

**Ministry of
Natural Gas Development
and Minister Responsible for Housing**

**2017/18 – 2019/20
SERVICE PLAN**

February 2017



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Minister Accountability Statement



The Ministry of Natural Gas Development's *2017/18 - 2019/20 Service Plan* was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which the plan has been prepared.

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line extending to the right.

Honourable Rich Coleman

Minister of Natural Gas Development and Minister Responsible for Housing
February 8, 2017

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Purpose of the Ministry

The purpose of the Ministry of Natural Gas Development and Minister Responsible for Housing is twofold:

1. To guide responsible development and ensure maximum economic benefits to British Columbians from the province's natural gas resources¹, new export markets related to interprovincial pipelines, oil projects and value-added natural gas products, and the province's next new major industrial sector—that of liquefied natural gas (LNG); and
2. To provide British Columbians with access to safe, affordable and appropriate housing through policy and programs, technical codes and standards, and services for landlords and tenants.

The Ministry's stakeholders are the citizens of B.C. and their representatives at all levels of government, First Nations, community groups, non-profit societies, schools, service organizations, private sector companies, project proponents, and environmental and industry associations. Key to the Ministry's success is its ability to maintain strong, collaborative relationships with stakeholders, partner agencies and other levels of government.

The Ministry is responsible for two Crown Corporations, the [BC Housing Management Commission](#) and the [Oil and Gas Commission](#).

¹ While the Ministry's mandate is focused on natural gas, the primary hydrocarbon currently produced in British Columbia, it also includes other hydrocarbons produced in British Columbia, such as natural gas liquids and crude oil.

Strategic Direction and Context

Strategic Direction

Minister Coleman's [Mandate Letter](#) from Premier Christy Clark, dated July 30, 2015, includes key deliverables relating to natural gas production, LNG and housing policy.

The Government's strategic priority of a Strong Economy is directly supported by Ministry Goals 1, 2 and 3, while Goals 4 through 6 support the strategic priority of a Secure Tomorrow. The Ministry supports the direction in the [Taxpayer Accountability Principles](#) for an accountable and cost conscious culture and its direction to reinvigorate government's commitment to open government.

Strategic Context

B.C. is in the fortunate position of having significant shale and other natural gas deposits. Despite low North American natural gas prices, B.C.'s pipeline supply of marketable natural gas to both domestic and US markets rose to 44.1 billion cubic metres in 2015/16, up from 43.9 billion cubic metres in 2014/15. Conversion of natural gas to a liquefied state (LNG) allows it to be transported by truck, rail or ship. In B.C., production of LNG is opening up additional domestic and export markets, such as the growing market for natural gas in Asia. B.C. has many advantages for companies seeking to establish LNG facilities: vast supply, proximity to Asia, a skilled workforce and a stable business environment. LNG proponents benefit from B.C.'s competitive fiscal and regulatory environment.

Most of B.C.'s housing needs are served through the private market. The application of consistent building requirements across B.C. improves building safety and performance. To improve housing affordability, B.C. is investing in the construction of new affordable rental housing and a loan program to help first-time home buyers enter the housing market. With approximately one million British Columbians now living in strata properties, and with stratas making up more than half of new residential construction, the need to ensure effective strata governance is essential.

Rental housing is home for 30 per cent of households in B.C., and over 50 per cent in Vancouver and Victoria. Renters continue to face challenges. Insufficient supply and high demand for rental housing has contributed to low vacancy rates and high rents in B.C. Much of the existing purpose-built rental stock is aging and in need of repair, and rental stock is being lost to redevelopment or through conversion to strata units, which intensifies the problem. It is essential to provide an accessible and balanced residential tenancy system that promotes housing stability for renters and landlords.

Vulnerable citizens, including low to moderate income seniors, those at risk of homelessness, persons with disabilities, Aboriginal peoples and families with children need additional support to find safe and secure housing. The Ministry is working with local governments and other key stakeholders to develop initiatives to increase and maintain the supply of affordable housing.

Goals, Objectives, Strategies and Performance Measures

The Ministry's goals 4, 5 and 6 have been updated since its *2016/17 —2018/19 Service Plan*.

