

**CNSOPB**



**CANADA-NOVA SCOTIA  
OFFSHORE PETROLEUM BOARD**

**2021 - 2022  
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](http://www.cnsopb.ns.ca).

The CNSOPB encourages the public to check our website, Twitter (@CNSOPB), and LinkedIn 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 2021-2022 Annual Report, please submit your request to [info@cnsopb.ns.ca](mailto: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

In the 2021-2022 fiscal year, it was important that the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) remained focussed on being a fully competent regulator while maintaining a state of operational readiness and delivering our core mandate and legislative requirements.

With respect to offshore activity, CNSOPB staff conducted oversight of the post-abandonment monitoring offshore activities to ensure regulatory compliance for the Sable Offshore Energy Project (SOEP) operated by ExxonMobil Canada Ltd. (ExxonMobil) and the Deep Panuke Offshore Gas Development Project (Deep Panuke) operated by Ovintiv Canada ULC (Ovintiv). Three exploration licences expired on January 14, 2022 and the associated allowable expenditure applications were reviewed and the status of these reviews is described in this report. The CNSOPB administered Call for Bids NS21-1 for two nominated parcels, however, no bids were received and the areas remain as Crown Land.

Regulatory excellence is a key goal of the CNSOPB, and staff continued to participate in Government-led initiatives underway to modernize regulatory processes such as the development of the Occupational Health and Safety Regulations. With the Canada-Newfoundland and Labrador Offshore Petroleum Board, a joint draft Guideline for the Occupational Health and Safety Regulations was developed and is out for public comment.

Internal and external communication are a primary focus of the CNSOPB as we continued to have meaningful engagement with Indigenous groups, the public, and other stakeholders in an open and transparent manner. During 2021-2022, through our engagement efforts, we received valuable feedback on our various regulatory files and projects. We appreciate those who took the time to participate in our commenting periods, sent questions and participated on our Fisheries Advisory Committee. Requested written comments were reviewed and considered in our regulatory decisions through a formal process that is tracked and made public. These relationships are important to us as we strive for regulatory transparency and excellence. We will continue to engage with these groups and Governments.

The 2021-2022 fiscal year began with a reduced budget from Governments and therefore a reduction in staff. Staff terminations are difficult for everyone, but remaining staff have taken on expanded roles to ensure the CNSOPB remains a competent regulator. It is important to acknowledge our staff and Board Members as it was their hard work, dedication, and expertise that contributed to CNSOPB's success as a regulator and achieving its mandate during this past year.

Throughout the fiscal year, we continued to follow the advice of Nova Scotia's Chief Medical Officer of Health and adjusted to remote working when required. Two years into the pandemic, such shifts were seamless with no disruption to our work delivering regulatory oversight in the Canada-Nova Scotia offshore area.

From a Board governance perspective, Keith MacLeod completed his term as Board Chair on August 17, 2021 and we would like to express our gratitude to Keith for his dedication and leadership during his six years as Board Chair. On February 25, 2022, the six year terms ended for provincial Board Member Roger Percy and provincial alternate Board Member Harold Giddens. We thank Roger and Harold for their service and dedication as Board Members. Their input and perspective were valuable and appreciated. The federal and provincial Governments jointly appointed Barbara Pike as Board Chair for a six year term on March 1, 2022. Barbara was a federal Board Member (appointed in 2017) and was Acting Chair during the vacancy period.

As we write this letter, Governments have announced their intention to expand the CNSOPB's mandate to include the regulation of offshore renewable energy and a new name – the Canada-Nova Scotia Offshore Energy Board. We bring more than 30 years of experience to expertly regulate offshore renewables in a safe and environmentally sustainable manner. The Board and our staff welcome this expansion to our mandate knowing we have the technical and regulatory expertise needed to regulate offshore renewable energy. We look forward to these regulatory changes and this new chapter in the Canada-Nova Scotia offshore area.



Barbara B. Pike, ICD.D  
Chair of the Board



Christine Bonnell-Eisnor, P. Eng., ICD.D  
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 Post-Abandonment Monitoring

During the 2021-2022 fiscal year, post-abandonment monitoring of the seabed (with a vessel and remotely operated vehicle) was completed for both 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). Operations Authorization – Removals amendments were issued to authorize the post-abandonment monitoring work. The CNSOPB's activities through to the end of the fiscal year focussed on regulating these monitoring operations and conducting close oversight.

### 1.3 Authorizations and Approvals

In the 2021-2022 fiscal year, the authorizations and approvals issued by the CNSOPB were amendments for and post-abandonment activities.

