

BC Oil and Gas Commission

2017/18 – 2019/20 SERVICE PLAN

September 2017



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Board Chair Accountability Statement



The 2017/18 - 2019/20 BC Oil and Gas Commission (Commission) Service Plan was prepared under the direction of the Board of Directors (Board) in accordance with the *Budget Transparency and Accountability Act* and the BC Reporting Principles. 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 August 31, 2017, have been considered in preparing the plan. The performance measures presented are consistent with the *Budget Transparency and Accountability Act*, the 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 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 Operating Environment

Strategic Direction

The 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.

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 mission, vision and values as well as the [Mandate Letter](#) issued by the B.C. Provincial Government. The Commission strives to deliver cost-effective, reliable and accountable service for British Columbians. More information on the Commission's structure and governance can be found [here](#).

As a responsible and accountable regulator, the Commission is fulfilling its oversight role with respect to petroleum, natural gas and liquefied natural gas (LNG) development by continually improving its internal capacity to provide expert and timely services to industry, First Nations and the numerous stakeholders whose interests the Commission represents in the regulatory process.

Operating Environment

The Commission's strategic context is affected substantively by North American and global natural gas markets. While B.C. produces minimal oil, it produces almost one third of Canada's marketable natural gas. Total Canadian marketable gas production has remained relatively stable the last few years with small increases in annual production. Between January 1, 2016 and December 31, 2016, Canada produced approximately 5.6 Trillion cubic feet (Tcf) of marketable gas. More than 1.6 Tcf of this gas came from B.C.

Within B.C., activity and production is increasingly focused on the Montney formation stretching from the Alberta border near Dawson Creek to approximately 150 kilometres north and west of Fort St. John. As of December 2016, approximately 75 per cent of gas produced in B.C. was originating from the Montney and unconventional gas overall accounted for more than 85 per cent of B.C.'s production by the end of calendar 2016.

While natural gas production has continued to increase in B.C., the number of wells needed to deliver the recorded volumes has decreased substantially as technology and knowledge of completions in unconventional wells has advanced. Increased productivity from fewer wells means that the necessary development footprint per unit of production continues to decline in B.C., resulting in less overall disturbance to the land base.

An Alberta court decision regarding Redwater Energy Corporation made in May 2016 has had, and will continue to have, a significant impact on the liability exposure to provincial oil and gas regulators, and on the sustainability of the Orphan Site Reclamation Fund (OSRF). The Redwater Decision stands for the principle that the trustee of an insolvent operator may complete sales of "cherry picked" productive assets and leave the unproductive assets in the hands of the regulators like the Commission, without any requirement to address regulatory obligations to restore those sites.

Additionally, key influences for B.C. production include Provincial and Federal commitments to reduce upstream methane emissions by 45 per cent from 2012 levels by 2025, and other Provincial initiatives. Provincial initiatives include the development of regulatory requirements to enable carbon capture and storage as well as investing in infrastructure to power natural gas projects with clean electricity.

Additional details regarding strategic drivers are included in Appendix A.

Performance Plan

The Commission's strategic management system is used to document and communicate accountability expectations and results at all levels of the organization. Potential refinement and improvements will be incorporated as the system is continually reviewed to ensure up-to-date best practices are being utilized. Annually, management considers changes to the operating environment resulting from government and Board direction, industry input, First Nations interests expressed through ongoing engagement and formal consultation as required, and any economic drivers that influence the operations of the Commission. The goals have remained the same as those in the previous 2017/18 – 2019/20 Service Plan with some updates to performance measures to better reflect the organization's performance. These changes are noted under the applicable performance measures.

Goals, Objectives, Strategies and Performance Measures

Goal 1: Safety First: Highest safety standards through prevention, response and partnerships.

Strategies

- **Prevention Framework**
Prevention framework and supporting resources and tools – comprising an Integrity Management Plan (IMP) program, safety culture, open dialogue with other regulators, ministries and agencies. It also includes emergency management preparation and support, business continuity planning, training and education.
- **Response Framework**
Response framework and supporting resources and tools – driven by incidents, inspections, complaints, investigations and applies internally and externally. Includes emergency response support, and business continuity.
- **Safety Culture**
Develop processes and tools to operationalize safety culture measures both internally and externally. Enhance public confidence through increased transparency and visibility of Commission emergency preparedness and response.

