

CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

2022 - 2023 Annual Report

Leading Through
Efficient, Fair & Competent Regulation

CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

Introduction

The Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) 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, Twitter ([@CNSOPB](https://twitter.com/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 obtain a printed copy of the 2022-2023 Annual Report, please submit your request by email to info@cnsopb.ns.ca or by phone at 902-422-5588.

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Message from the Chief Executive Officer

At the beginning of the 2022-2023 fiscal year, we welcomed the Governments announcing their intent to expand our mandate to include the regulation of offshore renewable energy development. With more than thirty years of experience and expertise regulating petroleum activity in the Canada-Nova Scotia offshore area, our organization is well-positioned to regulate offshore renewable energy in a safe and environmentally responsible manner.

The [April 11, 2022 announcement](#) began a transition period for the CNSOPB. During the 2022-2023 fiscal year, we actively prepared for our mandate expansion by supporting Government-led initiatives to refine and modernize our regulatory regime. We provided support to the Impact Assessment Agency of Canada and other Government partners in the planning of the Regional Assessment of Offshore Wind Development in Nova Scotia, an important process, which will inform future planning and decision-making for offshore wind developments. We also collaborated with the Governments and other regulators in the review of legislative changes to incorporate offshore renewable energy. We joined the Global Offshore Wind Regulators Forum in January 2023 to exchange knowledge and to benefit from the global perspectives and experiences of other offshore renewable energy regulators.

Internally, we developed a transition plan to outline the steps we need to take as an organization to be ready to deliver on this new and expanded mandate. Key staff have also built knowledge of this new sector through participation in training and conference opportunities run by a variety of organizations and will continue to do so over the coming years.

As we have in the past and in advance of the official expansion of our mandate, the CNSOPB continues to work with Indigenous communities, fishers, and stakeholders to provide information about our regulatory role. This remains a commitment as we transition to become the full lifecycle regulator of the offshore energy industry.

Although there is currently no petroleum-related exploration activity in the Canada-Nova Scotia offshore area, we continue to maintain our regulatory skills. This will ensure that we remain a competent offshore petroleum regulator and maintain a state of operational readiness to authorize and regulate potential future offshore petroleum activities.

With respect to petroleum activity during the 2022-2023 fiscal year, our staff continued to provide oversight of the post-abandonment monitoring offshore activities to ensure regulatory compliance for the Sable Offshore Energy Project operated by ExxonMobil Canada Ltd. [Call for Bids NS22-1](#) was announced on September 29, 2022, for eight nominated parcels. As part of our engagement

efforts, we invited Indigenous communities and the public to provide written comments regarding Call for Bids NS22-1 and published our summary report on our [Call for Bids website](#). Call for Bids NS22-1 will close on September 19, 2023.

We remain committed to being a fiscally prudent and competent regulator as we begin our transition to the Canada-Nova Scotia Offshore Energy Regulator under our expanded mandate. We will continue to work closely with and provide support to the Governments to transition to the next phase of regulating offshore energy developments and activities in the Canada-Nova Scotia offshore area.

Lastly, I want to acknowledge and thank our staff and Board Members for their dedication, diligence, and counsel. I am proud of our team who have proven to be up to the challenges and opportunities of the coming years. I am confident that our team has the capacity and determination to deliver on our expanded future mandate, as well as our current mandate, as an independent and competent regulator.



Christine Bonnell-Eisnor, P. Eng., ICD.D
Chief Executive Officer



Message from the Chair of the Board

This has been a transitional and exciting year for the staff and Board Members of the CNSOPB, soon to be the Canada-Nova Scotia Offshore Energy Regulator.

As referenced by the CEO, early in April, the Governments announced the expansion of our mandate to include the regulation of the offshore renewable energy sector. This announcement was an acknowledgement that with more than 30 years of expertise and experience regulating the Canada-Nova Scotia offshore area, we are uniquely positioned to take on this expanded role.

Offshore Nova Scotia is recognized as having one of the best wind resources in the world and is therefore attracting a lot of attention from potential developers. Building on our decades of rigorous regulatory oversight, we are committed to regulate in the best interest of Nova Scotians and Canadians. We remain committed to ensure that Operators take all reasonable precautions to protect the health and safety of workers and the environment.

For the first time since 2017, we are pleased to share that we have a full complement of Board Members. In the 2022-2023 fiscal year, we welcomed Roger Percy as a provincial Board Member for a second term, Robert MacQueen as a provincial Alternate Board Member, Bernard Miller as a federal Board Member, and Dr. Tareq Al-Zabet as a federal Alternate Board Member.

We were also pleased to announce the appointment of Christine Bonnell-Eisnor as Chief Executive Officer in February of 2023. Ms. Bonnell-Eisnor assumed the Acting Chief Executive Officer role in 2019 and has a significant depth of knowledge, expertise, and experience in a variety of roles regulating the Canada-Nova Scotia offshore area. We have full confidence in her leadership skills as we transition and embrace our existing and new regulatory responsibilities.

