

# **BC Oil and Gas Commission**

## **2015/16**

### **ANNUAL SERVICE PLAN REPORT**



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## Board Chair's Accountability Statement



The BC Oil and Gas Commission *2015/16 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2015/16 - 2017/18 Service Plan*. I am accountable for those results as reported.

A handwritten signature in blue ink, appearing to read "Dave Nikolejsin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

*Dave Nikolejsin*  
*Board Chair*

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## Chair/CEO Report Letter



We are pleased to present this first, joint report letter on behalf of the BC Oil and Gas Commission (Commission) outlining how the organization has met and exceeded the mandate set out by the Province in 2015/16. Detailed accountabilities and actions may be found in Appendix B.

The Commission maintained effective and efficient communications and working relationships with the Province and industry throughout the year. These interactions included establishing a memorandum of understanding (MOU) with the Environmental Assessment Office (EAO) streamlining approval processes in the oil and gas sector; publishing both the Horn River Basin Play Atlas and Hydrocarbon and By-Product Reserves in British Columbia reports; co-hosting the B.C. Unconventional Gas Technical Forum; and, contributing expert knowledge towards the final Human Health Risk Assessment report.

The Board Chair and Deputy Minister regularly meet with the Minister and in turn, there are bi-weekly meetings with the Commissioner and CEO. The Commission's Board of Directors meets quarterly and there is also a quarterly Executive meeting between the Ministry of Natural Gas Development (MNGD) and the Commission, ensuring ongoing communication and alignment.

In further support of the Taxpayer Accountability Principles, all new Board Members receive an extensive onboarding program that includes a briefing of the various accountabilities required, including the Taxpayer Accountability Principles. The Board Vice-Chair and one of the Directors also attended a professional development meeting organized by the Crown Agencies Resource Office, to ensure ongoing leadership and prudent stewardship of public sector resources.

*Dave Nikolejsin*  
*Board Chair*

*Paul Jeakins*  
*Chief Executive Officer*

## **Purpose of the Organization**

The Commission is the provincial, single-window regulatory agency with responsibilities for regulating oil and gas activities in B.C., including exploration, development, pipeline transportation, processing and liquefaction and, ultimately reclamation. It has a legislated mandate under the [Oil and Gas Activities Act](#) (OGAA) and its strategy is aligned with provincial social and economic priorities and Government's Natural Gas and Liquefied Natural Gas Strategies. The Commission is committed to the [Taxpayer Accountability Principles](#) (TAP), as outlined by the B.C. provincial government, and strives to deliver a cost-effective, reliable and accountable service for British Columbians. More information on the Commission's structure and governance can be found here: <http://www.bcogc.ca/about/board-directors>.

More information on the Commission's Mission, Vision and Values can be found here: <http://www.bcogc.ca/about-us>.

## **Strategic Direction and Context**

The Commission's strategic direction from the Provincial government is outlined in the [2015/16 Minister's Mandate Letter](#). In achieving its mandate over the 2015/16 year, the Commission has completed a number of specific actions as outlined in the Chair/CEO Report Letter above, and as detailed in Appendix B.

The Commission's strategic direction is also guided by the Taxpayer Accountability Principles which were released in June 2014. The Taxpayer Accountability Principles are reflected in the Commission's own values of accountability, respectful, integrity and efforts to be cost conscious, provide appropriate compensation, to enhance public sector governance and increase public sector accountability to taxpayers.

The Commission's strategic context is affected substantively by North American and global natural gas markets. While British Columbia produces minimal oil, it produces almost one third of Canada's marketable natural gas. Between Jan. 2014 and Jan. 2016, B.C.'s marketable natural gas production rose from 3.91 Bcf/d to 4.28 Bcf/d – an increase of 9.5 per cent. Over that same period, Canadian gas production increased from 14.22 Bcf/d in Jan. 2014 to 15.57 (estimated) Bcf/d. Increasingly, B.C.'s natural gas production is coming from the Montney region. Recent analysis shows that well productivity in the Montney has increased tremendously over time and there are indications all of B.C.'s current projected natural gas production could be maintained by adding less than 400 wells per year. By the end of the 2015 calendar year, the Montney provided approximately 70 per cent of B.C.'s gas with more than 80 per cent of production now coming from an unconventional source.

Further to the Commission's strategic context, the Commission consults with First Nations on proposed oil and gas activities on treaty lands and within their traditional territories in accordance with Section 35 of the [Constitution Act](#) and established case law. During 2015/16 the Commission engaged with dozens of different First Nations across B.C. on multiple applications. The Commission actively seeks to engage with First Nations when proposed activities are in traditional territories.

There is also an increased public and stakeholder interest in the potential environmental and social effects from oil and gas development, especially in relation to cumulative effects management, environmental mitigation, and hydraulic fracturing. Water use in shale gas extraction continues to be of particular interest to stakeholders. The regulatory regime for oil and gas in B.C. protects human health, as confirmed by a report released in March 2015 (Human Health Risk Assessment of Oil and Gas Activity in Northeastern British Columbia). The Commission's highly experienced professional staff continue to use sophisticated and sensitive equipment to monitor air quality in consultation with the Ministry of Environment and other stakeholders to manage potential air quality risks.

## **Report on Performance**

Guided by its Mission, Vision, and Values and the strategic direction expressed in the Minister's Mandate Letter, the Commission acted on the strategies outlined in its 2015/16 – 2017/18 Service Plan and as a result was able to fulfill its mandate expectations. More detail regarding specific actions is found in Appendix B.

