BC Oil and Gas Commission

2017/18
ANNUAL SERVICE PLAN REPORT

July 2018

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Board Chair's Accountability Statement

The BC Oil and Gas Commission's *2017/18 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2017/18 - 2019/20 Service Plan* created in September 2017. I am accountable for those results as reported.

Dave Nikolejsin
Board Chair

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Chair/CEO Report Letter


The following joint letter outlines how the BC Oil and Gas Commission (Commission) has successfully delivered on the mandate set out by the Province in 2017/18. Further detailed accountabilities and actions can be found in the 2017/18 Mandate Letter. The Commission built and maintained strong working relationships throughout the year with the Province, Indigenous peoples, and other stakeholders.

The Commission developed an action plan to prepare the Commission for the implementation of the United Nations Declaration on the Right of Indigenous Peoples (UNDRIP), including an examination of policies and procedures, and training for staff.

New engagement opportunities were established to ensure regular, bi-weekly dialogue between the Commissioner and CEO with the Board Chair and Deputy Minister of Energy, Mines and Petroleum Resources (EMPR). Commission and EMPR Executive also met quarterly and there were ongoing touch points with the Minister. Both Commission and Ministry communication teams met regularly, along with numerous staff interactions throughout both agencies.

The Commission Board and its members adhered to, and in some cases, exceeded best practices for orientation and training, in line with the Board Resourcing and Development Office. This ensures the highest level of accountability to public sector governance throughout the year.

Dave Nikolejsin
Board Chair

Paul Jeakins
Chief Executive Officer

Purpose of the Organization

The Commission is the provincial, single-window regulatory agency with responsibilities for regulating oil and gas activities in B.C., including exploration, development, pipeline transportation and reclamation. The Commission is committed to delivering cost-effective, reliable and accountable service for British Columbians. More information on the Commission's structure and governance can be found on the Commission's website.

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, Indigenous People[1] and the numerous stakeholders whose interests the Commission considers in the regulatory process.

More information on the Commission's Mission, Vision and Values can be found online.

Strategic Direction and Operating Environment

The Commission's legislated mandate is outlined in 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 2017/18 Mandate Letter issued by the B.C. Provincial Government.

The Commission's strategic context is affected substantively by North American and global natural gas markets. B.C. produces almost one third of Canada's marketable natural gas. Total Canadian marketable gas production has increased annually over the last few years and experienced nine per cent growth from 2016 to 2017. In 2017, Canada produced approximately 6.1 Trillion cubic feet (Tcf) of marketable gas (an increase from 5.6 Tcf in 2016). Almost 1.6 Tcf of this gas came from B.C. (similar to its 2016 production).

Within B.C., activity and production is predominantly located within the Montney formation stretching from the Alberta border near Dawson Creek to approximately 150 kilometers north and west of Fort St. John. As of December 2017, approximately 81 per cent of gas produced in B.C. was originating from the Montney and unconventional gas overall accounted for approximately 90 per cent of B.C.'s production.

The Montney area is home to a significant rural population which historically based its economy on the agriculture and forestry industries. The growing level of oil and gas activity in the area has led to a marked increase in concerns amongst local residents. The Commission has worked, and will continue to work, with partner agencies to find ways which provide for responsible resource development while respecting the rights of local residents and Indigenous People.

[1] The term "Indigenous" used throughout this document is intended to include all people of Indigenous ancestry, including First Nations, Métis, and Inuit. The term "Indigenous communities" means the diversity of Indigenous communities as defined by Indigenous peoples and includes descriptions such as urban, rural, metropolitan, land-based and reserve.

In addition to natural gas production, British Columbia has seen a significant rise in the volume of liquids produced – ranging from NGL's (propane, butane, pentane+) to condensate. Over the last two years NGL and condensate production has roughly doubled as industry has focused on the liquids rich portions of the Montney formation.

While natural gas production has remained steady 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 the necessary development footprint per unit of production continues to decline in B.C., resulting in less overall disturbance to the land base.

Other factors that influence B.C.'s regulatory environment include Provincial and Federal commitments to reduce upstream methane emissions by 45 per cent from 2012 levels by 2025, as well as commitments to implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).

The Commission is also impacted by the ongoing issues created by (and/or arising from) the Redwater insolvency matter in Alberta. Between 2016 and 2018, the number of orphan wells in B.C. increased from 45 wells to 307 wells. In response, the Commission established a new Branch dedicated to development and implementation of a comprehensive liability management program. This program includes new funding options for orphaned sites, a review of the current system respecting security requirements, and the introduction of a new regulatory framework to manage end-of-life issues for wells and associated infrastructure.

Report on Performance

Guided by its Mission, Vision, and Values and the strategic direction provided in the Minister's Mandate Letter, the Commission acted on the strategies outlined in its 2017/18 - 2019/20 Service Plan and as a result, was able to fulfill its mandate expectations. The goals, intended results and strategies are the same as those provided in the 2017/18 – 2019/20 Service Plan. A number of performance measures from this report have not been moved forward into the 2018/19 – 2020/21 Service Plan because of their results being outside of the Commission's control. These measures are identified in the following section and have been replaced with measures and targets that are within the Commission's control and measure the effectiveness of the Commission as a regulator. These new measures can be found in the 2018/19 – 2020/21 Service Plan on www.bcogc.ca.

Goals, Strategies, Measures and Targets

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 1.1: Respond to urgent safety complaints within 30 minutes.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Percentage of urgent safety complaints responded to within 30 minutes.	100%	100%	100%	100%	100%	100%

Data Source: Internally monitored and tracked complaint data.

Discussion

The target for this measure was achieved. The Commission provides timely and comprehensive responses to safety concerns. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as the Commission has shifted to a measure focused on the per cent of active companies with complete emergency response plans.

Performance Measure 1.2: Number of reported incidents per 1,000 km of pipe.*

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Number of reported incidents per 1,000 km of pipe.	3.4	0.58	0.90	0.86	0.85	0.80

Data Source: Internally monitored and tracked incident and asset management data.