Goals 1 through 3 and their associated measures directly support the Government's strategic priority of a Strong Economy and the [BC Jobs Plan](#). Goals 4, 5 and 6 support the Secure Tomorrow strategic priority. The Ministry continues to support its two sector strategies released in 2012: [British Columbia's Natural Gas Strategy](#) and [Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry](#), as well as [Housing Matters BC](#).

Ministry goals 1, 2 and 3 support the Taxpayer Accountability Principles of Cost Consciousness by providing services as efficiently as possible, and Service by focusing on outcomes for B.C. citizens. Goals 4, 5 and 6 support the principle of Respect through partnerships in service delivery.

Goal 1: A globally competitive Liquefied Natural Gas export industry in B.C. that supports a prosperous economy and benefits all British Columbians.

Objective 1.1: B.C. is recognized as a globally competitive jurisdiction for LNG investment.

Strategies

- Implement a competitive fiscal and policy framework that supports LNG investment in B.C.
- Work with LNG project proponents to secure signed Project Development Agreements that will lead to financially secure arrangements for both LNG developers and taxpayers.
- Work with the Ministry of Aboriginal Relations and Reconciliation and the federal government to develop specific First Nations negotiation mandates along the pipeline corridors, LNG plant locations and marine traffic routes in order to facilitate investment in LNG facilities.
- Work with the Ministry of Forests, Lands and Natural Resource Operations to ensure that Crown land disposition processes support LNG investment and the development of linear infrastructure, including pipelines, roads and electricity required for new LNG facilities.
- Work closely with the Ministry of Jobs, Tourism and Skills Training, and the federal government, where appropriate, to develop and implement programs that address skills gaps and meet the labour needs of the LNG and natural gas sectors.
- Work with BC Hydro and the Ministry of Energy and Mines to ensure an adequate supply of clean, affordable electricity is available from the grid to support new investments in LNG, and

in electrification opportunities to support facility operations and upstream natural gas operations.

- Build global investor awareness through inbound and outbound international trade missions and the LNG in BC International Conference.

Performance Measure 1: LNG Power Supply Agreements.

Performance Measure	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Cumulative number of power supply agreements reached with proponents for LNG compression and/or ancillary power requirements	2	3	4	5	6

Data Source: Ministry of Natural Gas Development internal tracking documents.

Discussion

LNG facilities require large amounts of energy, both for compression and ancillary purposes, which typically come from grid power (electricity) or self-generated power (using natural gas turbines) or a combination of both. Accordingly, when project proponents make a decision to use clean energy from the BC Hydro grid, electricity supply and grid interconnection agreements must be in place before final investment decisions on LNG projects can be made. The number of power supply agreements reached for LNG facilities is a key measure of provincial progress towards the establishment of a thriving, competitive LNG industry that is environmentally and socially responsible. The Ministry expects to conclude one electricity supply and grid interconnection agreement in each of the next three years. This is a cumulative total, and because the industry is in its early stages, no benchmark is available for this performance measure.

Performance Measure 2: Project Development Agreements.

Performance Measure	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Cumulative number of Project Development Agreements completed	1	2	3	4	5

Data Source: Ministry of Natural Gas Development internal tracking documents.

Discussion

The Province intends to enter into Project Development Agreements with project proponents in order to provide certainty for LNG development with respect to those costs within provincial jurisdiction. These agreements will provide proponents with long-term certainty about the fiscal and policy framework that will apply to their projects once they have reached a final investment decision and proceed with construction. The Ministry expects to conclude one Project Development Agreement in each of the next three years. The agreements cover a range of matters including B.C.'s LNG Income Tax, B.C.'s Corporate Income Tax and Carbon Tax, municipal taxes, B.C. greenhouse gas emissions

benchmark, and representations regarding B.C.'s positions on skills and jobs training, engagement with First Nations, and federal-provincial issues.

Objective 1.2: A robust regulatory framework that supports environmentally and socially responsible LNG development in B.C.