Efficiency and effectiveness are core values of the Commission and are drivers for managing the day-to-day operations. Consequently, the Commission's Taxpayer Accountability Principles evaluation plan requirements have been fulfilled by continuing to set ambitious targets for efficiency and effectiveness performance measures. These performance measures and targets were set in the Commission's 2015/16 – 2017/18 Service Plan and the results for this year are found in this section.

### ***Goals, Strategies, Measures and Targets***

#### ***Goal 1: Proactively engage First Nations by creating opportunities for meaningful and timely involvement in the process to make decisions on oil and gas activities in B.C.***

This goal reflects the Commission's continuing engagement in respectful and effective communications with First Nations' communities and is aligned with the Taxpayer Accountability Principles. This goal supports the proactive engagement of First Nations by building robust relationships and partnerships, negotiating and implementing agreements and carrying out its legal obligation to consult, and to ensure opportunities for involvement in the decision-making process for resource development applications.

#### **Strategies**

- Ensure timely decisions on oil and gas activities through respectful working relationships with First Nations who may be affected by LNG facilities and major projects.
- Have agreements and processes in place with Treaty 8 First Nations to accommodate resource development in northeast B.C.
- Set a regular meeting schedule and systematically engaging with First Nations on resource development outside of northeast B.C.

**Performance Measure 1.1: Where the Commission determines that a duty to consult exists during the process of making decisions, the Commission will engage potentially impacted First Nations.**

Performance Measure	2013/14 Actual*	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Where the Commission determines that a duty to consult exists during the process of making decisions, the Commission will engage potentially impacted First Nations.	N/A	100%	100%	100% Target Achieved	100%	100%

Data Source: Internally monitored and tracked.

\* There was no target for 2013/14.

**Discussion**

This performance measure reflects the Commission’s efforts to proactively engage First Nations and carry out its legal obligation to consult and to ensure opportunities for involvement in the decision-making process. In 2015/16, a total of 3,810 consultations were completed with First Nations for 3,547 applications.

**Performance Measure 1.2: Number of Commission statutory decision makers and their support staff who have taken aboriginal law and policy training.**

Performance Measure	2013/14 Actual*	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target**	2017/18 Target**
Number of Commission statutory decision makers and their support staff who have taken aboriginal law and policy training.	N/A	87	70	127 Target Exceeded	75%	75%

Data Source: Internally monitored and tracked.

\* There was no target for 2013/14.

\*\* Next year’s targets are reflected as a percentage.

**Discussion**

This performance measure is focused on the Commission’s internal competencies in relevant policies and aboriginal law. Efforts to train in these areas provide decision makers and their staff with the context to make well informed decisions. Over the course of the year, five training sessions were held for a total of 127 Commission staff.

***Goal 2: Increase efficiency and effectiveness of Commission operations focusing on primary services including permitting and authorizations, compliance, and communications.***

This goal aims to increase efficiency and effectiveness of core processes and their enabling business systems through developing integrated systems that meet future business needs and improve services. This goal is aligned with the Taxpayer Accountability Principles to be efficient, accountable and provide good service.

**Strategies**

- Developing and implementing a system for the planning and execution of compliance activities founded on International Standards Organization (ISO) principles.
- Conducting and applying compliance activities based on annual planning and a rigorous, comprehensive assessment of company performance.
- Supporting business processes by creating simple, intuitive IT systems for internal and external users. This will decrease processing time and increase transparency and effectiveness.
- Recording and maintaining data in a manner that enables staff to perform the analysis necessary to assess risk, monitor performance, conduct audits and plan resources.
- Establishing that all employees in the Commission agree that their geographic location is immaterial to their ability to work as a team.
- Ensuring that the Commission's role, mandate and expertise are understood by the general public and those we interact with.

**Performance Measure 2.1: Work Engagement Survey (WES) results on Mission, Vision and Values.**

Performance Measure	2013/14 Actual	2014/15 Actual*	2015/16 Target	2015/16 Actual	2016/17 Target*	2017/18 Target
WES results on Mission, Vision and Values.	76	N/A	70	73 Target Exceeded	N/A	70

Data Source: Work Engagement Survey (WES) results provided by BC Stats.

\* There is no target for this year as WES is completed biannually.

***Discussion***

The purpose of this goal is to reflect the effectiveness of internal communications, and overall alignment with, the Commission's Mission, Vision and Values. The 2015/16 WES was completed in the fall with the results on Mission, Vision and Values being higher than target. The target was less than the 2013/14 actual results as the Mission was refreshed in 2014/15. The higher than target results are due to the employees having a clear line of sight from the Commission's Mission, Vision and Values to their day-to-day jobs. The Mission, Vision and Values are meaningful and clearly defined for employees to align their goals.

**Performance Measure 2.2: Calendar days to process new well applications.**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target*	2017/18 Target*
Calendar days to process new well applications (average).	20	12	21	15 Target Exceeded	16	16

Data Source: Application processing data is maintained in an internal database.

Baseline: 2001/02 actual results of 33 days; Benchmark: Colorado Oil and Gas Conservation Commission Strategic Plan.

\*Target updated in 2016/17 – 2018/19 Service Plan.

**Discussion**

Throughout 2015/16, the Commission processed 699 new well applications with a maximum processing time of 591 calendar days (single anomaly). This target was exceeded due to both a decrease in the number of applications as well as process improvements throughout the year.

**Goal 3: Continue to develop and implement a workforce plan, taking into account a changing environment, the LNG industry and associated major projects.**

This goal enables the Commission to actively anticipate labour, demographic and industry activity levels to ensure the workforce is successfully aligned to meet workload demands, with the expertise to handle all regulatory requirements of an LNG industry, related major projects and other emerging industry trends. This goal is aligned with the Taxpayer Accountability Principles to offer compensation that adheres to government principles and is respectful of the taxpayer.

