

Report Recommending the Creation of
Petroleum Research Atlantic Canada
(PRAC)

June 13, 2002

Introduction

This report recommends the creation of the Petroleum Research Atlantic Canada (PRAC). PRAC is to be an organization to support petroleum-related research and development (R&D) in Atlantic Canada. On the formation of PRAC, the Atlantic Canada Petroleum Institute (ACPI) will merge with PRAC and cease to exist as a separate entity.

Concept Development & Regional Consultations

On January 3rd and 4th, 2002, a Working Group ('WG') met to discuss the need for and potential structure of an organization to support petroleum-related research and development in Atlantic Canada.¹ The WG was able to achieve a common perspective on the need for a regional organization and articulated a proposed organizational structure, mandate and guiding principles.

The need for broad regional support was identified as critical to the success of the proposed organization. The WG, therefore, undertook a process of consultations with key stakeholders across Atlantic Canada.²

The consultation process confirmed that there is wide spread support for the creation of a regional organization such as PRAC. The feedback received during the consultation process has been carefully considered and many suggestions are reflected in this report. Other suggestions were deferred for the consideration of the Executive and the Board of Directors.

Name

An organization's name is the most visible representation of its purpose and guiding principles. While the Working Group did not identify a preferred name prior to the consultation process, certain words and phrases were identified for consideration: Atlantic Canada, Petroleum, and Research.

The name Petroleum Research Atlantic Canada:

- Emphasizes the regional character of the organization;

¹ The organizations represented on the WG were: Memorial University of Newfoundland; Dalhousie University; Atlantic Canada Petroleum Institute; Atlantic Canada Opportunities Agency (Nova Scotia); Atlantic Canada Opportunities Agency (Newfoundland and Labrador); Shell Canada; College of the North Atlantic; and Department of Mines & Energy (Newfoundland and Labrador). The WG was subsequently expanded to include representatives from: University of New Brunswick; University of Prince Edward Island; and Nova Scotia Petroleum Directorate.

² A report detailing the consultation process and feedback received is attached to this report.

- Speaks to the mandate of the organization: to foster petroleum-related R&D in Atlantic Canada;
- Is sufficiently distinct from “Atlantic Canada Petroleum Institute”.

It is recommended, then, that the name of the new organization be Petroleum Research Atlantic Canada (PRAC).

Incorporation & Offices

It is recommended that PRAC be incorporated as a federal not-for-profit organization. This legal status will allow PRAC to develop agreements and carry out activities in all provinces and is reflective of the organization’s regional character.

PRAC will require a physical presence in jurisdictions experiencing significant oil & gas activity and related R&D investment. Initially, it is recommended that offices be established in Newfoundland and Labrador and Nova Scotia. Other offices may be established on the recommendation of the Board of Directors.

PRAC will operate as an integrated organization notwithstanding it will have a physical presence in more than one province. The organization will strive to reflect its pan-Atlantic origin and mandate in its decision-making processes and staff resource allocations. In practice, PRAC will not have a “head office”, in spite of any legal obligation to identify one for the purpose of incorporation.

Mandate & Fundamental Purpose

The mandate of PRAC is to foster, within Atlantic Canada, inter-disciplinary research and development related to oil and gas and the diffusion of that knowledge, in fields such as

- Engineering;
- Natural and human sciences;
- Environment;
- Public policy and socio-economics; and
- Education and training.³

During the consultation process, it was suggested that the mandate be expanded to energy-related R&D. Without meaning to exclude from the mandate issues that are downstream of but closely connected to petroleum exploration and production, it is recommended that PRAC’s mandate be restricted to “petroleum-related” as opposed to “energy-related” R&D. Pre-commercialization R&D in support of technology development is considered part of the mandate.

³ PRAC will not engage in the delivery of education and training. The inclusion of education and training under the umbrella of research and development indicates that support for the education and training initiatives of Members is within the mandate of PRAC.

The fundamental purpose of PRAC is to add significant value to Atlantic Canada by building capacity and scale in oil and gas research and development.

