

British Columbia Energy Regulator

2022/23

Annual Service Plan Report

August 2023



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Board Chair's Accountability Statement



The BC Energy Regulator 2022/23 Annual Service Plan Report compares the organization's actual results to the expected results identified in the 2022/23 – 2024/25 Service Plan published in 2022. I am accountable for those results as reported.

A handwritten signature in black ink that reads "Chris Hayman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Signed on behalf of the Board by:

Chris Hayman
Board Chair, British Columbia Energy Regulator
August 21, 2023

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Letter from the Board Chair & CEO

On behalf of the Board of Directors and BC Energy Regulator (BCER) staff, the BCER is pleased to submit its Annual Service Plan Report for the fiscal year ending March 31, 2023. The report highlights the BCER's commitment to fulfilling its mission and mandate in a rapidly changing operating environment.

2022/23 was a transformative year for the energy resource sector in British Columbia. The [Energy Statutes Amendment Act](#) (the Act) was passed expanding the mandate of the BCER (formerly the BC Oil and Gas Commission) to include, in addition to oil and gas and geothermal activities, the full life cycle regulatory responsibilities for hydrogen, methanol and ammonia – as well as have an expanded role in carbon capture and storage. Measures were also brought into force to increase transparency and oversight across the sector: a modernized and more inclusive Board structure was introduced, and authority was further extended under the Act to ensure that those engaged in energy resource activities would be held responsible for clean-up and restoration.

The BCER made significant progress to ensure effective regulation, durable decisions, compliance, and restoration on behalf of British Columbians. Staff continued work with the members of the BC Methane Emissions Research Collaborative to ensure necessary research to support [CleanBC Roadmap to 2030](#) and assisted with the provincial response to climate change. BCER implemented the Permittee Capability Assessment (PCA) Program to facilitate a more comprehensive approach in determining permit holders' financial security requirements. And significant progress was made in the restoration of orphan sites. By the end of 2022/23 fiscal year, 70 per cent had been decommissioned and 25per cent reclaimed.

The BCER's commitment to reconciliation and building relationships with Indigenous communities was reflected in our work throughout the past year. The organization facilitated the Treaty 8 Restoration Advisory Committee, incorporated Indigenous knowledge and culture into restoration standards, implemented an Indigenous Education Program for staff, and continued participation in the Aboriginal Liaison Program. Additionally, the BCER revised its strategic direction to align with legislative changes as well as [new agreements](#) with the [Blueberry River First Nations \(BRFN\)](#) and other Treaty 8 First Nations (Doig River, Fort Nelson, Halfway River, and Sauleau First Nations).

The BCER closed the fiscal year with a new name, expanded role, and a new strategic framework, outlining refreshed organizational vision, mission and goals. These updates reflect the trust government and British Columbians have placed in our organization and is a testament to the incredible work our staff have accomplished over the past 25 years, setting us up for future success in the years ahead.



Chris Hayman
Board Chair, British Columbia Energy
Regulator



Michelle Carr
CEO, British Columbia Energy
Regulator

Purpose of the Annual Service Plan Report

This annual service plan report has been developed to meet the requirements of the [Budget Transparency and Accountability Act \(BTAA\)](#), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, a Minister Responsible for a government organization is required to make public a report on the actual results of that organization's performance related to the forecasted targets stated in the service plan for the reported year.

Strategic Direction

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures and financial plan outlined in the BC Energy Regulator (formerly BC Oil & Gas Commission) [2022/23 - 2024/25 Service Plan](#) and the actual results reported on in this annual report.

Purpose of the Organization

The BCER is the provincial agency responsible for regulating energy resource activities in British Columbia. As a provincial Crown corporation, the organization reports to the provincial government through the Minister of Energy, Mines and Low Carbon Innovation. The [Oil and Gas Activities Act](#) and the [Geothermal Resources Act](#), and their supporting regulations, set out the organization's mandate and authorities, with current government direction for the organization articulated in the BCER's mandate letter.

The BCER's mission is to regulate the life cycle of energy resource activities in BC, from site planning to restoration, ensuring activities are undertaken in a manner that: protects public safety and the environment; supports reconciliation with First Nations and Indigenous peoples; supports transition to low-carbon energy; conserves energy resources; and fosters a sound economy and social well-being. In 2022, the provincial legislature passed the [Energy Statutes Amendment Act](#). When that Act is fully in force, the mission outlined in this paragraph will be reflected in legislation as the organization's purpose.

The BCER carries out this mission through three core business areas:

- Regulation and policy: provide an effective framework that enables regulatory excellence;
- Responsible resource development: processes and stewardship measures that improve transparency, durability of decisions, and expand opportunities for innovation; and
- Compliance and safety: monitor, inspect, audit, and enforce the life cycle of regulated activities, ensuring technical assessments, safety and stewardship measures are effective and reflect best practices.

The organization works closely with those affected by the activities it regulates and dedicates significant resources to its relationships and engagement with First Nations and Indigenous peoples. Its commitment to supporting provincial reconciliation efforts is integrated throughout its business utilizing an integrative management approach that considers the objectives of the [United Nations Declaration on the Rights of Indigenous Peoples](#), treaties, and applicable laws and regulations. The BCER applies this integrated approach to all its processes, from training staff to actively collaborating with Indigenous communities throughout the regulatory life cycle. This is in addition to its requirement to consult Indigenous Nations as part of its decision-making processes.

Throughout the process of regulating energy activities, the BCER engages with local governments, land owners and rights holders, First Nations and Indigenous peoples, industry, and various other stakeholders to mitigate any adverse impacts of activities on communities, property, and quality of life.

Maintaining the effectiveness of the regulatory framework is a constant area of focus for the BCER. The organization works in partnership with government ministries and agencies to improve regulatory outcomes and ensure ongoing alignment with government policy directions.

Energy is critical to British Columbia's economic growth and ensuring services can be delivered to citizens. The BCER is aligned with provincial direction to leverage British Columbia's energy advantage to help address the generational challenge of climate change and positioning British Columbians to benefit from a low-carbon economy. The BCER supports a resilient energy future, where the Province's energy resource activities are safe, environmentally leading, and socially responsible.

Operating Environment

In fiscal 2022/23, the BCER mandate expanded to include the growing hydrogen industry, methanol, ammonia, and Carbon Capture and Underground Storage (CCUS) from any source. The BCER also holds those engaged in energy resource activities responsible for cleanup, restoration, and other associated obligations. Additionally, the [legislation passed in 2022](#) has provided a modernized and inclusive Board structure while maintaining regulatory effectiveness and efficiencies for oil, natural gas, and geothermal resources.

The BCER commitment to supporting the [CleanBC Roadmap to 2030](#) included the organization's ongoing efforts to build capacity to support the energy transition and meet greenhouse gas (GHG) reduction targets. Additionally, the BCER focused on expanding its expertise in the 2022/23 reporting year for emerging energy technologies like hydrogen production and carbon capture and storage and has started to build an effective and efficient framework to regulate these new energies to be aligned with [Clean BC Roadmap to 2030](#).

The BCER operates in a dynamic and evolving energy sector, where changes in market conditions and industry activity levels can have a significant impact on operational workload and revenues. To navigate this landscape, the organization remained focused on monitoring global trends and adapting to the new needs arising from its expanded mandate and agreements with First Nations. By staying proactive and agile, the BCER was well positioned to continue delivering on its core mandate of protecting the environment while supporting responsible energy development in British Columbia.

The BCER has taken progressive steps towards the [Blueberry River First Nations' \(BRFN\) Implementation Agreement \(Jan 2023\)](#), that found the Province had infringed upon BRFN Treaty 8 rights due to the cumulative impacts of industrial development. The BCER has collaborated with the government to implement a collective approach to land management and natural resource development that protects the Nations' treaty rights. On January 18th, 2023, a historical agreement was reached between the BC Government and Blueberry River First Nations, while negotiations with seven other Treaty 8 Nations are ongoing. This highlights the importance of partnership and collaboration in resource stewardship. The BCER played a crucial role in implementing these agreements and ensured that industry operates in a manner that is respectful of treaty rights and benefits everyone living in British Columbia, including Northern BC, Treaty 8 territory.

