

Hebron Public Review Commission
Hebron Development Application

Record of Proceedings

Public Review Sessions, Day 1:
General Session

21 November 2011

Holiday Inn
St. John's, Newfoundland and Labrador

Public Review Commission

Commissioner: Mr. Miller Ayre

Official Clerk: Ed Foran

Proponent: **ExxonMobil Canada Properties**

Senior Project Manager for Hebron Project &
Vice-President of ExxonMobil Canada Limited: Geoff Parker

Hebron Project Technical Manager: Dave McCurdy

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COMMISSIONER'S OPENING REMARKS

COMMISSIONER (Miller Ayre): Good morning, everybody. I think we might as well get started now. There will be people wandering in and out, no doubt, over the next couple of weeks.

So, my name is Miller Ayre, and on June 24th I was appointed as the Commissioner of the Hebron Public Review. By way of introduction, I have a business background in publishing and retail predominantly, and, among other things, have served as Chair of the Canadian Chamber of Commerce, as a Member of the Institute for Research and Public Policy, and I'm currently National Vice-Chair of the Canadian Forces Liaison Council.

This is the first session of the Hebron Public Review, and it is good to see such an interest over the next few weeks, based on the sessions that we have planned and based on the applications to present that we have received.

I'd like to take a little bit more time than might be usual, in fact, I'm probably required to take a bit more time than you'll even want to hear, to outline the process that we followed so far and our purpose for these sessions, the procedures to be followed and the expectations we have over the next three weeks.

Process

I was appointed by the Canada-Newfoundland and Labrador Petroleum Board, pursuant to Section 44(2)(b) of the Accord Act, to conduct a comprehensive review of the Hebron Project to include considerations of human safety and environmental protection incorporated into the proposed design and operation of the project, the general approach to the proposed and potential development, and exploitation of the petroleum resources within the Hebron Significant Discovery Area, the resulting benefits that are expected to accrue to the province, Newfoundland and Labrador and to Canada, having particular regard to the requirements for a Canada-Newfoundland and Labrador benefits plan, and a consideration to the matters dealt with in the development plan guidelines and the benefit plans guidelines.

Some specific topics have been excluded from my review, and specifically excluded: Questions of energy policy, jurisdiction, fiscal or royalty regime of the government, a division of revenues between the Government of Canada and the government of Newfoundland and Labrador or matters which go beyond the potential or proposed development of the Hebron Significant Discovery Area.

The C-NLOPB Board conducted a completeness review of the Development Application sent to them by ExxonMobil, the operator, on April 15th, 2011, including the Development Application Summary, the Development Plan, the Socioeconomic Impact Statement and Sustainable Development Report and supporting documents.

The Benefits Plan is also part of this Development Application, and this was submitted to the Board on May the 10th, 2011. The Board deemed that the Application was in compliance with regulations and forwarded the documents to me for public review on August the 25th, 2011. I have 180 days from August the 25th till the time that my final report must be written

and submitted to the Board.

Following the Review Guidelines and our Operational Procedures, including appropriate notice periods, I have requested public input during two stages of the Review process: During the additional information review which is now complete, and during the Public Review sessions which start today.

On September the 30th, I submitted a request for additional information to the operator ExxonMobil Canada, taking into account questions asked from the public and from the Commission. After carefully considering the information received, two weeks later from ExxonMobil, on October the 14th, I was satisfied that ExxonMobil had provided enough information, clarification to proceed with the Public Review sessions.

On October the 21st, I gave the 30-day notice that the Public Review Sessions would begin on the merits of the project on November the 21st. So here we are.

These Public Review Sessions scheduled for the next three weeks are designed to hear directly from you, members of the public, what you're interested in, and for you to interact with ExxonMobil. The sessions also give ExxonMobil the opportunity to explain the project to the public. Individuals and groups will present their views at the sessions as scheduled. All questions will be directed through me. As Commissioner, I can also ask questions as issues arise. The atmosphere for these sessions would be less formal than the courtroom-type atmosphere, and they will be cordial, and there will be some degree of formality, but, as I say, not the courtroom variety. I'll really try to sum it up by saying there will be no swearing in and no swearing on. (Laughter). We are following the process laid down in our Operational Procedures which are based on Chapter 6 of the C-NLOPB Development Plan Guidelines, by Terms of Reference and the mandate.

To give you an overview of the daily routine for these sessions, I will open each day with some brief remarks on Procedures and Process. ExxonMobil will then give their presentation to discuss their project in keeping with the themes of the day. There will be opportunity after their presentation for questions arising from previous day sessions, except, of course, for today where there was no previous session. After a coffee break, we'll return and hear from the scheduled presenters. Each presentation should normally take 15 minutes but many of our speakers have asked for extra time in advance and, where possible, we've granted it to them. Each presentation will be followed by a Question and Answer period. I would ask that all speakers respect the time allotted to you, and my intent is to keep to the public schedule as best we can.

There will be a box with three lights on the speaker's podium: Green for go, yellow giving you five minutes' warning, and a flashing red light telling you it's time to conclude your remarks. If a presenter is scheduled for the morning session or the afternoon session, they'll present in the morning or the afternoon, but within the morning or afternoon of course presentations may move a little bit around the schedule, depending on how quickly some people finish and others can move right in.

During the session, members of the media may be present. In fact, I see they are. And I would ask that the media using audio and video equipment limit themselves and taping to the

designated areas within the room, and be especially careful not to be disruptive to presenters. We're not used to being in public sessions. The media may move about during breaks but not during the sessions. It's my obligation to make presenters feel comfortable, and should I determine presenters are being inhibited by movement of the media, I may have to restrict things a little bit, but we want to keep it as wide open as we can. I have a small bias in that direction, of course, based on some of my experience.

I advise the media that any voice or video interviews of the participants at the session should occur outside this room. Each session is being taped and transcribed, and it will be prepared as quickly as we can for each session. Speakers are reminded to please identify themselves by name and organization for the transcriptionist. I failed immediately by not saying exactly who I was before I even introduced myself; but that's just a habit we'll have to get into, because if you're trying to transcribe these notes it is really tricky business when you don't know whether the speakers, you know they've changed but you don't know who it is. So, it may be a little redundant and awkward occasionally for you to have to identify yourself when everyone in the room knows who you are but you got to think of a transcriptionist sitting around at 4 a.m. in the morning trying to figure out who's speaking and keep the notes and the transcription as accurate as possible. So, you'll just to have to remember to mutter name into the microphone.

The unofficial transcripts of the sessions will be provided on a typical 72-hour delay, and we'll try to beat that if we can, and will contain a disclaimer stating they are unofficial transcripts. When the transcripts are reviewed by the Commission, and any obvious errors and corrections are made, then we'll have them posted as official.

My expectation is that these sessions should be respectful, informative and result in good dialogue between all parties.

Before starting the presentations, I'd like to introduce my team:

First of all, on my right, Ed Foran, our Project Manager, who is also hereby appointed Official Clerk of these proceedings in accordance with Section 4.6 of our required procedures.

Shannon Lewis-Simpson is sitting over here. Shannon, if you could sit up. Stand up, sorry. You're sitting quite nicely, actually. ... our Communications Manager who will be liaising with all presenters. All immediate requests and questions should be routed through Shannon.

Claudine Murray is there as well, and Claudine is our Office Manager who'll be administering the material and providing you with any indirect help you may need and keeping our official record straight.

Bridget Daley from Goodland O'Flaherty is our legal counsel and is sitting between these other two ladies, and will be in attendance at this session and possibly some others.

So, in addition to those people in the room right now, I should point out that two of the people who are advising us on a professional basis, I'd like to introduce them:

Dr. Wade Locke, God knows no one needs an introduction to Wade these days. Wade is a

full Professor of Economics at Memorial and specializes in the Newfoundland and Labrador economy, resource, economics, energy issues, public finance, economic impact assessment, cost benefit analysis.

And Pat Stamp has also been helping us with benefits, and this is Pat is this the back there. He stood up quickly and sat down. I saw him anyway. Most of you probably know Pat. Pat is an independent economic consultant. He's held senior positions within the Federal Government related to economic development. He conducted Economic Policy Research and advised Federal Ministers in support of negotiations both for NAFTA and, of course, the Atlantic Accord. He's also played a lead role in planning and implementing initiatives to maximize local participation in key industrial sectors, and has provided his direct support on occasion to C-NLOPB in auditing industrial benefits programs.

So, both of these people are in attendance today and at other sessions. Some of the other people whom we've engaged to help us directly will also be present.

In the spirit, I would think of ExxonMobil, if not good practice, I'll now take a safety moment. There is an exit that you came in through. There is an exit on the right. Should the need arise by a loud clanging of bells and so on, these are the routes that you exit from. This one, if it's the most available to the major exit out here, so it would be your first option. I think, I don't know. Did I do that all?

UNIDENTIFIED VOICE: Yes.

COMMISSIONER (Miller Ayre): I hope I didn't steal your thunder there, you know. (Laughter). There are two breaks scheduled; one in the morning and one in the afternoon, but lunch is on your own time. The washrooms, for those who don't know, are outside this door. So, if there are no questions for me on procedures, at this point I would call on Geoff Parker to introduce the ExxonMobil team and for ExxonMobil to begin their presentation. Geoff?

PROPONET'S PRESENTATION

GEOFF PARKER: Thank you, Commissioner and good morning. First, on behalf of the entire Hebron team I would like to thank you for the opportunity today and in the coming days to talk about the Hebron Project. We are very proud of the project and the work that the team has done to date.

During the sessions we'll talk about our fundamental commitment to safety and protecting the environment, as well as our general approach to the proposed and potential development of the petroleum resources within the Hebron Significant Discovery Area. We will outline the framework that ExxonMobil has created to put these commitments into action. That framework is called the operations Integrity Management System or OIMS for short. OIMS is a structured and rigorous approach to identifying hazards and managing risks. We'll also cover the tremendous benefits the Hebron Project represents for the people of this province and the entire country, and we'll explain how the project will meet the requirements of the benefits plan.

But before we get into all of that, I'd like to give you a little background on myself and my colleague joining me at the table, Dave McCurdy. I'm Geoff Parker and I'm the Senior Project Manager for the Hebron Project and Vice-President of ExxonMobil Canada Limited. I'm an engineering graduate from the University of Western Australia. I've been with ExxonMobil for more than 20 years, and during that time I've worked on gravity-base structure projects in Australia, Western Europe and Russia. Most recently, I was project manager of the Arkutun Dagi GBS platform in Russia where I managed the project from early concept through the substantial completion of construction.

Dave McCurdy is the Hebron Project's technical manager. He's a Mechanical Engineer who has spent nearly 30 years working in the international oil and gas industry with ExxonMobil. Dave has lived and worked in the United States, Canada and Italy, and he's been with the Hebron Project since early 2009. In that time, he has been around the province with the Hebron team and has heard directly from many of the people who will be participating in the review sessions over the next few weeks.

A lot of work has been undertaken and substantial progress is being made since the Hebron agreements were signed by the province and the Hebron co-ventures three years ago. You can see the names of our co-ventures listed on the slide. They are Chevron, Suncor, Statoil and Nalcor, and we're very pleased to be working with these companies who share our commitment to responsible development.

Our Development Application, which we submitted earlier this year, lays out our plans for the life of the project. We are confident that we have a strong project. Our plans for engineering, construction and operations are being developed to ensure the safety of everyone involved in the project. We've conducted a detailed Environmental Impact Assessment which included significant interaction with external stakeholders through the Comprehensive Study Report process. We have worked diligently to ensure that our project is having a positive socio-economic impact.

As the Commissioner said, the Hebron Project Development Application has been assessed by the Board and deemed to be complete for the purposes of this Public Review. That scrutiny will be continue during the Review Process and throughout the remaining regulatory process.

The Project Application has been shaped to a significant degree by the input received from a number of parties. The project team consulted with the supply community, postsecondary institutions, municipalities, Provincial and Federal Government officials, the Offshore Petroleum Board as well as local organizations and other interested parties during the extensive public consultations that led to the filing of the Development Application.

The Hebron Project has a number of direct benefits for the people of the province. First and foremost, it will provide meaningful jobs and careers for Newfoundlanders and Labradorians. Diverse jobs for a diverse workforce.

Furthermore, our investments, combined with the Province's equity in the project, plus the royalties and taxes generated from the operations, will help fund provincial infrastructure, social programs, research and development, education and training and services for decades to come. And it is very important to recognize that the Hebron Project will offset projected

declines in oil production offshore Newfoundland and Labrador, and will help meet global energy demand for many years into the future.

During this Review Process, we should keep in mind that the Hebron Project is in the defining stage. That occurs prior to the detailed engineering and detailed execution planning. And while all the details have not been developed at this stage, we can confirm that the engineering and execution plans will be consistent with the Regulations, Development Application and Benefits Agreement.

Commissioner, I'm here today with members of the project team, sitting over here, to walk through our plans and answer your questions, as well as the questions from other interested parties. This project is an important one for everyone in the room. If the Development Application is approved and the co-ventures sanction the project, it will benefit virtually everyone in the province. We look forward to spending a lot of productive time with you over the next three weeks.

Now, I will provide a summary of our Development Application starting by outlining the commitments that underpinned our plans for development of this world class resource.

