

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

**2015/16 – 2017/18
SERVICE PLAN**

February 2015



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Minister Accountability Statement



The Ministry of Natural Gas Development's *2015/16 - 2017/18 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.

A handwritten signature in black ink, consisting of a stylized 'R' and 'C' followed by a horizontal line.

Honourable Rich Coleman

Minister of Natural Gas Development and Minister Responsible for Housing
February 3, 2015

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Purpose of the Ministry

The purpose of the Ministry of Natural Gas Development and Minister Responsible for Housing is twofold:

1. To guide responsible development and ensure maximum economic benefits to British Columbians from the province's natural gas resources¹, new export markets related to interprovincial pipelines, oil projects and value-added natural gas products, and the province's next new major industrial sector—that of liquefied natural gas (LNG); and
2. To provide British Columbians with access to safe, affordable and appropriate housing through policy and programs, technical codes and standards, and services for landlords and tenants.

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, private sector companies, project proponents, and environmental 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 [BC Housing Management Commission](#) and the [Oil and Gas Commission](#).

¹ While the Ministry's mandate is focused on natural gas, the primary hydrocarbon currently produced in British Columbia, it also includes other hydrocarbons produced in British Columbia, such as natural gas liquids and crude oil.

Strategic Direction and Context

Strategic Direction

Minister Coleman's Mandate Letter from Premier Christy Clark, dated June 10, 2014, includes a number of key deliverables relating to natural gas production, LNG and housing policy. This letter can be found at the following link:

http://www.gov.bc.ca/premier/cabinet_ministers/rich_coleman_mandate_letter.pdf.

The Government's strategic priority of a strong economy is directly supported by Ministry Goals 1, 2 and 3, while Goals 4 through 6 support the strategic priority of a secure tomorrow. The Ministry supports the direction in the Taxpayer Accountability Principles to reinvigorate the Government's commitment to an accountable and cost consciousness culture:

<http://www2.gov.bc.ca/gov/DownloadAsset?assetId=B613CF138959439D9A947CF3D586FE6B>

Strategic Context

B.C. is in the fortunate position of having significant shale and other natural gas deposits. Despite relatively low North American natural gas prices in 2013/14, B.C.'s pipeline supply of natural gas to both domestic and US export markets remained relatively unchanged at 39.3 billion cubic metres. Conversion of natural gas to a liquefied state (LNG) allows it to be transported by truck, rail or ship. In B.C., production of LNG will open up additional domestic and export markets, such as the growing market for natural gas in Asia. B.C. has many advantages for companies seeking to establish LNG facilities: vast supply, proximity to Asia, a skilled workforce and a stable business environment. B.C. has built on these advantages by creating a competitive policy and fiscal framework for LNG investment, including the LNG Income Tax and world-leading greenhouse gas emissions benchmark announced in the fall of 2014.

The housing needs of the vast majority of British Columbians are well served through the private market. As key partners, local governments have become increasingly innovative and involved in affordable housing. The Ministry is working with local government and other key stakeholders to develop initiatives to increase the supply of affordable housing. Housing presents particular challenges for some low to moderate income families with children and seniors. About 98,900 households throughout B.C. are estimated to have received subsidized housing assistance in 2013/14, including 26,870 low-income households receiving rental assistance in the private market. This accounts for approximately six per cent of all housing in the province. Consistent application of building codes and standards can decrease the cost of construction and increase housing affordability. 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. Some northern communities are feeling additional growth pressure related to resource development and rapidly changing housing markets.

The Ministry annually assesses external factors and the risks and opportunities associated with these factors as part of its strategic planning process.

Goals, Objectives, Strategies and Performance Measures

The Ministry's goals and associated measures have changed since its *2014/15 — 2016/17 Service Plan*. The *2014/15 — 2016/17 Service Plan* had eight goals, reduced to six in this plan. Goals 3 and 4 from the *2014/15 — 2016/17 plan* have been combined, and former Goal 5 has been worked into the strategies that support Goal 3 in this year's plan. The three goals and associated strategies relating to housing have been reworded for *2015/16 — 2017/18* to reflect *Housing Matters BC*, the provincial housing strategy released in 2014. Performance Measure 5 is new to the *2015/16 – 2017/18 Service Plan*. This measure is an indicator of the total number of households that benefit from affordable housing programs each year.

Goals 1 through 3 and their associated measures directly support the Government's strategic priority of a strong economy and the [BC Jobs Plan](#). Goals 4 through 6 support the Secure Tomorrow strategic priority. The Ministry continues to support its two sector strategies released in 2012: [British Columbia's Natural Gas Strategy](#) and [Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry](#), as well as *Housing Matters BC*.