* 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.

Discussion

The target for this measure was achieved. The Commission requires permit holders to have Integrity Management Programs (IMPs) for their facility and pipeline assets. An IMP specifies the practices that should be used by a permit holder, owner and/or operator to ensure public safety, environmental protection and operational reliability. Under the IMP requirements, a permit holder documents and implements its process to report, collect, investigate, and trend any hazards, potential hazards, incidents or near misses, and incidents affecting or having the potential to affect the integrity of their pipelines or facilities. Once incidents are reported to the Commission, the Commission investigates and responds according to the regulatory framework. In addition, learnings from the investigation are examined and used where appropriate to modify and improve the regulatory framework. All incidents were quickly responded to by companies and the Commission and any potential environmental damage was mitigated. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as the Commission is able to influence rather than control the result.

Performance Measure 1.3: Number of reported incidents per 1,000 wells.*

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Number of reported incidents per 1,000 wells.	4.6	5.4	5.3	7.9	4.98	4.73

Data Source: Internally monitored and tracked incident and asset management data.

* 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 (pressure imbalance and resulting forced fluid flow). 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.

Discussion

The target for this measure was not achieved. Ninety-three per cent of incidents were minor incidents (non-emergencies) and 89 per cent of all 2017 incidents were from spills, most of which were minor spills that occurred during fluid transfer operations (truck loading /unloading), or material failures (packing, gasket or flange leaks) related to wellsite facilities. The remaining incidents are related to kicks, induced seismicity and well bore communication incidents. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as the Commission is able to influence rather than control the result.

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

Strategies

- **Sound Resource Development**
  The Commission manages the development of reservoirs in a manner that protects subsurface resources, minimizes surface disturbance and ensures maximum recovery (includes special projects, induced seismicity, ground water and aquifers). The Commission has 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 were key to the Commission's success in this strategy. The Commission also provides information (data access) and reporting on surface and subsurface resources, well data and maintaining inventory of subsurface resources.

- **Alignment with the Province**
  The Commission ensures oil and gas activities are conducted in a manner consistent with environmental legislation and policy. Commission decisions and actions reflected provincial and internal environmental policies. The Commission also advises the Province on the development and implementation of policies, within the Commission's mandate (includes air, land (surface and sub-surface), water, and wildlife).

Performance Measure 2.1: Surface water as a percentage of total water used in hydraulic fracturing.*

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Surface water as a percentage of total water used in hydraulic fracturing.	42%	35%	35%	55%	33%	31%

Data Source: Internally monitored and tracked water usage and production data.
*Note that this measure reflects the water permitted and withdrawn, not necessarily the amount used. It is often stored for later use.

Discussion

The target for this measure was not achieved. The Commission is reviewing this measure because water may be stored for some time before use, as withdrawals can only occur when available water flow rates allow for sustainable withdrawal. The amount of water available for extraction and use varies by individual water basins and seasonal flow rates. A maximum of 15 per cent of flow under average conditions is considered available for withdrawal. In 2017, the actual amount withdrawn from any individual surface water source never exceeded one per cent of the mean water flow. In some watersheds, during some months, more than one per cent may be withdrawn; however, over the course of the year less than one per cent was withdrawn. Consequently, more than 14 per cent of the water was still available to be allocated for other uses and more than 99 per cent of water was maintained as throughput. Tracking and reporting of these throughput values may be a more meaningful way to measure surface water usage and will be considered for future reports.

The target was not achieved primarily due to the location of activity relative to previous years. The increase in hydraulic fracturing in the south Montney region during 2017 has resulted in a greater proportion of completion activities occurring in areas where there was less groundwater or other non- surface water sources available for use. This performance measure was included in the 2018/19 – 2020/21 Service Plan and the targets for 2018/19 – 2020/21 were updated based on this year's performance.

Performance Measure 2.2: Hectares (ha) of new land disturbed for every 1,000,000 m^3 of production.*

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Hectares (ha) of new land disturbed for every 1,000,000 m^3 of production.	0.137	N/A**	0.134	0.030	0.132	0.130

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.

Discussion

The target for this measure was achieved. This measure reflects the B.C. oil and gas industry's impact on the land base. The intent is for the land disturbance rate to decrease over time through industry efficiencies. The ratio decreased likely due to technological improvements resulting in increased land use efficiency as well as the shift of nearly all activity to the Montney where much of the land base is already disturbed – primarily by Agriculture. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as the Commission is able to influence rather than control the result.

Performance Measure 2.3: Flaring volumes per 100 m^3 of production.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Flaring volumes per 100 m^3 of production (m^3).	0.41	0.32	0.40	0.37	0.39	0.38

Data Source: Internally monitored and tracked flaring and production data.

Discussion

The target for this measure was achieved. 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 reducing flaring emissions. The increase from 0.32 in 2016/17 to 0.37 in 2017/18 was expected and resulted from increased activity levels including increased well completions and the start-up of new gas processing plants. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as the Commission is able to influence rather than control the result.

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 3.1: Employee Engagement result per annual Engagement Survey.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Employee Engagement score.	70	N/A*	72	71.4	73	74

Data Source: The survey results are collected and aggregated through an independent third party.
* In previous years, this measure was calculated using the results from the workplace engagement survey (WES). From 2017/18 on, the Commission will complete an engagement survey annually administered through an independent 3rd party.

Discussion

The target for this measure was not achieved, however was an improvement over the last survey. This measure is intended to reflect the Commission's ability to develop and sustain a positive and productive work environment. Employee engagement is a result of organizational commitment, job satisfaction and organizational satisfaction. This performance measure was not included in the 2018/19 – 2020/21 Service Plan because it is an internal measure.

Performance Measure 3.2: Employee Engagement survey: "I am adequately trained to do my job."

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Percentage of employees who agree they are adequately trained to do their jobs.	N/A*	N/A*	80	N/A**	85	90

Data Source: The survey results are collected and aggregated through an independent third party.

