

**Ministry of
Natural Gas Development and
Minister Responsible for Housing**

**REVISED 2013/14 – 2015/16
SERVICE PLAN**



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Minister Responsible for Housing

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Message from the Minister and Accountability Statement



British Columbia has a vast supply of energy in the form of natural gas, a cleaner alternative to oil and coal, which presents us with a generational opportunity to build a new industry.

The Ministry of Natural Gas Development was created to take full advantage of the exciting opportunities for jobs, investment and economic growth offered by British Columbia's abundant natural gas resources. This new ministry is the next logical step in implementing British Columbia's strategies for natural gas and liquefied natural gas.

As part of these efforts, the Ministry is playing a significant role in supporting the goals of *Canada Starts Here: The BC Jobs Plan (BC Jobs Plan)*, released in 2011. In February 2012 our government launched two strategies in February 2012 to achieve the Jobs Plan goals: *British Columbia's Natural Gas Strategy* and *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*. Liquefied natural gas projects on British Columbia's northwest coast could add more than \$1 trillion to the province's Gross Domestic Product over the next 30 years. Between 2013 and 2022, tens of billions of dollars are projected to be invested in liquefied natural gas projects in British Columbia, requiring significant numbers of skilled workers during construction and to support ongoing operations.

The liquefied natural gas strategy aims for three operating facilities by 2020. These projects will diversify B.C.'s markets in natural gas, as well as take advantage of much higher natural gas prices in the Asian markets than in North America. This Ministry will work with project proponents to complete negotiations and accelerate final investment decisions. Major global and domestic industrial interests are partnering on projects of such magnitude that British Columbia's emerging liquefied natural gas industry has the potential to transform our economy and generate a lasting legacy.

British Columbia's developing ability to sell this important resource to new, more lucrative markets in the Asia-Pacific will add long-term stability to the provincial economy. In the fall of 2012 the B.C. government announced a new installment of the infrastructure royalty credit program to support the capital needs of the province's upstream natural gas industry. Development of the 21 projects in northeast British Columbia resulting from this \$120-million program will generate more than \$260 million in new capital spending and create an estimated 1,600 construction jobs.

Liquefied natural gas facilities require considerable amounts of power. An amendment to the *Clean Energy Act* approved by the legislature in the Spring of 2012 allows for the greater use of gas-fired electricity by liquefied natural gas projects. New electricity transmission infrastructure in the northwest region will help meet that commitment.

An exciting consequence of the planned liquefied natural gas industry is the British Columbia Prosperity Fund, designed to ensure that communities, First Nations and all British Columbians benefit from the development of this industry. Over the next 30 years, more than \$100 billion is expected to flow to the Prosperity Fund, which will be used first to eliminate the Provincial debt.

The Ministry plays a major role in housing British Columbians. The Residential Tenancy Branch supports successful tenancies by providing information to landlords and tenants about their rights and responsibilities and provides a dispute resolution process that balances the needs of both groups. In 2012 a new Building Code, Plumbing Code and Fire Code were released, which describe standards for health, safety, accessibility and the fire and structural protection of buildings in British Columbia.

Providing housing and supports to those in greatest need are key priorities of the provincial housing strategy, *Housing Matters BC*. Almost 100,000 B.C. residents benefit from provincial housing programs. Through strong partnerships with local governments and community organizations, the Ministry continues to help increase the available housing options.

In the future, liquefied natural gas will help give British Columbia a sound fiscal footing. To help achieve a balanced provincial budget today this Ministry will control its spending and balance its ministerial budget.

The *Ministry of Natural Gas Development's Revised 2013/14 - 2015/16 Service Plan* was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which the plan has been prepared.



Honourable Rich Coleman

Minister of Natural Gas Development and Minister Responsible for Housing
June 18, 2013

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Purpose of the Ministry

The role of the Ministry of Natural Gas Development and Minister Responsible for Housing is to guide the responsible development and ensure maximum economic benefits to British Columbians from the province's natural gas resources¹ and the province's next new major industrial sector—that of liquefied natural gas (LNG).

Through teamwork and positive working relationships with its clients, the Ministry facilitates B.C.'s thriving, safe, environmentally responsible and competitive natural gas sector to create jobs and economic growth. In developing natural gas policies, legislation and guidelines, the Ministry consults with other ministries and levels of government, energy companies, First Nations, communities, environmental and industry organizations, and the public.

A key component of the Ministry's mandate is to develop tenure, royalty and regulatory policy for British Columbia's natural gas industry, thereby promoting the effective and environmentally responsible management of the province's natural gas resources.

The Ministry provides a range of natural gas related services, including the issuance of Crown subsurface resource rights, royalty programs, public geoscience and policies to address potential future resource opportunities, such as unconventional natural gas resource development. The Ministry's LNG Secretariat reports to the new Cabinet Working Group on Liquefied Natural Gas, which will advise on budgets, structure, mandate and service plan goals.

The Ministry strives to ensure that British Columbians have access to safe, affordable and appropriate housing through market and non-market housing policy and programs, building and safety policy and the development of technical codes and standards, and services for landlords and tenants. With regard to housing issues, the Ministry's stakeholders are the citizens of British Columbia and their representatives at all levels of government, First Nations, community groups, non-profit societies, schools, service organizations, businesses and industry associations. Key to the Ministry's success is its ability to maintain strong, collaborative relationships with stakeholders, partner agencies and other levels of government.