Performance Measure 1: Respond to urgent safety complaints within 30 minutes

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 100%	100%	100%	100%	100%	100%

Data Source: Internally monitored and tracked safety response data.

Performance Measure 2: Number of reported incidents per 1,000 km of pipe*

Performance Measure	Baseline 2013-16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: Average 2013-2016: 0.98	0.98	0.58	0.90	0.85	0.80

Data Source: Internally monitored and tracked incident reporting data.

* The methodology behind this measure has changed from the previous 2017/18– 2019/20 Service Plan to align with other regulatory agencies. This includes changing from incidents per 5,000 km of pipeline to reflect incidents per 1,000 km of pipeline. Additionally, the type of incidents included in this measure have expanded to align with the reporting methods used in the annual Oil and Gas Commission Pipeline Report. While near-miss incidents are reported to the Commission, they are excluded from this measure. As 2016 was an unusually low year for activity levels, and industry activity is expected to return to the historical average, the targets for the next three years are closer to the 2013-2016 baseline with the expectation that the safety framework will enable the results to improve over time. This measure is based on calendar year results.

Performance Measure 3: Number of reported incidents per 1,000 wells*

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 4.6	4.6	5.4	5.25	4.98	4.73

Data Source: Internally monitored and tracked incident reporting data.

* The methodology behind this measure has changed from the previous 2017/18– 2019/20 Service Plan to align with other regulatory agencies. This includes changing from incidents per 5,000 wells to reflect incidents per 1,000 wells. This measure reflects all wells that are neither abandoned, nor have a Certificate of Restoration. Additionally, the type of incidents included in this measure have expanded to align with other regulatory agencies and include Well Bore Communication, Spill, Induced Seismicity and Kicks. As 2016 was an unusually low year for activity levels, and industry activity is expected to return to the historical average, the targets for the next three years are closer to the 2015/16 baseline with the expectation that the safety framework will enable the results to improve over time. This measure is based on calendar year results.

Goal 2: Responsible Stewardship: Responsible oversight of surface and subsurface resources.

Strategies

- **Sound Resource Development**

Manage the development of reservoirs in a manner that protects subsurface resources, minimizes surface disturbance and ensures maximum recovery (includes special projects, shut ins, induced seismicity, ground water and aquifers). Have adequate mitigation for environmental effects throughout lifecycle-review of permit applications with appropriate conditions, and compliance actions.

- **Policies, Programs and Information Sharing**

Continuous improvement of Commission policies and programs for the identification and

mitigation of environmental risks. Provide information (data access) and reporting on surface and subsurface resources, well data and maintaining inventory of subsurface resources.

- **Alignment with the Province**

Ensure oil and gas activities are conducted in a manner consistent with environmental legislation and policy. Ensure Commission decisions and actions reflect provincial and internal environmental policies. Advise the Province on the development and implementation of policies, within the Commission’s mandate (includes air, land (surface and subsurface), water, and wildlife).

Performance Measure 1: Surface water as a percentage of total water used in Hydraulic Fracturing*

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 42%	42%	35%	35%	33%	31%

* Ratio of surface water withdrawal to water used for hydraulic fracture stimulation. A declining ratio indicates progressive alternative from surface fresh water sourcing. The numerator includes total surface fresh water withdrawn under licenses and permits in Northeast B.C. (NEBC), for oil and gas related activities. The majority of water withdrawn is utilized for hydraulic fracture stimulation; however, use may also include limited volumes for hydro pressure testing, waterflood oil recovery, etc. The denominator includes the total water utilized for hydraulic fracture stimulation in NEBC. Hydraulic fracture water sources include: surface fresh water, deep saline sourced water, shallow fresh water wells, municipal grey water, recycled hydraulic fracture fluid held at surface and 3rd party water purchase. This measure is based on calendar year results.

Performance Measure 2: Hectares (ha) of new land disturbed for every 1,000,000 m³ of production*

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 0.137 ha	0.137 ha	N/A**	0.134 ha	0.132 ha	0.130 ha

Data Source: Internally monitored and tracked land disturbance and GIS data.

* This measure reflects the B.C. oil and gas industry’s impact on new surface resources to maintain the existing level of production. If land clearing was to stop completely, existing wells would continue to produce but at a declining rate as all existing wells eventually decline. The intent is for the land disturbance rate to decrease over time through industry efficiencies. The unit of production in this measure reflects raw gas and reflects production from the whole province (not just the Montney formation). The land disturbances include all disturbances related to oil and gas production in the province. This measure is based on calendar year results.

