

BC Oil and Gas Commission

2017/18– 2019/20 SERVICE PLAN

February 2017



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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 January 1, 2017, have been considered in preparing the plan. The performance measures presented are consistent with the Taxpayer Accountability Principles, 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.



Dave Nikolejsin,
Board Chair

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Strategic Direction and Context

Strategic Direction

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.

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 [2017/18 Mandate Letter](#) issued by the B.C. Provincial Government. The Commission is committed to the [Taxpayer Accountability Principles](#), as outlined by government, and 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

Oil and gas activity is an important component of B.C.'s economy. The northeast region of the province is part of the Western Canadian Sedimentary Basin. B.C. accounts for slightly less than 30 per cent of Canadian natural gas production. During 2015, B.C.'s natural gas production was 1.53 trillion cubic feet (Tcf) of marketable natural gas (Canadian production was 5.46 Tcf). Established hydrocarbon reserves continue to increase as technology improves and knowledge of existing reservoirs expands. Unconventional gas reserves (shale and tight gas) in particular account for these increases and indicate large potential for further development. Unconventional gas reservoirs in northeast B.C. accounted for more than 80 per cent of gas production in B.C. in 2015, with more than 90 per cent of new wells targeting unconventional formations, in particular those in the Montney basin.

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 Restoration 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, a key influence for B.C. production is the Climate Leadership Plan. This plan was released by the Provincial government in August 2016 and includes requirements for the natural gas industry. Specifically, the Commission and the industry must reduce upstream methane emissions by 45 per cent, develop 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

Goals, Strategies, Measures and Targets

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 Nation interests expressed through ongoing engagement and formal consultation as required, and any economic drivers that influence the operations of the Commission. As part of this past year's review, the Commission identified the need to update its performance plan to reflect the anticipated 2017/18 operating environment and emerging trends. Accordingly, all of the goals outlined in this Service Plan have been updated from the previous years' Service Plan, with some initiatives and measures being modified or added. All of the changes are discussed in footnotes where applicable. These changes have been approved by the Board of Directors for integration into organizational strategy and the performance measures are continually evolving.

The Commission's performance goals and targets are developed to align with and support the implementation of the Taxpayer Accountability Principles which were released in June 2014. The Taxpayer Accountability Principles reinforce the goals of cost consciousness, accountability, appropriate compensation, service, respect, and integrity to enhance public sector governance and increase public sector accountability to taxpayers.

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

Strategies include:

- 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	Actual 2015/16	Forecast 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.

*This is a new measure for this year's Service Plan intended to reflect the effectiveness of the Commission's safety response framework.

Performance Measure 2: Number of reported incidents per 5,000 km of pipe*

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 3.4	3.4	0.25	0.25	0.25	0.25

Data Source: Internally monitored and tracked incident reporting data.

*This is a new measure intended to reflect the effectiveness of the Commission's safety prevention framework. The incidents reflected here are those related to pipelines. The expectation is that the safety framework will keep the results stable.

Performance Measure 3: Number of reported incidents per 5,000 wells*

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 2.1	2.1	0.85	0.85	0.85	0.85

Data Source: Internally monitored and tracked incident reporting data.

*This is a new measure intended to reflect the effectiveness of the Commission's safety prevention framework. The incidents reflected here are those related to wells and well sites. The expectation that the safety framework will keep the results stable.

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

Strategies include:

- **Sound Resource Development**

Manage the development of reservoirs in a manner that protects the 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). Support provincial priorities including LNG through Major Projects.

Performance Measure 1: Permitted and licensed cubic meters (m³) of freshwater used per 1,000,000 m³ of production*

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 137 m ³	137 m ³	120 m ³	110 m ³	100 m ³	90 m ³

* This is a new measure for this year's Service Plan to reflect the BC oil and gas industry's current use of freshwater sources for hydraulic fracturing purposes to maintain the current level of production. If water use 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 use to decrease over time through industry efficiencies. The unit of production in this measure reflects raw gas from the Montney play as this is where >90% of fracking activity in the province occurs and also reflects over 70% of the province's raw gas production. The volumes are based on calendar years.