Summary of Development Plan

So in terms of framing the overall commitments of the Hebron Project team, we like to think of our mission as successfully delivering the Hebron platform while achieving world-class levels of safety, security, health and environmental performance, and at the same time providing substantial benefits to Newfoundland and Labrador, building and strengthening relationships with the Newfoundland and Labrador community, and ultimately creating an offshore platform that will operate safely and reliably.

As the Commissioner said, the Development Application consists of two primary documents: The Development Plan and Benefits Plan. Some supporting documents as part of that application include the Concept Safety Analysis, the Socioeconomic Impact Statement, the Comprehensive Study Report and the Development Application Summary. All of those documents are posted on the Board's website. For those who don't want to get into all the details, I would recommend the Development Application Summary.

As the Commissioner alluded to in his opening remarks and safety moment, safety really is a core value for ExxonMobil and our co-adventurers. To us, it is vitally important that everybody who works on the project, works safely and gets to go home at the end of the day in the same healthy condition they were when they started work that day. We have already started applying programs to ensure the safety of our engineering officers and our construction sites. It really is important to us that we meet our vision of nobody gets hurt. Very pleased with the partnership we've already commenced with many local contractors the help them understand our safety expectations and to share tools in terms of managing safe work sites. We've had over the last several years, we've been holding safety forums in St. John's and elsewhere, and during those sessions we get in many of the local contractors, we talk about some of the challenges facing us on safety, and then we come up with programs and customize our programs to suit the local environment. Very pleased with the engagement of the local contractors and their willingness to work with us to create safe work

sites.

But safety isn't just about construction safety; we also see part of our mission as designing an offshore platform that will operate safely. The Concept Safety Analysis is one of the first steps in that process and that is part of the Development Application. The Concept Safety Analysis identifies major hazards associated with the Hebron facility, taking into account the basic design concepts, the layout and intended operations. So this is done way back at the early conceptual stage. It assesses the risks to personnel and the environment resulting from those hazards that were identified, and then those risks are assessed during the detailed design phase. So you can think about the concept safety analysis as being an input into the design phase and it's really the first step in a structured process for risk management that will continue throughout engineering, construction and then into the operations.

The Development Application also describes the petroleum resource and the offshore platform facility. The resource was first discovered in 1980, and then in 1999 further exploration discovered Pool 1, and Pool 1 is the largest of the five pools in this field. Pool 1 does contain a very heavy crude which makes it a bit more difficult to produce, say, compared to Hibernia. The total resource we see as somewhere in the range of 660 million barrels to over a billion barrels of oil. This really is a well-scaled resource.

The Offshore Platform Facility consists of what we call the GBS or the gravity base structure and the topsides. And you can think about that as the GBS being the concrete section predominantly below the waterline, and the topsides as being the production and drilling facilities above the waterline. The GBS is a single shaft and it contains 52 well slots, and so through that shaft is where the drilling is done. The GBS and the base of that also contain 1.2 million barrels of oil storage.

The topsides facilities, as I said, are for drilling and production, and the topsides oil production rate is 150,000 barrels per day. You can see there, there is also a very large amount of water injection, and that water injection is required because of the heavy crude that I referred to. So we need to be injecting water into the reservoir to maintain the pressure so that we can produce that heavy oil.

This slide is intended to provide an overview of our construction plan, and I'll point to the screen on the right for those who are following that. The topsides facilities that I mentioned are in the yellow boxes on the left-hand side of the slide. The topsides facilities consist of a utilities process module, a living quarter's module, a drilling support module, a drilling equipment module and a flare boom module plus some other miscellaneous pieces. Those pieces are all fabricated and then brought together at the Bull Arm integration site to form one large integrated deck, and this becomes, then, one of the largest integrated decks ever built.

At the same time as that is happening for the topsides, we have the GBS. We have the very base of the GBS is built in the dry dock at Bull Arm and then that is floated, not very far away, to what we call the deep-water site which is just around the corner in Greater Mosquito Cove. At the deep-water site, the concrete GBS is completed and then the topsides is floated over on top of that concrete GBS while it's still floating to form the complete platform. That complete platform is then towed out to the Hebron field, lowered to the seabed, and then it sits there under its own weight; hence, that's why it's called a gravity base structure because it

sits there under its own weight. It is connected to the pipelines that will export the oil to the offloading system where it can be offloaded to tankers.

So it does seem simple when you put it on one slide but, believe me, it is not simple. This is a large, world scale complex project.

The overall time line is shown on this slide. We commence to the FEED, front-end engineering design, last year and that is continuing as we speak. The Development Application was filed, as the Commissioner said, earlier this year and then, a few months ago, we started work at the Bull Arm site. We started the site preparation works. Later this year we're expecting approval of a comprehensive study report. That is the Environmental Impact Assessment that will allow us to continue doing the construction of the dry dock at Bull Arm.

Next year, we plan to commence the detailed the design, and then we would also be expecting the Development Application approval. Following that, the co-ventures would plan to sanction the project and then move forward with GBS construction, and then in 2013 start the topsides fabrication. Then, as you remember from the previous slide, those two pieces go on in parallel for several years, and then all come back together to do the hookup and commissioning, putting the topsides and the GBS together before the platform is towed out to meet our target first oil date of 2017.

The Development Application, which includes the Benefits Plan, also outlines our approach to benefits. That approach covers both the development and the operations phases. And by the development phase, I mean the engineering and construction phase. And it is worth remembering when you look at this time line at the bottom of this slide, that the construction and engineering period is about five years and the ongoing operations will go for 30 or more years. So we really want to focus on long-term sustainable industrial benefits. We see our role as leaving a lasting legacy in the province. We would like to further advance development of industry in the province to utilize and build on capability from previous offshore projects.

To help us to do that we've had extensive and ongoing consultations to shape our benefits efforts. We've consulted with the supply community and numerous other organizations. Our benefits plan addresses the Atlantic Accord Acts and the Benefits Agreement, and the plan does address the measurable commitments that were made in the Benefits Agreement.

The key areas addressed in the Benefits Plan, project management showing our organization for the overall delivery of benefits. The plan talks about supply development, and in terms of that we're being having information sessions, particularly to help local organizations understand our expectations on safety, quality. Help them understand our procurement processes so they can be involved in the project.

It outlines our procurement and contracting. Our objective to provide full and fair opportunity to all Newfoundland and Canadian companies.

It outlines our education and training initiatives, and some of those you can see photographs on the page there; for example, the process labs that we opened at The College of the North Atlantic to help train people to be able to work in the future on our offshore platforms.

It talks about research and development. Many initiatives have already been kicked off to develop the needed technology to develop the resources of Newfoundland and Labrador. And it talks about our efforts around diversity. And again, some of the photographs. We've had diversity scholarships at the Memorial University and The College of the North Atlantic and we're being working to support various organizations that support women and other designated groups.

And I guess what I like about a lot of these initiatives is that they make good business sense. If you look at education and training, it's helping us develop the qualified workforce that we will need for the projects and for operating the offshore platforms. If I look at research and development, it's developing technology that will enable us to develop the resources and to be more cost effective in that development. And then I look at diversity where we see it as essential to expand the pool of qualified candidates, and we see a good way of doing that is drawing on some of the underutilized sectors of the workforce. And the other benefits of the diversity have been demonstrated that a diverse team is a higher performing team.

Environmental management is also outlined in our Development Application. Our approach to environmental management is to implement it through systems, policies, processes and tools consistent with the operations integrity management system that I mentioned earlier; and ultimately, our goal on environmental protection is *Protect Tomorrow. Today.*

Our approach is based on sound science and a life cycle approach. By a life cycle approach, I mean we take it all the way from the initial planning through concept selection, through design construction, operations and decommissioning of the platform. We see it as our role to activity management the environmental risks and to focus on continuous improvement. So it's a structured approach and it starts early.

Another way to explain that structured approach through the life cycle is to think about way back at the beginning, on the left-hand side of this chart, we have several options that we'd be looking at as part of the concept selection. And so specific to the Hebron Project Development, we would look at the environmental analysis for those concepts and feed that in to the concept selection. Having gone through concept selection and came up with a specific concept, we then start doing our Environmental and Socio-Economic Impact Assessments, and the results of some of these form part of the overall project documents and the Development Application; for example, the Environmental Impact Assessment is a comprehensive study report.

So having those foundation documents, we then move on and identify and implement mitigation measures and include those in our Environmental Protection Plans, and in this case, an Environmental Protection Plan for the Bull Arm facility and Environmental Protection Plan for the offshore operations. And then in each of those plans, we would include the training, prevention and mitigation. We've already started training of the Bull Arm site in terms of meeting the Environmental Protection Plan there, and then we have environmental monitoring and reporting, and then we'll be doing assessments on environmental and regulatory compliance. And so we see this entire effort beginning back at concept selection and moving through the implementation phase as providing environmental protection and getting back to our aim of *Protect Tomorrow. Today.*

Another fun part of the project is the community investment. Many of our project team members are from the Newfoundland and Labrador community; others are living here for several years. We really see it as one of our obligations to support the communities in which we live and work.

Some of the photographs here, on the left-hand side you can see girls from the St. Mary's school in the Bull Arm area. We sponsored them in the Texploration program. So we provided funding but we also provided role models. So there were some engineers in our organization that these girls could interact with to understand about what is a career like in science and technology.

Moving clockwise, you can see here the Dunne academy Robotics Team. We sponsored them to attend an international competition in St. Louis. I think they won the province competition, and then we helped them move to the international competition.

We also support the arts. You can see here the Newman Sound Men's Choir. We sponsored their debut CD and very pleased to hear that they actually won Classical Artist of the Year at Music NL. So we really are very proud to be associated with the Newman Sound Choir.

And then in the bottom left is a photo from one of our United Way efforts. ExxonMobil is a big supporter of the United Way as is the Hebron Project. We support in funding, in donations but also in our time. As an example, our project team took time out to go and work in the St. John's and Mount Pearl area to clean up trash.

So supporting the communities in which we live and work we see as another one of the ways that we get to involve ourselves in the community here.

So finally, I wanted to just close again on going back to our commitments and some of the themes that you've heard throughout this presentation. We are here to successfully deliver the Hebron Project. We are here to achieve world class levels of safety, security, health and environmental performance. We are here to provide sustainable benefits to Newfoundland and Labrador, and we're here to build and strengthen our relationships with the Newfoundland and Labrador community. And ultimately, we're here to create an offshore platform that we can be very proud of and that will operate safely and reliably for many years. Thank you, Commissioner.

COMMISSIONER (Miller Ayre): Okay. Thank you, Geoff. At this stage, it seems a little early for a break but, nevertheless, we'll take a few minutes so that we can have the NOIA group get their presentation ready and get in place, and they will be the first of the presenters for the review this morning; and I anticipate they will last most of the morning. So, if we could all be back in 10, 15 minutes we'll get going with the presenters. Thank you.

(Coffee Break)

COMMISSIONER (Miller Ayre)... (Recording not turned on) from the registered participants. For each session there is a detailed schedule and we'll keep to the schedule as best we can.

For non-registered participants, those non-registered, when they came in, at least, there is a form available from Commission staff that you can complete with your name on it, if you want to have the opportunity to speak later in the day at the end of the session, if time permits, which is the way the regulations are set up for this. So, I think these forms are, generally speaking, around here but you can ask Shannon or Claudine, if you did wish to speak at the end of the day, ask questions, so on. And we'll see what we can do in terms of time, when we get there. When you filled out your registration form, if you'd also return it to the staff, that would also be helpful.

I'll now ask Ed Foran, as Clerk of the proceedings, to accept the submissions of the registered participants, and, in particular, start with our first session.

ED FORAN: Thank you, Mr. Commissioner. Today we have the Newfoundland and Labrador Oil and Gas Industries Association, NOIA, to present. And, Mr. Commissioner, we have their report which we've noted on our website as PRS, Public Review Session, Document No. 27, which we have accepted and thank you. And so I would now invite Bob Cadigan to start their presentation.

ORAL PRESENTATIONS

BOB CADIGAN: Mr. Commissioner, good morning, ladies and gentlemen. I'm Bob Cadigan, President and CEO of NOIA, which is the Newfoundland Oil and Gas Industries Association. Very pleased to be here today. It is an important project and certainly a very important process. (Phone ringing).

COMMISSIONER (Miller Ayre): I'll ask everyone to turn off their cell phone. (Laughter all around).

BOB CADIGAN: Mr. Commissioner, I'm glad I already turned mine off, so we're okay. So on behalf of NOIA members and our Board of Directors, I would like to thank the Hebron Review Commission for giving us this opportunity to be an early presenter during this process. I'm joined here today by Mike Critch. Mike will be the Incoming Chair of NOIA. Mike is taking a role in terms of assisting with staff in terms of the preparation of the Commission on behalf of the Board. So we will both speak to you today during our allotted time.

NOIA has participated in Development Application reviews for all projects, and we appreciate the process and the time commitment the Commission has given to this very important project. We have already started our work with the Commission. We submitted a request for additional information through the Commissioner, and those requests were answered by the Proponent through the public release of responses on October 20th. So I'd just like to tell you a little bit about NOIA. I'm sure most of you probably know, but just in case. We were founded in 1977, and we are Canada's, we always say the largest offshore industry association. We have more than 560 members in Newfoundland and Labrador, Canada and around the world. And we represent supply and service community in the province's oil and gas sector. More than three quarters of NOIA members are based in the province, employing thousands of people here, paying provincial taxes, buying goods and services from other local businesses. NOIA members have a stake in the sustainable development of the province's petroleum resources and in the responsible development of the fourth oil field off our shores.