As we look forward to the year ahead, we are presented with many exciting opportunities and are confident that our team has the capacity, determination, and commitment required as an independent, competent, and rigorous regulator of the offshore energy sector.

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

1.0 Summary of Offshore Work and 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 2022-2023 fiscal year, two post-abandonment monitoring programs of the Alma 2 well were conducted by ExxonMobil Canada Ltd. (ExxonMobil). Two Operations Authorization – Removals amendments were issued to authorize this post-abandonment monitoring work. The CNSOPB's offshore activities through to the end of the fiscal year focussed on regulating these monitoring programs and conducting close oversight as well as reviewing ExxonMobil's Post-Abandonment Monitoring Report and associated supporting data.

1.3 Authorizations and Approvals

In the 2022-2023 fiscal year, the authorizations and approvals issued by the CNSOPB were two amendments for Alma 2 post-abandonment monitoring programs.

Figure 1 provides a summary of work activity authorization applications that were submitted and approved between April 1, 2022, and March 31, 2023.

Figure 1: Authorizations and Approvals 2022-2023

<u>Date Issued</u>	<u>Operator</u>	<u>Authorization</u>
November 18, 2022	ExxonMobil	Operations Authorization – Removals (Amendment)
September 23, 2022	ExxonMobil	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 perform audits and inspections. A summary of these audits and inspections is updated quarterly on the CNSOPB [website](#). During the 2022-2023 fiscal year, audits and inspections were conducted for the vessels 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 met with the Operator to discuss operations and regulatory requirements.

Operators found to be noncompliant 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 Sable Offshore Energy Project (SOEP) occurred on December 31, 2018. SOEP safely produced gas for almost two decades, within sight of the Sable Island National Park Reserve, without significant adverse environmental impacts. All 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 SOEP 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 conducted three additional monitoring programs of the Alma 2 well to further investigate the well condition observed on September 18, 2021, where small bubbles of methane gas were observed to be intermittently released from the former well.

These three monitoring programs took place between March 9, 2022 to March 18, 2022; September 25, 2022 to October 1, 2022; and November 23, 2022 to December 2, 2022. Three additional monitoring programs are currently planned for the 2023 calendar year to continue to evaluate the condition of the Alma 2 well, the first of which is planned for May 2023.

1.6 Preparing for the Offshore Renewable Energy Mandate Expansion

On [April 11, 2022](#), the Governments announced their intention to expand the CNSOPB’s mandate to include the regulation of offshore renewable energy. During 2022-2023, the CNSOPB participated in meetings and working groups with Governments and provided input as requested related to this mandate expansion. The CNSOPB also collaborated with the Canada-Newfoundland and Labrador Offshore Petroleum Board and the Canada Energy Regulator as it began to prepare for the expansion of its mandate. The CNSOPB developed an offshore renewable energy transition plan that outlined the internal work required to be done in preparation for our future new mandate. To learn from and collaborate with other global offshore renewable energy regulators, the CNSOPB joined the Global Offshore Wind Regulators Forum and will continue to be involved as an active participant in this and similar forums.

2.0 Health, Safety and Environmental Protection

2.1 Safety Performance

In 2022-2023, approximately 5,000 person hours were worked under CNSOPB authority in the Canada-Nova Scotia offshore area, all of which were related to the post-abandonment monitoring programs at the Alma 2 well location.

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 2022-2023 fiscal year.

Figure 2: Disabling Injury* Statistics

Number of Disabling Injuries	2018-19	2019-20	2020-21	2021-22	2022-23
Installations	3	1	2	0	0
Vessels	1	0	1	0	0
Aviation	0	0	0	0	0
Personnel Transport	0	0	0	0	0
Total	4	1	3	0	0

Person Hours	2018-19	2019-20	2020-21	2021-22	2022-23
Installations	1,336,712	694,470	894,169	0	0
Vessels	452,087	294,194	203,329	46,908	5,021
Aviation	6,992	2,628	970	0	0
Personnel Transport	24,980	10,312	5,845	0	0
Total	1,820,771	1,001,604	1,104,313	46,908	5,021

Frequency Rate (Per 200,000 Person Hours)**	2018-19	2019-20	2020-21	2021-22	2022-23
Installations	0.45	0.29	0.45	0	0
Vessels	0.44	0	0.98	0	0
Aviation	0	0	0	0	0
Personnel Transport	0	0	0	0	0
Total	0.44	0.20	0.54	0.00	0.00

* 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 continues to follow the COVID-19 advice of the Nova Scotia Chief Medical Officer of Health and Transport Canada (for Canadian-flagged vessels). While mandatory vaccination and testing requirements for the general public have been lifted, for offshore activities, Operators and Employers are expected to follow the [CNSOPB’s COVID-19 Safety Notice](#) and to ensure that COVID-19 exposure is considered as a risk, with appropriate COVID-19 measures described in their respective occupational health and safety management systems and programs.

