

Oil and Gas Corporation of Newfoundland and Labrador

Strategic Plan 2020-2022
Transparency and Accountability

December 2020

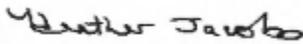
Message from the Board of Directors

On behalf of the Board of Directors, I am pleased to share the Oil and Gas Corporation of Newfoundland and Labrador's Strategic Plan outlining goals and objectives for the 2020-2022 planning period. These goals have been prepared in accordance with the Government of Newfoundland and Labrador's strategic directions for 2020-23 and are in accordance with the requirements of the **Transparency and Accountability Act**, under which the corporation is classified as a Category 1 entity.

Throughout the transition of this newly formed entity, we remain unwavering in our commitment to be an enabler of a brighter future for the province. Through solid science and industry knowledge we are committed to maximizing the value of our resources for Newfoundland and Labrador during all stages of our activity, through a lens of sustainability.

As we know, the industry is evolving and has been heavily impacted by the Pandemic related economic downturn, however our province has significant undeveloped resource potential and we remain focused on our carbon-competitive position as emission targets approach. This sector has precipitated transformative economic growth in our province and the Board is dedicated to stewarding the crown corporation through the fluctuating global realities that we are confronting with the shared goal of harnessing the promise of our future.

It is with great pride the Board of Directors continues to work with our many valued industry partners to ensure the health of the sector and our economy in the decades ahead.



Heather M. Jacobs, Q.C.

Chair

Oil and Gas Corporation of Newfoundland and Labrador

Introduction

As part of its growth plan for the oil and gas industry, the Province of Newfoundland and Labrador has outlined its commitment to enhance the Province's position as a preferred location for oil exploration and to maximize benefits from the oil and gas industry for the people of the province in a responsible, sustainable manner.

In support of this commitment, the Province has taken legislative steps to create a separate corporate entity to invest, engage in and carry out activities related to oil and gas in the province. **The Oil and Gas Corporation Act**, establishing the "Oil and Gas Corporation of Newfoundland and Labrador" was enacted on January 1, 2020.

The new oil and gas entity will hold the Province's future equity interests and currently manages all of the Province's interests in existing oil and gas assets; Hebron, White Rose, and Hibernia Southern Extension and is responsible for the Bull Arm Fabrication Site. The new crown corporation is also leading the exploration of the province's frontier and deepwater basins by making investments in new geoscience data and analysis in order to evaluate Newfoundland and Labrador's undiscovered oil and gas resource potential.

As the transition to establish the new crown entity continues, changes to this plan may be required.

Strategic Direction

The strategic directions of the Provincial Government for the 2020-22 planning cycle are as follows:

- A Better Economy
- Healthier People
- Better Living
- A Bright Future
- A More Efficient Public Sector

Corporate Overview

Newfoundland and Labrador has long been a richly endowed natural resource-based economy and is currently on the verge of a new era in frontier oil exploration and development. Buoyed by recent discoveries, proven production, robust industrial and supply servicing capabilities and most importantly, the skills and talent of its people, the province's resources are attracting the attention of the global industry.

To further enhance that potential, the Government of Newfoundland and Labrador announced in March of 2019 it would establish a new crown corporation focused solely on oil and gas activities. This new Oil and Gas Corporation (OilCo) is helping realize the Province's position as a preferred location for oil exploration while maximizing benefits from the oil and gas industry for the people of the province in a responsible, sustainable manner.

On January 1, 2020 all employees from Nalcor Energy-Oil and Gas and Bull Arm Fabrication transitioned to the new crown corporation. Under this new structure, existing equity interests in offshore developments remain within Nalcor, but are managed by this new entity. Exploration activities, along with future investment in offshore developments and management of Bull Arm, rest with the newly established crown corporation.

The team of approximately 30 people is driven by passion for their professions but just as equally by their passion for the province and the communities they live in. Many have come from, and been trained by, the oil and gas industry. They have a wide range of global experience spanning multiple corporations which has created a diversified team with deep industry knowledge and vast perspectives.

Throughout the last 10 years, the organization has worked diligently to build strong, collaborative working relationships with current and future operators as well as the broader industry.

OilCo is committed to providing investment grade science and thoughtful leadership and guidance that will support the creation of long-term value and wealth for the Province. As a result of this commitment, an enhanced understanding of the resources deep under water and the role they will play in building a strong future for the province now exists.

Quick Facts

- The company produced approximately **22.6%** of its estimated reserves, yielding over **\$1.3 billion** (December 2019)
- 2019 Total Revenues – Oil Production: **\$303.1 million**, Exploration Data: **\$3.8M**
- Independent audited nominal value: **\$2.8 billion** (December 2019)
- Average production **~10,000 barrels/day**
- **Eight** new oil and gas companies have entered our province = **\$4 billion** in exploration work commitments.

For additional information, visit oilandgas.nalcorenergy.com

Corporate Overview

Mandate

(1) The corporation is responsible for investing in, engaging in and carrying out the following activities in the province and elsewhere, in accordance with the priorities of the government of the province:

(a) the exploration for, development, production, refining, marketing and transportation of hydrocarbons and products from hydrocarbons; and

(b) research and development.

(2) Notwithstanding subsection (1), the corporation may invest in and engage in those other activities that the Lieutenant Governor in Council may approve.