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

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 0.137 ha	0.137 ha	0.135 ha	0.134 ha	0.132 ha	0.130 ha

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

* This is a new measure to reflect the B.C. oil and gas industry's new impact on surface resources to maintain this 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 play). The land disturbances include all disturbances related to oil and gas production in the province.

Performance Measure 3: Flaring volumes per 1,000 m³ of production *

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 0.41m ³	0.41m ³	0.41m 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 1000m³ of production

* This is a new measure to reflect the B.C. oil and gas industry’s impact on air quality. The intent is for emissions to decrease over time. The unit of production in this measure reflects raw gas.

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

Strategies include:

- 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: Per cent of new hires that exit within 24 months*

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 11.4%	11.4%	13%	<10%	<10%	<10%

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

* This is a new measure to reflect the Commission’s recruitment and selection process.

Performance Measure 2: Employee Engagement result per bi-annual Work Engagement Survey (WES)*

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

* While Goal 3 has changed slightly, this performance measure was applicable in last years’ Service Plan.

** WES is conducted once every two years therefore there is no target for this year.

Performance Measure 3: Per cent of employees with at least 10 years of Commission experience*

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 14%	14%	19%	17%	17%	17%

*This is a new measure intended to reflect the Commission's retention and desirability as an employer. The actual results for 2015/16 were based on the actual number of employees with at least 10 years of Commission experience as at April 1 2015. The forecast for 2016/17 is based on the actual number of employees with at least 10 years of Commission experience as at March 31 2016. The targets reflect those who currently have at least 10 years of Commission experience in addition to those employees who will have 10 years of Commission experience as of that target year, less any planned retirements.

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

Strategies include:

- 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.
- Respond to Economic Downturn**
 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 (LAMP) 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

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 Restoration 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.

reporting and planning functions all operate to continuously improve the Commission's performance.

Performance Measure 1: Work Engagement Survey results on having the right workplace tools to do your job*

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

* This is a new measure intended to reflect the Commission's ability to provide the right tools to its staff.

**WES is conducted once every two years therefore there is no target for this year.

The expectation is for the results to improve slightly with technology improvements in the next year.

Performance Measure 2: Inspection compliance rate (to evaluate industry compliance)*

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: Average 2013-2016: 97.7%	99.1%	96.7%	98.50%	98.50%	98.50%

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 3: Percentage of appeals / number of decisions

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

* At end of Q2 2016/2017, no new appeals had been initiated and 2,094 determinations had been made.

Performance Measure 4: Percentage of appeals that are withdrawn or dismissed

Performance Measure	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2015/16 results: 96%	96%	96%	100%	100%	100%

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

The targets remain at 100% to reflect the Commission's mandate for making sound and robust decisions that can successfully stand when challenged through the appeal process. With respect to the 2016/17 fiscal year, as of December 1 2016, four appeals have been dismissed by the Tribunal, one appeal was withdrawn by the appellant, and five appeals are pending (including two that were initiated during the 2016/17 fiscal year). From mid-2011, the percentage of appeals that were resolved by withdrawal, dismissal or a decision that substantially allowed the determination to stand has been approximately 96%. Reporting forecasts and results are based on multiple year results, rather than results limited to a particular fiscal quarter.

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

Strategies include:

- 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 Nation 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	Actual 2015/16	Forecast 2016/17	Target 2017/18	Target 2018/19	Target 2019/20
Baseline: 2016/17 results: N/A	N/A	75%	75%	75%	75%

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

* 2016/17 will be the first year of distributing these surveys. Two surveys will be developed and rolled out by an independent PhD student on behalf of the Commission. This is a new outcome measure intended to reflect the effectiveness of the Commission's engagement efforts for both stakeholders and First Nations.