Mr. Commissioner, just let me state unequivocally, NOIA supports the development of the Hebron Oil Field, the development, and our members are enthusiastic to see it move ahead. Our presentation today will have four sections. We will talk about local benefits that must be derived from any oil and gas development in our province; the process of procurement that takes place during these projects; the legacy that should result from these projects and this industry; and finally, we will leave the Commission with recommendations from NOIA on the Hebron Project. But first let me ask Mike Critch to say a couple of words of introduction as well.

MIKE CRITCH: Thanks Bob, and thank you, Commissioner, for the opportunity to speak here today. I am very pleased to be here as well. I'd like to introduce our presentation and set the tone for what NOIA believes in and what we feel is most important focus for this Commission. For many generations our province has struggled economically and we have strived to have a non-interrupted, world class engineering and industrial sector. We've strived for prosperity. We've been seeking more reason for our young people to stay and work and live in our province, and things have gotten better. Things have gotten better because we're blessed with natural resources and we are reaping the benefits of those natural resources. There is little doubt that our oil and gas industry has made a difference. It is made a difference to me personally. As a young Newfoundland and Labradorian, I graduated with an engineering degree. I, like many in my generation, had to move away to find employment, and I was fortunate. I was fortunate to gain experience, both in the Alberta oil fields, in the North Sea and in the Gulf of Mexico. And because of the vast success of the oil and gas industry over the past two decades in our province, I was able to return home and establish myself in a successful and meaningful career. I was able to achieve this because of the local oil and gas industry. This industry has impacted many native sons and daughters, allowing us to return or remain at home to find work and to have a good standard of living. NOIA believes that each offshore petroleum project has laid the groundwork for the next project, and that each new project on our shores should expand upon the province's expertise and capacity to develop oil and gas fields, not only here but globally. Hebron should be no exception. We know that the Hebron Project will continue the oil and gas industry's positive impact on the province and its economic fortunes. Newfoundland and Labrador companies operating in the province are a testament to the growth and local capabilities. They can and do provide expertise in the offshore petroleum engineering, fabrication, safety and operations in a harsh environment. We are seeking a continuous, long lasting industry that grows in its capacity as well as its capability. The oil and gas industry has provided great opportunities in the province's quest for prosperity, and we continue to seek a thriving petroleum industry that provides even greater reason for our young people to remain here.

In a recent report, the Atlantic province's Economic Council stated that all royalties have transformed Newfoundland and Labrador into a have province. And we've all heard that. Oil production is fuelling the province's GDP growth. Oil royalties are the biggest source of revenue for the provincial government, accounting for at least 30 cents of every dollar in provincial revenue last year. Personal income is up 35 percent, and overall employment growth is up almost 16 percent since 1997; the year Hibernia first pumped oil. Our oil and gas industry directly employs more than 4,000 people at Hebron, Hibernia, Terra Nova, White Rose, North Amethyst and the many exploration projects we have ongoing. That number increases to almost 17,000 direct jobs when spinoff employment is included, according to a

recent report by the Canadian Energy Research Institute.

The positive impact on that economic activity can be seen in more business. For the industrial parks you see it that are in St. John's, Mount Pearl to service the industry. You can see it in much of the ongoing construction you see around the province. You can see it in restaurants, art galleries, car dealerships, hotels, et cetera. It is all very positive but we can do more. The vastness of the resources we are talking about should permanently change our economic future, not just until these projects are over. We should be thinking, planning and working together to ensure the impacts felt are not short term. The impacts should be meaningful and long term and provide a technical capable for exports for many years to come. We should be developing companies and people who run those companies so they can compete on a world stage. We should be ensuring that proponents that come here to develop our resources leave an indelible mark for Newfoundland and Labrador and one that can be measured.

After many discussions with our membership, NOIA believes that while we're doing well, and we are appreciative of the success so far, we still have much work to do. We must not assume because the projects are happening and the royalties are flowing, that we are achieving all we can achieve. We must stay focused and diligent to ensure what is happening under the Benefits Plan is true to the spirit of these agreements. We must listen to our supply communities, our engineering and fabrication companies and all the spinoff sectors. We must listen when they say they can't compete because the cost to comply are prohibitive, and we must listen when they say they can't compete because they struggle to keep people locally.

While it is hard not to be optimistic, given big employment numbers in provincial royalties, we must continue to look deep into the details to be really sure the spirit of local benefits is being met. We should build a technical capacity that will allow us to compete on the world stage and build local capability and an industry that is long lasting and will attract workers to our province. And for now, I will turn things back over to Bob to talk a little bit more about that.

BOB CADIGAN: Sorry, folks, if it appears like whack-a-mole with Mike and I getting up and down, but we were more set to work from a table. This works well, as well. Anyway, thanks, Mike, for your comments.

I'd like to talk now about local benefits and what really matters. NOIA believes that the local community workforce should grow dynamically with each offshore project. As well, we believe that this expertise and capability can be transferred to other sectors of our economy; such as mining, construction or exported to other Canadian and international projects. The Atlantic Accord Act requires all offshore petroleum projects have a benefits plan; and certainly, from NOIA's perspective that's mostly what we speak about here today. And one that gives first consideration for employment and training in Newfoundland and Labrador residents. The Act also states, first consideration must given to services provided from within the province and to goods manufactured in the province for those services and goods are competitive in terms of market price, quality and delivery.

The Benefits Plan must also provide those in the supply and service community in the province and other parts of Canada with full and fair opportunity to participate in the project on a

competitive basis. The Hebron proponent acknowledges the lack of specifics in its Benefit Plan, noting the plan is a high level document and describes benefits approaches that flexibility to respond to change.

NOIA believes the Benefit Plan must be specific in terms of benefit commitments to ensure that our local supply and service community advances through the execution of this project. The Hebron Benefits Plan also acknowledges progressive nature -- sorry, the progressive development of our oil and gas industry with each offshore project.

The Benefits Plan goes on to say that it builds on and has been developed with a goal of further enhancing the development of the industry in the province so that the project delivers long-term value to shareholders, Newfoundland and Labradorians and Canadians. This includes contributing to the Province's reputation as being a source of supply, service, construction, fabrication, labour, education and training and R&D capabilities and expertise that are globally competitive in terms of safety, performance, price, quality and delivery.

Now, while we believe that the Hebron Benefits Plan adds requirements that are beyond the scale of the current capacity of the local supply and service sector, the use of the term "globally competitive" throughout the Benefits Plan sets somewhat of a standard, I guess, that small industry like ours will struggle to reach in its current state.

In NOIA's view the proponent should focus efforts on advancing the local industry towards global competitiveness, not make it a condition of our success. Nowhere in the Atlantic Accord does the phrase "globally competitive" appear as the basis for local participation in oil and gas projects.

NOIA's members expect with each new project to raise the bar on local content and participation at all levels of development and operations; not just increasing the person hours of work achieved, but increasing the level of specialized work, technology transfer and expertise gained.

NOIA defines technology transfer as local companies acquiring technological expertise and capability but partner in a work with companies that bring value to the work that can be done here. Technology transfer must be encouraged and enhanced through good working relationships and substantial participation and joint ventures. We applaud the proponent for the training of Newfoundlanders and Labradorians and Canadians, but training alone does not transfer knowledge to local companies to improve their ability to compete.

We seek a proactive stance from the Proponent to develop an executed plan that leaves the supply and service community stronger after Hebron than before Hebron.

As part of the regulatory requirements, project operators are required to regularly submit information to the Canada-Newfoundland and Labrador Offshore Petroleum Board, the C-NLOPB; detail and local benefits in project employment and spending. Operators collect much of this information from their contractors, and these contractors are NOIA members, and our members want to know the end result of that reporting process. While the C-NLOPB tracks the data and publishes a portion of this in its annual reports, it doesn't publicly release detailed information, and the lack of publicly available information about local content at each

stage of the project makes it difficult to tell if we are achieving increased local benefits or local content at levels in engineering design and fabrication from one project to the next.

First consideration is a requirement of the Atlantic Accord. Proponents must be measured on its achievement. NOIA believes that a mechanism for comparing projects must be publicly available and information released on the timely basis and at the completion of the project. This benchmarking, along with reporting on the proponent's performance in attaining and exceeding its commitments, is a critical step in division implicit in the Atlantic accord.

We are seeing some erosion of local benefits happening in our offshore oil and gas sector. We have seen this happen in other locations. We have seen it happen in the state of Western Australia where multimillion-dollar liquefied natural gas projects are underway. They are seeing a similar erosion of their local benefits in their offshore petroleum industry; particularly, in steel fabrication, engineering and design. As well, they are seeing overseas competition occurring in areas that were once almost entirely served by local companies.

Report by the Western Australia government notice these changes have been particularly pronounced in offshore energy projects. The report states that local industry participation has decreased from a peak of 72 percent to an estimated 45 to 55 in more recent projects.

The Western Australia report also explains how the advantage of local companies is diminishing due to a number of factors. And these factors include: The increased use of modular construction technology to produce major capital equipment which is usually supplied from overseas; the design procurement and contract management moving offshore, and the rising use of global supply chains in international marketing arrangement. We do not want to see that happen here and that is why we must strive for continuous improvement in the level of local participation in oil and gas projects developed off our shores.

I would like to now turn our attention to another important subject. When we spoke to our members and they told us they wanted to talk about the procurement process, and NOIA believes the supply and service companies resident in Newfoundland and Labrador must be provided with first consideration, a full and fair opportunity to bid for work on the Hebron Project. To achieve this, NOIA believes a transparent and consistent procurement process is required during both the operation, the development and operation phases offshore projects such as Hebron.

It is important for me today to stress that NOIA appreciates the effort by the proponent and its engineering EPCs, the contractors, to hold sessions with local businesses. That was a very, very positive step. These sessions do help to educate the local supply and service community on the Hebron Project requirements and procurement process, however, additional work remains to be done and a collaborative industry effort is needed to create a transparent and consistent bid process that is followed from project to project and company to company. This is the only way public confidence in the Atlantic Accord requirements is assured.

NOIA believes the procurement process should include regular and timely publication of detailed procurement forecasts - I stress detailed - expressions of interest, bidders' lists and contract awards. Regular updates enable local companies to stay in the loop, track their progress at each stage of procurement, and build business relationships with the contractors

that do qualify to bid.

During their participation in the Atlantic Energy Round Table, the Canadian Association of Petroleum Producers, or CAP, outlined a similar process in a 2004 report that contained recommended practices between offshore operators and supply and service companies in Atlantic Canada.

CAP stated:

"Through the sharing of information and streamlining, the supply chain management process will make the procurement of goods and services for the offshore petroleum industry in Atlantic Canada more efficient and effective.

Implementing a transparent consistent procurement process is just one step in ensuring full and fair opportunities for local contractors, but there are barriers to an effective procurement process. Frame agreements with international suppliers not based in Newfoundland and Labrador that may exclude local companies from the supply chain.

The sizing of big packages that aren't scaled appropriately to ensure local and small and medium-sized contractors to bid on the work they're capable of doing. The local supply and service community must have timely access to the proponent and this main EPC contractor but also to bidders for the major components of the Hebron production platform to help them become part of the bidders' supply chain. International suppliers not based in the province with frame agreement should partner with locally-based tax paying companies to ensure technology transfer. With sufficient notice of an operator's requirements, NOIA members are able to deliver better products and better services to operators. Sufficient notice enables investment decisions to build capacity. Good communication and consistent bid practices are a key element in delivering projects on time and on budget in our view. So now I'll let Mike say a few words again.

MIKE CRITCH: Thanks, Bob. You know in our industry we talk a lot about the legacy of the oil and gas sector. We all feel there should be a positive legacy, and I think we're all working hard to build one, but let's just take a moment to examine what that really means and how we can truly achieve it. NOIA is encouraging the Proponent and its main contractors to exceed its local content commitments outlined in the Hebron Development and Benefits Plans. Just as a Hebron operator strives for safety excellence in its projects and to demonstrate world class success, so, too, should the Proponent and its main contractors strive to exceed its local benefits commitments.

In a report released for this Commission earlier this month, Memorial University economist, Dr. Wade Locke, compared the local content during the Hibernia project and the proposed Hebron Project. With Hibernia, local content accounted for 47 percent of the total capital expenditure of the project, while local content is expected to account for 44 percent of the planned Hebron capital expenditures. Remember that before Hibernia we did not have an established local supply and service industry to support the construction and development of the Hibernia project, but we still managed to gain a lot over the life of that project. The gap widens when employment numbers are compared. For Hibernia 66 percent of employment occurred in Newfoundland and Labrador, while on Hebron 40 percent of proposed

employment for the project is expected to occur in the province based on the Benefits Plan.

We should strive for exceeding these goals. We should build a knowledge base that can take Newfoundland and Labrador companies to the next offshore frontiers, to the Arctic and Greenland. We wish to be recognized as a Center of Excellence within the many sectors of the global offshore oil and gas industry while servicing it right here.

During public hearings on the White Rose Development in 2001, the Proponent was challenged to do just that. More front-end engineering and design was done in our province. Topsides were scaled to match the capacities of local yards resulting in the construction of 13 modules, and a transparent consistent procurement process was followed throughout the development.

