

Ministry of  
Natural Gas Development  
and Minister Responsible for Housing

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2013/14  
Annual Service Plan Report

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For more information on how to contact the British Columbia  
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## Message from the Minister and Accountability Statement



The need for energy is increasing around the world and with our abundant natural resources, British Columbia resources, is ready to meet the demand.

Our province has enough natural gas available to last at least 150 years, and the Ministry of Natural Gas Development is working to take advantage of this outstanding potential. Developing a Liquefied Natural Gas (LNG) industry will turn this resource into a global commodity.

LNG could boost B.C.'s prosperity, diversify our exports, increase economic activity, create tens of thousands of well-paid jobs, and attract overseas investment. All while helping to reduce worldwide greenhouse gas emissions.

LNG projects also have the potential to bring tens of billions of dollars in investment to British Columbia. Independent analysis indicates that five LNG projects could create as many as 100,000 jobs, injecting more than \$1 trillion into our economy. Our goal is to have at least three operating LNG facilities by 2020 and we hope to see the first final investment decision later this year.

As part of Budget 2014, we released details about the LNG Income Tax framework. This framework will provide certainty for industry as they look to finalize their investment decisions. We have done our research and know B.C. is an attractive, competitive place for LNG investment and growth.

To take full advantage of this generational opportunity, we continue providing incentives to increase B.C.'s competitiveness in the global market. In early 2014, the Ministry enhanced B.C.'s royalty framework by providing royalty deductions to wells that previously were not eligible. Over the next three years, this is expected to add \$2.9 million to government revenues. In February 2014, the Province announced a new, \$120 million installment of the infrastructure royalty credit program to support the capital needs of British Columbia's natural gas industry. The program is expected to generate revenues of approximately \$300 million five years from now.

We continue to work with First Nations on responsible natural gas development. The Province is negotiating revenue sharing agreements with Aboriginal communities that will provide them with benefits and economic opportunities. In the northeast, we continue to engage and negotiate with the Treaty 8 First Nations on natural gas exploration, development and production. To date, four agreements have been signed.

The Ministry is also taking steps to maximize the use of clean power at LNG projects while preserving electricity supply and rates for British Columbians. New electricity transmission infrastructure is being built in the Northwest to ensure LNG facilities have the power required to operate.

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Our efforts with oil and refinery proponents continue to ensure any new projects meet or exceed our five conditions: the successful completion of the environmental review process; world-leading marine oil spill response, prevention and recovery systems; world-leading practices for land oil spill prevention, response and recovery systems; legal requirements regarding Aboriginal and treaty rights have been addressed and First Nations are provided with opportunities to participate; and British Columbia receives a fair share of the fiscal and economic benefits.

Through the BC Oil and Gas Commission, we are ensuring our province's long history of safe, responsible natural gas development continues in tandem with the growth of an LNG industry.

In February 2014, we updated the Province's housing strategy, *Housing Matters BC*, to better serve B.C. residents. The update establishes three priorities to guide future investments and projects: improve safety, enhance affordability and promote healthy homes and communities; create greater housing stability for renters, landlords and strata owners; and develop partnerships that increase affordable housing options for all British Columbians.

Implementing the provincial housing strategy, we have reduced the number of unsheltered homeless, created nearly 21,000 new homes for people in need, and increased the number of low-income households we serve by 20 per cent. Today, more than 98,000 households benefit from affordable housing programs.

The *2013/14 Annual Service Plan Report* for the Ministry of Natural Gas Development and Minister Responsible for Housing compares the actual results to the expected results identified in the June 2013 revised Ministry *2013/14 – 2015/16 Service Plan*. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to be 'Rich Coleman', with a long horizontal line extending to the right.

Honourable Rich Coleman  
Minister of Natural Gas Development  
and Minister Responsible for Housing  
and Deputy Premier

June 26, 2014

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## Highlights of the Year

Over the last year, the Province made significant progress in establishing its emerging role as an energy powerhouse that will serve Asia Pacific markets with a stable, long-term supply of liquefied natural gas (LNG). Following through with the Government's previously launched natural gas and LNG strategies, there have been investments totalling an estimated \$8.5 billion in natural gas and oil exploration and development. A further \$1 billion was spent to further LNG planning and development. Major LNG proponents have come forward with plans to build LNG export operations.

There are over ten LNG liquefaction and export facilities proposed in B.C., representing multiple joint venture partnerships with international, domestic and First Nations interests.

The Ministry is also developing domestic natural gas markets. In May 2012, a regulation under the *Clean Energy Act* supported a utility spending up to \$104 million for heavy duty natural gas vehicles and fuelling infrastructure. The number of vehicles receiving incentives under Fortis BC's Natural Gas for Transportation Incentive Program has exceeded expectations.

### ***Royalty credit program creates infrastructure jobs***

*In September 2013, the Province approved \$155.8 million in royalty credits, which will lead to the construction of 12 new infrastructure projects in the northeast of the Province. B.C.'s Infrastructure Royalty Credit Program is designed to support the construction of new resource roads and pipelines, which will help advance a liquefied natural gas industry.*

*Since the program was launched in 2004, the program has supported the development of 78 resource roads and 140 pipeline projects, accounting for more than \$1.9 billion in capital investment and more than \$6 billion in private sector drilling.*

*On February 25, 2014, the Province announced a further \$120 million in royalties available for new road and pipeline projects under the royalty credit program. Approval for credits is based on projects demonstrating the highest economic benefits for B.C.*

In 2013/14, total government revenue from the auction of Crown subsurface petroleum and natural gas rights, oil and gas royalties and fees and rentals amounted to \$1.4 billion. These revenues support important provincial programs, such as health care and education.

In January 2014, the Ministry's Office of Housing and Construction Standards (OHCS) released an update to Housing Matters BC, the Province's key policy document guiding government's actions and investment in housing. The plan addresses British Columbia's growing housing needs, for renters and homeowners. As well, it ensures that housing programs are still meeting community needs. The update sets the stage for the next decade and maintains B.C.'s position as a leader, taking bold approaches to social housing, construction and supports for British Columbians.

Approximately 99,780 households throughout B.C. were assisted through subsidized housing in 2013/14. This accounts for almost six per cent of all housing in the province and includes approximately 28,160 low-income households receiving rental assistance in the private market.