Guiding Principles

PRAC is founded on the principle of collaboration among stakeholders. To respect this founding principle and to encourage greater collaboration, PRAC must be:

- Non-prescriptive in its direction and operation;
- Non-exclusive in its relationship with its stakeholders;
- Cooperative with other organizations and initiatives that are building Atlantic Canada's R&D capacity;
- Careful not to duplicate activities and roles that are being successfully undertaken by other organizations within the region;
- Respectful of existing funding relationships, contracts and regulatory obligations pertaining to R&D obligations;
- Objective and transparent in all its activities, particularly those relating to the distribution of funds; and
- A significant source of funding for petroleum-related R&D.

The organization will solicit the active participation of stakeholders through Membership.

Principal Activities

The principal activities of PRAC will be:

- Identifying relevant opportunities and issues in R&D.
- Developing processes by which these issues can be addressed.
 - The primary process shall be a call for proposals. Depending on the need, some calls will be specific while others may be more general. Calls for proposals will be open, but in the event the principal investigator is not associated with a Member organization, the proposal must be sponsored by a Member.
 - Procedures for the assessment of proposals and the awarding of funding must be objective and transparent.
 - Care must be taken to ensure the confidentiality of proposal evaluation and the peer review process. Rules respecting the ownership of intellectual capital must be clearly articulated in advance.
- Developing a significant pool of funding to support its activities.

- PRAC's activities must be efficient and responsive to the needs of its funders if it is to be successful in attracting ongoing financial support.
- Base funding will be obtained from the contributions of industry and government Members;
- Maximum leverage of base funding must be achieved for PRAC to maintain the support and interest of key stakeholders.
- Providing a facilitation function that utilizes existing groups, agencies and institutions to meet its mandate.
 - Coordination with existing organizations in the identification of research opportunities and funding of R&D projects are examples.
- Providing a forum for discussion, exchange and knowledge building.
 - The organization must foster open communication among Members and between Members and staff.

Membership

Definition

Membership is available to:

- Petroleum operating companies
- Petroleum service companies
- Petroleum distribution companies
- Universities
- Colleges
- Government departments
- Other not-for-profit institutions or organizations

Provided they are:

- Organized for government, educational, scientific or industrial purpose,
- Are located within the boundaries of Atlantic Canada,
- Have made a substantial and continuing commitment to progress in the oil & gas sector or related fields as evidenced by support of scholarly works, R&D or training and education programmes, and;
- Have made a clear and continuing commitment to active participation in the activities of the corporation including its administration and programme delivery.

Classes of Members

- Academic (Post-secondary)
- Industrial
- Government

Rights of Members

- The right to vote
- All those things normally accorded under the corporation's by-laws

Obligations of Members

- Academic Members; in-kind services, facilities
- Industry/Government Members; funds, in-kind services, facilities

Membership obligations are difficult to articulate with any precision in advance. The Board must provide guidance on prospective Member's contributions after considering the organization's particular situation and the contributions of existing Members similarly situated. The level and nature of each Member's contribution is to be reviewed by the Board annually.

Approval of Members

- Applications will be considered through a Membership Committee which will make recommendations to the Board for approval
- Five (5) year term, renewable
- Members may resign on 60 days notice provided outstanding commitments are met

Assignment

- Membership is not assignable

Member's Representative

- Appointed by an officer or senior manager of each Member to act on its behalf
- Not normally a person sitting on the Board of Directors

Board of Directors

- Should reflect the regional diversity of Membership.
- Chair and Vice-Chair will not normally be residents of the same Province.
- Incoming Chair will not normally be a resident of the same Province as the outgoing Chair.

- The size of the Board proposed during the consultation process has been criticized as being unworkable. The challenge is to reflect both the regional and stakeholder diversity of the anticipated Membership, without creating something that is inherently dysfunctional. It is recommended that the first elected Board consist of a maximum number of 21 excluding ex-officio members as follows:
 - Industry; up to eight (8) seats including Industry Associations up to two (2) seats.
 - Academic; up to six (6) seats with a balance among post-secondary institutions,
 - Government; up to six (6) seats including not more than one representative from a provincial government and not more than two from the federal government
 - Members-at-large; one (1) seat

The Board has the ability to change its number through the revision of its bylaws.