** In 2016/17 the Commission moved to the Application Management System (AMS) and moving forward, spatial data has changed, and will be more accurate and complete. As a result of this transition, results for 2016/17 are not available.

Performance Measure 3: Flaring volumes per 100 m³ of production*

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 0.41m ³	0.41m ³	0.32m ³	0.40m ^{3**}	0.39m ^{3**}	0.38m ^{3**}

Data Source: Internally monitored and tracked air quality monitoring data. The 2014/15 results were 0.5 m³ flared per 100m³ of production.

* This measure reflects the B.C. oil and gas industry’s impact on air quality. The intent is for emissions to decrease over time through industry increasing efficiency and flaring reductions. The unit of production in this measure reflects raw gas. This measure is based on calendar year results.

** The targets are based on historical trends. The 2016/17 result is an anomaly as industry mostly relied on existing wells and production in the Montney, which has denser infrastructure. The 0.40 m³/ 100m³ is a much more accurate target for normal activity levels.

Goal 3: Expert Workforce: Effective governance structure with a highly trained, connected and adaptive workforce.

Strategies

- **Focus on Performance and Accountability**
Establish key performance indicators to ensure accountability of the workforce. Use data and analysis to assess capacity and implement for success – cultural change using data to drive and support decisions about resource fluidity and moving people around to meet business demands.
- **Training and Adaptability**
Ensure ongoing, efficient, and effective training to develop a highly trained, connected and adaptive workforce. Cross train workforce to enable shifting quickly to address changing operational priorities.

Performance Measure 1: Employee Engagement result per annual Engagement Survey*

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 70	70	N/A	72%	73%	74%

Data Source: Annual Engagement Survey.

* In previous years, this measure was calculated using the results from the bi-annual workplace engagement survey (WES). From 2017/18 on, the Commission will complete an engagement survey annually administered through an independent 3rd party. The targets moving forward are a reflection of the percentage of employees who are engaged in their work environment.

Performance Measure 2: Employee Engagement survey results: “I am adequately trained to do my job”*

Performance Measure	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Percentage of employees	N/A	80%	85%	90%

Data Source: Annual Engagement Survey.

* This is a new measure to reflect the value and effectiveness of staff training. This measure is tracked through the Employee Performance and Development Process (EPDP) and monitored through metrics and tested in the annual engagement survey administered through an independent 3rd party. The targets moving forward are a reflection of the percentage of employees who agree they are adequately trained.

Performance Measure 3: Staff turnover*

Performance Measure	Baseline 2016/17	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2016/17 results: 11.7%	11.7%	11.7%	10%	10%	10%

Data Source: Human resources data is monitored and tracked internally

*This is a previously reported measure which reflects the Commission’s ability to attract and retain skilled and experienced staff. The turnover of new hires as well as the percentage of staff with more than 10 years of experience at the Commission performance measures did not accurately reflect the Commission’s ability to attract and retain highly skilled employees. This performance measure is a more effective reflection of the Commission’s ability to attract and retain skilled and experienced staff. Turnover is calculated by the number of employees who leave / average number of employees.

Goal 4: Operational Excellence: Efficient and effective model of regulatory excellence.

Strategies

- **Execute the projects prioritized in the Integrated Compliance Strategic Plan**

The Integrated Compliance Strategic Plan details a transformation program to implement a compliance management system (CMS) in the Commission. This will involve implementing a series of projects that will enhance the Commission’s ability to provide assurance that oil and gas activities are being conducted in accordance with legislation while ensuring Commission resources are used to maximum effect.

- **Liability Management**

Ensure industry bears the costs of oil and gas activities and risks to public liability are avoided or mitigated, with a long-term approach that is tolerant of economic change. Undertake a series of projects and initiatives to manage associated risks, including Liability Management Rating (LMR) review, OSRF review, OGAA amendments, Redwater¹ appeal and litigation strategy, lifecycle asset management plan and Revenue Renewal initiative.

- **Decision Making Support**

Maintain and enhance tools and data governance for decision making (e.g. air monitoring). Evaluate and implement changes to Commission resources, structure and information to effectively evaluate and monitor industry operational performance (e.g. major projects).