### ***More funding for affordable housing***

*In March 2014, the Governments of British Columbia and Canada committed an additional \$300 million over five years to help more individuals and families in need access affordable housing.*

*Under the extension of the Investment in Affordable Housing Agreement between the two governments, each will contribute \$150 million during the period April 1, 2014 to March 31, 2019. From April 2011 to December 2013, the Agreement had already helped approximately 2,220 B.C. households. Since 2001, the Province has invested \$3.6 billion in providing affordable housing for low-income individuals, seniors and families.*

Close to one third of all households in B.C. live in rental accommodation. In 2013/14, the Residential Tenancy Branch responded to over 200,000 email, telephone and front counter inquiries and helped resolve close to 18,000 tenancy disputes. Through its public education and information services, citizens are encouraged to understand their rights and responsibilities so disputes can be prevented or resolved sooner. An ongoing commitment to improving access and service quality using Lean and other continuous improvement approaches resulted in a reduction in the Residential Tenancy Branch's administrative procedures by more than 50 per cent in 2013/14.

B.C. has been pursuing energy efficiency and greenhouse gas reduction goals in buildings for more than six years. In April 2013, B.C. took the next step towards greater energy efficiency and greenhouse gas reduction with the adoption of the new energy-efficient BC Building Code requirements for all buildings.

<b>Minister of Natural Gas Development Mandate Letter – June 10, 2013</b>		
<b>Mandate Letter Item</b>		<b>Ministry Action</b>
1	Balance your ministerial budget in order to control spending and ensure an overall balanced budget for the province of British Columbia.	The 2013/14 Ministry budget was balanced.
2	Work with project proponents to complete negotiations and accelerate final investment decisions on BC LNG projects.	The LNG tax framework was announced during the introduction of the budget in February 2014.
3	Maximize the use of clean power in LNG projects while preserving maximum provincial revenue generation opportunities.	Power negotiations for full energy requirements started with one proponent prior to 2013, and commenced with one more in 2013/14.
4	Secure pipeline corridors with First Nations along proposed natural gas pipeline routes.	BC negotiated First Nation economic agreements for the Pacific Trails Pipeline project to supply the proposed Kitimat LNG facility.  Financial mandates were confirmed for new economic agreements for three other pipelines - TransCanada's Coastal Gas Link, Prince Rupert Gas Transmission and Spectra's pipeline to Prince Rupert.
5	Work with heavy oil and refinery proponents in order to ensure clarity on provincial expectations with respect to the five requirements in order for BC to consider supporting heavy oil pipelines or projects in our province.	A Working Group was established with Alberta and dialogue continued. A Report to Premier was publicly released January 27, 2014. B.C. and Alberta agreed to a six month work plan.

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6	Review the operations of the BC Oil and Gas Commission and propose changes to improve the timeliness of permitting for project applications	The BC Oil and Gas Commission (Commission) has implemented a Business Transition Strategy (BTS) aimed at improving systems for permitting and other processes across the organization. Improvements to the Permitting and Authorizations elements continued. BTS is expected to lead to significant operational efficiencies across the Commission.
7	Work with the BC Association of Building Inspectors to determine and implement a new home inspector accreditation to ensure consumers buying a home can be assured that their inspector is qualified and trained to help them purchase the largest investment in their lives.	Minister Coleman met with the accrediting associations in October 2013 to discuss strengthening home inspector licensing. An online survey with home inspectors and consumers closed on December 20, 2013. Results were analyzed and a number of interviews conducted with associations and other stakeholders. Recommendations for improvement were approved by the Minister in March 2014.
8	Successfully implement the 14 project partnership with the City of Vancouver to build 1,500 new apartments of supportive housing.	Construction was completed on 9 of the 14 projects.

## Purpose of Ministry

The Ministry of Natural Gas Development and Minister Responsible for Housing is the provincial ministry responsible for British Columbia's petroleum and natural gas sector, which comprises public and private interests that explore for, develop and use oil and gas. Through teamwork and positive working relationships with its clients, the Ministry facilitates B.C.'s thriving, safe, environmentally responsible and competitive natural gas and petroleum sectors to create jobs and economic growth in communities.

A key component of the Ministry's mandate is to develop tenure, royalty and regulatory policy for British Columbia's oil and gas industry, thereby promoting the effective and environmentally responsible management of the province's oil and gas resources. In developing policies, legislation and guidelines, the Ministry consults with other ministries and levels of government, natural gas and petroleum companies, First Nations, communities, environmental and industry organizations, and the public. The Ministry provides a range of oil and gas related services, including the issuance of Crown subsurface resource rights, royalty programs, public geoscience and policies to address potential future resource opportunities, such as unconventional oil and gas resource development. The Ministry has created a Liquefied Natural Gas Task Force which is leading an inter-agency team to support the development of a new liquefied natural gas industry in British Columbia.

The Ministry strives to ensure that British Columbians have access to safe, affordable and appropriate housing through: (1) market and non-market housing policy and programs; (2) building and safety policy and the development of technical codes and standards; and (3) services for landlords and tenants. With regard to housing issues, the Ministry's stakeholders are the citizens of British Columbia and their representatives at all levels of government, First Nations, community groups, non-profit societies, schools, service organizations, businesses 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.

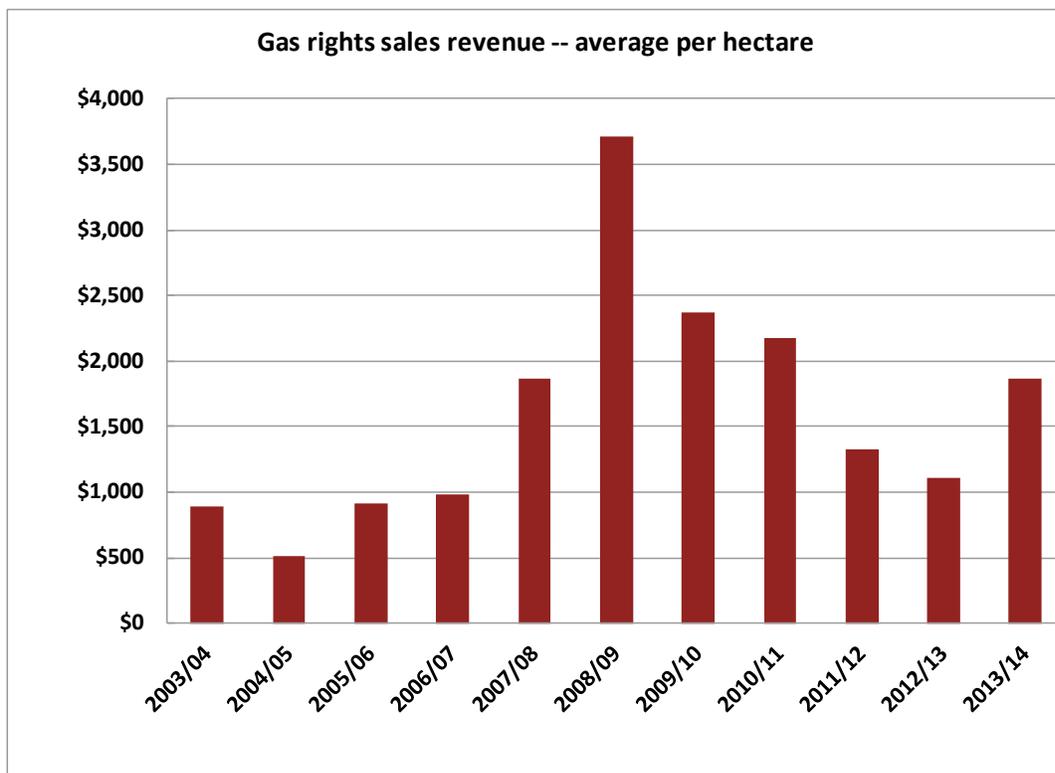
The Ministry is responsible for administering all or parts of 24 statutes pertaining to the natural gas, petroleum and housing sectors. The Ministry is responsible for two Crown Corporations: the BC Oil and Gas Commission, and the British Columbia Housing Management Commission (BC Housing).

