMobil | Operations Authorization – Install/Remove |
| July 3, 2020 Amendment 1 September 11, 2020 | Ovintiv | Operations Authorization – Install/Remove (Amendment 1) Removal of the export pipeline subsea isolation valve (SSIV), wellhead protection structures, execution of seabed condition surveys in the vicinity of the wells and SSIV. |
| September 9, 2020 | Ovintiv | Operations Authorization – Production (Amendment 6) Cutting and Removal of Well Conductors and Casing Strings |
| September 9, 2020 | Ovintiv | Well Approval: Approval to Alter the Condition of a Well Cutting/Removal of Well Conductors and Casing Strings MarCoh D-41 |
| September 9, 2020 | Ovintiv | Well Approval: Approval to Alter the Condition of a Well Cutting/Removal of Well Conductors and Casing Strings Panuke F-70 |
| September 9, 2020 | Ovintiv | Well Approval: Approval to Alter the Condition of a Well Cutting/Removal of Well Conductors and Casing Strings Panuke H-08 |
| September 9, 2020 | Ovintiv | Well Approval: Approval to Alter the Condition of a Well Cutting/Removal of Well Conductors and Casing Strings Panuke M-79A |
| September 9, 2020 | Ovintiv | Well Approval: Approval to Alter the Condition of a Well Cutting/Removal of Well Conductors and Casing Strings Margaree E-70 |

1.4 Monitoring and Oversight

For the duration of a project, the CNSOPB has an effective monitoring and oversight program to evaluate Operator compliance with regulatory requirements while authorized petroleum-related work activities are being conducted. Operators are required to submit reports (daily, monthly, quarterly, and/or 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 visit offshore worksites to perform audits and inspections.

The COVID-19 pandemic increased operational and oversight complexities, and necessitated more frequent, and sometimes daily, communications. CNSOPB staff were flexible and responsive in consideration of the COVID-19 pandemic, and conducted some of the 2020-2021 oversight remotely through teleconference, videoconference and other innovative means. Where necessary, we also completed on-site audits and inspections safely and effectively, following COVID-19 protocols. A summary of these audits and inspections is updated quarterly on the CNSOPB [website](#).

All application documentation was reviewed to ensure that activities would be conducted to the high safety, environmental and operational standards required by the regulations. CNSOPB staff held frequent meetings with Operators to discuss operations, incidents and regulatory requirements, and to ensure that the commitments made in the previously approved Development Plan and Benefits Plan applications were upheld. CNSOPB staff continue to monitor all aspects of the projects to ensure ongoing compliance with regulatory requirements.

Operators that are found to be out of compliance may face enforcement action, including: 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

After 19 years of production, cessation of production at SOEP occurred on December 31, 2018. SOEP safely produced gas for almost two decades, within sight of Sable Island National Park Reserve, without significant environmental impacts.

Throughout the 2020-2021 fiscal year, ExxonMobil continued decommissioning and abandonment operations. On April 1, 2020, Heerema Marine Contactors' heavy lift vessel Thialf arrived in Halifax. In May 2020, work to remove the seven offshore platforms using the Thialf began, and it was completed on November 9, 2020. The offshore components were transported to an international demolition and disposal yard. Prior to departing the offshore area, ExxonMobil conducted a survey to document the condition of the seabed.

1.6 Deep Panuke Offshore Gas Project

On May 7, 2018, cessation of production occurred at Deep Panuke. CNSOPB staff worked with Ovintiv and the Certifying Authority to ensure that modified maintenance programs maintained safety critical equipment throughout 2020. Significant work was undertaken to ensure the successful removal of the Production Field Centre (PFC) in the summer of 2020.

Ovintiv contracted the Noble Regina Allen (NRA) drilling unit to conduct the plugging and abandonment (P&A) of its five wells. The NRA departed for the Deep Panuke field to begin well work in February 2020, and well P&A was completed in August 2020. PFC removal occurred in July 2020 using the Kvaerner Canada Ltd. Boabarge 34. Single Buoy Moorings Inc., the owner and operator of the PFC, transported the PFC to a yard in Nova Scotia for dismantling and disposal.

Beginning in September 2020, the DOF vessel Skandi Neptune was used to remove subsea structures. On October 17, 2020, the removals work was completed. Prior to departing the offshore area, Ovintiv conducted a survey to document the condition of the seabed.

1.7 Scotian Basin Exploration Drilling Project

The BP Canada Energy Group ULC (BP Canada) Scotian Basin Exploration Drilling Project was completed in November 2018. BP Canada is continuing to evaluate the data collected during its drilling program to determine next steps.

2.0 Health, Safety and Environmental Protection

2.1 Safety Performance

In 2020-2021, more than 1.1 million person hours were worked under CNSOPB authority in the Canada-Nova Scotia offshore area, all of which were related to decommissioning and abandonment activity. Three employees incurred disabling injuries during this period: a back injury, a groin strain and an ankle fracture.