- **Continuous Improvement**

Business intelligence, process management and quality improvement, enhancements to corporate systems (Application Management System (AMS), eSubmission), internal audit, corporate reporting and planning functions all operate to continuously improve the Commission’s performance.

Performance Measure 1: Employee Engagement Survey results: “I have the right workplace tools to do my job”^{*}

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 79	79	N/A	80%	82%	84%

Data Source: Annual Engagement Survey.

* In previous years, this measure was calculated using the results from the bi-annual workplace engagement survey (WES). From 2017/18 on, the Commission will complete an engagement survey annually administered through an independent 3rd party. The targets are now on an increasing trend to show continuous improvement. The targets moving forward are a reflection of the percentage of employees who agree they have the right workplace tools to do their jobs.

¹ An Alberta court decision regarding Redwater Energy Corporation made in May 2016 has had a significant impact on the liability exposure to provincial oil and gas regulators, and on the sustainability of the Orphan Site Reclamation Fund. The Redwater Decision stands for the principle that the trustee of an insolvent operator may complete sales of “cherry picked” productive assets and leave the unproductive assets in the hands of the regulators like the Commission, without any requirement to address regulatory obligations to restore those sites.

Performance Measure 2: Number of inspections completed annually

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16: 4,512	4,512	4,869	4,200	4,300	4,400

Data Source: Internally monitored and tracked inspection data.

* This is a previously reported output measure intended to reflect a key component of the Commission's efforts to monitor and track industry compliance. Inspections are comprehensive in the sense they cover all regulatory requirements, 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 2016/17 target was 4,000 inspections and was well exceeded due to additional inspections required for insolvent companies. The expectation is to gradually increase the number of inspections over time.

Performance Measure 3: Inspection compliance rate (to evaluate industry compliance)*

Performance Measure	Baseline 2013-16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: Average 2013-2016: 97.7%	97.7%	97.6%	98.5%	98.5%	99.0%

Data Source: Internally monitored and tracked compliance rate data.

* The Commission ensures compliance. In the event of non-compliance, the Commission works with companies to make the necessary changes to become compliant with all regulatory requirements. If compliance is not achieved during prescribed response times, the Commission has the ability to move these issues to a formal enforcement process. This measure reflects the compliance rate results of the first follow up inspection.

Performance Measure 4: Percentage of appeals / number of decisions

Performance Measure	Baseline 2015/16	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 0.25%	0.25%	0.2%	<0.5%	<0.5%	<0.5%

Data Source: Internally monitored and tracked appeal and judicial review data. Reflects the number of initiated appeals relative to the total number of decisions issued. The percentage of appeals that are withdrawn or dismissed performance measure has been removed as appeal resolution can often take more than a year to complete.

Goal 5: Effective Engagement: Proactive, respectful and valuable partnerships through outreach, discussion and consultation.

Strategies

- Collaboration, Engagement and Partnerships**
 This focuses on identifying opportunities to enhance relationships with local governments, chambers of commerce, landowners and other rights holders, Provincial and Federal levels of government as well as other crown agencies, academic institutions, industry, the public and the media.
- Relationships with First Nations**
 Develop and maintain relationships with First Nations through various engagement strategies including leader to leader (L2L) meetings, agreements and partnerships (liaison program), capacity funding, cultural awareness (training, attending community events) information sharing and the First Nations engagement strategy.
- Transparency Strategy**
 Ensure the public availability of Commission information is fully transparent and in alignment with other regulators.

Performance Measure 1: Satisfaction level on how well the Commission is engaging stakeholders and First Nations^{*}

Performance Measure	Baseline 2016/17	Actual 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2016/17 results: 74.3%	74.3%	74.3%	75%	75%	75%

Data Source: Survey results will be tracked and analyzed internally.

^{*} 2016/17 was the first year of distributing these external surveys. Two surveys will be developed and rolled out by an independent PhD student on behalf of the Commission in the latter half of 2017/18. This measure is intended to reflect the effectiveness of the Commission's engagement efforts for both stakeholders and First Nations.