# Strategic Context

British Columbia is fortunate to both have abundant natural gas resources, and be located on the Pacific Rim with ready access to growing Asian markets with ever increasing energy needs. B.C.'s natural gas reserves and annual production are second in Canada only to those of Alberta.

The province's reserves of marketable gas totalled 33.7 million trillion cubic feet on December 31, 2012<sup>1</sup>, amounting to 47 per cent of Canada's total. It is estimated that exploration and development investment in British Columbia's natural gas and oil sector was \$5.0 billion in 2013/14. Over the same fiscal year, the disposition of Crown subsurface natural gas and oil rights realized Government revenues totaling an estimated \$794.2 million.<sup>2</sup> The average price per hectare in 2013/14 was \$1,860, higher than in each of the previous two years, though still lower than the historical peak of \$3,710 paid in 2008/09. People, resources and technology all contribute to providing the natural gas required by British Columbians and our export customers.

**Chart 1**



Data Source: Ministry of Natural Gas Development, using a nine-year deferral period. See Footnote 2.

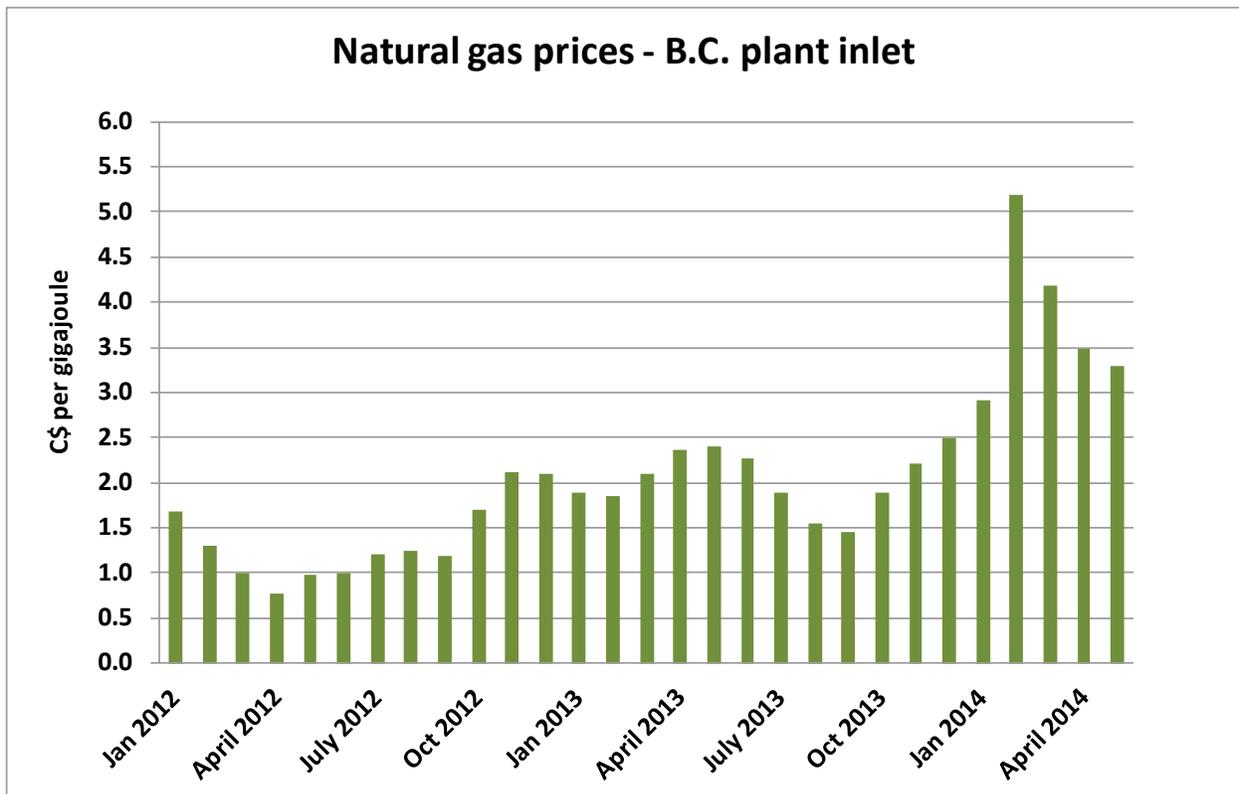
<sup>1</sup> Source: Canadian Association of Petroleum Producers. On December 31, 2012, Alberta's marketable gas reserves were 34.5 trillion cubic feet.

<sup>2</sup> This recognizes bonus revenue using deferral accounting, which is a Generally Accepted Accounting Principle. The current deferral period is nine years – representing the average lifespan of a petroleum and natural gas tenure.

Total direct government revenue from oil and gas was \$1.401 billion in 2013/14. This included revenue realized from the auction of Crown subsurface petroleum and natural gas rights totalling an estimated \$794.2 million, on a deferred basis. In addition, the Province received an estimated \$543.2 million in oil and gas royalties, primarily from natural gas production, and \$63.9 million in fees and rentals.

Provincial revenue from natural gas varies according to market conditions, which affect both the volume of natural gas produced and the price. As noted in Chart 2, the price of natural gas rose steadily from C\$1.46 at the B.C. plant inlet in September 2013, reaching \$2.92 in January 2014. In February 2014, the price increased by approximately 77 per cent above the January price, reaching \$5.18 before falling back to an estimated \$3.30 in May. The February peak occurred during severe winter weather conditions in parts of Canada and the United States.

**Chart 2**



Source: B.C. Ministry of Natural Gas Development. The figures for March, April and May 2014 are estimates.

The challenges and opportunities for B.C.’s natural gas industry and the Province’s initiatives to address them are outlined in [British Columbia's Natural Gas Strategy](#). B.C.’s estimated natural gas resources are substantial. After falling slightly in 2012/13, production of marketable natural gas in B.C. grew in 2013/14 to 39.7 billion cubic metres, up by 11.2 per cent from 35.7 billion cubic metres in 2012/13, in keeping with improved natural gas prices. Future growth is expected to come from significant investment to develop the province's large shale and tight gas deposits.

