

## Terra Nova Development



### Canada-Newfoundland and Labrador Industrial Benefits

### Public Quarterly Report

April 01, 2014 – June 30, 2014

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## **Section 1.0 – Introduction**

The Terra Nova Oil Field is situated on the Grand Banks, about 350 kilometers east-southeast of St. John's, Newfoundland, and 35 kilometers southeast of the Hibernia Oil Field. The Terra Nova field is comprised of a combination of producing wells, as well as water injection and gas injection wells, and delivers production from the Graben, East Flank and Far East blocks.

Discovered in 1984, the field was the second to be developed off Newfoundland. Production from the field began in 2002, through the use of a Floating, Production, Storage and Offloading (FPSO) vessel. This was the first development in North America to use FPSO technology in a harsh weather environment.

The FPSO is a ship-shaped vessel which has integrated oil storage capability from which oil is offloaded into a shuttle tanker. The storage capacity of the Terra Nova FPSO is 960,000 barrels of oil with accommodations for up to 120 personnel while producing. The vessel is 292.2 meters long, 45.5 meters wide and stands higher than 18 storeys. Terra Nova pre-production capital expenditures were approximately \$2.8 billion. The FPSO arrived in field on August 21, 2001 and produced first oil in January 2002.

Suncor Energy, as operator of Terra Nova, is committed to enhancing opportunities for the people of the province through participation in the Terra Nova Development. A lasting economic legacy is being created for the province through Suncor's recruitment and training of local talent, its provision of full and fair opportunity to local businesses, and by giving first consideration to locally produced goods and services within the Province, where those goods and services are deemed competitive.

The following represents Suncor's Industrial Benefits Public Report for the quarter ending June 30, 2014. This second quarter public report provides a summary of activities related to the production phase of the Terra Nova project carried out by Suncor and its major sub-contractors.

## Section 2.0 – Project Activity and Benefits Accomplishments

Suncor achieved a number of milestones during the second quarter of 2014. Some of these highlights and achievements include:

- Operational and capital expenditures for the Terra Nova project totaled approximately \$120 million, 73% of which was spent in Newfoundland and Labrador (NL) and the other provinces and territories of Canada.
  - 54% was spent in NL
  - 19% was spent in the other provinces and territories of Canada
- A total of 1,683 purchase orders valued at \$20.5 million were issued, 1,558 of which were awarded to vendors with a NL location or another Canadian location. Approximately \$17.2 million (84%) was spent in Canada including NL.
  - \$13.6 million in purchase orders awarded to NL locations (66%), and
  - \$3.6 million in purchase orders awarded to other Canadian locations (18%).
- A total of 1,471 people were working on the Terra Nova project at the end of June 30, 2014, of which 87% (1275) were residents of Canada including NL.
  - 1,192 or approximately 81% were residents of Newfoundland and Labrador
  - 83 or approximately 6% were residents of other Canadian provinces or territories

## Section 3.0 – Employment

As of June 30, 2014, a total of 1,471 people were working on the Terra Nova development. Of the 1,471 total, 1,192 or approximately 81% were residents of NL, while another 83 or approximately 6% were residents of other regions of Canada at the time of hiring (Table 3.1). Of the Newfoundland and Labrador residents, 620 employees worked onshore, and 567 worked offshore. Of the residents from other Canadian provinces and territories, 30 worked onshore, 50 worked offshore and 3 worked outside of NL (Table 3.2).

<b>Table 3.1 – Total Employment Summary Terra Nova Project (Q2, 2014)</b>			
Direct Employment (Total Number of Persons)	Newfoundland and Labrador Residents (%)	Other Canadians (OC) (%)	Non-Canadians (NC) (%)
<b>1,471</b>	<b>81%</b>	<b>6%</b>	<b>13%</b>

<b>Table 3.2 – Employment Summary by Location Terra Nova Project (Q2, 2014)</b>						
Location	Total Number of Persons					Total
	Residency Status			Gender		
	NL	OC	NC	Male	Female	
<b>Onshore</b>	<b>620</b>	<b>30</b>	<b>28</b>	<b>505</b>	<b>173</b>	<b>678</b>
<b>Offshore</b>	<b>567</b>	<b>50</b>	<b>162</b>	<b>741</b>	<b>38</b>	<b>779</b>
<b>Other</b>	<b>5</b>	<b>3</b>	<b>6</b>	<b>12</b>	<b>2</b>	<b>14</b>
	<b>Total:</b>					<b>1,471</b>

