



**GOVERNMENT'S LETTER OF EXPECTATIONS**

**BETWEEN**

**THE MINISTER OF ENERGY, MINES AND NATURAL GAS  
(AS REPRESENTATIVE OF THE GOVERNMENT OF BRITISH COLUMBIA)**

**AND**

**THE CHAIR OF THE OIL AND GAS COMMISSION  
(AS REPRESENTATIVE OF THE COMMISSION)**

**FOR 2013/14**

**PURPOSE**

This Letter of Expectations (the Letter) provides Government's annual direction to the Commission and is an agreement on the parties' respective accountabilities, roles, and responsibilities. The Letter confirms the Commission's mandate and priority actions, articulates the key performance expectations as documented in the Government's Expectations Manual for British Columbia Crown Agencies<sup>1</sup>, and forms the basis for the development of the Commission's Service Plan and Annual Service Plan Report. The Letter does not create any legal or binding obligations on the parties and is intended to promote a co-operative working relationship.

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<sup>1</sup> The Province of British Columbia's Crown Agency Accountability System (<http://www.gov.bc.ca/caro/publications/index.html>) establishes guiding principles for the governance of Crown corporations. The Government's s Expectations Manual identifies roles and responsibilities for the Government and Crown corporations, and provides for a Government's Letter of Expectations (Letter) to be developed.

## **COMMISSION ACCOUNTABILITIES**

Government has provided the following mandate direction to the Oil and Gas Commission under the the *Oil and Gas Activities Act*:

- a) to regulate oil and gas activities in British Columbia in a manner that:
  - (i) provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well-being,
  - (ii) conserves petroleum and natural gas resources,
  - (iii) ensures safe and efficient practices, and
  - (iv) assists owners of petroleum and natural gas resources to participate equitably in the production of shared pools of petroleum and natural gas;
- (b) to provide for effective and efficient processes for the review of applications for permits and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects;
- (c) to encourage the participation of First Nations and aboriginal peoples in processes affecting them;
- (d) to participate in planning processes; and
- (e) to undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission.

The Commission is the provincial regulator of oil and gas activities in British Columbia, including exploration, development, pipeline transportation and reclamation. The *Oil and Gas Activities Act* continues the Commission's mandate as first defined in the *Oil and Gas Commission Act* and strengthens the role of the Commission in permitting and overseeing petroleum and natural gas operations in British Columbia.

## **SPECIFIC COMMISSION ACCOUNTABILITIES**

To achieve this mandate, the Commission is directed to take the following specific actions:

- Continue to advance the governance renewal initiative, including proposals to the Ministry of Energy, Mines and Natural Gas for any legislative changes, to enable the implementation of a modern and robust governance structure and governance practices;
- Continue to develop and improve operational regulations to ensure British Columbia maintains a safe, effective and competitive regulatory framework;
- Collaborate with other government agencies, professional organizations and learning centers to ensure a coordinated and value-based approach to natural resource development and management;

- Support the development of the northeast BC Shale Gas Hydraulic Fracturing Water Strategy identified within the Natural Gas Strategy and cooperate with Government in the refinement and delivery of the Province's regulatory programs for the management and allocation of water resources;
- Support the BC Jobs Plan, British Columbia's Natural Gas Strategy and the Liquefied Natural Gas (LNG) Strategy: specific actions pertaining to the Commission from the Natural Gas Strategy follow as Appendix 1.

### **GENERAL COMMISSION ACCOUNTABILITIES**

Over the past decades, British Columbians have come to expect high quality products and services delivered by their Crown corporations. The Province is well served by our Crown corporations and it is up to the Boards and Senior Management teams of these organizations to manage in the best interests of the Province and our citizens.

For those Crown corporations that are commercial entities, they are expected to earn positive returns for their shareholders, the people of British Columbia, to help provide health care, education and other critical social services required by our growing and aging population.

As a Crown corporation, it is critical that the operations of the entity be done as efficiently as possible, in order to ensure families are provided with services at the lowest cost possible. In addition, it is expected that Crown corporations, to the greatest extent possible, participate in the Government's open data and public engagement opportunities.

British Columbians rightly expect openness and transparency from both their Government and Crown corporations and it is incumbent upon both parties to be as open and transparent as possible with citizens.