* In previous years, this measure was calculated using the results from the workplace engagement survey (WES) and consequently there were no results in 2015/16 or 2016/17. From 2017/18 on, the Commission will complete an engagement survey annually administered through an independent 3rd party.

** Note that the wording of this question in the Service Plan was not asked in the survey and as a result, no performance measure result is available.

Discussion

Due to the wording of this question changing slightly in the internal survey, this performance measure could not be accurately measured this year. This performance measure was not included in the 2018/19 – 2020/21 Service Plan because it is an internal measure.

Performance Measure 3.3: Staff turnover.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Voluntary turnover rate.	12.5%	11.7%	10%	9.1%	10%	10%

Data Source: Human resources data is monitored and tracked internally.

Discussion

The target for this performance measure was achieved. The annual turnover rate is calculated based on the number of voluntary staff exits divided by the average number of employees throughout the fiscal year. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as it is an internal measure.

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, 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 4.1: Employee Engagement Survey results: "I have the right workplace tools to do my job."

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Percentage of Employees who agree they have the right workplace tools to do their jobs.	N/A*	N/A*	80	81	N/A	N/A

Data Source: The survey results are collected and aggregated through an independent third party.
* In previous years, this measure was calculated using the results from the workplace engagement survey (WES) and consequently there were no results in 2015/16 or 2016/17. From 2017/18 on, the Commission will complete an engagement survey annually administered through an independent 3rd party.

Discussion

The target for this performance measure was achieved. This measure is intended to reflect the percentage of employees who agree working conditions and tools are appropriate for their current positions. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as it is an internal measure.

Performance Measure 4.2: Number of inspections completed annually.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Number of inspections completed annually.	4,512	4,869	4,200	4,691	4,300	4,400

Data Source: Internally monitored and tracked inspection data.

Discussion

The target for this measure was achieved. This measure is intended to reflect a key component of the Commission's efforts to monitor and track industry compliance. Inspections are comprehensive in the sense they provide the primary means for assessing compliance with the regulatory framework (including permit conditions) through the post permit lifecycle of oil and gas activities. Included are factors such as safety, environmental issues, accuracy of required measurements, adherence to defined standards, etc. This performance measure was included in the 2018/19 – 2020/21 Service Plan and the targets for 2018/19 – 2020/21 were updated based on this year's performance.

Performance Measure 4.3: Inspection compliance rate.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Industry secondary compliance rate.	98.4%	97.6%	98.5%	96.9%	98.5%	99.%

Data Source: Internally monitored and tracked compliance rate data.

Discussion

The target for this performance measure was not achieved. This measure is intended to reflect industry's compliance to the Commission's regulatory framework. The Commission ensures compliance and the measure reflects the first follow up compliance rate results. In the event of non-compliance, the Commission ensures permit holders take the necessary steps to achieve compliance. If compliance is not achieved during prescribed response times, the Commission has the ability to move these issues to a formal enforcement process. The compliance rate has fluctuated between 95.6 per cent and 99 per cent over the past five years. This performance measure was included in the 2018/19 – 2020/21 Service Plan and the targets for 2018/19 – 2020/21 were updated based on this year's performance.

Performance Measure 4.4: Percentage of appeals / number of decisions.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Percentage of appeals / number of decisions.	0.25%	0.20%	<0.5%	0.66%	<0.5%	<0.5%

Data Source: Internally monitored and tracked appeal and judicial review data.

Discussion

This measure reflects the number of initiated appeals relative to the total number of decisions issued. In 2017/18, 1,984 decisions were made and 13 (0.66 per cent) were challenged therefore the target for this measure was not achieved. This performance measure was not included in the 2018/19 – 2020/21 Service Plan as the Commission is able to influence rather than control the result.

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 Indigenous Communities**
  Develop and maintain relationships with Indigenous Communities 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 Indigenous Community engagement strategy.

- **Transparency Strategy**
  Ensure the public availability of Commission information is fully transparent and in alignment with other regulators.

Performance Measure 5.1: Satisfaction level on how well the Commission is engaging stakeholders and Indigenous Peoples.

Performance Measure	2015/16 Actuals	2016/17 Actuals	2017/18 Target	2017/18 Actuals	2018/19 Target	2019/20 Target
Satisfaction level as per Stakeholder Survey results.	74.3%	74.3%	75%	Unavailable*	75%	75%

Data Source: Survey results will be tracked and analyzed internally.
*The 2017/18 Stakeholder Survey results were not available at the time of the development of the 2017/18 Annual Service Plan Report.

Discussion

This measure is intended to reflect key stakeholders and Indigenous peoples' perspectives of the Commission. 2016/17 was the first year of distributing this survey. The results from last year indicate that 75 per cent of the stakeholder respondents have a positive perspective of the Commission. The 2017/18 Stakeholder Survey results were not available at the time of the development of the 2017/18 Annual Service Plan Report. This performance measure was included in the 2018/19 – 2020/21 Service Plan and the targets for 2018/19 – 2020/21 were updated based on this year's performance.

Financial Report

Discussion of Results

Highlights

The Commission realized an operating surplus of $10.2 million and a net deficit of $2.9 million after accounting for the Orphan Site Reclamation Fund (OSRF) compared to an overall budgeted surplus of $0.5 million in the 2017/18 Service Plan

The net deficit from the OSRF is due to an additional 89 sites being added to the fund, which increased the year over year liability by $11.1 million to a total of $33 million.

Capital spend during the year was $4.1 million, as the Commission continued to invest in Information Technology, including improvements to our application management system.