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

The Ministry is committed to working with natural resource sector agencies, communities, First Nations, industry and environmental organizations to ensure that the continued growth of our natural gas sector is socially and environmentally responsible. The province has significant shale and tight gas deposits—such as in the Horn River and Montney areas of Northeast B.C. Natural gas can be converted into a liquid state (LNG) for transportation to end use markets such as Asia, where demand for natural gas is growing rapidly. LNG provides an abundant, lower carbon fuel for transportation and electricity generation, and can displace coal and oil, which have higher emissions.

LNG development in B.C. can have lower lifecycle greenhouse gas emissions than anywhere else in the world by promoting the use of clean electricity at LNG plants. British Columbia has many strategic advantages to foster the development of an LNG industry, but must ensure its competitiveness with other natural gas producing jurisdictions that are also working to attract LNG export investments.

The economies of most Asia Pacific countries have experienced strong growth over the past decade and are expected to continue leading world economic growth. China is poised to become the world's largest economy by the end of the decade, while India's middle class exceeds Canada's entire population. This translates into a major increase in the demand for energy resources. The *BC Jobs Plan* recognizes the opportunity that B.C. has in securing markets in these emerging Asia Pacific economies. The Ministry is working with other provinces, the federal government, industry and other B.C. agencies in the development of recommendations related to energy exports and opening new export markets.

As described in [\*Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry\*](#), the development of LNG export capacity in B.C. to access stronger markets in Asia is critical to sustaining the growth of B.C.'s natural gas industry.

Over the past year, the Province made significant progress in establishing its emerging role as an energy powerhouse that will serve Asia Pacific markets with a stable, long-term supply of LNG. Following through with the Government's natural gas and LNG strategies launched in February 2012, there have been corporate investments totalling approximately \$8.5 billion to acquire upstream natural gas assets and an additional \$1 billion on LNG planning and development. A further \$21 billion has been spent by major LNG proponents on company acquisitions in order to access B.C.'s natural gas resources.

B.C. is putting in place a very stable and attractive fiscal and policy framework to ensure it becomes a major LNG exporter. Proponent final investment decisions will also depend on conditions in world energy markets.

Most of the proposed LNG project sites are centered on the northern B.C. coastline. Four projects have been proposed within the District of Kitimat, two in the Port of Prince Rupert and two LNG proponents have secured sites further to the north at Grassy Point. Two other sites have been proposed outside of the northwest, one near Squamish and the other in Campbell River on Vancouver Island. Several new proposed projects have yet to determine a site.

The economic potential of these proposed projects as a group is very significant and could lead

to large gains in provincial GDP and job growth<sup>3</sup>.

Significant milestones in moving these proposed projects forward into the construction and production phases include federal and provincial environmental assessments and federal export licences. By the end of May 2014, the National Energy Board (NEB) had awarded export licences to nine projects - BC LNG (formerly known as the Douglas Channel Energy project), West Coast Canada LNG, Kitimat LNG, LNG Canada, Pacific NorthWest LNG, Prince Rupert LNG, Aurora LNG, Triton LNG and Woodfibre LNG. As well, the NEB is currently reviewing two more export licence applications from Kitsault Energy Limited and the Canada Stewart Energy Group Limited.

At the beginning of 2014, there were four LNG facility projects in the federal and provincial environmental assessment processes: LNG Canada, Pacific NorthWest LNG, Prince Rupert LNG and Woodfibre LNG. For the Pacific NorthWest LNG and Prince Rupert LNG projects, the Canadian Environmental Assessment Agency and B.C. Environmental Assessment Office have agreed on a work plan for a coordinated federal/provincial environmental assessment process that promotes efficiency and avoids unnecessary duplication. The Canadian Environmental Assessment Agency will be the lead, but each government will make its own decisions with respect to the projects under review. Kitimat LNG received its provincial EA certificate in 2006. The proposed BC LNG project falls below an established threshold and does not require a provincial EA certificate.

Rental housing is home to 30 per cent of British Columbian households. Despite the importance of rental housing, British Columbia's rental housing stock continued to face challenges. Historically there has been a lack of purpose-built rental accommodation which has contributed to low vacancy rates and high rents in B.C. Much of the purpose-built rental stock is aging and needs significant repair. Rental stock is also being lost, typically to re-development or through conversion to strata units. Insufficient new rental housing is being built to meet current demand and anticipated future demand. Housing presents particular challenges for low to moderate income families with children and in northern communities. Stable regulatory provisions need to be in place to help with the resolution of tenancy disputes. With the potential development of the resource sector, northern communities are feeling additional pressures in the rental housing market.

British Columbia's real GDP increased by 2.0 per cent in 2013 (according to preliminary GDP by industry data from Statistics Canada), following growth of 1.5 per cent in 2012. Annual gains were observed in consumer spending, manufacturing shipments and exports, while modest declines occurred in employment and housing starts. Several risks to British Columbia's economy remain, including slowing domestic activity, weakness in the U.S. economic recovery, the ongoing sovereign debt situation in Europe, slowing Asian demand and exchange rate volatility. The Economic Forecast Council expects British Columbia's real GDP to grow by 2.3 per cent in 2014 and 2.7 per cent in 2015.

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<sup>3</sup> Grant Thornton: Potential LNG Revenue to the BC Government – Ministry of Energy, Mines and Natural Gas) showed that building five LNG projects capable of producing 82 million tonnes of LNG per annum would generate an average 39,400 FTE jobs over the nine-year construction period for these projects (direct, indirect and induced jobs). When fully operational, five LNG projects producing at this level would generate a total of 75,200 FTE jobs annually (direct, indirect and induced).

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

The Ministry annually assesses external factors and the risks and opportunities associated with the factors described above as part of its strategic planning process. As risks and opportunities are identified, they are managed and/or mitigated by the Ministry through a range of strategies so that the Ministry's goals and objectives can be achieved.

## Report on Performance

The performance measures in this report refer to the four measures specified in the June 2013 update of the *2013/14 – 2015/16 Service Plan* for the Ministry of Natural Gas Development and Minister Responsible for Housing. The Ministry was created on June 7, 2013 from the former Ministry of Energy, Mines and Natural Gas and Minister Responsible for Housing. Consequently, a number of goals, objectives, strategies and performance measures differ from those in the latter ministry's *2012/13 – 2014/16 Service Plan* and *2012/13 Annual Service Plan Report*.