The result: White Rose, despite, many, many technical challenges, was delivered on budget and on time. By helping locally-based supply and service companies contribute in a proactive manner to the Hebron Project, we believe there will be less risk, thereby helping the Proponent to achieve first oil on time and on budget, and also leaving a lasting legacy of capability and capacity in our province. The local industry has a proven track record of delivering quality work. Let's continue to build on the legacy of the previous projects. And now I'm going to turn it back over to Bob who's going to go through NOIA's recommendations to the Commissioner.

BOB CADIGAN: I think Mike has stolen my glass of water. I hope if anybody seen him drink out of it can they put their hand up? Okay. Mr. Commissioner, in representing the issues and concerns of our members NOIA firmly asserts that more transparency and consultation with the local supply community will actually help the Hebron Project meet its targets on time and on budget. Because much of our province is alive and thriving as a result of the oil and gas industry we assume all is well, but we should challenge that thinking. There is no doubt the positive impacts of our industry are being felt, and we're very pleased with the amount of spinoff that has come to the region as a result. We are convinced that with more attention, more tracking and more detailed thinking we can do even better. We can help the operators achieve their goals. We can help local companies and we can help the people of our province maximize the benefits from the project.

NOIA's focus remains, as it has been with past projects, to advocate for improved local benefits and to prevent erosion of these benefits. With this vision through the current future of the oil and gas industry in mind, NOIA makes the following recommendations to the Hebron Public Commission:

Recommendation No. 1:

NOIA recommends that the Proponent and its EPC contractors scale bid packages to meet the local capability and capacity. This means issuing smaller bid packages that more closely resemble the capabilities for the local supply and service community, enable small and medium-sized contractors to bid on the work they can do and also to develop joint ventures. Local business capacity and capability must be considered in the design of bid packages or bid package in stages of development.

While the size of the Hebron topsides has grown from 28,000 tons, we have not seen that translate proportionately into opportunities for local benefits. The GBS design also moved mechanical outfitting to the topsides with no commitment to replace this anticipated work. During construction of the Hibernia GBS and the White Rose topsides, bid packages were scaled to fit the capabilities of the local companies. It is NOIA's view that the opposite is happening in the Hebron Project. We are being advised by our members that the bid packages are scaled in such a way that they feel they're disadvantaged in the bidding process. Since the two main Hebron EPC contracts to date are on a reimbursable rather than a lump sum basis, the Proponent has the ability to direct its EPC contractors to carve out more opportunity for Newfoundland, Labrador and Canada. This is acknowledged in the procurement section of the Hebron's Benefit Plan. NOIA is also concerned that local companies are being asked to take on more financial risk and liability in order to land contracts on the Hebron Project and we seek clarification on this practice.

Through its Supplier Development sessions with local companies and its assessment of local engineering yard and fabrication services, the Proponent and its EPC contractor should be familiar with the capability and capacity of many local companies and be able to design packages accordingly rather than package them in a way that may minimize local participation.

Recommendation No. 2:

NOIA recommends that the Proponent and its EPC contractors develop a consistent, transparent procurement process with strong proactive local benefits approach. Such a procurement process should be followed from project to project during both the development and the production phases. Timely procurement information is critical of local companies preparing bids partnering with other companies and becoming part of the domestic and international supply chains. Detailed procurement forecasts are critical to companies in planning strategy investment and arranging joint ventures. Published procurement forecasts to date are at too high a level in NOIA's view and without sufficient detail to be truly useful to the local supply and service community.

NOIA also asks that the ceiling for published bidder's list be lowered from the current levels used by the Hebron Proponent and its main EPC contractors.

Recommendation No. 3:

NOIA challenges the Proponent and its EPC contractors to exceed their local benefit benchmarks. NOIA and its members would like to see more project engineering done locally. Front-end engineering and design, or FEED, determines how our project will be built and how much it will cost. If more FEED and detailed engineering were done in the province, would be done with greater consideration as to who locally could supply goods and services needed to build modules and other equipment, local abilities and services would be taken into account by the engineers, as would the need to scale the design of modules and equipment to meet the capacity and capabilities for local fabricators.

The importance of the accessibility of engineers to the local supply and service community cannot be underestimated. NOIA believes that the involvement of local companies during the FEED stage is critical. It is critical for the transfer of knowledge and increase in local

knowledge and capacity for future oil and gas projects. It is crucial in providing local supply and service companies with unimpeded face-to-face access to project engineers, project information and decision making.

It is paramount in developing the skills to carry out similar work in other sectors; such as mining and construction, and in utilizing and exporting local expertise on other Canadian and international projects.

NOIA recommends that the Proponent undertaking significantly more engineering here in Newfoundland and Labrador, and we also would like to see this occur in future projects.

Recommendation No. 4:

NOIA recommends the Proponents submit a separate Benefits Plan for Pool 3 and require that FEED engineering be conducted locally for Pool 3, as it was for North Amethyst. NOIA believes a development of Pool 3 via potential subsea tieback represents an opportunity for significant local participation. Such a development would be similar to other subsea tiebacks in offshore Newfoundland and Labrador. The North Amethyst expansion of the White Rose oil field is a good example of this. Satellite or add-on developments are as vital to the expansion of our province's offshore industry as a mega project such as Hebron.

As existing fields expand, development of subsea tiebacks can provide engineering fabrication and other supply and services opportunities for local communities. The Proponent has stated that the current Hebron Development and Benefits Plan include the development of Pool 3. The further studies to define the design, cost, schedule estimates are not expected to be completed until 2012.

NOIA believes the local benefits to be derived from development of Pool 3 require further clarification. That will only be possible when the Proponent completes its technical studies next year and determines exactly how Pool 3 will be developed and when.

Recommendation No. 5:

NOIA recommends that the Hebron Project, or sorry, the Hebron Proponent provides specific percentages of employment and expenditure levels expected to occur in Newfoundland and Labrador at each stage of the project. This includes FEED, detailed engineering, GBS construction, topsides fabrication, mechanical outfitting, hookup and commissioning, and operations maintenance as the project moves into operations.

NOIA believes that the project is at a stage more accurate estimates can be provided. The Hebron Benefit Plan cites broad ranges of employment and expenditures that may occur in the province during the Hebron development phase. The Proponent estimates the project expenditures of 35 to 55 percent, while project employment is estimated to be 30 to 50 percent within plus or minus 25 percent. The Benefits Plan does not state how the Proponent expects to achieve the top end of these changes, or what actions the Proponent could take to achieve the top end of these ranges.

In its response to the Hebron Review Commission Request for Additional Information, the

Proponent stated the employment range would be around 40 percent local content. That goal is considerably lower than the local employment level achieved by the Hibernia project.

Nowhere in the Hebron Development and Benefits Plan does the Proponent define the natural local capture, and by this we mean worker expenditures such as the GBS construction and hookup and commissioning that must be done locally, simply because the work can't be done anywhere else. NOIA recommends that the Proponent provide more specific employment and expenditure goals for Hebron local content breakdown at each stage of the project, and this will really help the local community advance as projects develop in the future.

Recommendation No. 6:

NOIA recommends the Canada-Newfoundland and Labrador Offshore Petroleum Board create a mechanism to track, measure, compare and regularly report the detailed local content achievements at each stage of offshore projects and to make those reports readily publicly available.

A detailed comparison of the local benefits achieved from project to project is necessary to see if we are raising the bar on local content and participation with each new offshore project. It would also help in setting benchmarks for future projects. In Dr. Locke's recent comparison of expenditures and employment levels, the Hibernia project and the proposed Hebron Project provided some of the measurements and comparisons that NOIA would like to see more of in the future. His report stated that on Hibernia, local content accounted for 47 percent of the 5.6 billion in development costs and 66 percent of employment; whereas, on Hebron, the local content is expected to account for 44 percent of the plan, 6.7 billion in development costs and 40 percent of the proposed employment.

Preproduction Capex expressed on a per barrel basis for Hebron is based on Dr. Locke's calculation is \$9.89 a barrel. For Hibernia, it was \$13.43 a barrel based on, and these are both based on the initial recoverable estimates for the projects.

NOIA recommends that the Commissioner seek clarity on what is categorized as the local benefit and make the provision for a mechanism to measure and publicly report the public benefits for this and future projects.

Recommendation No. 7:

This is the final recommendation. Finally, NOIA recommends that the Proponent and its EPC contractor carry out supplier development sessions for Newfoundland and Labrador companies, specifically on the utilities and process module that will be built overseas providing the information and opportunity local companies need to bid for support and maintenance contracts during the Hebron operations. Such efforts will transfer knowledge, enable the local companies to land and support maintenance contracts and become part of the supply chain for the Hebron Project during operations.

This concludes the recommendations, Mr. Commissioner, and I want to thank you for giving us this opportunity. And I'll turn things over to Mike just for some closing comments.

MIKE CRITCH: So, our presentation is a reflection of what our members believe and have experienced. The oil and gas industry has revitalized the economy of Newfoundland and Labrador with each new offshore development creating direct and spin-off jobs and new businesses. Revenue from these projects has transformed us into a have province, one that's paying down its debts, building roads, schools and hospitals and educating our young people who no longer face uncertain future in the province, and the industry continues to drive both the economy and provincial revenues. Much has been accomplished and we can accomplish much more.

The local oil and gas industry in Newfoundland and Labrador is still young. We must continue to build upon the success of Hibernia, Terra Nova, White Rose, North Amethyst and all of our exploration efforts. The Hebron Project is the next step in that growth. NOIA welcomes this next phase in our development as an industry and as a province. Let's make sure the legacy of Hebron continues to build our local industry capacity and to build our capability to a level that will allow us to become a major player in the global oil and gas industry. We are hopeful and optimistic that this process will result in a better Hebron Project for Newfoundland and Labrador.

We thank the Commission for all of your time. We also thank the Proponent for their continuing commitment to our industry in this province. We look forward to a continued, strong working relationship. And that concludes our presentation, and I guess at this time we're hope for questions.

COMMISSIONER (Miller Ayre): Thank you, Mike and Bob. By the way, we're delighted that NOIA provided us with this detailed presentation and seven recommendations, all agreed to by all 500 members. Quite an accomplishment, I'd say. I'm a sole commissioner and I have trouble agreeing with myself on occasion.

So, the process I'm going to follow now is that at this stage I will take the opportunity to ask questions of you with regard to your presentation, and I will at the same time involve the Proponent and ask questions of them. After that, you may have questions of the Proponent or the Proponent may have questions of you on their own, and we'll see where we are at that time and when all that concludes.

So, my first question to NOIA has to do with your comments about benefits and tracing benefits, maintaining the benefits. You said your members receive requests on a quarterly basis to provide benefit information. They are audited for benefit information that's provided to the Board. Is that correct?

BOB CADIGAN: Mr. Commissioner, basically, we've started the project for Hebron. We started to look at publicly available information to try to get a handle on how are we doing, how have we done on past projects, how much FEED engineering did we capture. Sort of detailed breakdowns in order to sort of look at the Hebron Project and try to benchmark. In terms of their regular operations, our members, whether it's development phase or the operations phase, have to identify local benefits or they have to report to the Proponent. The Proponent passes that information along to the Offshore Petroleum Board.

The difficulty that we see is that while there is a great deal of information captured that would

really, truly be useful in terms of trying to assess how projects have been executed in the past and to set benchmarks for future projects, that information is considered proprietary, and the only information that we can readily access is the information that's generally provided in the annual reports.

So if you take the life of a five-year construction period for a project, you've got little snapshots of various levels, employment expenditure and so on, through that five years. So you could, in theory, take all of the annual reports and add them all up and hopefully the end result would represent the final outcome, but what we're looking for is a more regimented approach whereby through the project, the estimates of local expenditures at each stage, almost on an annual basis.

COMMISSIONER (Miller Ayre): So you say the annual....

BOB CADIGAN: So that's what we're looking for.

COMMISSIONER (Miller Ayre): The annual basis is not an enough. You would like to see the quarterly results? My question, really, is this: Do your members consider any of this information proprietary? I mean, would your members, who are providing this information to the operator, consider the information proprietary? Because, I mean, ultimately in the annual report it's an aggregate amount that doesn't reveal a lot necessarily that might be, but on a quarterly basis maybe that's not the case. I just need to know.

BOB CADIGAN: Sure.

COMMISSIONER (Miller Ayre): I mean, I know the operator may consider it proprietary ultimately, but is this an issue for your members? That's the only question I have, because it's difficult for me to make a recommendation when I'm going to have both the operator and people providing the information saying it is proprietary, what are you talking about, but you, in the meantime, just said it would be a good idea.

MIKE CRITCH: Commissioner, the business is contracted to the project. They'll have to prepare a local benefits breakdown on a regular basis, on a quarterly basis in some cases. Would we feel it's proprietary information? I think if it was generalized over the stages of the project and released as a general project outline on benefits it wouldn't be felt to be proprietary. If you published what each individual company was doing, yes, that might be considered proprietary, but as a general sense I think we wouldn't have an issue with that.

COMMISSIONER (Miller Ayre): Okay, all right. All right. So, anyway, that was just something that came up that I was curious about.

Now I want to move on to the Bidders' Qualification Process. How effective is this process from NOIA's point of view; suppliers, registrations for EOIs and so on? I mean, you're totally familiar with what it would be? Most of your members would be familiar?