**Strategies**

- Anticipate and respond to labour, sector and demographic trends.
- Ensure employees are in the right job, with the right skills and abilities, and understand their development potential to deliver on the Commission’s mandate.
- Position the Commission as an employer of choice, attracting the right people.
- Make staff processes more efficient through the Business Transition Strategy (BTS).

**Performance Measure 3.1: Voluntary turnover.**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual**	2016/17 Target*	2017/18 Target*
Voluntary turnover rate.	12.51%	9.51%	10.0%	10.69% Target Within Tolerance	12.0%	12.0%

Data Source: Internally monitored workforce data.

Baseline: 2008/09 actual results of 9.1%; Benchmark: Alberta Energy Regulator of 10.6%.

\*Target updated in 2016/17 – 2018/19 Service Plan.

\*\*While the target was not met, the actual results were within one per cent and well within the Commission’s tolerance level.

**Discussion**

Turnover at the Commission this year has been slightly higher than 2014/15, however the actual 2015/16 turnover rate of 10.69 per cent is within one per cent of the target (10 per cent). While the Commission remains an employer of choice across the province, the oil and gas industry slowdown

and a number of retirements resulted in turnover being slightly higher than target. There are a number of retirements projected for the upcoming year and given current economic trends, it is anticipated that next year's exit rates will be similar to this past year.

**Performance Measure 3.2: Employee engagement level per Work Engagement Survey (WES).**

Performance Measure	2013/14 Actual	2014/15 Actual*	2015/16 Target	2015/16 Actual	2016/17 Target*	2017/18 Target
Employee engagement results per WES.	73	N/A	69	70 Target Exceeded	N/A	70

Data Source: WES survey results provided by BC Stats.

\* There is no target for this year as WES is completed biannually.

Baseline: 2008/09 actual results; Benchmark: BC Public Service 2011.

**Discussion**

The purpose of this performance measure is to evaluate the overall level of engagement of Commission employees. The 2015/16 WES was completed in the fall of 2015. The employee engagement score was 70, exceeding the 2015/16 target of 69. The score is three points lower than the engagement score from the last Work Engagement Survey conducted in 2013/14.

**Goal 4: Enhance working relationships with key stakeholders.**

This goal supports the Commission taking a leadership role in fostering positive working relationships with a broad cross-section of stakeholders including landowners, academia, interest groups, all levels of government, the public, industry, and other rights holders to build trust, credibility and understanding in the organization, and fulfill its mandate as the regulator of oil and gas activities for British Columbia. This goal is aligned with the Taxpayer Accountability Principles to be accountable and to engage in equitable and respectful communications with stakeholders and to develop a strategic engagement plan.

**Strategies**

- Extending the Commission's education and outreach program to assist with improving understanding of the regulatory process.
- Working with ministries and partner agencies to ensure the regulatory process is aligned and upholds all applicable legislation.
- Engaging municipal staff and local leaders across the province to foster a better understanding of the Commission's role as the oil and gas regulator.

**Performance Measure 4.1: Percentage of stakeholder interests successfully addressed.**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Percentage of stakeholder interests successfully addressed.	87%	100%	75%	91% Target Exceeded	75%	75%

Data Source: Internally monitored stakeholder engagement tracking data.

**Discussion**

The Commission considers success of its facilitation efforts when all, or the majority of issues, brought forward that relate to its regulatory jurisdiction are addressed through dispute facilitation or in the Commission’s decision (through conditions or regulations). There were a number of complex LNG files which required above average durations from the engagement through to when the applications were received and the subsequent decisions rendered. Now that the Commission has completed processing most of those complex applications, including some other large non-LNG projects, the results have remained at a high rate of resolution. Any pending issues at the end of 2015/16 will be addressed in 2016/17.

**Performance Measure 4.2: Number of university research projects with Commission participation.**

Performance Measure	2013/14 Actual*	2014/15 Actual*	2015/16 Target	2015/16 Actual	2016/17 Target	2017/18 Target
Number of university research projects with Commission participation.	N/A	N/A	3	19 Target Exceeded	3	3

Data Source: Internally tracked and monitored data regarding projects and collaborative opportunities.

\* There is no target for these years as this was a new performance measure for 2015/16.

**Discussion**

The Commission has provided ongoing support for four research projects underway at UBC Okanagan; has provided letters of endorsement for various studies; and provides ongoing in-kind support to a number of research projects as needed at UBC, UBCO, SFU and UVIC. As this was the first year of measuring and reporting on this performance measure, there were a number of collaborative opportunities sought with universities. Because the Commission staff had the availability to provide time on these projects with lower industry activity, the target was well exceeded.

## Financial Report

### *Discussion of Results*

The financial position of the Commission at the end of fiscal 2015/16 is discussed here in conjunction with the appended draft financial statements and related notes for the fiscal year ending March 31, 2016. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

The Commission realized a \$2.6 million surplus compared to the budgeted surplus of \$500 thousand in the 2015/16 – 2017/18 Service Plan. Total revenues came in at \$51.3 million, compared to the budget of \$56.2 million due to a decrease in activity, application volume and major project revenue.

Production levies revenue of \$32.7 million includes a tax on production of \$1.4 million to fund the Orphan Sites Reclamation Fund (OSRF), which is administered by the Commission and is considered as part of the entity for financial reporting purposes.

Total Commission expenses were \$48.8 million compared to \$55.7 million budgeted. The 2015/16 expenses for salaries and benefits were \$26.9 million, versus the Service Plan budget of \$24.4 million. The Commission's employees come from a wide range of technical and professional backgrounds and are dispersed in different geographical areas. The salary and benefits structure for included employees is negotiated with the Professional Employees Association and the B.C. Government and Service Employees' Union.