The changes largely concern the removal of items related to the energy and mines portfolios, responsibility for which now resides with the Ministry of Energy and Mines and Minister Responsible for Core Review, also created June 7, 2013. Responsibility for gaming policy enforcement was transferred to the Ministry of Finance, and responsibility for liquor licensing, enforcement and distribution was transferred to the Ministry of Justice.

In addition, in June 2013 some goals, objectives, strategies and measures were still in development, including those related to liquefied natural gas. The subsequent *2014/15 – 2016/17 Service Plan*, published February 18, 2014, contains additional goals, objectives, strategies and performance measures that better reflect the range of Ministry activities.

## Performance Results Summary Table

<b>Goal 1: An internationally competitive natural gas sector that contributes to jobs and the economy</b> For greater detail see pages 18 to 21	<b>2013/14 Target</b>	<b>2013/14 Actual</b>
<b>1.1 New natural gas resource projects that support the creation of family-supporting jobs in B.C.</b>		
<b>1.2 B.C. is positioned as an attractive jurisdiction for investment in the natural gas sector and related businesses.</b> Annual investment in natural gas and oil exploration and development	\$4.8 BILLION	\$5.0 BILLION (EST.) EXCEEDED
<b>1.3 Optimal revenue from the development of B.C.'s natural gas and oil resources.</b> Direct government revenue derived from natural gas and oil	\$1.338 BILLION	\$1.401 BILLION EXCEEDED
<b>1.4 A secure, reliable supply of energy for the long term benefit of all British Columbians.</b>		
<b>Goal 2: Safe and environmentally responsible natural gas resource development and use</b> For greater detail see pages 22 to 23	<b>2013/14 Target</b>	<b>2013/14 Actual</b>
<b>2.1 Standards that protect the public and the environment</b>		
<b>2.2 Efficient and effective natural gas policy, legislation and regulation in the public interest of British Columbians</b>		
<b>2.3 Clean energy resources, fuels and related technologies complemented by energy efficiency and conservation</b>		
<b>Goal 3: Communities, First Nations and all British Columbians are supported by responsible resource development and use</b> For greater detail see pages 23 to 24	<b>2013/14 Target</b>	<b>2013/14 Actual</b>
<b>3.1 The Ministry, stakeholders, First Nations and industry are engaged and working cooperatively for the responsible development and use of B.C.'s natural gas resources</b>		
<b>Goal 4: Safe and sustainable homes for all British Columbians</b> For greater detail see pages 24 to 26	<b>2013/14 Target</b>	<b>2013/14 Actual</b>
<b>4.1 Access to safe and stable housing</b> Priority groups in subsidized housing Number of residential tenancy dispute resolution requests per 1,000 British Columbia adult population (over age 19)	85% OR HIGHER 6.0	90% EXCEEDED 5.7 EXCEEDED
<b>4.2 A modern building regulatory system that supports safety and innovation in the design and construction of buildings</b>		

# Goals, Objectives, Strategies and Performance Results

A wide range of Ministry strategies are being implemented to facilitate job creation, economic development and the well-being of communities throughout B.C. These include Ministry initiatives in support of British Columbia's continued implementation of the February 2012 natural gas and LNG strategies, *Canada Starts Here: The BC Jobs Plan*, the *Clean Energy Act* and the *BC Energy Plan*. The Ministry's performance measures and targets are designed to reflect progress towards achieving its goals.

The Ministry promotes the reliable and environmentally responsible exploration, development and production of oil and gas in B.C. Oil and gas industry investment in B.C. has a strong, positive economic impact, creating significant business and job opportunities in northern communities, and generating government revenues that support health, education and social services for British Columbians. The Ministry is committed to ensuring B.C. maintains a competitive business environment to attract oil and gas industry investment by providing a modern regulatory framework, improvements to public and private infrastructure, and targeted royalty programs.

The Ministry regularly reviews the legislative, regulatory and policy frameworks associated with natural gas and LNG. As part of this, improving the effectiveness and timeliness of multi-agency federal and provincial reviews of proposed energy projects is a high priority for British Columbia. Changes to the regulatory framework introduced new requirements that ensure exploration and development activities throughout the natural gas sector are both planned and implemented in a manner that safeguards environmental values.

B.C.'s natural gas and LNG strategies highlight the opportunity to develop the significant shale gas deposits in Northeast B.C. for both North American and offshore markets. The Ministry is committed to working with First Nations and communities to reach the Province's goals of new investment, job creation, revenue generation and other economic opportunities.

## **Goal 1: An internationally competitive natural gas sector that contributes to jobs and the economy**

### **Objective 1.1: New natural gas resource projects that support the creation of family-supporting jobs in B.C.**

#### **Strategies**

- Continuously improve geological and resource assessments for natural gas, through collaboration with industry, industry associations, and academic and research institutes.
- Continue to develop a coordinated, transparent permitting and approval process with clear timelines for natural gas and oil resource development projects.
- Continue to monitor and adapt British Columbia's natural gas fiscal and regulatory frameworks to ensure they are competitive and British Columbia's natural gas feeds the new LNG export projects. Work with proponents of LNG projects and other ministries to have at least three LNG terminals and associated pipelines in operation by 2020.
- Supported by industrial land use plans, work with proponents to have at least one project confirmed by December 2013 on the site known as Grassy Point in Prince Rupert.
- Work with First Nations, communities and Canada to ensure best practices are in place to guide marine traffic and the safe shipment of LNG to export markets.
- Support the development of pipelines, roads and electricity infrastructure required for new LNG facilities, including the development of industrial land use plans for the Douglas Channel, Kitimat and Prince Rupert areas.
- Continue work on area-based analysis in support of a potential LNG pipeline corridor, to provide guidance to the Environmental Assessment process, including consultation with First Nations, communities and LNG pipelines proponents.
- Work with BC Hydro to ensure an adequate supply of clean electricity is available to support new investments in LNG, and in upstream natural gas and oil.
- Support the Major Investment Office in discussions with the refinery proponent.
- Work closely with the Ministry of Jobs, Tourism and Skills Training to ensure that skills gaps in the workforces of the natural gas and oil sector are identified and filled.

**Objective 1.2: B.C. is positioned as an attractive jurisdiction for investment in the natural gas sector and related businesses**

**Strategies**

- Continue monitoring B.C.'s competitive position in the upstream natural gas and LNG markets.
- Contribute to trade missions and marketing initiatives led by the Ministry of Jobs, Tourism and Skills Training to attract investment in B.C. natural gas and oil projects and business opportunities.
- Host an annual international conference on LNG and participate in global conferences to attract investment to the province.
- Further establish B.C. as a recognized centre of excellence for natural gas and oil expertise, innovation and technology in collaboration with industry, post-secondary institutions, the Federal Government and provincial agency partners.
- Improve the competitiveness of B.C.'s natural gas and oil sector by providing leadership, information, investing in infrastructure, and developing new policies, regulations and programs.
- Maintain B.C.'s competitiveness for investment in upstream natural gas development, and related LNG export opportunities, by modernizing tenure legislation for Crown natural gas and oil resources, ensuring royalty programs remain highly competitive, supporting infrastructure development and facilitating efficient and timely regulatory review of proposed developments.
- Conduct natural gas and oil related geoscience research and technical assessments to promote industry investment.
- Continue to work with the federal government to develop a single, effective environmental review process, maintaining the highest standards while eliminating costly and time-consuming duplication.

