

BC Oil and Gas Commission

2020/21 – 2022/23 SERVICE PLAN

February 2020



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Board Chair Accountability Statement



The 2020/21 – 2022/23 BC Oil and Gas Commission Service Plan was prepared under the Board’s direction in accordance with the *Budget Transparency and Accountability Act*. The plan is consistent with government's strategic priorities and fiscal plan. The Board is accountable for the contents of the plan, including what has been included in the plan and how it has been reported. The Board is responsible for the validity and reliability of the information included in the plan.

All significant assumptions, policy decisions, events and identified risks, as of December 31, 2019 have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the BC Oil and Gas Commission’s mandate and goals, and focus on aspects critical to the organization’s performance. The targets in this plan have been determined based on an assessment of the BC Oil and Gas Commission’s operating environment, forecast conditions, risk assessment and past performance.

A handwritten signature in black ink, appearing to read 'Dave Nikolejsin', with a long horizontal flourish extending to the right.

Dave Nikolejsin
Board Chair

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Strategic Direction and Alignment with Government Priorities

The Government of British Columbia remains focused on its three strategic priorities: making life more affordable, delivering better services, and investing in a sustainable economy. Crowns are essential to achieving these priorities by providing quality, cost-effective services to British Columbia families and businesses.

Additionally, where appropriate, the operations of Crowns will contribute to:

- The objectives outlined in the government’s newly released A Framework for Improving British Columbians’ Standard of Living,
- Implementation of the *Declaration on the Rights of Indigenous Peoples Act* and the Truth and Reconciliation Commission Calls to Action, demonstrating support for true and lasting reconciliation, and
- Putting B.C. on the path to a cleaner, better future – with a low carbon economy that creates opportunities while protecting our clean air, land and water as described in the CleanBC plan.

By adopting the Gender-Based Analysis Plus (GBA+) lens to budgeting and policy development, Crowns will ensure that equity is reflected in their budgets, policies and programs.

The BC Oil and Gas Commission (Commission) is the provincial, single-window regulatory agency with responsibilities for regulating oil and gas activities in British Columbia (B.C.), including exploration, development, pipeline transportation and reclamation.

The Commission provides regulatory excellence in responsible oil and gas and geothermal resource development by protecting public safety, safeguarding the environment and respecting those individuals and communities who are affected. It has a legislated mandate under the [Oil and Gas Activities Act](#) (OGAA) and its strategic direction is informed by the external operating environment, its vision, mission, and values as well as the [Mandate Letter](#) issued by the B.C. Government. The Commission strives to deliver cost-effective, reliable and accountable regulatory service for British Columbians. More information on the Commission’s structure and governance can be found on the [Commission’s website](#).

The Commission has been proactive in the incorporation of the United Nations Declaration on the Rights of Indigenous Peoples and Truth and Reconciliation Commission principles in everything it does, providing training to its staff and actively building partnerships with Indigenous communities through the Aboriginal Liaison Program, emergency management notification initiative and multiple reclamation projects throughout northeast B.C. which bring traditional knowledge into the restoration process.

As a responsible and accountable regulator, the Commission is fulfilling its oversight role with respect to petroleum, natural gas, geothermal, liquefied natural gas (LNG) and other oil and gas value-added activity development by continually improving its internal capacity to provide expert and timely services to industry, Indigenous groups and the numerous stakeholders whose interests are represented by the Commission in the regulatory process.