Professional Services and Training expense of \$1.7 million was less than the budgeted amount of \$5.0 million due to cost constraint measures. Other operating and First Nations expenses were below budget mainly because of decreased oil and gas activity.

At March 31, 2016 the Commission held Letters of Credit from operators of \$29.0 million (an increase of \$12.7 million) and security deposits in the amount of \$24.6 million (a decrease of \$1.3 million from prior year) against potential liability with respect to site reclamation and abandonment. OSRF expenses of \$741 thousand were less than budgeted because efforts were focused on substantial restoration of previously designated Orphan Sites.

Investments in tangible capital assets during the year were \$9.3 million, primarily related to timing and scope changes of new business applications development and tenant improvements. The accumulated surplus of the Commission started the year at \$29.7 million and ended the year at March 31, 2016 at \$32.3 million.

The Commission has no debt.

In addition to actual results for the past year, financial outlook information is provided below. Forecast information is subject to a number of risks and uncertainties as discussed in the preceding report on strategic and operational drivers. The key assumptions used for estimates are provided and compared to actual results where possible.

The Commission has no major capital projects in excess of \$50 million as defined by the *Budget Transparency and Accountability Act* and therefore there are none reported here under this requirement of the Act. Capital spending on information technology upgrades, tenant improvements and equipment are forecast to be \$10 million over the next three years.

### Financial Resource Summary Table

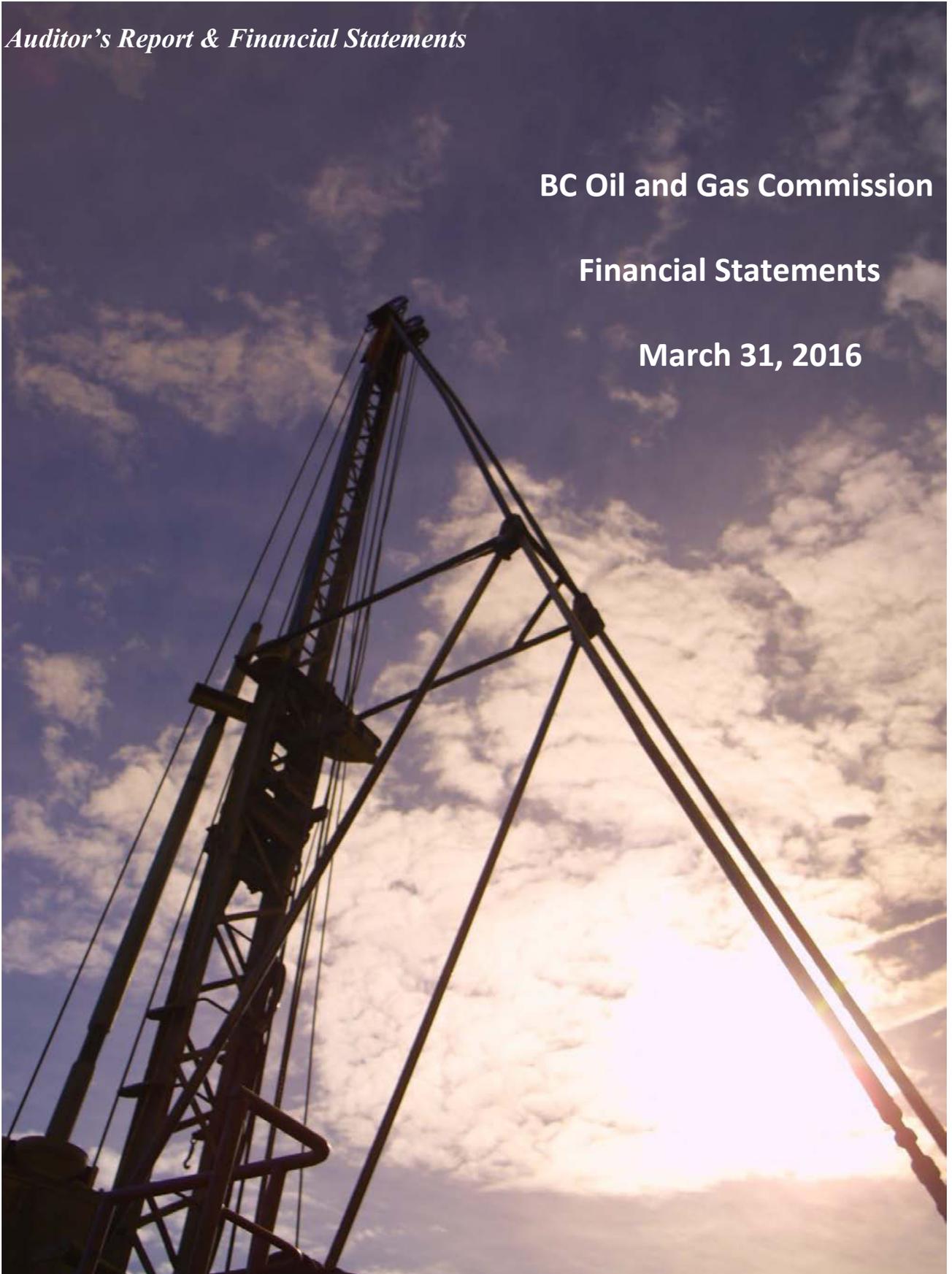
\$ millions	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Budget	2015/16 Actual	2015/16 Budget Variance	2014/15 – 15/16 Variance
<b>Operating Revenue</b>									
Production Levies (incl. OSRF)	24,701	28,893	26,838	29,215	31,215	29,740	32,726	2,986	1,511
Pipeline Levies	2,056	2,215	2,160	2,314	2,356	2,421	2,399	(22)	43
Fees from Oil and Gas Applications	12,956	12,167	9,806	13,960	22,199	23,443	13,761	(9,682)	(8,438)
Miscellaneous & Recoveries	265	952	822	829	1,820	565	2,457	1,892	637
<b>Total Revenue</b>	<b>39,978</b>	<b>44,227</b>	<b>39,626</b>	<b>46,318</b>	<b>57,590</b>	<b>56,169</b>	<b>51,343</b>	<b>(4,826)</b>	<b>(6,247)</b>
<b>Operating Expenses</b>									
Salaries and Benefits	18,159	18,967	20,039	21,398	25,815	24,369	26,928	2,559	1,113
Professional Services & Training	2,048	2,009	1,951	1,881	3,443	5,005	1,701	(3,304)	(1,742)
Other Operating & First Nations Expenses	12,620	13,628	13,446	15,493	20,383	21,553	15,672	(5,881)	(4,711)
Orphan Reclamation	53	917	4,825	3,097	3,649	1,000	741	(259)	(2,908)
Capital Assets Amortization	1,514	1,650	1,945	2,380	2,914	3,748	3,723	(25)	809
<b>Total Expenses (Incl. amortization)</b>	<b>34,394</b>	<b>37,171</b>	<b>42,206</b>	<b>44,249</b>	<b>56,204</b>	<b>55,675</b>	<b>48,765</b>	<b>(6,910)</b>	<b>(7,439)</b>
<b>Annual Surplus (Loss)</b>	<b>5,584</b>	<b>7,056</b>	<b>(2,580)</b>	<b>2,069</b>	<b>1,386</b>	<b>494</b>	<b>2,578</b>	<b>2,084</b>	<b>1,192</b>
<b>Capital Expenditures</b>	<b>2,358</b>	<b>2,530</b>	<b>2,302</b>	<b>7,033</b>	<b>7,719</b>	<b>4,586</b>	<b>9,296</b>	<b>4,710</b>	<b>1,577</b>
<b>Total Liabilities</b>	<b>16,900</b>	<b>19,623</b>	<b>29,717</b>	<b>32,916</b>	<b>45,234</b>	<b>44,000</b>	<b>37,881</b>	<b>(6,119)</b>	<b>(7,353)</b>
<b>Accumulated Surplus/Retained Earnings</b>	<b>21,769</b>	<b>28,825</b>	<b>26,247</b>	<b>28,316</b>	<b>29,702</b>	<b>30,196</b>	<b>32,280</b>	<b>2,084</b>	<b>2,578</b>