BOB CADIGAN: Yes, I think the process is fairly well understood; I mean, the various stages, the EOIs moving on to pre-qualification, then on the bidders' list and so on. From our perspective I think there are a couple of things in that regard, and that's kind of timing. So

we need to get the information on a timely basis. So there needs to be sufficient time between the start of the opportunity and the actual publication information about the opportunity to members.

So that can be achieved in couple of ways: One, the deed procurement forecasts are provided, but the procurement forecasts that are being provided, I think, are at very high level. So, we'll know that in quarter one of 2012 such and such an item will likely go out for bid; but there is probably a lot more detail known at that point in time that could be provided in terms of that procurement forecast.

The other thing, I think, is transparency and the criteria for decision making. We know that certainly with a \$6.7 billion project, the execution certainly is really important. The operator has to have the confidence that the contractors can execute the project and they can meet their schedules and quality of work and so on. So, there are some natural kind of impediments to taking chances on bringing other contractors in. So, basically, I think openness in the process. Early detailed procurement forecasts, I think, will really make quite a difference for our members.

COMMISSIONER (Miller Ayre): All right. Because, I mean, it would ultimately, I think, be useful if you had some specific recommendations because you included, at least in the written report, a comment that the process is varied from project to project.

BOB CADIGAN: Very much so, yeah.

COMMISSIONER (MILLER AYRE): Okay. If I can just a question. I know the room is very wood and awkward because of this gigantic pillar, and it's sort of square, and people can see one side. If you're really bothered by that, come to Clarendville; the room is 24 feet wide. (Laughter all around). We'll have the other sense of it by the time the week is out. So I apologize that there is this kind of so far apart here.

What I would like to ask the Proponent, partly in regard to this, at least, is that you are clearly in favor, and have said in November the 4th in your report to the C-NLOPB, that, where practical, you like to achieve first consideration by providing support necessary to enable local companies to prepare and qualify for bids and so on. So this request is not a strange one to you, no doubt.

I'm sorry my first question is of this variety but, you know, I just tried to go on the website with KKC and with Worley Parsons, and I don't see a lot posted there at the moment. Now, I don't know if there's a good reason for that or not. And the EOI detail is no longer available for some things which have already been carried out. So, I don't know if you can extend a request to them to make sure that's up to date or as up to date as possible. I don't know how it works. I don't know whether they have to clear things with you or what the process is. It just looked to me, and I'm not that familiar with it the way NOIA people would be, so I may be a bit off the wall here, but it just looked to me as though what I expected to find there wasn't there.

GEOFF PARKER: Yeah. I think we're still at the stages of getting that process up and running smoothly. I think one of the challenges we've had and our contractors have had is

we're setting up new procurement offices here in St. John's, and so we are asking our contractors to do activities that they would normally perhaps do in their own established offices, and so we're setting it up new. So I think we have had some teething problems at this early stage.

It doesn't surprise me that the EOIs fall off once we're past that phase of the project. The website is not there to maintain a historical record but it is there to be able to say what's coming up to date. We're still in the early very stages, of course, because we're really just doing some very early site works at Bull Arm. So we'd expect a lot more activity and a lot more information on that website next year.

COMMISSIONER (Miller Ayre): All right. Well, that was probably the reason then. There was also a specific request in the presentation by NOIA, at least a written one, that you move the, I think it was that all potential contracts starts at 50,000 rather than 250,000 would help local business develop. In other words, I think the postings and the details surrounding it goes down to the \$250,000 level. I don't know if it's possible to bring it down to 50. Is that not what you were requesting?

MIKE CRITCH: We're asking and we're challenging the Proponent to be very proactive in disseminating its information. The reason is there is a lot of this project that's happening overseas right now where we don't have the capability to do it here and some challenges on our capacity as many projects go forward. If we're going to make an impact and actually do more on this project and exceed our local benefits requirements, we need information early. If you can imagine how businesses need to attract labour and attract supply, it takes a great deal of investment. So we need the information early in time and throughout in a very clear and transparent and consistent manner so that we, as businesses, can take the risks to invest. It is very, very, how do I say? It takes bank investment. It takes all kinds of investment in order to get ready for such projects, and we need the Proponent to continue to work at the process and inform our members.

COMMISSIONER (Miller Ayre): But the specific moving the limit....

MIKE CRITCH: I guess when we get down, when we bring the limit down what we're challenging there is that more businesses can get in early and bid on jobs and parts of the project. If the bid package is so large that some of the local suppliers don't have the capacity to bid them, then it's not much sense in even going through the whole procurement process. So we want to lower the scale of it and we want the bid packages scaled in such a manner that more and more businesses will have an opportunity to bid.

COMMISSIONER (Miller Ayre): So, well, I guess that's the question, I guess. It it's possible it would be helpful. I don't know. That's something you'd have to think about, I guess.

GEOFF PARKER: I think I hear two points here, and, firstly, let me just say that it has really helped us working with NOIA to gain insights into the supply community here. So we really do appreciate their support for the project. There is some areas where we don't always agree on the best way to implement something, and that's healthy.

In terms of the thresholds, we are very weary about creating more administrative burden on a

very complex project. This is a large complex project, and so every time we sort of try and do some lower threshold in something and impose more requirements on our contractors, it just increases the complexity. And so we look at the effort versus the reward around some of those, and we really don't see the reward in terms of lowering some of these thresholds. We've had a lot of discussion with NOIA, with the Board, and we've agreed the thresholds that we're working to. So, that's being the sort of the three-way conversation between ourselves, NOIA and the Board, and that's where we've landed on the thresholds that we're currently working to.

COMMISSIONER (Miller Ayre): I don't mean to get everyone into sort of a public negotiation. I'm not trying to orchestrate a public negotiation.

GEOFF PARKER: Sure.

COMMISSIONER (Miller Ayre): The problem is that at the Commission we have to try to understand as much as this process as possible and this is one of the ways, one of the only ways we have of doing it. So sometimes our questions perhaps are ones that you've already dealt with each other but I'm just trying to get a better understanding so our team has a better understanding. That's absolutely what I have to do.

I did have another question for NOIA related to topsides design and so on. You stated, when you were talking about GBS, that the mechanical outfitting had been moved to the topsides. And that I was going to ask you, is that a concern to you because it changes the local input? Does it become a topside item that local input would not be involved? Is that the reason you raised it?

MIKE CRITCH: Yes.

COMMISSIONER (Miller Ayre): So, I guess, if that's the case, perhaps I could ask: We know now if the topside has been moved up, and NOIA made the comment that the topsides had reached 38,000 tons. Is that number correct as the weight of the topsides? It has got to that point?

GEOFF PARKER: Yes, that's correct. At an early estimate stage, yes.

COMMISSIONER (Miller Ayre): Yes. So, and at this stage that's still a design issue but you now can say that it's 38, at least 38,000?

GEOFF PARKER: I wouldn't say at least. I would say it is of the order of 38,000.

COMMISSIONER (Miller Ayre): I see. And when you're looking at that issue, will that change or is the mechanical something which still remains in the hands of local engineers and the local manufacturers and so on?

GEOFF PARKER: So the, firstly on the GBS mechanical outfitting, to say that it's been moved from the GBS to the topsides I guess relative to what? When you say it's being moved, what do you mean, Bob?

BOB CADIGAN: Yeah, I think just to clarify. I mean, I guess when the agreement was signed it was kind of a concept, pre-concept kind of out there that people had a sense of. If we look back to Hibernia, there was a lot of mechanical outfitting in the shafts themselves. So I know that once you refine your design, obviously the design changed for the GBS compared to, say, Hibernia. As part of that, work that in the past we've done, i.e. mechanical outfitting, that that kit would actually move up into the topsides, basically.

GEOFF PARKER: I understand.

BOB CADIGAN: So the opportunity would disappear.

GEOFF PARKER: Sorry, Commissioner, apologies for not addressing questions through you.

COMMISSIONER (Miller Ayre): No, no.

GEOFF PARKER: I understand the issue now. So you're comparing back to Hibernia and that was then. Because I think industry as a whole has, on GBSs, has moved away from putting permanent topsides operating equipment within the GBSs, because mixing up those trades of the concrete gravity base structure with the topsides, very different requirement. So over time to have better designs that has moved to the topsides from the GBS. So that's how we've been doing GBS more recently.

I think the comparison to Hibernia, my understanding is that that mechanical outfitting for Hibernia was not done in the province. So, let me be clear, the Hebron platform will have more of the platform built in the province than was done on Hibernia. That is clear. So let's not get the impression from the percentages and different things like that, that we're doing less of the platform than Hibernia did. We are clearly doing more than Hibernia.

We start with the GBS; both GBSs down here. We look at the mechanical outfitting; all of our mechanical outfitting will be done in province. That was not done on Hibernia. Move to the topsides. We have the living quarters that was done on Hibernia. We have topsides modules. The topsides modules we're looking at doing here will be more than what was done on Hibernia.

So, Hebron will have more than Hibernia. I know we can talk about percentages and that's one measure, but in terms of percent of total spent it doesn't really tell the story of how much of the platform we are doing here. Those percentages can be skewed by, for example, on Hibernia they did the Bull Arm site works. That's included in the total work. For Hibernia, they had a lot of problems building the GBS, so that increases the expenditure and the work hours associated with that GBS. They had issues around the integration of the topsides. Again, it increased the volume of expenditure and the amount of work hours but didn't increase what you're actually building in the province. So that's why I think it is more important to look at what you're building than these actual percentages.

On top of that, I'd remind us that the estimates that we include are really our early estimates, and, so, compare them to the actual outturn numbers from Hibernia, again, that to me is not the best comparison for some of those reasons I spoke about.

COMMISSIONER (Miller Ayre): Well, I guess, that's the difficulty with all this process happening at various stages, and this is early. I know from other commissions that that is one of the difficulties. On just sorting something else out for me because, I guess, it is an obvious answer. I mean, if you were to compare, if you take the topsides and you usually get on a cost per ton basis and now you've moved a significant amount to the topside, and so what kind of change would that mechanical -- would that change at all in the cost associated with the mechanical because it's on the topsides as opposed to being in the shaft or wherever it was before? Is it still the same kind of price?

GEOFF PARKER: Yeah. I don't think I could give a general answer on that because really putting the mechanical items, and we're only talking about a few of these topside systems, putting them in the GBS isn't something that we're doing these days on GBSs. So, I really don't know what the cost would be for that.

COMMISSIONER (Miller Ayre): Okay. All right, that's fine.

MIKE CRITCH: And Commissioner, just to add a comment to that. We recognize that the Proponent is doing that and is doing more, in particular, in some of the modules on the topsides and that's great. That's what we want to achieve. We want more and more with each additional project that happens here to see more throughput and more engineered and built here in the province. But sometimes this information is not readily available and that's why we want more breakdown throughout the stages of the project as to what's being done here, and we want to be able to monitor it throughout the project on a general basis so we can understand just how they're performing through the project and where there might be gaps, where we can get more involved, where they might be able to work with industry to build up capacity and capability for future projects as well as this one.

COMMISSIONER (Miller Ayre): NOIA, also, I would like you to elaborate a bit on another matter and moving a little bit to something different here but. There was a reference you had to the fact that your local companies were being asked to take on certain financial risks and liabilities in the process of the bids. Has this changed? Can you elaborate on this comment? Is the contracting process a bit different here? Is there something? What are the issues here?

MIKE CRITCH: The feedback we received is that certain bid packages and modules of work are being put together in a manner that would require local industry businesses to take on more financial risk. What we mean by that is when you take on construction of a piece of work, you need to guarantee your work, you need to bond your work, and for that you need to carry a line of credit. You need to go to, in the case of Newfoundland and Labrador businesses, an A-rated Canadian bank and get a guarantee from the bank. If we're used to doing a chunk of work in so many tons and all of a sudden it's been expanded twofold, fivefold, tenfold it becomes harder to spread yourself around financially and gain the bonds you need to carry out the larger scale of work. So that precludes us or eliminates us from the process of, even, sometimes bidding the work or bidding multiple bits of work. So you compare that to industry overseas where maybe it's even easier to get financial surety from banks. I know, I would generalize. I don't say I would know but I would generalize that in some parts of the world it is much easier to get financial security than in Canada per se.

COMMISSIONER (Miller Ayre): You're talking about Letters of Credit and so on?

MIKE CRITCH: Yes.

BOB CADIGAN: I think Canadian banks are a little more onerous in terms of conditions.

COMMISSIONER (Miller Ayre): So in the case of a Letter of Credit that would be a direct hit on your operating line for your company? Would that be fair?

MIKE CRITCH: Yes.

COMMISSIONER (Miller Ayre): I mean, it's Irrevocable Letter of Credit and it's a direct hit?

MIKE CRITCH: Yes, generally.

COMMISSIONER (Miller Ayre): So you'd have a holdback and you'd have the letter; both of which would impact the operating line.

MIKE CRITCH: And also, the feedback we received is that, certainly on Hibernia, there was a great deal of effort made to scale bid packages down so that local supply and service companies could bid more and get more involved and partner more with international companies. So we would like to see that continue and we would like to encourage the Proponent to do more of that.

We believe that the quality of work can be done here. The risk can be minimized but it is going to take a concerted effort on both industry's part and the Proponent's part to come together and find more solutions of doing things locally.

COMMISSIONER (Miller Ayre): Has there ever been a kind of group policy for smaller companies wherein a bonding process you can get more competitively priced bonds because of some kind of a funding process that where, as a group, you're a member of an insurance risk policy that you yourselves can get better rates on? In other words, just like health insurance or anything else, rather than doing it simply by yourself, you have the opportunity to create a pool. I mean, this may take infusion of funds from someone else. I don't know how the financing would be done but.

