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Canada-Newfoundland and Labrador Offshore Petroleum Board
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Subject: Hebron Canada-Newfoundland and Labrador Benefits Plan
Response to C-NLOPB Completeness Comments

Dear Mr. Bugden:

Further to your letter of June 30, 2011, please find our response as follows.

1. We believe that we have achieved the appropriate balance of high-level strategy with the necessary detail to demonstrate compliance with C-NLOPB's Guidelines and with examples of how strategy is translated into action. Responses to C-NLOPB's completeness review comments follow.
2. The Benefits Principles that underlie the Benefits Plan and govern all of its benefits-related activities include:
 - 'Promoting the development of local skills and industry capability that leaves a lasting legacy for the communities in which we operate and for the Province.'

In seeking to leave such a legacy, EMCP's focus is on delivering industrial benefits that can be leveraged for local, national and export purposes. This includes providing competitive local companies and individuals with opportunities to acquire business, training and employment experience. Such experience is transferable to other industries, projects and markets, and helps the Province to be seen as a source of supply, service, construction, fabrication, labour, education, training and R&D capabilities and expertise that are globally competitive in terms of safety performance, price, quality and delivery. This will help the Province attract investment in future local projects and compete for work on projects elsewhere in Canada and internationally.

EMCP has the following goals that would see the Project leave a legacy over and above that achieved by previous projects:

- **A Step Change in Safety:** ExxonMobil is an industry leader in safety performance, and EMCP will work with industry, labour unions and other stakeholders with the goal of creating a lasting legacy of a culture of safe work practices. Key to achieving this goal is heightened attention to intervention by every person at a work site – approaching each other in a caring manner to prevent an injury or eliminate a hazard. EMCP senior management will back this up with strong personal leadership, supported by the full range of ExxonMobil resources and tools.
 - **Stakeholder Consultation and Collaboration:** As is expressed in a Benefits Plan principle, EMCP is committed to 'Working collaboratively with industry, government, academic and training institutions, community and other stakeholder groups for the effective delivery of benefits.' The Province has a strong base of supplier and economic development-related expertise and capacity. These stakeholders have demonstrated a willingness to collaborate with EMCP in the delivery of Hebron benefits, and shown that they recognize that sustainable economic development will only result if the Project, and the companies and individuals working on it, are competitive. EMCP views ongoing consultation and collaboration as being a key to the delivery of benefits over the life of the Project, and the Benefits Plan describes a wide range of initiatives in these areas.
 - **Building Diversity:** Hebron is the first Newfoundland and Labrador project to address the diversity requirements of the 2006 C-NLOPB Benefits Plan Guidelines. Valuing diversity is a business imperative for ExxonMobil and provides an opportunity to access an expanded labour force and supplier pool. This emphasis on diversity is reflected in the fact that the benefits teams of Hebron and its two main FEED/EPC contractors all include diversity specialists. Hebron has also demonstrated its commitment to diversity by creating a \$1,500,000 joint diversity scholarship endowment fund with Memorial University and the College of the North Atlantic, supporting educational opportunities for diverse populations now and in the future.
3. The Benefits Plan discussion of means of increasing opportunities for companies in rural areas is informed by both research and the experience of Hebron team members and consultants. As an example of the former, EMCP undertook research into the regional distribution of offshore oil and gas benefits in Norway and discovered that the Norwegian government, assisted by supplier development initiatives and the distribution of the resource and related petroleum industry activity, has played an important role in sustaining the distribution of benefits from the offshore petroleum industry.

The Norwegian government has introduced a number of initiatives to ensure that communities throughout Norway receive benefits from the nation's involvement in the oil and gas industry. For example, the government distributes taxes from offshore developments to its municipalities in the form of support for infrastructure, health care and transportation projects. The government's investments in research and development also contribute to the distribution of regional benefits from the oil and gas industry across the country.