*Auditor's Report & Financial Statements*

**BC Oil and Gas Commission**

**Financial Statements**

**March 31, 2016**



### **Statement of Management Responsibility**

The financial statements of the BC Oil and Gas Commission (Commission) for the year ended March 31, 2016 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 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



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**Paul Jeakins**  
Commissioner



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**Gordon Griffiths**  
A/Executive Vice President, Chief Financial Officer

**May 24, 2016**

**Statement of Financial Position (in \$000s)**

	Note	March 31 2016	March 31 2015
<b>Financial assets</b>			
Cash		6,288	5,818
Investments	3,4	27,000	36,000
Accounts receivable	5	11,392	12,045
Due from government	7	3,916	4,674
		<b>48,596</b>	<b>58,537</b>
<b>Liabilities</b>			
Accounts payable & accrued liabilities	8	3,833	5,134
Employee future benefits	9	239	285
Due to First Nations	10	175	1,793
Due to OGRIS	6	-	734
Due to government		137	300
Deferred revenue	11	1,715	3,315
Deferred lease inducements		214	297
Liability for orphan sites	12	6,989	7,507
Security deposits	4	24,579	25,869
		<b>37,881</b>	<b>45,234</b>
<b>Net financial assets</b>		<b>10,715</b>	<b>13,303</b>
<b>Non-financial assets</b>			
Tangible capital assets	13	20,889	15,516
Prepaid expenses		676	883
		<b>21,565</b>	<b>16,399</b>
<b>Accumulated surplus</b>		<b>32,280</b>	<b>29,702</b>
Contractual obligations	14		
Contingent liabilities	15		
Measurement uncertainty	17		

The accompanying notes are an integral part of these statements.

Approved on behalf of the Board



Dave Nikolejsin, Board Chair  
Chair



Paul Jeakins, Commissioner



Doug Wilkes, Audit Committee

**Statement of Operations and Accumulated Surplus (in \$000s)**

	Note	Budget 2016	March 31 2016	March 31 2015
		(Note 19)		
<b>Revenues</b>				
Production levies		29,740	32,726	31,215
Annual pipeline levies		2,421	2,399	2,356
Fees		23,443	13,761	22,199
Interest		500	617	733
Other revenue		65	1,840	1,087
		56,169	51,343	57,590
<b>Expenses</b>				
Oil and gas activities regulation	18	54,675	48,024	52,555
Orphan site reclamation		1,000	741	3,649
		55,675	48,765	56,204
<b>Annual surplus</b>		494	2,578	1,386
<b>Accumulated surplus beginning of year</b>		29,702	29,702	28,316
<b>Accumulated surplus end of year</b>		30,196	32,280	29,702

The accompanying notes are an integral part of these statements.