- Original (Interim) Board structure is to consist of three (3) appointed Directors to be named in the incorporating documents and an appointed Advisory Board. The intention is to be as inclusive as possible on the formation of the Interim Board so that all interested Members can participate through PRAC's implementation phase. Elections for Board membership will be held at the first AGM in the fall of 2002.
- Board members representing Member organizations need not be residents of Atlantic Canada.
- Past Chair is ex-officio for one term if not elected as a member.
- Executive Director is ex-officio.
- Ex-officio members are considered members for all purposes but may not sit as Chair.
- Term is two (2) years save the original (Interim) Board which shall be appointed until the first AGM and the first elected Board where terms must be staggered to achieve approximately one-half turnover per year. In the event of a vacancy for reasons other than the expiry of the term, the organization represented will have the right to nominate a substitute for the remainder of the term, to be confirmed by Board majority vote. In the event the organization declines to nominate a substitute, the vacancy can be filled on an interim basis by Board majority vote until the next AGM.
- Not less than two (2) meetings per year including the AGM.
- The Board is not remunerated.

Board of Directors' Committees

Executive Committee

- Chair, Vice-Chair are ex-officio, and up to three (3) others from the Board as the Board may determine from time to time – (one from each of the three Membership categories of industry, academic and government).
- Executive-Director attends all meetings but does not vote.
- Meet as often as required, exercise all the powers of the Board between regular meetings.

Nominations Committee

- Nominates Board Chair, and Board Members.
- Appointed by the Board.
- Is responsible to ensure the proper configuration and rotation of the Board membership.
- It includes at least one (1) Member who is not a Director.

Other

Officers

- Chair, Vice-Chair, Executive-Director, Secretary, Treasurer.
- Chair, Vice-Chair, Secretary and Treasurer are elected by the Board for a term of two (2) years.
- Executive-Director is appointed by the Board and shall serve at its pleasure.
- Secretary to be elected from PRAC staff.
- Treasurer may be outsourced.

Committee Structure & Staff

Currently, ACPI consists of four (4) Proposal Evaluation Committee's, a Research Selection Committee, and a number of Nova Scotia based staff. The Committee's and staff will transition into PRAC.

Assignment of Contracts

Existing ACPI contracts to be assigned to PRAC as required.

Report on the Consultation Process
Regarding the Establishment of an
Atlantic Canadian Petroleum Research
and Development Organization

May 6th , 2002

I. Introduction

On January 3rd and 4th, 2002, a Working Group ('WG') met to discuss the need for and potential structure of an organization to support petroleum-related research and development in Atlantic Canada. The organizations represented on the WG are:

Working Group Membership

- Memorial University of Newfoundland
- Dalhousie University
- Atlantic Canada Petroleum Institute
- Atlantic Canada Opportunities Agency (Nova Scotia)
- Atlantic Canada Opportunities Agency (Newfoundland and Labrador)
- Shell Canada
- College of the North Atlantic
- University of New Brunswick
- University of Prince Edward Island
- Nova Scotia Petroleum Directorate
- Department of Mines & Energy (Newfoundland and Labrador)

The WG was able to achieve a common perspective on the need for a regional organization and articulated a proposed organizational structure, mandate and guiding principles. The need for broad regional support was identified as critical to the success of the proposed organization. As a result, the WG committed itself to undertaking consultations with key regional stakeholders in petroleum R&D and to consider feedback received before proceeding with the formal establishment of any organization. The consultative process was entrusted to a sub-working group, entitled the Consultation Working Group ('CWG'). The organizations represented on the CWG are:

- Memorial University of Newfoundland
- Dalhousie University
- Atlantic Canada Petroleum Institute
- Shell Canada
- University of New Brunswick
- University of Prince Edward Island
- Nova Scotia Petroleum Directorate
- Department of Mines & Energy (Newfoundland and Labrador)

The purpose of this report is to summarize both the consultative process undertaken by the CWG and the feedback received from participants. An effort has been made to consult with a broad group of representative stakeholders in each of the four Atlantic Provinces, and to accurately reflect the feedback received. In the event that you wish to make any additional comment on the content of the report, please do so in writing by return email to Office_Administrator@acpi.ca not later than Tuesday, May 14th, 2002. The WG will be meeting to consider the feedback and to issue a Final Report. This Final Report is scheduled for circulation during the week of May 13th, 2002. It will set out the recommendations of the WG related to the establishment of a regional petroleum R&D organization ('Neworg'). Based on the feedback received, it is anticipated that Neworg will be formally established by the end of May 2002.