BOB CADIGAN: Well, Mr. Commissioner, I guess if you look at bid bonding that's getting into a very complicated area, I'm sure. But bid bonding really is based on the finances of a particular company. So if you created a consortium, then that consortium, based on its collective financial clout in history, individual companies could probably come up with a bid bond which may be more competitive than the companies could do individually for that size work. It has to do with, really, financial capacity, I guess, which is another....

COMMISSIONER (Miller Ayre): I understand. I mean, this would take, if it was to be beneficial it would obviously take some funding by an outside agency that would see this as beneficial for the community at large, right. Whether that's a done through government or done with some of the royalty funds or done, I have no idea. I mean, I can understand it ultimately very small; I don't have to know very much to know that very small businesses got a

big problem if 20 percent of their operating funds are tied up with a particular project on the spot the minute they take the Letter of Credit and so on....

MIKE CRITCH: And we don't necessarily mean very small business either. We might mean that the largest companies in the province, even international companies based here, as well, they want to work with the Proponent to scale bid packages, so say you can do as much of the work here as possible; not the opposite.

COMMISSIONER (Miller Ayre): See, I don't think the issue is that the requests necessarily are different here than they are elsewhere for people bidding on projects like this. I think it has to do with the regulations and the approach of the financial institutions.

MIKE CRITCH: Right.

COMMISSIONER (Miller Ayre): So I don't quite know how you get around it, but, anyway, there it is.

MIKE CRITCH: It's going to take, like I said, it is going to take a concerted effort. There is going to need to be a desire to do more here, not less. For that, it's going to take a proactive approach.

COMMISSIONER (Miller Ayre): I did have another question with regard to the bidding so I understand it a little bit more. That has to do with frame agreements. I mean, frame agreements are best practice procedures by most companies, in any event, and I appreciate that, but do you specifically try to step outside the frame agreements in the case of meeting local benefit requirements? Is there any room for flexibility on these typically? I mean, I'm really trying to find out if there is any flexibility in the agreements you have on matters like this because of the nature of local benefits being something you deal with all the time.

GEOFF PARKER: I understand. Generally, the frame agreements we have are for major equipment items, and then not really the ones that the province is really trying to get involved with. So, to me, the frame agreement probably isn't one of the items that would cause any impediment to local businesses getting involved. I think the way we can help, and this was one of the recommendations from NOIA, was to put local companies in touch with some of the suppliers of the major equipment so that those local companies can be starting to gear themselves up to support the ongoing operations, and the ongoing operations and maintenance of those pieces of equipment that may be under the frame agreement. That's how it's often ended up in other areas of the work where we have been developing that new capability.

COMMISSIONER (Miller Ayre): Okay. Well, I think at this point, that I've got some good clarification on a number of points, and I thank everyone for being frank with me on this. I don't know. Are there issues that anyone else in the room needs to or wants to bring up at this time? We may done. Go ahead if you....

BOB CADIGAN: Mr. Commissioner, just to clarify, and things were moving along so I lost that momentary opportunity. But in terms of the size for bidders' lists and contract awards and so on, the threshold, the important thing here is that each Proponent will have a different

philosophy around what is an appropriate level of publication of information. So our request, really, to the Commission is that we push for a consistent level; whether that's a 250,000 level, the reporting level for the C-NLOPB, but it's got to be a consistent level. It can't be each time there is a project that the individual proponent decides, well, this time around it will be here. The next proponent decides it is going to be up even higher. So it's that consistency that we're looking for in that area. So I just want to clarify that.

COMMISSIONER (Miller Ayre): Okay. Do you have any direct questions of the Proponent? The Proponent may have some of you, too.

BOB CADIGAN: We're good.

COMMISSIONER (Miller Ayre): Geoff, do you have anything based on their presentation?

GEOFF PARKER: Well, I think one of the questions from Bob and Mike that we haven't completely addressed is regarding scaling of the bid packages. We talked about the thresholds and some of the administrative piece but the other pieces around scaling. As I said in my opening presentation, this is a large scale complex project, and we need to be a bit careful about creating additional complexity. The way we've set up the structure here is we have two major contracts: One for the GBS and one for the topsides. And those contractors will subcontract work and they may subcontract the work further. So we feel that there are opportunities for local suppliers to get engaged at any level within that subcontracting process. If you go to the other extreme, it's a bit like having an organization with a CEO and 50 people reporting to them. That just doesn't work. So that's why we end up with this structure of us, the main contractors, the subcontractors.

So, yes, where feasible, we will break down the packages to suit local capability but in many cases that won't be logical and it wouldn't be prudent because I think increasing, further increasing the complexity of this project really would introduce excessive execution risks. So, it's a balance. We have to do that balance between the execution certainty that Bob referred to and the creating additional complexity by breaking down packages into smaller units.

COMMISSIONER (Miller Ayre): Are there any questions from the room or any details from the room, if you like? No.

BOB CADIGAN: Just, Mr. Commissioner, if I could just comment on Geoff's comment back to us. I think one of the fundamental balances here that we've got to try to achieve is we do have a Benefits Agreement, we have Atlantic Accord provisions which require certain considerations be given, consideration full and fair.

On the balancing side, from a Proponent's perspective, you guys have execution certainly is your big issue. You want it done on time, on budget, and certainly that's an important consideration; however, I think the danger sometimes is that a contractor that may have good experience but not quite to the scale that you need for this project can conceivably be perceived more of an execution risk than a contractor that potentially you've worked with in the past and has done that particular activity a thousand times. So there is a balance there, I think, that we got to try to achieve and I think that's the tricky part. So I appreciate your comment and understand it.

COMMISSIONER (Miller Ayre): Okay. I think if there are no more questions we'll just take our cue from the fact that we've reached the end of this one, and that we'll be reconvening here at one o'clock.

(Lunch Break)

COMMISSIONER (Miller Ayre): Okay, if I can have everyone's attention. I was going to ask for a hands up who wasn't here this morning and that would avoid a lot, but I'm going to avoid it anyway, so I'm not going to ask. So we won't be repeating all my legal nonsense that I had to do before, and I don't want to same magic that Geoff won't be repeating his. (Laughter all around).

GEOFF PARKER: A good quality presentation.

COMMISSIONER (Miller Ayre): What I do want to do, just for those who haven't been here before, just introduce our team. We have Ed Foran is with me here who is the formal clerk of the proceedings, and Shannon Lewis Simpson is down here, who looks after our communications, and Claudine Murray is there hiding behind the computer, who does our administrative activities, keeps everything straight, manages the office and does everything that we'd screw up if we tried to do it. So that's the essence of the team on our side. And Bridget is there as our legal counsel with Goodland O'Flaherty, and Wade Locke is down there, as well as Pat Stamp next to Wade, who helped, directly helped the Commission to understand what we're going through and provide us with studies and information that we commission them to carry out. Sometimes they give us other stuff but not gratuitously. Well, it may be gratuitous but it's not free, put it that way.

Now, Geoff, I think if you could introduce your team and then we'll call on the Board of Trade.

GEOFF PARKER: So I'm Geoff Parker, the Senior Project Manager for Hebron Project and Vice-President of ExxonMobil Canada Limited. You want to introduce yourself?

DAVE McCURDY: I'm Dave McCurdy. I'm the Hebron Project Technical Manager.

GEOFF PARKER: And then we do have quite a number of members from our project team here today. I won't introduce them all but we're covering safety, environment, benefits, procurement, legal, the subsurface resource, supply, development, GBS, some topside somewhere, I'm sure. So, basically, all parts of the project team represented here today, and they are the people who do all the work.

COMMISSIONER (Miller Ayre): Okay, thank you. I'm going to call on Ed Foran, our Clerk, now, to formally accept the next presentation and to introduce the presenters.

ED FORAN: Thanks, Miller. So, we have St. John's Board of Trade. They've made a submission to the Hebron Public Review Commission. Again, the documents as we were receiving them, are posted to the Public Review site. There is a hyperlink for the documents, and this document number is PRS 21. Representing the Board of Trade we have two individuals: Sharon Horan, who is the second Vice-Chair with the Board of Trade, and Craig

Ennis, who is a Policy Adviser with the Board of Trade. So I call on you now to make your presentation.

SHARON HORAN: Thank you very much. Unfortunately, our esteemed president was out of province today so I'm going to be the fill-in, and I'm delighted that Craig Ennis is with me. He is our Director of Policy at the Board. So for the Q & A portion of the presentation today, I'll probably sit down because Craig and I will address the questions, if there are any, together.

So the St. John's Board of Trade has 850 members. We represent business here in St. John's, and we would really like to thank you for the opportunity to comment on the project. Our submission, as you've indicated, has been previously provided so it is not our intention today to really read through the submission as it was provided, but, rather, to just outline a few highlights and then accept any questions if there are any.

We welcome, actually, this whole process. We think the mechanism is a fantastic one. It allows a major private sector operation to learn more about the community in which you will operate and it also allows us as a community to understand a little better about how multinational need to work when they come into a community such as ours and what they're going to need from the city and the province.

We want the Hebron Project to contribute as much as possible to the businesses here in Newfoundland and Labrador, and we don't mean just those businesses that are directly affiliated to the oil industry, but we think a project like this has a wider outreach in terms of who can see benefits.

We want the project to provide benefits that are going to last not only for the duration of the field but also long after as a result of what we can learn as we go through this development. The payoff isn't just for local business; it is really for the province as a whole. As you know, we rely very heavily on oil resources as an income source to our government to pay for our public services. We also rely on oil benefits to pay down previously incurred debt, and we know that Hebron is scheduled to come online at a time when some other projects are actually going to be declining, and we actually need this project in the pipeline. We know that if Hebron was not coming online we could really face some harsh realities about the viability of our government's current public spending.

What we really want to point out is that we need to find a balance between providing income sources with a project like Hebron that will allow further spending, but also to provide an income source that will allow us to continue to pay down on our debt.

A few years ago we experienced peak production in our oil industry. That's not to say that we're not hopeful that there will not be another series of discoveries that may create a new peak in the future, but we have to prepare now based on what our current situation is. What we know is that there isn't a lot of exploration happening right now. So in the project pipeline the likelihood of finding another future development right now is relatively small, and that makes the Hebron Project even more important to us. I think it will show the world that we can do what's necessary to make a project like this viable, and the project will help continue to build the skill sets of our business community and it will help build our labour pool.

Bringing a project like Hebron to fruition, we realize that isn't easy but we are encouraged that the Hebron Proponents have been so committed to the project. We understand that there is technical, environmental, regulatory, currency and commodity issues that can have a big impact on a project time line, and some of these factors, they are felt to be somewhat outside of our control sometimes. Certainly, they're impacted by what's happening in the world as a whole, but there are factors that we can try to control, and it is these factors such as the competitiveness, the innovation, being on time and on budget in the delivery of our services, these are the factors that we think will prepare us for future successes.

There is a bit of a challenge in the local community of employers and employees and also for the project Proponents when it comes to dealing with factors like competitiveness and innovation. Value means employment and business opportunities that will meet the competitiveness and innovation needs of the project. The local business community wants to be part of this project because we do feel well-prepared to take advantage of the opportunity. Our goal is to reap every local benefit possible and to do it in a way that attracts the attention of the sector globally because we know that doing business in Newfoundland and Labrador can be efficient and it can be effective.

A few days ago there was an article in *The Globe and Mail* that perhaps provides some context to this comment. The article talked about Canada's innovation window of opportunity, saying that as Canadians sometimes we're under performers, not compared to our neighbors but actually compared to our own potential. Well, that's a national commentary and it's really talking about technology rather than energy-related industries, it is keeping that concept, that idea in mind that there is always a motivation for us to strive for more. Striving for more has become an approach that this province is more and more familiar with in recent history. The number of major projects that are coming up in our region are unprecedented but that means that competing for people can and will be an issue for all of these projects.

Solutions to our manpower challenges will have to be comprehensive and we'd like to highlight perhaps just two places where we think that we can make a start with this. In August of this year the provincial apprenticeship and certification board passed a motion that will permit a ratio of two apprentices to one journey person. It removed the condition that one of the apprentices be a final-year apprentice. This means, now, that two apprentices, regardless of their level of apprenticeship, can be under the direct supervision of one journey person in a specific occupational area. This is scheduled to be reviewed in the Spring 2012 meeting of the Apprenticeship and Certification Board, and we could encourage that this become a permanent ratio condition.

Our demographics are a significant public policy issue, and labour availability, particularly in our skilled trades, is one part of that issue. Here we have a straightforward solution that's being tested in the field right now and we feel strongly that this can help to resolve some of these issues. Two individuals are being educated in a formal capacity and the senior apprentice can help the journey person while learning new mentoring skills at the same time. This seems to be a winning formula for getting people accredited in the field and by also creating a culture of mentorship and development.

The second potential solution we wanted to highlight does lie in expanding our labour pool

overall with part of the solution being an immigration of foreign workers. We know that at one point our labour deficiencies really were around just skilled labour, but now we really need immigration to deal with improving our labour fields across a lot of different sectors. We want local labour first but there may be benefits to this project and all other major projects that are coming up if we utilize immigration to a greater extent.