The BCER commitment to delivering on the Comprehensive Liability Management Plan and Permittee Capability Assessment, which included mitigating risks associated with permit holder insolvency and orphan and dormant sites. To improve efficiency and effectiveness, we continued to evaluate our processes and modernize our systems. We recognize the importance of timely and effective cleanup of orphan sites, which are wells, facilities, pipelines, and associated areas where companies have declared bankruptcy or cannot be located. By addressing these challenges head-on, we have contributed to a safer and more responsible energy industry in British Columbia.

Finally, as we transitioned into the expanded mandate, we identified several factors that may impact the workforce needs, including shifting demographics, social expectations, and changing economy. Competition from industry and government for qualified candidates with specific skills require a renewed focus on recruitment and retention for the workforce as we transition into fulfilling the new mandate. The BCER has expanded our training programs, technologies, and tools to work effectively and collaboratively by building empowerment and diversity of thought in advancing the BCER into a modern and flexible work environment. We continue to prioritize our commitment to regulatory excellence, protecting the environment, and ensuring the safe and responsible development of British Columbia's energy resources.

Report on Performance: Goals, Objectives, and Results

Goal 1: Protect Public Safety

Objective 1.1: Public safety related issues are understood and mitigated to prevent incidents.

Safety is our number one priority. We will keep the public safe as a result of the decisions and actions we make regarding energy resource development.

Key results

- Delivered on the Annual Compliance Plan, which resulted in 4,451 inspections, 72 per cent of which were risk informed.
- Completed Phase 2 in the development of the Compliance Management Information System, enabling BCER to optimize organizational efficiencies in inspection processes, enhance communication regarding non-compliance, streamline inspection planning, and facilitate effective escalation of non-compliance issues.
- Completed Integrity Management Plan audits for 16 facility and 16 pipeline programs.
- Finalized the Security Regulation, which demonstrated our commitment to maintaining the highest level of regulatory compliance and providing a secure environment for all stakeholders.
- Completed the Annual Safety Oversight review, which enabled the BCER to comprehensively assess risks and propose mitigations of potential areas of concern through the implementation of targeted improvement plans.

Summary of progress made in 2022/23

The BCER has achieved several milestones in ensuring regulatory compliance, risk mitigation, and organizational efficiencies as demonstrated in these key results. The BCER has also executed the Annual Safety Oversight program and will expand the scope to include facility risks. These achievements reflect the BCER’s commitment to transparency, accountability, and safety.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1a Minimum number of inspections completed annually ¹	4,751	4,450	4,451

Data Source: Internally monitored and tracked inspection and compliance rate data.

¹ PM 1.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 4,450 and 4,450, respectively. Due to the BCER expanded mandate in 2023, this performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

1.1a The target was met for 2022/23. The BCER inspections ensured adherence to regulations and maintained the required standards. This measure reflects the volume of field inspections the BCER conducted over the course of the year. These efforts ensure activities are carried out in compliance with regulations, and any risks to public safety or the environment can be identified and mitigated. Inspections assess sites in relation to the regulatory framework, as well as all permit specific requirements (conditions). Included are factors such as safety, environmental issues, accuracy of required measurements, and adherence to defined standards.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1b Per cent of active primary activities inspected annually ¹	N/A	25%	26%

Data Source: Internally monitored and tracked inspection and compliance rate data.

¹ PM 1.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 25% and 25%, respectively. Due to the BCER expanded mandate in 2023, this performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

1.1b The target was met for 2022/23. Meeting this target was largely due to aligning and planning necessary inspection resources directed to primary activities. This measure provides an indicator of the BCER’s inspection coverage of all authorized active primary activities, including wells, facilities, and pipelines (not including suspended, dormant, or restored sites). The BCER primarily selects activity inspections on a risk basis and 25per cent was deemed appropriate while also seeking to ensure coverage across all activities. These efforts represent BCER’s efforts to detect and mitigate non-compliances and issues that pose risks to public safety or the environment.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.1c Overall inspection compliance rate ¹	99.7%	100%	99.7%

Data Source: Internally monitored and tracked inspection and compliance rate data.

¹ PM 1.1c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 100% and 100%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

1.1c The target was substantially met. The overall performance was narrowly missed by 0.3 per cent with some permit holders with outstanding issues requiring corrective action unable to resolve prior to the fiscal year end date. Compliance & Enforcement actively followed up with the permit holders to ensure corrective action has been addressed. The overall inspection compliance rate incorporates all compliant inspections plus inspections with deficiencies corrected within the required timelines. This combined rate provides a comprehensive indicator of the overall effectiveness of the BCER’s compliance management functions. Where non-compliance against relevant acts, regulations and permit conditions were discovered at the time of inspection the BCER took enforcement action to achieve compliance in a manner consistent with the regulatory framework.

Objective 1.2: The public is safe from harm should an incident occur.

We keep the public safe by mitigating risks through continually updating our regulatory framework, our processes, and requirements.

Key results

- Maintained 24/7 incident reporting and response services through the effective management of the on-call Emergency Officer Program. This program enabled the BCER to quickly and efficiently coordinate with permit holders to assess the severity of incidents and initiate appropriate response measures. In 2022/23 our capability was further enhanced by our investment in staff training that ensured the operational readiness of the BCER Emergency Operation Center.
- Maintained incident response mutual aid agreements to ensure their effectiveness and relevance over time. Through this collaboration with other organizations and agencies, we were able to leverage shared resources and expertise to effectively respond to incidents, minimize risks, and protect the safety and security of our stakeholders and the environment.
- Developed a new evaluation approach, involving a comprehensive review of Emergency Management Plans and in-person attendance at incident exercises. Through this method of robust and tested Emergency Response Programs we were able to confirm compliance with regulatory requirements and identify areas for improvement.
- In partnership with the RCMP's Critical Infrastructure team and a permit holder, we successfully piloted the tracking of incidents related to theft and vandalism at oil and gas sites. This initiative helped to identify potential risks and improved incident response capabilities.
- Actively participated in the review and discussion to support the continuous improvement of the Emergency Management Standard CSA Z246.2. From this work BCER leveraged best practices and gained data-driven insights.
- Participated in Coastal Response, a joint federal-provincial exercise held by the Ministry of Emergency Management and Climate Readiness, has enabled BCER to further enhance our response capabilities and identify potential risks.

Summary of progress made in 2022/23

The BCER has achieved several key outcomes related to incident reporting and response services, including maintaining 24/7 emergency reporting and response, collaborating with other agencies to leverage shared resources, and evaluating permit holders' compliance with emergency management regulations. These efforts enabled the BCER to improve incident response capabilities, identify potential risks, and leverage best practices.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.2a Per cent of assessed permit holders with demonstrated emergency response capability ¹	N/A	97.5%	100%

Data source: Emergency response plan exercise evaluation records.

¹ PM 1.2a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 98% and 98%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

1.2a The target was exceeded for 2022/23. All permit holders met and/or exceeded the minimum regulatory requirements for emergency response capacity. All active companies are required to have Emergency Response Plans (ERP) in place and submitted to the BCER. Each year the BCER evaluates around 80 ERP exercises with permit holders. Through ERP exercises, the BCER assesses permit holders' abilities to effectively implement their plans. The measure provides an indicator of the success of the regulatory framework and BCER compliance verification activities to ensure the public is safe from harm, should an incident occur.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
1.2b Number of serious incidents ¹	0	0	0

Data source: Internally tracked and monitored incident data.

¹ PM 1.2b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 0 and 0, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

1.2b The target was met with no significant/serious (Level 3) incidents on BCER regulated sites. This measure tracks the rate of high-risk incidents at sites regulated by the BCER, which include incidents assessed at level 3 of the BCER's Incident Classification Matrix. The number of serious incidents contributes to assessing the effectiveness of the regulatory framework and BCER compliance management activities to minimize and prevent serious incident occurrences. All serious incidents are investigated, and a post-incident report is prepared, examining the incident cause, as well as identifying corrective action and mitigations to prevent future incidents and minimize risk.