The CNSOPB updated the internal COVID-19 and CNSOPB Return to Workplaces Plan and Policies as a result of the Nova Scotia Chief Medical Officer of Health’s decision to remove all remaining COVID-19 restrictions in our communities and low risk settings on July 6, 2022. These changes resulted in the CNSOPB returning to a pre-pandemic state by removing all office mitigations and, following suit with the federal and provincial Governments, suspending the mandatory vaccination policy.

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 reviewed 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 2022-2023, no new spills or unauthorized discharges occurred (Figure 4). The small, intermittent release of methane bubbles from Alma 2 well, initially observed September 18, 2021, continued. Geochemical analysis of the gas samples collected during well monitoring indicated the bubbles are primarily methane gas with no liquid hydrocarbons. Based on the Alma 2 monitoring data collected to date, the estimated volume of methane gas being released has not exceeded 15 litres per day. No methane gas or sheens have been detected at the water's surface. Based on the low release rate and absence of methane being detected at the water's surface, no sheens are anticipated. The other 20 former SOEP production wells were monitored, and no issues or leaks were observed. ExxonMobil will be conducting three additional monitoring and sampling programs in 2023 to continue to evaluate the condition of the Alma 2 well. The information and data obtained from each monitoring program will be reviewed by the CNSOPB to determine next steps and ensure ExxonMobil takes appropriate actions, if required. The spills to the sea described in Figure 3 relates to the Alma 2 well. For more information on the rate of release for the Alma 2 well, please refer to the Spills to the Sea Reports found [here](#).

Figure 3: Spills to the Sea (L=Litres) in 2022-2023*

Material	Less than 1L	1-10L	1L-150L	Greater than 150L	Total
Natural Gas (Methane)	-	-	-	1	1
Total	-	-	-	1	1

*Refer to the [2022-2023 Spills to the Sea Report](#) for more information.

Figure 4: Unauthorized Discharges to the Sea (L=Litres) in 2022-2023**

Material	Less than 1L	1-10L	1L-150L	Greater than 150L	Total
Non-Hydrocarbon Hydraulic Fluid	-	-	-	-	0
Total	-	-	-	-	0

**Refer to [the 2022-2023 Unauthorized Discharges Report](#) for more information.

2.4 Environmental Compliance Monitoring

During the post-abandonment monitoring programs at the Alma 2 well, CNSOPB staff continued to monitor all operations to ensure they were conducted in compliance with environmental requirements.

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 within the study area. SEA reports are published on the CNSOPB website to inform Indigenous communities, interested stakeholders, potential bidders, and the general public. The Middle and Eastern Scotian Slope and Sable Island Bank SEA was completed on May 26, 2022.

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

Project-Specific Environmental Assessments

No new Environmental Assessments (EAs) were completed for work in the Canada-Nova Scotia offshore area this year. To view an archive of previously completed EAs, click [here](#).

3.0 Rights Management

3.1 Call for Bids for Exploration Licences and Licensing Update

On July 27, 2022, the CNSOPB made three Fundamental Decisions pertaining to Call for Bids NS22-1. These Fundamental Decisions were implemented following the process outlined in the *Accord Acts* involving the Federal Minister of Natural Resources and the Provincial Minister of Natural Resources and Renewables.

Call for Bids NS22-1 was announced on September 29, 2022, and includes five deep-water parcels located on the central Scotian Slope and three shallow-water parcels located in the Sable Subbasin. The CNSOPB invited Indigenous communities and the public to provide written comments during a 60-day public comment period for Call for Bids NS22-1, which closed on November 28, 2022. A written comments summary report is available on our [Call for Bids website](#). Call for Bids NS22-1 will close on September 19, 2023.

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

During 2022-2023, CNSOPB released BP Canada Energy Groups ULC's work deposit for Exploration Licence 2434R given the review of their allowable expenditure application had been completed and a forfeiture of \$102,999,556.09 was submitted to the Receiver General of Canada. The CNSOPB staff reviewed Equinor Canada Ltd.'s allowable expenditure application for Exploration Licences 2435 and 2436, which resulted in a forfeiture of \$18,721,031.93. The work deposits for Exploration Licences 2435 and 2436 were released in August 2022 after this forfeiture was submitted to the Receiver General of Canada.