**Figure 1** provides a summary of work activity authorization applications that were submitted and approved between April 1, 2021 and March 31, 2022.

**Figure 1: Authorizations and Approvals 2021-2022**

<u>Date Issued</u>	<u>Operator</u>	<u>Authorization</u>
March 7, 2022	ExxonMobil	Operations Authorization – Removals (Amendment)
September 15, 2021	ExxonMobil	Operations Authorization – Removals (Amendment)
August 13, 2021	Ovintiv	Operations Authorization – Removals (Amendment)

#### 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. A summary of these audits and inspections is updated quarterly on the CNSOPB [website](#). During the 2021-2022 fiscal year, audits and inspections were conducted for the vessels to be used for the post-abandonment monitoring work.

All application documentation for the amendments to the Operations Authorizations – Removals 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 and 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. All of the production facilities were removed by November 2020.

In the late summer/fall of 2021, ExxonMobil conducted post-abandonment monitoring to re-confirm the integrity of the well plugging and abandonment program, and to confirm that there is nothing on the seabed that could pose a potential hazard to other commercial ocean users. Based on the results of this program, in 2022 ExxonMobil will be conducting additional monitoring of the Alma 2 well to further investigate the well condition observed on September 18, 2021, where a number of small bubbles of methane gas were observed to be intermittently released from the former well location. Three Alma 2 monitoring campaigns, each approximately five days in duration, are currently anticipated to take place in 2022. The first of the 2022 Alma 2 monitoring programs was conducted between March 9 – 18, 2022. The behaviour of the Alma 2 well during the March 2022 monitoring program was consistent with what was observed in the fall of 2021 (i.e. small intermittent releases of methane gas bubbles).

## 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 in the summer of 2020. By August 2020, the five Deep Panuke wells had been plugged and abandoned. By October 17, 2020, the subsea structures had been removed.

A post-abandonment monitoring program was completed in the summer of 2021 to re-confirm the integrity of the well plugging and abandonment program, and to confirm that there is nothing on the seabed that could pose a potential hazard to other commercial ocean users. The CNSOPB was satisfied that the post-abandonment monitoring requirements were met and concluded future monitoring was not required. The Operations Authorizations for production and removals for Deep Panuke were revoked and the project officially closed.

## 2.0 Health, Safety and Environmental Protection

### 2.1 Safety Performance

In 2021-2022, approximately 47,000 person hours were worked under CNSOPB authority in the Canada-Nova Scotia offshore area, all of which were related to post-abandonment monitoring associated with decommissioning and abandonment activity.

CNSOPB Occupational Health and Safety Officers and Operational 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**. There were no disabling injuries in the 2021-2022 fiscal year.



**Figure 2: Disabling Injury\* Statistics**

<b>Number of Disabling Injuries</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Installations	2	3	1	2	0
Vessels	0	1	0	1	0
Aviation	0	0	0	0	0
Personnel Transport	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>3</b>	<b>0</b>

<b>Person Hours</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Installations	626,079	1,336,712	694,470	894,169	0
Vessels	278,503	452,087	294,194	203,329	46,908
Aviation	7,276	6,992	2,628	970	0
Personnel Transport	16,019	24,980	10,312	5,845	0
<b>Total</b>	<b>927,877</b>	<b>1,820,771</b>	<b>1,001,604</b>	<b>1,104,313</b>	<b>46,908</b>

<b>Frequency Rate (Per 200,000 Person Hours)**</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>
Installations	0.63	0.45	0.29	0.45	0
Vessels	0	0.44	0	0.98	0
Aviation	0	0	0	0	0
Personnel Transport	0	0	0	0	0
<b>Total</b>	<b>0.43</b>	<b>0.44</b>	<b>0.20</b>	<b>0.54</b>	<b>0.00</b>

\* *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 and have continued. For this fiscal year, CNSOPB staff worked closely with the Operators and their contractors to ensure COVID-19 plans were still in place during post-abandonment monitoring conducted from vessels. The CNSOPB continued to review and revise its Return to Public Workplaces Plan which outlined when staff would work in the office or at home and the associated mitigation measures, as well as its Offshore Oversight Plan which outlined how CNSOPB Occupational Health and Safety Officers, Operational Safety Officers and Conservation Officers would conduct offshore oversight. The CNSOPB maintained 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.

As of March 21, 2022, the State of Emergency in Nova Scotia was no longer in effect. Nova Scotia's Chief Medical Officer of Health has also updated the Order issued under Section 32 of the *Health Protection Act* (Nova Scotia). As a result of these changes in public health policy, the CNSOPB Chief Safety Officer rescinded the "Order Respecting Essential Employees" which restricted offshore travel to essential personnel.