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 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Installations | 2 | 2 | 3 | 1 | 2 |
| Vessels | 0 | 0 | 1 | 0 | 1 |
| Aviation | 0 | 0 | 0 | 0 | 0 |
| Personnel Transport | 0 | 0 | 0 | 0 | 0 |
| Total | 2 | 2 | 4 | 1 | 3 |

| Person Hours | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---------------------|------------------|----------------|------------------|------------------|------------------|
| Installations | 1,005,852 | 626,079 | 1,336,712 | 694,470 | 894,169 |
| Vessels | 427,464 | 278,503 | 452,087 | 294,194 | 203,329 |
| Aviation | 10,401 | 7,276 | 6,992 | 2,628 | 970 |
| Personnel Transport | 23,502 | 16,019 | 24,980 | 10,312 | 5,845 |
| Total | 1,467,219 | 927,877 | 1,820,771 | 1,001,604 | 1,104,313 |

| Frequency Rate (Per 200,000 Person Hours)** | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|--|----------------|----------------|----------------|----------------|----------------|
| Installations | 0.40 | 0.63 | 0.45 | 0.29 | 0.45 |
| Vessels | 0 | 0 | 0.44 | 0 | 0.98 |
| Aviation | 0 | 0 | 0 | 0 | 0 |
| Personnel Transport | 0 | 0 | 0 | 0 | 0 |
| Total | 0.27 | 0.43 | 0.44 | 0.20 | 0.54 |

* *Injury statistics are based on the term “disabling injury,” which 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 COVID-19 Pandemic

The CNSOPB began monitoring the global, Canadian and regional progression of COVID-19 risk, transmission and mitigation in January 2020. Discussions with the offshore Operators and their major contractors also started at that time. The CNSOPB consulted and shared information regarding COVID-19 and response efforts with a number of international, national and regional organizations, government departments, regulators and other bodies.

To build upon its Pandemic Plan in response to COVID-19, the CNSOPB developed a Return to Public Workplaces Plan to outline when staff would work in the office or at home and the associated mitigation measures, as well as an Offshore Oversight Plan to outline how CNSOPB Officers would conduct offshore oversight, how isolation would be carried out prior to offshore travel, and how records would be tracked. The CNSOPB established a landing page on its website for public posting of COVID-19 information. CNSOPB staff were provided frequent updates and training related to COVID-19.

To reduce the risk of COVID-19 reaching offshore workplaces, the CNSOPB Chief Safety Officer issued an Order restricting offshore travel to essential personnel only. Operators and their major contractors were required to have robust COVID-19 Response Plans in place that were acceptable to the Nova Scotia Chief Medical Officer of Health and the CNSOPB. Many mitigation measures were implemented by Operators to protect against COVID-19. Some examples of measures for offshore workers prior to travel offshore included: 14-day quarantines (including daily health checks), passenger health screening trailer at the heliport, mask use at the heliport and on helicopters, and reduced capacity and strategic seating in the helicopter. Some examples of measures in offshore workplaces included: physical distancing, directional flow of people movement, increased hand sanitizing stations, changes to cabin/accommodations, longer rotations, changes to food handling and serving, enhanced cleaning and disinfecting, and mask use.

The CNSOPB also established and chaired a daily COVID-19 update meeting with both Operators, and their helicopter and medical services providers. The frequency of these meetings over time transitioned to weekly and continued to the end of offshore operations. Throughout the fiscal year, the CNSOPB was in close, often daily, communications with the Operators about offshore operations and the challenges of COVID-19. The CNSOPB continued to conduct comprehensive monitoring and oversight of offshore operations and Operators' responses to COVID-19 throughout the pandemic. Some adaptations had to be made to how audits and inspections were conducted, especially during the early onset of the pandemic when most audits were conducted remotely. Throughout this fiscal year, approximately half of the audits and inspections had an in-person component under strict COVID-19 protocols.

Although a number of offshore workers were identified as symptomatic and were tested, there were no positive cases of COVID-19 associated with the work taking place in the Canada-Nova Scotia offshore area.

2.3 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 CNSOPB Conservation Officers, with an emphasis on prevention of recurrence. 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.

In 2020-2021 there were four (4) hydraulic oil spills/unauthorized discharges of less than one (1) litre, and one (1) natural gas spill of unknown volume. On May 15, 2020, gas bubbles were observed emanating from the Deep Panuke H-08 wellhead area. An ROV determined the source as a high pressure hydraulic return exhaust port. The ROV closed a manually operated valve to stop the release. Historical ROV video was reviewed, which narrowed down the start date to sometime between November 2019 and April 2020. H-08 was monitored in June 2020 on two occasions, confirming no further release. Since that time, all wells have been plugged and abandoned through robust plans and procedures.