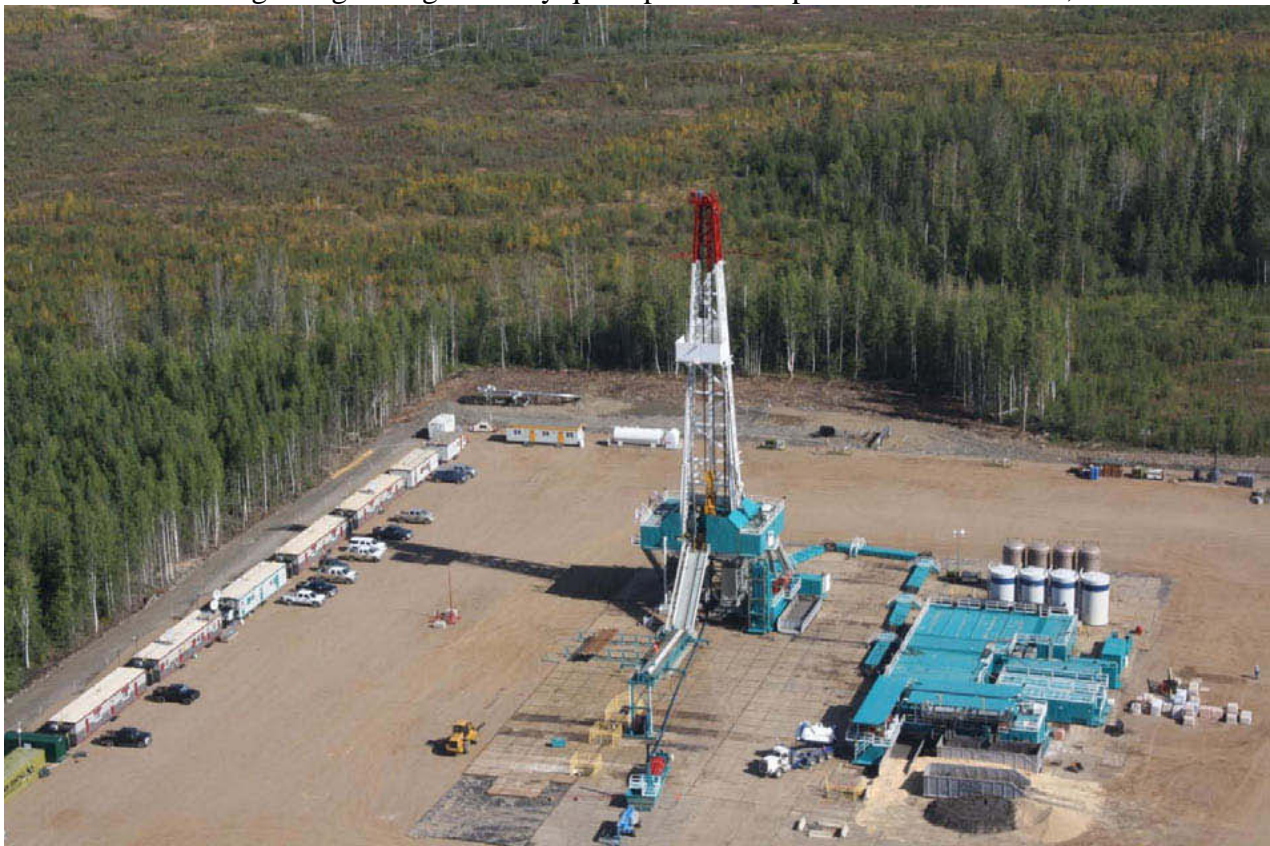
The Ministry is responsible for two Crown Corporations, the British Columbia Housing Management Commission (BC Housing) and the Oil and Gas Commission.

¹ Besides natural gas, the Ministry's mandate includes other forms of hydrocarbon resources, like natural gas liquids and crude oil. The province's known and currently produced hydrocarbons are primarily natural gas.

Strategic Context

British Columbia is in the fortunate position of having abundant natural gas resources, while growing Asian markets have ever-increasing needs for more energy. People, resources and technology combine to provide the natural gas required by British Columbians and our export customers, create business and investment opportunities, and develop and market new products and technologies for natural gas and oil production, use and conservation. It is estimated that investment in British Columbia's natural gas and oil sector was \$4 billion in 2012/13. Over the same fiscal period, the disposition of Crown subsurface natural gas and oil rights realized Government revenues totalling an estimated \$866.6 million.² In addition, the Province received an estimated \$257.7 million in natural gas and oil royalties.

The Ministry is committed to working with natural resource sector agencies, communities, First Nations, industry and environmental organizations to ensure that the continued growth, exploration and development of our natural gas sector is socially and environmentally responsible. The Province has significant shale and tight gas deposits—such as in the Horn River and Montney areas of Northeast B.C. Natural gas can be converted into liquid state (LNG) for transportation to Asia where demand for natural gas is growing at a very quick pace. LNG provides an abundant, lower carbon fuel



An exploration rig drilling a shale gas well in the Kiwigana area of the Horn River Basin, in northeast B.C. This rig is powered by natural gas, an example of industry efforts to reduce emissions and the overall footprint of development.

² This recognizes bonus revenue using deferral accounting, which is a Generally Accepted Accounting Principle. The current deferral period is nine years – representing the average lifespan of a tenure.

for electricity generation and transportation, and can displace coal and oil, which have higher emissions.

The challenges and opportunities in B.C.'s natural gas industry and the Province's initiatives to address them are outlined in *British Columbia's Natural Gas Strategy*, released in February 2012. B.C.'s estimated natural gas resources are substantial. Despite relatively low North American natural gas prices (especially in 2012/13), production levels of marketable natural gas remained relatively unchanged in the B.C. portion of the Western Canadian Sedimentary Basin. Marketable natural gas production in B.C. was 36.5 billion cubic metres in 2011/12 and 35.6 billion cubic metres in 2012/13. Future growth is expected to come from significant investment to develop the Province's large shale and tight gas deposits, such as in the Montney and Horn River areas of Northeast B.C.

