



Commission Developing Comprehensive Liability Management Plan

The BC Oil and Gas Commission (Commission) is developing a Comprehensive Liability Management Plan (CLMP) to address the growing number of orphan oil and gas sites in British Columbia.

Supported by the introduction of new Government [Legislation](#), the Commission is actively reviewing and enhancing all aspects of liability management associated with oil and gas development in the province. Core aspects of the CLMP will include orphan site treatment and closure, risk assessment/mitigation and improving the rate of inactive site restoration.

The need for an enhanced approach to liability management is driven by the growing number of inactive well sites in B.C., increased operator insolvencies and a resulting increase of orphan sites.

The Commission's CLMP will be based on the following principles:

- Maintain the “industry pays” approach (no direct cost to British Columbians).
- The Commission retains security deposits sufficient to ensure performance of permit holders' obligations for the protection of public safety and the environment.
- Timely reclamation and restoration of inactive oil and gas sites.
- Ensure the industry-funded Orphan Site Reclamation Fund can sufficiently address the costs associated with the timely treatment of orphan sites in cases where security deposits may not be sufficient to address full restoration costs.
- Reflect commitment to adopt and implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).
- Rights and interests of impacted landowners are respected.

The Commission and Government have been consulting with industry regarding the CLMP and those discussions will continue. The Commission will also be engaging and pursuing opportunities for collaboration and partnership with Indigenous communities on many aspects of CLMP implementation.

Additional legislation introduced by Government will improve the Commission's ability to respond in the event of an emergency and deal more effectively with heritage resources.

A Backgrounder follows.

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BACKGROUND

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The BC Oil and Gas Commission's (Commission) mandate is to ensure operators plan and undertake oil and gas activities in a manner that avoids and/or minimizes impacts to public safety and environmental values; mitigates impacts where no realistic opportunity exists to avoid them; and restores the impacted area to its pre-development state.

As per the [2018/19 Mandate Letter](#), the Commission is working with the Ministry of Energy, Mines and Petroleum Resources and the Ministry of Finance to develop and implement a Comprehensive Liability Management Plan which holds industry accountable, addresses unrestored oil and gas sites, and protects the environment and public safety.

Legislation introduced April 18, 2018, proposes amendments to the *Oil and Gas Activities Act* which will:

- Enable the Commission to ensure adequate resources in the Orphan Site Reclamation Fund (OSRF).
- Improve debt collection tools.
- Enable the Commission to develop new tools to improve the rate of inactive site restoration and the liability associated with such sites.

Resourcing Orphan Site Treatment and Closure

The Commission has authority to designate a well, a facility, a pipeline or associated area as an orphan site if the permit holder is insolvent or cannot be identified. This designation allows the cost of abandonment and restoration work to be assumed by the OSRF, which is currently funded by industry through a tax charged on production of oil and gas.

B.C. has gone from 45 to 307 designated orphan sites since the beginning of the 2016/17 fiscal year due to Terra Energy Corporation's receivership and other insolvencies. The Government is proposing changes to legislation to provide sufficient funding for the timely treatment and closure of orphan sites in a manner that provides a more level playing field. Government is proposing to repeal the orphan site restoration tax and replace it with a liability-based levy. The levy details would be set by a regulation of the Commission Board, with Treasury Board approval. The total levy amount would be based on forecasted orphan site treatment and closure costs annually, with adjustments throughout the year if needed.

The proposed amendments would also allow other money to be transferred to the OSRF, such as contributions made for restoration purposes and security held by the Commission in relation to sites that are designated as orphan sites.

Proposed amendments will also improve debt collection by allowing the Commission or Government to recover unpaid levies and other charges through an expedited court process. This enables the Commission and Government to take action more quickly in situations where payments are due.

These changes address a number of issues with the current orphan site funding model, including: annual revenue from the existing tax is insufficient to complete restoration and closure of orphan sites in a timely way; and, a change to the tax rate requires a legislation change so it cannot be easily adjusted when circumstances warrant, such as an influx of orphan sites. The proposed changes will ensure oil and gas producers continue to bear the costs of restoration of all oil and gas sites.

Introducing New Tools

Proposed amendments strengthen the Commission's Board's authority to make regulations requiring permit holders to conduct restoration work and provide reports in a timely manner. Requiring timely restoration will reduce the number of potential orphan sites in the province.

Amendments are also proposed to ensure the Commission has sufficient power to prevent operators associated with a history of insolvency or non-compliance from holding permits in British Columbia.

Finally, the proposed amendments will allow the Commission to transfer activity permits and their associated liability to a willing operator when a company becomes insolvent or cannot be located. This will allow work to continue on sites that would have otherwise been declared orphan sites.

Currently the regulatory requirements to restore the site of an oil and gas activity have been triggered by a permit termination. While a permit is still valid, a permit holder has not been required to conduct environmental investigations or restore inactive sites – other than to deal with spills. This has allowed companies to hold a large inventory of unrestored, inactive sites. These unrestored sites may become orphans if the company later becomes insolvent. In line with these legislative amendments, a formal regulatory and policy framework will be established with an objective of increasing industry's rate of restoration and reducing the number of inactive oil and gas sites in B.C.

The proposed changes will improve the framework for responsible development and facilitate continuation of industry activities in cases where companies become insolvent.

Additional Legislation

Additional legislation introduced by the Government proposes changes to the *Oil and Gas Activities Act* and the *Petroleum and Natural Gas Act*, which will:

- Improve the BC Oil and Gas Commission's emergency response powers.



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- Strengthen the Commission's powers to manage heritage resources.
 - Ensure tenure extensions and rental relief provisions enacted in 2014 can be implemented.
 - Streamline the operations of both statutes.

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