The Commission is aligned with the Government’s key priorities:

Government Priorities	BC Oil and Gas Commission Aligns with These Priorities By:
Delivering the services people count on	<ul style="list-style-type: none"> • Protecting the public by understanding and mitigating safety related issues to prevent incidents. (Objective 1.1) • Respecting those affected by energy resource development by considering and incorporating Indigenous peoples’ and their governments’ rights and interests in Commission decisions and programs. (Objective 2.1) • Respecting those affected by energy resource development by valuing, understanding, and considering land owner interests in Commission decisions and programs. (Objective 2.2) • Supporting responsible energy resource development by mitigating potential liabilities associated with resource development. (Objective 4.1)
A strong, sustainable economy	<ul style="list-style-type: none"> • Safeguarding the environment by ensuring environmental values and attributes are sustained. (Objective 3.1) • Supporting responsible energy resource development by mitigating potential liabilities associated with resource development. (Objective 4.1)

Operating Environment

The Commission’s operating environment is affected by North American and global natural gas markets. While B.C. produces small quantities of oil, it produces almost one third of Canada’s marketable natural gas¹. Total Canadian marketable gas production has remained relatively stable over the last few years with small increases in annual production.

Over the next few years, the price of natural gas is expected to remain steady, as the product will move to B.C.’s traditional natural gas export markets, including the rest of Canada and the United States. B.C. liquids production will be part of the steady growth expected out of the Montney formation, stretching from the Alberta border near Dawson Creek to approximately 150 kilometers northwest of Fort St. John. Multi-well pads will continue to be used, reducing the overall surface impact of oil and gas activity.

The Commission works with individuals and communities affected by oil and gas activities and concerns are considered in delivery of the Commission’s mandate. For example, in 2019 a community working group successfully engaged land owners to provide on-the-ground perspectives and solutions in a local area. Using an interest based approach, land owners, industry, and the Commission were able to make measurable progress and improvements on many quality of life issues that have been applied both locally and industry-wide. Engagement with local government and community members continues, along with a mediation service – helping build effective relationships by gathering and exchanging timely information on community needs.

The Commission is also taking numerous steps to address inactive or dormant oil and gas sites and orphan sites (where there is no viable operator), to ensure they are properly reclaimed. Introduction of

¹ In 2018, Canada produced approximately 16.15 billion cubic feet per day (Bcf/d) of marketable natural gas. Almost 30 per cent of this gas came from B.C. Source: Canadian Energy Regulator.

a new Dormancy and Shutdown Regulation made B.C. the first province in Western Canada to impose in law timelines for the restoration of oil and gas wells.

While the 346 orphan wells in the province make up just over one per cent of all oil and gas wells in B.C., the goal is to clean up and restore all orphan wells in B.C. within 10 years of receiving an orphan designation. The Commission's Comprehensive Liability Management Plan – which includes the new Dormancy and Shutdown Regulation – ensures 100 per cent of the cost of reclaiming oil and gas sites in B.C. continues to be paid for by industry, ensuring no direct cost to B.C. residents. The plan also enhances stringent checks of each company's financial health and history with the continued goal to mitigate liability risk and minimize pressure on the Orphan Site Reclamation Fund.

The Commission has forged numerous working relationships with government ministries and agencies to develop a number of new initiatives that are incorporated within the oil, gas and geothermal regulatory framework. This includes an action plan to address the findings from the scientific review of hydraulic fracturing, and a new methane reduction regulation and research plan – with provincial agencies and stakeholders – to manage and reduce the release of methane from oil and gas operations and meet or exceed provincial and federal methane reduction targets.

The rate of technological innovation within the Commission's mandate is constantly changing. As a learning organization, the Commission keeps current by working with other regulatory bodies such as the Western Regulators' Forum and Interstate Oil and Gas Compact Commission. It also actively builds the expertise of its staff in existing and emerging areas of responsibilities – as has been done to prepare for the LNG Canada facility expected to come online in 2025.

Performance Plan

Goal 1: Protect Public Safety

Objective 1.1: Public safety related issues are understood and mitigated to prevent incidents

Key Strategies:

- Deliver on the Compliance Management System Improvement Program to enhance and better integrate the tools, processes, policies, and competencies that make up the compliance management system
- Conduct field inspections, audit programs and enforcement activities to ensure all oil and gas activities are conducted in accordance with B.C.'s regulatory framework

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
1.1a Minimum number of inspections completed annually ¹	4,516	4,400	4,450	4,450	4,450
1.1b Overall inspection compliance rate ²	99.7%	99%	100%	100%	100%

¹ Data Source: Internally monitored and tracked inspection data.