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

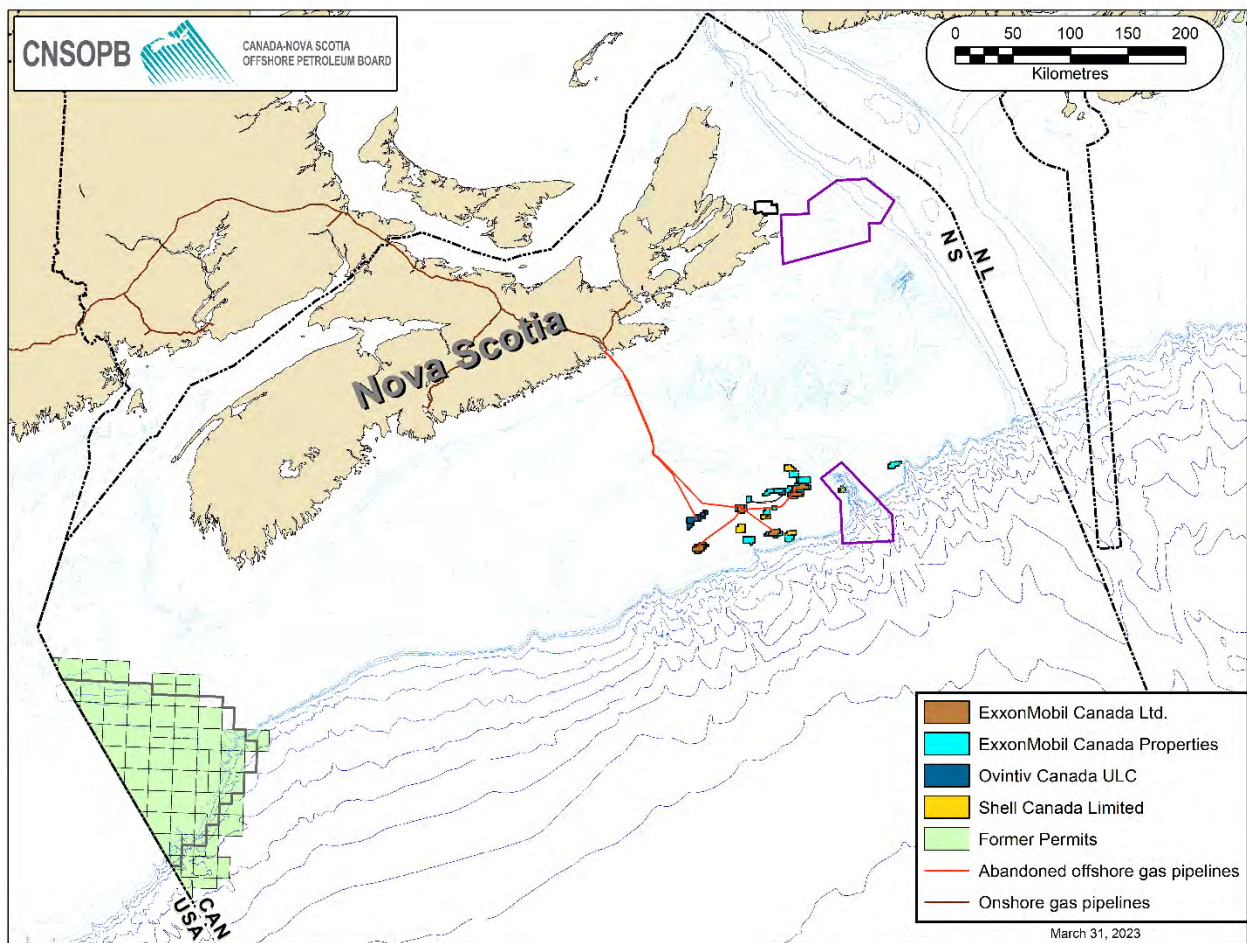


Figure 5 shows the active licences in the Canada-Nova Scotia offshore area as of March 31, 2023. Additional maps, tables and information specific to all active and inactive licences (Exploration Licences, Significant Discovery Licences and Production Licences) in the Canada-Nova Scotia offshore area can be found [here](#).

4.0 Resource Management

4.1 Geoscience, Resource Management and Resource Assessment Studies

During the year, 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 March 2024.

A resource management study of SOEP is expected to be completed by May 2023. This study will describe the CNSOPB's regulatory oversight of the project and the analyses conducted by CNSOPB staff to ensure waste of the petroleum resources 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' and the Offshore Energy Research Association's Offshore Growth Strategy. These collaborations included providing geosciences advice and expertise and conducting detailed seismic interpretation at both the regional and field-scale levels. Staff collaborations on these geoscience projects are expected to continue into mid 2023.

4.2 Regulatory Oversight

CNSOPB staff reviewed the SOEP post-abandonment well monitoring remotely operated vehicle videos for all 21 former SOEP production wells. CNSOPB staff also conducted geoscience and geochemical studies to follow-up on the Alma 2 well condition initially observed on September 18, 2021. A geochemist was hired by the CNSOPB and continues to investigate the geochemical properties of the Alma 2 methane release as new methane samples are acquired. 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 2023-2024 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, 2022, 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.

