

**Ministry of
Energy, Mines and
Petroleum Resources**

**2017/18
Annual Service Plan Report**



For more information on the Ministry of Energy, Mines and Petroleum Resources contact:

Deputy Minister's Office
PO BOX 9319
STN PROV GOVT
VICTORIA, BC
V8W 9N3

778 698-7283

Or visit our website at
<http://www.gov.bc.ca/ener/>

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Minister's Message and Accountability Statement



British Columbia is rich in abundant natural resources. The revenue from these resources supports programs and services that help make life more affordable for British Columbians. The Ministry of Energy, Mines and Petroleum Resources plays an important role in supporting sustainable industrial development. This annual report highlights the Ministry's efforts during 2017/18 to support mining and mineral exploration, electricity generation, distribution and conservation, and oil and gas development in B.C.

The last decade has seen significant changes in energy production and use, as well as climate science. In order to encourage the market transformation required to decarbonize energy systems, work started during 2017/18 on a roadmap for the future of B.C. energy scoping how we will drive innovation, expand energy-efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province. The vision for this plan is clean energy leadership at home and abroad by encouraging clean technology and electrification in all sectors, as well as economic development and jobs in the transition to a global greener economy.

A new framework for natural gas development in B.C. was announced in March 2018. Under this new approach, all projects should guarantee a fair return for B.C.'s natural resources; guarantee jobs and training opportunities for British Columbians; respect and make partners of Indigenous peoples; and protect B.C.'s air, land and water, including living up to the Province's climate commitments. The revised fiscal framework ensures that LNG projects in B.C. will be competitive with other jurisdictions world wide.

Mining and mineral exploration provide good job opportunities for British Columbians. In February 2018, the Ministry established a B.C. Mining Jobs Task Force that will review exploration and mining in the province and find ways to strengthen this important industry. The Task Force will work with Indigenous peoples, the mining industry and communities to develop recommendations on possible actions government could take to bring more certainty to the mining sector and create good jobs for British Columbians.

The Ministry of Energy, Mines and Petroleum Resources *2017/18 Annual Service Plan Report* compares the Ministry's actual results to the expected results identified in the *2017/18 - 2019/20 Service Plan* created in September 2017. I am accountable for those results as reported.

A handwritten signature in blue ink that reads "Michelle Mungall".

Honourable Michelle Mungall
Minister of Energy, Mines and Petroleum Resources
June 21, 2018

Table of Contents

Purpose of the Ministry	5
Strategic Direction	5
Operating Environment.....	6
Report on Performance	7
Financial Report.....	10
Financial Report Summary Table	10
Appendix A: Ministry Contact Information and Hyperlinks	12
Appendix B: List of Crowns, Agencies, Boards and Commissions	13

Purpose of the Ministry

The [Ministry of Energy, Mines and Petroleum Resources](#) (Ministry) is responsible for British Columbia's (B.C.) electricity, alternative energy, oil, natural gas and related infrastructure, and the province's mining and mineral exploration sectors. These sectors are made up of diverse interests that explore for and produce oil, natural gas, coal and other valuable minerals and that develop electricity generation, transmission and distribution infrastructure, clean or renewable energy sources, including biomass, biogas, hydrogen, geothermal, hydro, solar, ocean, wind and low-carbon transportation fuels, and advance energy efficiency. Through teamwork and positive working relationships with its clients and stakeholders, the Ministry facilitates thriving, safe, environmentally responsible and competitive natural gas, oil, energy and mining sectors in order to create jobs and economic growth in communities across the province. In fulfilling its mandate, the Ministry consults with other ministries and levels of government, energy developers and marketers, regulators, mineral exploration and mining companies, Indigenous people, communities, environmental and industry organizations, and the public.

The Ministry supports the Minister in her governance responsibilities for the following Crown Corporations: [British Columbia Hydro and Power Authority \(BC Hydro\)](#); and the [Oil and Gas Commission](#) (OGC).

Strategic Direction

In September 2017, the new government announced its priorities with three key commitments to British Columbians:

- To make life more affordable.
- To deliver the services people count on.
- To build a strong, sustainable, innovative economy that works for everyone.

Integrating with these priorities is government's commitment to true, lasting reconciliation with Indigenous peoples in B.C., as we move towards fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples and the Calls to Action of the Truth and Reconciliation Commission.

The [Minister's Mandate Letter](#) from the Premier, dated July 18, 2017, included a number of key deliverables relating to electricity policy, rates and infrastructure, as well as mines, mineral exploration, and oil & gas development.