While most public health restrictions in Nova Scotia have been relaxed, the Chief Medical Officer of Health Order continues to describe COVID-19 as a communicable disease posing a risk to public health, and includes requirements relating to symptoms, testing, isolation and quarantine. Recognizing that COVID-19 remains an ongoing threat to offshore workplaces, the CNSOPB's rescinded order has been replaced with a COVID-19 Safety Notice, intended to clarify ongoing expectations of Operators and Employers regarding the effective management of COVID-19 exposure risk in respect of offshore workplaces.

## 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 2021-2022 there was one non-hydrocarbon based hydraulic fluid unauthorized discharge of less than one litre, and one natural gas (methane) spill with a cumulative volume of greater than 150 litres.

On September 18, 2021, during the remotely operated vehicle (ROV) monitoring of the former Alma 2 production well, a number of small, intermittent bubbles were observed that appear to be coming from the former Alma 2 well. Geochemical analysis of the gas samples collected during well monitoring indicated the bubbles are primarily methane gas with no liquid hydrocarbons. The estimated volume of methane gas being released is approximately 6 litres per day. The source of the methane gas is still under review. No methane gas or sheens have been detected at the water's surface. Based on the low release rate and no methane being detected at the water's surface, no sheens are anticipated. The other 20 former Sable production wells were observed and no issues or leaks were observed. ExxonMobil will be conducting three monitoring and sampling programs in 2022 to continue to evaluate the condition of the Alma 2 well. The first of the 2022 Alma 2 monitoring programs was conducted between March 9-18, 2022. The behaviour of the Alma 2 well during the March 2022 monitoring program was consistent with what was observed in the fall of 2021 (i.e. small intermittent releases of methane gas bubbles). The information and data obtained from each monitoring program will be reviewed by the CNSOPB to determine next steps and ensure ExxonMobil takes the appropriate actions.

**Figure 3: Spills to the Sea (L=Litres) in 2021-2022**

Material	Less than 1L	1-10L	1L-150L	Greater than 150L	Total
Natural Gas (Methane)	-	-	-	1	1
<b>Total</b>	-	-	-	<b>1</b>	<b>1</b>

**Figure 4: Unauthorized Discharges to the Sea (L=Litres) in 2021-2022**

Material	Less than 1L	1-10L	1L-150L	Greater than 150L	Total
Non-Hydrocarbon Hydraulic Fluid	1	-	-	-	1
<b>Total</b>	<b>1</b>	-	-	-	<b>1</b>

## 2.4 Environmental Compliance Monitoring

During the post-abandonment monitoring programs, CNSOPB staff continued to monitor the operations to ensure environmental compliance.

## 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 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 anticipated to be completed in the second quarter of 2022.