Goal 2: Respect those affected by energy resource development.

Objective 2.1: Indigenous peoples' and their governments' rights are respected, and interests are understood, considered, and incorporated in Commission decisions and programs.

We are committed to developing and maintaining relationships with Indigenous peoples by enhancing communications, being flexible in our approach to consultation, and collaborating throughout the regulatory lifecycle.

Key results

- Supported the implementation of the [Declaration on the Rights of Indigenous Peoples Act](#) by effectively engaging and seeking partnerships with First Nations and Indigenous peoples across BC, in areas such as: restoration and reclamation; emergency management; and water and air monitoring, as well as enhancing communications and being flexible in our approach to consultation.
- Developed and implemented tools, processes, and training to ensure BCER staff are positioned to be successful in implementing responsive decision making and other change management components in relation to the implementation of the Declaration on the Rights of Indigenous Peoples Act.
- Provided ongoing support for the Aboriginal Liaison Program that has strengthened the BCER's relationships with Indigenous communities and assisted in building trust through effective communication and engagement.

Summary of progress made in 2022/23

The BCER has made significant progress to support the implementation of the Declaration on the Rights of Indigenous Peoples Act through effective engagement and partnerships with Indigenous peoples and First Nations in BC in areas such as restoration, emergency management, and monitoring. In addition, by identifying actions to enhance relationships, we aimed to build trust, foster collaboration, and ensured that partners had a meaningful voice in decision-making processes related to regulated activities.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1a Per cent of consultation files meeting duty to consult criteria, as assessed by quality assurance reviews ¹	N/A	100%	N/A

Data source: Internal consultation quality assurance review records.

¹ PM 2.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 100% and 100%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

2.1a This performance measure was placed on hold due to the need for input and approval from BRFN and other Treaty 8 Nations under new BRFN and Treaty 8 Agreements. The BCER collaborated with stakeholders and Indigenous Nations to ensure the criteria for meaningful and accurate reporting outcomes were established, building confidence in the process.

During the past year transformative work had begun to implement responsive decision making; collaboratively develop information and tools to consider cumulative effects in decisions; built a development planning management system to support decision making in north eastern BC; and advanced restoration of oil and gas activities on the land base. These new approaches to consultation are expected to include their own quality assurance mechanisms that better reflect input from Indigenous Nations.

This measure provides a proactive leading indicator of the quality of the BCER's First Nation consultation operations, as assessed through quality assurance review processes and predefined duty to consult criteria. The measure reflects the BCER's proactive efforts to ensure meaningful consultation occurs in relation to all applications.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.1b Satisfaction level on how well the Commission is engaging First Nations ¹	73%	N/A	N/A

Data source: A comprehensive survey is conducted by an external third party every other year. Surveys are distributed to a wide range of First Nations and Indigenous peoples throughout the province; results are tracked and analyzed internally.

¹ PM 2.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 76% and N/A, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

2.1b The First Nations survey is conducted every other fiscal year and was last completed in 2021/22. Therefore, no data are available for this reporting fiscal year.

Objective 2.2: Stakeholder interests are valued, understood, and considered in Commission decisions and programs.

We recognize there are quality of life impacts to those living near energy resource development. We will ensure they are informed about development and potential impacts and their timelines. We will ensure they have the opportunity to receive and provide information related to the development and any concerns.

Key results

- Increased engagement and awareness among the public about the BCER's mandate through participation in tradeshow, workshops, and conferences.
- Strengthened engagement and collaboration with industry, local government and land owners by connecting through South Peace Synergy group¹.
- BCER promptly addressed land owner complaints, concerns, and inquiries by assigning a specific person to handle land owner communication and ensure a timely and effective response.
- Reviewed the annual stakeholder survey and gained a comprehensive understanding of stakeholder perspectives and identified areas for improvement based on the results.
- Enhanced engagement channels, including better utilizing the website, social media, and face to face forums, to improve communication and foster meaningful connections.

Summary of progress made in 2022/23

In order to effectively carry out the BCER's mandate, these strategic responses sought to deepen connections, boost communication, and raise public awareness. The BCER concentrated its efforts on better understanding stakeholder needs, and fostering meaningful connections that utilize platforms that enable continuing interaction.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.2a Per cent of wellsite operations suspended after causing a seismic event above regulatory threshold ¹	100%	100%	100%

Data source: Seismic event data is obtained from the Natural Resources Canada (NRCan) earthquake database. Operational data, including suspension data, is obtained from internal Commission databases. The Commission is now referred to as The BCER.

¹ PM 2.2a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 100% and 100%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

2.2a The target was met. During the fiscal year, one wellsite operation triggered an event >3.0M in the Kiskatinaw Seismic Monitoring and Mitigation Area (KSMMA). The operations were immediately suspended as per the requirement.

This measure reflects the BCER's commitment to suspend operations that have an impact on the public when significant seismic events occur because of operations. As per the Drilling and Production Regulation, any wellsite operation that causes a seismic

¹ The South Peace Synergy group provides a venue for land owners and industry to discuss issues pertaining to petroleum and natural gas (PNG) development and solutions for those issues.

event $\geq 4.0M$ must be immediately suspended. However, when a seismic event occurs in the Kiskatinaw Seismic Monitoring and Mitigation Area the threshold is reduced to $>3.0M$. Over the last few years, activity has shifted to target areas and formations that have lower seismic risk, resulting in lower expected seismic frequency and magnitude compared to historical trends.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
2.2b Satisfaction level on how well the Commission is engaging stakeholder group ¹	89%	88%	88%

Data source: Survey of a wide range of stakeholders throughout the province, conducted every year by an external third party. The results are tracked and analyzed internally. The Commission is now referred to as The BCER.

¹PM 2.2b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 88% and 88%, respectively. For forward-looking planning information, including current targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

2.2b The target was met. The year over year results indicated that we engaged consistently. The stakeholder survey results provided insight on how to improve information tools and engagement strategies for continuous improvement.

This measure reflects the effectiveness of the BCER’s engagement efforts with stakeholder groups. Engaging with stakeholders, particularly those directly affected by regulated activities, is a key aspect of the BCER’s work. The BCER targeted high levels of stakeholder satisfaction and worked with stakeholder groups, local officials, and land owners through ongoing dialogue and meaningful actions that ensure their quality of life is not negatively impacted.

Goal 3: Safeguard the Environment

Objective 3.1: Environmental values and attributes are sustained.

We recognize there are short-term and long-term impacts to the land base as a result of decisions we make related to energy resource development. We will ensure impacts to the environment are minimized and mitigated and ensure experts, decisions makers, and field staff have the most current training and information.

Key results

- Expanded an Environmental Oversight Framework to identify and incorporate the needs related to the recently negotiated agreements with Treaty 8 nations. The Framework included 17 cross-organization improvement projects were started in 22/23 and are in various stages of development.
- Completed a regulatory review of methane emissions regulations by collaborating with environmental non-government organizations (ENGOS), industry organizations and the public to draft new regulatory measures to reduce methane emissions. First Nations were consulted on an ongoing basis. The BCER worked with provincial ministries to

ensure that regulatory requirements for the oil and gas sector were developed to meet emissions reduction targets of the CleanBC Roadmap to 2030.

- BCER functioned as an active member on the Methane Emissions Research Collaborative (MERC) to support research related to methane emissions for the purpose of regulatory development respecting the methane emissions reduction targets. The previous MERC projects have been completed and the knowledge gained to be incorporated in the developing of a new three-year research plan².
- The BCER collaborated with government agencies to develop a pilot approach for water allocation decisions, including licences and short-term use approvals, and protection of environmental flow needs pursuant to the BRFN negotiated agreement. The pilot program will enhance regulatory oversight of water use in the long term and contribute to the management of cumulative effects. The technical team is actively engaged with Treaty 8 First Nations on water-related initiatives including the small watershed hydrometric program.
- Delivered engagement sessions with First Nations and industry and incorporated feedback into the final documentation for Ecologically Suitable Species Guidance (ESSG).