In the *2017/18 – 2019/20 Service Plan* the Ministry provided a series of objectives and performance targets from the [Minister's Mandate Letter](#) designed to further the key commitments of government.

Operating Environment

During 2017/18, B.C.'s reliable and low cost electricity system continued to enhance the competitiveness of industrial customers and maintain affordability for B.C. residents. Changing patterns of generation and use of electricity, as well as aging infrastructure have required that the Province and BC Hydro improve their public heritage assets through capital investments, system expansions, and conservation and efficiency programs. In line with the government's vision of clean energy leadership, as of December 2017, B.C. can be proud that its electricity supply was at 98.4% clean or renewable energy.

The Ministry is responsible for transforming B.C. towards a low-carbon energy market, by driving a range of actions to support all stages of clean energy development and adoption. During 2017/18 the Ministry focused on increasing electrification and energy efficiency across the economy, reducing the carbon intensity of transportation fuels, expanding electric and hydrogen fuel cell vehicle infrastructure, bioenergy development and coordinating with utilities on programs to reduce energy use and greenhouse gas emissions.

Mining remained a key driver of B.C.'s economy in 2017/18, and between 2013 and 2017, over \$1.5 billion was spent on B.C. exploration projects. Commodity prices continued to improve in 2017/18 following the downturn in the global mining sector in 2015/16. Preliminary estimates from Natural Resources Canada show that mineral resource development investments in B.C. remained strong in 2017/18 with approximately \$1.9 billion spent on mineral exploration, deposit appraisal and mine complex development. Key mining investments include the development of the Brucejack gold-silver mine, which entered commercial production in July 2017, and the expansion of the Elkview and Fording River metallurgical coal mines in southeast B.C.

A key challenge to achieving investment targets is that markets for mineral commodities are cyclical and are driven by global economic factors. To assess and mitigate these market factors, the government established the B.C. Mining Jobs Task Force in 2017/18 to identify measures to make B.C. the most attractive jurisdiction for mining investment in Canada while ensuring a sustainable sector that balances environmental and economic considerations and provides training and employment opportunities for British Columbians.

Despite low natural gas prices, B.C. natural gas production remained relatively stable though 2017 buoyed by stronger domestic consumption. Domestic consumption of natural gas accounted for just over twelve percent of production with the balance being exported into Alberta and the Pacific Northwest. In addition, the first shipment of liquefied natural gas (LNG) departed from Tilbury Island in Delta in mid-November, 2017, and was transported via a single container for consumption in China where the demand for natural gas continues to increase.

While market conditions have improved slightly, over the past few years seven LNG projects in B.C. announced their decision not to move forward with the development of their LNG facilities, highlighting the need for the Province to launch a competitiveness review. As a result of this review, the government introduced a new framework for natural gas development in 2017/18 aimed at attracting LNG investment in the province, while ensuring British Columbians receive a good return for their natural gas resource and proponents receive a reasonable return on investment.

The Ministry’s Oil Infrastructure Group was designated as the office charged with facilitating and coordinating the timely and efficient review of provincial permits for the Trans Mountain Expansion Project (TMEP). The office coordinated and facilitated project permitting activities between TMEP and the following permitting agencies: the Ministry of Environment and Climate Change Strategy, BC Parks, the Oil and Gas Commission, the Ministry of Transportation and Infrastructure, and the Ministry of Forests, Lands, and Natural Resource Operations and Rural Development. Oversight was provided through executive governance structure, chaired by the Ministry.

As we move towards the adoption and implementation of the United Nations Declaration on the Rights of Indigenous Peoples (“UNDRIP”) and the Truth and Reconciliation Commission’s Calls to Action (“Calls to Action”) the Ministry’s work is evolving as the Government’s relationship grows with Indigenous peoples in B.C. Over the past year, the Government has embarked on a renewed reconciliation path in partnership with Indigenous peoples. This included increasingly working as partners and seeking meaningful means of engagement in the oil and gas, electricity and mining sectors. The Ministry has been supportive and responsive to developing new and innovative solutions with Indigenous partners in a manner that supports their self-determination aspirations and enhances community and regional economic opportunities and employment.