Financial Resource Summary Table

$ thousands	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Budget	2017/18 Actual	2017/18 Budget Variance
Operating Revenue						
Production Levies	29,857	31,304	34,258	32,848	35,861	3,013
Pipeline Levies	2,356	2,399	3,928	5,066	3,634	(1,432)
Fees from Oil and Gas Applications	22,199	13,761	11,024	10,871	17,545	6,674
Grant from Province	600	1,560	2,975	-	3,215	3,215
Miscellaneous	874	821	672	755	976	221
Total revenue from operations	**55,886**	**49,845**	**52,857**	**49,540**	**61,231**	**11,691**
Operating expenses						
Salaries and Benefits	25,815	26,928	25,271	27,400	26,086	1,314
Other Operating & Indigenous community Expenses	23,826	17,373	17,619	16,817	20,788	(3,971)
Capital Assets Amortization	2,914	3,723	4,033	4,783	4,207	576
Total expenses from operations	**52,555**	**48,024**	**46,923**	**49,000**	**51,081**	**(2,081)**
Net surplus from operations	**3,331**	**1,821**	**5,934**	**540**	**10,150**	**9,610**
OSRF levies	1,358	1,422	1,454	1,400	1,521	121
Remediation recoveries and interest	346	76	1,028	-	2,503	2,503
OSRF expenses	3,649	841	19,043	1,400	17,029	(15,629)
Net surplus (deficit) from OSRF	**(1,945)**	**657**	**(16,561)**	**-**	**(13,005)**	**(13,005)**
Annual surplus (deficit)	**1,386**	**2,478**	**(10,627)**	**540**	**(2,855)**	**(3,395)**
Accumulated surplus	**33,202**	**35,680**	**25,153**	**25,693**	**22,298**	**(3,395)**
Capital Expenditures	7,719	9,296	5,075	5,450	4,084	1,340
Total Liabilities	45,234	37,881	61,378	72,000	79,430	(7,430)

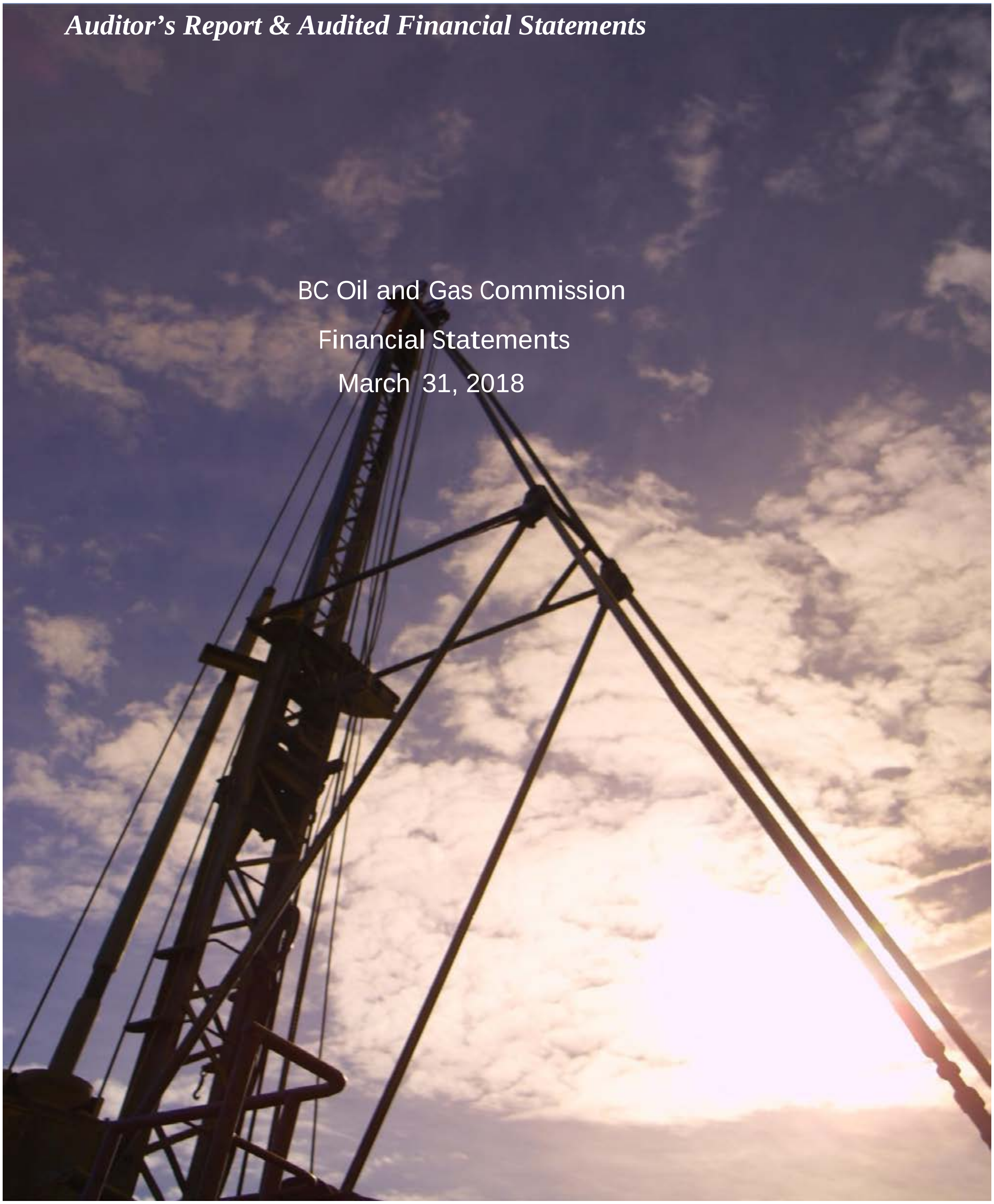
Variance & Trend Analysis

Total revenue from operations was $61.2 million, compared to the budget of $49.5 million. The increase over budget is a result of an unanticipated increase in oil and gas production and application volumes, and an additional $3.2 million in grants received from the Province.

Commission operating expenses were $51.1 million compared to $49.0 million budgeted. The 2017/18 expenses for salaries and benefits were $1.3 million under the Service Plan budget of $27.4 million. Other operating expenses were higher than budget due to the Commission flowing through the grants received from the Province to the Oil and Gas Research Innovation Society (OGRIS).

OSRF revenues remained steady through the fixed orphan restoration tax as legislated through *OGAA*. OSRF 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 or reclamation of orphaned sites.