II. The Consultative Process

The CWG prepared a standard presentation detailing the WG’s proposal, which served as the basis for all consultations. The presentation is attached as an appendix to this report.

The following organizations were engaged during the consultation process through formal presentation and / or correspondence.

Government	Industry & NGOs	Academic
Canada-Newfoundland Offshore Petroleum Board	Canadian Association of Petroleum Producers	Memorial University of Newfoundland
Canada-Nova Scotia Offshore Petroleum Board	Newfoundland Ocean Industries Association	Dalhousie University
Atlantic Canada Opportunities Agency	ARIA	University of New Brunswick
Department of Mines & Energy (NL)	Columbia Natural Resources	University of Prince Edward Island
Nova Scotia Petroleum Directorate	Neill & Gunter	Atlantic Association of Universities
Industry Canada	PEI Fisherman’s Association	College of the North Atlantic
Natural Resources Canada		St. Francis Xavier University
City of St. John’s		New Brunswick Community College
Development & Technology (PEI)		Acadia University
Fisheries, Aquaculture and Environment (PEI)		Nova Scotia Community College
Department of Natural Resources (NS)		University College of Cape Breton
Technology and Science Secretariat (NS)		Center for Cold-Ocean Research (C-CORE)
Natural Resource & Energy (NB)		
Business New Brunswick		

III. Feedback

The following discussion contains the comments and questions that were received during the various consultations. Some were received orally and others in writing. Responses to questions appear in *italics*.

i. General Direction

The overwhelming majority of participants positively endorsed the need for a regional organization to support petroleum-related R&D. No participant specifically rejected the idea. In general, Neworg was seen as critical to:

- securing stable and sufficient funding for petroleum-related R&D through members' commitments and leveraging;
- expanding and focusing the region's R&D capacity; and
- strengthening relationships among R&D providers, government agencies and petroleum companies.

However, some were confused about the relationship between Neworg and ACPI. The intention is to have one, regional, integrated and federally incorporated entity, and that ACPI will merge with Neworg and formally cease operations.

ii. Mandate & Key Activities

- The terms *technology* and *innovation* should be specifically referenced in the mandate.
- There should be an emphasis on innovative and unique R&D.
- Is any of the funding to be made available to the commercialization of innovative technology and will proposals continue to be sought from the SME [Small and Medium Size Enterprise] sector of the industry?

The CWG is aware of the important role SME's play in the overall success of the East Coast petroleum industry, and recognizes the need to integrate SME's into Neworg's activities. Pre-commercialization research funding in support of the development of innovative technology is considered to be an important part of the mandate. An example of how this might work in practice relates to ACPI's current proposal to CFI/NSERC for Canadian membership in the upcoming Integrated Ocean Drilling Program (a US\$ 750M 22 country international consortium). Multiple drilling platforms will be operating around the globe within IODP, and its predecessor program (Ocean Drilling Program) produced a number of innovations that had commercial application. Should the ACPI proposal be successful, R&D

funds have been earmarked for research support leading to the development of new technology within IODP.

- What advantages would be gained for organizations or companies (mainly SME's) already connected to the oil and gas industry to be involved as members

in the proposed new organization? How will these activities lead to commercial products and services for Atlantic Canadian companies to provide international market opportunities?