In late 2017, the Ministry created the Strategic and Indigenous Affairs Division to provide leadership and support to the Ministry on Indigenous reconciliation. The Division supports policy development relating to reconciliation in the areas of mining, natural gas, energy and other initiatives, including broader treaty and non-treaty agreement negotiations, and UNDRIP implementation. The Division also leads provincial oversight of the Environmental Stewardship Initiative, which is an Indigenous and provincial collaboration on environmental projects with approximately 30 First Nations across northern BC, and natural resource ministries and the Ministry of Indigenous Relations and Reconciliation.

Report on Performance

The following table reports on the objectives and performance targets provided in the *2017/18 – 2019/20 Service Plan* along with the Ministry’s achievements.

Objective	Actions Taken Up to March 31, 2018
Objective 1: The creation of a roadmap for the future of B.C. energy that will drive innovation, expand energy-efficiency and conservation programs, generate new energy responsibly and sustainably, and create lasting good jobs across the province.	<ul style="list-style-type: none"> • Developed a Communications Plan for the Energy Roadmap setting out objectives and timelines. • Updated the plan to develop the Energy Roadmap for Government, outlining related linkages, dependencies and overlaps.
Objective 2: The reinvigoration of the Innovative Clean Energy (ICE) fund to boost investments in ground-breaking new energy technologies and climate change solutions.	<ul style="list-style-type: none"> • The February 2018 Budget approved a three-year (2018/19 to 2020/21) ICE Fund spending plan of \$6.909 million, to support programs and initiatives already

	<p>identified in Energy Efficiency and Conservation, Clean Transportation Fuels, Public Sector Infrastructure, and Project Partnerships.</p>
<p>Objective 3: The freezing of BC Hydro rates while conducting a comprehensive review of the Crown corporation.</p>	<ul style="list-style-type: none"> • On March 1, 2018, the BC Utilities Commission (BCUC) denied BC Hydro’s request to freeze BC Hydro rates in 2018, and instead approved a 3% rate increase effective April 1, 2018. • Government is investigating alternative solutions to improve affordability for low income customers. • Government has committed to undertake an operational review of BC Hydro.
<p>Objective 4: Immediately referring Site C to the BCUC on the question of economic viability and consequences to British Columbians in the context of the current supply and demand conditions prevailing in the B.C. market.</p>	<ul style="list-style-type: none"> • In December 2017, following a review by the BCUC, the Province made its decision to complete the Site C project. The revised project budget is \$10.7 billion, with the in-service date unchanged at November 2024 and the establishment of a Project Assurance Board, including EY (Ernst and Young), to ensure that the project is on time and on budget.
<p>Objective 5: The establishment of a BC Mining Jobs Task Force to create and sustain good jobs in this important industry.</p>	<ul style="list-style-type: none"> • Established the BC Mining Jobs Task Force in February 2018, comprised of representatives from Indigenous people, industry, labour, local government, the financial sector, training/post-secondary and an environmental non-government organization. • During 2017/18, the Task Force commenced work on recommendations towards a common goal of a thriving and sustainable mining industry for consideration by the Minister in November 2018
<p>Objective 6: The development of an improved and properly resourced approvals process to assess mining applications, and increase industry safety by establishing an independent oversight unit.</p>	<ul style="list-style-type: none"> • Hired and developed technical and support staff for the Health, Safety and Permitting branch to address permitting and increase inspections towards ensuring compliance with mining legislation and environmentally sound practices. • Developed tools to ensure proponents have a clear understanding of application requirements. • Developed and tracked key performance

	<p>indicators to monitor and improve the coordinated review process for major mines.</p> <ul style="list-style-type: none"> • Conducted high level cross-jurisdictional review and staff engagement on mining regulatory models.
<p>Objective 7: Ensuring that British Columbians benefit from LNG projects by requiring proposals to meet the following four conditions:</p> <ol style="list-style-type: none"> 1. Proposals must include express guarantees of jobs and training opportunities for British Columbians; 2. Proposals must provide a fair return for our resource; 3. Proposals must respect and make partners of First Nations; and 4. Proposals must protect our air, land, and water, including living up to our climate commitments. 	<ul style="list-style-type: none"> • Worked collaboratively over the past year with other Ministries and proponents of LNG projects to advance the development of this industry in a way that supports and is consistent with the provincial government’s conditions. • Introduced a new framework for natural gas development that puts it on a level playing field with other industrial sectors, while making certain that B.C. continues to receive a fair return for its resource and ensuring that projects adhere to B.C.’s climate targets.

As committed to in the *2017/18 – 2019/20 Service Plan* tabled in September 2017, the Ministry released fully developed objectives and performance measures in the Ministry’s *2018/19 – 2020/21 Service Plan*, tabled in February 2018.