Auditor's Report & Audited Financial Statements



BC Oil and Gas Commission

Financial Statements

March 31, 2018

Statement of Management Responsibility

The financial statements of the BC Oil and Gas Commission (the "Commission") for the year ended March 31, 2018 have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements annually.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to the Audit Committee and management of the Commission and meet when required.

The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Commission

Paul Jeakins
Commissioner

Len Dawes, CPA, CA
Executive Vice President, Chief Financial Officer

May 17, 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Oil and Gas Commission, and
To the Minister of Energy, Mines and Petroleum Resources, Province of British Columbia

I have audited the accompanying financial statements of the Oil and Gas Commission ("the entity"), which comprise the statement of financial position as at March 31, 2018, and the statement of operations and accumulated surplus, statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Oil and Gas Commission as at March 31, 2018, and the results of its operations, changes in accumulated surplus, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, British Columbia
May 28, 2018

Russ Jones

Russ Jones, FCPA, FCA
Deputy Auditor General

BC Oil and Gas Commission
Statement of Financial Position
(in $000s)

	Note	March 31 2018	March 31 2017
Financial assets			
Cash		$ 5,509	$ 10,760
Investments	3,4	51,219	36,000
Accounts receivable	5	15,617	13,239
Due from government	6	6,981	3,898
		79,326	63,897
Liabilities			
Accounts payable & accrued liabilities	7	3,148	3,559
Employee future benefits	8	605	257
Due to First Nations	9	115	338
Due to government		319	219
Deferred revenue	10	1,907	1,503
Deferred lease inducements		87	150
Liability for orphan sites	11, 15	33,054	21,965
Security deposits	4	40,195	33,387
		79,430	61,378
Net financial (debt) assets		(104)	2,519
Non-financial assets			
Tangible capital assets	12	21,688	21,930
Prepaid expenses		714	704
		22,402	22,634
Accumulated surplus		$ 22,298	$ 25,153
Contractual obligations	13		
Contingent liabilities	14		
Measurement uncertainty	15		

The accompanying notes are an integral part of these statements.

Approved on behalf of the Board

Dave Nikolejsin, Board Chair

Paul Jeakins, Commissioner

Doug Wilkes, CPA, CA
Audit Committee Chair

BC Oil and Gas Commission
Statement of Operations and Accumulated Surplus
(in $000s)

	Note	Budget 2018	March 31 2018	March 31 2017
		(Note 18)		
Revenues				
Production levies		$ 32,848	$ 35,861	$ 34,258
Orphan site reclamation fund levies		1,400	1,521	1,454
Annual pipeline levies		5,066	3,634	3,928
Fees		10,871	17,545	11,024
Grants from province		-	3,215	2,975
Interest		690	983	636
Remediation recoveries		-	2,372	952
Other revenue		65	124	112
		50,940	65,255	55,339
Expenses				
Oil and gas activities regulation	17	49,000	51,081	46,727
Orphan site reclamation fund	17	1,400	17,029	19,239
		50,400	68,110	65,966
Annual surplus/(deficit)		540	(2,855)	(10,627)
Accumulated surplus, beginning of year		25,153	25,153	35,780
Accumulated surplus, end of year		$ 25,693	$ 22,298	$ 25,153

The accompanying notes are an integral part of these statements.

BC Oil and Gas Commission
Statement of Change in Net Financial Assets
(in $000s)

	Budget 2018	March 31 2018	March 31 2017
	(Note 19)		
Annual surplus/(deficit)	$ 540	$ (2,855)	$ (10,627)
Acquisition of tangible capital assets	(5,450)	(4,086)	(5,075)
Disposals of tangible capital assets	-	119	-
Amortization of tangible capital assets	4,783	4,207	4,033
	(667)	240	(1,042)
Use of prepaid expense	-	(10)	(27)
Decrease in net financial assets	(127)	(2,625)	(11,696)
Net financial assets, beginning of year	2,519	2,519	14,215
Net financial (debt) assets, end of year	**$ 2,392**	**$ (104)**	**$ 2,519**

The accompanying notes are an integral part of these statements.

BC Oil and Gas Commission
Statement of Cash Flows
(in $000s)

	March 31 2018	March 31 2017
Operating transactions		
Cash generated from:		
Production levies	$ 35,993	$ 34,982
Annual pipeline levies	3,917	2,387
Fees	16,811	10,894
Interest	983	611
Grant from province	175	2,975
Miscellaneous and recoveries	2,320	1,451
Security deposits	20,318	13,511
	80,517	66,811
Cash used for:		
Salaries and benefits	(26,205)	(25,098)
Payments to First Nations	(4,549)	(5,640)
Operating expenses	(16,508)	(11,391)
Orphan site reclamation	(5,691)	(1,413)
Security deposits refunded	(11,138)	(3,751)
Security deposits transferred to revenue	(2,372)	(952)
	(66,463)	(48,245)
Cash from operating activities	14,054	18,566
Capital transactions		
Cash used to acquire tangible capital assets	(4,086)	(5,094)
Investing transactions		
Investments in portfolio investments	(15,219)	(9,000)
(Decrease) increase in cash	(5,251)	4,472
Cash beginning of year	10,760	6,288
Cash end of year	$ 5,509	$ 10,760

The accompanying notes are an integral part of these statements.

1. The Oil and Gas Commission

The Commission was established under the *Oil and Gas Commission Act* on July 30, 1998 to regulate non-federal oil and gas activities, having regard to environmental, economic and social values, encourage participation of Indigenous Communities, and advance safe and efficient practices in the industry. The Commission is accountable for delivering initiatives and programs that serve to minimize the environmental impact of oil and gas activities in British Columbia. The Commission and its purposes were continued in the *Oil and Gas Activities Act* which came into force October 4, 2010.

The Commission is funded through:

- Fees charged in respect of permit applications, transfers and amendments;
- Levies on oil and gas production; and
- Annual pipeline levies.

The Commission is exempt from federal and provincial income taxes.