Summary of progress made in 2022/23

The BCER expanded its Environmental Oversight Framework and initiated 17 cross-organizational improvement projects. The BCER’s methane reduction regulations were on-track to meeting provincial and federal 2025 reduction targets, as evidenced by the provincial GHG inventory data combined with regulatory effectiveness modelling. Additionally, during 2022/23, the BCER delivered engagement sessions with First Nations and industry that will inform an Ecologically Suitable Species Guidance.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1a Per cent of well and facility permits issued in environmentally sensitive areas ¹	0%	<1%	0%

Data source: Internal permitting and Area Based Analysis (ABA) data

¹ PM 3.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as <1% and <1%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

3.1a The target was met. There were no well or facility permits issued in environmentally sensitive areas which include wildlife habitat areas, ungulate winter ranges, old-growth management areas, and cultural heritage resources identified under the

² BC MERC is funded by contributions from BC Oil & Gas Research and Innovation Society (BC OGRIS), as well as member contributions. Members include BCER, Ministry of Energy, Mines and Low Carbon Innovation (EMLI), Climate Action Secretariat (CAS), GeoScienceBC, Canadian Association of Petroleum Producers (CAPP), Explorers & Producers Association of Canada (EPAC).

Environmental Protection and Management Regulation. The BCER is committed to reducing impacts of development on environmentally sensitive areas, and this measure represents the organization’s ability to protect those areas through its guidance to permit holders and application review processes.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1b Per cent of available freshwater withdrawn for oil and gas activities ¹	0.0025%	<1%	0.004%

Data source: Permit holder reported water withdrawal data relative to the total volume of water available in northeast BC as per the province’s environmental flow needs policy.

¹ PM 3.1b targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as <1% and <1%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

3.1b The target was met with less than one per cent of available freshwater to be withdrawn for oil and gas activities. The measure reflects the BCER’s efforts to minimize the impact of oil and gas activities water use on available freshwater. This includes programs to improve our understanding of stream flows, so water use by industry is sustainable by ensuring adequate data to inform water authorization decisions. The BCER’s annual target for annual water withdrawn for oil and gas activities was to authorize one percent or less of freshwater, which represents a fraction of the 15 per cent of available freshwater, as defined in the Province’s environmental flow needs policy.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
3.1c Percentage of required methane leak surveys completed by permit holders ¹	N/A	100%	91.5%

Data source: Internally monitored and tracked permit holder submission data.

¹ PM 3.1c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 100% and 100%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

3.1c The 2022 survey results missed the target by 8.5 per cent. The measure reflects industry compliance performance to submit methane emission assessment surveys when requested. Compliance and Enforcement actively followed up on the companies who elected not to submit the survey. Methane emission assessments contribute to broader provincial reporting on progress toward methane emissions reductions.

Goal 4: Support Responsible Resource Development

Objective 4.1: Potential liabilities associated with resource development are mitigated.

Provincial policy supports energy resource development as long as the public is safe, those affected are respected, and the environment is safeguarded. Our responsibility is to ensure the most appropriate effective and efficient processes are in place to manage new development and restoration.

Key results

- Implemented the Permittee Capability Assessment (PCA) tool which was designed to effectively evaluate the corporate health of permit holders and determine corrective action needed to ensure compliance with regulatory requirements. Based on the outcome of the assessment the BCER took appropriate action, such as increasing financial security requirements or reducing liability of dormant, inactive, and marginal sites.
- Progress has been made in developing alternative forms of financial security, in conjunction with the Province's Public Interest Bonding Strategy, to ensure that owners of large industrial facilities or projects are accountable for the full costs of environmental cleanup.
- Completed an accelerated work plan for the restoration of orphan sites, resulting in the execution of over 700 projects on 450 orphan sites. The BCER has successfully carried out restoration work on a significant number of orphan sites, which demonstrates our commitment to environmental protection and sustainability.
- Effectively oversaw the collection and review of dormant work plans and reports, which enabled us to report that industry restoration activity was increasing above levels prior to regulations, and that 100 per cent compliance with planning requirements was achieved.
- Reduced the risk of orphan sites by participating in joint insolvency proceedings with Western Canada regulators and monitoring the progress of sales and closure work.

Summary of progress made in 2022/23

In summary, the BCER has implemented the Permittee Capability Assessment tool to evaluate the corporate health of permit holders and ensure compliance with regulatory requirements. The development of alternative financial security tools is ongoing. In addition, regulatory requirements have been expanded for dormant sites by requiring restoration of facilities and pipelines, in addition to wells.

Performance measure(s) and related discussion

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1a Dormant site annual workplan submission compliance rate ¹	100%	100%	100%

Data source: Internally monitored and tracked permit holder submission data.

¹ PM 4.1a targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 100% and 100%, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

4.1a The target was met with a total of 85 annual work plans submitted. This measure reflects industry compliance performance in relation to submitting annual dormant site work plans, and the BCER's related performance management efforts. Dormant site work plans, which require permit holders to identify legacy sites they will work to restore, are a key requirement of the [Dormancy & Shutdown Regulation](#) and are a mitigation against future liabilities to the Province associated with resource development.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1b Years to restore current orphan site population ¹	<10 years	<10 years	<9 years

Data source: Internal orphan site liability and funding data.

¹ PM 4.1b population relates to the current list of sites designated as orphans. Targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as <10 years and <10 years, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

4.1b The measure is on track to restore the current list of orphan sites within 9 years. The BCER's goal is to restore all orphan sites within 10 years of their designation and this measure tracks the capacity to do so. The measure is based on the total estimated cost to restore current orphan sites and the amount of funding collected from industry. The measure helps to inform adjustments required to the annual industry levy, which funds the BCER's orphan site reclamation program. This performance measure is also aligned with government commitments under the CleanBC Roadmap to 2030 for orphan well restoration.

Performance Measure	2021/22 Actual	2022/23 Target	2022/23 Actual
4.1c Number of orphan sites reclaimed annually ¹	44	35	40

Data source: Internal orphan site liability data.

¹ PM 4.1c targets for 2023/24 and 2024/25 were stated in the 2022/23 service plan as 50 and 60, respectively. Due to the BCER expanded mandate in 2023, the performance measure has been removed from future Service Plans. For forward-looking planning information, including performance measures and targets for 2023/24 – 2025/26, please see the latest service plan on the [BC Budget website](#).

- 4.1c The performance target was met. Reclamation activities were completed on five additional sites. Restoration is a multi-year process, with work occurring on hundreds of orphan sites each year. This measure reflects the completion of restoration work on orphan sites during the fiscal year. Orphan site restoration is funded through an industry levy and the work done by the BCER ensures orphan sites are safe and that associated potential environmental and financial liabilities are reduced. As of March 31, 2023, there were 819 orphan sites, three quarters of which have had all equipment removed and almost one quarter have been restored.

Financial Report

For the auditor's report and audited financial statements, see [Appendix B](#). These documents can also be found on the [BCER website](#).

Discussion of Results

The BCER had an annual surplus from operations of \$12.6 million, deficit from the Orphan Site Reclamation Fund (OSRF) of \$0.8 million, for a total surplus of \$11.7 million in 2022/23 compared to a break-even budget and surplus of \$0.3 million in 2021/22.

Production and application submission volumes had a significant impact on the 2022/23 financial results. Revenue from operations increased from \$58.8 million in 2021/22 to \$73.6 million due to stronger production levies and application fee revenue.

The BCER received additional federal pandemic stimulus funding of \$25.1 million during 2022/23 via the Ministry of Energy, Mines and Low Carbon Innovation to clean up orphan oil and gas wells under the Orphan Sites Supplemental Reclamation Program. This allowed the completion of additional work and in total \$48.5 million reclamation work was completed on orphan sites during the year, including \$37.2 million in discretionary reclamation and \$11.3 million in obligatory reclamation. After recognizing changes in estimates to increase the liability for orphan sites by \$3.2 million, this reduced the BCER's liability for orphan sites by \$8.1 million.