² Data Source: Internally monitored and tracked compliance rate data.

Linking Performance Measures to Objectives:

- 1.1a This measure reflects the Commission's efforts to inspect industry and ensure activities are done in compliance with regulations. Inspections cover aspects of the regulatory framework, as well as all permit specific requirements (conditions). Included are factors such as safety, environmental issues, accuracy of required measurements, adherence to defined standards, etc. The intent is to align inspections with industry activity levels.
- 1.1b The Commission regulates permit holders and completes inspections to make sure they are compliant with all regulatory requirements. This measure reflects the percentage of inspections completed with no deficiencies identified, or all deficiencies corrected at the end of the reporting period.

Discussion:

The annual target for inspections within the Annual Compliance Plan is based upon both staff capacity and the number of sites within B.C. With approximately 28,000 sites within B.C., the annual inspection target enables the Commission to visit every site, on average, once every six years. As part of the Commission's commitment to public safety, its risk based inspection program allocates approximately 75 per cent of its resources to the development and production phases and the remaining 25 per cent to decommissioning and restoration phases.

Regarding the overall compliance rate, an objective of the Commission's compliance and enforcement program is to make sure permit holders are compliant with the regulatory framework. The Commission will always strive for 100 per cent compliance and any permit holders that do not fall within these categories are followed up on by the Commission to ensure compliance is achieved.

Objective 1.2: The public is safe from harm should an incident occur

Key Strategies:

- Continue to utilize the Commission’s Emergency Response Framework to address both complaints (public calls of concerns such as odour, noise and road maintenance) and minor to emergency-level incidents, and ensure the public is safe
- Review Emergency Response Plans to ensure all permit holders are prepared should an emergency occur

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
1.2a Per cent of active companies with complete Emergency Response Plans ¹	99%	100%	100%	100%	100%

¹ Data Source: Internally monitored and tracked company filing data.

Linking Performance Measures to Objectives:

1.2a This measure reflects compliance with industry permit holders’ emergency response plan (ERP) requirements. All active companies are required to have an ERP on file and the Commission assesses each for completeness and compliance with oil and gas regulations. Having an ERP in place enables the company to work through and plan for situations which, if not addressed quickly and methodically, could have an impact on the safety of its employees and the public who live around its area of operations.

Discussion:

A permit holder is required under the Emergency Management Regulation to prepare and maintain an emergency management program as well as a specific ERP for each of its oil and gas activities prior to carrying out the activities. The Commission will always strive for 100 per cent compliance and any permit holders that do not meet this requirement are followed up on by the Commission to ensure compliance is achieved.

Goal 2: Respect those affected by energy resource development

Objective 2.1: Indigenous peoples’ and their governments’ rights are respected and interests are considered and incorporated in Commission decisions and programs

Key Strategies:

- Continue to support the Aboriginal Liaison Program and participate in shared demonstration projects in areas such as reclamation, emergency management, and water monitoring
- Support B.C.’s implementation of the *United Nations Declaration on the Rights of Indigenous Peoples* within the Commission’s mandate

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
2.1a Per cent of applications where the duty to consult is met ¹	100%	100%	100%	100%	100%
2.1b Satisfaction level on how well the Commission is engaging Indigenous groups ²	N/A	86%	N/A	87%	N/A

¹ Data Source: Internally monitored and tracked consultation data. Performance is assessed against a judicial review process.

² Data Source: The surveys are given to a wide range of Indigenous groups throughout the province and are conducted by an external third party every other year. The results are tracked and analyzed internally.