6.0 Regional, National and International Collaboration

The CNSOPB participates in regional, national, and international committees and attends relevant conferences, forums, and symposiums to stay up to date and ensure that the appropriate safety, environmental, operational, and regulatory practices are being used in the Canada-Nova Scotia offshore area. In addition to being involved with Governments, Indigenous groups, fishing representatives and other offshore stakeholders on a variety of committees, including the Fisheries Advisory Committee, Marine Protected Area Advisory Committees, the Crown Oversight Committee, and the Benefits Review Committee, the CNSOPB conducts engagement with Indigenous groups, interested stakeholders, and the public as part of its regulatory activities, including the Call for Bids cycle.

During the 2022-2023 fiscal year, CNSOPB staff participated in the International Regulators' Forum mid-year meeting and annual general meeting, as well as the International Offshore Petroleum Environmental Regulators mid-year and annual general meeting and working group meetings. The CNSOPB also participated in Environmental Studies Research Fund Management Board meetings as well as a meeting of the fund's East Coast Advisory Committee. Participation in these groups allows the CNSOPB to benefit from both local and global perspectives and experiences from other offshore regulators as the CNSOPB looks to continuously improve its regulatory competency.

In preparation for the transition to become the regulator for offshore renewable energy, CNSOPB staff also recently joined the Global Offshore Wind Regulators Forum, which provides participating organizations the opportunity to share best practices, important information and resources, and experiential learning on the regulation of offshore wind projects and resources. The CNSOPB attended its first meeting with this organization in October 2022. The CNSOPB's involvement in this Forum will allow staff members to gather relevant knowledge and exchange information in order to more effectively regulate offshore renewable energy projects in the future.

CNSOPB staff also participated in offshore renewable energy related conferences over the course of the 2022-2023 fiscal year. This includes the Offshore Wind Operations and Maintenance/Health & Safety Summit, the International Offshore Wind Partnering Forum, the Marine Renewables Canada 2022 Conference, the Offshore Energy Exhibition & Conference, the Annual United States Wind Energy Standards Summit 2023, and a variety of other webinars and workshops. This participation has been crucial in helping staff prepare for the upcoming expansion of the CNSOPB's mandate to include offshore renewables.

More information on the committees and associations in which CNSOPB staff participate is available on our [website](#).

7.0 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](#).

The CNSOPB's office includes archives of all final well history, geological and wellsite survey reports. The CNSOPB's office 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 CNSOPB's office is the Data Management Centre, 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 2022-2023 fiscal year, users of the CNSOPB's office and the Data Management Centre included industry (local, national, and international), Government, academic organizations, and drilling/service organizations.

CNSOPB's information technology infrastructure continues to be modernized to ensure it continues to meet our organizational needs and adapt for an onsite and remote workforce. The changes made are 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](#).

8.0 Financial Statements

The 2022-2023 audited Financial Statements, prepared by Levy Casey Carter MacLean, follow.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

FINANCIAL STATEMENTS
MARCH 31, 2023

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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

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

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

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

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

Christine Bonnell-Eisnor

Christine Bonnell-Eisnor, P.Eng., ICD.D
Chief Executive Officer

May 9, 2023

INDEPENDENT AUDITOR'S 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, 2023, 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, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the CNSOPB in accordance with the ethical requirements that are relevant to our audit 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.

Auditor's 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 auditor's 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 AUDITOR'S REPORT (CONTINUED)

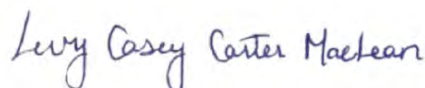
Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 auditor's 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 auditor's 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 9, 2023



Chartered Professional Accountants

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 1,924,796	\$ 2,545,500
Receivables	387,698	513,974
Investments (note 2(j)) (note 3)	<u>2,996,758</u>	<u>2,627,967</u>
	<u>5,309,252</u>	<u>5,687,441</u>
LIABILITIES		
Payables and accruals	468,866	811,152
Payable to governments (note 4)	191,148	578,336
Deferred grants	10,000	-
Supplementary employee retirement plan obligation (note 5)	1,195,455	1,140,423
Post-retirement health and retiring allowance obligation (note 6)	<u>1,880,926</u>	<u>1,833,789</u>
	<u>3,746,395</u>	<u>4,363,700</u>
Net financial assets	<u>1,562,857</u>	<u>1,323,741</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	61,420	78,017
Tangible capital assets (page 17)	<u>308,215</u>	<u>316,794</u>
	<u>369,635</u>	<u>394,811</u>
Accumulated surplus	<u>\$ 1,932,492</u>	<u>\$ 1,718,552</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 5)	\$ 2,026,716	\$ 1,777,986
Accumulated remeasurement losses (page 6)	<u>(94,224)</u>	<u>(59,434)</u>
	<u>\$ 1,932,492</u>	<u>\$ 1,718,552</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, 2023