Of the 1,471 employees supporting the Terra Nova development, 1,258 were male and 213 were female or approximately 14% of the total workforce (Table 3.3). Table 3.3 also breaks down the employment summary by discipline, which includes management, administration, engineers, technicians, professionals, skilled trades workers, labour workers, students and others that do not fit one of these categories. The disciplines that are the most male dominant are the other category (largely represented by

marine crew) and the skilled trades category at 98% and 96% male respectively, while the discipline that is the most female-dominated is administration at 78% female.

<b>Table 3.3 – Employment Summary by Discipline Terra Nova Project (Q2, 2014)</b>					
Discipline	Number of Persons				Total Number of Persons
	Male	%	Female	%	
<b>Management</b>	<b>109</b>	<b>83%</b>	<b>22</b>	<b>17%</b>	<b>131</b>
<b>Administration</b>	<b>22</b>	<b>22%</b>	<b>76</b>	<b>78%</b>	<b>98</b>
<b>Engineers</b>	<b>99</b>	<b>85%</b>	<b>18</b>	<b>15%</b>	<b>117</b>
<b>Technicians</b>	<b>179</b>	<b>90%</b>	<b>21</b>	<b>10%</b>	<b>200</b>
<b>Professionals</b>	<b>71</b>	<b>65%</b>	<b>39</b>	<b>35%</b>	<b>110</b>
<b>Skilled Trades</b>	<b>339</b>	<b>96%</b>	<b>13</b>	<b>4%</b>	<b>352</b>
<b>Labour</b>	<b>135</b>	<b>93%</b>	<b>10</b>	<b>7%</b>	<b>145</b>
<b>Students</b>	<b>35</b>	<b>80%</b>	<b>9</b>	<b>20%</b>	<b>44</b>
<b>Other</b>	<b>269</b>	<b>98%</b>	<b>5</b>	<b>2%</b>	<b>274</b>
<b>Totals:</b>	<b>1,258</b>		<b>213</b>		<b>1471</b>

Notes:

- Disciplines are based on the following National Occupational Classification (NOC) Codes:
  - Management** includes: *Senior Managers* as well as *Middle & Other Managers*
  - Administration** includes: *Administrative & Sr. Clerical Personnel* as well as *Clerical Personnel*
  - Engineers** includes: only those in that NOC Code
  - Technicians** includes: *Semi-professionals & Technicians*
  - Professionals** includes: only those in that NOC Code
  - Skilled Trades** includes: *Skilled Crafts & Trades* as well as *Skilled Trades & Service*
  - Labour** includes: *Semi-Skilled Manual Workers, Other Manual Workers* as well as *Intermediate Sales & Service*
- Students** includes: any student enrolled at a recognized educational institution or accredited academic program and includes both graduate and undergraduate students, cadets or any other student.
- Other** includes: marine crew and positions that do not fit into any of the other disciplines.

## Section 4.0 – Canadian-Newfoundland and Labrador Content

The following table is intended to reflect the benefit distribution from Terra Nova cash expenditures.

Table 4.1 summarizes the content distribution of operating and capital cash expenditures for the period, by Newfoundland and Labrador, other Canadian, and non-Canadian spending.

<b>Table 4.1 – Canadian-Newfoundland and Labrador Content Terra Nova Project - Operating and Capital cash expenditures (Q2, 2014)</b>			
Reporting Period	Content		
	Newfoundland and Labrador (%)	Other Canadian (%)	Non-Canadian (%)
<b>This Quarter:</b>	<b>54%</b>	<b>19%</b>	<b>27%</b>
<b>Year to Date (YTD):</b>	<b>54%</b>	<b>17%</b>	<b>29%</b>
<b>Project Cumulative(since production started in 2002):</b>	<b>56%</b>	<b>16%</b>	<b>28%</b>

The expenditure content percentages for the second quarter ending June 30, 2014 were 54%, 19% and 27% for Newfoundland and Labrador, other Canadian, and non-Canadian spending, respectively.