Linking Performance Measures to Objectives:

- 2.1a This measure reflects the Commission’s ability to fulfill the Crown’s duty to ensure Indigenous groups who may be affected by oil and gas activities are consulted.
- 2.1b This measure reflects the effectiveness of the Commission’s engagement efforts with Indigenous Groups.

Discussion:

Consultation on applications with Indigenous communities is integral to developing relationships and understanding of Commission regulated activities on traditional territories throughout the province. The Commission will always strive to ensure the Crown’s duty to consult is met on 100 per cent of applications. The Commission assesses the effectiveness of this duty to consult through the engagement survey.

Objective 2.2: Land owner interests in respect of their property are valued, understood and considered in Commission decisions and programs

Key Strategies:

- Identify opportunities to enhance relationships with local governments, land owners and other rights holders to address concerns related to quality of life indicators, such as noise, light and seismicity
- Enforce regulatory requirements and permit conditions related to quality of life indicators

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
2.2a Per cent of operations which cause seismic events with a magnitude of 3.0 or higher which are immediately suspended ¹	100%	100%	100%	100%	100%
2.2b Satisfaction level on how well the Commission is engaging Stakeholder groups ²	76%	81%	87%	87%	88%

¹ Data Source: Seismic events are from the Natural Resources Canada (NRCAN) earthquake database; fracturing events are from internal Commission data. Suspended activities are tracked internally.

² Data Source: The surveys are given to a wide range of stakeholders throughout the province and are conducted and rolled out annually by an external third party. The results are tracked and analyzed internally.

Linking Performance Measures to Objectives:

- 2.2a Induced seismicity has become a public concern over the past number of years and this measure reflects the Commission’s commitment to suspend operations that have an impact on the public when sizable seismic events occur as a result of those operations.
- 2.2b This measure reflects the effectiveness of the Commission’s engagement efforts with stakeholder groups.

Discussion:

Engaging with stakeholders, particularly those directly affected by regulated activities, is a key aspect of the Commission’s work and the Commission has strived to improve the effectiveness of its efforts. Due to this, the results have improved significantly from previous years and the targets for subsequent years have been updated. The Commission interacts with stakeholder groups throughout B.C. and has initiatives underway to assess and manage the impacts of activity and development on those living in northeastern B.C.

Goal 3: Safeguard the Environment

Objective 3.1: Environmental values and attributes are sustained

Key Strategies:

- Reflect provincial policies within Commission decisions by working with the Province to define and incorporate environmental values
- Utilize Area-Based Analysis (ABA) as part of the oil and gas activity permit application process to evaluate oil and gas development opportunities by analyzing existing land use, regulatory requirements, government policy and direction

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
3.1a Per cent of well and facility permits issued in environmentally sensitive areas ¹	0.6%	1%	1%	1%	1%
3.1b Per cent of available freshwater withdrawn for oil and gas activities ²	1.5%	1%	1%	1%	1%

¹ Data Source: Internal land use and monitoring data through ABA is used as part of the permitting process. The ABA system geographic information systems data is continuously updated by the Commission, ministry databases and partner agencies and updates based on areas that are or become environmentally sensitive.

² Data Source: Data is determined by the Commission through water withdrawals reported by permit holders relative to the total volume of fresh water available in northeastern B.C.

Linking Performance Measures to Objectives:

- 3.1a This measure reflects the Commission’s commitment to safeguarding the environment, particularly in sensitive areas, through its regulatory scope. This measure reflects an aspect of environmental impact within the Commission’s control.
- 3.1b In an effort to mitigate the impact of industry activity on fresh water sources, the Commission encourages industry to use alternative water sources such as recycled and saline water.

Discussion:

The targets for measures 3.1a and 3.1b have been lowered from the previous plan to better reflect the objective of minimizing the impact of industry on environmental values. While the maximum volume of freshwater that can be withdrawn without impacting the ecological and hydrological functioning of the water body is 15 per cent as per B.C. Environmental Flow Needs Policy, the Commission’s target has dropped from five per cent in 2019/20 to one per cent for 2020/21 and beyond.