LNG development in B.C. can have lower lifecycle greenhouse gas emissions than anywhere else in the world by promoting the use of clean electricity at LNG plants. British Columbia has many strategic advantages fostering the development of an LNG industry, but must ensure its competitiveness with other natural gas producing jurisdictions that are also working to attract LNG export investments. As described in *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*, the development of LNG export capacity in BC to access stronger markets in Asia is critical to sustaining the growth of BC's natural gas industry.



At least one pipeline and one LNG plant are projected to be in operation by 2015, according to one of the strategies for Goal 1 of the Ministry of Natural Gas Development: An internationally competitive natural gas sector that contributes to jobs and the economy.

Over the last year, the Province made significant progress in establishing its emerging role as an energy powerhouse that will serve Asia Pacific markets with a stable, long-term supply of LNG.

Following through with the Government's previously launched natural gas and LNG strategies, there have been investments totalling approximately \$6 billion to acquire upstream natural gas assets and an additional \$1 billion to further LNG planning and development. Major LNG proponents have come forward with plans to build LNG export operations and as of March 2013, eight large LNG projects were formally proposed or announced, in addition to several mid-size LNG projects.

Since the *BC Jobs Plan* was launched in September 2011, two liquefied natural gas proponents have received 20-year export licences from the National Energy Board. In February, 2013, the National Energy Board granted a third export licence for 25 years to the LNG Canada partnership for their large export proposal. The economic prospects of these proposed projects are significant and will create thousands of jobs for British Columbians. According to a study commissioned by the Government in February 2013, five LNG projects producing 82 million tonnes per annum would require approximately 102,500 (direct employment impacts) full time equivalent (FTE) jobs, over the nine-year construction period and an estimated 75,200 FTE jobs to operate over the life of the projects.

The housing needs of the vast majority of British Columbians are served through the private market. Recognizing the importance of the planning and land use tools they have, local governments are increasingly innovative and involved in affordable housing, looking for greater diversity in housing type and form. The Ministry is working with local government and other key stakeholders to develop initiatives to increase the supply of small, low-cost housing. With approximately one million British Columbians now living in strata properties, and with stratas making up more than half of new residential construction, the need to ensure effective strata regulation and self-governance is increasingly essential.

About 98,900 households throughout B.C. are likely to receive subsidized housing assistance in 2013/14. This accounts for approximately six per cent of all housing in the province and includes 26,870 low-income households receiving rental assistance in the private market. In 2010, the building construction sector in B.C. accounted for approximately 2.9 per cent of Gross Domestic Product and 4.7 per cent of employment in the province. Inconsistent application of building codes and standards increases the cost of construction, reducing housing affordability.

Ministry continues housing support programs

Providing housing and supports to those in greatest need are key priorities of the provincial housing strategy, Housing Matters BC. Since 2006, the B.C. government has doubled the number of provincially subsidized apartments and shelter spaces available for the homeless and those at risk of homelessness. There are 1,600 year-round emergency shelter spaces available, extreme-weather shelters that open during the cold winter months and more than 2,200 new supportive housing units being built through partnerships with local governments.

"Since the release of our housing strategy in 2006, we've been able to provide thousands of people with chances to stabilize and rebuild their lives. This would not have been possible without the help of numerous partners who share our commitment for providing new opportunities and hope when it's needed most."— Rich Coleman, Minister Responsible for Housing



Camas Gardens, a supportive housing building near downtown Victoria, was constructed to high sustainability standards. The building's 44 units provide self-contained bachelor and one-bedroom apartments for individuals who are homeless or at risk of homelessness, including those who may be facing mental health or addiction challenges. The building is managed by Pacifica Housing, funded in part by BC Housing. Camas Gardens won the 2012 Canadian Wood Council BC Wood Design Award in the multi-family category.

The Economic Forecast Council expects British Columbia's real GDP will grow by 1.6 per cent in 2013 and 2.5 per cent in 2014. Risks to British Columbia's economic outlook include the following: further slowing of domestic economic activity; renewed weakness in the US economy; the ongoing

