



POLICYMAKERS AND SUSTAINABLE REGULATION?

CAMPUT

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**Ministry of Energy Mines and Petroleum
Resources**



Sustainable
Regulation

Daily decisions

Sustainable Policy

Broad Context



- Climate Action Plan – 33% reduction by 2020; 80% by 2050:
 - Revenue neutral carbon tax, Western Climate Initiative (WCI), carbon neutral government, renewable fuel requirement, low carbon fuel requirement, green building code, efficiency standards
- BC Energy Plan and Clean Energy Act– Market Drivers:
 - 93% electricity from clean energy, offset natural gas, CCS for coal, energy self sufficiency by 2016, 2/3 of new incremental supply from energy efficiency and conservation



Policies:

- 2007 Energy Plan
- Royalty Credits
- Climate Change Plan
- Shareholder Letters of Expectations

Regulations

Special Directions

*Renewable Fuel and Low Carbon Fuel
Regulations*

Legislation:

- Oil and Gas Activities Act*
- Cap and Trade*
- Carbon Tax*
- Clean Energy Act*
- BC Hydro and Power Authority Act*

BC Ministry of Energy,
Mines and Petroleum
Resources

BC Oil and Gas Commission

BC Utilities Commission

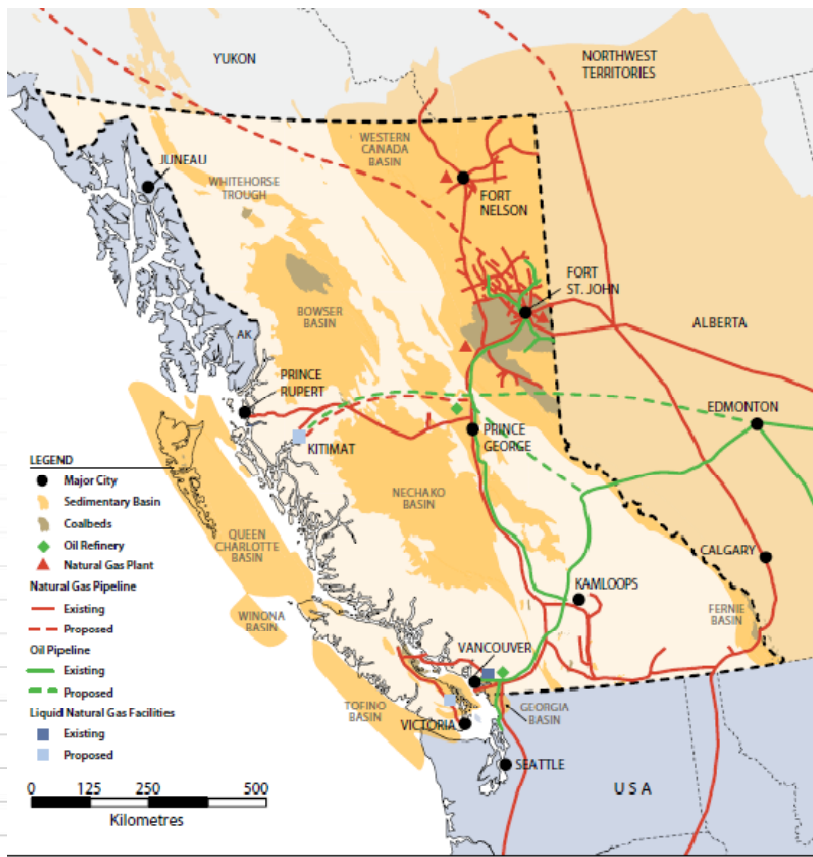


Renewable Fuel and Low Carbon Fuel Requirements

- **Legislation and regulations developed within the Ministry**
 - 5% ethanol in gasoline
 - 3% biodiesel in diesel in 2010, 4% in 2011 and 5% in 2011
 - 10% reduction in carbon intensity of transportation fuels by 2020.
- **Ministry is the regulator**
 - Close link between policy and regulator