2. Significant accounting policies

Basis of accounting
These financial statements are prepared by management in accordance with Canadian public sector accounting standards.

Financial instruments
The Commission reports its financial instruments at cost or amortized cost.

Tangible capital assets
Capital assets are recorded at cost. The costs, less estimated residual value, of the tangible assets, are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

Capital assets	Rate
Tenant improvement	over the lease term
Furniture	10%
Computer hardware	33%
Operating equipment	10% - 20%
Vehicles	20%
Business systems development	10% - 33%
Computer software	20% - 33%

Computer software includes satellite imagery which is being amortized on a straight-line basis at an annual rate of 20%.

2. Significant accounting policies (continued)

Revenue recognition
Revenues are recognized in the period in which the transaction or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Production and Orphan Site Reclamation Fund levies
All production levy revenue authorized and collected under the *Oil and Gas Activities Act* is first paid to the Minister of Finance. The Province is required to transfer this amount of revenue to the Commission in full. Levy revenue is calculated based on production of oil and gas, and is also recognized as revenue at point of production. Orphan site reclamation fund levies are internally restricted by legislation for the remediation of orphaned sites.

Annual pipeline levies
Annual pipeline levies are billed and recognized based on length and diameter of pipe owned at March 31 of the applicable fiscal year.

Application fees
General application fees are billed upon submission while amendment application fees are billable upon completion of the review process. Fees for major projects are billable in installments. All application fee revenue is recognized in the period it is earned.

Expenses
Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Grants are recorded as expenses when the payment is authorized and eligibility criteria have been met by the recipient. Reclamation costs are estimated and accrued when determinable.

Prepaid expenses
Prepaid expenses include flight passes, subscriptions, insurance, property taxes and other general prepaid expenses and are charged to expense when used or over the periods expected to benefit from the expenditures.

Employee future benefits – employee benefit plan
The Commission and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable.

Employee future benefits – future retirement allowance liability
The Commission accrues for future retirement allowances as provided under the collective agreements and terms of employment. The accrual as at March 31, 2018 is actuarially determined based on service and best estimates of retirement ages, expected future salary and wage increases, long term inflation rates and discount rates. The estimates are also based on assumptions about future events.

2. Significant accounting policies (continued)

Liability for contaminated sites

Contaminated sites result from contamination by a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into air, soil, water or sediment. A liability for remediation of contaminated sites is recognized when the Commission accepts responsibility for the remediation of an orphan site, contamination at the orphan site exceeds the environmental standard and a reasonable estimate of the amount can be made. An orphan site is designated by the Commissioner when a permit holder is insolvent or cannot be located or identified.

3. Investments

Investments consist of term deposits which are liquid short term investments with maturity dates of one year or less from the date of acquisition and are carried on the Statement of Financial Position at the lower of cost or market value.

Investment funds are pooled from the following sources:

	March 31 2018	March 31 2017
Security deposits - Liability Management Rating program (note 4)	$ 39,219	$ 33,000
Orphan site reclamation fund (note 11)	12,000	3,000
	$ 51,219	$ 36,000

4. Security deposits

On October 28, 2010, the Commission established a Liability Management Rating (LMR) program. The objective of the LMR program is to ensure that permit holders carry the financial risk of their oil and gas operations through to regulatory closure. The Commission, through the LMR program, undertook the responsibility to regularly assess security deposits and provide refunds. The Commission holds $136,321 (2017: $100,166) in security deposits, of which $40,195 (2017: $33,387) is held in cash and/or investments and $96,037 (2017: $66,779) in the form of irrevocable letters of credit which are not recorded in these financial statements. Security deposits are restricted for use in settling potential permit holder remediation obligations. In fiscal 2018, the Commission recovered $2,373 (2017: $952) from security deposits to satisfy remediation obligations of permit holders for orphan sites.

5. Accounts receivable

	March 31 2018	March 31 2017
Production levies receivable	$ 10,074	$ 8,709
Annual pipeline levies receivable	3,634	3,917
Fees	1,473	335
Other receivables	436	278
	$ 15,617	$ 13,239

Production levies are collected and processed by the provincial government. At any point in time, a portion of levies receivable by the Commission is payable by industry, and a portion is payable by the Province (note 6).

6. Due from Government

	March 31 2018	March 31 2017
Levies collected	3,737	3,712
Recoveries and other	3,244	186
	$ 6,981	$ 3,898

7. Accounts payable and accrued liabilities

	March 31 2018	March 31 2017
Accounts payable and accrued liabilities	1,022	1,213
Salaries and benefits payable	2,126	2,346
	$ 3,148	$ 3,559

Employee leave entitlements

As of March 31, 2018, the value of employee entitlements to vacation, other leave and compensatory time off, plus related benefits, in accordance with collective agreements and terms of employment was $811 (2017: $879). This amount is included in salaries and benefits payable.

8. Employee future benefits

Employee benefit plan

The Commission and its employees contribute to the Public Service Pension Plan, a jointly trusteed pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. Basic pension benefits are based on a formula. The plan has approximately 59,500 active plan members, 46,300 retired plan members, and 16,900 inactive members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2017, indicated a funding surplus of $1.896 billion for basic pension benefits. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The total amount paid into this pension plan by The Commission for the year ended March 31, 2018 for employer contributions was $2,298 (2017: $2,042).

8. Employee future benefits (continued)

Future retirement allowance liability
The liability as reported on the statement of financial position is as follows:

	March 31 2018	March 31 2017
Accrued retirement obligation		
Balance at beginning of year	$ 257	$ 239
Current benefit cost	48	46
Interest	20	19
Amortization of actuarial loss	21	21
Plan amendment	259	-
Benefits paid	-	(68)
Balance at end of year	$ 605	$ 257
Actuarial retirement obligation		
Accrued benefit obligation	$ 605	$ 257
Unamortized actuarial loss	294	284
Balance at end of year	$ 899	$ 541

The significant actuarial assumptions adopted in measuring the Commission's accrued retirement obligations are as follows:

	2018	2017
Discount rate	3.30%	3.50%
Wages and salary escalation	2.00%	2.00%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. The unamortized actuarial loss on future payments is amortized over the estimated average remaining years of service of the employee group which has been determined to be approximately 14 years at March 31, 2018 (2017: 15 years).