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

| Material | Unknown | Less than 1L | 1-10L | 1L-150L | Greater than 150L | Total |
|--|----------|--------------|----------|----------|-------------------|----------|
| Hydraulic Oil | - | 1 | - | - | - | 1 |
| Hydrocarbon from Installation Equipment or Deck Drainage | - | 2 | - | - | - | 2 |
| Lubricating Oil | - | 1 | - | - | - | 1 |
| Natural Gas | 1 | - | - | - | - | 1 |
| Total | 1 | 4 | - | - | - | 5 |

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

| Material | Less than 1L | 1-10L | 1L-150L | Greater than 150L | Total |
|----------------------|--------------|----------|----------|-------------------|----------|
| Hydraulic Fluid | 4 | - | - | - | 4 |
| Drilling Mud | - | - | - | - | - |
| Deck Drainage | - | - | - | - | - |
| Mono-Ethylene Glycol | - | - | - | - | - |
| Total | 4 | - | - | - | 4 |

2.4 Environmental Compliance Monitoring

During decommissioning and abandonment operations, monitoring offshore environmental compliance continued daily and an annual environmental report was required to be submitted by both Operators. Beached birds surveying on Sable Island, contracted by ExxonMobil, continued during the 2020-2021 fiscal year.

To view past annual EEM reports, please visit:

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

2.5 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 to inform Indigenous communities, interested stakeholders, potential bidders and the general public.

In March 2021, a new [SEA for the Western Scotian Shelf](#) area was completed. In early 2021, preparation began for a SEA for offshore petroleum exploration activities in the Middle and Eastern Scotian Slope and Sable Island Bank areas. This SEA is still under development.

CNSOPB SEAs are reviewed and updated as appropriate. To view the current and archived SEAs, click [here](#).

Project-Specific Environmental Assessments

No new 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

On March 10, 2020, the CNSOPB provided notice to the governments of three (3) fundamental decisions respecting Call for Bids NS20-1. These fundamental decisions were suspended by the Provincial Minister of Energy and Mines in accordance with section 34 of the *Accords Acts*. On May 11, 2020 the federal Minister of Natural Resources and the provincial Minister of Energy and Mines jointly set aside the implementation of the three (3) fundamental decisions pertaining to the making of Call for Bids NS20-1 due to the COVID-19 pandemic.

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

In January 2021, BP Canada forfeited its drilling deposit and submitted an amended drilling deposit to extend Period 1 of EL 2434R for one final year.

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

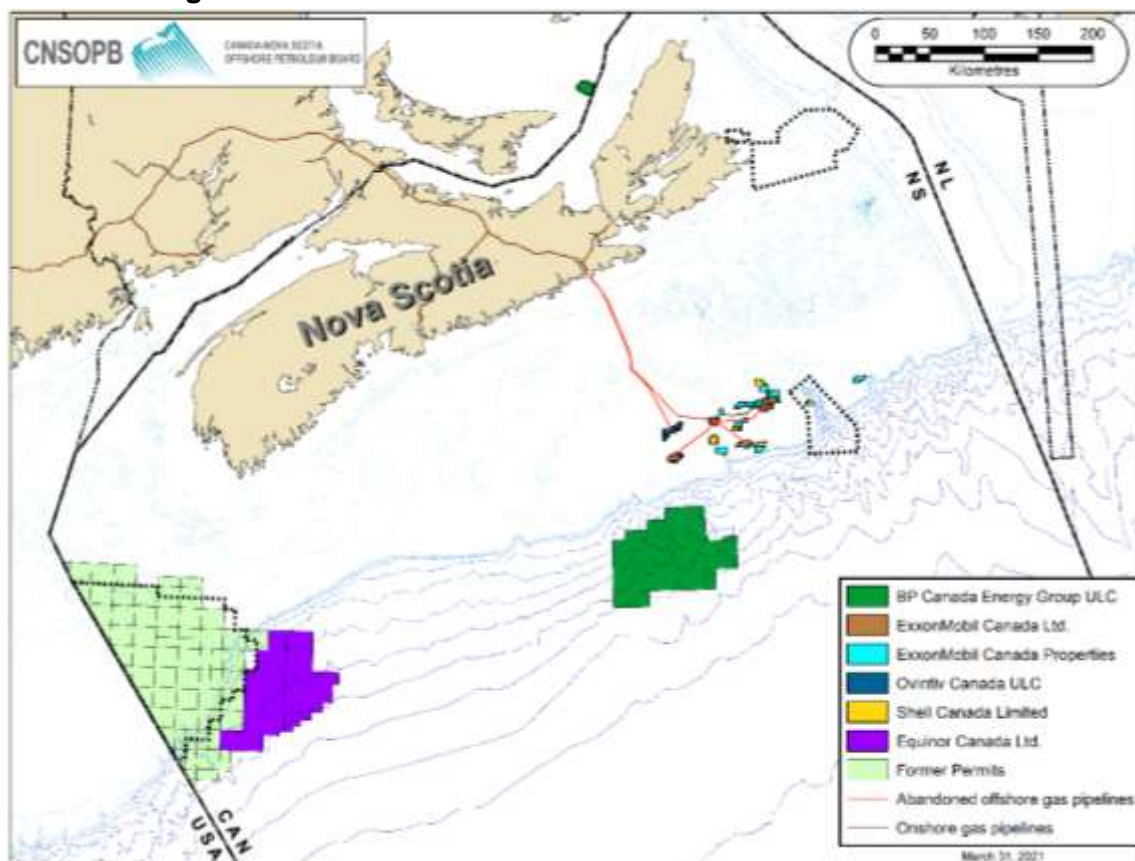


Figure 5 shows the current active ELs in the Canada-Nova Scotia offshore area as of March 31, 2021. Additional maps, tables and information specific to all active licences (ELs, Significant Discovery Licences and Production Licences) in the Canada-Nova Scotia offshore area can be found [here](#).