Goal 4: Support Responsible Resource Development

Objective 4.1: Potential liabilities associated with resource development are mitigated

Key Strategies:

- Support the implementation of recommendations from the Scientific Review on Hydraulic Fracturing
- Continue to operationalize the Comprehensive Liability Management Plan to ensure that 100 per cent of the cost of reclaiming oil and gas sites in B.C. continues to be paid for by industry

Performance Measure(s)	2018/19 Actuals	2019/20 Forecast	2020/21 Target	2021/22 Target	2022/23 Target
4.1a Number of orphan sites restored ¹	4	15	25	30	35

¹ Data Source: Internally monitored and tracked liability and asset management data. Note that currently restoration work is underway at hundreds of sites and the number here only reflects the number of sites with restoration work being completed within the year.

Linking Performance Measures to Objectives:

4.1a This measure reflects the management and completion of the restoration of orphan assets, which, when designated, become an accounting liability for the Commission. Under Part 4 of OGAA, the Commission may designate a well, facility, pipeline and/or area affected by oil and gas activity as an orphan site if the operator is insolvent or cannot be located. Once designated, the Commission recognizes the liability associated with the orphan site and a work plan is implemented so the site can be restored.

Discussion:

The Commission has a proactive policy to manage the risks to public safety and environment associated with orphan sites, with a goal to complete restoration within 10 years of designation/identification. Targets and forecasts for orphan site restoration continue to grow as the Commission has been advancing its business programs related to orphan site management.

Financial Plan

Summary Financial Outlook

(\$000)	2019/20 Forecast	2020/21 Budget	2021/22 Budget	2022/23 Budget
Operations				
Industry Levies	42,700	47,580	48,310	49,010
Application Fees and Misc.	15,811	9,760	9,760	9,760
Total revenue from operations	58,511	57,340	58,070	58,770
Salaries and benefits	31,488	32,000	32,600	33,300
Other Operating	20,777	20,340	20,470	20,470
Amortization	4,900	5,000	5,000	5,000
Total expenses from operations	57,165	57,340	58,070	58,770
Net surplus from operations	1,346	-	-	-
Orphan Site Restoration Fund (OSRF)				
Liability Levy	7,500	11,250	15,000	15,000
Production Levy	7,500	3,750	-	-
Security Deposits, Interest	13,654	300	300	300
Total revenue from OSRF	28,654	15,300	15,300	15,300
Orphan designations and Admin	54,195	3,300	5,300	6,300
Reclamation	10,552	12,000	10,000	9,000
Total expenses from OSRF	64,747	15,300	15,300	15,300
Net deficit from OSRF	(36,093)	-	-	-
Additional Financial Indicators				
Annual deficit	(34,747)	-	-	-
Total Liabilities	129,802	120,000	115,000	110,000
Accumulated Deficit	(16,450)	(16,450)	(16,450)	(16,450)
Capital Expenditures	4,426	5,000	5,000	5,000

Total Liabilities include estimated amounts for orphan sites, security deposits and payables/accruals. Total liabilities (\$88 million is related to orphan sites) are forecast to decrease as remediation costs are incurred for the orphan sites. Accounting guidelines require remediation costs to be accrued/expensed in the year of the orphan site designation. As a result, actual costs when incurred reduce the liability but are not again reflected in the operating statement.

Key Forecast Assumptions, Risks and Sensitivities

Commission revenues are largely derived from gas production levies. Production volume forecasts, which are provided by the Ministry of Energy, Mines and Petroleum Resources, are projecting modest increases for the next three years over 2019/20 levels. An industry levy rate is applied against production volumes to fund Commission regulatory costs.

The Commission receives other revenues from applications for new wells, pipelines and natural gas facilities. Well applications are forecast to stabilize at lower levels over the next three years based on market conditions for natural gas in North America. The forecast for the next three years adjusts for significant one-time application fees related to federal transfers, LNG projects and major pipelines.