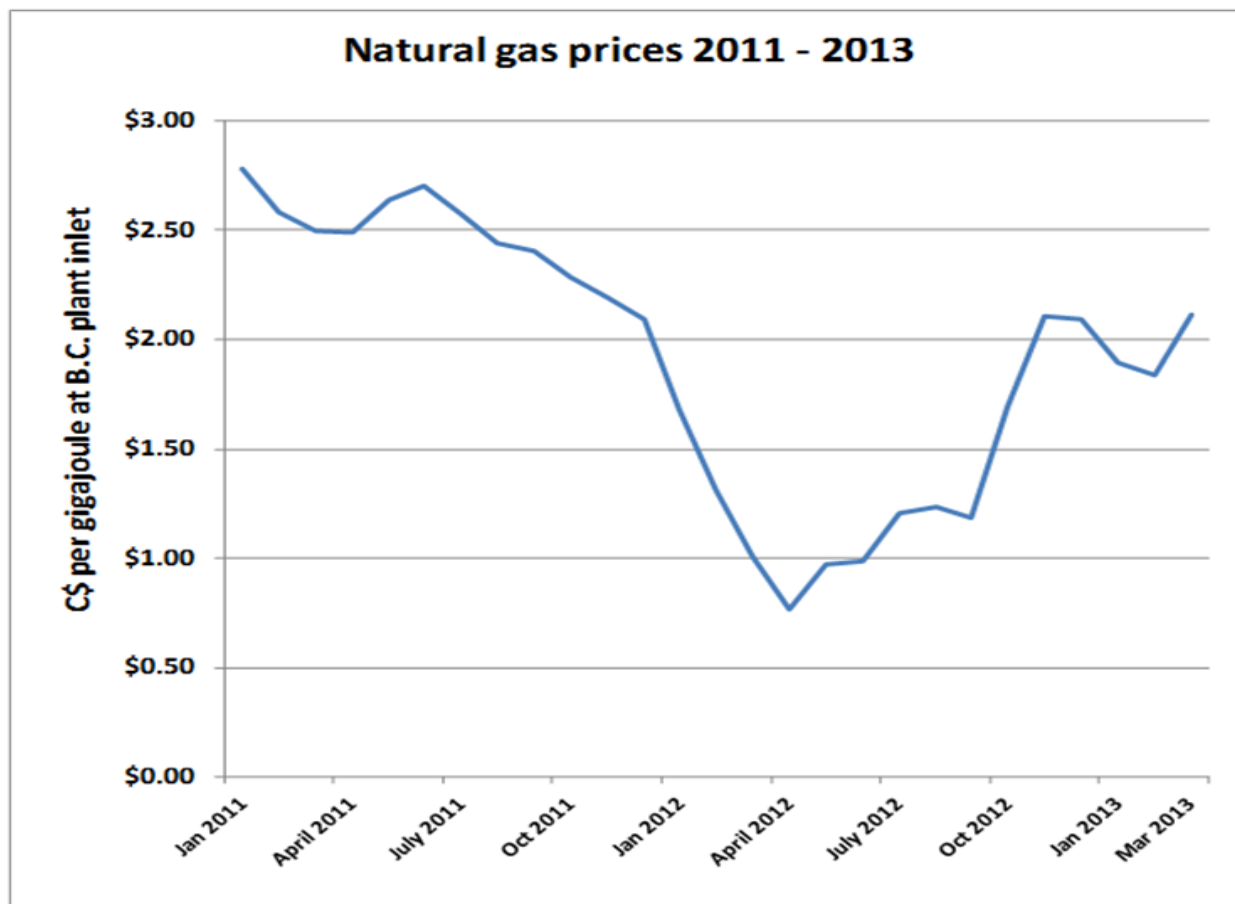
European sovereign debt crisis threatening the stability of global financial markets; exchange rate volatility; and slower than anticipated economic growth in Asia dampening demand for BC's exports.

The Ministry annually assesses external factors and the risks and opportunities associated with the factors described above as part of its strategic planning process. As risks and opportunities are identified, they are managed and/or mitigated by the Ministry through a range of strategies so that the Ministry's goals and objectives can be achieved. The following paragraphs discuss external factors that may affect the Ministry's operations in the coming year and how these are being managed.

Competitiveness - Investment dollars move readily around the globe to the jurisdictions that provide the highest net return for given levels of risk. The Ministry monitors changes in British Columbia's competitiveness as compared to other jurisdictions and implements strategies to maintain its competitive position and investment attractiveness. The Ministry continues to streamline and update legislative and policy frameworks to minimize the regulatory burden while maintaining environmental protection. Public geoscience data, maps and other studies, generated by the Ministry and Geoscience BC, provide key information that allows natural gas exploration companies and prospectors to target areas for investment in B.C.

Skilled Workers - In the last decade, the rapid expansion of B.C.'s energy sector has resulted in a growing number of permanent, high-income employment opportunities for British Columbians. One of the challenges facing resource-based industries today is attracting young people into their workforces as the average age of the workforce increases. The *BC Jobs Plan*, and *British Columbia's Natural Gas Strategy* outline approaches to skills training and labour which focus on attracting, developing, retaining, and educating individuals for employment opportunities in the province's resource sectors.

Commodity Markets - British Columbia sells large and growing volumes of natural gas in the North American market, which is subject to price and demand fluctuations. The price of natural gas varies widely, and this strongly affects government revenue. A price drop of C\$0.50 per gigajoule at the B.C. plant inlet results in a revenue loss of between \$117 million and \$125 million annually, though at low prices the sensitivity of revenue to price can vary significantly.



Data source: Ministry of Natural Gas Development. Data for 2013 is estimated.

At the time the 2012/13 budget was released, on February 21, 2012, the average price of natural gas for the year was estimated at C\$2.52 per gigajoule at the B.C. plant inlet. In April 2012, the price fell to C\$0.77 per gigajoule at the B.C. plant inlet, though by March 2013 it had recovered to an estimated \$2.11. The average for 2012/13 was \$1.47 per gigajoule at the B.C. plant inlet³—a 33 per cent drop from the budget estimate. Natural gas prices are expected to slowly recover in 2013/14 and in Budget 2013, released February 19, 2013, the Ministry forecast a natural gas price of \$1.85 per gigajoule for 2013/14.

First Nations - Increased collaboration between First Nations and resource companies is resulting in benefits for all parties. For First Nations there are jobs, contracts and resource revenue-sharing opportunities.

New arrangements with First Nations continue to be pursued, to enable opportunities in Aboriginal communities and to provide regulatory certainty for proponents. A recent example is the agreement reached in 2012 among Canada, B.C. and the Haisla First Nation for the Kitimat LNG project, to be located on a Haisla reserve at Bish Cove in the Douglas Channel. The agreement and accompanying regulation under the federal *First Nations Commercial and Industrial Development Act* enables clear application of provincial law to apply on the Haisla reserve so that the LNG facility may be regulated,

³ The 2012/13 figure is a monthly average calculated by Ministry staff, using estimated figures for January, February and March 2013.

primarily by the provincial Oil and Gas Commission, in a similar way to other projects in B.C. Northwest B.C. First Nations are generally supportive of the development of an LNG export industry in B.C., which holds significant economic development opportunities for First Nations. Fifteen First Nations have endorsed an economic agreement with the province in support of the Pacific Trails Pipeline that will transport natural gas to the Kitimat LNG project.

The Province is currently in discussion with a number of other First Nations about possible economic and community development agreement opportunities related to LNG development.