Government sets broad policy direction to ensure the Corporation's operation and performance is consistent with government's strategic priorities and Fiscal Plan, and as such, the Corporation will:

- Ensure that the Corporation's priorities reflect Government's goals of putting families first; creating jobs and building a strong economy; and open government and public engagement;
- Ensure that prior to commencing collective bargaining or initiating changes to non-union compensation on or after January 1, 2012, coordination with Government occurs to develop detailed plans for funding proposed compensation changes or other incentives under the Province's Cooperative Gains Mandate and to ensure clarity on the applicability of the freeze on executive and management compensation announced on September 14, 2012. Savings plans must be based on real savings that are measurable and incremental to existing business plans that are included in the Province's budgets and three-year fiscal plan. They must not include proposals for:

- increased funding from Government,
- reductions in service, or
- transferring the costs of existing services to the public.

However, plans may also include new revenue generation opportunities that are voluntary in nature to consumers and taxpayers.

In any year, incremental realized savings/revenues must fully offset incremental costs of compensation increases.

Savings and bargaining plans must be reviewed and approved by Government before any proposed changes to union or non-union compensation are made. Any changes to an approved plan also require approval by Government.

Commencing the effective date of any changes to the collective agreement and/or non-union compensation plans, the Corporation must report to Government on the implementation of a plan, including information on progress in meeting savings targets. The frequency and metrics used in that reporting will be defined by Government in consultation with the Corporation;

- Government is undertaking reviews of all Crown corporations. The Corporation is expected to participate in the review as requested, and to implement the recommendations of the review;
- A review of executive compensation in Crown corporations and related recommendations were provided to government by a working group of Crown corporation board chairs in July, 2012. Government has responded to those recommendations by changing elements of its executive compensation policies for Crown corporations. These policies are found at [http://www.fin.gov.bc.ca/psec/disclosedocs/crown\\_corporation\\_executive\\_compensation\\_july\\_2012.pdf](http://www.fin.gov.bc.ca/psec/disclosedocs/crown_corporation_executive_compensation_july_2012.pdf) and include the requirement to incorporate the performance priorities articulated in this letter in any performance-related compensation the board establishes for executives. Boards should be familiar with this policy and contact the Public Sector Employers' Council Secretariat for assistance in applying it;
- Conduct its affairs with the principles of integrity, efficiency, effectiveness, and customer service;
- Display annual *Financial Information Act* – Statement of Financial Information and Executive Compensation Disclosure Schedules, a Remuneration for Appointees to Crown Agency Boards Schedule and Corporate Governance Disclosure in an easily accessible website location;
- Inform Government immediately if the Commission is unable to meet the performance and financial targets identified in its Service Plan;

- Ensure that any planned deficit spending or use of the retained earnings is approved in advance by Treasury Board;
- Comply with Government's requirements to be carbon neutral under the *Greenhouse Gas Reduction Targets Act*, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from the Commission's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of the Corporation's scope of operations;
- Ensure Government is advised in advance of the release of any information requests by the Commission under the *Freedom of Information and Protection of Privacy Act*;
- Ensure any debit/credit card payment services provided to the public are in compliance with the international Payment Card Industry Data Security Standards;
- For Corporations subject to the *Public Sector Employers Act*, ensure the Commission's membership in the Crown Corporation Employers' Association is in good standing;
- Annually assess the Board appointment process to ensure that succession results in a balance of renewal and continuity of Board membership, and provide the results of this assessment to the Government for consideration;
- Ensure that Board appointments to Crown corporation subsidiaries comply with Board Resourcing and Development Office's Best Practice Guidelines and are approved by Cabinet; and
- Comply with Government's requirement that lobbyists not be engaged to act on behalf of the Corporation in its dealings with Government.

## **GOVERNMENT'S RESPONSIBILITIES**

### **SPECIFIC GOVERNMENT RESPONSIBILITIES**

Specific to the Commission, Government will:

- Inform the Commission of any new or amended policy direction that is related to the Commission's mandate and accountabilities; and
- Provide provincial policy direction and guidance with respect to the specific actions pertaining to the Commission from the Natural Gas Strategy and the Liquefied Natural Gas Strategy.