In general, the unique structure of a regional industry, government and academic public-private partnership presents a clear opportunity for SME participation and benefit. In addition to becoming involved within Neworg's committee structure, it is the Membership that will elect the Board of Directors. Examples of activities to date within the ACPI structure that have had an SME focus include the Integrated Ocean Drilling Programme proposal (referenced above) and the 'deepwater technology' AIF proposal that brought together East Coast deepwater operators, local SME's and academic researchers to address operator identified priorities. In the AIF proposal, ACPI coordinated the writing of the proposals for the SME proponents. Within Neworg, these kinds of activities will continue. It is anticipated that staff will be dedicated to the facilitation of SME participation and that a percentage of available funding will be earmarked for pre-commercialization R&D.

- How would the proposed organization be structured to respond quickly to changing needs and priorities of the industry given the more formal identification of priorities and funding review processes that will be instituted? Once these priorities are identified and combined with the current process for selection and awards, it will typically be well over 18 months before any commitments are made.

It is recognized that identification of priorities and funding cycle times have to be responsive to industry needs if Neworg is to be successful in attracting funding. The existing ACPI process of issuing a twice yearly call for proposals has worked reasonably well for a first time effort. It has started to build a strong regional network of researchers, vetted in excess of 100 proposals over 3 separate calls and in a number of cases funded projects within months. While some form of call for proposals process will be retained within Neworg, not all projects will be funded the same way. Other types of initiatives like JIP's will be employed where it makes sense to do so.

- Five very broad petroleum related R&D areas are identified to be covered by the organization. What resources (overhead) to capture Atlantic Canada priorities and international needs within these complex disciplines are required to create an international R&D capacity? How will this impact the available funding for R&D initiatives? What will the new organization provide that is not already being addressed by existing organizations at relatively low overheads?

It is recognized that priority identification is hard work and that costs associated with this activity can have an impact on the funding available to conduct the research. However, it is also recognized that funding the right things is a critical success factor for Neworg and its Membership. As with ACPI, effort will be made to leverage existing processes (regional, national and international) that are working well and to keep overhead at acceptable levels. In other cases where processes do not exist or are not particularly effective, resources will be allocated subject to the budgeting process and

the Board's guidance.

- How will long term collaborative working relationships be built between industry and academia? It is well documented that partnerships need much more than money to be a win-win for both. A more proactive approach is needed to build individual academic and industry relationships.

At a fairly high level, Neworg is the ideal example of a proactive approach that will foster the development of the relationships. It will have money, but it will also serve as an important meeting place where representatives from the three main stakeholder groups will systematically come together. A number of groups that have been consulted about Neworg have expressed the need for others to better understand their culture and needs. It takes exposure, education and time for this to happen. Progress has been made within the ACPI model, and there is reason to be optimistic that this will accelerate within Neworg.

- Why is membership restricted to the Atlantic region when R&D is an international activity? Surely, international partnerships would benefit the organization.

There is an important distinction between 'partnerships' and 'Membership'. It is recognized that partnerships of all kinds, including international partnerships, are desirable. Neworg will continue to leverage existing and developing ACPI partnerships with organizations like the US Energy Institute and Deepstar, as well as those of the individual Members. There will be a mechanism for non-Atlantic based organizations to become affiliated with the organization and apprised of its activities. The Members elect the Board of Directors and as such determine the overall policy direction of the organization. Because the ultimate goal of the organization is to support the growth of the East Coast industry through local organizations involved in petroleum related R&D and T&E, it was considered desirable to restrict Membership in the manner that has been proposed.

- The proposed mandate should be structured so that the organization is able to accommodate broader energy issues, while perhaps focusing early research efforts on petroleum-related R&D needs and opportunities.
 - Concern was expressed that Neworg would focus on a strict interpretation of R&D that does not easily accommodate education and training activities. It should be made clear that R&D mandate includes issues related to education and training and proposal evaluation criteria specific to E&T activities.
- The link between Education and Training and R&D is not entirely obvious.

Neworg will not deliver training and education programs. Rather, it will support research and other related initiatives such as workshops that fall loosely under the education and training umbrella. A representative example of this kind of work is the ongoing ACPI funded project that is

building a spreadsheet model to identify labour demand for exploration, development and production activities offshore NS. This model will inform the debate on macro labour demand and provide useful information to those engaged in delivering petroleum-related training and education programs. The detailed E&T research agenda must be developed in consultation with the organizations actually doing the education and training and the organizations that will be requiring qualified people.