Project Assessments - In July 2012, the federal government amended the *Canadian Environmental Assessment Act* in a number of important ways. These amendments include: new “start-to-finish” timelines; the introduction of new compliance functions; and a requirement that the federal government issue a federal “decision statement” at the conclusion of each environmental assessment. British Columbia is actively pursuing the goal of “one project, one environmental assessment” with the federal government, with the aim of reducing duplication and overlap while increasing certainty and predictability, and maintaining rigorous environmental standards. In addition, the Ministry is developing an agreement with Canada that will address any regulatory overlaps that pertain to LNG plant operations on federal port lands in Prince Rupert. The goal is to have regulatory and environmental assessment certainty for LNG proponents, government agencies and the public.

Resource Management Coordination - When Government’s structure to manage Crown land and natural resources was reconfigured in the spring of 2011, it created an improved arena for coordination and integration. The ministries involved include: Aboriginal Relations and Reconciliation; Agriculture; Energy and Mines; Natural Gas Development; Environment; Forests, Lands, and Natural Resource Operations; and Jobs, Tourism and Skill Training. Under the direction of the Natural Resource Board, these ministries are making bold changes to service delivery in the natural resource sector. This sectoral approach promotes streamlined authorization processes and enhanced access to public services across the province. The reconfiguration facilitates more consistent engagement and consultation with industry, stakeholders, partners and clients. It also enhances inclusion of Aboriginal, economic and environmental considerations into decision making. The ministries are working together to make these improvements and meet the commitments of the [BC Jobs Plan](#).

Housing Affordability - B.C. has the least affordable housing in Canada. Rental accommodation and home ownership present particular challenges for low to moderate income families with children. Historically, high demand and a lack of purpose-built rental accommodation have contributed to low vacancy rates and high rents in B.C. Recently, however, rental vacancy rates have increased as a result of individuals moving from apartments in purpose-built rental buildings to other forms of housing, including homeownership, investor-owned condominiums and secondary suites.

Demographic Shifts - Innovative forms of housing are required to meet population changes including the aging population (accessibility and support service requirements/aging safely); declining average household size; the growth of immigrant populations; and a rapidly growing Aboriginal population.

Aboriginal Housing - The Provincial Government recognizes the continued need for appropriate off-reserve Aboriginal housing. A disproportionate number of Aboriginal households are in need of safe, well constructed housing. Aboriginal persons continue to be overrepresented in the homeless

population, and underrepresented among British Columbian homeowners. The Province acknowledges the importance of working in partnership and meets regularly with federal and First Nations partners.

Growing Importance of Condominiums - Due to the scarcity and high cost of developable land and the increasing number of smaller households, more than half of newly built housing in B.C. is strata titled. Multifamily construction also supports higher urban densities and more viable public transit systems.

Construction Sector Innovation - The building regulatory system needs to be more flexible and responsive to the rapid pace of construction innovation and the emergence of new products and technologies. This will increase productivity in the construction sector, leading to improved standards and housing affordability, while enhancing provincial objectives relating to health, safety and energy efficiency.

Ministry Commitment to Lean Processes - As of May 2012, Lean is the process improvement method used by all British Columbia ministries and agencies to improve customer service, build internal capacity and eliminate waste in the form of unnecessary rules, processes and non-essential activities. To implement a Lean culture of innovation, customer focus and continuous improvement, in 2012/13 the Ministry piloted two Lean projects. These were to improve the business processes for natural gas royalty pricing and for residential tenancy dispute resolution. Lean information sessions and ongoing staff training will be offered in the coming years. The Ministry and its staff, with the help of the BC Public Service Agency, will continue to make Lean culture an integral part of the work environment.

Expenditure Restraint Measures - In support of Government's commitment to balance the budget by 2013/14, the Ministry has initiated expenditure restraint measures, including adhering to government-wide Managed Hiring Guidelines, travel restrictions, and other office and operating cost management measures to achieve efficiencies and savings. The Ministry is committed to meeting its approved budget without negatively impacting service levels.

Goals, Objectives, Strategies and Performance Measures

A wide range of Ministry strategies is being implemented to facilitate job creation, economic development and the well-being of communities throughout B.C. These strategies include Ministry initiatives in support of the *BC Jobs Plan*, as well as two strategies released in 2012: *British Columbia's Natural Gas Strategy* and *Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry*. The Ministry also continues implementation of the *BC Energy Plan*. The Ministry's performance measures and targets are designed to support its goals.

The Ministry promotes the reliable and environmentally responsible exploration, development and production of natural gas in B.C. Natural gas and oil industry investment in B.C. has a strong, positive economic impact, creating significant business and job opportunities in northern communities, and generating revenues to government that support health, education and other services for British Columbians. The Ministry is committed to ensuring B.C. maintains a competitive business environment to attract industry investment by providing a modern regulatory framework, improvements to public and private infrastructure, and targeted royalty programs.

The Ministry regularly reviews the legislative, regulatory and policy frameworks associated with natural gas and LNG. As part of this, improving the effectiveness and timeliness of multi-agency federal and provincial reviews of proposed energy projects is a high priority for British Columbia. Changes to the regulatory framework introduced new requirements that ensure exploration and development activities throughout the natural gas sector are both planned and implemented in a manner that safeguards environmental values.

The natural gas and LNG strategies highlight the opportunity to develop the significant shale gas deposits in northeast B.C. for both North American and offshore markets. The Ministry is committed to working with First Nations and communities to reach the Province's goals of new investment, job creation, revenue generation and other economic opportunities.

Goal 1: An internationally competitive natural gas sector that contributes to jobs and the economy

Objective 1.1: New natural gas resource projects that support the creation of family-supporting jobs in B.C.

Strategies

- Continuously improve geological and resource assessments for natural gas, through collaboration with industry, industry associations, and academic and research institutes.
- Continue to develop a coordinated, transparent permitting and approval process with clear timelines for natural gas and oil resource development projects.
- Continue to monitor and adapt British Columbia's natural gas fiscal and regulatory frameworks to ensure they are competitive and British Columbia's natural gas feeds the new LNG export

projects. Work with proponents of LNG projects and other ministries to have at least three LNG terminals and associated pipelines in operation by 2020.