**Statements of Change in Net Financial Assets (in \$000s)**

	<b>Budget 2016</b>	<b>March 31 2016</b>	<b>March 31 2015</b>
	(Note 19)		
Annual surplus	494	2,578	1,386
Acquisition of tangible capital assets	(4,586)	(9,296)	(7,719)
Disposals of tangible capital assets	-	201	32
Amortization of tangible capital assets	3,748	3,722	2,914
	(838)	(5,373)	(4,773)
Use of prepaid expense	(100)	207	(60)
Decrease in net financial assets	(444)	(2,588)	(3,447)
Net financial assets at beginning of year	13,303	13,303	16,750
Net financial assets at end of year	<b>12,859</b>	<b>10,715</b>	<b>13,303</b>

**Statement of Cash Flows (in \$000s)**

	<b>March 31 2016</b>	<b>March 31 2015</b>
<b>Operating transactions</b>		
<b>Cash generated from:</b>		
Production levies	32,917	29,824
Annual pipeline levies	2,357	2,284
Fees	12,649	23,545
Interest	705	705
Miscellaneous and recoveries	1,648	1,168
Security deposits	4,191	11,158
	<b>54,467</b>	<b>68,684</b>
<b>Cash used for:</b>		
Salaries and benefits	(26,820)	(25,119)
Payments to First Nations	(8,597)	(8,135)
Operating expenses	(11,025)	(14,772)
Orphan site reclamation	(2,408)	(207)
Security deposits refunded	(5,480)	(4,001)
	<b>(54,330)</b>	<b>(52,234)</b>
<b>Cash from operating activities</b>	<b>137</b>	<b>16,450</b>
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(8,667)	(8,891)
<b>Investing transactions</b>		
Investments in portfolio investments	9,000	(6,000)
<b>(Decrease) increase in cash</b>	<b>470</b>	<b>1,559</b>
<b>Cash beginning of year</b>	<b>5,818</b>	<b>4,259</b>
<b>Cash end of year</b>	<b>6,288</b>	<b>5,818</b>

## Notes to the Financial Statements March 31, 2016 (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 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 and
- 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 as follows: Cash is measured at fair value, all other financial assets and financial liabilities are measured 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%
Automotive equipment	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.

### Levy Revenue

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

### 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 Retirement Allowance

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.

### 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. The Commission has a liability for contaminated sites that have been designated as orphan sites. An orphan site is defined as a well, facility, pipeline, area, or oil and gas road where the permit holder is insolvent or cannot be located or identified. 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.

### 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:

	<b>March 31 2016</b>	<b>March 31 2015</b>
Security deposits - Liability Management Rating program (note 4)	24,000	25,869
Orphan site reclamation fund (note 12)	3,000	3,000
Operating fund	-	7,131
	<b>27,000</b>	<b>36,000</b>

### 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 \$53,546 in security deposits, of which \$24,579 (2015: \$25,869) is held in cash and/or investments and \$28,967 (2015: \$16,333) 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 2016, the Commission recovered \$76 (2015: \$346) from security deposits to satisfy remediation obligations of permit holders for specific sites. This is reported within Other revenue on the Statement of Operations.

### 5. Accounts Receivable

	<b>March 31 2016</b>	<b>March 31 2015</b>
Production levies receivable	8,328	8,245
Annual pipeline levies receivable	2,414	2,358
Fees	385	1,069
Other receivables	265	373
	<b>11,392</b>	<b>12,045</b>

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. See note 7.

## 6. BC Oil and Gas Research and Innovation Society (OGRIS)

The Commission provides administrative services for the OGRIS fund (formally Science Community Environmental Knowledge Fund) on behalf of the OGRIS Steering Committee. The activities and balances of the OGRIS fund are not included in these financial statements. The Commission charges an annual fee to OGRIS to administer the fund.

## 7. Due from Government

	March 31 2016	March 31 2015
Levies collected	3,363	4,328
Recoveries and other	553	346
	<b>3,916</b>	<b>4,674</b>

## 8. Accounts Payable and Accrued Liabilities

	March 31 2016	March 31 2015
Accounts payable and accrued liabilities	1,594	3,089
Salaries and benefits payable	2,239	2,045
	<b>3,833</b>	<b>5,134</b>

## Employee Leave Entitlements

As of March 31, 2016, 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 \$741 (2015: \$760). This amount is included in salaries and benefits payable.

## 9. Employee Future Benefits

### Employee Benefit Plan

The Commission and its employees contribute to the Public Service Pension Plan, a jointly trustee 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. The plan has approximately 115,000 active and retired 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, 2014, indicated a funding surplus of \$194 million for basic pension benefits. The next valuation will be March 31, 2017.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year. 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, 2016 for employer contributions was \$2,110 (2015: \$1,922).

**9. Employee Future Benefits (continued)**

**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, 2016 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.

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

	March 31 2016	March 31 2015
<b>Accrued retirement obligation</b>		
Balance at beginning of year	285	258
Current benefit cost	38	33
Interest	13	15
Amortization of actuarial loss	9	8
Benefits paid	(106)	(29)
<b>Balance at end of year</b>	<b>239</b>	<b>285</b>
<b>Actuarial retirement obligation</b>		
Accrued retirement obligation	239	285
Unamortized actuarial loss	305	132
<b>Balance at end of year</b>	<b>544</b>	<b>417</b>

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

	2016	2015
Discount rate	3.50%	3.30%
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 15 years at March 31, 2016.

## 10. 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.

## 11. 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	3,315	12,154	(13,754)	1,715

## 12. 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 levies. The Commission has \$1,420 cash and \$3,000 investments in the OSRF to pay for costs associated with orphan sites. Currently there are 34 (2015: 37) sites designated as orphan sites, 8 of which have been substantially restored, with the remainder undergoing restoration at various stages of completion.

The Commission recognizes and estimates a liability of \$6,989 (2015: \$7,507) for remediation of the sites designated as orphan sites. The liability estimate includes costs that are directly attributable to the remediation activities, and reflects the costs required to bring the site up to the current environmental standard for its use prior to contamination. 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 are estimated based on site characteristics and are disclosed in the measurement uncertainly note. Estimated costs have not been net present valued as the remediation work is not expected to occur over an extended long term period.