Financial Plan

Summary Financial Outlook

(\$m) or (\$000)	2016/17 Actual	2017/18 Budget	2018/19 Budget	2019/20 Budget
Total Revenue				
Levies	38,186	37,914	37,900	37,500
Fees from Oil and Gas Applications	11,024	10,871	10,000	10,900
Miscellaneous	3,723	755	600	600
Total Revenue	52,933	49,540	48,500	49,000
Total Expenses				
Salaries and Benefits	25,271	27,400	27,000	27,500
Operating & First Nations Expenses	17,619	16,817	16,500	16,800
Amortization	4,033	4,783	5,000	4,700
Total expenses from operations	46,923	49,000	48,500	49,000
Net surplus from operations	6,010	540	-	-
OSRF Revenues	2,406	1,400	1,500	1,600
OSRF Expenses	19,043	1,400	1,500	1,600
Net surplus (deficit) from OSRF	(16,637)	-	-	-
Annual surplus (deficit)	(10,627)	540	-	-
Accumulated surplus	25,153	25,693	25,693	25,693
Capital Expenditures	5,075	5,450	5,450	4,000

Key Forecast Assumptions, Risks and Sensitivities

From an operational perspective, the Commission carefully balances operating expenses with anticipated revenues. The Commission has little control over Orphan designations to the OSRF as these are caused mostly by insolvent companies unable to clean up abandoned oil and gas sites, leaving the responsibility with the Commission. A strong economy in the sector decreases the risk of Orphan designations. The OSRF is disclosed separately to show that normal operations continue to avoid an annual deficit.

Employee salaries and benefits constitute the largest expense. The Commission's employees come from a wide range of technical and professional backgrounds and are dispersed in different geographic areas. The salary and benefits structure for unionized employees is governed by collective agreements with the Professional Employees Association (PEA) and the B.C. Government and Service Employees' Union (BCGEU). Other operating expenses include payments for First Nations agreements, professional services, travel, building occupancy, telecommunications and amortization.

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 2017/18. Costs to remediate Orphan sites will be incurred over a number of years using a risk based approach that focuses on public safety and environmental protection.

Management's Perspective on the Financial Outlook

The Commission's financial outlook with comparative revenues, expenses and capital spending over the Service Plan years 2017/18 to 2019/20 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 section. More information can be found in Appendix A: Strategic Drivers.

The Commission's revenue is made up of levies charged on production and pipelines and fees collected on oil and gas activity applications. Fee revenues fluctuate with industry activity levels, which in turn are influenced by a combination of factors, such as demand trends, weather conditions, natural gas and, oil prices and regulatory requirements. To reduce dependency on the more volatile fee revenues, the Commission's funding model has traditionally been heavily weighted towards production levies.

OSRF revenues include a production tax levy legislated through OGAA and is administered by the Commission and considered part of the entity for financial statement purposes. The OSRF funds are restricted in use for the remediation of orphaned sites.

Appendix A: Strategic Drivers

Through a formal risk analysis process, the Commission's strategic planning cycle is intrinsically linked so that all risks and opportunities facing the organization are reviewed and mitigation strategies are integrated into the strategic and operational business plans. The most significant government directives, risks and opportunities, called "Drivers", are those that influence the Commission's operating environment and its ability to achieve the strategic and operational objectives of the organization. These Drivers include:

North American and Global Natural Gas Markets

The decline of demand within the traditional U.S. markets for Canadian gas is happening at the same time proven reserves of natural gas are growing year over year. Not only is there an increase in knowledge of the Original Gas in Place (OGIP) but also improved extraction technologies. The Ministry of Energy, Mines and Petroleum Resources (MEMPR) estimates there are more than 2,900 Tcf of OGIP in B.C. By way of comparison, Canada produces approximately 5-6 Tcf per year under current market conditions. Internationally, growing economies such as China, Korea, Japan and India have seen demand for natural gas increase and are strategically looking to Canada and specifically B.C. for a secure supply of natural gas delivered as LNG.

Provincial Strategy for Climate Action

The Commission supports the development and execution of the government's climate strategies through its routine operations and continues to expand and further coordinate its permitting with other responsible agencies. This coordination includes opportunities for optimizing the single-window regulatory model for the efficient and effective review of applications and oversight of permitted LNG facilities and associated major projects.

Agricultural Land Reserve

The Commission has a delegation agreement with the Agricultural Land Commission that gives the Commission authority to permit oil and gas activities in the Agricultural Land Reserve (ALR). Expert staff, including professional agrologists, review the applications before any determinations are made. The agreement ensures an efficient process and oil and gas activities are considered temporary, non-farm uses in the ALR. Land must be reclaimed to its pre-development agricultural condition when no longer required for an oil or gas activity.