### **GENERAL GOVERNMENT RESPONSIBILITIES**

Government is responsible for the legislative, regulatory, and public policy frameworks in which Crown corporations operate. In order to meet these responsibilities and support achievement of government's performance expectations, Government will:

- Issue performance management guidelines, including annual guidelines for Service Plans and Annual Service Plan Reports (<http://www.gov.bc.ca/caro/publications/index.html>);
- Review and provide feedback and final approval of the Commission's Service Plans and Annual Service Plan Reports; and
- On a quarterly basis, meet with the Commission to review the achievement of the goals, objectives, performance and financial targets and risk assessments identified in the Commission's Service Plan, and provide direction to the Commission as required.

Government has developed the following policies and resources to support the Ministries and Corporations with their regulatory and public policy requirements:

- [Shareholder's \(Government's\) Expectations Manual for British Columbia's Crown Agencies](#)
- [Best Practice Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations](#)
- [Remuneration Guidelines for Appointees to Crown Agency Boards](#)
- [Capital Asset Management Framework](#)

## **AREAS OF SHARED ACCOUNTABILITY REPORTING**

Government and the Commission are committed to transparency and accountability to the public and have reporting and disclosure requirements in the *Budget Transparency and Accountability Act*, the *Financial Administration Act*, and/or the *Financial Information Act*. Government provides an Information Requirements and Events Calendar (<http://www.gov.bc.ca/caro/publications/index.html>) to the ministries responsible and the Corporations that set out the dates the Crown corporations must submit their financial information, service plans, annual service plan reports, and other information to government in order to meet the statutory reporting dates and other government requirements.

The parties agree that each will advise the other in a timely manner of any issues that may materially affect the business of the Commission and/or the interests of Government, including information on any risks to achieving financial forecasts and performance targets.

The Commission will post the most recent signed copy of the Government's Letter of Expectations on its website and the Crown Agencies Resource Office will post a signed copy of the Letter on its website.

**REVIEW AND REVISION OF THIS LETTER**

The Minister of Energy, Mines and Natural Gas is accountable for undertaking reviews of this Letter and monitoring its implementation. Government and the Commission may agree to amend this Letter on a more frequent than annual basis.



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Honourable Rich Coleman  
Minister of Energy, Mines and Natural Gas



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Steve Carr  
Chair, Oil and Gas Commission

DEC 19 2012

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Date

NOV 30 2012

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Date

- cc. Honourable Christy Clark  
Premier
- John Dyble  
Deputy Minister to the Premier and Cabinet Secretary
- Peter Milburn  
Deputy Minister and Secretary to Treasury Board  
Ministry of Finance
- Sheila Taylor  
Associate Deputy Minister  
Ministry of Finance
- Steve Carr  
Deputy Minister  
Ministry of Energy, Mines and Natural Gas
- Paul Jeakins  
Commissioner and Chief Executive Officer  
Oil and Gas Commission

## APPENDIX 1

### Actions Specifically Related To The BC Oil and Gas Commission From British Columbia's Natural Gas Strategy

- Improve B.C.'s resource estimates by completing resource assessments, in collaboration with Ministry of Energy, Mines and Natural Gas, of the Montney Play, the Liard Basin and other significant areas.
- Identify, evaluate and provide the geological and hydrological context for surface, subsurface and deep saline water resources in Northeast British Columbia.
- Conduct regional, basin-scale studies directed at enhancing the understanding of the geological framework that hosts British Columbia's oil and gas resources.
- Negotiate (with the Ministry of Aboriginal Relations and Reconciliation) and implement new Oil and Gas Commission Consultation Process Agreements with Treaty 8 First Nations.
- Continue to reduce natural gas flaring using innovative solutions, practices and emission reduction technologies designed to reach *BC Energy Plan* goals.
- Promote the use of carbon capture and storage (CCS) in B.C. by:
  - Completing development of a regulatory framework, following approval and implementation of policy and legislative amendments for CCS.
  - Proposing additional legislative or regulatory amendments, if required.
  - Contribute to evaluation of potential projects.
- Continue to develop the FracFocus.ca registry, recently created by the BC Oil and Gas Commission, to ensure it provides public disclosure of ingredients injected into the subsurface for natural gas development.
- Further protect B.C.'s water resources by developing a comprehensive northeast BC Shale Gas Hydraulic Fracturing Water Strategy by 2013.