Strategies

- Continue to work with the Environmental Assessment Office, the Oil and Gas Commission and other provincial, federal and municipal regulators, to ensure streamlined, integrated and robust regulatory and permitting processes.
- Work with natural gas project proponents on an integrated regulatory roadmap to support a streamlined and well coordinated regulatory process.
- Work with First Nations, communities and the federal government to ensure best practices are in place to guide marine traffic and the safe shipment of LNG to export markets.

Objective 1.3: British Columbians understand and benefit from the economic and social opportunities of responsible energy development in B.C.

Strategies

- Engage with British Columbians regarding LNG and value added opportunities through a variety of outreach activities including print, digital media conferences and events.
- Work with the Ministry of Aboriginal Relations and Reconciliation and B.C. First Nations to ensure they are aware of and able to participate in the economic development opportunities available through the creation of the LNG industry in the province.
- Work with the Ministry of Community, Sport and Cultural Development in preparing communities for emerging economic and social opportunities.
- Build relationships and work collaboratively with key communities and stakeholders to prepare for the emerging economic, environmental and social opportunities created by a new LNG industry.
- Work with BC's post-secondary institutions, industry and agencies to support clean technologies, research and responsible energy development.

Goal 2: A competitive upstream natural gas sector² that creates jobs, revenue and economic growth.

Objective 2.1: B.C.'s upstream sector is attractive for investment and B.C.'s natural gas is the input of choice for LNG development.

Strategies

- Carry out geoscience research and technical assessment of natural gas and oil resources through collaboration with industry associations, federal agencies, research organizations and academic institutions.
- Continue to support the development of upstream infrastructure.
- Continue to monitor and adapt British Columbia's natural gas and oil fiscal and regulatory frameworks to ensure they are competitive.
- Improve the competitiveness of B.C.'s upstream sector by providing leadership, information and new policies, legislation and programs, and providing timely, expert advice and guidance to industry on the application of B.C.'s oil and gas legislation and policy.

Objective 2.2: Optimal revenue from the development of B.C.'s upstream natural gas and oil resources.³

Strategies

- Continue to hold monthly Crown natural gas and oil subsurface rights sales.
- Optimize royalty programs to create a competitive environment and generate Crown revenue.
- Maximize the amount of B.C.'s natural gas that feeds the LNG export plants to ensure B.C. receives maximum value for its natural gas resource.
- Add value to B.C.'s abundant natural gas resources by working with industry and local communities to cluster new industrial activities, including gas-to-liquids, methanol, plastics and other high value chemistry products.

² The upstream sector includes searching for potential underground natural gas and oil, disposition of the rights to develop the underground resource, drilling of exploratory wells, and subsequently drilling and operating the producing wells.

³ Optimal revenue is defined as the fairest and best return that can be collected by the Crown for the use of publicly owned resources under prevailing economic, environmental and social conditions.

Performance Measure 3: Relative annual investment in natural gas and oil exploration and development, B.C. as % of Canada.

Performance Measure	2012/13 Baseline Actual	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Relative annual investment in natural gas and oil exploration and development, B.C. as % of Canada ¹	13.1%	16.2%	16.4%	16.6%	16.8%	17.0%

¹Data Source: Ministry of Natural Gas Development, based on Canadian Association of Petroleum Producers data for actuals and estimated for previous years. All data is only available and provided by calendar year.

Discussion

Investment in upstream natural gas and oil exploration and development consists of industry expenditures on resource rights acquisition, geophysical and geological surveys, exploration and production wells, field equipment (such as gathering pipelines) and processing plants. The past several Service Plans had a different performance measure on competitiveness which used annual investment in upstream natural gas and crude oil, an absolute measure of B.C. alone. The previous measure could be seriously affected by North American natural gas price movement. It was also subject to overall natural gas and crude oil price changes when they move in tandem, such as in the current down price-cycle facing both commodities, and also relative price movements between natural gas and crude oil. The Ministry has little to no control on natural gas and crude oil prices.

Based on commodity price forecasts and LNG-related upstream activity, the Ministry expects a gradual increase in relative annual upstream investment which is expected to accelerate once LNG exports begin. The baseline of relative upstream investment in B.C. as a percentage of Canada is based on actual investment in 2012.