	(Note 11) <u>Budget</u>	<u>2023</u>	<u>2022</u>
Revenue			
Government grants			
Government of Canada	\$ 2,382,500	\$ 2,382,500	\$ 2,809,606
Government of Nova Scotia	2,382,500	2,382,500	2,809,606
Government of Nova Scotia - Digitization project	-	97,000	-
Costs recovered from industry	589,270	589,270	1,505,472
Interest and other	-	<u>65,931</u>	<u>13,044</u>
	<u>5,354,270</u>	<u>5,517,201</u>	<u>7,137,728</u>
Less: Cost recoveries refunded to government (page 18)	<u>589,270</u>	<u>589,270</u>	<u>1,505,472</u>
Net revenue	4,765,000	4,927,931	5,632,256
Expenses			
Regulation of petroleum activities (page 18)	<u>4,765,000</u>	<u>4,650,486</u>	<u>4,772,035</u>
Operating surplus before other revenue (expenses)	<u>-</u>	<u>277,445</u>	<u>860,221</u>
Other revenue (expenses):			
Amortization of tangible capital assets	-	(85,614)	(54,956)
Severance expenditures	-	(11,307)	(222,525)
Net investment income (note 7)	-	<u>68,206</u>	<u>38,445</u>
	<u>-</u>	<u>(28,715)</u>	<u>(239,036)</u>
Operating surplus	-	248,730	621,185
Accumulated operating surplus, beginning of year	-	1,777,986	1,209,947
Repayment to Government of Canada - prior year surplus	-	-	(26,573)
Repayment to Government of Nova Scotia - prior year surplus	-	-	(26,573)
Accumulated operating surplus, end of year	<u>\$ -</u>	<u>\$ 2,026,716</u>	<u>\$ 1,777,986</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

**STATEMENT OF REMEASUREMENT GAINS (LOSSES)
YEAR ENDED MARCH 31, 2023**

	<u>2023</u>	<u>2022</u>
Accumulated remeasurement gains (losses), beginning of the year	\$ (59,434)	\$ 46,252
Unrealized loss arising during the year on investments	<u>(34,790)</u>	<u>(105,686)</u>
Accumulated remeasurement losses, end of year	<u><u>\$ (94,224)</u></u>	<u><u>\$ (59,434)</u></u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2023

	(Note 11) <u>Budget</u>	<u>2023</u>	<u>2022</u>
Operating surplus	\$ -	\$ 248,730	\$ 621,185
Repayment to Government of Canada	-	-	(26,573)
Repayment to Government of Nova Scotia	-	-	(26,573)
	<u>-</u>	<u>248,730</u>	<u>568,039</u>
Change in tangible capital assets			
Acquisition of tangible capital assets (page 17)	(5,000)	(77,035)	(222,698)
Amortization of tangible capital assets (page 17)	<u>-</u>	<u>85,614</u>	<u>54,956</u>
Decrease in tangible capital assets	<u>(5,000)</u>	<u>8,579</u>	<u>(167,742)</u>
Change in other non-financial assets			
Use of prepaid expense	<u>-</u>	<u>16,597</u>	<u>246,606</u>
Net remeasurement loss (page 6)	<u>-</u>	<u>(34,790)</u>	<u>(105,686)</u>
Increase (decrease) in net financial assets	(5,000)	239,116	541,217
Net financial assets, beginning of the year	<u>1,323,741</u>	<u>1,323,741</u>	<u>782,524</u>
Net financial assets, end of the year	<u>\$ 1,318,741</u>	<u>\$ 1,562,857</u>	<u>\$ 1,323,741</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2023

	<u>2023</u>	<u>2022</u>
Operating Activities		
Operating surplus	\$ 248,730	\$ 621,185
Amortization of tangible capital assets	85,614	54,956
Loss on disposal of investments	405	17,267
Repayment to Government of Canada	-	(26,573)
Repayment to Government of Nova Scotia	-	(26,573)
Increase in supplementary employee retirement plan obligation	55,032	57,661
Increase in post-retirement health and retiring allowance obligation	<u>47,137</u>	<u>96,742</u>
	436,918	794,665
Net change in non-cash working capital balances (note 8)	<u>(576,601)</u>	<u>(2,121,931)</u>
	<u>(139,683)</u>	<u>(1,327,266)</u>

Investing Activities		
Decrease (increase) in accrued interest on investments	(13,390)	1,315
Purchase of investments	(1,047,629)	(410,052)
Proceeds on disposal of investments	<u>661,449</u>	<u>412,352</u>
	<u>(399,570)</u>	<u>3,615</u>

Capital Activities		
Purchase of		
Leasehold improvements	(33,553)	-
Computer equipment	<u>(43,482)</u>	<u>(222,698)</u>
	<u>(77,035)</u>	<u>(222,698)</u>

Decrease in cash and cash equivalents during year	(616,288)	(1,546,349)
Cash and cash equivalents, beginning of year	<u>2,552,525</u>	<u>4,098,874</u>
Cash and cash equivalents, end of year	<u>\$ 1,936,237</u>	<u>\$ 2,552,525</u>

Represented by:

Cash	\$ 1,924,796	\$ 2,545,500
Investment cash	<u>11,441</u>	<u>7,025</u>
	<u>\$ 1,936,237</u>	<u>\$ 2,552,525</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

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.