Vision, Mission, Values

OilCo was established as a standalone entity on January 1, 2020. As the transition continues its Vision, Mission and Values may be further defined.

Vision

A prosperous future full of economic opportunity for generations of Newfoundlanders and Labradorians.

Mission

To capture the value of oil and gas resources for the people of the province at every stage of development through proactive leadership, thoughtful guidance and investment grade science while caring for our people and the environment.

Values

- Transparent
- Innovative
- Resilient
- Courageous
- Collaborative

Primary Clients

OilCo's clients are based locally, nationally and internationally and include:

- Oil and Gas Exploration and Production Companies
- Oil and Gas Supply and Service Companies

Corporate Direction 2020-2022

The province's significant oil and gas potential offers great opportunity for the future. As stewards of the resource, OilCo will continue to maximize the value of the province's resources at all stages of exploration, development and production. Throughout this planning period the corporation will remain focused on attracting new investment, maximizing returns through equity investments by leveraging existing capabilities and positioning this province as a globally preferred location for oil and gas development. The Bull Arm Fabrication Site will continue to play a key role in supporting operators and retaining offshore assets in the province.

Both safety and sustainability will remain at the forefront of activities. Newfoundland and Labrador provides a stable and predictable low carbon jurisdiction where operators can move projects forward. Specific efforts to support global industry best practises as well as improve the carbon advantage of the province's offshore resources through partnerships and technology will be further explored.

Planning Priorities 2020-2022

- Execution of a world class exploration strategy that continues to attract investment in Newfoundland and Labrador.
- Continued value creation for Newfoundland and Labrador through our existing and future equity investment.
- Maximize utilization of the Bull Arm Site through new opportunities.
- Continue to partner with key stakeholders on climate change priorities.
- Build ongoing awareness and support for the significant potential for the Newfoundland and Labrador Offshore.

Key Focus Areas

The mandate of OilCo, established under the **Oil and Gas Corporation Act**, includes the exploration for, development, production, refining, marketing and transportation of hydrocarbons and products from hydrocarbons; and research and development. The key focus areas highlighted in this Strategic Plan support fulfillment of the direction of government related to advancing the oil and gas industry in the province.

The new corporation will continue to drive exploration activity and maximize returns through equity investments.

The company remains focused on **Exploring Newfoundland and Labrador's Offshore** by applying rigorous exploration best practices and technical innovation to ensure every square kilometer of the province's offshore basins are evaluated in order to find new oil and gas resources for the people of Newfoundland and Labrador. As a direct result of the exploration strategy to date, the province is poised for growth. New basins in frontier areas have been mapped and delineated and geological analogs that have never before been seen in our offshore are being imaged. To date, OilCo has inventoried over 650 leads and prospects throughout Newfoundland and Labrador's offshore.

Over the planning period, the new corporation will also continue to prioritize **Offshore Development and Operations** activity with joint venture partners to advance work plans and achieve project milestones. The revenues from these projects will remain with Nalcor Oil and Gas, but continue to be managed by the new oil and gas entity. Currently, OilCo manages 5 per cent working interest in the White Rose Extension project. This project includes the North Amethyst field, West White Rose and South White Rose Extension. The company also manages a 10 per cent working interest in the Hibernia Southern Extension (HSE) as well as the 4.9 per cent working interest in the Hebron oil field - the province's fourth offshore oil project.

Key Focus Area: Exploring Newfoundland and Labrador’s Offshore

Goal: By December 31, 2022 OilCo will have advanced opportunities to increase oil and gas exploration and investment activities in the province.

Indicator
<ul style="list-style-type: none">Advanced knowledge of resource potential through execution of multi-year exploration strategy

Objective: By December 31, 2020 OilCo will have enhanced knowledge of the province’s oil and gas resource potential and increased awareness of that potential locally and globally.

Indicators
<ul style="list-style-type: none">Collection of geoscience data and exploration data surveys
<ul style="list-style-type: none">Continued implementation of the multi-year exploration strategy
<ul style="list-style-type: none">Communication of geoscience results and overall offshore potential to the oil and gas industry and local stakeholders

Objective: By December 31, 2021 OilCo will have made continued advancements in data collection enhancing the knowledge of the province’s oil and gas resource potential.

Objective: By December 31, 2022 OilCo will have further progressed its exploration strategy in support of upcoming license rounds.

Key Focus Area: Offshore Development and Operations

Goal: By December 31, 2022 OilCo will have advanced current and future equity investment opportunities in the province’s offshore.

Indicator
<ul style="list-style-type: none">Managed equity interests in offshore development in support of planned project advances

Objective: By December 31, 2020 OilCo will have advanced current and future joint venture partnerships.

Indicators
<ul style="list-style-type: none">Continue to exercise Joint Venture voting rights and committee representation in the three offshore development in support of the advancement of progress toward planned project milestones
<ul style="list-style-type: none">Evaluation of equity growth opportunities and provide advice to the shareholder on potential additional acquisitions
<ul style="list-style-type: none">Local industrial activity supporting current and future development projects

Objective: By December 31, 2021 OilCo will have supported efforts to advance offshore project milestones and further enhanced knowledge of the province’s oil and gas potential.

Objective: By December 31, 2022 OilCo will have progressed current joint venture capital projects supporting the long-term viability of the projects.