The Commission continues to monitor other sites that could potentially be designated as orphan sites.

### 13. Tangible Capital Assets

March 31, 2016

	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Automotive Equipment	Business Systems Development	Computer Software	Total 2016
<b>Cost</b>								
<b>Opening balance</b>	6,683	3,511	3,078	1,264	1,321	9,926	793	26,576
Additions	330	80	679	225	580	7,221	181	9,296
Disposals	(12)	-	(464)	-	(401)	(2,811)	(89)	(3,777)
<b>Closing balance</b>	<b>7,001</b>	<b>3,591</b>	<b>3,293</b>	<b>1,489</b>	<b>1,500</b>	<b>14,336</b>	<b>885</b>	<b>32,095</b>
<b>Accumulated Amortization</b>								
<b>Opening balance</b>	3,543	1,150	1,843	418	351	3,276	479	11,060
Amortization	601	316	812	136	126	1,584	147	3,722
Disposals	(12)	-	(464)	-	(200)	(2,811)	(89)	(3,576)
<b>Closing balance</b>	<b>4,132</b>	<b>1,466</b>	<b>2,191</b>	<b>554</b>	<b>277</b>	<b>2,049</b>	<b>537</b>	<b>11,206</b>
<b>Net book value</b>	<b>2,869</b>	<b>2,125</b>	<b>1,102</b>	<b>935</b>	<b>1,223</b>	<b>12,287</b>	<b>348</b>	<b>20,889</b>

March 31, 2015

	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Automotive Equipment	Business Systems Development	Computer Software	Total 2015
<b>Cost</b>								
<b>Opening balance</b>	5,881	2,957	2,165	921	986	5,315	664	18,889
Additions	802	554	913	343	335	4,643	129	7,719
Disposals	-	-	-	-	-	(32)	-	(32)
<b>Closing balance</b>	<b>6,683</b>	<b>3,511</b>	<b>3,078</b>	<b>1,264</b>	<b>1,321</b>	<b>9,926</b>	<b>793</b>	<b>26,576</b>
<b>Accumulated Amortization</b>								
<b>Opening balance</b>	3,174	859	1,236	282	242	2,025	328	8,146
Amortization	369	291	607	136	109	1,251	151	2,914
Disposals	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>3,543</b>	<b>1,150</b>	<b>1,843</b>	<b>418</b>	<b>351</b>	<b>3,276</b>	<b>479</b>	<b>11,060</b>
<b>Net book value</b>	<b>3,140</b>	<b>2,361</b>	<b>1,235</b>	<b>846</b>	<b>970</b>	<b>6,650</b>	<b>314</b>	<b>15,516</b>

Included in the net book value of business systems development are assets not being amortized of \$9,760 (2015: \$4,339) as they have not yet been completed and put into use.

**14. 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.

2017	2018	2019	2020	2021	Thereafter
4,149	4,071	3,984	2,781	2,334	19,934

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

**15. 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 also Note 12 regarding potential reclamation costs related to the Orphan Site Reclamation Fund.

**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. Transactions with these entities, unless disclosed otherwise, are recorded on an accrual basis, are considered to be in the normal course of operations, and are recorded at the exchange amount which is the amount of consideration established and agreed to by the related parties.

The financial statements include the following related party transactions:

	<b>March 31 2016</b>	<b>March 31 2015</b>
<b>Revenues:</b>		
Recoveries	1,560	612
Miscellaneous	180	107
	<b>1,740</b>	<b>719</b>
<b>Expenses:</b>		
Salaries and benefits	977	964
Building occupancy	229	181
Professional services and training	309	772
Grants	33	47
Telecommunications and information systems	120	118
Travel and vehicle costs	(83)	154
Office supplies and equipment	54	46
	<b>1,639</b>	<b>2,282</b>

## 17. 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.

	<u>Reported</u>	<u>Low</u>	<u>High</u>
<b>Production Levies</b>	32,726	32,071	33,381

Production levies are revenues derived from oil and gas production in the province of British Columbia. As of the date of these statements, production for the last month of the fiscal year is estimated. This estimate is based on analysis that takes into account both historical and current year trends in production. Actual production revenue for the year has consistently been within 2% of estimated production revenue. A difference in this estimate would also affect production levies receivable and annual and accumulated surpluses.

	<u>Reported</u>	<u>Low</u>	<u>High</u>
<b>Liability for orphan sites</b>	6,989	5,637	9,548

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.

## 18. Expense by Object

	<b>Oil and Gas Activities Regulation</b>	<b>Orphan Site Reclamation</b>	<b>March 31 2016</b>	<b>March 31 2015</b>
Salaries and benefits	26,928	-	26,928	25,815
First Nations	7,165	-	7,165	7,547
Building occupancy	4,374	-	4,374	4,339
Professional services and training	1,701	-	1,701	3,443
Amortization	3,723	-	3,723	2,914
Travel and vehicle costs	1,360	-	1,360	2,043
Telecommunications and information	1,871	-	1,871	2,132
Grants	243	-	243	3,704
Orphan site reclamation	76	665	741	3,649
Office supplies and equipment	570	-	570	582
Miscellaneous	89	-	89	36
	<b>48,100</b>	<b>665</b>	<b>48,765</b>	<b>56,204</b>

## 19. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors on January 19, 2015.

## 20. 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.

## 21. Comparative note

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

## **Appendix A: Additional Information**

### ***Corporate Governance***

A Board of Directors governs the Commission by setting strategic direction, ensuring organizational performance is in line with strategic priorities, and establishing appropriate accountability and transparency mechanisms. Under OGAA, the Deputy Minister of MNGD is the Board Chair, the Commissioner is Vice Chair, and a third independent member is appointed by the Lieutenant Governor in Council. The Board approves the Commission's budget, Service Plan, and Annual Service Plan Report. Under OGAA, the Board has the powers to make regulations respecting aspects of carrying out oil and gas activities. Governance principles and practices are described in the Board's Mandate and Charter and are disclosed on the Commission's website at [www.bcogc.ca](http://www.bcogc.ca).