4.0 Resource Management

4.1 Sable Offshore Energy Project Production Information

As SOEP was permanently shut-in on December 31, 2018, there was no production during the reporting period. SOEP safely produced a total of 59.9 billion cubic metres or 2.12 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

As Deep Panuke was permanently shut-in on May 7, 2018, there was no production during the reporting period. Deep Panuke safely produced a total of 4.2 billion cubic metres or 147.2 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 Resource Management & Resource Assessment Studies

CNSOPB staff completed a comprehensive deepwater [geoscience study of the Central and Western Scotian Slope](#). This study established a new seismic stratigraphic framework for the Central and Western Scotian Slope that is calibrated to recent deepwater exploration wells.

A [resource management study of the Deep Panuke field](#), which describes the resource management practices and strategies used by Orintiv during the life of the project, was completed. This study also describes regulatory oversight and the independent analyses conducted by CNSOPB staff to ensure waste did not occur, and documents key resource management lessons learned. For each production project, the prevention of waste requires Operators to ensure they maximize economic hydrocarbon recovery over the life of the project.

A similar resource management study of SOEP was commenced and is expected to be completed by the end of 2021.

CNSOPB staff also began working on a regional hydrocarbon resource assessment of the Canada-Nova Scotia offshore area. In addition to providing a current understanding of the resource potential, the study will also be used to inform governments' marine spatial planning efforts. The study is not expected to be completed until the early 2023.

4.4 Regulatory Oversight

CNSOPB staff reviewed the Deep Panuke well P&A programs to ensure regulatory compliance, and performed daily monitoring to ensure these activities were conducted in accordance with global best practices and the zonal isolation requirements of the *Nova Scotia Offshore Petroleum Drilling and Production Regulations*.

CNSOPB staff completed a review of all SOEP and Deep Panuke Well Operations Reports and Well Termination Reports, which were submitted by the Operators after well P&A operations had concluded.

A detailed audit of the Deep Panuke acid gas injection simulation model was conducted. The objective of the audit was to study the maximum vertical and horizontal migration distance of the injected acid gas plume. Audit results will be used to inform any future drilling near the Deep Panuke acid gas injection well to ensure any future wells in the area avoid the injected acid gas plume.

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 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, 2020, SOEP has spent more than \$3.3 billion in Nova Scotia to date; \$1.5 billion has been spent in the rest of Canada, with overall Canadian spending totaling \$4.8 billion. Cumulatively, Nova Scotian person hours amounted to more than 27.4 million, while the rest of Canada totaled more than 4.6 million person hours.

5.2 Deep Panuke Offshore Gas Project

Ovintiv 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, 2020, cumulative Nova Scotian person hours amounted to more than 8.3 million, while the rest of Canada totaled more than 1.6 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 Information Services

The Information Services department is responsible for managing and supporting the CNSOPB's vast electronic and physical records collection, its geoscientific subsurface materials, and its computer systems and communication tools. Additional information about Information Services is found [here](#).

CNSOPB's Geoscience Research Centre (GRC) archives all final well history, geological and wellsite survey reports. It is also used to archive and make available for study, all subsurface samples, including cores, cuttings, fluids and related materials from petroleum exploration and development wells drilled in the Canada-Nova Scotia offshore area. This past fiscal year, the GRC warehouse was renovated to improve safety and access to samples by installing a new racking system. The new layout allows access to all sections of the racking system and improves the ability to safely remove samples. The project was completed incident and accident free.

Also located at the GRC is CNSOPB's Data Management Centre (DMC), which is an online system designed to manage digital well logs, geological and geophysical reports, seismic navigation and image files, license information, and maps for registered users. For the 2020-2021 fiscal year, users of the GRC and DMC included Industry (local, national, and international), government, academic organizations, and drilling/service organizations.

The Information Services department processes requests through the *Access to Information Act* and the *Privacy Act*. Additional information and reports can be found [here](#).

6.1 Business Continuity

The CNSOPB's Business Continuity, Disaster Recovery, and Pandemic Plans were designed to address critical business functions that must be maintained during a business interruption event, including information technology, Safety and Conservation Officer responsibilities, and corporate services, and were adapted to the outbreak of COVID-19. Remote critical business functions were quickly brought online when the pandemic started, and non-critical functions were also enabled to ensure CNSOPB staff had access to the equipment and resources needed to execute their responsibilities.