- Procedures for the assessment of proposals and awarding of funding must be fair, objective and transparent.
- The industry participants in Neworg require education on university culture and how university research is conducted.
- Care should be taken to ensure that industry committee representatives engaged in the research selection process do not “select” projects based on individual company requirements. R&D funds should be available to a broad range of research. Where the research focus is narrowed to specific priorities for strategic reasons, this must be made clear to the research community.
- The onshore industry has R&D needs that are distinct from the offshore industry. The organization should help organize onshore players to ensure that financial resources are pooled to tackle common onshore R&D needs.
- It would be helpful for Neworg to facilitate discussion with fisheries’ organizations on a regional basis to identify research issues of importance to the fishing community (such as the impact of seismic exploration).
- The organization should strive to ensure processes are as efficient as possible and that costs and bureaucracy are kept as low as possible. Particular reference was made to minimizing the cycle time for vetting/funding research proposals.
- The organization should have a communications plan with a view to encouraging open communication among Members and between Members and Staff.
- Care will need to be taken to ensure the confidentiality of the proposal evaluation/peer review process and to clearly resolve the issues related to the ownership of intellectual capital.

iii. Relationship with Existing Initiatives, Programs and Regulatory Requirements

- How will the new organization interface with existing research funding programs such as ESRF and PERD?

The CWG recognizes that greater efforts must be made to try and establish effective linkages between funders of petroleum R&D. To that end, ACPI has approached the ESRF Board with a view to establishing a formal relationship between it and Neworg.

- Will Neworg’s role and activities differ significantly from that of the Atlantic Canada Petroleum Institute?

The proposed role and activities of Neworg do not differ in a material way from ACPI's Mission Statement or the activities ACPI has engaged in to date. That said, it would be up to the new Board of Directors to govern the organization and make changes as circumstances warrant.

- Will the new organization pursue opportunities for international partnerships?

Yes. ACPI has had some success here, and by increasing the partners involved in Neworg the chances of building on individual organizations' and researchers' international networks is enhanced.

- What impact will the new organization have on petroleum companies' current and future regulatory requirements for research and development?

No impact is anticipated.

- Neworg should not interfere with existing relationships between research and development providers, governments and petroleum companies.

It is for this reason that Neworg will be a non-exclusive organization. Rather than interfering with existing relationships, it is expected that participation in Neworg will serve as a catalyst and opportunity for new relationships to be created and that these may evolve outside Neworg.

- The organization should draw upon the lessons learned and successes of ACPI. By way of example, the new organization was encouraged to build on the positive relationship established by ACPI with the Atlantic Community College Consortium regarding E&T activities.
- Encouragement was given to consider making funds available in the form of junior research fellowships tenable at Atlantic Canadian academic institutions, possibly in partnership with other national or international institutions, as a means of developing the next generation of researchers and teachers that will support the growth of the East Coast industry.
- Encouragement was given to consider financially supporting the creation / evolution of cooperative networks of researchers within Atlantic universities. The model referenced was one involving the Canadian Wildlife Service, where one senior and two junior research chairs were created in separate universities, each university having committed to the establishment of tenure track positions beyond the initial five year funding.
- Encouragement was given to have the new organization prepare an inventory/oil & gas handbook that would identify the local research capability.

iv. Organization Structure

- Will there be a separation of the role of the Board from that of the committees that will review and approve research funding?

The intention is to have the Board primarily engaged in establishing policy and setting the general direction of the organization. While it will ultimately be responsible for the research process, it will not be involved in establishing detailed research priorities, proposal evaluation, or funding recommendations. There will likely be delegated funding authority to the executive, with Board approval being required for high dollar expenditures.

- Board representatives must take a broad view and act in the best interests of Neworg, not simply represent their organization's views to Neworg.
- Neworg must have regional universities as Members and a rotating Board of Directors.
- The proposed size of the Board of Directors is unworkable and is far too heavily weighted to academia and government. The proposed organization needs an industrial focused Board. Industry members should dominate. Membership criteria should be reviewed to include organizations from outside Atlantic Canada.