On April 11, 2022 Federal and Provincial Governments issued a joint release announcing the intent to expand the mandate of the CNSOPB to include the regulation of offshore renewable energy development in the Canada-Nova Scotia offshore areas. Once the expanded mandate is in effect, the Board will be renamed the Canada-Nova Scotia Offshore Energy Regulator.

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, 2023

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.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

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>2023</u>	<u>2022</u>
Investments, at cost	\$ 3,040,531	\$ 2,654,756
Accrued investment income	39,010	25,620
Unrealized loss on investments	(94,224)	(59,434)
Investment cash	<u>11,441</u>	<u>7,025</u>
Investments, at fair market value	<u>\$ 2,996,758</u>	<u>\$ 2,627,967</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

4. Payable to governments

	<u>2023</u>	<u>2022</u>
Federal government - cost recovery funds	\$ 95,574	\$ 289,168
Provincial government - cost recovery funds	<u>95,574</u>	<u>289,168</u>
	<u>\$ 191,148</u>	<u>\$ 578,336</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, 2023. 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>2023</u>	<u>2022</u>
<u>Components of Supplementary Employee Retirement Plan Cost</u>		
Current service cost	\$ 16,707	\$ 15,244
Interest cost	41,577	43,294
Amortization of net actuarial losses	<u>53,332</u>	<u>55,707</u>
Supplementary Employee Retirement Plan Cost	<u>\$ 111,616</u>	<u>\$ 114,245</u>
 <u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>2.74%</u>	<u>3.01%</u>
Rate of compensation increase	<u>2.50%</u>	<u>2.25%</u>
 <u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>2.74%</u>	<u>3.01%</u>
Rate of compensation increase	<u>2.50%</u>	<u>2.25%</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

5. Pension obligations (continued)

Change in Accrued Benefit Obligation

Accrued benefit obligation at the end of the prior year	\$ 1,401,244	\$ 1,356,902
Current service cost	16,707	15,244
Interest cost	41,577	43,294
Benefits paid	(56,584)	(56,584)
Actuarial loss	<u>566,405</u>	<u>42,388</u>

Accrued benefit obligation at the end of the year	\$ <u>1,969,349</u>	\$ <u>1,401,244</u>
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Reconciliation of Funded Status to Accrued Benefit Liability

Benefit obligation at end of year	\$ 1,969,349	\$ 1,401,244
Unamortized net actuarial loss	<u>(773,894)</u>	<u>(260,821)</u>

Accrued benefit liability	\$ <u>1,195,455</u>	\$ <u>1,140,423</u>
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(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% (2022 - 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% (2022 - 10.9%) on the part of their salary that is in excess of the YMPE. The CNSOPB has recognized contributions of \$273,472 in 2023 (2022 - \$276,173). There is no further liability with respect to past service at March 31, 2023.

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, 2023. 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.

	<u>2023</u>	<u>2022</u>
<u>Components of Post-Retirement Health and Retiring Allowance Cost</u>		
Current service cost (employer portion)	\$ 31,323	\$ 36,462
Interest cost	49,573	46,194
Actuarial gains	(20,178)	(28,258)
Curtailment loss	-	78,454
Recognition of unamortized net actuarial gains	<u>-</u>	<u>(23,536)</u>
Post-Retirement Health and Retiring Allowance Cost	<u>\$ 60,718</u>	<u>\$ 109,316</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023

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

Weighted-Average Assumptions for Expense

Discount rate	<u>2.74%</u>	<u>3.01%</u>
Rate of compensation increase	<u>2.50%</u>	<u>2.25%</u>
Initial weighted average health care trend rate	<u>7.00%</u>	<u>6.83%</u>
Ultimate weighted average health care trend rate	<u>4.00%</u>	<u>4.50%</u>
Year ultimate rate reached	<u>2043</u>	<u>2036</u>

Weighted-Average Assumptions for Disclosure

Discount rate	<u>2.74%</u>	<u>3.01%</u>
Rate of compensation increase	<u>2.50%</u>	<u>2.25%</u>
Initial weighted average health care trend rate	<u>7.00%</u>	<u>6.83%</u>
Ultimate weighted average health care trend rate	<u>4.00%</u>	<u>4.50%</u>
Year ultimate rate reached	<u>2043</u>	<u>2036</u>