As the pandemic progressed new equipment and updates were implemented to augment the CNSOPB's continuity plans. Plans will continue to be reviewed and enhanced so the CNSOPB can continue to address its mandate in the future.

7.0 Financial Statements

The 2020-2021 audited Financial Statements, prepared by Levy Casey Carter MacLean, follow.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

FINANCIAL STATEMENTS
MARCH 31, 2021

INDEX

| | <u>Page</u> |
|---|-------------|
| Statement of Management's Responsibility | 1 |
| Independent Auditors' Report | 2 |
| Statement of Financial Position | 4 |
| Statement of Operations and Accumulated Operating Surplus | 5 |
| Statement of Remeasurement Gains (Losses) | 6 |
| Statement of Changes in Net Assets | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 |
| Schedule of Tangible Capital Assets | 17 |
| Schedule of Expenses | 18 |

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 6, 2021

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE 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, 2021, and the 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 CNSOPB as at March 31, 2021, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Canada-Nova Scotia Offshore Petroleum Board 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 the financial statements, management is responsible for assessing the CNSOPB's ability to continue as a going concern, disclosing, as applicable, matters related to 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.

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 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 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 6, 2021


Chartered Professional Accountants

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2021

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Cash and cash equivalents | \$ 4,094,223 | \$ 4,039,035 |
| Receivables | 101,937 | 126,223 |
| Investments (note 2(j)) (note 3) | <u>2,752,160</u> | <u>2,728,919</u> |
| | <u>6,948,320</u> | <u>6,894,177</u> |
| LIABILITIES | | |
| Payables and accruals | 1,520,098 | 881,791 |
| Payable to governments (note 4) | 1,825,894 | 1,979,472 |
| Supplementary employee retirement plan obligation (note 5) | 1,082,762 | 1,070,586 |
| Post-retirement health and retiring allowance obligation (note 6) | <u>1,737,044</u> | <u>1,585,930</u> |
| | <u>6,165,798</u> | <u>5,517,779</u> |
| Net financial assets | <u>782,522</u> | <u>1,376,398</u> |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses | 324,623 | 240,792 |
| Tangible capital assets (page 17) | <u>149,050</u> | <u>121,673</u> |
| | <u>473,673</u> | <u>362,465</u> |
| Accumulated surplus | \$ <u>1,256,195</u> | \$ <u>1,738,863</u> |
| Accumulated surplus is comprised of: | | |
| Accumulated operating surplus (page 5) | \$ 1,209,943 | \$ 1,681,735 |
| Accumulated remeasurement gains (losses) (page 6) | <u>46,252</u> | <u>57,128</u> |
| | \$ <u>1,256,195</u> | \$ <u>1,738,863</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, 2021

| | (Note 11) <u>Budget</u> | <u>2021</u> | <u>2020</u> |
|---|----------------------------|---------------------|---------------------|
| Revenue | | | |
| Government grants | | | |
| Government of Canada | \$ 3,932,500 | \$ 3,932,500 | \$ 4,305,000 |
| Government of Nova Scotia | 3,932,500 | 3,932,500 | 4,305,000 |
| Costs recovered from industry | 7,865,000 | 7,172,572 | 7,919,010 |
| Interest and other | <u>-</u> | <u>3,329</u> | <u>67,604</u> |
| | <u>15,730,000</u> | <u>15,040,901</u> | <u>16,596,614</u> |
| Less: | | | |
| Cost recoveries refunded to government (page 18) | 7,865,000 | 7,172,572 | 7,919,010 |
| Cost recoveries refundable to industry | <u>-</u> | <u>278,320</u> | <u>335,564</u> |
| | <u>7,865,000</u> | <u>7,450,892</u> | <u>8,254,574</u> |
| Net revenue | 7,865,000 | 7,590,009 | 8,342,040 |
| Expenses | | | |
| Regulation of petroleum activities (page 18) | <u>7,865,000</u> | <u>6,821,190</u> | <u>7,481,161</u> |
| Operating surplus before other revenue (expenses) | <u>-</u> | <u>768,819</u> | <u>860,879</u> |
| Amortization of tangible capital assets | - | (45,685) | (47,508) |
| Severance expenditures | - | (620,727) | - |
| Net investment income (note 7) | <u>-</u> | <u>56,761</u> | <u>49,220</u> |
| | <u>-</u> | <u>(609,651)</u> | <u>1,712</u> |
| Operating surplus | - | 159,168 | 862,591 |
| Accumulated operating surplus, beginning of year | - | 1,681,735 | 1,338,238 |
| Repayment to Government of Canada - prior year surplus | - | (315,480) | (259,547) |
| Repayment to Government of Nova Scotia - prior year surplus | <u>-</u> | <u>(315,480)</u> | <u>(259,547)</u> |
| Accumulated operating surplus, end of year | <u>\$ -</u> | <u>\$ 1,209,943</u> | <u>\$ 1,681,735</u> |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF REMEASUREMENT GAINS (LOSSES)
YEAR ENDED MARCH 31, 2021