As a consequence of these initiatives, as well as the distribution of offshore activity along the length of Norway's coastline, companies that provide goods and services to support the industry are present in three out of ten Norwegian municipalities. The development of the Norwegian Shelf and the establishment of supplier companies, government offices

and educational institutions in more rural areas have made it possible for most parts of the country to enjoy the benefits of the oil and gas industry.

Based on this and other experience, and as is reflected in our principles, EMCP is committed to working collaboratively with governments and other stakeholder groups for the effective delivery of benefits.

4. EMCP has established a framework of procedures and contractual requirements that will assist in managing contractor performance on benefits. Benefits requirements are written into the coordination procedures of the main contracts.

EMCP has developed benefits guidelines for contractors which provide detailed information on policies and procedures that can be cascaded through the sub-contract chain in a scalable manner. In addition, KKC and Worley Parsons have developed several detailed benefits procedures to ensure benefits are incorporated throughout all functional departments.

EMCP will manage contractor performance with respect to benefits through various means including periodic reviews. During the construction phase, recurring bi-weekly meetings are held both separately and jointly with the benefits teams of both contractors. These meetings provide an effective mechanism for monitoring benefits matters related to employment, procurement, supplier development and other activities and help to ensure alignment between contractors and project proponent. Co-location of the majority of EMCP and FEED/EPC contractor personnel will contribute to enhanced communication on the Project, particularly with respect to benefits. EMCP require construction phase contractors to report monthly on benefits activities using a structured reporting format, and feedback is provided on a regular basis to ensure consistency and accuracy of information.

Monitoring is a key element in EMCP's adaptive management process, providing information that is used to further refine and develop Project benefits processes, policies, guidelines and initiatives. In the case of contractor performance management, EMCP will review and as necessary revise its processes over the course of the expected over 30 year life of the Project, and especially as it moves into the operations phase.

5. EMCP provided this manual, titled "Hebron Project - Canada - Newfoundland and Labrador Benefits Guidelines for Contractors", to C-NLOPB under separate cover on July 6, 2011, without confidentiality restrictions. It has been posted on the Hebron website.
6. The requirement to provide first consideration to services provided from within the Province and to goods manufactured in the Province where competitive in terms of fair market price, quality and delivery is included as part of the information in benefits plan questionnaires, and can be found in the Canada - Newfoundland and Labrador Benefits Guidelines for Contractors.

7. As is noted in Section 3.3.2.3 of the Benefits Plan, EMCP's principal role in the technology transfer process is to stimulate the activity that will result in opportunities being identified and acted upon by local companies. Technology transfer will be an outcome of qualified suppliers gaining capabilities and being awarded work. In support of this, EMCP is:
 - facilitating the formation of relationships, licensing arrangements, education and training and R&D activities in support of identified opportunities;
 - publishing select bidders lists, allowing local companies to identify potential partners;
 - encouraging and supporting main contractors and their key procurement personnel in identifying technology transfer opportunities;
 - requesting in its Benefits Plan questionnaire details on policies, guidelines, procedures and initiatives to promote technology transfer; and
 - engaging and supporting local companies in the performance of Project-related R&D.

The Benefits Plan provides two examples of local companies availing of such opportunities: the main FEED/EPC contractors' transition plans that see Newfoundland and Labrador personnel participating in FEED activity in offices in Oslo and Houston, and WorleyParsons' joint venture with the local office of PSN. Further such initiatives will result from EMCP's technology transfer commitment and efforts, but it is not possible to forecast what they will be at this very early stage of the expected over 30 year duration of the Project.

Consistent with the Hebron Benefits Plan principles, EMCP will work collaboratively with industry, government, academic and training institutions, community and other stakeholder groups for the effective delivery of benefits, including technology transfer. For example, where appropriate EMCP may consult with the Governments of Newfoundland and Labrador and Canada, and with local stakeholders including, but not limited to Memorial University and College of the North Atlantic, in seeking to identify R&D and technology transfer opportunities.