Ministry goals support the Taxpayer Principles of Cost Consciousness by providing services as efficiently as possible, and Service by focusing on outcomes for B.C. citizens. Goals 4 through 6 support the principle of Respect through partnerships in service delivery. The Ministry's performance measures have been updated to reflect the Taxpayer Principles of Accountability and Efficiency.

Goal 1: A globally competitive Liquefied Natural Gas export industry in B.C. that supports a prosperous economy and benefits all British Columbians.

Objective 1.1: A competitive fiscal and policy framework that supports LNG investment in B.C.

Strategies

- Work with project proponents to ensure an overall competitive LNG fiscal and policy framework that will result in positive final investment decisions on B.C. LNG projects.
- Work with the Ministry of Aboriginal Relations and Reconciliation and the federal government to develop specific First Nations negotiation mandates along the pipeline corridors, LNG plant locations and marine traffic routes in order to facilitate rapid investment in LNG facilities.
- Work with the Ministry of Forests, Lands and Natural Resource Operations to ensure that Crown land disposition processes support LNG investment and the development of linear infrastructure,

including; pipelines, roads and electricity required for new LNG facilities, working cooperatively with the federal government on federal investment in infrastructure.

- Work closely with the Ministry of Jobs, Tourism and Skills Training, and the federal government, where appropriate, to develop and implement programs that address skills gaps and meet the labour needs of the LNG and natural gas sectors.
- Work with BC Hydro to ensure an adequate supply of clean, affordable electricity is available from the grid to support new investments in LNG, and in electrification opportunities to support upstream natural gas and oil exploration and development

Performance Measure 1: LNG Power Supply Agreements.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Cumulative number of power supply agreements reached with proponents for LNG compression and/or ancillary power requirements	0	1	2	3	4

¹Data Source: Ministry of Natural Gas Development internal tracking documents.

Discussion

LNG facilities require large amounts of energy, both for compression and ancillary purposes, which typically come from grid power or self-generated power (using natural gas turbines) or a combination of both. Accordingly, electricity supply and grid interconnection agreements must be in place before final investment decisions (FIDs) on LNG projects can be made. The number of power supply agreements for LNG facilities reached is a key measure of provincial progress towards the establishment of a thriving, competitive LNG industry that is environmentally and socially responsible. The Ministry expects to conclude one electricity supply and grid interconnection agreement in each of the next three years. This is a cumulative total, and because the industry is in its early stages, no benchmark is available for this performance measure.

Performance Measure 2: Project Development Agreements.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Cumulative number of Project Development Agreements completed	0	1	5	6	7

¹Data Source: Ministry of Natural Gas Development internal tracking documents.

Discussion

The Province intends to enter into Project Development Agreements with project proponents in order to provide certainty for LNG development with respect to those costs within provincial jurisdiction. These agreements will provide proponents with long term certainty about the fiscal and policy

framework that will apply to their projects once they have reached a final investment decision and proceed with construction. The agreements cover a range of matters including B.C.'s LNG Income Tax, B.C.'s Corporate Income Tax and Carbon Tax, municipal taxes, B.C. greenhouse gas emissions benchmark, upstream benefits and representations regarding B.C.'s positions on skills and jobs training, engagement with First Nations, and federal-provincial issues.

Objective 1.2: A robust regulatory framework that supports environmentally and socially responsible LNG development in B.C.

Strategies

- Continue to work with the Oil and Gas Commission, permitting agencies, local authorities and the Environmental Assessment Office to ensure streamlined, integrated and robust regulatory and permitting processes.
- Work with the Ministry of Aboriginal Relations and Reconciliation to develop and implement policies that result in First Nations' meaningful engagement specific to the development of a LNG industry.
- In consultation with the Climate Action Secretariat and the federal government, implement world-leading GHG emission benchmarks that ensure British Columbia LNG facilities are the cleanest in the world, while providing strong incentives for the use of clean energy from the BC Hydro grid.
- Work with the Ministry of Environment and, in consultation with the federal government, implement air emission standards and interim ambient air quality objectives that protect health, are consistent with leading jurisdictions and encourage clean LNG facilities.
- Work with First Nations, communities and the federal government to ensure best practices are in place to guide marine traffic and the safe shipment of LNG to export markets.
- Work with the federal government and the Port of Prince Rupert to ensure that the regulation of LNG facilities and related pipeline projects on federal lands in the Port of Prince Rupert occurs in substantially the same manner as other projects in the Province.

Objective 1.3: British Columbians have the opportunity to understand the economic and social benefits they receive from responsible energy development in B.C.

Strategies

- Develop objective, plain-language descriptions of the economic and social benefits of responsible energy development in B.C.
- Engage with First Nations and communities regarding these benefits through face-to-face forums, print and social media.
- Build relationships and work collaboratively with key communities and stakeholders to prepare for the emerging economic and social opportunities created by a new LNG industry.