| | <u>2021</u> | <u>2020</u> |
|---|------------------|------------------|
| Accumulated remeasurement gains, beginning of the year | \$ 57,128 | \$ 14,990 |
| Unrealized gain (loss) arising during the year on investments | <u>(10,876)</u> | <u>42,138</u> |
| Accumulated remeasurement gains, end of year | <u>\$ 46,252</u> | <u>\$ 57,128</u> |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2021

| | (Note 11) <u>Budget</u> | <u>2021</u> | <u>2020</u> |
|---|----------------------------|-------------------|---------------------|
| Operating surplus | \$ - | \$ 159,168 | \$ 862,591 |
| Repayment to Government of Canada | - | (315,480) | (259,547) |
| Repayment to Government of Nova Scotia | - | (315,480) | (259,547) |
| | <u>-</u> | <u>(471,792)</u> | <u>343,497</u> |
| Change in tangible capital assets | | | |
| Acquisition of tangible capital assets (page 17) | (165,000) | (73,062) | (102,285) |
| Amortization of tangible capital assets (page 17) | - | 45,685 | 47,508 |
| Decrease in tangible capital assets | <u>(165,000)</u> | <u>(27,377)</u> | <u>(54,777)</u> |
| Change in other non-financial assets | | | |
| Use of prepaid expense | - | (83,831) | 94,761 |
| Net remeasurement gain (loss) (page 6) | - | (10,876) | 42,138 |
| Increase (decrease) in net financial assets | (165,000) | (593,876) | 425,619 |
| Net financial assets, beginning of the year | <u>1,376,398</u> | <u>1,376,398</u> | <u>950,779</u> |
| Net financial assets, end of the year | <u>\$ 1,211,398</u> | <u>\$ 782,522</u> | <u>\$ 1,376,398</u> |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2021

| | <u>2021</u> | <u>2020</u> |
|---|----------------|-----------------|
| Operating Activities | | |
| Operating surplus | \$ 159,168 | \$ 862,591 |
| Amortization of tangible capital assets | 45,685 | 47,508 |
| Loss on disposal of investments | 2,315 | 15,877 |
| Repayment to Government of Canada | (315,480) | (259,547) |
| Repayment to Government of Nova Scotia | (315,480) | (259,547) |
| Increase in supplementary employee retirement plan obligation | 12,176 | 72,464 |
| Increase (decrease) in post-retirement health and retiring allowance obligation | <u>151,117</u> | <u>(78,780)</u> |
| | (260,499) | 400,566 |
| Net change in non-cash working capital balances related to operations (note 8) | <u>425,182</u> | <u>849</u> |
| | <u>164,683</u> | <u>401,415</u> |

| | | |
|--|-----------------|----------------|
| Investing Activities | | |
| Decrease (increase) in accrued interest on investments | (2,894) | 1,847 |
| Purchase of investments | (480,322) | (472,377) |
| Proceeds on disposal of investments | <u>442,739</u> | <u>643,916</u> |
| | <u>(40,477)</u> | <u>173,386</u> |

| | | |
|---------------------------|-----------------|------------------|
| Capital Activities | | |
| Purchase of | | |
| Furniture and equipment | (6,311) | (18,566) |
| Computer equipment | (44,516) | (42,631) |
| Computer software | - | (12,441) |
| Equipment | <u>(22,235)</u> | <u>(28,647)</u> |
| | <u>(73,062)</u> | <u>(102,285)</u> |

| | | |
|--|---------------------|---------------------|
| Increase in cash and cash equivalents during year | 51,144 | 472,516 |
| Cash and cash equivalents, beginning of year | <u>4,047,729</u> | <u>3,575,213</u> |
| Cash and cash equivalents, end of year | <u>\$ 4,098,873</u> | <u>\$ 4,047,729</u> |

Represented by:

| | | |
|-----------------|---------------------|---------------------|
| Cash | \$ 4,094,223 | \$ 4,039,035 |
| Investment cash | <u>4,650</u> | <u>8,694</u> |
| | <u>\$ 4,098,873</u> | <u>\$ 4,047,729</u> |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2021

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, 2021

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, 2021

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>2021</u> | <u>2020</u> |
|-----------------------------------|---------------------|---------------------|
| Investments, at cost | \$ 2,674,323 | \$ 2,639,056 |
| Accrued investment income | 26,935 | 24,041 |
| Unrealized gain on investments | 46,252 | 57,128 |
| Investment cash | <u>4,650</u> | <u>8,694</u> |
| Investments, at fair market value | <u>\$ 2,752,160</u> | <u>\$ 2,728,919</u> |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