Financial Summary

(\$000s)	2021/22 Actual	2022/23 Budget	2022/23 Actual	2022/23 Variance
Operations				
Revenues				
Industry Levies	49,484	49,950	53,685	3,735
Application Fees and Other	9,292	5,000	19,702	14,702
Total Revenue from Operations	58,776	54,950	73,387	18,437
Expenses				
Salaries and Benefits	32,770	32,800	31,592	1,208
Other Operating	18,503	17,150	23,487	(6,337)
Amortization	5,210	5,000	5,753	(753)
Total Expenses from Operations	56,483	54,950	60,832	(5,882)
Annual Surplus from Operations	2,293	-	12,555	12,555
Orphan Site Reclamation Fund (OSRF)				
OSRF Revenues				
Orphan Site Restoration Levy	15,000	15,000	15,000	-
Government Transfers ²	1,374	-	25,065	25,065
Interest and Security	2,198	300	368	68
Total Revenue from OSRF	18,572	15,300	40,433	25,133
OSRF Expenses				
Obligatory Orphan Site Estimates	6,779	2,000	3,200	(1,200)
Discretionary Reclamation	12,641	11,900	37,188	(25,288)
Salaries and Administration	1,181	1,400	888	512
Total Expenses from OSRF	20,601	15,300	41,276	25,976
Annual Deficit from OSRF	(2,029)	-	(843)	(843)
Total Annual Surplus	264	-	11,712	11,712

Additional Information				
Capital Expenditures	4,743	5,000	4,927	73
Total Liabilities	107,607	102,000	117,258	(15,258)
Accumulated Surplus (Deficit)	(4,156)	(4,156)	7,556	11,712

¹ The above financial information was prepared based on current Generally Accepted Accounting Principles. Refer to the Statement of Operations and Note 18 of the audited financial statements for details of revenue and expenses summarized in the above table.

² Government transfers includes federal pandemic stimulus funding received through the Ministry of Energy, Mines and Low Carbon Innovation. Additional funding was received, and orphan reclamation work completed in 2022/23.

³ Certain budget classifications reported in the 2021/22 Service Plan were reclassified to align with the approved Audited Financial Statements contained in Appendix A.

Variance and Trend Analysis

The BCER is reporting an annual surplus of \$11.7 million compared to a break-even budget.

Revenue from operations was \$18.4 million higher than budget due to a higher volume of industry levies and application fees.

Production levies account for 65 per cent of revenue from operations and in 2022/23 natural gas production volumes increased by 9 per cent over the prior year leading to \$3.7 million in increased industry levies compared to budget.

Application fees account for 24 per cent of revenue from operations and in 2022/23 well application submissions increased by 40 per cent. In addition, the budget for application fee revenue had been lowered to reflect uncertainty over application volumes as negotiations were underway with Blueberry River First Nations and other Treaty 8 First Nations to develop a new resource stewardship framework. This led to \$14.7 million in increased application fees compared to budget.

Expenses from operations were \$5.9 million higher than budgeted due to increased amortization and other operating expenses. This increase was primarily attributed to greater Indigenous spending and other grants and contributions. BCER was able to find savings from staffing vacancies.

Other operating expenses were \$23.5 million compared to budget of \$17.2 million. This variance included grants provided to research organizations, professional services, and information systems.

Within the Orphan Site Reclamation Fund (OSRF), additional federal pandemic stimulus funding of \$25.1M was received from the Ministry of Energy, Mines and Low Carbon Innovation to clean up orphan oil and gas wells under the Orphan Sites Supplemental Reclamation Program. This work was completed in 2022/23 and resulted in higher OSRF revenues and expenses compared to budget.

Capital expenditures of \$4.9 million were completed slightly below budget of \$5.0 million.

Total liabilities as of March 31, 2023, of \$117.3 million were higher than budgeted primarily due to the timing of OSRF accounts payable.

Risks and Uncertainties

The BCER's main financial risk exposure was due to the potential insolvency of industry permit holders. In order to comply with provincial legislation, the BCER must maintain a balanced budget. If insolvencies occur among industry permit holders, the recognition of obligatory orphan site expenses may be greater than budgeted OSRF revenues can absorb, and a deficit would be absorbed. Accounting standards require the liability for orphan sites to be recognized in the year the permit holder becomes insolvent and while this can impact the BCER's ability to balance its budget on an annual basis, industry funding through the orphan site restoration levy is expected to be sufficient to fund future OSRF costs.

The BCER monitors industry market forces and permittee financial health to determine whether the risk of a deficit exists. The liability for orphan sites is estimated and measurement uncertainty disclosed in the audited financial statements and supporting notes.

Financial risk to operations was primarily from industry market forces on production volumes and well applications. The ability of the BCER to set levy rates, within an approved range, reduces the risk that regulatory costs will exceed industry revenues.

Appendix A: Progress on Mandate Letter Priorities

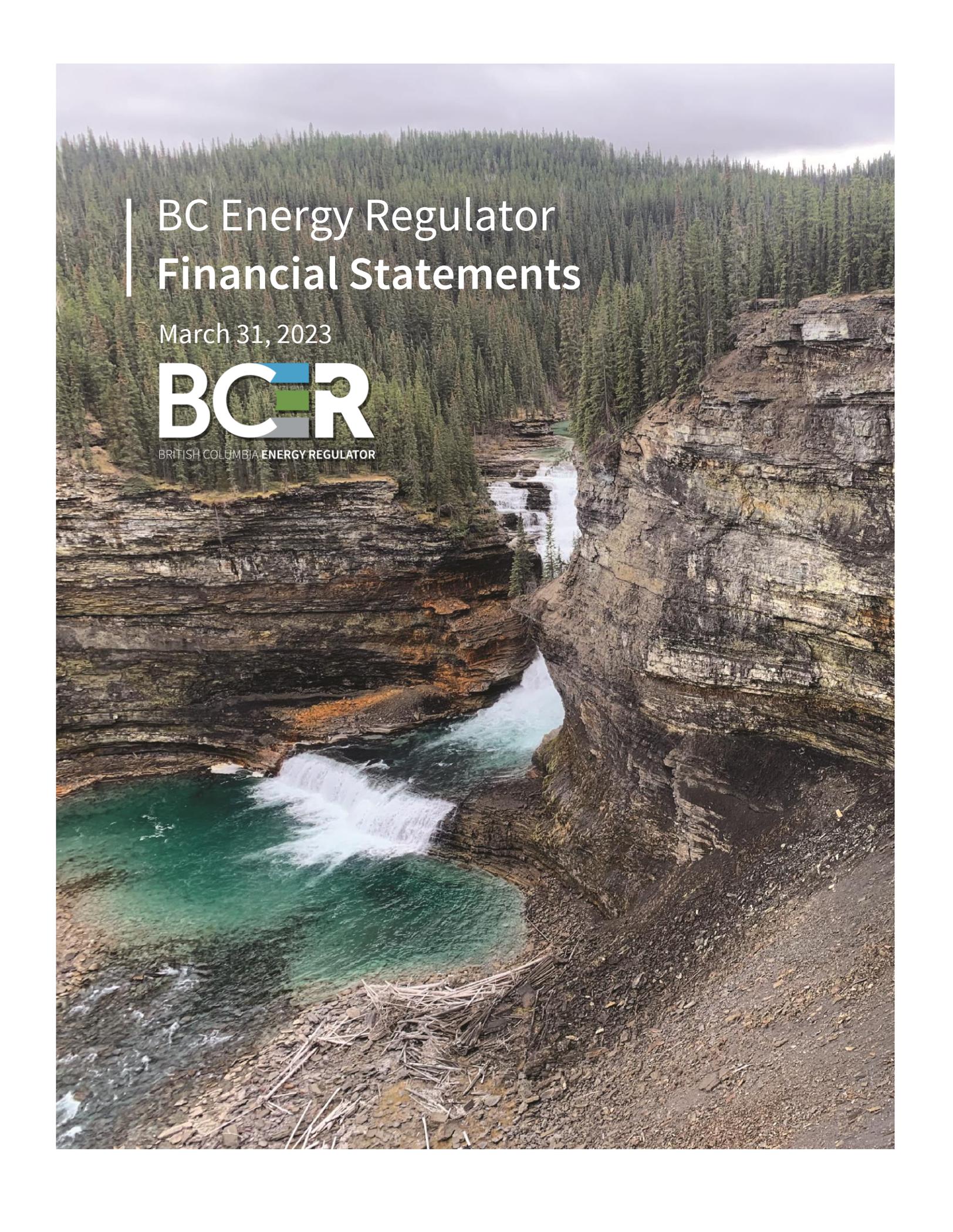
The following is a summary of progress made on priorities as stated in the 2021/22 Mandate Letter from the Minister Responsible.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Continue to build and strengthen relationships with Indigenous Nations through flexible approaches to consultation and supporting partnership initiatives.</p>	<ul style="list-style-type: none"> • This fiscal year the BCER continued to enhance its consultation and engagement processes with Treaty 8 First Nations. The BCER has multiple partnerships with First Nation communities around restoration work in northeast BC, and procurement strategies have resulted in significant support from First Nation owned and partnered service providers on orphan sites. Overall, across the province, the BCER continued to provide funding for partnership opportunities to support First Nations and Indigenous organizations involvement across the regulatory lifecycle, as well as to meet reconciliation commitments. This mandate priority will be on-going and each year we continually look for new initiatives to strengthen our partnerships further.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Continue to modernize liability management programs; ensure operators complete reclamation activities for dormant sites in accordance with the Dormancy and Shutdown Regulation; ensure reclamation activities for orphan sites occur within established timelines and reflect Indigenous peoples, community, and agricultural land priorities; and include the restoration of other legacy oil and gas disturbances to protect public safety and the environment.</p>	<ul style="list-style-type: none"> This fiscal year work has advanced significantly around restoration of orphan sites with annual, detailed work plans (almost three quarters of B.C.'s orphan population has been decommissioned, and one quarter reclaimed); industry has exceeded minimum requirements for decommissioning and restoration of dormant sites; partnerships developed with Indigenous communities and a new liability management program (Permittee Capability Assessment) that better assesses the health of operating companies and requires higher security payments or additional restoration work to offset any potential liabilities. This mandate priority will be on-going until such time there are no oil and gas activities in BC.
<p>Continued engagement with those affected by oil and gas development to ensure an ongoing dialogue, information and data is transparent and available, and there are opportunities to inform policies, guidelines and regulations that protect public interests.</p>	<ul style="list-style-type: none"> This fiscal engagement with residents and land owners through open houses and trade shows; new data narratives, along with new seismicity and dormant sites maps available on the website. Through established regulatory development processes, there was the opportunity for public and Indigenous input on new regulations. This mandate priority will be on-going until such time there are no oil and gas activities in BC.