Objective 2.3: Responsible upstream natural gas and oil development.

Strategies

- Continue administering the Clean Infrastructure Royalty Credit Program.
- Complete the Carbon Capture and Storage regulatory framework and work with industry to identify carbon sequestration projects and opportunities for carbon dioxide use in enhanced oil recovery.
- Work with the BC Oil and Gas Commission to continue to ensure that the use of hydraulic fracturing in natural gas and oil extraction meets the highest regulatory standards in the world.
- Develop and implement new legislation, regulations and programs that support the responsible development and use of natural gas and oil resources.
- Work with the BC Oil and Gas Commission and other provincial ministries to respond to increasing economic activity by delivering sound, timely decisions on natural gas and oil, LNG, and related water, Crown land and other permits, authorizations and tenures.

Objective 2.4: Engaged stakeholders, communities and First Nations working collaboratively in Northeast B.C.

Strategies

- Engage with local governments regarding upstream development activities in Northeast B.C.
- Continue to collaborate with other ministries, agencies and Crown corporations to promote greater public understanding of the exploration and development of natural gas and oil resources.
- Foster working relationships among industry, the public, First Nations and landowners by clarifying and simplifying natural gas and oil resource exploration and development management processes, enhancing dispute resolution methods, and offering more support and information.
- Continue to work collaboratively with the Ministry of Aboriginal Relations and Reconciliation to build effective business development relations with First Nations, including supporting the development and implementation of Strategic Engagement Agreements, Revenue Sharing Agreements and other agreements with First Nations.

Goal 3: Increased responsible export of energy resources, new markets opened and related infrastructure projects that benefit British Columbians.

Objective 3.1: A common oil and gas vision for B.C. and Alberta related to exports and opening new markets.

Strategies

- Act as the main Government liaison with Alberta regarding oil.
- Develop recommendations and action plans that benefit B.C.

Objective 3.2: B.C.'s "five requirements" for heavy oil pipelines and related infrastructure are addressed.⁴

Strategies

- Work collaboratively with other provincial and federal government agencies to address the "five requirements" and the roles that each agency will play.
- Act as the Government's point of contact and key liaison on proposed interprovincial oil transmission pipelines to B.C.'s coast.

⁴ The "five requirements" are contained in the Province's policy paper ["Requirements for B.C. to Consider Support for Heavy Oil Pipelines"](#).

- Work with line agencies to ensure that the Kinder Morgan Trans Mountain Pipeline Expansion project continues working towards fully meeting our Five Requirements for considering support for heavy oil projects in B.C.
- Continue to lead the B.C. Oil and Gas Major Projects Team as the forum for ensuring timely access to information and knowledge sharing among government officials and coordinating provincial reviews of National Energy Board regulated projects.

Goal 4: Economic development and positive health, safety and efficiency outcomes within the built environment.

Objective 4.1: Clear, effective and balanced building and safety standards and governance frameworks.

Strategies

- Support an effective governance framework for the building regulatory system through continued implementation of British Columbia's new *Building Act*.
- Ensure that the most up to date BC Building, Plumbing and Fire Codes and standards are in effect.
- Review the *Safety Standards Act* to provide a continued effective governance framework for technical systems, equipment and industries.
- Lead sector specific engagement and plan for the implementation of British Columbia's Climate Leadership Plan.

Goal 5: British Columbians have confidence in a stable rental housing market.

Objective 5.1: Modern, affordable and accessible services that promote housing stability for renters and landlords.

Strategies

- Reduce red tape by streamlining and simplifying processes and regulatory requirements for tenants and landlords.
- Continue to transform Residential Tenancy Branch processes to enhance services and meet growing and evolving demand.

Performance Measure 4: Residential tenancy dispute resolution requests.

Performance Measure	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Number of residential tenancy dispute resolution requests per 1,000 British Columbia adult population (over age 19)	5.7	5.8	5.7	5.6	5.5

Data Source: Targets for this measure are derived from records of dispute resolution requests to the Ministry’s Residential Tenancy Branch and BCStats population projection data. The measure includes only those British Columbians over age 19 because of the age group categories used by BCStats.