4. Payable to governments

| | <u>2021</u> | <u>2020</u> |
|--|---------------------|---------------------|
| Federal government - cost recovery funds | \$ 912,947 | \$ 965,645 |
| Federal government - unused translation services grant | - | 24,091 |
| Provincial government - cost recovery funds | <u>912,947</u> | <u>989,736</u> |
| | <u>\$ 1,825,894</u> | <u>\$ 1,979,472</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 March 31, 2021. 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>2021</u> | <u>2020</u> |
|--|------------------|-------------------|
| <u>Components of Supplementary Employee Retirement Plan Cost</u> | | |
| Current service cost | \$ 11,228 | \$ 37,096 |
| Interest cost | 37,185 | 37,510 |
| Amortization of net actuarial losses | <u>20,347</u> | <u>35,873</u> |
| Supplementary Employee Retirement Plan Cost | <u>\$ 68,760</u> | <u>\$ 110,479</u> |
| <u>Weighted-Average Assumptions for Expense</u> | | |
| Discount rate | <u>3.24</u> % | <u>3.29</u> % |
| Rate of compensation increase | <u>2.25</u> % | <u>2.25</u> % |
| <u>Weighted-Average Assumptions for Disclosure</u> | | |
| Discount rate | <u>3.24</u> % | <u>3.29</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, 2021

5. Pension obligations (continued)

Change in Accrued Benefit Obligation

| | | |
|---|----------------|---------------|
| Accrued benefit obligation at the end of the prior year | \$ 1,152,911 | \$ 1,097,244 |
| Current service cost | 11,228 | 37,096 |
| Interest cost | 37,185 | 37,510 |
| Benefits paid | (56,584) | (38,015) |
| Actuarial loss | <u>212,162</u> | <u>19,076</u> |

Accrued benefit obligation at the end of the year \$ 1,356,902 \$ 1,152,911

Reconciliation of Funded Status to Accrued Benefit Liability

| | | |
|-----------------------------------|------------------|-----------------|
| Benefit obligation at end of year | \$ 1,356,902 | \$ 1,152,911 |
| Unamortized net actuarial loss | <u>(274,140)</u> | <u>(82,325)</u> |

Accrued benefit liability \$ 1,082,762 \$ 1,070,586

(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% (2020 - 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% (2020 - 10.9%) on the part of their salary that is in excess of the YMPE. The CNSOPB has recognized contributions of \$343,815 in 2021 (2020 - \$378,687). There is no further liability with respect to past service at March 31, 2021.

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 March 31, 2021. 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.

The employment of seven employees was terminated effective March 31, 2021. All of these employees were fully eligible for post-retirement health benefits at their termination date. This has been considered a curtailment loss. The increase in liability related to the removal of the service proration for these terminated employees and a proportionate share of the unamortized gains and losses has been expensed in the fiscal year.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2021

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

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| <u>Components of Post-Retirement Health and Retiring Allowance Cost</u> | | |
| Current service cost (employer portion) | \$ 79,618 | \$ 74,551 |
| Interest cost | 54,635 | 54,990 |
| Actuarial loss | 8,165 | 4,490 |
| Curtailement loss | 96,212 | - |
| Recognition of unamortized net actuarial gains | <u>(57,129)</u> | <u>-</u> |
| Post-Retirement Health and Retiring Allowance Cost | <u>\$ 181,501</u> | <u>\$ 134,031</u> |
| <u>Weighted-Average Assumptions for Expense</u> | | |
| Discount rate | <u>3.24 %</u> | <u>3.29 %</u> |
| Rate of compensation increase | <u>2.25 %</u> | <u>2.25 %</u> |
| Initial weighted average health care trend rate | <u>6.00 %</u> | <u>6.17 %</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>3.24 %</u> | <u>3.29 %</u> |
| Rate of compensation increase | <u>2.25 %</u> | <u>2.25 %</u> |
| Initial weighted average health care trend rate | <u>6.00 %</u> | <u>6.17 %</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 | \$ 1,636,039 | \$ 1,677,034 |
| Current service cost (employer portion) | 79,618 | 74,551 |
| Interest cost | 54,635 | 54,990 |
| Curtailement | 96,212 | - |
| Benefits paid | (30,388) | (212,811) |
| Actuarial (gain) loss | <u>(422,303)</u> | <u>42,275</u> |
| Accrued benefit obligation at the end of the year | <u>\$ 1,413,813</u> | <u>\$ 1,636,039</u> |
| <u>Reconciliation of Funded Status to Accrued Benefit Liability</u> | | |
| Benefit obligation at the end of year | \$ 1,413,813 | \$ 1,636,039 |
| Unamortized net actuarial loss (gain) | <u>323,231</u> | <u>(50,109)</u> |
| Accrued benefit liability | <u>\$ 1,737,044</u> | <u>\$ 1,585,930</u> |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2021

7. Net investment income

| | <u>2021</u> | <u>2020</u> |
|---------------------------------|------------------|------------------|
| Investment income | \$ 71,573 | \$ 80,357 |
| Loss on disposal of investments | (2,315) | (15,877) |
| Portfolio management fees | <u>(12,497)</u> | <u>(15,260)</u> |
| | <u>\$ 56,761</u> | <u>\$ 49,220</u> |