Assisted by a group of expert consultants, the Board factors corporate risks into the strategic planning process. Integrating risk management and strategic planning ensures the Commission's long term objectives are consistent with direction from government, and take into consideration stakeholder needs, and optimal resource allocation. Board consultants further contribute to Commission governance by serving on the Board committees (outlined below).

The Commission's governance policies and practices comply with the Governance and Disclosure Guidelines for Governing Boards of British Columbia Public Sector Organizations (Best Practice Guidelines) issued by the Board Resourcing and Development Office (BRDO). The Commission's accountability framework is consistent with the accountability requirements established for provincial Crown corporations. Its policy direction is derived from the Minister's Mandate Letter and is aligned with government's strategic priorities. Accountability is delivered through three-year service plans issued every year, quarterly reports on financial performance, and the Annual Service Plan Report summarizing achievements during the year and comparing performance results to Service Plan targets.

Strategy implementation and management of day-to-day operations are the responsibility of the Commissioner, the executive and the senior leadership team.

### **Board of Directors**

- Dave Nikolejsin, Deputy Minister, Ministry of Natural Gas Development (Chair)
- Paul Jeakins, Commissioner & CEO, BC Oil and Gas Commission (Vice Chair)
- Graeme McLaren, Independent Member, appointed by the Lieutenant Governor in Council

### **Audit Committee**

Responsible for financial reporting and disclosure, risk management, and compliance with applicable laws, regulations and government policy.

- Doug Wilkes, Chair
- Al Hurd
- Chris Hayman

**Governance & Human Resources Committee**

Responsible for executive appointment, performance, succession and compensation, and for trade union negotiations and compensation structure.

- Al Hurd, Chair
- Graeme McLaren
- Doug Wilkes
- Don Avison
- Chris Hayman

**Regulatory Committee**

Responsible for legislation and regulation matters, policies, procedures and systems appropriate for an effective regulatory framework.

- Don Avison, Chair
- Paul Jeakins
- Graeme McLaren

**Executive Team Members**

- Paul Jeakins – Commissioner and Chief Executive Officer
- Ken Paulson – Executive Vice President, Chief Operating Officer
- Gordon Griffiths – A/Executive Vice President, Chief Financial Officer
- Mayka Kennedy – Executive Vice President, Chief Engineer
- Trevor Swan – Executive Vice President, Chief Legal and Regulatory Officer

## Appendix B – Crown Corporation’s Mandate and Actions Summary

In the 2015/16 Mandate Letter from the minister responsible, the BC Oil and Gas Commission received direction on strategic priorities for the 2015/16 fiscal year. These priorities and the BC Oil and Gas Commission’s resulting actions are summarized below:

Mandate Letter Direction	BC Oil and Gas Commission Actions
<p>1. Support the B.C. Jobs Plan, British Columbia’s Natural Gas Strategy and the Liquefied Natural Gas (LNG) Strategy and the specific actions pertaining to the Commission.</p>	<ul style="list-style-type: none"> <li>• Developed a Water Portal, a map-based water information tool designed to provide public access to a wide range of water-related data and information in northeast B.C.</li> <li>• Established a Memorandum of Understanding with the Environmental Assessment Office to streamline approval processes in the oil and gas sector.</li> <li>• Published the Horn River Basin Play Atlas and Hydrocarbon and By-Product Reserves in British Columbia reports.</li> <li>• Co-hosted the B.C. Unconventional Gas Technical Forum.</li> <li>• Contributed expert knowledge towards the final Human Health Risk Assessment report.</li> </ul>
<p>2. Optimize the oil and gas single-window approach by proposing legislative changes to the Ministry of Natural Gas Development and developing and improving operational regulations to ensure British Columbia maintains a safe, effective and competitive oil and gas regulatory framework.</p>	<p>Numerous regulations and guidance documents were introduced or updated to improve the safety and effectiveness of the regulatory framework for oil and gas development, including:</p> <ul style="list-style-type: none"> <li>• The Drilling and Production Regulation.</li> <li>• Emergency Management Regulation.</li> <li>• Requiring Area-Based Analysis in the permitting process.</li> <li>• New disposal well testing requirements.</li> <li>• Amending the Water Source Well application process.</li> </ul>

<b>Mandate Letter Direction</b>	<b>BC Oil and Gas Commission Actions</b>
<p>3. Continue engaging and supporting other Government agencies, and collaborate with professional organizations and learning centers to ensure a coordinated and value-based approach to natural resource development and management.</p>	<p>MOUs with 18 other ministries and agencies (among them, Ministry of Environment, Alberta Energy Regulator and National Energy Board) have been established; there are ongoing interactions from the staff to executive levels with various agencies; and there are several studies underway with the University of British Columbia to ensure B.C. maintains a robust regulatory environment.</p>
<p>4. Continue building the Commission’s expertise in regulating new types of oil and gas developments, including LNG facilities, and associated major projects, as directed by Government.</p>	<p>A dedicated major projects branch has been established and new expertise has been gained in regulating LNG. Also, eSubmission was successfully launched, moving from a paper-based system for well data to a streamlined and integrated digital platform.</p>