Abundant Oil and Gas Resources

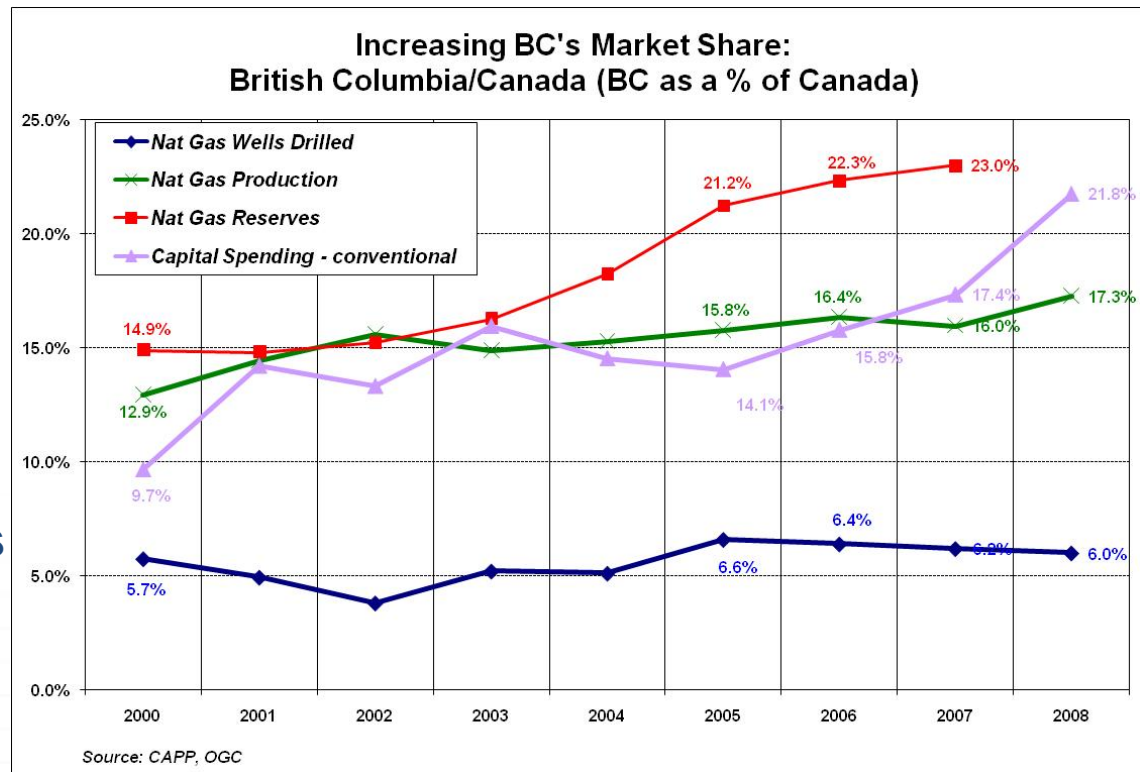


- Natural Gas
- Activity focused in Northeast BC – Western Canada Sedimentary Basin
- Conventional Resources
 - 91 Tcf GIP estimate
- Shift to unconventional resources
 - Tight Gas = >300 Tcf GIP estimate*
 - Shale Gas = >500 Tcf GIP estimate*
 - CBM = >90 Tcf GIP estimate*



Becoming a Leader in North American Natural Gas Markets

- Second natural gas producer in Canada, after Alberta
- Increasing market share in Canada
- Potential to triple production as unconventional natural gas develops – existing production 1 Tcf/year





Oil and Gas Commission Origin

- Policy and regulatory functions were all part of the Ministry of Energy and Mines until 1998.
- In 1998, the *Oil and Gas Commission Act* created a Crown corporation – the Oil and Gas Commission (OGC) – designed to provide a streamlined and efficient one-stop regulatory agency for oil and gas activities in BC, thus separating the policy from the regulatory functions.



Oil and Gas Commission Objective

- The regulatory responsibility of the Commission extends from the exploration and development phases, through to facilities operation and ultimately decommissioning. It is charged with balancing a broad range of environmental, economic and social considerations.
- The Commission is responsible for reviewing all necessary oil and gas activity applications under the following acts:
 - *Petroleum and Natural Gas Act,*
 - *Pipeline Act,*
 - *Forest Act,*
 - *Forest Practices Code of B.C. Act,*
 - *Heritage Conservation Act,*
 - *Land Act,*
 - *Environmental Management Act, and*
 - *Water Act.*
- The cost of operating the Commission is funded through the collection of industrial fees and levies on a cost recovery basis.