- Supported by industrial land use plans, work with proponents to have at least one project confirmed by December 2013 on the site known as Grassy Point in Prince Rupert.
- Work with First Nations, communities and Canada to ensure best practices are in place to guide marine traffic and the safe shipment of LNG to export markets.
- Support the development of pipelines, roads and electricity infrastructure required for new LNG facilities, including the development of industrial land use plans for the Douglas Channel, Kitimat and Prince Rupert areas.
- Continue work on area-based analysis in support of a potential LNG pipeline corridor, to provide guidance to the Environmental Assessment process, including consultation with First Nations, communities and LNG pipelines proponents.
- Work with BC Hydro to ensure an adequate supply of clean electricity is available to support new investments in LNG, and in upstream natural gas and oil.
- Support the Major Investment Office in discussions with the refinery proponent.
- Work closely with the Ministry of Jobs, Tourism and Skills Training to ensure that skills gaps in the workforces of the natural gas and oil sector are identified and filled.

Objective 1.2: B.C. is positioned as an attractive jurisdiction for investment in the natural gas sector and related businesses

Strategies

- Continue monitoring B.C.'s competitive position in the upstream natural gas and LNG markets.
- Contribute to trade missions and marketing initiatives led by the Ministry of Jobs, Tourism and Skills Training to attract investment in B.C. natural gas and oil projects and business opportunities.
- Host an annual international conference on LNG and participate in global conferences to attract investment to the province.
- Further establish B.C. as a recognized centre of excellence for natural gas and oil expertise, innovation and technology in collaboration with industry, post-secondary institutions, the federal government and provincial agency partners.
- Improve the competitiveness of B.C.'s natural gas and oil sector by providing leadership, information, investing in infrastructure, and developing new policies, regulations and programs.
- Maintain B.C.'s competitiveness for investment in upstream natural gas development, and related LNG export opportunities, by modernizing tenure legislation for Crown natural gas and oil resources, ensuring royalty programs remain highly competitive, supporting infrastructure development and facilitating efficient and timely regulatory review of proposed developments.

- Conduct natural gas and oil related geoscience research and technical assessments to promote industry investment.
- Continue to work with the federal government to develop a single, effective environmental review process, maintaining the highest standards while eliminating costly and time-consuming duplication.

Performance Measure 1: Annual investment in the upstream natural gas and oil sector

Performance Measure	2012/13 Estimate	2013/14 Target	2014/15 Target	2015/16 Target
Annual investment in natural gas and oil exploration and development ¹	\$4.0 billion	\$4.8 billion	\$5.3 billion	\$7.2 billion

¹ Data Source: Ministry of Natural Gas Development, based on Canadian Association of Petroleum Producers data for previous years. Estimates provided by calendar year.

Discussion

Through its strategies to improve B.C.’s competitiveness, the Ministry continuously strives to attract long term investment in B.C.’s natural gas and oil sector and related service industries. Such investment creates jobs and business opportunities throughout the province, which in turn contribute to the stability and well-being of B.C. communities. A key challenge to achieving investment targets is that the markets for natural gas and oil commodities can be cyclical, as can the levels of investment in the sector. Financial markets and currency fluctuations also affect investment levels. Streamlined processes for natural gas and oil project permitting and environmental assessment, along with the timely review of tenure applications, help to reduce risk and sustain investment levels.

Annual investment in natural gas and oil exploration and development consists of industry investment in acquiring resource rights, geophysical and geological surveys, exploration and production wells, pipelines, development roads and processing plants. Investment in natural gas exploration and production is critical to supporting the creation of an LNG export industry in B.C. Within North America, natural gas is shipped by pipeline for use in homes for heating and cooking purposes, and for a wide range of commercial and industrial uses. Natural gas can help reduce carbon dioxide emissions when it is substituted for coal or oil, and is the cleanest burning fossil fuel.

The 2012/13 estimate for Performance Measure 1, the annual investment in the upstream natural gas and oil sector, is \$4.0 billion, or approximately 22 per cent less than the \$5.1 billion 2012/13 target provided in the former Ministry of Energy, Mines and Natural Gas *2012/13 – 2014/15 Service Plan*. While investment in British Columbia’s natural gas sector remains strong relative to other North American jurisdictions, the industry has suffered from unexpectedly low natural gas prices and declining production volumes.

Objective 1.3: Optimal revenue from the development of B.C.'s natural gas and oil resources

Strategies

- Provide the government services needed to respond to increasing economic activity, in particular delivering sound, timely decisions on natural gas and oil, LNG, and related water, Crown land and other permits, authorizations and tenures.
- Monitor and evaluate the performance of B.C.'s natural gas and oil policies and programs to fully maximize the financial benefit of resource development and use for British Columbians.
- Implement revenue collection mechanisms to address B.C.'s specific challenges that might otherwise slow or hinder the development of natural gas and oil resources.
- Continue to hold 12 monthly Crown natural gas and oil rights sales per year.

Royalty Program Supports New Infrastructure Projects in Northeast B.C.

In the fall of 2012, the Province approved infrastructure royalty credits that will lead to the construction of 21 new infrastructure projects in northeast B.C., creating more than 1,650 construction jobs. The 2012 program supports the commitments of the BC Jobs Plan by expediting project development needed to support growth in the province's natural gas sector.

The 2012 program involves \$120 million in royalty credits, which are expected to generate approximately \$300 million in new net incremental royalties over the first five years. Industry will fund the entire cost of each project, but companies can then recover up to 50 per cent of an approved project's cost through deductions from royalties which they must later pay to the government. Since the infrastructure royalty credit program began in 2004, it has led to the development of 81 new resource roads and 115 new pipeline projects.