The proposed organization is a partnership among industry, academia and government. As such it requires some level of participation from all three groups. The ACPI structure is based on the proposed model and has functioned well over the past two and one-half years. That said, the proposed Board is large and potentially problematic. It follows much discussion and thought. It may be possible to reduce the size of the Board over time, as organizational norms are established and success achieved. One model that has been discussed involves a more representative structure where groups of organizations might have a representative, and it is hoped that NOIA and OTANS will each take a seat on the new Board (the industry category) in an attempt to address some of the concerns raised in the question.

- The true regional character of the organization must be emphasized, and care taken to establish the “look and feel” of the organization as a truly regional body.
- What exactly is “membership”? How is organizational membership, different from Board membership, different from committee membership?

The proposal is for the organization to have a formal “membership”. That is to say, organizations will “join” and become Members by signing a document that describes the organization and the rights and obligations of its Members. The Board of Directors will be elected by the Membership. Seats on the Board will be allocated by specific category; i.e. academic, industry, government and members-at-large. The intention is to have a Nominations Committee that will work with the various categories of Members to obtain nominations for new Board members as vacancies appear. There will be various Committees established by the Board from time to time, an example being proposal evaluation committees, and these will be populated (not necessarily exclusively) with representatives from the various Member organizations.

- The obligations of each category of Member must be clearly articulated.
- The governance structure should include a dispute resolution mechanism.

- It is important that Members have the opportunity to serve on the Board of Directors in order to achieve and maintain broadly based support. The principal of “regional diversity” should expressly apply to each of the three key stakeholder groups represented on the Board, not just to the Board as a whole.
- The rights and obligations of Members should be communicated immediately following the consultation process so that Members may be admitted and the Board of Directors elected in an expeditious manner.
- The role of the Executive-Director and other officers should be clearly defined.
- What committees will be in place? How will broadly based representation be ensured?

The responsibility for establishing committees will reside with the Board. No specific number of committees has been established, but it is clear that a number of committees will be required to support the research administration process and distribution of funds. Broadly based representation will be a guiding principal in the establishment of committees, and given the breadth of talent in the region it is not anticipated that this will be a problem. The committee chairs’ will have accountability for this, as will the executive. There may be a Nominations Committee that would be involved with appointments, but we do not wish to overly bureaucratize the process.

- Ideally, offices should not be located in an academic, government or industry facility to avoid the perception that the new organization is a creature of any particular stakeholder.

This issue has been mooted from time to time within ACPI. While the principle is sound, the financial realities are unattractive. In-kind support in the form of office space is likely to be forthcoming from a Member within one of the three main stakeholder groups, and no doubt this will influence the location of offices.

v. Funding

- Many participants expressed the view that the success of Neworg will be dependent on its ability to attract significant and stable R&D funding. Others were somewhat alarmed by the stated objective of achieving “significant” funding.

To enjoy success, the new organization will require the support and active involvement of the R&D community. This will only occur if that community views Neworg as an effective vehicle to access significant and stable funding.

- It was suggested that members’ funding obligations/expectations be defined with greater precision. The view was expressed that current industry funding is adequate and that additional funding should come from the organization’s leveraging efforts.
- Caution was expressed regarding the ability of provincial governments to bring funding to the table. Others articulated the need for strong provincial support if the

initiative is to succeed.

- Only Members should be eligible to receive funding.

vi. Organization Name

- A new name is required to establish a clear break from ACPI.
- There is nothing fundamentally wrong with keeping the name ‘Atlantic Canada Petroleum Institute’.
- “Energy” as opposed to “petroleum” would imply a more arms length relationship from industry and garner greater acceptance of research results. Energy is a more neutral term. Also, you cannot easily separate upstream activities from other broader environmental issues and/or mid and downstream activities associated with petroleum activity. If the intention is to gradually move into these broader areas of research, it may be better to have the name reflect that intention at the outset than have to change the name (again) at a later date.
- The name should include “East Coast” rather than “Atlantic”, a term that has a defined meaning within the O&G industry. Perhaps ‘East Coast Petroleum Network’.
- Association of Atlantic Petroleum Research (AAPR)
- Maritime Petroleum Research
- Atlantic Canada Institute of Petroleum Research
- The organization should have a non-regional name to prevent the possibility of inadvertently restricting future opportunities.
- Atlantic Regional Research Organization