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

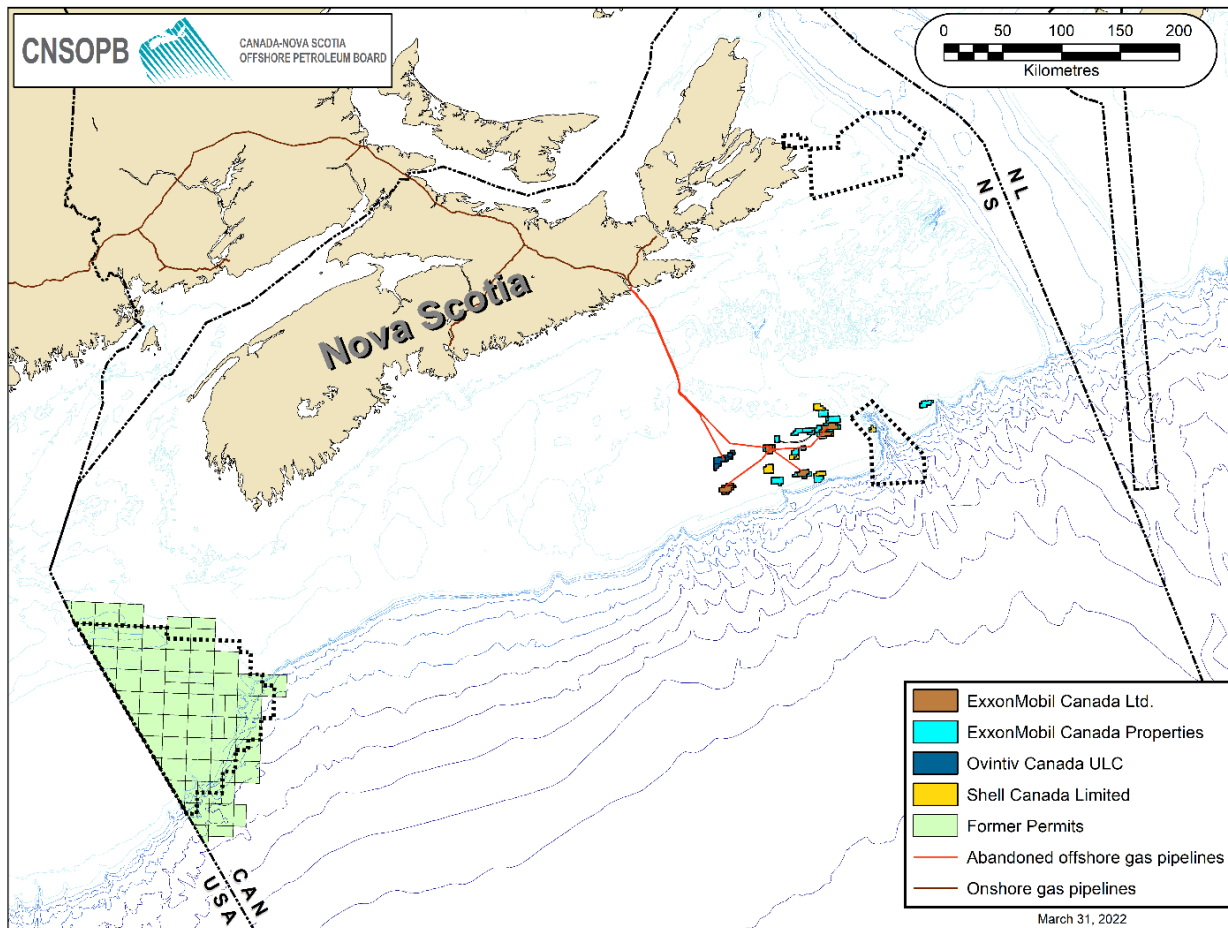
### 3.1 Call for Bids for Exploration Licences and Licensing Update

On March 24, 2021, the CNSOPB made three Fundamental Decisions pertaining to Call for Bids NS21-1. These Fundamental Decisions were approved by the Federal Minister of Natural Resources and the Provincial Minister of Energy and Mines (currently Natural Resources and Renewables). Call for Bids NS21-1 was announced on May 3, 2021, included a 60-day public comment period, and closed on November 3, 2021. Call for Bids NS21-1 consisted of two nominated parcels located on the southwestern Scotian margin, in water depths generally ranging from 1,700 to 3,500 metres. No bids were received, and the lands remain as Crown Land.

EL 2434R (BP Canada Energy Group ULC (BP)) and ELs 2435 and 2436 (Equinor Canada Ltd.) expired in January 2022. In addition, BP surrendered Significant Discovery Licence 082 (a portion of which was in the Canada-Nova Scotia offshore area). There were no changes to the number of Production Licences during the past year.

In January 2022, BP forfeited its \$3 million drilling deposit for EL 2434R. In March 2022, a portion of BP's Work Deposit for EL 2434R, totaling \$102,999,556.09, was also forfeited. The CNSOPB is currently reviewing an application related to Equinor Canada Ltd.'s allowable expenditures for ELs 2435 and 2436.

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



**Figure 5** shows the active licences in the Canada-Nova Scotia offshore area as of March 31, 2022. Additional maps, tables and information specific to all active and inactive 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

During the year, CNSOPB staff completed a qualitative and quantitative petroleum resources assessment of the proposed Eastern Canyons marine refuge. The results of this study were shared with Governments to assist with marine spatial planning efforts. In addition, CNSOPB staff continued to progress work on a regional petroleum resource assessment of the entire Canada-Nova Scotia offshore area, which will be used to help inform Governments' future marine spatial planning efforts. This regional resource assessment is expected to be completed by the first quarter of 2024.

A resource management study of SOEP is expected to be completed by the end of 2022. This study will describe the CNSOPB's regulatory oversight of the project and the analyses conducted by CNSOPB staff to ensure waste did not occur, and will document key resource management lessons learned.

During the year, CNSOPB staff continued to collaborate and support the Nova Scotia Department of Natural Resources and Renewables' Offshore Growth Strategy (OGS). Staff collaborations on a number of these OGS geoscience projects is expected to continue into 2023.