No significant changes are anticipated in the Commission's regular operating expenses. Salaries and benefits will increase slightly to reflect negotiated increases from collective bargaining.

Orphan Site Restoration Fund (OSRF) expenses continue to impact the Commission's ability to balance its budget. The forecast OSRF deficit in 2019/20 is due to the receivership of a major well operator that triggered an orphan site liability of approximately \$50 million. The financial plan includes liability estimates for future orphan sites that could result from new receiverships.

The Commission's Comprehensive Liability Management Plan ensures industry pays 100 per cent of the cost of reclaiming orphan sites through an industry orphan liability levy. Reclamation costs will be incurred over a number of years, using a risk based approach that focuses first on public safety and environmental protection.

The Commission's three year financial outlook is consistent with the financial information in the government's fiscal plan and is based on the key assumptions therein. The Commission has no major capital plans in excess of \$50 million as defined by the *Budget Transparency and Accountability Act*. Cash flow required to fund capital will be provided by operations. The Commission has zero debt and does not expect to incur any during the next three years.

Management's Perspective on the Financial Outlook

The Commission's financial outlook with comparative revenues, expenses and capital spending over the Service Plan years 2020/21 to 2022/23 is outlined in the financial summary table. Key assumptions influencing the financial position of the Commission are in line with risks, uncertainties and operational influences discussed within the Strategic Direction and Operating Environment sections.

Appendix A: Hyperlinks to Additional Information

Corporate Governance

The Commission is governed by a [Board of Directors](#) that sets the strategic direction, ensuring organizational performance is in line with strategic priorities and establishing appropriate accountability and transparency mechanisms. Assisted by a group of expert consultants, the Board factors corporate risks into the strategic planning process.

Under the *Oil and Gas Activities Act* (OGAA), the Deputy Minister for the Ministry of Energy, Mines and Petroleum Resources is the Board Chair, the Commissioner and CEO is the Vice Chair, and a third independent Board member is appointed by the Lieutenant Governor in Council. The Board, under OGAA, has the powers to make regulations respecting aspects of carrying out oil and gas activities.

Organizational Overview

The [BC Oil and Gas Commission](#) is a single-window regulatory agency with responsibilities for overseeing oil, gas and geothermal operations in British Columbia. The Commission oversees activities from exploration and development, to pipeline transportation and reclamation.

The Commission was created as a Crown corporation through the enactment of the *Oil and Gas Commission Act* and in October 2010, transitioned to the *Oil and Gas Activities Act*. Regulatory responsibility is delegated to the Commission through the *Oil and Gas Activities Act* and includes specified enactments under the *Forest Act*, *Heritage Conservation Act*, *Land Act*, *Environmental Management Act*, and *Water Sustainability Act*.

With more than 20 years' dedicated service, the Commission is committed to ensuring safe and responsible energy resource development for British Columbia.

The Commission's mission is to ensure responsible energy resource development by protecting public safety, safeguarding the environment and respecting those affected. The Commission's core roles include reviewing and assessing applications for industry activity, consulting and engaging with First Nations, land owners and rights holders and ensuring industry complies with provincial legislation. The Commission's regulatory responsibility extends from the exploration and development phases, through operation and ultimately decommissioning. It is charged with balancing a broad range of environmental, economic and social considerations.

The cost of operating the Commission is funded through the collection of industry fees and production levies.

It is accountable to the provincial legislature and the public through the Minister of Energy, Mines and Petroleum Resources. This is demonstrated in three-year service plans issued annually, quarterly reports on financial performance, and the Annual Service Plan Report summarizing achievements during the year and comparing performance results to targets.

Each year the Minister of Energy, Mines and Petroleum Resources sets out the priorities of the Commission in a Mandate Letter. This letter is signed by the Commission Chair and members of the Board.