Hebron will have to compete with Muskrat Falls, with Halifax Shipbuilding and others that are underway in order to get the project done economically, and we do feel that increasing the labour pool is a decision to consider. We encourage the Proponents to do this project in such a way as to reap maximum benefits for the people here.

The Board of Trade's task in these consultations is to provide our perspective on how we feel the project should be done, what should be considered, creating local opportunities and building a legacy of knowledge here, and how the project can be done by enhancing apprenticeship and the labour pool overall.

There are high expectations of us because we now have knowledge that's been gained from previous projects. Our experience will be called to develop energy projects in harsh conditions elsewhere in the world, if we're very smart about making sure that we develop the skills that we need now. We need to have fair access to opportunities that can be met by local capacity and the Board of Trade is sure if that is the case, then our business community can pull together to deliver to the expectations of the project. We are looking to create and maximize any opportunities available from Hebron. This may come in the form of new partnerships in our local community. We feel that our local businesses may, in fact, have to scale up. They will have to form partnerships or alliances in order to meet the size of the project, but it's important that we facilitate these activities before simply looking for outside solutions, outside agencies to come in and meet demand. We do know that it will take cooperation, commitment and competitiveness for all parties to feel like they're in a win-win relationship.

The Board of Trade is committed, this year, to raising awareness in our community on three major issues. We call them the 3-Ds. We want to encourage people to be aware that there is a definite need for our government to pay down on debt; there is a definite need to improve what's going to be a demographic crisis for us; and we also need to develop skills so we can diversify. While we are very committed and happy that the Hebron Project is going ahead, we also know that we have to build skills now that will allow us to utilize those skills in diversifying other industries later so that we don't become a one-industry province.

Hebron provides what we feel is an excellent opportunity to positively impact all of these three major issues. It will provide the revenue source for us to deal with some of our debt issues. It will provide a great opportunity for us to partner in terms of dealing with immigration and increasing skill trades so we can deal with demographics, and we look forward to having the learning opportunities so that we can build upon our expertise base and diversify into other industries.

We look forward to the project being a success, and we also look forward to the local business community being a major part of that success. Thank you.

COMMISSIONER (Miller Ayre): Okay, thank you, Sharon. I'll start. I have a few

questions of my own that I'll ask both of you and the Proponent, and then should you wish to get answers to questions from each other you can do so. We'll open it to the floor if there is any other need, maybe some other questions.

The first one I have for the Board of Trade, just now you mentioned the concept of immigration and so on, and the need for a policy with regard to immigration when there is an overage or an underage of skill sets and so on. But a Federal policy is a Federal policy. I mean, it is not a provincial one. We may well have a skill shortage hotspot here in the province that's different from the rest of the country. So the immigration policy may not actually be directed towards our needs at this particular time if it's made on a national basis.

So what I was wondering was whether you were thinking of immigration also as a provincial concept of getting people to come here. So do you have any suggestions? I mean, do you expect the Government of Newfoundland to be advertising work opportunities or? I mean, what are your suggestions along these lines? I mean, what concepts do you have to help with an immigration policy here?

CRAIG ENNIS: To be quite honest in terms of prescriptive solutions, we're starting our line of thinking in terms of immigration being a solution. What the individual pieces are within that process or within that concept, that's something that we haven't figured out yet, but to raise it here and to potentially either have the project proponents or to have other people who are presenting to the public forum, we want to raise it in that form.

COMMISSIONER (Miller Ayre): Okay. Well, perhaps, Geoff, this whole issue of labour, just to start it off, would you contemplate any process whereby, or is there a pool of labour that directs itself towards the oil industry, that on an international basis you might or could show up here in the face of shortage, for example?

GEOFF PARKER: There is pools of labour internationally that do get used on different projects around the world. Our labour agreement that we have provides a hierarchy in terms of who we would give the preference to employ. So it would start with local people from Newfoundland and Labrador, and then it would go to Canada, then it would go to the US, and then it could go internationally. So the mechanism is there within our labour agreement, that if we had to draw on that pool we could.

COMMISSIONER (Miller Ayre): So, okay. So, I mean, if I'm just thinking of immigration as there is a Federal policy. So we would have to work with the Federal Government to make sure workers like this could be brought into the country. Is that what would happen? Is that what happens typically? I mean, in our case it is not the Newfoundland Government that would make a decision.

GEOFF PARKER: Correct. It would be Federal Immigration, yes.

COMMISSIONER (Miller Ayre): Yes.

GEOFF PARKER: And our contractors would work with the local authorities, the Federal authorities to allow that to happen.

COMMISSIONER (Miller Ayre): Yes, okay. Just to try to help this thought process along. I was interested in another point raised by the Board of Trade that perhaps you could just comment on a little bit. They talked about the low level of exploration, and I guess by any approach we'd have to agree that it is pretty low by any metric we'd use right now. So I'm just wondering if you could comment on the low level of activity that we have and what we can do to increase exploration activity in Newfoundland and Labrador, and, in particular, whether ExxonMobil is doing more exploration work here or have something planned that's underway. Obviously, you probably can't speak about what's corporate inside information at the moment but you could wink or something, you know.

GEOFF PARKER: Well, my focus is really on the Hebron Project, and, so, I don't even have any inside information on that. I do know that we are constantly looking at opportunities all around the world, including in Newfoundland and Labrador, but I have no details on that. I'm sorry.

COMMISSIONER (Miller Ayre): It is obviously a more risky, more costly, anyway, to explore under deep-water than it is in a land situation. Is that correct? I mean, we're always

GEOFF PARKER: Yes, that's correct. And I think the oil industry, in general, is moving into more and more challenging locations. As we move into some of the Arctic areas it becomes very difficult, some of the very deep water. So a lot of the easy oil has already been found.

COMMISSIONER (Miller Ayre): Yes. Well, a lot, as you know, a lot of the exploration here was actually when the PIP Grant process was in place and there was such huge funding through the Federal Government. So that accounted for a lot of the early exploration here. It explains a little bit why it's lower now.

Okay. I'm sort of heading back towards the Board of Trade now. So just when you're relaxed, I'm showing up. You say that we need to make sure that the agreements are strong and that there are mechanisms for making sure that we get full benefits. So based on your review of the project documents thus far, are you satisfied that the mechanisms are in place or are they satisfactory or robust enough? Do you have any ideas of what we should be doing to try to improve that process, or is that something which NOIA deals with and you don't treat very much? Would you have any thoughts on benefit reporting or on packaging, sizing, that is the bids, or anything like that? Are these concepts that come up at the Board of Trade? When you make the statement the mechanisms are in place and so on, we need to be more aggressive, what have you got in mind?

SHARON HORAN: Well, I guess, in just dealing with Mr. Locke's analysis recently of comparing the Hibernia benefits to the Hebron benefits. In both expenditure and employment, Hibernia had a higher local and Canadian percentage. And the benefits plan for Hebron, as we understand it, had a plus or minus factor of 25 percent, and we just want to be sure that, wherever possible, we're on the plus side of that equation and not the negative side of that equation.

So what we would say is that as a business community we understand we have a responsibility as well, and that responsibility is to be competent at what we do and be competitive at what

we do, but we also feel that the operators have to give us that real chance to deliver, and some of that is in, actually, you bringing some knowledge transfer. Is there an opportunity for you, as the operator, to allow businesses to learn to be better at their competency and better at their competitiveness, and we want to make sure that Newfoundlanders, particularly on the business community, has an opportunity to avail of that.

COMMISSIONER (Miller Ayre): Okay, I've got that. On another issue that you raised, I was wondering if you could elaborate on the demographic wave that you were talking about in terms of crashing across the Atlantic provinces or Newfoundland shores first.

CRAIG ENNIS: I can speak to that. The provincial government over this summer, I can't remember exactly when, basically put out a report, and it is fairly comprehensive and very detailed in terms of breaking down by region, by industry, job classification of where labour needs and demands will sit over the course of the decade. Outlook 20/20, I believe, is the name of the report. So we looked at that in-house and it is fairly clear in terms of we're an older population as a whole. Our labour force, we are starting to see the first boomers retire. If you've got an older population, then there'll be more risk that potentially that our business and the labour communities for them over the next few years, I can't remember the numbers off the top of my head, but it's in the, I think, the tens of thousands. I'd have to go back and check for the record officially but I think it is about 30,000 retirements coming over the next eight to ten years. So those are jobs that either will have to be filled by new people coming into the jobs or there will have to be productivity and process improvements so that organizations can do more with less. It sounds a little bit cliché but that's the situation that we're in.

We're either the oldest or the second oldest province in Canada. So that's where the analysis of the demographic wave, I guess, hitting us first, to work with that analogy, comes from.

COMMISSIONER (Miller Ayre): So you're saying there is a twofold impact on the labour shortage issue here; not simply that there are so many projects but also because the ageing of the population is not helping either? Is that, that's the point?

CRAIG ENNIS: Yes.

COMMISSIONER (Miller Ayre): Yes.

SHARON HORAN: And I think the other point that we have to recognize, as well, is that there is a skills mismatch. Even if we look at our current labour force right now and we look at Newfoundland provincially, it would appear that we have a very high unemployment rate, even though we have this huge labour shortage in terms of projects that are looking for workers. So not only do we have a much older average age in our workforce, we have a number of people that don't have the skills for the jobs that are available, and that just adds more complexity. There is not an easy solution for that but things like even just around the apprenticeship program, as an example providing easier opportunity for somebody to get that level of credentialing that they need to get work, we have to look at that. We don't have enough people in our workforce to act as mentors, and we're in desperate need now for the newer people to come on and gain these skills. So we have to be creative. That's one particular example of where a creative solution will allow one older, soon-to-retire skilled

person to train two new people to fill the gap.

COMMISSIONER (Miller Ayre): So the journeyman apprentice ratio, you'd get two apprentices working with one journeyman.

SHARON HORAN: That's right.

COMMISSIONER (Miller Ayre): Or journey person, I suppose.

SHARON HORAN: That's right.

COMMISSIONER (Miller Ayre): So that I understand, Craig, do you know? I mean, is it normally two apprentices for a journeyman in any other province? What is the normal ratio in the labour activities across the country?

CRAIG ENNIS: Without speaking for them, either the provincial government or a group like the Construction Association would have much more national detailed knowledge of how different provinces stack up against one another, but the provincial government here has a pilot project in place that will allow a two-to-one across each of the categories, and one of those people doesn't have to be a final-year apprentice. So basically, what we're saying is that's a good idea. It is a pilot project that's getting some real world experience now, and when it comes up for review in the spring that's one potential way of dealing with making sure that you have accredited people who are knowledgeable to meet the Hebron Project needs and other project needs.

COMMISSIONER (Miller Ayre): Now, just while we're on the labour shortage issue, I'm sure that this is going to come up lots of times. So perhaps we could just have a chat about it now in terms of, first of all, like, in the Benefits Plan, the peak demand for resources has a high ratio of limit or non-supply from residents of Newfoundland and Labrador. For instance, in your chart, your sort of capacity chart, if you will, there was 34 percent are red and 8 percent were yellow, which means, basically, those resources are unavailable. So in a sense you're looking for 40 percent. There is a shortage of 40 percent of the people you're looking for. Is that still accurate? I mean, are you familiar with that table?

GEOFF PARKER: I'll let Dave, Dave would be very familiar with that table.

COMMISSIONER (Miller Ayre): Okay, that's fine.

GEOFF PARKER: So I will let him answer that.

DAVE McCURDY: The table that was generated at that time was looking at our early projections. It was done in our early concept phase, and at the time, based on what we thought about the concept phase that was accurate, we're progressing and working through in our FEED concepts and that will get updated when we head towards the completion FEED.

COMMISSIONER (Miller Ayre): So you think there has been an improvement of that 40 percent, do you think?

DAVE McCURDY: Well, I don't know what the numbers would be today I think would be the better way to say it.

COMMISSIONER (Miller Ayre): Yes.

DAVE McCURDY: But at the time that that was generated that was accurate.

COMMISSIONER (Miller Ayre): Okay, all right. So that would be interesting to know if there is something, I mean if you something that's available that could replace that piece of information, it would be kind of useful to us. I don't know where you are with it right now but.

GEOFF PARKER: And I think one of the challenges in forecasting is when I travel around and talk to some of the different areas, there is this thought of workers from Western Canada coming back to Newfoundland because there are Newfoundlanders who working in Western Canada coming back. So no one is really too sure on how much of that is going to happen to fill some of these labour gaps. So I agree completely with the Board of Trade that we need some solutions to the labour availability issues, the apprentices. We talked this morning about our education and training programs and how they can lead into that, and then our diversity programs where we can draw on underutilized parts of the workforce to try and fill these gaps. So I think it is one of these things where we're going to need all of these items that you've mentioned and some of the ones I've just mentioned to try and fill that gap.

DAVE McCURDY: Did you want to talk a bit more about the apprentices?

CRAIG ENNIS: When we did our consultations early on, we set out to kind of learn what was on people's minds, and it came up over and over again about what Sharon, what she brought up and the need to have the apprentice program in place. So we put a lot of thought into that, and then when we got our contractors in place, who actually work the agreements with the building and trades, in that agreement they work specifically with the 16 unions to make sure they understood the importance of that to us.