## 4.4 Regulatory Oversight

CNSOPB staff reviewed the SOEP and Deep Panuke post-abandonment monitoring well ROV videos. CNSOPB staff also conducted geoscience studies to follow-up on the Alma 2 well condition observed on September 18, 2021. A geochemist was hired by the CNSOPB to investigate the geochemical properties of the Alma 2 methane release and an environmental consulting company was hired by the CNSOPB to conduct an independent review of the potential environmental effects from the release. The work associated with these independent reviews are ongoing and will continue to be reviewed by the CNSOPB in the 2022-2023 fiscal year.

## 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, 2021, 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, 2021, 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.

## 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.

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 2021-2022 fiscal year, users of the GRC and DMC included industry (local, national, and international), Government, academic organizations, and drilling/service organizations.

CNSOPB's information technology infrastructure was modernized to ensure it continues to meet our organizational needs and adapt for an onsite and remote workforce. These changes will be complimentary to our ongoing data management initiatives which enhance security, provide efficient access to information, and utilize resources effectively.

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

## 7.0 Financial Statements

The 2021-2022 audited Financial Statements, prepared by Levy Casey Carter MacLean, follow.

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

FINANCIAL STATEMENTS  
MARCH 31, 2022

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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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  
Acting Chief Executive Officer

May 10, 2022

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## INDEPENDENT AUDITORS' REPORT

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### 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, 2022, and the statement of operations and accumulated operating surplus, remeasurement gains (losses), changes in net assets 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, 2022, 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.

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## INDEPENDENT AUDITORS' REPORT (CONTINUED)

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### 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 10, 2022



**Chartered Professional Accountants**

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF FINANCIAL POSITION MARCH 31, 2022

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	<u>2022</u>	<u>2021</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 2,545,500	\$ 4,094,223
Receivables	513,974	101,939
Investments (note 2(j)) (note 3)	<u>2,627,967</u>	<u>2,752,160</u>
	<u>5,687,441</u>	<u>6,948,322</u>
<b>LIABILITIES</b>		
Payables and accruals	811,152	1,520,098
Payable to governments (note 4)	578,336	1,825,894
Supplementary employee retirement plan obligation (note 5)	1,140,423	1,082,762
Post-retirement health and retiring allowance obligation (note 6)	<u>1,833,789</u>	<u>1,737,044</u>
	<u>4,363,700</u>	<u>6,165,798</u>
Net financial assets	<u>1,323,741</u>	<u>782,524</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	78,017	324,622
Tangible capital assets (page 17)	<u>316,792</u>	<u>149,051</u>
	<u>394,809</u>	<u>473,673</u>
Accumulated surplus	<u>\$ 1,718,550</u>	<u>\$ 1,256,197</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 5)	\$ 1,777,984	\$ 1,209,945
Accumulated remeasurement gains (losses) (page 6)	<u>(59,434)</u>	<u>46,252</u>
	<u>\$ 1,718,550</u>	<u>\$ 1,256,197</u>

#### Commitments (note 9)

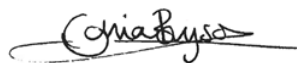
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Approved by the Board



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Chair



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Board Member

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS YEAR ENDED MARCH 31, 2022

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	(Note 11) <u>Budget</u>	<u>2022</u>	<u>2021</u>
<b>Revenue</b>			
Government grants			
Government of Canada	\$ 2,692,690	\$ 2,809,606	\$ 3,932,500
Government of Nova Scotia	2,692,690	2,809,606	3,932,500
Costs recovered from industry	1,505,472	1,505,472	7,172,572
Interest and other	<u>-</u>	<u>13,044</u>	<u>3,329</u>
	<u>6,890,852</u>	<u>7,137,728</u>	<u>15,040,901</u>
Less:			
Cost recoveries refunded to government (page 18)	1,505,472	1,505,472	7,172,572
Cost recoveries refundable to industry	<u>-</u>	<u>-</u>	<u>278,320</u>
	<u>1,505,472</u>	<u>1,505,472</u>	<u>7,450,892</u>
<b>Net revenue</b>	<b>5,385,380</b>	<b>5,632,256</b>	<b>7,590,009</b>
<b>Expenses</b>			
Regulation of petroleum activities (page 18)	<u>5,385,380</u>	<u>4,772,035</u>	<u>6,821,190</u>
<b>Operating surplus before other revenue (expenses)</b>	<u>-</u>	<u>860,221</u>	<u>768,819</u>
Other revenue (expenses):			
Amortization of tangible capital assets	-	(54,956)	(45,685)
Severance expenditures	-	(222,525)	(620,727)
Net investment income (note 7)	<u>-</u>	<u>38,445</u>	<u>56,761</u>
	<u>-</u>	<u>(239,036)</u>	<u>(609,651)</u>
<b>Operating surplus</b>	<b>-</b>	<b>621,185</b>	<b>159,168</b>
<b>Accumulated operating surplus, beginning of year</b>			
Repayment to Government of Canada - prior year surplus	-	(26,573)	(315,480)
Repayment to Government of Nova Scotia - prior year surplus	<u>-</u>	<u>(26,573)</u>	<u>(315,480)</u>
<b>Accumulated operating surplus, end of year</b>	<u>\$ -</u>	<u>\$ 1,777,984</u>	<u>\$ 1,209,945</u>