8. The commitment to meet the first consideration provisions of the legislation as it relates to goods manufactured and services provided within the Province can be found in the last sentence of second paragraph of Section 3.3.3 of the Benefits Plan, followed with examples of practices, policies and procedures to be implemented.
9. The "Hebron Project Canada - Newfoundland and Labrador Benefits Guidelines for Contractors", provided to C-NLOPB under separate cover on July 6, 2011, without confidentiality restrictions, contains the referenced Questionnaire. EMCP has posted the Guidelines on its website.
10. a) The procedures that will be put in place to "deliver and effectively monitor compliance with the standards" are described in our response to Comment #4.

b) The Diversity Plan Implementation Schedule, Appendix 1 of the Benefits Plan, represents anticipated timelines for EMCP to communicate Human Resources-related information to enable individuals to train for opportunities (e.g annual consultations,

career fairs, and building relationships with educational institutions). Communications identified in the Diversity Plan will also be applied as appropriate to broader audiences.

11. Both main FEED/EPC contractors will be required to prepare and submit Human Resources plans to EMCP that address first consideration principles. EMCP will conduct reviews to ensure the FEED/EPC contractors are addressing this commitment. As stated in Section 3.3.4, page 3-24, of the Benefits Plan, EMCP will compile information for the construction phase, including person-hours of employment, staffing requirements and applicable succession plans for positions currently filled by non-Canadian resources, and provide it to the C-NLOPB in accordance with reporting systems established for the Project. However, the requirements will vary according to a number of factors, including site-specific mobilization tasks and productivity differentials. As a result, this information will only be available after the main fabrication contracts have been awarded and these subcontractors have developed their staffing plans.
12. EMCP will satisfy all regulatory and contractual obligations with respect to R&D, including those set out in Section 45 of the *Accord Accord Implementation Acts*.
13. This explicit acknowledgement is provided in Section 2.1, page B-4, of Appendix B, Diversity Plan.
14. The content of these studies is reflected, and in some instances summarized, in the Benefits Plan. However, EMCP considers these studies as proprietary and not a matter of completeness, and therefore respectfully declines this request.
15. As is noted in Section 5.1 of the Benefits Plan, consistent with the Hebron Benefits Principles (see Section 3.2), ongoing consultation and related collaboration are seen as key to the delivery of benefits over the life of the Project. This includes the communication of information on Project requirements and contracts and sub-contracts for both the construction and operations phases. Example mechanisms for such communication include:
 - Providing early and detailed notification of Project requirements through the Project website, the NOIA Bulletin, BIDS and other mechanisms;
 - Conducting supplier information sessions and workshops, involving main contractors' procurement personnel, to advise of Project requirements and explain EMCP's contracting strategy, size of work packages, expressions of interest (EOIs) and pre-qualification processes, and how the major work packages will be bid and evaluated; and
 - Participating in industry conferences and workshops such as are organized regularly by NOIA and/or other industry associations.
16. Consistent with discussions with C-NLOPB throughout the development of our Benefits Plan, our approach was to provide a high-level assessment referencing the evolving capability and capacity of the Canadian and Newfoundland and Labrador supply community, as was demonstrated in their participation in past projects. The assessment

was based on prior work by EMCP, Hebron Project Team members and EMCP's consultants, supplemented by custom research, participation in Project and industry events, and site visits. Further such assessment of capability and capacity will be undertaken in the future, using means appropriate to the evolving nature of the Project, regulatory approaches and the supply community over time. The actual participation of Newfoundland and Labrador companies will be enabled through our full and fair / first consideration in procurement processes and will be subject to their interest and competitiveness.