9. Due to Indigenous Communities

Due to Indigenous Communities includes management's best estimate of expected liability to a number of Indigenous Communities. The Commission works closely with Indigenous Communities and negotiates consultation agreements and Memoranda of Understanding to establish formal consultation processes for oil and gas activities. These agreements provide resources for Indigenous Communities capacity to participate in the consultation processes as well as set out responsibilities of the parties involved. The Commission is currently participating in negotiations with several Indigenous Communities.

10. Deferred revenue

Deferred revenue consists of unearned application fees and major application revenue. The change in the deferred revenue balance is as follows:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Fees	$ 1,503	17,949	(17,545)	$ 1,907

11. Liability for Orphan Sites

The Commission administers the Orphan Site Reclamation Fund (OSRF). The OSRF was created on April 1, 2006 as a means for industry to pay for restoration of orphaned oil and gas sites and for related costs. Revenue for the OSRF is derived from production levies and security deposits.

The OSRF has assets of $13,326 to pay for costs associated with orphan sites. During the year, the number of designated orphan sites increased from 220 to 307 as a result of the insolvency of five companies. Of the designated sites, 16 have been fully restored, with the remainder to undergo remediation as resources permit. The Commission continues to monitor other potential orphan sites.

The Commission determined the liability for orphan sites based on the Commission's obligation to ensure public and environmental safety. The liability reflects the costs required to bring the sites up to a standard where the environment and the public are protected. The liability for known orphan sites is estimated using expected abandonment and remediation costs for these specific sites, under expected conditions based on known characteristics of each site. Additional potential liability for orphan sites could result from contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. These factors are estimated based on site characteristics and are disclosed in the measurement uncertainly note.

The estimation of the liability does not include discretionary reclamation costs. Full reclamation costs for designated orphan sites is estimated to be in the range of $73,000 to $104,000.

Estimated costs have not been net present valued as the related costs are not expected to occur over an extended long term period.

12. Tangible capital assets

March 31, 2018	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	$ 6,189	$ 3,168	$ 2,035	$ 1,146	$ 1,667	$ 2,649	$ 14,615	$ 690	$ 32,159
Additions	130	44	491	302	43	959	1,990	125	4,084
Disposals	(44)	-	-	(1)	(169)	-	-	-	(214)
Closing balance	$ 6,275	$ 3,212	$ 2,526	$ 1,447	$ 1,541	$ 3,608	$ 16,605	$ 815	$ 36,029
Accumulated amortization									
Opening balance	$ 3,900	$ 1,345	$ 1,194	$ 334	$ 415	$ 1,300	$ 1,251	$ 490	$ 10,229
Amortization	505	317	619	197	141	762	1,590	76	4,207
Disposals	(12)	-	-	-	(83)	-	-	-	(95)
Closing balance	$ 4,393	$ 1,662	$ 1,813	$ 531	$ 473	$ 2,062	$ 2,841	$ 566	$ 14,341
Net book value	$ 1,882	$ 1,550	$ 713	$ 916	$ 1,068	$ 1,546	$ 13,764	$ 249	$ 21,688

March 31, 2017	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	$ 7,001	$ 3,591	$ 3,293	$ 1,489	$ 1,500	$ 3,028	$ 11,308	$ 885	$ 32,095
Additions	7	15	442	-	167	1,137	3,307	-	5,075
Disposals	(819)	(438)	(1,700)	(343)	-	(1,516)	-	(195)	(5,011)
Closing balance	$ 6,189	$ 3,168	$ 2,035	$ 1,146	$ 1,667	$ 2,649	$ 14,615	$ 690	$ 32,159
Accumulated amortization									
Opening balance	$ 4,132	$ 1,466	$ 2,191	$ 554	$ 277	$ 1,836	$ 213	$ 537	$ 11,206
Amortization	587	317	703	123	138	980	1,038	147	4,033
Disposals	(819)	(438)	(1,700)	(343)	-	(1,516)	-	(194)	(5,010)
Closing balance	$ 3,900	$ 1,345	$ 1,194	$ 334	$ 415	$ 1,300	$ 1,251	$ 490	$ 10,229
Net book value	$ 2,289	$ 1,823	$ 841	$ 812	$ 1,252	$ 1,349	$ 13,364	$ 200	$ 21,930

Included in the net book value of other systems development are assets not being amortized of $309 (2017: $101) as they have not yet been completed and put into use.

13. Contractual obligations

The Commission has entered into a number of multiple-year contracts for the delivery of services, the construction of assets, and operating leases. These contractual obligations will become liabilities in the future when the terms of the contract are met. Disclosure relates to the unperformed portion of the contracts.

2019	2020	2021	2022	2023	Thereafter
$ 5,966	$ 4,066	$ 3,521	$ 3,540	$ 3,540	$ 19,567

The Commission is committed under Indigenous Community agreements to make certain payments in the coming years that are based on well applications received.

14. Contingent liabilities

The Commission may become contingently liable with respect to pending litigation and claims in the normal course of operations. In the opinion of management, any liability that may arise from pending litigation would not have a material effect on the Commission's financial position or results of operations.

See Note 11 regarding potential reclamation costs related to the Orphan Site Reclamation Fund.

15. Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to levy production volumes, revenue deferrals, rates for amortization, estimated orphan remediation and estimated employee future benefits. Actual results could differ from these estimates.

	Reported	Low	High
Liability for orphan sites	33,054	28,631	45,591

Liability for known orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. The estimation of the liability does not include contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. Additional potential liability for the designated sites resulting from these contingencies is also estimated based on site characteristics. Changes in this estimate would also affect orphan reclamation expenses and annual and accumulated surpluses. The cost estimates are more certain for orphan sites where site investigation has been completed. For these sites, the current liability is $3,100 with a low estimate of $2,700 and high estimate of $4,300.