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

**STATEMENT OF REMEASUREMENT GAINS (LOSSES)  
YEAR ENDED MARCH 31, 2022**

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	<u>2022</u>	<u>2021</u>
<b>Accumulated remeasurement gains, beginning of the year</b>	<b>\$ 46,252</b>	<b>\$ 57,128</b>
<b>Unrealized loss arising during the year on investments</b>	<b><u>(105,686)</u></b>	<b><u>(10,876)</u></b>
<b>Accumulated remeasurement gains (losses), end of year</b>	<b><u><u>\$ (59,434)</u></u></b>	<b><u><u>\$ 46,252</u></u></b>

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

STATEMENT OF CHANGES IN NET ASSETS  
YEAR ENDED MARCH 31, 2022

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	(Note 11) <u>Budget</u>	<u>2022</u>	<u>2021</u>
<b>Operating surplus</b>	\$ -	\$ 621,185	\$ 159,168
Repayment to Government of Canada	-	(26,573)	(315,480)
Repayment to Government of Nova Scotia	-	(26,573)	(315,480)
	<u>-</u>	<u>568,039</u>	<u>(471,792)</u>
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets (page 17)	(5,000)	(222,698)	(73,062)
Amortization of tangible capital assets (page 17)	-	54,956	45,685
	<u>(5,000)</u>	<u>(167,742)</u>	<u>(27,377)</u>
<b>Decrease in tangible capital assets</b>			
<b>Change in other non-financial assets</b>			
Use of prepaid expense	-	246,606	(83,831)
Net remeasurement loss (page 6)	-	(105,686)	(10,876)
Increase (decrease) in net financial assets	(5,000)	541,217	(593,876)
Net financial assets, beginning of the year	<u>782,524</u>	<u>782,524</u>	<u>1,376,400</u>
<b>Net financial assets, end of the year</b>	<u>\$ 777,524</u>	<u>\$ 1,323,741</u>	<u>\$ 782,524</u>



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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2022

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	<u>2022</u>	<u>2021</u>
<b>Operating Activities</b>		
Operating surplus	\$ 621,185	\$ 159,168
Amortization of tangible capital assets	54,956	45,685
Loss on disposal of investments	17,267	2,315
Repayment to Government of Canada	(26,573)	(315,480)
Repayment to Government of Nova Scotia	(26,573)	(315,480)
Increase in supplementary employee retirement plan obligation	57,661	12,176
Increase in post-retirement health and retiring allowance obligation	<u>96,742</u>	<u>151,117</u>
	794,665	(260,499)
Net change in non-cash working capital balances (note 8)	<u>(2,121,930)</u>	<u>425,182</u>
	<u>(1,327,265)</u>	<u>164,683</u>

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<b>Investing Activities</b>		
Decrease (increase) in accrued interest on investments	1,315	(2,894)
Purchase of investments	(410,052)	(480,322)
Proceeds on disposal of investments	<u>412,352</u>	<u>442,739</u>
	<u>3,615</u>	<u>(40,477)</u>

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<b>Capital Activities</b>		
Purchase of		
Furniture and equipment	-	(6,311)
Computer equipment	(222,698)	(44,516)
Equipment	<u>-</u>	<u>(22,235)</u>
	<u>(222,698)</u>	<u>(73,062)</u>

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<b>Increase (decrease) in cash and cash equivalents during year</b>	<b>(1,546,348)</b>	51,144
<b>Cash and cash equivalents, beginning of year</b>	<u><b>4,098,873</b></u>	<u>4,047,729</u>
<b>Cash and cash equivalents, end of year</b>	<u><u><b>\$ 2,552,525</b></u></u>	<u><u>\$ 4,098,873</u></u>

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<b>Represented by:</b>		
Cash	\$ 2,545,500	\$ 4,094,223
Investment cash	<u>7,025</u>	<u>4,650</u>
	<u><u>\$ 2,552,525</u></u>	<u><u>\$ 4,098,873</u></u>

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022

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### 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.

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### 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.

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022

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### 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 Regulations. 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 Regulations.

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.

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022

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### 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.