Major Projects

Major projects require significant and complex consultation with multiple First Nations, rights holders and other stakeholders. These major projects are often reviewed concurrently with the Environmental Assessment Office (EAO) and are always required to satisfy environmental and public safety standards. The Commission designates a proposed activity as a major project if it meets some or all of the following criteria:

- Requires jurisdictional coordination among multiple government agencies.
- Involves an environmental assessment.
- Is of considerable size and duration.
- Necessitates cross-divisional participation by a variety of experts within the Commission.

The Commission is currently working on the following major projects:

- Pacific Trail Pipeline.
- Kitimat LNG facility.
- Coastal GasLink pipeline.
- Westcoast Connector Gas Transmission pipeline.
- Vancouver Airport Fuel Delivery Project.

Organizational Capacity

Organizational capacity remains a key strategic driver for the Commission. To maintain long-term strategic focus, the Commission works steadily to secure a professional and adaptable workforce, and modern business systems and infrastructure.

The rising complexity of development applications, the fast pace of technological innovations and the number of major projects across B.C. including LNG proposals have highlighted an increased need for technical experts. While the Commission has the capacity to meet its mandate, attracting and retaining the required expertise remains a challenge as the Commission competes with industry (private sector). The Commission has highly trained experts that are sought out by industry, which is often able to offer compensation packages that are significantly more competitive.

Regulatory Trends

Major provincial initiatives with potential to influence new regulations and decisions anticipated during this fiscal year include:

- Continued development of a provincial Cumulative Effects Assessment and Management Framework.
- Caribou management.
- Regulations under the *Water Sustainability Act*.
- Potential development of new natural resource road legislation.
- Amendments to the OGAA and its regulations.

The Commission actively participates in, and provides regulatory and technical expertise to, provincial initiatives affecting natural resource development. Through participation on provincial initiatives, the Commission identifies opportunities to strengthen its single-window approach in a manner consistent with the OGAA.

First Nations

The Commission's goal is to partner with First Nations where there may be impacts to their treaty or Aboriginal rights. As well, Aboriginal law continues to evolve and the Commission will continue to stay current with the legal requirements and work closely with First Nations.

To protect Aboriginal and treaty rights, the Commission consults with First Nations on proposed oil and gas activities on treaty lands and within their traditional territories in accordance with consultation procedures, agreements, and established case law. Within Treaty 8, where upstream oil and gas development has traditionally occurred, the processes by which these consultations are conducted have been historically defined by consultation procedures and agreements between each First Nation and the Commission (and sometimes include MEMPR). The Commission is working

closely with First Nations in developing renewed approaches to consultation which better fit the needs of affected First Nations.

Interface between oil and gas development and First Nations continues to increase as the midstream and downstream oil and gas sectors develop in B.C. The Commission will continue to seek productive working relationships with First Nations not only where oil and gas activities are contemplated, but also in advance of applications through initiatives such as Area-based Analysis (ABA) and the North East Water Tool (NEWT).

Historically, the Commission has developed and maintained relationships with Treaty 8 First Nations. These have expanded with emerging major projects, which involves consultation and proactive engagement with First Nations outside northeast B.C.

Stewardship

Natural gas development in B.C. occurs primarily in the Montney formation centered in and around Dawson Creek and Fort St. John. The Horn River, Liard and Cordova basins have significant amounts of proven unconventional gas resources with less development in the current economic environment.

The OGAA and associated regulations provide the Commission with the ability to manage the effects of oil and gas activities on the environment and other resource values. Commission employees work closely with ministries representing the Natural Resource Sector to proactively ensure the Commission's regulatory framework, programs and decisions incorporate and consider all pertinent environmental, safety and other factors consistent with provincial direction.

There is a high level of public and stakeholder interest in the potential environmental and social effects from oil and gas development, especially in relation to cumulative effects management, environmental mitigation, and hydraulic fracturing. Water use in shale gas extraction continues to be of particular interest to First Nations, stakeholders and the broader public.

The Commission takes a proactive approach to these issues and concerns, and is responsive to new information as it emerges. Over the past few years, the Commission has introduced full transparency in water use reporting, pipeline incident reporting, and other key elements of interest to all stakeholders. In addition, the Commission has published two globally recognized, landmark studies on induced seismicity that are changing how that issue is managed across North America.