- Ensure First Nations, and communities directly impacted by LNG development are net beneficiaries of this development.

Goal 2: A competitive upstream natural gas sector² that creates jobs, revenue and economic growth.

Objective 2.1: B.C.'s upstream sector is attractive for investment and B.C.'s natural gas is the input of choice for LNG development.

Strategies

- Continuously improve geological and resource assessments for natural gas and oil, through collaboration with industry, industry associations, and academic and research institutes.
- Continue to support the development of upstream infrastructure.
- Continue to monitor and adapt British Columbia's natural gas and oil fiscal and regulatory frameworks to ensure they are competitive.
- Improve the competitiveness of B.C.'s upstream sector by providing leadership, information and new policies, regulations and programs and modernizing tenure legislation.

Objective 2.2: Optimal revenue from the development of B.C.'s upstream natural gas and oil resources.³

Strategies

- Continue to hold monthly Crown natural gas and oil rights sales.
- Optimize royalty programs to create a competitive environment and generate Crown revenue.
- Maximize the amount of B.C.'s natural gas that feeds the LNG export plants to ensure B.C. receives maximum value for its natural gas resource.

² The upstream sector includes searching for potential underground natural gas and oil, disposition of the rights to develop the underground resource, drilling of exploratory wells, and subsequently drilling and operating the producing wells.

³ 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.

Performance Measure 3: Annual investment in natural gas and oil exploration and development.

Performance Measure	2012/13 Baseline	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Annual investment in natural gas and oil exploration and development ¹	\$5.2 Billion	\$5.7 Billion	\$5.9 Billion	\$6.2 Billion	\$6.5 Billion	\$6.8 Billion

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

Discussion

Annual investment in natural gas and oil exploration and development consists of industry expenditures on resource rights acquisition, geophysical and geological surveys, exploration and production wells, pipelines, roads and processing plants. Based on commodity price forecasts and LNG-related upstream activity, the Ministry expects a gradual increase in upstream investment which is expected to accelerate once LNG exports begin. The baseline is the actual investment in 2012.

Objective 2.3: Responsible upstream natural gas and oil development.

Strategies

- With other government agencies, continue to study the effects of natural gas and oil development on environmental and social values.
- Complete the Carbon Capture and Storage regulatory framework and work with industry to identify carbon sequestration projects and opportunities for carbon dioxide use in enhanced oil recovery.
- Work with the BC Oil and Gas Commission to continue to ensure that the use of hydraulic fracturing in natural gas and oil extraction meets the highest standards in the world.
- Develop and implement new legislation, regulations and programs that support the responsible development and use of natural gas and oil resources.
- Work with the BC Oil and Gas Commission and other provincial ministries to respond to increasing economic activity by delivering sound, timely decisions on natural gas and oil, LNG, and related water, Crown land and other permits, authorizations and tenures.

Objective 2.4: Engaged stakeholders, communities and First Nations working collaboratively in Northeast B.C.

Strategies

- Engage with local governments regarding upstream development activities in Northeast B.C.
- Continue to collaborate with other ministries, agencies and Crown corporations to promote greater public understanding of the exploration and development of natural gas and oil resources.

- 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.
- Support the development and continuous improvement of Strategic Engagement Agreements, other consultation agreements, and Revenue Sharing Agreements with First Nations.
- Continue to work collaboratively with the Ministry of Aboriginal Relations and Reconciliation to build effective business development relations with First Nations.

Goal 3: Increased responsible export of energy resources, new markets opened and related infrastructure projects that benefit British Columbians.

Objective 3.1: A common oil and gas vision for B.C. and Alberta related to exports and opening new markets.

Strategies

- Act as the main Government liaison with Alberta regarding oil.
- Develop recommendations and action plans that benefit B.C.
- Support the Major Investment Office in discussions with potential energy project investors and continue to explore and develop B.C. based opportunities for value added natural gas developments.
- Continue to work closely with the BC Oil and Gas Commission.

Objective 3.2: B.C.'s "five requirements" for heavy oil pipelines and related infrastructure are addressed.⁴

Strategies

- Work collaboratively with other provincial and federal government agencies to address the "five requirements" and the roles that each agency will play.
- Act as the Government's point of contact and key liaison on proposed interprovincial oil transmission pipelines to B.C.'s coast.
- Work with the B.C. Environmental Assessment Office in the National Energy Board process related to the proposed Kinder Morgan Canada Trans Mountain Pipeline project.

⁴ The "five requirements" are contained in the Province's policy paper ["Requirements for B.C. to Consider Support for Heavy Oil Pipelines"](#).

- Continue to lead the B.C. Oil and Gas Major Projects Team as the forum for ensuring timely access to and information sharing amongst government officials and coordinating provincial reviews of National Energy Board regulated projects.