Financial Plan

Summary Financial Outlook

(\$'000)	2015/16 Actual	2016/17 Forecast	2017/18 Budget	2018/19 Budget	2019/20 Budget
Total Revenue (\$000)					
Levies	33,650	36,819	37,100	37,900	37,500
Fees from Oil and Gas Applications	13,761	10,565	10,300	10,000	10,900
Miscellaneous & Recoveries	2,457	3,558	600	600	600
Total revenue from operations	49,868	50,942	48,000	48,500	49,000
Expenses (\$000)					
Salaries and Benefits	26,928	25,220	26,500	27,000	27,500
Operating & First Nations Expenses	17,449	15,507	16,500	16,500	16,800
Amortization	3,723	4,221	5,000	5,000	4,700
Total expenses from operations	48,100	44,948	48,000	48,500	49,000
Net surplus from operations	1,768	5,994	-	-	-
OSRF Revenues	1,475	2,418	1,400	1,500	1,600
OSRF Accrual	548	20,400	1,400	1,500	1,600
Net surplus/(deficit) from OSRF	927	(17,982)	-	-	-
Annual surplus (deficit)	2,695	(11,988)	-	-	-
Accumulated Surpluses/ (deficit)	35,979	23,991	23,991	23,991	23,991
Capital Expenditures	9,296	5,677	5,500	5,450	4,000

Key Forecast Assumptions

From an operational perspective, the Commission carefully balances operating expenses with anticipated revenues. The forecast deficit from the OSRF is due to the bankruptcy of a medium sized regulated company triggered by the economic downturn in the oil and gas sector. The Commission cannot incur a deficit without prior approval of Treasury Board, which was received in 2016/17 to address the increased OSRF liability. 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 Perspective on Future 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 & Context 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 are from a production tax levy legislated through the *Oil and Gas Activities Act* (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:

Minister's Mandate Letter for 2017/18

The Commission's strategy described in this Service Plan sets concrete objectives and actions in support of the Minister's Mandate Letter which prioritizes the provincial Natural Gas Strategy, Climate Leadership Plan and the LNG Strategy in support of the B.C. Jobs Plan. The Mandate Letter also directs the Commission to build on the efficiency and effectiveness of the regulatory model; work towards integrating landscape level programs in the natural resource sector; and fully implementing regulations to ensure B.C. maintains a safe, effective and competitive oil and gas regulatory framework.

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 Natural Gas Development (MNGD) estimates there are more than 2,900 Tcf of OGIP in B.C. By way of comparison, Canada produces approximately 5 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. Canadian natural gas producers have joined forces with multinationals as active proponents to develop natural gas liquefaction capacity along the coast of B.C. Multiple projects are in the planning stages of regulatory approval.

Provincial Strategies for Natural Gas, LNG and Climate Action

Based on the foundation of the B.C. Jobs Plan, the Province continues to build upon its Natural Gas and LNG strategies as key elements in the provincial economy. In addition, B.C.'s new Climate Leadership Plan lays out specific actions related to the oil and gas sector. The Commission supports the development and execution of these 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 (ALC) 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, which have increased in number over the past two years, 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.
- Pacific NorthWest LNG facility.
- Coastal GasLink pipeline.
- Prince Rupert Gas Transmission (PRGT) pipeline.
- Westcoast Connector Gas Transmission pipeline.
- Vancouver Airport Fuel Delivery Project.

Major pipeline projects such as PRGT transect significant distances within B.C. (PRGT extends from the Montney play in northeast B.C. to Lelu Island near Prince Rupert). The PRGT Pipeline received all of its primary pipeline permits from the Commission by the end of September 2015.

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.

Meanwhile, the demand for Canadian gas in North America is declining and inevitably, there will be a decline in B.C. production unless alternative markets (such as LNG) emerge. The challenge for the Commission, as well as the industry, is maintaining the right balance and number of people through the short-term forecast of lower activity while remaining prepared for the long-term market direction from forthcoming decisions around LNG.

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 MNGD). 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 sector develops 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.