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### 3. Investments

	<u>2022</u>	<u>2021</u>
Investments, at cost	\$ 2,654,756	\$ 2,674,323
Accrued investment income	25,620	26,935
Unrealized (loss) gain on investments	(59,434)	46,252
Investment cash	<u>7,025</u>	<u>4,650</u>
Investments, at fair market value	<u>\$ 2,627,967</u>	<u>\$ 2,752,160</u>

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022

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#### 4. Payable to governments

	<u>2022</u>	<u>2021</u>
Federal government - cost recovery funds	\$ 289,168	\$ 912,947
Provincial government - cost recovery funds	<u>289,168</u>	<u>912,947</u>
	<u>\$ 578,336</u>	<u>\$ 1,825,894</u>

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#### 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 and was extrapolated to March 31, 2022. An updated actuarial valuation is completed at least every three years.

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

	<u>2022</u>	<u>2021</u>
<u>Components of Supplementary Employee Retirement Plan Cost</u>		
Current service cost	\$ 15,244	\$ 11,228
Interest cost	43,294	37,185
Amortization of net actuarial losses	<u>55,707</u>	<u>20,347</u>
Supplementary Employee Retirement Plan Cost	<u>\$ 114,245</u>	<u>\$ 68,760</u>
 <u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>3.01%</u>	<u>3.24%</u>
Rate of compensation increase	<u>2.25%</u>	<u>2.25%</u>
 <u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>3.01%</u>	<u>3.24%</u>
Rate of compensation increase	<u>2.25%</u>	<u>2.25%</u>

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022

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#### 5. Pension obligations (continued)

##### Change in Accrued Benefit Obligation

Accrued benefit obligation at the end of the prior year	\$ 1,356,902	\$ 1,152,911
Current service cost	15,244	11,228
Interest cost	43,294	37,185
Benefits paid	(56,584)	(56,584)
Actuarial loss	<u>42,388</u>	<u>212,162</u>

Accrued benefit obligation at the end of the year \$ 1,401,244 \$ 1,356,902

##### Reconciliation of Funded Status to Accrued Benefit Liability

Benefit obligation at end of year	\$ 1,401,244	\$ 1,356,902
Unamortized net actuarial loss	<u>(260,821)</u>	<u>(274,140)</u>

Accrued benefit liability \$ 1,140,423 \$ 1,082,762

#### (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% (2021 - 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% (2021 - 10.9%) on the part of their salary that is in excess of the YMPE. The CNSOPB has recognized contributions of \$276,173 in 2022 (2021 - \$343,815). There is no further liability with respect to past service at March 31, 2022.

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#### 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 two employees was terminated effective March 31, 2022 and these employees are 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.

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2022

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

	<u>2022</u>	<u>2021</u>
<u>Components of Post-Retirement Health and Retiring Allowance Cost</u>		
Current service cost (employer portion)	\$ 36,462	\$ 79,618
Interest cost	46,194	54,635
Actuarial (gains) and loss	(28,258)	8,165
Curtailement loss	78,454	96,212
Recognition of unamortized net actuarial gains	<u>(23,536)</u>	<u>(57,129)</u>
Post-Retirement Health and Retiring Allowance Cost	<u>\$ 109,316</u>	<u>\$ 181,501</u>
<u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>3.01%</u>	<u>3.24%</u>
Rate of compensation increase	<u>2.25%</u>	<u>2.25%</u>
Initial weighted average health care trend rate	<u>6.83%</u>	<u>7.00%</u>
Ultimate weighted average health care trend rate	<u>4.50%</u>	<u>4.50%</u>
Year ultimate rate reached	<u>2036</u>	<u>2036</u>
<u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>3.01%</u>	<u>3.24%</u>
Rate of compensation increase	<u>2.25%</u>	<u>2.25%</u>
Initial weighted average health care trend rate	<u>6.83%</u>	<u>7.00%</u>
Ultimate weighted average health care trend rate	<u>4.50%</u>	<u>4.50%</u>
Year ultimate rate reached	<u>2036</u>	<u>2036</u>
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 1,413,813	\$ 1,636,039
Current service cost (employer portion)	36,462	79,618
Interest cost	46,194	54,635
Curtailement	78,454	96,212
Benefits paid	(12,571)	(30,388)
Actuarial (gain) loss	<u>75,695</u>	<u>(422,303)</u>
Accrued benefit obligation at the end of the year	<u>\$ 1,638,047</u>	<u>\$ 1,413,813</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at the end of year	\$ 1,638,047	\$ 1,413,813
Unamortized net actuarial loss	<u>195,742</u>	<u>323,231</u>
Accrued benefit liability	<u>\$ 1,833,789</u>	<u>\$ 1,737,044</u>