Goal 4: Healthy buildings, strong communities.

Objective 4.1: Clear, effective, and balanced building and safety standards and governance frameworks.

Strategies

- Support an effective governance framework for housing, buildings, technical systems and equipment through legislation and regulation.
- Provide provincial guidance and expert evaluation of innovative building solutions.
- Review the *Safety Standards Act* to provide continued effective regulation of new products, technologies and industries.
- Strengthen home inspector licensing.

Goal 5: Stable housing, increased confidence.

Objective 5.1: Modern, affordable and accessible services that promote housing stability for renters, landlords and strata owners.

Strategies

- Transform the Residential Tenancy Branch services to enhance services and meet growing and evolving demand.
- Implement an accessible, cost effective dispute resolution system for strata property owners.

Performance Measure 4: Residential tenancy dispute resolution requests.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Number of residential tenancy dispute resolution requests per 1,000 British Columbia adult population (over age 19)	5.7	6.0*	5.9	5.8	5.7

*The 2013/14 actuals were atypically lower than previous years. The average for the previous five years was 6.1 requests per 1,000 adult population. The 2014/15 forecast of 6.0 dispute resolution requests per 1,000 adult population is consistent with that data.

Data Source: Targets for this measure are derived from records of dispute resolution requests to the Ministry's Residential Tenancy Branch and BCStats population projection data. The measure includes only those British Columbians over age 19 because of the age group categories used by BCStats.

Discussion

This measure reflects the number of applications received for formal dispute resolution services. Service improvements are expected to result in a reduction in the number of requests for dispute resolution over time making it easier for tenants and landlords to access information, ensuring that enquiries and requests are addressed, and supporting the prevention and early resolution of disputes between landlords and tenants. 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.

Goal 6: Committed partnerships, greater choice.

Objective 6.1: Strategic partnerships that increase housing options, decrease costs and promote effective, coordinated programs for all British Columbians.

Strategies

- Facilitate the redevelopment and renovation of existing social housing.
- Partner with the non-profit sector, local governments and developers to leverage innovative models for building, maintaining and funding social housing, and housing the homeless in private rentals.
- Facilitate partnerships with, and provide education to, local government and community agencies to encourage infill and higher density development.
- Collaborate with our provincial, territorial and federal partners to develop long term solutions to issues of affordable housing in Canada.

Performance Measure 5: Number of households benefiting from affordable housing programs.

Performance Measure	2013/14 Actual	2014/15 Forecast	2015/16 Target	2016/17 Target	2017/18 Target
Number of households that benefit from provincial affordable housing programs	99,014	102,000	103,000	104,000	104,000

Data Source: BC Housing total households served.

Discussion

This measure is an indicator of the total number of households that benefit from subsidized housing programs each year. This includes; shelters and housing with supports for those who are homeless; housing that meets the cultural needs of Aboriginal peoples; transition housing and supports for women and children fleeing violence; and assisted living and wheelchair accessible apartments for seniors and people with disabilities. This also includes an increased emphasis on rent supplements that help to connect people who are homeless to stable housing and also keep private market rents affordable for families and seniors.

Resource Summary

Core Business Area	2014/15 Restated Estimates ¹	2015/16 Estimates	2016/17 Plan	2017/18 Plan
Operating Expenses (\$000)				
Upstream Development.....	12,482	12,524	12,551	12,613
Liquefied Natural Gas	3,972	6,063	5,669	5,683
Oil and Strategic Initiatives.....	1,012	1,015	1,018	1,022
Executive and Support Services	2,783	4,270	4,270	4,270
Housing.....	368,691	408,393	413,353	419,685
Housing Endowment Fund.....	12,000	12,000	12,000	12,000
Total	400,940	444,265	448,861	455,273
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Executive and Support Services	2,767	1	1	1
Total	2,767	1	1	1
Capital Plan (\$000)				
Housing Capital Fund.....	39,244	14,969	14,516	15,063
Total	39,244	14,969	14,516	15,063
Other Financing Transactions (\$000)				
Oil and Gas Commission Receipts	(27,241)	(29,740)	(31,897)	(32,663)

Core Business Area	2014/15 Restated Estimates ¹	2015/16 Estimates	2016/17 Plan	2017/18 Plan
Oil and Gas Commission Disbursements	27,241	29,740	31,897	32,663
Net Cash (Requirements)	0,000	0,000	0,000	0,000
Total Receipts	(27,241)	(29,740)	(31,897)	(32,663)
Total Disbursements	27,241	29,740	31,897	32,663
Total Net Cash Source (Requirements)	0,000	0,000	0,000	0,000

¹For comparative purposes, amounts shown for 2014/15 have been restated to be consistent with the presentation of the 2015/16 Estimates.

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