Change in Accrued Benefit Obligation

Accrued benefit obligation at the end of the prior year	\$ 1,638,047	\$ 1,413,813
Current service cost (employer portion)	31,323	36,462
Interest cost	49,573	46,194
Curtailement	-	78,454
Benefits paid	(13,581)	(12,571)
Actuarial (gain) loss	<u>(214,187)</u>	<u>75,695</u>

Accrued benefit obligation at the end of the year	<u>\$ 1,491,175</u>	<u>\$ 1,638,047</u>
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Reconciliation of Funded Status to Accrued Benefit Liability

Benefit obligation at the end of year	\$ 1,491,175	\$ 1,638,047
Unamortized net actuarial loss	<u>389,751</u>	<u>195,742</u>

Accrued benefit liability	<u>\$ 1,880,926</u>	<u>\$ 1,833,789</u>
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7. Net investment income

	<u>2023</u>	<u>2022</u>
Investment income	\$ 82,213	\$ 68,918
Loss on disposal of investments	(405)	(17,267)
Portfolio management fees	<u>(13,602)</u>	<u>(13,206)</u>
	<u>\$ 68,206</u>	<u>\$ 38,445</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

8. Net change in non-cash working capital balances

	<u>2023</u>	<u>2022</u>
Increase (decrease) in cash from changes in:		
Receivables	\$ 126,275	\$ (412,034)
Prepaid expenses	16,597	246,606
Payables and accruals	(342,284)	(708,947)
Payable to governments	(387,189)	(1,247,556)
Deferred grants	<u>10,000</u>	<u>-</u>
	<u>\$ (576,601)</u>	<u>\$ (2,121,931)</u>

9. Commitments

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

2024	\$ 157,982
2025	162,502
2026	165,551
2027	170,518
2028	<u>175,633</u>
	<u>\$ 832,186</u>

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.

(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 at the time of maturity when funds are reinvested.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023

10. Financial instruments (continued)

(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 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>2023</u>	<u>2022</u>
Operating grants from the Government of Canada	\$ 2,382,500	\$ 2,809,606
Operating grants from the Government of Nova Scotia	\$ 2,382,500	\$ 2,809,606
Cost recoveries refunded to the Government of Canada	\$ 294,635	\$ 752,736
Cost recoveries refunded to the Government of Nova Scotia	\$ 294,635	\$ 752,736

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2023

COST

	<u>Opening</u>	<u>Additions</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ 33,553	\$ 78,061	\$ 33,553
Furniture and fixtures	478,441	-	-	478,441
Computer equipment	620,880	43,482	53,905	610,457
Computer software	444,777	-	9,603	435,174
Equipment	<u>239,474</u>	<u>-</u>	<u>-</u>	<u>239,474</u>
	<u>\$ 1,861,633</u>	<u>\$ 77,035</u>	<u>\$ 141,569</u>	<u>\$ 1,797,099</u>

ACCUMULATED AMORTIZATION

	<u>Opening</u>	<u>Amortization</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ 2,397	\$ 78,061	\$ 2,397
Furniture and fixtures	458,143	1,832	-	459,975
Computer equipment	372,471	76,387	53,905	394,953
Computer software	442,704	2,074	9,603	435,175
Equipment	<u>193,461</u>	<u>2,924</u>	<u>-</u>	<u>196,385</u>
	<u>\$ 1,544,840</u>	<u>\$ 85,614</u>	<u>\$ 141,569</u>	<u>\$ 1,488,885</u>

NET BOOK VALUE

	<u>2023</u>	<u>2022</u>
Leasehold improvements	\$ 31,156	\$ -
Furniture and fixtures	18,466	20,298
Computer equipment	215,504	248,409
Computer software	-	2,074
Equipment	<u>43,089</u>	<u>46,013</u>
	<u>\$ 308,215</u>	<u>\$ 316,794</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2023

	(Note 11) <u>Budget</u>	<u>2023</u>	<u>2022</u>
Cost recoveries refunded to government			
Government of Canada	\$ 294,635	\$ 294,635	\$ 752,736
Government of Nova Scotia	<u>294,635</u>	<u>294,635</u>	<u>752,736</u>
Total cost recoveries refunded to government	<u>\$ 589,270</u>	<u>\$ 589,270</u>	<u>\$ 1,505,472</u>
Regulation of petroleum activities			
Personnel and Board members	\$ 2,998,000	\$ 3,050,705	\$ 3,051,608
General office and support	645,000	590,535	663,538
Office and laboratory premise costs	752,000	752,058	715,766
Consulting and legal	191,000	74,854	107,562
Supplementary employee retirement plan cost	54,500	111,616	114,245
Post-retirement health and retiring allowance cost	114,500	60,718	109,316
Diving certification & standards development	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total regulation of petroleum activities	<u>\$ 4,765,000</u>	<u>\$ 4,650,486</u>	<u>\$ 4,772,035</u>