The program—which is unique in North America—promotes B.C.'s competitiveness relative to other North American jurisdictions in attracting new investment for natural gas and oil development.

Performance Measure 2: Direct government revenue derived from natural gas and oil

Performance Measure	2012/13 Estimate	2013/14 Target	2014/15 Target	2015/16 Target
Direct government revenue from natural gas and oil	\$ 1.124 billion	\$1.338 billion	\$1.327 billion	\$1.345 billion

Data Source: Budget 2013 Update. Revenue includes natural gas and oil royalties, land sales and lease rentals.

Discussion

Revenue derived from natural gas and oil operations and tenure dispositions contributes to government programs such as education and social services. Optimal revenue is defined as the fairest and best return that can be collected by the Crown for the use of publicly owned resources under prevailing economic, environmental and social conditions.

This indicator shows the forecast natural gas and oil revenues expected to be collected from industry and paid into the Province’s consolidated revenue fund, based on data provided by Ministry program staff. B.C.’s natural gas and oil producers are subject to demand and price fluctuations in world commodity markets where their products are sold. The Ministry implements resource revenue collection mechanisms, such as natural gas and oil royalties, that are market-based to share the market and investment risk, and manage resource development. As a result, government revenues are also subject to market fluctuations and financial conditions.

Objective 1.4: A secure, reliable supply of energy for the long term benefit of all British Columbians

Strategies

- Work with BC Hydro to negotiate and execute two energy supply and load interconnection agreements and infrastructure contributions for transmission upgrades with LNG proponents to minimize impact on ratepayers and preserve B.C.’s climate targets and competitive position by March 31, 2014.
- Conduct regional studies and resource assessments to enhance understanding of the geological framework that hosts B.C.’s natural gas and oil resources, improve the province’s resource estimates, and encourage exploration.

Goal 2: Safe and environmentally responsible natural gas resource development and use

Objective 2.1: Standards that protect the public and the environment

Strategies

- Collaborate with other government ministries on the Ministry of Health's study into the potential human health effects of the natural gas and oil industry.
- Work with industry to identify disposal zones for carbon dioxide sequestration projects and opportunities for carbon dioxide use in enhanced oil recovery.

Discussion

Operations at natural gas and oil exploration, pipeline and processing sites can be hazardous and if not properly managed, can affect the environment. Safeguarding the public and the environment contributes to environmentally responsible development and use of these resources. The threat of accidents, leakages and spills is always present, so ongoing policy development and education are necessary to ensure risk is minimized.

Objective 2.2: Efficient and effective natural gas policy, legislation and regulation in the public interest of British Columbians

Strategies

- In cooperation with other levels of government, continue to review legislation and regulations to ensure B.C. remains competitive, while enhancing the integrity of environmental, health and safety standards.
- Modernize the Ministry's natural gas and oil tenure administration processes.
- Complete the development of a Carbon Capture and Storage Regulatory Framework.
- In consultation with other ministries and stakeholders, develop and implement new acts and regulations that support the responsible development and use of natural gas and oil resources.

Objective 2.3: Clean energy resources, fuels and related technologies complemented by energy efficiency and conservation

Strategies

- Work with the Oil and Gas Commission to develop a regulation under the *Oil and Gas Activities Act* to ensure that the use of hydraulic fracturing ("fracing") in natural gas and oil extraction meets the highest standards in the world.

- Continue to support the replacement of diesel fuel with cleaner natural gas to power natural gas and oil drill rigs.

Goal 3: Communities, First Nations and all British Columbians are supported by responsible resource development and use

Objective 3.1: The Ministry, stakeholders, First Nations and industry are engaged and working cooperatively for the responsible development and use of B.C.'s natural gas resources

Strategies

- Develop and implement an effective community and stakeholder engagement model to respond to increased unconventional gas exploration and development in Northeast B.C.
- Work with the Peace River Regional District to continue supporting the Farmers Advocacy Office in Dawson Creek to assist land owners in engaging the natural gas and oil sector.
- Foster working relationships among industry, the public, First Nations and landowners by clarifying and simplifying natural gas and oil resource exploration and development management processes, enhancing dispute resolution methods, and offering more support and information.
- Continue to collaborate with other ministries, agencies and Crown corporations to provide information to promote greater public understanding of the exploration and development of natural gas and oil resources.
- Support the development and continuous improvement of Strategic Engagement Agreements with First Nations to make consultation processes more predictable.
- Support the development of Revenue Sharing Agreements that provide First Nations communities with economic benefits based on natural gas and oil activities in their traditional territories.
- Continue to work with the Ministry of Aboriginal Relations and Reconciliation to build effective business development relationships with First Nations.

If the public, First Nations, landowners and non-governmental organizations are informed and participate in responsible natural gas and oil resource exploration and development, they will have an opportunity to help identify and contribute constructively to the resolution of issues. They also become more aware of the benefits that natural gas and oil resource development can provide to a community, such as regular employment for citizens and expanded infrastructure.

Goal 4: Safe and sustainable homes for all British Columbians

Objective 4.1: Access to safe and stable housing

Strategies

- Provide provincial policy leadership for the housing sector through the renewal of the provincial housing strategy, *Housing Matters BC*, to express government priorities and strategies including a focus on families and market housing affordability.
- Work with BC Housing to enhance the integrity of program delivery and administration and to ensure that government's strategic priorities are addressed.
- Work collaboratively with other ministries, agencies and Crown corporations to ensure the integrated delivery of the continuum of housing programs and services for vulnerable British Columbians. These programs and services include: homeless outreach, emergency shelters, supportive housing, transition houses, assisted living and subsidized housing.
- Preserve and increase the supply of affordable market rental and homeownership units by working with local governments and other partners to address local housing challenges and improve the economic viability in the development of affordable units.
- Support the one million strata owners and residents in B.C. with an improved strata governance system, including financial accountability, new dispute resolution mechanisms and prudent management of common assets.
- Continue to work collaboratively with other ministries, agencies and stakeholders to identify and resolve emerging strata issues and to provide educational materials to strata owners, strata councils, strata property managers and developers.
- Assist landlords and tenants to resolve disputes earlier by: improving the spectrum of Residential Tenancy Branch services to make it easier for tenants and landlords to access information and rely less on formal arbitration; implementing a strategic public education plan that includes working with partners to enhance information outreach; and achieving service delivery efficiencies to ensure public inquiries and requests are appropriately addressed.