17. A request for EOIs was issued for the fabrication of this module. There were no Canadian responses.
18. Consistent with discussions with C-NLOPB throughout the development of our Benefits Plan, our approach was to provide a high-level assessment referencing the evolving capability and capacity of the Canadian and Newfoundland and Labrador supply community, as was demonstrated in their participation in past projects. Their actual participation will be facilitated through our full and fair / first consideration in procurement processes and will be subject to their interest and competitiveness.
19. The labour requirements information provided in the Benefits Plan is necessarily based on pre-FEED estimates that are insufficiently specific to permit the level of detail requested. However, more detailed requirements data will become available as the Project progresses and EMCP will provide this to stakeholders as it is developed.
20. The content of this study is reflected, and in some instances summarized, in our Benefits Plan. However, we consider this study as proprietary and not a matter of completeness, and therefore respectfully decline this request.
21. As is noted in the Benefits Plan Glossary, the Theoretical Supply of Labour refers to the estimated maximum potential supply of workers in the specified category at the point at which Hebron peak demand occurs. It includes all workers, employed and unemployed, who are classified in any of the trades or designations within the category. However, as the Glossary also notes, the Net Effective Capacity refers to the number of workers within the category who are actually potentially available for Project work, at the point at which peak demand occurs. It includes only those who have the appropriate levels of skills and experience. It should be noted that this Effective Capacity pool is shared with, and will also be subject to demands from, other active industrial projects.
22. Where specific skill development is required to meet Project staffing needs, as identified in labour capacity studies or through other projections of management, engineering, trades and other requirements, EMCP and its contractors and suppliers will work in conjunction with educational institutions, industry and other stakeholders to facilitate the delivery of training to Newfoundlanders and Labradorians. This will include regulatory/safety, technical, competency and leadership training and will be delivered through various means, including on the job training and apprenticeships.

Hebron has already held numerous meetings and workshops on labour market issues. Participants have included representatives of Memorial University, the College of the North Atlantic, and other education and other training institutions throughout the Province, the provincial Skilled Trades Task Force, the Petroleum Industry Human Resources Committee, labour associations, and groups promoting the employment of women and other designated groups. These have served to inform participants about the Project and collect information about labour market developments and initiatives.

In addition, EMCPs FEED/EPC contractors have established a number of strategies and initiatives to address identified labour shortages. For example, the main contractors are developing a Trades Database. The database will provide contractors access to a bank of trades people from which to recruit in the event that either is unable to obtain enough trades people from the Province and Canada. This contingency will help manage any anticipated shortage of trades people.

To address long-term trades needs, EMCP's main contractors are developing an apprenticeship strategy to recruit and train apprentices in the required trades, including apprentices who have encountered barriers in advancing through the apprenticeship program. This strategy will include:

- A Bridging Program for apprentices who have not worked in their trade and have been unable to advance. This may include a refresher course to update skills;
- A Progression Program for apprentices who have accumulated hours but have not completed the training and examination required to advance; and
- Training for journeypersons on mentoring and skills development in order to facilitate effective knowledge transfer from journeypersons to apprentices.

23. As is noted in our response to Comment #15 and in Section 5.1 of the Benefits Plan, and consistent with the Hebron Benefits Principles (see Section 3.2), ongoing consultation and related collaboration are seen as key to the delivery of benefits over the life of the Project. This includes the communication of information on operations phase Project requirements and contracts and sub-contracts. Example mechanisms for such communication include:

- Providing early and detailed notification of Project requirements through the Project website, the NOIA Bulletin, BIDS and other mechanisms;
- Investigating the use of distance technologies to facilitate contact between Newfoundland and Labrador contractors and suppliers, and the main FEED/EPC companies located outside the Province;
- Conducting supplier information sessions and workshops, involving main contractors' procurement personnel, to advise of Project requirements and explain EMCP's contracting strategy, size of work packages, EOIs and pre-qualification processes, and how the major work packages will be bid and evaluated; and
- Participating in industry conferences and workshops such as are organized regularly by NOIA and/or other industry associations.

These mechanisms will doubtless be revised and refined by the start of operations and over the course of the expected over 30 year duration of the Project.