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022

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### 7. Net investment income

	<u>2022</u>	<u>2021</u>
Investment income	\$ 68,918	\$ 71,573
Loss on disposal of investments	(17,267)	(2,315)
Portfolio management fees	<u>(13,206)</u>	<u>(12,497)</u>
	<u>\$ 38,445</u>	<u>\$ 56,761</u>

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### 8. Net change in non-cash working capital balances

	<u>2022</u>	<u>2021</u>
<b>Increase (decrease) in cash from changes in:</b>		
Receivables	\$ (412,034)	\$ 24,283
Prepaid expenses	246,606	(83,831)
Payables and accruals	(708,946)	638,309
Payable to governments	<u>(1,247,556)</u>	<u>(153,579)</u>
	<u>\$ (2,121,930)</u>	<u>\$ 425,182</u>

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### 9. Commitments

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

2023	\$ 363,895
2024	27,287
2025	<u>5,415</u>
	<u>\$ 396,597</u>

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### 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.

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2022

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### 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 1.65% 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.

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### 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.

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### 12. Related party transactions

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

	<u>2022</u>	<u>2021</u>
Operating grants from the Government of Canada	\$ 2,809,606	\$ 3,932,500
Operating grants from the Government of Nova Scotia	\$ 2,809,606	\$ 3,932,500
Cost recoveries refunded to the Government of Canada	\$ 752,736	\$ 3,586,286
Cost recoveries refunded to the Government of Nova Scotia	\$ 752,736	\$ 3,586,286

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### 13. Subsequent event

Subsequent to year end Governments agreed to expand the CNSOPB's mandate to include the regulation of offshore renewable energy. The ultimate financial impact of this expansion to the CNSOPB's mandate cannot be reliably estimated at this time.

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

SCHEDULE OF TANGIBLE CAPITAL ASSETS  
YEAR ENDED MARCH 31, 2022

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**COST**

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	<u>Opening</u>	<u>Additions</u>	<u>Write Downs/ Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ -	\$ -	\$ 78,061
Furniture and fixtures	478,441	-	-	478,441
Computer equipment	560,861	222,698	162,679	620,880
Computer software	562,994	-	-	562,994
Equipment	<u>239,474</u>	<u>-</u>	<u>-</u>	<u>239,474</u>
	<u>\$ 1,919,831</u>	<u>\$ 222,698</u>	<u>\$ 162,679</u>	<u>\$ 1,979,850</u>

**ACCUMULATED AMORTIZATION**

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	<u>Opening</u>	<u>Amortization</u>	<u>Write Downs/ Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ -	\$ -	\$ 78,061
Furniture and fixtures	456,312	1,832	-	458,144
Computer equipment	489,478	45,673	162,679	372,472
Computer software	556,773	4,147	-	560,920
Equipment	<u>190,157</u>	<u>3,304</u>	<u>-</u>	<u>193,461</u>
	<u>\$ 1,770,781</u>	<u>\$ 54,956</u>	<u>\$ 162,679</u>	<u>\$ 1,663,058</u>

**NET BOOK VALUE**

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	<u>2022</u>	<u>2021</u>
Furniture and fixtures	\$ 20,297	\$ 22,130
Computer equipment	248,408	71,383
Computer software	2,074	6,221
Equipment	<u>46,013</u>	<u>49,317</u>
	<u>\$ 316,792</u>	<u>\$ 149,051</u>

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2022

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	(Note 11) <u>Budget</u>	<u>2022</u>	<u>2021</u>
<b>Cost recoveries refunded to government</b>			
Government of Canada	\$ 752,736	\$ 752,736	\$ 3,586,286
Government of Nova Scotia	<u>752,736</u>	<u>752,736</u>	<u>3,586,286</u>
Total cost recoveries refunded to government	<u>\$ 1,505,472</u>	<u>\$ 1,505,472</u>	<u>\$ 7,172,572</u>
<b>Regulation of petroleum activities</b>			
Personnel and Board members	\$ 3,492,500	\$ 3,051,608	\$ 4,588,309
General office and support	758,750	663,538	788,035
Office and laboratory premise costs	748,500	715,766	723,122
Consulting and legal	180,630	107,562	461,460
Supplementary employee retirement plan cost	85,000	114,245	68,760
Post-retirement health and retiring allowance cost	110,000	109,316	181,504
Diving certification & standards development	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total regulation of petroleum activities	<u>\$ 5,385,380</u>	<u>\$ 4,772,035</u>	<u>\$ 6,821,190</u>