**Performance Measure 1: Annual investment in the upstream natural gas and oil sector**

Performance Measure	2011/2012 Benchmark	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
Annual investment in natural gas and oil exploration and development	\$6.1 BILLION	\$5.2 BILLION	\$4.8 BILLION	\$5.0 BILLION* EXCEEDED	\$6.3 BILLION	\$7.3 BILLION	\$8.3 BILLION

**Data Source:** Ministry of Natural Gas Development based on Canadian Association of Petroleum Producers (CAPP) data for previous years. Estimates provided by calendar year.

\*Note: Figure for 2013/14 actual is a Ministry of Natural Gas Development estimate, based on preliminary data. Final 2013 figures will not be available until late 2014. The 2012/13 actual figure is from CAPP.

**Discussion**

Through its strategies to improve B.C.’s competitiveness, the Ministry continuously strives to attract long term investment in B.C.’s natural gas and oil sector and related service industries. Such investment creates jobs and business opportunities throughout the province, which in turn contribute to the stability and well-being of B.C. communities. A key challenge to achieving investment targets is that the markets for natural gas and oil commodities can be cyclical, as can the levels of investment in the sector. Financial markets and currency fluctuations also affect investment levels. Streamlined processes for natural gas and oil project permitting and environmental assessment, along with the timely review of tenure applications, help to reduce risk and sustain investment levels.

Annual investment in natural gas and oil exploration and development consists of industry investment in acquiring resource rights, geophysical and geological surveys, exploration and production wells, pipelines, development roads and processing plants. Investment in natural gas exploration and production is critical to supporting the creation of an LNG export industry in B.C. Within North America, natural gas is shipped by pipeline for use in homes for heating and cooking purposes, and for a wide range of commercial and industrial uses. Natural gas can help reduce carbon dioxide emissions when it is substituted for coal or oil, and is the cleanest burning fossil fuel.

Since Performance Measure 1 reports investment levels in natural gas and oil, it is directly relevant to Goal 1. The 2013/14 actual result for Performance Measure 1, the annual investment in natural gas and oil exploration and development, is \$5.0 billion. As explained in the Strategic Context section above and as illustrated in Chart 2, natural gas prices vary widely, and increased in the last two quarters of 2013/14. Higher prices are one of the external factors that can result in increased investment, as well as other factors like the availability of investment funds in capital markets and the stability of the investment jurisdiction.

**Objective 1.3: Optimal revenue from the development of B.C.’s natural gas and oil resources**

**Strategies**

- Provide the government services needed to respond to increasing economic activity, in particular delivering sound, timely decisions on natural gas and oil, LNG, and related water, Crown land and other permits, authorizations and tenures.
- Monitor and evaluate the performance of B.C.’s natural gas and oil policies and programs to fully maximize the financial benefit of resource development and use for British Columbians.
- Implement revenue collection mechanisms to address B.C.’s specific challenges that might otherwise slow or hinder the development of natural gas and oil resources.
- Continue to hold 12 monthly Crown natural gas and oil rights sales per year.

**Performance Measure 2: Direct government revenue derived from natural gas and oil**

Performance Measure	2012/2013 Baseline	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
Direct government revenue from natural gas and oil	\$1.100 BILLION	\$1.129 BILLION	\$1.338 BILLION	\$1.401 BILLION EXCEEDED	\$1.342 BILLION	\$1.337 BILLION	\$1.293 BILLION

**Data Source:** Ministry of Natural Gas Development. Revenue includes natural gas and oil royalties, land sales, fees and rentals.

**Discussion**

Revenue derived from natural gas and oil production royalties and Crown tenure dispositions contributes to government programs such as education and social services. 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.

This indicator shows the forecast natural gas and oil revenues expected to be collected from industry and paid into the Province’s consolidated revenue fund, based on data collected by the Ministry. B.C.’s natural gas and oil producers are subject to demand and price fluctuations in world commodity markets where their products are sold. The Ministry implements resource revenue collection mechanisms, such as natural gas and oil royalties, that are market-based to share the market and investment risk, and manage resource development. As a result, government revenues are also subject to market fluctuations and financial conditions.

Since Performance Measure 2 reports the level of government revenue from natural gas and oil, it is directly relevant to Goal 1. The actual result for Performance Measure 2 was \$1.401 billion, almost five per cent higher than the target of \$1.338 billion.

**Objective 1.4: A secure, reliable supply of energy for the long term benefit of all British Columbians**

**Strategies**

- Work with BC Hydro to negotiate and execute two energy supply and load interconnection agreements and infrastructure contributions for transmission upgrades with LNG proponents to minimize impact on ratepayers and preserve B.C.'s climate targets and competitive position by March 31, 2014.
- Conduct regional studies and resource assessments to enhance understanding of the geological framework that hosts B.C.'s natural gas and oil resources, improve the province's resource estimates, and encourage exploration.

**Goal 2: Safe and environmentally responsible natural gas resource development and use**

**Objective 2.1: Standards that protect the public and the environment**

**Strategies**

- Collaborate with other government ministries on the Ministry of Health's study into the potential human health effects of the natural gas and oil industry.
- Work with industry to identify disposal zones for carbon dioxide sequestration projects and opportunities for carbon dioxide use in enhanced oil recovery.

**Discussion**

Operations at natural gas and oil exploration, pipeline and processing sites can be hazardous and if not properly managed, can affect the environment. Safeguarding the public and the environment contributes to environmentally responsible development and use of these resources. The threat of accidents, leakages and spills is always present, so ongoing policy development and education are necessary to ensure risk is minimized.

**Objective 2.2: Efficient and effective natural gas policy, legislation and regulation in the public interest of British Columbians**

**Strategies**

- In cooperation with other levels of government, continue to review legislation and regulations to ensure B.C. remains competitive, while enhancing the integrity of environmental, health and safety standards.

- Modernize the Ministry's natural gas and oil tenure administration processes.
- Complete the development of a Carbon Capture and Storage Regulatory Framework.
- In consultation with other ministries and stakeholders, develop and implement new acts and regulations that support the responsible development and use of natural gas and oil resources.