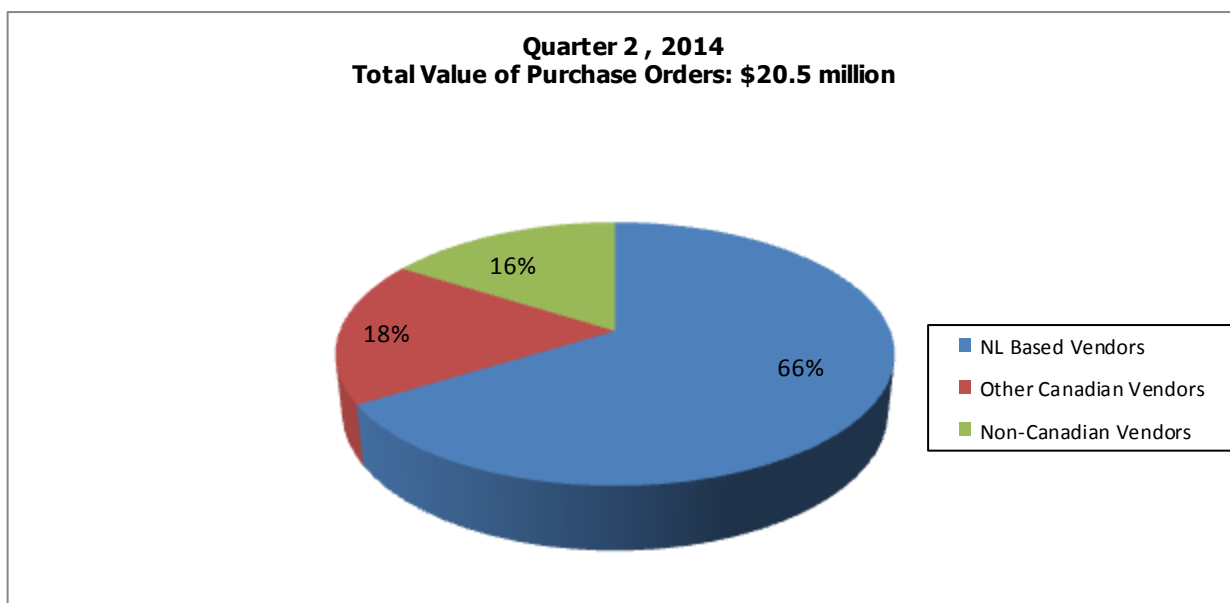
## Section 5.0 – Contracting and Procurement

A total of six (6) new contracts having an aggregate value of approximately \$6 million were awarded during the period April 01, 2014 to June 30, 2014.

<b>Table 5.1 – New Contracting Activity Terra Nova Project (Q2, 2014)</b>		
Description	Contractor	Contractor Location (NL, Other Canadian, Non-Canadian)
Secondary, Tertiary & Misc. Steel Fabrication & Industrial Coatings	Heddle Marine Services	NL
Secondary, Tertiary & Misc. Steel Fabrication & Industrial Coatings	North Eastern Constructors	NL
Process Piping & Application of Industrial Coatings	Pennecon Energy Limited	NL
Subsea Integrity Management Services	Wood Group Kenny	NL
Thruster Assisted Position Mooring System	Kongsberg Mesotech	Non-Canadian
Argentia Lease Agreement - Laydown Area	Argentia Management Authority	NL

A total of 1,683 purchase orders with a cumulative value of approximately \$20.5 million were awarded during the second quarter of 2014. Approximately \$17.2 million, (84%) was spent in Canada including NL. Figure 5.1 summarizes the distribution of spend associated with all purchase orders across locations.

**Figure 5.1 - Purchase Orders (Percentage of Participation on a Value Basis)**





## **Section 6.0 – Conclusion**

Suncor Energy is committed to enhancing local industrial benefits for the people and the province of Newfoundland and Labrador for the life of the Terra Nova development to create a lasting legacy from the province's first FPSO development.