Financial Report

Financial Report Summary Table

	Estimated	Other Authorizations ¹	Total Estimated	Actual	Variance ⁵
Operating Expenses (\$000)					
Mines and Mineral Resources	21,630	0	21,630	20,956	(674)
Electricity and Alternative Energy	42,998	0	42,998	43,004	6
Upstream Development	12,506	0	12,506	10,580	(1,926)
Liquefied Natural Gas	6,345	0	6,345	3,704	(2,641)
Oil and Strategic Initiatives	1,020	0	1,020	840	(180)
Executive and Support Services	10,507	0	10,507	12,163	1,656
Innovative Clean Energy Fund Special Account	2,299	7,651	9,950	9,950	0
Sub-Total	97,305	7,651	104,956	101,197	(3,759)
Adjustment of Prior Year Accrual ²	0	0	0	(1)	(1)
Total	0	0	0	(1)	(1)
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Executive and Support Services	409	372	781	781	0
Total	409	372	781	781	0
Other Financing Transactions (\$000)³					
Oil and Gas Commission ⁴ Receipts	(35,226)	0	(35,226)	(36,542)	(1,316)
Oil and Gas Commission Disbursements	35,226	0	35,226	36,542	1,316
Net Cash Source (Requirements)	0	0	0	0	0
Total Receipts	(35,226)	0	(35,226)	(36,542)	(1,316)

Total Disbursements	35,226	0	35,226	36,542	1,316
Total Net Cash Source (Requirements)	0	0	0	0	0

¹ “Other Authorizations” include Supplementary Estimates, Statutory Appropriations and Contingencies. Amounts in this column are not related to the “estimated amount” under sections 5(1) and 6(1) of the *Balanced Budget and Ministerial Accountability Act* for ministerial accountability for operating expenses under the Act.

² The Adjustment of Prior Year Accrual of \$0.001 million is a reversal of accruals in the previous year.

³ Other Financing Transactions are for disbursements that are provided by the province to the Oil and Gas Commission with respect to oil and gas industry fees and levies assessed and collected on behalf of the Commission under the *Oil and Gas Activities Act* and the Fee, Levy and Security Regulation.

⁴ Levies include Orphan Site Reclamation Fund revenues and production levies but not Pipeline revenues or fees from oil and gas applications. Reported information may differ from Oil and Gas Commission due to recognition differences.

⁵ Variance represents “Actual” minus “Total Estimated”. If the Actual is greater than the Total Estimated, the Variance will be displayed as a positive number.

Appendix A: Ministry Contact Information and Hyperlinks

Deputy Minister's Office

Eighth Floor, 1810 Blanshard Street
PO Box 9319 Stn Prov Govt
Victoria, B.C. V8W 9N3
Ministry website: www.gov.bc.ca/ener

Mines and Mineral Resources Regional Offices

Northwest

PO Box 5000 Stn Prov Govt
Second Floor, 3726 Alfred Avenue
Smithers, B.C. V0J 2N0
Phone: 250-847-7383
email: MMD-Smithers@gov.bc.ca

South Central

Second Floor, 441 Columbia Street
Kamloops, B.C. V2C 2T3
Phone: 250-371-3912
email: MMD-Kamloops@gov.bc.ca

Southwest

PO Box 9395 Stn Prov Govt
Third Floor, 1810 Blanshard Street
Victoria, B.C. V8W 9M9
Phone: 778-698 3649
Email: SouthwestMinesDivision@gov.bc.ca

Mineral Titles Inspectors

Cranbrook

Second Floor, 100 Cranbrook Street N.
Cranbrook, B.C. V1C 3P9
Phone: 250-417-6060

Central/Northeast

Third Floor, 1011 4th Avenue
Prince George, B.C. V2L 3H9
Phone: 250-565-4240
email: MMD-PrinceGeorge@gov.bc.ca

Southeast

202-100 Cranbrook St, N.
Cranbrook, B.C. V1C 3P9
Phone: 250-417-6134
email: MMD-Cranbrook@gov.bc.ca

Mineral Titles Branch

303-865 Hornby Street
Vancouver, B.C. V6Z 2G3
Phone: 1-866-616-4999
Email: mineral.titles@gov.bc.ca

Houston

PO Box 1389
Houston, B.C. V0J 1Z0
Phone: 250-845-3584

Appendix B: List of Crowns, Agencies, Boards and Commissions

[BC Hydro and Power Authority](#)

[BC Oil and Gas Commission](#)