2021/22 Mandate Letter Priority	Status as of March 31, 2023
<p>Collaborate with other government ministries, agencies, and partners to help achieve B.C.'s methane emissions reduction targets from oil and gas operations, including by monitoring the effectiveness of new methane regulations, undertaking robust compliance and enforcement activities, and advancing research to improve the detection, measurement, and reduction of methane emissions</p>	<ul style="list-style-type: none"> • This fiscal the BCER collaborated with Ministry of Energy, Mines and Low Carbon innovation (EMLI) and the Ministry of Environment and Climate Change Strategy and has partnerships through the BC Methane Emissions Research Collaborative with academic institutions for ongoing research into methane reduction; in 2022, the BCER conducted a review of the methane regulations incorporating input from environmental non-government organizations (ENGOS), companies and public with results to inform new measures to reduce methane emissions in alignment with the Province's CleanBC Roadmap to 2030 Plan and federal targets; and continued to have well established links and relationships with government ministries and agencies through working committees from Deputy Minister, ADM and staff levels. This mandate priority will be on-going and each year we continually look for new initiatives to strengthen our partnerships further.

Appendix B: Auditor's Report and Audited Financial Statements



BC Energy Regulator Financial Statements

March 31, 2023



Statement of Management Responsibility

The financial statements of the British Columbia Energy Regulator (BCER) for the year ended March 31, 2023 have been prepared by management, in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for the notes to the financial statements and ensuring this information is consistent, where appropriate, with the information contained in the financial statements.

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

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

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

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

On behalf of the British Columbia Energy Regulator



Michelle Carr
Commissioner & Chief Executive Officer



Dean Skinner, CPA, CMA
Chief Financial & Strategy Officer

June 8, 2023



Independent Auditor's Report

*To the Board of Directors of the British Columbia Energy Regulator, and
To the Minister of Energy, Mines and Low Carbon Innovation, Province of British Columbia*

Opinion

I have audited the accompanying financial statements of the British Columbia Energy Regulator ("the entity") which comprise the statement of financial position as at March 31, 2023, and the statements of operations and accumulated deficit, change in net financial debt and cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2023, and the results of its operations, change in its net debt, cash flows and remeasurement gains and losses for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the entity's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

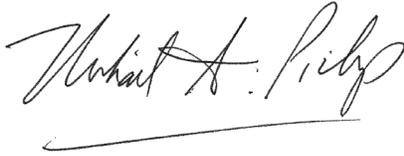
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all

Independent Auditor's Report

British Columbia Energy Regulator

relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

A handwritten signature in black ink, reading "Michael A. Pickup". The signature is written in a cursive style and is positioned above a horizontal line.

Michael A. Pickup, FCPA, FCA
Auditor General

Victoria, British Columbia, Canada
June 7, 2023



BRITISH COLUMBIA ENERGY REGULATOR

Statement of Financial Position

(Amounts in thousands of dollars)

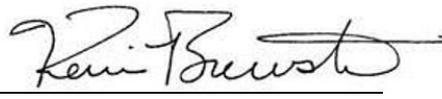
As at March 31, 2023

	Note	2023	2022
Financial assets			
Cash		\$ 28,207	\$ 15,814
Investments	3 & 4	52,758	45,174
Accounts receivable	5	14,996	14,789
Due from government	6	6,025	4,286
		<u>101,986</u>	<u>80,063</u>
Liabilities			
Accounts payable & accrued liabilities	7	22,636	7,062
Employee future benefits	8	1,026	1,002
Due to government	9	719	818
Deferred revenue	10	5,268	5,349
Deferred lease inducements		198	305
Liability for orphan sites	11 & 15	57,114	65,251
Security deposits	4	30,297	27,820
		<u>117,258</u>	<u>107,607</u>
Net financial debt		<u>(15,272)</u>	<u>(27,544)</u>
Non-financial assets			
Tangible capital assets	12	21,097	22,042
Prepaid expenses		1,731	1,346
		<u>22,828</u>	<u>23,388</u>
Accumulated surplus/(deficit)		<u>\$ 7,556</u>	<u>\$ (4,156)</u>
Contractual obligations	13		
Contingent liabilities	14		
Measurement uncertainty	15		

The accompanying notes are an integral part of these statements.

Approved on behalf of the Board


 Chris Hayman, CPA, CA
 Board Chair


 Kevin Brewster
 Audit Committee Chair

Statement of Operations and Accumulated Surplus

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

	<i>Note</i>	Budget <i>(Note 19)</i>	2023	2022
Revenues				
Production levies		\$ 44,630	\$ 47,788	\$ 43,590
Government transfers	17	9,300	25,065	1,786
Application fees		12,545	17,362	8,073
Orphan site restoration levy		15,000	15,000	15,000
Infrastructure levies		6,250	5,897	5,894
Interest		1,240	2,466	542
Other		80	242	356
Security		-	-	2,107
		89,045	113,820	77,348
Expenses				
Operations	18	59,005	60,832	56,483
Orphan site reclamation fund	18	29,390	41,276	20,601
		88,395	102,108	77,084
Annual surplus		650	11,712	264
Accumulated deficit, beginning of year		(4,156)	(4,156)	(4,420)
Accumulated surplus (deficit), end of year		\$ (3,506)	\$ 7,556	\$ (4,156)

The accompanying notes are an integral part of these statements.