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

| | <u>2021</u> | <u>2020</u> |
|---|-------------------|-----------------|
| Increase (decrease) in cash from changes in: | | |
| Receivables | \$ 24,283 | \$ (22,844) |
| Prepaid expenses | (83,831) | 94,761 |
| Payables and accruals | 638,309 | 20,983 |
| Payable to governments | <u>(153,579)</u> | <u>(92,051)</u> |
| | <u>\$ 425,182</u> | <u>\$ 849</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:

| | |
|------|------------|
| 2022 | \$ 362,770 |
| 2023 | \$ 363,895 |
| 2024 | \$ 27,287 |
| 2025 | \$ 5,415 |

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, 2021

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.

12. Related party transactions

The Board is jointly controlled due to ability to appoint board members by the federal Government of Canada and the provincial Government of Nova Scotia. The Board had the following transactions with these governments:

| | <u>2021</u> | <u>2020</u> |
|---|--------------|--------------|
| Operating grants from the Government of Canada | \$ 3,932,500 | \$ 4,305,000 |
| Operating grants from the Government of Nova Scotia | 3,932,500 | 4,305,000 |
| Cost recoveries refunded to the Government of Canada | 3,586,286 | 3,959,505 |
| Cost recoveries refunded to the Government of Nova Scotia | 3,586,286 | 3,959,505 |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2021

COST

| | <u>Opening</u> | <u>Additions</u> | <u>Write Downs/ Disposals</u> | <u>Closing</u> |
|------------------------|---------------------|------------------|-----------------------------------|---------------------|
| Leasehold improvements | \$ 78,061 | \$ - | \$ - | \$ 78,061 |
| Furniture and fixtures | 472,130 | 6,311 | - | 478,441 |
| Computer equipment | 516,345 | 44,516 | - | 560,861 |
| Computer software | 562,994 | - | - | 562,994 |
| Equipment | <u>217,239</u> | <u>22,235</u> | <u>-</u> | <u>239,474</u> |
| | <u>\$ 1,846,769</u> | <u>\$ 73,062</u> | <u>\$ -</u> | <u>\$ 1,919,831</u> |

ACCUMULATED AMORTIZATION

| | <u>Opening</u> | <u>Amortization</u> | <u>Write Downs/ Disposals</u> | <u>Closing</u> |
|------------------------|---------------------|---------------------|-----------------------------------|---------------------|
| Leasehold improvements | \$ 78,061 | \$ - | \$ - | \$ 78,061 |
| Furniture and fixtures | 454,322 | 1,990 | - | 456,312 |
| Computer equipment | 452,678 | 36,800 | - | 489,478 |
| Computer software | 552,626 | 4,147 | - | 556,773 |
| Equipment | <u>187,409</u> | <u>2,748</u> | <u>-</u> | <u>190,157</u> |
| | <u>\$ 1,725,096</u> | <u>\$ 45,685</u> | <u>\$ -</u> | <u>\$ 1,770,781</u> |

NET BOOK VALUE

| | <u>2021</u> | <u>2020</u> |
|------------------------|-------------------|-------------------|
| Furniture and fixtures | \$ 22,129 | \$ 17,808 |
| Computer equipment | 71,383 | 63,667 |
| Computer software | 6,221 | 10,368 |
| Equipment | <u>49,317</u> | <u>29,830</u> |
| | <u>\$ 149,050</u> | <u>\$ 121,673</u> |

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2021

| | (Note 11) <u>Budget</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------------|---------------------|---------------------|
| Cost recoveries refunded to government | | | |
| Government of Canada | \$ 3,932,500 | \$ 3,586,286 | \$ 3,959,505 |
| Government of Nova Scotia | <u>3,932,500</u> | <u>3,586,286</u> | <u>3,959,505</u> |
| Total cost recoveries refunded to government | <u>\$ 7,865,000</u> | <u>\$ 7,172,572</u> | <u>\$ 7,919,010</u> |
| | | | |
| Regulation of petroleum activities | | | |
| Personnel and Board members | \$ 5,275,000 | \$ 4,588,309 | \$ 5,078,471 |
| General office and support | 1,177,700 | 788,035 | 897,324 |
| Office and laboratory premise costs | 722,000 | 723,122 | 739,473 |
| Consulting and legal | 450,300 | 461,460 | 511,383 |
| Supplementary employee retirement plan cost | 125,000 | 68,760 | 110,479 |
| Post-retirement health and retiring allowance cost | 105,000 | 181,504 | 134,031 |
| Diving certification & standards development | <u>10,000</u> | <u>10,000</u> | <u>10,000</u> |
| Total regulation of petroleum activities | <u>\$ 7,865,000</u> | <u>\$ 6,821,190</u> | <u>\$ 7,481,161</u> |

Canada – Nova Scotia Offshore Petroleum Board

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