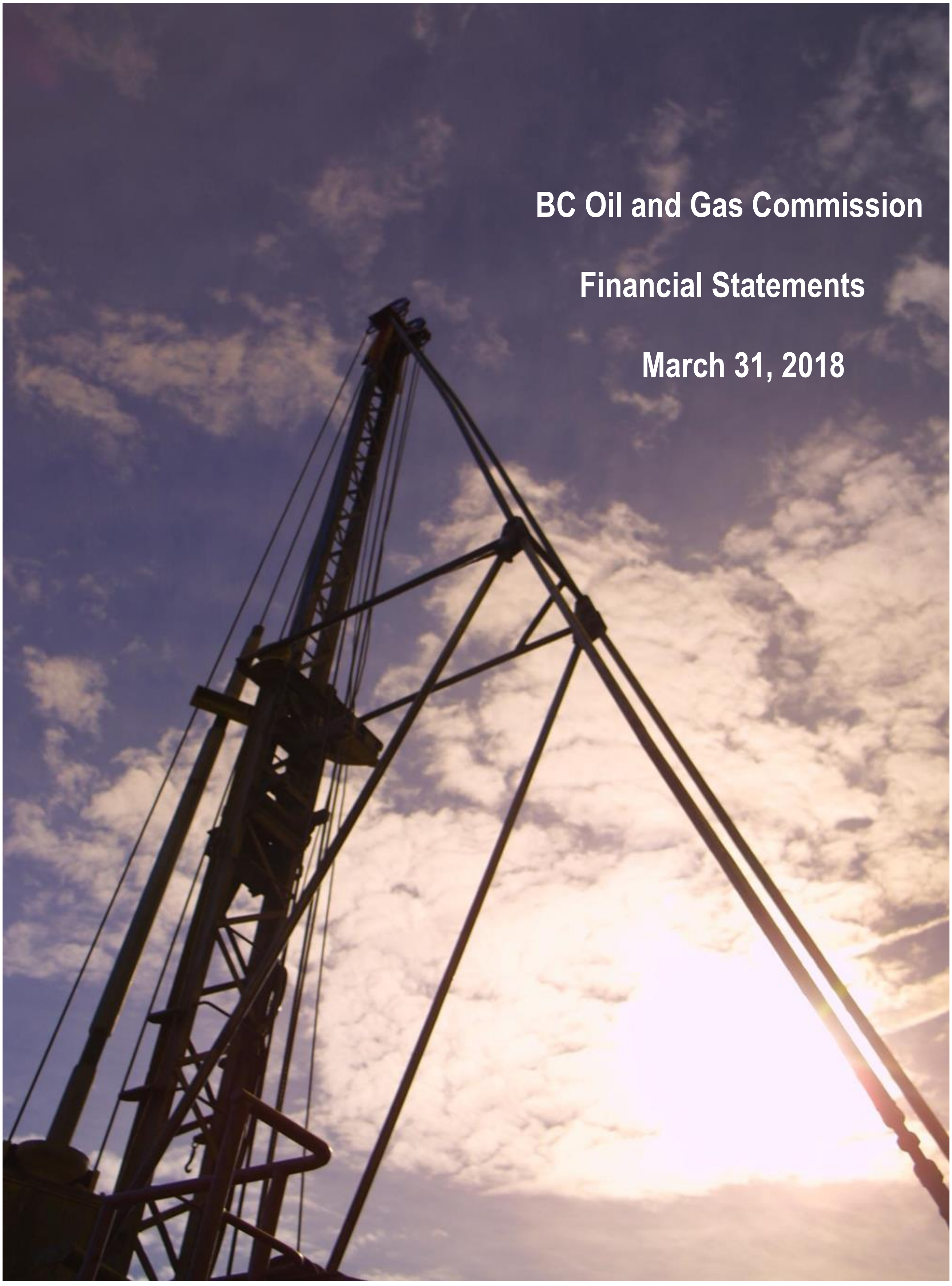
BC Oil and Gas Commission

Financial Statements

March 31, 2018



Statement of Management Responsibility

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

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

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

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

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

On behalf of the Commission

Paul Jeakins
Commissioner

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

May 17, 2018

OFFICE OF THE
Auditor General
of British Columbia

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Russ Jones

Victoria, British Columbia
May 28, 2018

Russ Jones, FCPA, FCA
Deputy Auditor General

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

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

The accompanying notes are an integral part of these statements.

Approved on behalf of the Board

Dave Nikolejsin, Board Chair

Paul Jeakins, Commissioner

Doug Wilkes, CPA, CA
Audit Committee Chair

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

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

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

The accompanying notes are an integral part of these statements.

(in $000s)

1. The Oil and Gas Commission

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

The Commission is funded through:

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

The Commission is exempt from federal and provincial income taxes.

2. Significant accounting policies

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

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

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

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

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

2. Significant accounting policies (continued)

Revenue recognition

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

Production and Orphan Site Reclamation Fund levies

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

Annual pipeline levies

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

Application fees

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

Expenses

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

Prepaid expenses

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

Employee future benefits – employee benefit plan

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

Employee future benefits – future retirement allowance liability

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

(in $000s)

2. Significant accounting policies (continued)

Liability for contaminated sites

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

3. Investments

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

Investment funds are pooled from the following sources:

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

4. Security deposits

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

5. Accounts receivable

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

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

(in $000s)

6. Due from Government

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

7. Accounts payable and accrued liabilities

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

Employee leave entitlements

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

8. Employee future benefits

Employee benefit plan

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

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

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

(in $000s)

8. Employee future benefits (continued)

Future retirement allowance liability

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

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

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

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

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

9. Due to First Nations

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

(in $000s)

10. Deferred revenue

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

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

11. Liability for Orphan Sites

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

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

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

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

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

Subsequent to year-end, funding for the OSRF was amended by Bill 15. Details of this amendment are outlined in Note 20.

(in $000s)

12. Tangible capital assets

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

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

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

(in $000s)

13. Contractual obligations

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

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

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

14. Contingent liabilities

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

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

15. Measurement uncertainty

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

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

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

(in $000s)

16. Related party transactions

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

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

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

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

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

(in $000s)

17. Expense by Object

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

18. Budgeted figures

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

19. Comparative figures

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

20. Subsequent event

On May 17, 2018, Bill 15 (Energy, Mines and Petroleum Resources Statutes Amendment Act, 2018, S.B.C 2018 c.15, ("the Act")), received royal assent. The Act amends the Oil and Gas Activities Act to provide the ability to secure funds for orphan site restoration, when and as they are required, by replacing the orphan site restoration tax with a levy to be paid by BC regulated companies based on their share of the potential restoration costs in the province. The levy will be set out in regulation made by the Board of the Oil and Gas Commission at which time, the provisions of the Act removing the tax and adding the levy will be brought into force by regulation made by the Lieutenant Governor in Council.

21. Financial risk management

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

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

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

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

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

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