BRITISH COLUMBIA ENERGY REGULATOR

Statement of Changes in Net Financial Debt

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

	Budget <i>(Note 19)</i>	2023	2022
Annual surplus	\$ 650	\$ 11,712	\$ 264
Acquisition of tangible capital assets	(5,000)	(4,927)	(4,743)
Disposals of tangible capital assets	-	119	178
Impairment of tangible capital assets	-	-	286
Amortization of tangible capital assets	5,000	5,753	4,924
	-	945	645
Acquisition of prepaid expense	-	(385)	462
Increase in net financial assets	650	12,272	1,371
Net financial debt, beginning of year	(27,544)	(27,544)	(28,915)
Net financial debt, end of year	\$ (26,894)	\$ (15,272)	\$ (27,544)

The accompanying notes are an integral part of these statements.



BRITISH COLUMBIA ENERGY REGULATOR

Statement of Cash Flows

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

	2023	2022
Operating transactions		
Cash generated from:		
Production levies	\$ 61,813	\$ 58,693
Infrastructure levies	5,889	5,941
Application fees	16,616	11,337
Interest	2,466	542
Government transfers	25,065	1,786
Other	(56)	3,374
Security deposits received	4,209	6,710
	116,002	88,383
Cash used for:		
Salaries and benefits	(32,725)	(33,686)
Payments to Indigenous communities	(6,861)	(6,440)
Operating expenses	(18,078)	(12,809)
Orphan site reclamation	(31,702)	(30,777)
Security deposits refunded	(1,732)	(2,475)
Security deposits transferred to revenue	-	(2,107)
	(91,098)	(88,294)
Cash from operating activities	24,904	89
Capital transactions		
Cash used to acquire tangible capital assets	(4,927)	(4,743)
Investing transactions		
Cash (used for) from investments	(7,584)	15,049
Increase in cash	12,393	10,395
Cash, beginning of year	15,814	5,419
Cash, end of year	\$ 28,207	\$ 15,814

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

1. The British Columbia Energy Regulator

The British Columbia Energy Regulator (the “BCER”), formerly the Oil and Gas Commission, is a Crown corporation of the Province of British Columbia (the “Province”), established under the *Oil and Gas Commission Act* on July 30, 1998 and continued in the *Oil and Gas Activities Act* which came into force Oct. 4, 2010.

The BCER is responsible for regulating the life cycle of energy resource activities in British Columbia from site planning to restoration, ensuring activities are undertaken in a manner that: protects public safety and the environment; supports reconciliation with Indigenous Peoples; supports transition to low-carbon energy; conserves energy resources; and fosters a sound economy and social well-being.

In November 2022, the Province passed the *Energy Statutes Amendment Act*, which, when fully in force, expands the BCER’s mandate to include a wider range of energy resource activities in British Columbia including oil, natural gas, geothermal, carbon capture, underground storage, hydrogen, methanol and ammonia.

The BCER is funded from fees charged in respect of permit applications, transfers, & amendments and through industry levies against permit holders on:

- Oil and gas production;
- Infrastructure, such as pipelines & Class C LNG facilities; and
- Total liability.

The BCER is exempt from federal and provincial income taxes.

2. Significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Canadian Public Sector Accounting Standards.

Revenue recognition

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

Production levies

All production levy revenue authorized and collected under the *Oil and Gas Activities Act* is first paid to the Minister of Finance. The Province is required to transfer this amount of revenue to the BCER in full. This revenue source is calculated based on production of oil and gas, and is also recognized as revenue at point of production.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

2. Significant accounting policies (continued)

Infrastructure levies

Infrastructure levies are billed to permit holders of pipelines and Class C LNG Facilities owned, as at March 31 of the applicable fiscal year.

Orphan site restoration levies

Orphan site restoration levies are billed and recognized based on a permit holder's deemed liability for permitted wells and facilities, as at April 1 of the applicable fiscal year.

Application fees

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

Expenses

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

Financial instruments

The BCER reports its financial instruments at cost or amortized cost.

Tangible capital assets

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

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

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

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

2. Significant accounting policies (continued)

Prepaid expenses

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

Employee future benefits – employee benefit plan

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

Employee future benefits – future retirement allowance liability

The BCER accrues for future retirement allowances, as provided under the collective agreements and terms of employment. The accrual as at March 31, 2023 is determined based on service and best estimates of retirement ages, expected future salary and wage increases, long term inflation rates and discount rates. The estimates are also based on assumptions about future events.

Liability for orphan sites

Orphan sites may be designated by the BCER where the permit holder is bankrupt or cannot be located. To account for contamination by a chemical, organic or radioactive material, or live organism that exceeds an environmental standard, being introduced into air, soil, water or sediment, a liability for restoration of orphan sites is recognized when the BCER accepts responsibility for the restoration of an orphan site, contamination at the orphan site exceeds the environmental standard and a reasonable estimate of the amount can be made. Uncertainty of a potential liability for orphan sites may exist when there are ongoing insolvency or court proceedings. The BCER may recognize a contingent liability prior to formal designation of an orphan site, where the outcome of proceedings is assessed to likely result in sites becoming orphaned.

3. Investments

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

Investment funds are pooled from the following sources:

	2023	2022
Operations	\$ 22,296	\$ 13,715
Orphan site reclamation fund (Note 11)	165	3,639
Security deposits (Note 4)	30,297	27,820
	\$ 52,758	\$ 45,174

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

4. Security deposits

The purpose of BCER's Permittee Capability Assessment (PCA) program is to mitigate risk and focus on reducing liability while companies are financially viable. It assists the BCER in determining security deposits required of permit holders to protect against those who may not be capable of meeting closure obligations. Currently, the BCER holds \$195,044 (2022: \$182,561) in security deposits, of which \$30,297 (2022: \$27,820) is held in cash and investments and \$164,747 (2022: \$154,741) in the form of irrevocable letters of credit which are not recorded in these financial statements. Security deposits are restricted for use in settling potential permit holder restoration obligations. In fiscal 2023, the BCER recovered nil (2022: \$2,107) from security deposits to help satisfy restoration obligations of permit holders.

5. Accounts receivable

	2023	2022
Production levies	\$ 7,975	\$ 7,409
Infrastructure levies	5,897	5,889
Application fees	832	167
Other	292	1,324
	\$ 14,996	\$ 14,789

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

6. Due from Government

	2023	2022
Levies collected	\$ 4,228	\$ 3,819
Recoveries and other	1,797	467
	\$ 6,025	\$ 4,286

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

7. Accounts payable and accrued liabilities

	2023	2022
Operating expenses	\$ 3,504	\$ 1,133
Orphan site reclamation	16,352	2,730
Salaries and benefits	2,780	3,199
	\$ 22,636	\$ 7,062

Employee leave entitlements

As of March 31, 2023, the value of employee entitlements to vacation, other leave and compensatory time off, plus related benefits, in accordance with collective agreements and terms of employment was \$1,272 (2022: \$1,184). This amount is included in salaries and benefits payable.

8. Employee future benefits

Employee benefit plan

The BCER and its employees contribute to the Public Service Pension Plan, a jointly trusted pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. Basic pension benefits are based on a formula. The plan has approximately 68,387 active plan members, 53,694 retired plan members, and 22,466 inactive members.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2020, indicated a funding surplus of \$2.7 billion for basic pension benefits. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore, there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The total amount paid into this pension plan by the BCER for the year ended March 31, 2023 for employer contributions was \$2,422 (2022: \$2,548).

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

8. Employee future benefits (continued)

Future retirement allowance liability

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

	2023	2022
Accrued retirement obligation		
Balance, beginning of year	\$ 1,002	\$ 875
Current benefit cost	67	65
Interest	35	33
Amortization of actuarial loss	13	29
Benefits paid	(91)	-
Balance, end of year	\$ 1,026	\$ 1,002
Actuarial retirement obligation		
Accrued benefit obligation	\$ 1,026	\$ 1,002
Unamortized actuarial loss	277	18
Balance, end of year	\$ 1,303	\$ 1,020

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

	2023	2022
Discount rate	4.90%	3.50%
Wages and salary escalation	2.00%	2.00%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. The unamortized actuarial loss on future payments is amortized over the estimated average remaining years of service of the employee group which has been determined to be approximately 13 years at March 31, 2023 (2022: 14 years).