A point to note is that an apprentice ratio really needs to be set directly related to the skills that are involved. Electrical apprentices, you need more direct one on one, for example, than you would with maybe others. So it's not a one-size-kind-of-fits-all formula. But within that is our prime contractors made it a very good point to work carefully on trying to have good apprentice ratios in place. Then we also heard the point that you made about the unemployment ratio with not having people available for the skills, and, in particular, we heard about the diversity message there. That, in particular, women were underrepresented in those skills base and being able to come on and gain the skills and get into an apprentice program to be able to fill that gap. So that's an integral part of our labour approach. The diversity program, the training part and then the apprentice ratio is to be able to put the people in place.

COMMISSIONER (Miller Ayre): Okay. I don't have any more questions myself. If you have any questions of the proponent? No.

GEOFF PARKER: Perhaps just one comment. Sharon and Craig were not here this morning and we talked little bit about the percentages in Professor Locke's report, and one thing I pointed out was that we will be building more of the Hebron platform here than was built for Hibernia. So the percentages in terms of capture where you're comparing the actual outer numbers to the early estimates can tell one that's story that may change as we move along, but in terms of the reality of what we're building, we are building more of Hebron than Hibernia. So I did want to share that with you but really do appreciate your support. Thank you.

SHARON HORAN: Thank you.

COMMISSIONER (Miller Ayre): That's it. Class dismissed, so to speak. Thank you very much. I don't think there's any need for a break at this point. We'll all be in shock. So are the next presenters here? Take your time getting ready. We'll talk amongst ourselves, as they say. Five minutes talking amongst ourselves.

Okay, I think we're ready proceed. I'll just say one more time so to remind those people who may want to ask a question later that you need to fill out the Registration Form and provide it to the people. You can get a form at the desk and then return it to the desk, if you do happen to want to ask questions later on. Okay, thank you. Ed, as our official clerk of the procedures, could you introduce the next group?

ED FORAN: Yes. So we have United Way of Newfoundland and Labrador. They have given us a presentation, and, again, it's on our website and it is noted as PRS 09. Representing United Way is Gary Peddle who is Past Chair, and Tammy Davis who is Executive Director. Hi, guys.

TAMMY DAVIS: Hi.

ED FORAN: And I was previously involved in United Way, so, hi guys.

COMMISSIONER (Miller Ayre): A declaration of a conflict. (Laughter all around).

GARY PEDDLE: Thank you. I would like to thank the Commission for giving us this opportunity to have a brief presentation to show our support for ExxonMobil Canada's tremendous involvement with the United Way and Newfoundland and Labrador and for the community as a whole.

United Way Newfoundland and Labrador is one of 115 local United Ways. These local United Ways are organizations who build up on the strength of volunteers and voluntary action by engaging the entire community for the benefit of the whole community.

Each United Way is governed by an autonomous local Board of Directors, who, together with volunteers and staff, help build caring communities and respond to a broad range of human needs.

United Way of Newfoundland and Labrador is staffed by a talented group of professionals and leaders in a not-for-profit sector who work with volunteers from throughout the community to

meet fundraising goals and ultimately enhance the neighborhoods and communities around us.

United Way Newfoundland and Labrador was launched in March 2005 as United Way of Avalon, an initiative spearheaded by the Avalon area Rotary Clubs.

Despite its youth as an organization, our local United Way has successfully completed six major annual workplace campaigns which has raised a growing amount of funds each year. The total result of these campaigns to date is just over four million dollars.

As an organization we have identified six main priorities: Opportunities for children and youth; individual health and well-being; services for seniors; intervention and support; social and economic enhancement; and finally, community support services.

As local United Ways, we are focused on increasing the organized capacity of people to care for one another. We strive to create a common ground where labour, business, community leaders and government come to the table to identify needs and solve problems. It is our dream to build a community by meeting immediate needs and investing in initiatives that examine the root causes behind those needs. For example, while we know the value of urgency of helping a youth in crisis, we will also work to identify them while they are in crisis and help young people build skills for a lifetime of independence and resilience.

We aim to connect with the issues affecting those in our community and to provide solutions creating healthier, stronger communities.

I would like to talk just briefly about the impact of the Hebron Development. The Hebron Development is a project undertaken by an agreement between the Province of Newfoundland and Labrador, Chevron Canada Limited, ExxonMobil Canada Properties, ExxonMobil Canada Limited, Statoil Hydro Canada Limited, Petro Canada and the Oil and Gas Corporation of Newfoundland and Labrador Inc.

The Hebron Project holds huge potential to have a significant economic impact in this region through employment generation, new business startups and business expansions as a result of spin-off opportunities.

With the positive impacts that will undoubtedly come with Hebron, so, too, will come increased needs in the community. We have worked closely with ExxonMobil and its employees in recent years as community donors and volunteers, and we look forward to working with Hebron Project Team as it brings jobs and opportunities to the province and to continue to work together to identify and meet the needs of the community.

Ultimately, the goal is to encourage all partners of the Hebron Development to ensure that while they are supporting the economic benefit of the community, that a compassionate lens is given to mitigating any challenges that come with economic wealth.

To that end, United Way would like to profile ExxonMobil's current community involvement and how they have supported programs and services that are assisting with some of those most vulnerable in our communities. The connection may not always be direct but be

assured that through the economic benefits to some those individuals and community groups that are already living on the margins of society will not see the same level of benefit as everyone.

Newfoundland and Labrador's cultural philanthropy is striving, especially in the new economy that has developed over the course of the last decade due to new energy resources and development. Individuals in our province continue to be amongst the most generous donors in the country and corporations are following suit. United Way of Newfoundland and Labrador is happy to partner with an organization that has at its core employee involvement and engagement as part of its community investment strategy.

Philanthropy is defined as voluntary action for the public good. Within United Way, we use the call to action - give, volunteer, act in recognition that not all contributions to build better communities are financial gifts.

United Way Newfoundland and Labrador is a relatively new player in the charitable sector in our province, having officially launched just over six years ago. Since that time, the organization has facilitated individual and corporate giving in excess of four million dollars. Over one million dollars has come directly from ExxonMobil Canada and its employees.

ExxonMobil Canada exemplifies the definition of volunteer. Through their United Way Campaign they facilitate employee giving and encourage it through their Matching Gift Program. Employee giving, up to 100,000, is matched dollar for dollar by ExxonMobil. This method of encouragement inspires employees to become involved in their community through gifts of money; they also encourage gifts of time.

United Way held its inaugural Day of Caring in June of 2011, and just as ExxonMobil is an important factor in United Way's Campaign success, the Day of Caring event participation was no different. Over 120 Exxon employees participated and contributed their time and energy to ensure the projects being done to the city were successful.

The executive leadership and, essentially, all of staff support United Way specifically, but their community more generally. Employees are given to spend time on volunteer activities for community impact work. Each year a different employee is nominated to be the internal United Way Chair and that individual leads the campaign from within with the full support of management team. Without this support, it is apparent that the ExxonMobil Canada Campaign would not be the leading public workplace contributor to United Way's campaign.

The level of engagement does not stop there. ExxonMobil Canada President, Meg O'Neil, is the Vice-Chair of the 2011 United Way Campaign, and we will be the Chair for 2012. Ms. O'Neil's leadership, and ExxonMobil's unwavering commitment to United Way, has always resulted in an increase in activity within the community.

As United Way continues to work to increase its brand recognition ExxonMobil has supported our endeavors. As an example, in September of 2011 ExxonMobil facilitated bringing the President and CEO of Imperial Oil Canada to St. John's for a speaking engagement. This facilitated a unique partnership between ExxonMobil, United Way, the St. John's Board of Trade and Newfoundland and Labrador Offshore Oil Industries Association for a luncheon that

discussed the broad subject of corporate sustainability and corporate social responsibility within the oil sands, but also discussed, in a large way, how ExxonMobil Esso and Imperial Oil support United Way in the communities in which they operate.

In addition, ExxonMobil was the host for a leadership breakfast event the same day, with Mr. March as a keynote speaker. United Way's donor levels include recognition for those that give at the \$1,000 plus level. In 2010, there were 103 leaders for our campaign and 46 of those leaders came from ExxonMobil and its partner companies. In addition to the financial investment, the breakfast was a new initiative to recognize the donors and inspire others to give.

ExxonMobil's commitment to community is evident, not just in their support for United Way in our province, but through the many other activities and organizations that are benefitting from Exxon's dedication to being a good corporate citizen.

ExxonMobil's own Corporate and Community Investment Strategy Statement highlights this: Their goal is to invest in communities and, within that, to pursue long-term projects with strategic goals that are lined with global and social priorities as well as their business strengths.

ExxonMobil seeks to have a more meaningful impact by focusing the majority of their spending on significant challenges in regions where they operate. Their investments in Newfoundland and Labrador are significant and too numerous to list individually.

ExxonMobil has demonstrated a philanthropic vision that understands the complex needs of each community, tailoring their investments for the local markets. Within Newfoundland and Labrador their investments to organizations like United Way will have positive and long lasting social impacts. They truly exemplify the generosity of spirit that defines true philanthropy.

Within the list of charitable groups that have benefitted from ExxonMobil's generous spirit are Memorial University and The College of the North Atlantic. Recognizing the importance of increasing the diversity of the workforce within the oil and gas sector, ExxonMobil sought to establish an innovative means to address this issue. With the support of the co-ventures in the Hebron Project, ExxonMobil's identification of this workforce concern was key to supporting a new scholarship program.

The Hebron project diversity scholarship fund was established in early 2011 and endowed at \$1.5 million. The scholarship is aimed at supporting education for women, aboriginal peoples, persons with disabilities and members of visible minorities. The funds are split evenly between students attending Memorial University and The College of the North Atlantic.

ExxonMobil Canada and the Hebron co-ventures believe that supporting diversity is a key factor for the long-term success of the industry, and creating an environment that supports the diversity will help to increase the pool of candidates for hiring and promote a more diverse workforce in our industry.

Also, in response to a need for more public education about the industry, ExxonMobil

partnered with the Johnson Geo Center to develop a new Oil and Gas Gallery, and to initiate and sponsor to develop a new -- sorry, to initiative and sponsor traveling exhibits from elsewhere in Canada.

The Oil and Gas Gallery is a unique hands-on educational tool that allows visitors to step onboard an oil platform and experience a day in the life of the offshore industry with ExxonMobil Oil and Gas Gallery. The educational component allows visitors to understand how oil and gas has changed the way we live and to learn about oil and gas exploration, development, production and transportation.

Our goal today is not to solicit donations or specific involvement with United Way; rather, our intention is to highlight the needs that each of the Hebron Development co-ventures should be aware of and to encourage their active involvement in the communities in which they are now living and working. Compassionate and committed corporations make our communities better places to live, and with a dedicated social responsibility plan many of the social issues that will develop or increase over the course of the project can be mitigated and some cases resolved.

The choice of the Hebron co-ventures to give, volunteer and act is one that will make change happen. Thank you.

COMMISSIONER (Miller Ayre): Thank you, Gary. I just wanted to remind everyone that this session is the last of the ones we have scheduled; so, if you do want to ask any questions after, you'll need to get the registration in.

Geoff, would you like to comment a little bit on the role that you see with United Way? This is ExxonMobil works with United Way and other areas as well. This is one of a big corporate effort and so perhaps you can explain a little bit.

GEOFF PARKER: In many regions ExxonMobil partners with United Way, and to me everything he just said just makes me and the members of the project team very proud to be working with ExxonMobil and the Hebron Project.

GARY PEDDLE: And it certainly suits you, sir.

GEOFF PARKER: Thank you. And from the Hebron Project point of view we'll continue to support United Way. I like giving, volunteering and acting. That's all things we can do. So I like that and that's very tangible, and we appreciate your support, and even more so, appreciate all the impressive work that United Way does. I think that's one of the reasons that ExxonMobil teams up with United Way because it is a professional organization. It has all the checks and balances in place to make sure that the money is going to the right places, and it is very important when people are giving money. They want to know that it's getting to the people who need it, and I think United Way does fulfill that in a very professional way.

COMMISSIONER (Miller Ayre): You glad to hear that too, Ed?

ED FORAN: Yes.

COMMISSIONER (Miller Ayre): Gary and Tammy, thank you very much. Tammy, did you want to add anything? I shouldn't....

TAMMY DAVIS: Well, I guess, just the terms of United Ways, when you talk specifically about the checks and balances and the investment that we make into the community, maybe there aren't a lot of people that know exactly what United Way does. In addition to those areas, the six key impact areas, over the course of the last six years that we've been in the province, we've been investing in charitable groups specifically right across the province. From our 2010 campaign proceeds, we invested just about \$500,000 in 44 agencies and 46 programs within those 44 specific agencies, and those are located in cities and towns right across the province. So it encompasses the entire province, the impact that ExxonMobil, and corporations just like it, their employees allow us to have.

COMMISSIONER (Miller Ayre): Well, I mean, it's relatively new as an effort in Newfoundland. We are one of the last provinces, I guess, to get the United Way.

TAMMY DAVIS: The very last.

COMMISSIONER (Miller Ayre): The very last. First again, so to speak. Well, are there any lone questions out there? No. It's like the teacher asking someone at three o'clock, do you want to go or will you ask a question.

Well, we'll resume tomorrow at one o'clock, correct, at the same place, same station. And after that, your loyal commission and the road show efforts and the Mobil team will be heading to Marystown/Clareville for the remainder of the week.

Well, thank you very much for coming and we'll see you back here tomorrow at one o'clock.

Thank you.

-END OF DAY 1-