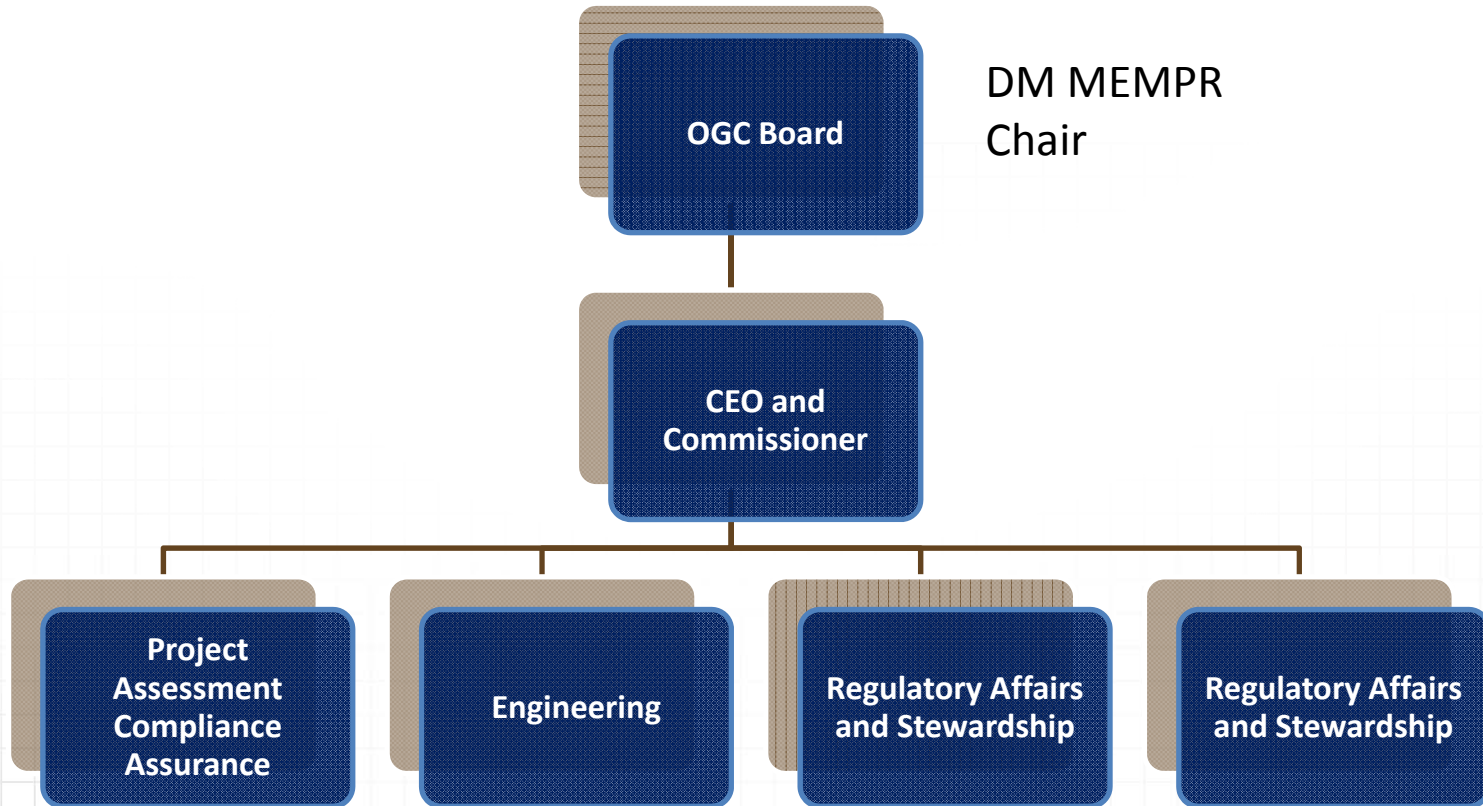


Oil and Gas Activities Act

- Passed May 2008 *but not yet in force*
- Highlights:
 - ✓ 'Permit' simplified and can cover many activities
 - ✓ Consultation processes before applications filed
 - ✓ Allowance for OGC Board-Approved Regulations (increased flexibility)
 - ✓ Enhanced C&E powers and tools
 - ✓ Enhanced environmental regulation
 - ✓ Formal appeal mechanisms



Oil and Gas Commission Structure





British Columbia Utilities Commission

- **Regulate public utilities.**
 - Special Directions
- **Review energy-related matters referred to it by Cabinet. These inquiries usually involve public hearings, followed by a report and recommendations to Cabinet.**
 - Section 5 Transmission Inquiry
- **Establishes tolls and conditions of service for intraprovincial oil pipelines.**
- **Responsibilities for electricity transmission facilities and energy supply contracts.**



Clean Energy Act

- **Creates alignment between government policy, Crown utility implementation and BC Utilities Commission regulation**
- **Public process for integrated planning led by Crown utilities**
- **Plans go to government before BC Utilities Commission**
- **Projects/programs to further public policy will not require BC Utilities Commission approval**
- **BC Utilities Commission can review prudence of execution**
- **Ratepayers insulated from export activity**



Role of policy makers in sustainable regulation?

- Articulation of policies
- Tools
- Scope
- Institutions