**Objective 2.3: Clean energy resources, fuels and related technologies complemented by energy efficiency and conservation**

**Strategies**

- Work with the Oil and Gas Commission to develop a regulation under the *Oil and Gas Activities Act* to ensure that the use of hydraulic fracturing ("fracking") in natural gas and oil extraction meets the highest standards in the world.
- Continue to support the replacement of diesel fuel with cleaner natural gas to power natural gas and oil drill rigs.

**Goal 3: Communities, First Nations and all British Columbians are supported by responsible resource development and use**

**Objective 3.1: The Ministry, stakeholders, First Nations and industry are engaged and working cooperatively for the responsible development and use of B.C.'s natural gas resources**

**Strategies**

- Develop and implement an effective community and stakeholder engagement model to respond to increased unconventional gas exploration and development in Northeast B.C.
- Work with the Peace River Regional District to continue supporting the Farmers Advocacy Office in Dawson Creek to assist land owners in engaging the natural gas and oil sector.
- 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 collaborate with other ministries, agencies and Crown corporations to provide information to promote greater public understanding of the exploration and development of natural gas and oil resources.

- Support the development and continuous improvement of Strategic Engagement Agreements with First Nations to make consultation processes more predictable.
- Support the development of Revenue Sharing Agreements that provide First Nations communities with economic benefits based on natural gas and oil activities in their traditional territories.
- Continue to work with the Ministry of Aboriginal Relations and Reconciliation to build effective business development relationships with First Nations.

If the public, First Nations, landowners and non-governmental organizations are informed and participate in responsible natural gas and oil resource exploration and development, they will have an opportunity to help identify and contribute constructively to the resolution of issues. They also become more aware of the benefits that natural gas and oil resource development can provide to a community, such as regular employment for citizens and expanded infrastructure.

## **Goal 4: Safe and sustainable homes for all British Columbians**

### **Objective 4.1: Access to safe and stable housing**

#### **Strategies**

- Provide provincial policy leadership for the housing sector through the renewal of the provincial housing strategy, *Housing Matters BC*, to express government priorities and strategies including a focus on families and market housing affordability.
- Work with BC Housing to enhance the integrity of program delivery and administration and to ensure that government's strategic priorities are addressed.
- Work collaboratively with other ministries, agencies and Crown corporations to ensure the integrated delivery of the continuum of housing programs and services for vulnerable British Columbians. These programs and services include: homeless outreach, emergency shelters, supportive housing, transition houses, assisted living and subsidized housing.
- Preserve and increase the supply of affordable market rental and homeownership units by working with local governments and other partners to address local housing challenges and improve the economic viability in the development of affordable units.
- Support the one million strata owners and residents in B.C. with an improved strata governance system, including financial accountability, new dispute resolution mechanisms and prudent management of common assets.

- Continue to work collaboratively with other ministries, agencies and stakeholders to identify and resolve emerging strata issues and to provide educational materials to strata owners, strata councils, strata property managers and developers.
- Assist landlords and tenants to resolve disputes earlier by: improving the spectrum of Residential Tenancy Branch services to make it easier for tenants and landlords to access information and rely less on formal arbitration; implementing a strategic public education plan that includes working with partners to enhance information outreach; and achieving service delivery efficiencies to ensure public inquiries and requests are appropriately addressed.

**Performance Measure 3: Priority groups in subsidized housing**

Performance Measure	20XX/20XX Baseline/Benchmark	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
Percentage of clients belonging to priority groups in subsidized housing	N/A*	88	85 OR HIGHER	90 EXCEEDED	85 OR HIGHER	85 OR HIGHER	85 OR HIGHER

**Data Source:** The measure is calculated by taking the current inventory of subsidized housing and determining the percentage of units that are available for each of the designated priority groups

\*This measure will be removed after the 2014/15-2016/17 Service Plan, but monitoring will continue.

**Discussion**

This measure is an indicator of performance in ensuring that those in greatest need receive priority assistance for housing. For the purposes of the measure, the groups considered to be among those in greatest housing need include: low income or frail seniors; people with physical or mental disabilities; people with mental illness; women and children who have experienced domestic violence; individuals facing alcohol and drug addiction challenges; Aboriginal individuals and families; and, people who are homeless or at risk of homelessness.<sup>4</sup>

The targets are set to reflect the number of social housing households that fall into one of the designated priority groups, as well as the anticipated number of new and acquired housing units, all of which are targeted to priority groups, during the service plan period.

By reporting the percentage of clients belonging to priority groups in subsidized housing, performance measure 3 is directly relevant to Goal 3. The actual figure for 2013/14, 90 per cent, was higher than the target of 85 per cent.

<sup>4</sup> A more detailed discussion of the methodology for this performance measure is included in the *BC Housing Service Plan 2013/14 – 2015/16*.

**Performance Measure 4: Residential tenancy dispute resolution requests**

Performance Measure	2011/2012 Baseline/Benchmark	2012/13 Actual	2013/14 Target	2013/14 Actual	2014/15 Target	2015/16 Target	2016/17 Target
Number of residential tenancy dispute resolution requests per 1,000 British Columbia adult population (over age 19)	6.2	6.0	6.0	5.7 EXCEEDED	6.0	6.0	6.0

**Data Source:** Results for this measure are derived from records of dispute resolution requests to the Ministry’s Residential Tenancy Branch and British Columbia Statistics population data. The measure includes only those British Columbians age 20 and older because of the population data age categories used by British Columbia Statistics.

**Baseline/Benchmark**

About one third of all B.C. households are rental households. As the B.C. population increases every year, so does the number of tenancies. Tying the number of dispute resolution requests to the adult population provides a comparable measure across fiscal years. A baseline of 6.2 residential tenancy dispute resolution requests per 1,000 B.C. adults was selected for this measure and is a running average from 2008/09 to 2011/12.

**Discussion**

As it reports the number of residential tenancy dispute requests per 1,000 B.C. adults, Performance Measure 4 is directly relevant to Goal 4: A decrease in the rate indicates that a larger proportion of residents are satisfied with their rental housing.

This measure reflects the number of applications received by the Residential Tenancy Branch for formal dispute resolution services. In 2013/14, there were 5.7 residential tenancy dispute resolution requests per 1,000 B.C. adults, improving upon the target of 6.0. The variance between the target and the actual results achieved may be attributed to public education and service improvements focused on increasing citizens’ ability to access accurate information and support landlords and tenants to avoid disputes or resolve them independently.

Through enhanced information outreach, the Residential Tenancy Branch supports landlords and tenants to better understand their rights and responsibilities so that disputes can be prevented/avoided or resolved early. Information is delivered through telephone and in-person contact centres, workshops and seminars, the website and print publications. Public information in 2013/14 focused on presentations and workshops targeted to specific groups including first time renters and new landlords. Significant improvements and efficiencies were made as a result of the Lean process and changes to the Contact Centre to better manage calls and emails and increase the number of calls answered each day.