24. The operations phase labour requirements information provided in the Benefits Plan is necessarily based on pre-FEED estimates that are insufficiently specific to permit the annual NOC-level detail requested. However, more detailed data will become available as the Project progresses and EMCP will provide a forecast of operations phase NOC-level labour requirements information to the C-NLOPB no later than EMCP's submission of an operations phase human resources plan, one year preceding first production.
25. The operations phase labour requirements information provided in the Benefits Plan is necessarily based on pre-FEED estimates that do not include the information requested, not least because the relevant commercial and logistical arrangements have not been finalized. However, EMCP does not anticipate challenges meeting labour requirements related to onshore employment. Detailed worker requirements data will become available as the Project progresses and EMCP will provide the requested information to the C-NLOPB no later than EMCP's submission of an operations phase human resources plan, one year preceding first production.

Critical services include such things as medical services and specialty vendors required for servicing certain equipment such as compressors, turbines, and life saving appliances.

26. EMCP does not anticipate challenges meeting C-NLOPB benefits requirements related to operations phase employment. In regard to the identification and addressing of any potential operations phase labour shortages that may be identified, EMCP will provide the C-NLOPB with information on any potential shortages and related responses no later than EMCP's submission of an operations phase human resources plan, one year preceding first production.
27. "Additional Topsides equipment" could range from the use of existing facilities (no additions), to the addition of equipment (such as master control station, topsides umbilical termination assemblies, pig launchers and receivers, hydraulic power unit, electrical power unit, and chemical injection skids), to potentially the fabrication of a module incorporating such additional equipment. If the scope is limited to the procurement of specialized equipment, the capacity assessment is similar to that described in Section 4.2.2.1. If the scope includes module fabrication, the capacity assessment is similar to as described in Section 4.2.4.5.
28. The types of services required to support excavated drill centre dredging could include, but are not limited to, crewing and staffing, ship chandler services, food stores, offshore and medical emergency services, marine fuel and lubricants, welding, steel and fabrication works, eye-ball ROV services, office space, office supplies and furniture, furnished accommodations, and car rental.
29. a) EMCP acknowledges the reporting requirements associated with the C-NLOPB's monitoring of the Hebron Benefits Agreement.

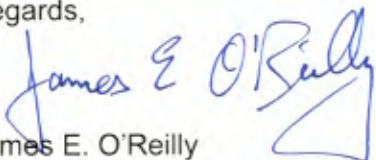
- b) Employment will be reported by gender commencing with the 2011 Diversity Report and annually thereafter.
- c) The commitment to fulfill diversity related monitoring and reporting requirements exists in Appendix B, Section 5.2.1, page B-19.
30. EMCP will conform to standard operations phase practice in providing procurement forecasts to the C-NLOPB. As is indicated in Section 5.2, EMCP, C-NLOPB and others have also expressed a desire to implement changes that will increase the efficiency of monitoring and reporting processes.
31. EMCP will set quantifiable objectives and goals. From an employment perspective, the Project will seek to employ qualified members of the designated groups to the same extent they are available in the local workforce, with a focus on continuous improvement and particular attention to areas where women have been historically under-represented. Measurement of this goal will occur by occupational category for each designated group. For example, in the case where x% of the local supply of an occupational category is female, the Project will strive for x% of that category's internal employee population to be female. The local workforce availability data will be based on Statistics Canada data, as required by the Benefits Agreement, which indicates the availability of the designated groups by occupational category in the external, or general, labour force.

As identified in the Diversity Plan, these indicators will be analyzed and assessed annually in conjunction with the monitoring report to be submitted to the C-NLOPB. This continual evaluation allows for ongoing refinement and continuous improvement throughout the life of the Project.

Information based on Statistics Canada data respecting the availability of the designated groups by occupational category will be provided to stakeholders as and when it is developed.

If you have any questions or concerns, please contact the undersigned and/or Denise Noftall at 752-6446.

Regards,


James E. O'Reilly
Environment and Regulatory Manager