Performance Measure 3: Priority groups in subsidized housing

Performance Measure	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Percentage of clients belonging to priority groups in subsidized housing	88	85 or higher	85 or higher	85 or higher

Data Source: The measure is calculated by taking the current inventory of subsidized housing and determining the percentage of units that are available for each of the designated priority groups

Discussion

This measure is an indicator of performance in ensuring that those in greatest need receive priority assistance for housing. For the purposes of the measure, the groups considered to be among those in greatest housing need include: low income or frail seniors; people with physical or mental disabilities; people with mental illness; women and children who have experienced domestic violence; individuals facing alcohol and drug addiction challenges; Aboriginal individuals and families; and, people who are homeless or at risk of homelessness.⁴

The targets are set to reflect the number of social housing households that fall into one of the designated priority groups, as well as the anticipated number of new and acquired housing units, all of which are targeted to priority groups, during the service plan period.

Performance Measure 4: Residential tenancy dispute resolution requests

Performance Measure	2012/13 Forecast	2013/14 Target	2014/15 Target	2015/16 Target
Number of residential tenancy dispute resolution requests per 1,000 British Columbia adult population (over age 19)	6.0	6.0	5.9	5.8

Data Source: Results for this measure are derived from records of dispute resolution requests to the Ministry's Residential Tenancy Branch and British Columbia Statistics population data. The measure includes only those British Columbians age 20 and older because of the population data age categories used by British Columbia Statistics.

Discussion

Modernizing and streamlining the spectrum of Residential Tenancy Branch services will contribute to a reduction in the number of requests to help resolve tenancy disputes. Improvements will make it easier for tenants and landlords to access information, ensure that enquiries and requests are addressed, and resolve disputes earlier.

⁴ A more detailed discussion of the methodology for this performance measure is included in the [BC Housing Service Plan 2013/14 – 2015/16](#).

About one third of all B.C. households are rental households. As the B.C. population increases every year, so does the number of tenancies. Tying the number of dispute resolution requests to the adult population provides a comparable measure across fiscal years.

Objective 4.2 A modern building regulatory system that supports safety and innovation in the design and construction of buildings

Strategies

- Establish provincial leadership in a modern, streamlined and efficient building regulatory system with a uniform building code as a key element.
- Continue to engage stakeholders in the development of the 2012 editions of the BC Building, Fire and Plumbing Codes, including improvements in energy and water efficiency.
- Work with the BC Safety Authority to continuously improve technical product safety and support technical innovation through timely adoption of safety codes and standards.

Resource Summary

Core Business Area	2012/13 Restated Estimates ¹	2013/14 Estimates ²	2014/15 Plan	2015/16 Plan
Operating Expenses (\$000)				
Oil and Gas	14,285	13,130	13,130	13,130
Executive and Support Services ...	2,036	2,564	2,568	2,570
Housing	346,242	343,866	346,291	350,259
Housing Endowment Fund special account	10,000	12,000	18,000	20,000
Total	372,563	371,560	379,989	385,959
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Executive and Support Services ...	27,190	27,067	2,767	1
Housing Capital Fund ³	44,506	29,390	22,927	6,357
Total	71,696	56,457	25,694	6,358
Other Financing Transactions (\$000)				
Oil and Gas Commission Receipts	31,157	29,346	30,937	31,808
Oil and Gas Commission Disbursements	(31,157)	(29,346)	(30,937)	(31,808)
Total Net Cash Source (Requirements)	0	0	0	0

¹ For comparative purposes, amounts shown for the 2012/13 have been restated to be consistent with the presentation of the 2013/14 *Estimates*.

² Further information on program funding and vote recoveries is available in the [Estimates and Supplement to the Estimates](#).

³ The grant for Housing Capital Funding meets the British Columbia Housing Management Commission's objective to increase the supply of housing for those at risk of homelessness and to fund infrastructure projects to increase the supply of provincially owned housing for seniors and persons with disabilities.

Appendices

Ministry Contact Information

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Hyperlinks to Additional Information

A list of legislation administered by the Ministry can be found at:

www.empr.gov.bc.ca/Titles/legislation/Pages/default.aspx

A list of Crowns, Agencies, Boards and Commissions reporting to the Minister, can be found at:

http://www.empr.gov.bc.ca/Titles/legislation/Pages/Major_Agencies_Boards_and_Commissins.aspx

Canada Starts Here: The B.C. Jobs Plan can be found at:

http://www.bcjobsplan.ca/wp-content/uploads/2011/09/CSH_BCJobsPlan_web.pdf

Natural Gas and Oil Information

The *BC Energy Plan* can be found at: www.energyplan.gov.bc.ca/

The *Clean Energy Act* and a complete set of backgrounders and factsheets can be found at:

www.mediaroom.gov.bc.ca/DisplayEventDetails.aspx?eventId=490

British Columbia's Natural Gas Strategy can be found at:

http://www.gov.bc.ca/ener/popt/down/natural_gas_strategy.pdf

Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry can be found at:

http://www.gov.bc.ca/ener/popt/down/liquefied_natural_gas_strategy.pdf

The Frac Focus BC website can be found at: <http://fracfocus.ca/>