Discussion

This measure reflects the number of applications received for formal dispute resolution services. A reduction in the number of requests for dispute resolution over time is expected to result from service improvements that include increasing access to information and resources for landlords and tenants, ensuring that enquiries and requests are addressed in a timely manner and supporting the prevention and early resolution of disputes between landlords and tenants. About one-third of all B.C. households are rental households. As the B.C. population increases every year, so too does the number of tenancies. Tying the number of dispute resolution requests to the adult population provides a comparable measure across fiscal years.

Goal 6: British Columbians have greater choices for stable and affordable housing.

Objective 6.1: Strategic partnerships that increase housing options, decrease costs and promote effective, coordinated programs for all British Columbians.

Strategies

- Continue to implement Housing Matters, the provincial housing strategy, to ensure citizens are able to find housing that meets their needs across British Columbia.
- Support BC Housing’s implementation of the B.C. Home Owner Mortgage and Equity (HOME) Partnership program to improve access to home ownership for first time home buyers.
- Facilitate the creation of new affordable units for low to moderate income renters, including seniors, youth, students, adults with developmental disabilities, Aboriginal peoples, and women and children.
- Work with BC Housing to support housing affordability in the rental market through rental assistance programs.
- Improve service integration across ministries, and build partnerships between sectors to improve housing outcomes.

- Facilitate partnerships with, and provide education to, local governments and community agencies to encourage affordable housing.
- Collaborate with provincial, territorial and federal partners to develop long-term solutions to housing affordability issues in British Columbia.

Performance Measure 5: Number of households benefiting from affordable housing programs.

Performance Measure	2015/16 Actual	2016/17 Forecast	2017/18 Target	2018/19 Target	2019/20 Target
Number of households that benefit from provincial affordable housing programs	104,025	106,740	117,000	132,000	148,000

Data Source: BC Housing total households served.

Discussion

This measures the total number of households that benefit from provincial affordable housing programs each year. The targets have been set based on BC Housing’s estimates. Programs include:

- first time home buyers using the B.C. HOME Partnership program;
- low and moderate income renters;
- shelters and housing with supports for those who are homeless;
- housing that meets the cultural needs of Aboriginal peoples;
- transition housing and supports for women and children fleeing violence; and
- assisted living and wheelchair accessible apartments for seniors and people with disabilities.

Resource Summary

Core Business Area	2016/17 Restated Estimates ¹	2017/18 Estimates	2018/19 Plan	2019/20 Plan
Operating Expenses (\$000)				
Upstream Development	12,438	12,506	12,587	12,587
Liquefied Natural Gas	6,341	6,345	6,335	6,287
Oil and Strategic Initiatives	1,015	1,020	1,029	1,029
Executive and Support Services	4,312	4,312	4,313	4,306
Housing	415,400	421,144	423,711	423,449
Housing Endowment Fund	14,104	12,884	12,884	12,884
Total	453,610	458,211	460,859	460,542
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Executive and Support Services	1	1	1	1
Total	1	1	1	1
Capital Plan (\$000)				
Housing Capital Fund	20,650	15,063	18,829	18,829
Total	20,650	15,063	18,829	18,829
Other Financing Transactions (\$000)				
Oil and Gas Commission Receipts ²	(32,617)	(38,500)	(39,400)	(39,100)
Oil and Gas Commission	32,617	38,500	39,400	39,100

Core Business Area	2016/17 Restated Estimates ¹	2017/18 Estimates	2018/19 Plan	2019/20 Plan
Disbursements.....				
Net Cash (Requirements)	0	0	0	0
Total Receipts	(32,617)	(38,500)	(39,400)	(39,100)
Total Disbursements	32,617	38,500	39,400	39,100
Total Net Cash Source (Requirements)	0	0	0	0

¹For comparative purposes, amounts shown for 2016/17 have been restated to be consistent with the presentation of the 2017/18 Estimates.

² Levies include OSRF revenues but not Pipeline revenues

*Further information on program funding and vote recoveries is available in the [Estimates and Supplement to the Estimates.](#)"