9. Due to government

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

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

involved.

10. Deferred revenue

Deferred revenue consists of government transfers, unearned application fees, major projects application fees and other revenues. The change in the deferred revenue balance is as follows:

	Balance, beginning of year	Receipts during year	Transferred to revenue	Balance, end of year
Application fees and other	\$ 5,349	41,960	(42,041)	\$ 5,268

11. Liability for orphan sites

The BCER administers the Orphan Site Reclamation Fund (OSRF) as a means for industry to pay for restoration of orphaned oil and gas sites and for related costs. Revenue for the OSRF is derived from government transfers, orphan site restoration levies, interest, and security.

The OSRF has assets of \$13,295 (2022: \$3,652 (Restated)) to pay for costs associated with orphan sites. There were no new orphan sites designated in 2023. The number of designated orphan sites is 819.

Of the designated sites, 189 (2022: 147) have been reclaimed, with the remainder to undergo restoration as resources permit. The BCER continues to monitor other potential orphan sites.

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

The estimation of the liability does not include discretionary reclamation costs. Full reclamation costs for orphan sites is estimated to be in the range of \$112,000 to \$176,000.

Net present value has not been used, since the estimated costs are not expected to occur over an extended long term period.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

12. Tangible capital assets

March 31, 2023	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	\$ 6,513	\$ 4,157	\$ 4,574	\$ 2,136	\$ 1,803	\$ 13,733	\$ 19,227	\$ 823	\$ 52,966
Additions	30	24	619	20	19	3,819	106	290	4,927
Disposals	-	-	-	-	(80)	(55)	-	-	(135)
Closing balance	\$ 6,543	\$ 4,181	\$ 5,193	\$ 2,156	\$ 1,742	\$ 17,497	\$ 19,333	\$ 1,113	\$ 57,758
Accumulated amortization									
Opening balance	\$ 4,909	\$ 3,082	\$ 3,753	\$ 1,349	\$ 617	\$ 5,888	\$ 10,503	\$ 823	\$ 30,924
Amortization	421	325	403	248	75	2,220	2,044	17	5,753
Disposals	-	-	-	-	(16)	-	-	-	(16)
Closing balance	\$ 5,330	\$ 3,407	\$ 4,156	\$ 1,597	\$ 676	\$ 8,108	\$ 12,547	\$ 840	\$ 36,661
Net book value	\$ 1,213	\$ 774	\$ 1,037	\$ 559	\$ 1,066	\$ 9,389	\$ 6,786	\$ 273	\$ 21,097
March 31, 2022									
March 31, 2022	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	\$ 6,503	\$ 4,075	\$ 3,995	\$ 1,844	\$ 2,022	\$ 10,385	\$ 19,190	\$ 823	\$ 48,837
Additions	10	82	579	292	109	3,634	37	-	4,743
Impairments	-	-	-	-	-	(286)	-	-	(286)
Disposals	-	-	-	-	(328)	-	-	-	(328)
Closing balance	\$ 6,513	\$ 4,157	\$ 4,574	\$ 2,136	\$ 1,803	\$ 13,733	\$ 19,227	\$ 823	\$ 52,966
Accumulated amortization									
Opening balance	\$ 4,522	\$ 2,744	\$ 3,336	\$ 1,105	\$ 649	\$ 4,498	\$ 8,476	\$ 820	\$ 26,150
Amortization	387	338	417	244	118	1,390	2,027	3	4,924
Disposals	-	-	-	-	(150)	-	-	-	(150)
Closing balance	\$ 4,909	\$ 3,082	\$ 3,753	\$ 1,349	\$ 617	\$ 5,888	\$ 10,503	\$ 823	\$ 30,924
Net book value	\$ 1,604	\$ 1,075	\$ 821	\$ 787	\$ 1,186	\$ 7,845	\$ 8,724	\$ -	\$ 22,042

Included in the net book value of other systems development are assets not being amortized of \$595 (2022: \$798) as they have not yet been completed and put into use.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

13. Contractual obligations

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

2024	2025	2025	2026	2027	Thereafter
\$ 4,492	\$ 4,064	\$ 2,409	\$ 2,340	\$ 2,347	\$ 5,704

The BCER is also committed to make certain payments under Indigenous capacity agreements.

14. Contingent liabilities

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

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

15. Measurement uncertainty

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

	Reported	Low	High
Liability for orphan sites	\$57,114	\$42,000	\$82,000

Liability for orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. Changes in the liability estimate are recognized when a site specific assessment of restoration costs is available. The estimation of the liability does not include contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. Additional potential liability for the designated sites resulting from these contingencies is also estimated based on site characteristics. Changes in this estimate would also affect orphan reclamation expenses and annual and accumulated surpluses.

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

15. Measurement uncertainty (continued)

	Reported	Low	High
Deferred revenue	\$ 5,268	\$ 4,900	\$ 5,900

Deferred revenue is estimated using the remaining technical reviews and First Nations consultation involved in the application review process and the average time to complete individual review tasks. Changes in this estimate would also affect application fee revenue, annual surplus, and accumulated surplus.

16. Related party transactions

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

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

	2023	2022
Revenues		
Government transfers	\$ 25,081	\$ 1,786
Interest	1,018	129
	\$ 26,099	\$ 1,915
Expenses		
Salaries and benefits	\$ 1,282	\$ 1,693
Professional services and training	385	225
Building occupancy	154	161
Telecommunications and information systems	76	112
Travel and vehicle costs	72	50
Office supplies and equipment	34	31
	\$ 2,003	\$ 2,272
Tangible capital assets		
Additions	\$ -	\$ 186
Accounts Payable	\$ 5	\$ -

In addition, the BCER is related to the BC Oil and Gas Research and Innovation Society (BC OGRIS) with a member of the BCER's senior management serving on the board of directors of BC OGRIS. During the year, grants of \$2,185 (2022: \$1,508) were provided to BC OGRIS.

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

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

17. Government transfers

Government transfers includes funding received from the Ministry of Energy, Mines and Low Carbon Innovation originating from the Government of Canada to clean up orphan and inactive oil and gas wells across the province under the Orphan Sites Supplemental Reclamation Program (the “Program”). Additional funding was received and clean-up work completed under the Program during fiscal 2023.

18. Expense by Object

	Orphan Site			
	Operations	Reclamation	2023	2022
	Fund			
Salaries and benefits	\$ 31,592	\$ 738	\$ 32,330	\$ 33,820
Indigenous funding	6,890	-	6,890	6,558
Amortization and impairments	5,753	-	5,753	5,210
Building occupancy	4,522	-	4,522	4,526
Professional services and training	3,561	14	3,575	1,959
Information systems and telecom	3,482	70	3,552	2,493
Grants and contributions	2,276	-	2,276	1,833
Travel and vehicle costs	1,795	15	1,810	673
Supplies and equipment	902	-	902	579
Bad debts	59	51	110	13
Discretionary reclamation	-	37,188	37,188	12,640
Obligatory orphan site estimates	-	3,200	3,200	6,780
	\$ 60,832	\$ 41,276	\$ 102,108	\$ 77,084

19. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the final operating budget approved by the Board of Directors on June 9, 2022 and capital budget approved on Aug. 24, 2022. Amounts may differ from the preliminary budget, for the purposes of the Annual Service Plan.

20. Comparative figures

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

Notes to the Financial Statements

(Amounts in thousands of dollars)

For the Year Ended March 31, 2023

21. Financial risk management

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

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

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

The BCER's cash and investments are held at Canadian chartered banks and credit unions and irrevocable letters of credit are held with Schedule I, II or III banks; Canadian credit unions; and government owned financial institutions. The BCER is not exposed to significant credit risk.

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

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