16. Related party transactions

The Commission is related through common ownership to all Province of British Columbia ministries, agencies and crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity.

The financial statements include the following transactions with related parties of the Province of British Columbia:

	March 31 2018	March 31 2017
Revenues:		
Recoveries	$ 3,215	$ 2,988
Miscellaneous	149	143
	$ 3,364	$ 3,131
Expenses:		
Salaries and benefits	$ 878	$ 805
Building occupancy	238	173
Professional services and training	855	486
Grants	3	24
Telecommunications and information systems	209	232
Travel and vehicle costs	-	22
Office supplies and equipment	68	34
	$ 2,252	$ 1,776

In addition, the Commission is related to the BC Oil and Gas Research and Innovation Society (BC OGRIS) by virtue of a member of the Commission's senior management serving on the board of directors of BC OGRIS. During the year, grants of $5,215 (2017: $1,510) were provided to BC OGRIS.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. Expense by Object

	Oil and Gas Activities Regulation	Orphan Site Reclamation Fund	March 31 2018	March 31 2017
Salaries and benefits	26,086	248	26,334	25,271
First Nations	4,326	-	4,326	5,688
Building occupancy	4,522	-	4,522	4,476
Professional services and training	1,919	-	1,919	1,171
Amortization	4,207	-	4,207	4,033
Travel and vehicle costs	1,714	-	1,714	1,244
Telecommunications and information systems	2,126	-	2,126	2,157
Grants	5,579	-	5,579	1,593
Orphan site reclamation	-	16,780	16,780	19,882
Office supplies and equipment	514	-	514	393
Miscellaneous	88	1	89	58
	$ 51,081	$ 17,029	$ 68,110	$ 65,966

18. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors on August 17, 2017.

19. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

20. Financial risk management

It is management's opinion that the Commission is not exposed to significant credit, liquidity or interest rate risks arising from its financial instruments.

Credit Risk - Credit risk is the risk of financial loss to the Oil and Gas Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Oil and Gas Commission's exposure to credit risk related to the value of accounts receivable in its normal course of business is managed by minimizing the amount of transactions which require recovery. The Commission continually monitors and manages the collection of receivables.

The Commission's cash and investments are held at Canadian chartered banks and credit unions. The Commission is not exposed to significant credit risk.

Liquidity Risk - Liquidity risk is the risk that the Oil and Gas Commission will have difficulty in meeting its financial obligations when they come due. The Oil and Gas Commission manages liquidity risk by continually monitoring cash flows.

Interest rate risk - Interest rate risk is the risk that the Commission's investments will change in fair value due to future fluctuations in market interest rates. The Commission's investments are measured at cost. Income they generate varies as market interest rates vary. All other financial instruments are non-interest bearing. The Commission mitigates this risk by monitoring interest rates.

Appendix A – Additional Information

Corporate Governance

A Board of Directors governs the Commission by setting strategic direction, ensuring organizational performance is in line with strategic priorities, and establishing appropriate accountability and transparency mechanisms. Under *OGAA*, the Deputy Minister for EMPR is the Board Chair, the Commissioner is Vice Chair, and a third independent member is appointed by the Lieutenant Governor in Council. The Board approves the Commission's budget, Service Plan, and Annual Service Plan Report. Under OGAA, the Board has the powers to make regulations respecting aspects of carrying out oil and gas activities. Governance principles and practices are described in the Board's Mandate and Charter and are disclosed on the Commission's website at www.bcogc.ca.

Assisted by a group of expert consultants, the Board factors corporate risks into the strategic planning process. Integrating risk management and strategic planning ensures the Commission's long term objectives are consistent with direction from government, and take into consideration stakeholder needs, and optimal resource allocation. Board consultants further contribute to Commission governance by serving on the Board committees (outlined below).

The Commission's governance policies and practices comply with the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations (Best Practice Guidelines) issued by the Board Resourcing and Development Office. The Commission's accountability framework is consistent with the accountability requirements established for provincial Crown corporations. Its policy direction is derived from the Minister's Mandate Letter and is aligned with government's strategic priorities. Accountability is delivered through three-year service plans issued every year, quarterly reports on financial performance, and the Annual Service Plan Report summarizing achievements during the year and comparing performance results to Service Plan targets.

Strategy implementation and management of day-to-day operations are the responsibility of the Commissioner, the executive and the senior leadership team. These roles are current as of April 30, 2018.

Board of Directors

- Dave Nikolejsin, Deputy Minister, Ministry of Natural Gas Development (Chair)
- Paul Jeakins, Commissioner & Chief Executive Officer (Vice Chair)
- Graeme McLaren, Independent Member, appointed by the Lieutenant Governor in Council

Audit Committee

Responsible for financial reporting and disclosure, risk management, and compliance with applicable laws, regulations and government policy.

- Doug Wilkes, Chair
- Al Hurd, Board Consultant
- Chris Hayman, Board Consultant

- Margie Parikh, Board Consultant

Governance & Human Resources Committee
Responsible for executive appointment, performance, succession and compensation, and for trade union negotiations and compensation structure.

- Al Hurd, Chair
- Graeme McLaren, Independent Member, appointed by the Lieutenant Governor in Council
- Doug Wilkes, Board Consultant
- Chris Hayman, Board Consultant
- Margie Parikh, Board Consultant

Regulatory Committee
Responsible for legislation and regulation matters, policies, procedures and systems appropriate for an effective regulatory framework.

- Paul Jeakins, Commissioner & Chief Executive Officer
- Graeme McLaren, Independent Member, appointed by the Lieutenant Governor in Council

Executive Team Members

- Paul Jeakins, Commissioner & Chief Executive Officer
- Len Dawes, Executive Vice President, Chief Financial Officer
- Mayka Kennedy, Executive Vice President, Chief Engineer
- Ken Paulson, Executive Vice President, Chief Operating Officer
- Trevor Swan, Executive Vice President, Chief Legal and Regulatory Officer