These service improvements make it easier for tenants and landlords to access information, ensure that enquiries and requests are addressed, and support the prevention and early resolution of disputes.

This measure will be dropped in the 2015/16 – 2017/18 Service Plan, following the February 2014, updating of the provincial housing strategy. The update builds on best practices established since the strategy was first introduced in 2006. It also establishes key, measurable goals and sets priorities to guide future investments and projects. Consequently the set of performance measures has been significantly revised for the 2014/15 - 2016/17 Service Plan. The revised Performance Management Framework contains four strategic priorities and six performance measures which provide greater focus on key areas of performance. Measures that have been removed from the Performance Management Framework of future Service Plans will continue to be monitored through performance reports to management.

**Objective 4.2: A modern building regulatory system that supports safety and innovation in the design and construction of buildings**

**Strategies**

- Establish provincial leadership in a modern, streamlined and efficient building regulatory system with a uniform building code as a key element.
- Continue to engage stakeholders in the development of the 2012 editions of the BC Building, Fire and Plumbing Codes, including improvements in energy and water efficiency.
- Work with the BC Safety Authority to continuously improve technical product safety and support technical innovation through timely adoption of safety codes and standards.

## Report on Resources: Summary Table

Core Business Area	2013/14 Estimated <sup>1</sup>	Other Authorizations <sup>2</sup>	Total Estimated	Actual	Variance <sup>3</sup>
<b>Operating Expenses (\$000)</b>					
Oil and Gas	13,130	0	13,130	11,085	(2,045)
Executive and Support Services	2,564	0	2,564	4,220	1,656
Housing	343,866	0	343,866	343,815	(51)
Housing Endowment Fund Special Account	12,000	0	12,000	12,000	0
<b>Sub-total</b>	<b>371,560</b>	<b>0</b>	<b>371,560</b>	<b>371,120</b>	<b>(440)</b>
Prior Year Accrual Reversals - OGD	0	0	0	(56)	(56)
Prior Year Accrual Reversals - Housing	0	0	0	(2)	(2)
<b>Total</b>	<b>371,560</b>	<b>0</b>	<b>371,560</b>	<b>371,062</b>	<b>(498)</b>
<b>Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)</b>					
Oil and Gas	27,000	0	27,000	26,356	(644)
Executive and Support Services	67	0	67	46	(21)
<b>Total</b>	<b>27,067</b>	<b>0</b>	<b>27,067</b>	<b>26,402</b>	<b>(665)</b>
<b>Capital Plan (\$000)</b>					
<b>Housing</b>	<b>29,390</b>	<b>0</b>	<b>29,390</b>	<b>14,978</b>	<b>(14,412)</b>
<b>Total</b>	<b>29,390</b>	<b>0</b>	<b>29,390</b>	<b>14,978</b>	<b>(14,412)</b>
<b>Other Financing Transactions (\$000)</b>					
Oil and Gas Commission Receipts <sup>4</sup> .....	29,346	0	29,346	31,574	2,228
Oil and Gas Commission Disbursements .....	(29,346)	0	(29,346)	(31,574)	(2,228)
<b>Net Cash Source (Requirements)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>1</sup> The amounts in the "2013/14 Estimates" column correspond to the *Estimates* as presented to the legislative assembly in June 2013.

<sup>2</sup> "Other Authorizations" include Supplementary Estimates, Statutory Appropriations and Contingencies.

<sup>3</sup> "Variance" represents "Actual" minus "Total Estimated". If the Actual is greater than the Total Estimated, the Variance will be displayed as a positive number.

<sup>4</sup> Production levies collected on behalf of the OGC, including amounts which flow through to the Science and Community Environmental Knowledge (SCEK) Fund.

# Annual Service Plan Report Appendices

## Appendix A: Ministry Contact Information

### **Deputy Minister's Office:**

Eighth Floor, 1810 Blanshard Street

PO Box 9319 Stn Prov Govt

Victoria BC V8W 9N3

Website: <http://www.gov.bc.ca/mngd/>

### **Residential Tenancy Branch Regional Offices**

#### **Victoria:**

Suite 101 – 3350 Douglas St

Victoria BC V8Z 3L1

PO Box 9298 Stn Prov Govt

Victoria BC V8W 9J8

#### **Burnaby:**

#400 – 5021 Kingsway

Burnaby BC V5H 4A5

#### **Kelowna:**

#305 – 478 Bernard Ave

Kelowna BC V1Y 6N7

## Appendix B: Hyperlinks to Additional Information

A list of legislation administered by the Ministry can be found at:

[http://www.empr.gov.bc.ca/Titles/Policy/Pages/Legislation\\_MNGD.aspx](http://www.empr.gov.bc.ca/Titles/Policy/Pages/Legislation_MNGD.aspx)

### Natural Gas Information

*British Columbia's Natural Gas Strategy* can be found at:

[http://www.gov.bc.ca/ener/popt/down/natural\\_gas\\_strategy.pdf](http://www.gov.bc.ca/ener/popt/down/natural_gas_strategy.pdf)

*Liquefied Natural Gas: A Strategy for B.C.'s Newest Industry* can be found at:

[http://www.gov.bc.ca/ener/popt/down/liquefied\\_natural\\_gas\\_strategy.pdf](http://www.gov.bc.ca/ener/popt/down/liquefied_natural_gas_strategy.pdf)

*Canada Starts Here: The BC Jobs Plan* can be found at:

<http://www.bcjobsplan.ca/>

The Frac Focus BC website can be found at: <http://fracfocus.ca/>

**The BC Energy Plan can be found at:** [www.energyplan.gov.bc.ca/](http://www.energyplan.gov.bc.ca/)

The *Clean Energy Act* and a complete set of backgrounders and factsheets can be found at:

[www.mediaroom.gov.bc.ca/DisplayEventDetails.aspx?eventId=490](http://www.mediaroom.gov.bc.ca/DisplayEventDetails.aspx?eventId=490)

### Housing Policy and Building and Safety Standards

Contact and other information about Housing Policy and Building and Safety Standards can be found at: [www.housing.gov.bc.ca](http://www.housing.gov.bc.ca)

Information about Aboriginal Housing Initiatives can be found at:

<http://www.bchousing.org/Initiatives/Creating/AHI>

The Provincial Housing Strategy, *Housing Matters BC*, can be found at:

[www.housingmattersbc.ca](http://www.housingmattersbc.ca)

### Residential Tenancy

Contact and other information about Residential Tenancy can be found at: [www.rto.gov.bc.ca](http://www.rto.gov.bc.ca)

## **Appendix C: Crown corporations information**

Information concerning BC Housing can be found at:

<http://www.bchousing.org/>

Information concerning the BC Oil and Gas Commission can be found at:

<https://www.bcogc.ca/>