

Speaking Notes for Scott Tessier, CEO, C-NLOPB
Fostering Innovation in Offshore Regulatory Oversight
Digital Offshore '25 Conference, March 25, 2025

Thank you to ERINL, techNL, and EnergyNL for the opportunity to contribute to such informative and dynamic discussions this week.

I'm particularly delighted to share the stage this afternoon with Rob, Heather and Robert.

The Place of Regulators in Innovation

Regulators have a critical role in fostering innovation, but this can be a daunting task for everyone in our regulatory framework.

Regulators are typically cautious and conservative by nature and in their culture. We at the C-NLOPB are no exception.

We hear all the time about the importance of stability and predictability, which are valued components of effective regulatory regimes.

As regulators, we value certainty, or at least consistency.

So the prospect of occasional failures — which are common and somewhat accepted in entrepreneurship and in private-sector innovation— can be deeply uncomfortable for us.

We know all too well the worst case scenarios if those failures are in safety or result in environmental damage.

Those outcomes are unacceptable. They will also come with a loss in public confidence in both the regulator and the industry.

With that in mind, if an operator proposes an innovation in the Canada-Newfoundland and Labrador Offshore Area, our initial response usually leads with, “Has it already been done safely and successfully elsewhere?”.

If the answer to that is “no”, the conversation usually ends or at least becomes very lengthy.

And even if the answer is “yes”, we typically follow with “that’s great, but our offshore environment is much harsher than that one.”

Legitimate and true, but perhaps not always very “fostering” of innovation. We have collectively matured with experience and lessons learned as a basin, and we see better alignment today with the rest of you in this room about the opportunities and the risks of innovation.

Another commonly –cited impediment to innovation has been our overly prescriptive regulations, which themselves have proven to be very hard to amend and slow-moving to say the least.

The Frontier Offshore Regulatory Renewal Initiative, or FORRI, took many years of hard work by many people, across successive governments of multiple stripes, to get done.

Thanks to them, we have welcomed a transition to new, more performance-based regulations that are in force today.

But it still remains to be seen what exactly performance-based regulating will look like in the Canada-Newfoundland and Labrador Offshore Area, and what those new regulations will mean for innovation.

We do know that we need to take a more innovative approach in our regulatory oversight, and we know that irrational consistency is to be avoided.

In today’s fast-moving, disruptive landscape, regulators must be adaptable like never before, in order to keep pace with those we regulate and the rapidly evolving public interest.

AI and the Energy Sector

Few, if any, regulatory regimes in any sector, anywhere in the world are designed for the advances that have come and will continue with artificial intelligence. Regulators are scrambling to keep up.

Nevertheless, we are seeing AI's real-time, transformative impacts on diagnostics and outcomes in literal, life-and-death applications in healthcare.

If AI can be safely and securely applied there and in other critical sectors such as finance, there's no reason that it should not be pursued and embraced across the energy sector -- provided it is done carefully, with the risks being well-understood and addressed.

With this in mind, it is noteworthy that AI risk is the stated, central focus this year for Havtil, the Norwegian offshore safety regulator.

According to their outgoing Director General, Anne Mhyrvold, "An exaggerated reliance on AI may undermine people's vigilance and lead to poorer decision making. It may also increase vulnerability to cyberattacks."

When Norway talks about offshore safety, the world listens.

So, while we know that AI's advantages are promising in learning, hazard and risk assessment, condition monitoring and maintenance, and decision-making— we also know we must minimize its downsides.

This requires human oversight -- the "automation paradox."

C-NLOPB's Regulatory Innovation Agenda

Five years ago, the C-NLOPB's views on digitalization centred solely on concerns about cybersecurity, training and competency, local content, standards and data management.

These issues persist, and cybersecurity concerns surrounding critical energy infrastructure have only grown exponentially in the time since.

But we've embraced the benefits of digitalization as being fundamental to our commitment to innovation.

So we are moving forward with digital initiatives and new regulatory tools, while staying true to our mandate of ensuring risks are minimized to levels that are as low as reasonably practicable.

We are modernizing our own software infrastructure, implementing new incident reporting and data management systems, and exploring AI's opportunities in our regulatory oversight.

Collaboration with Canadian and international regulators is helping us to learn and innovate together.

This October, we will host the International Regulators Forum Safety Conference and several other international gathering, where innovation will be a central theme. Registration for the conference will be open soon and we hope you can join us right here as we welcome the world to St. John's.

A New Focus on Collaboration

We are also working on being more innovative in other areas of our external engagement.

Historically, "collaboration" with the industry has been a contentious notion for us. Partnering with the industry is sometimes feared as a slippery slope to "regulatory capture", and a captured regulator cannot serve the public interest nor retain public confidence.

However, the pace and complexity of innovation today necessitate an appropriate measure of collaboration.

Five years ago, during the COVID-19 pandemic, collaboration among regulators, operators, governments and others allowed us to openly share experiences and resources, and learn from one another in real time.

This transparent dialogue and problem solving were critical as we collectively navigated through the pandemic without precedent and absent detailed guidance.

It took trust and honesty for us to get through it.

Now, we want to develop similar safe spaces where the regulator can learn directly from the industry's innovators to better understand the opportunities and risks of emerging technologies.

This will allow us to assess risks and mitigations objectively, while maintaining our non-negotiables in safety, environmental protection, resource management, and local benefits.

To that end, we are leading the establishment of local offshore energy regulatory “sandboxes”.

These sandboxes will enable industry subject-matter experts to directly address our questions and concerns while collaboratively developing new approaches.

Initial pilot projects will focus on hopefully quick, mutually beneficial wins, to further build the culture of transparency and trust.

One sandbox will be led by our session moderator, Rob McGrath, focused on innovation through digitalization, with a special emphasis on AI.

Another, led by our Director of Regulatory Operations, Craig Rowe, will take on regulatory instruments, with a focus on efficiency and innovation-enabling guidance.

We will engage operators and invite participants from Newfoundland and Labrador’s digital innovation ecosystem into these collaborative spaces to work with us over the next few months.

We recognize that knowledge development and upskilling are also going to be required for regulatory staff.

Collaboration with industry and innovators will provide valuable knowledge as we develop targeted training initiatives for our employees.

This approach to innovation will extend into our expanded mandate to oversee offshore renewable energy projects, which should be formalized and in effect in the very near future.

We know that timely approvals and authorizations for new technologies are crucial if their true benefits are to be seized.

Innovation delayed means operational improvements and competitiveness lost.

And to close, I want to emphasize that while we innovate, we will remain steadfast in our commitment to Diversity, Equity, Inclusion, and Belonging.

DEIB strengthens us as regulators and enriches our work. There's no point in innovation for some of us without innovation for all of us.

I look forward to the remainder of this session and our conference discussions. But for now, I look forward to hearing from my fellow panelists.

I'll then be happy to address any questions during our session, over the next couple of days and beyond.

Thank you.