Atlantic Canada Petroleum Research & Development

Consultation Working
Group Proposal and
Request for Comments

March, 2002

1

Background

- January 2002 Working Group meeting to discuss petroleum R&D in Atlantic Canada
 - Original Working Group members: MUN, NF Mines & Energy, NF ACOA, ACPI Board Members (NS ACOA, Dalhousie, CONA, Shell), ACPI Staff
 - New Working Group members: UNB, UPEI and NS Petroleum Directorate
- Common perspective achieved on key issues respecting regional petroleum-related R&D organization
- Consultation process now underway to enlist support and receive feedback. Broad regional support critical to success.

2

Why Pursue a Regional Organization?

- Increased access to industry & government funding
- Effective leveraging of available funding to create a substantial source of available R&D dollars
- Strengthened linkages within the existing research community and among key stakeholder groups
- Improved discussion and articulation of R&D issues/priorities
- Optimized allocation of funds

3

Guiding Principles

- Integrated organization with a regional approach
- Broad, diverse and balanced regional membership (industry, academia, gov't)
- Focused mandate, that is complementary to existing organizations/initiatives
- Build on ACPI's successes and respond to concerns raised regarding ACPI
- Access to existing ACPI funding

4

Guiding Principles

- Add value through Members' participation
- Have an efficient governance structure, including an objective process for distribution of funds
- Be a non-exclusive organization; honour members' existing and future R&D arrangements and statutory requirements

5

Mandate

- Foster petroleum-related R&D in:
 - Engineering
 - Natural and human sciences
 - Environment
 - Policy
 - Education & training
- Disseminate research results/knowledge

6

Activities

- Identify R&D opportunities and priorities
- Develop processes for addressing issues
- Facilitate collaborative R&D
- Provide a forum for discussion, information exchange and knowledge creation
- Allocate R&D funds through objective processes

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Membership

- Petroleum Operating Companies
- Petroleum Service Companies
- Petroleum Distribution Companies
- Universities
- Colleges
- Government departments
- Not-for-profit institutions/organizations

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Membership

- Provided they are ...
 - Located within Atlantic Canada
 - Strongly committed to R&D in petroleum and related fields; and
 - Participate in the activities of the organization
- Obligations of Members
 - Academic: in-kind services, facilities
 - Industry/Gov't: funds, in-kind services, facilities

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Structure

- Federally incorporated, not-for-profit
- Board of Directors (maximum 21)
 - Reflecting regional diversity
 - Two year term; elected by Membership
 - **Industry**: up to 8 seats, balance among sectors
 - **Academic** up to 6 seats, balance among post-secondary institutions
 - **Government** up to 6 seats, at least 1 from each Atlantic province
 - **Member(s)-at-large**

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Structure

■ Offices

- Physical presence in provinces with substantial oil & gas activities
- Offices to be first established in Halifax and St. John's

■ Name

- Important components: Atlantic Canada, Petroleum, Research

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What Would Success Look Like?

- Full participation of key organizations
- Better articulation of research priorities
- Secure, substantial, well-leveraged funding
- Efficient coordination of R&D activities; minimization of overlap/duplication
- Growth in regional R&D capacity
- Increased capability to support O&G sector

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Next Steps

- Complete consultation process (by end of March) and publish report
- Incorporate feedback into existing proposal
- Solicit Working Group stakeholder organizations' approval (by end of April)
- Incorporate and implement the new organization (May-June)

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Key Questions

- 1. Do you agree that there is a need for a regional petroleum R&D organization?**
- 2. Will an organization similar to that outlined address the need? Suggested changes?**
- 3. Will the proposed organization structure be effective? Suggested changes?**
- 4. What should we call the Organization?**

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