Offshore Oil & Gas in British Columbia – Will it happen? When?

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Offshore in BC – Will it happen, and when?

When?
- Speech from the Throne, February 11, 2003:

“By 2010, your government wants to have an offshore oil and gas industry that is up and running, environmentally sound, and booming with job creation.”

Will it happen:
- History
- Moratoria
- Province’s initial steps
- Challenges

2. Will it happen, and when? In the February 11, 2003 Speech from the Throne, the provincial government made clear that it wants offshore development to happen, and that it wants an offshore oil and gas industry up and running by the year 2010.

2. Can it happen by 2010? Understanding the context of west coast offshore oil and gas is required to answer this question. The presentation will provide an overview of the context, which includes:

- History of early exploration,
- Federal and Provincial moratoria, and their basis,
- What British Columbia has done so far, and
- What remains to be done.
A 1998 Geological Survey of Canada report showed there is potential for 9.8 billion barrels of oil and 25.9 trillion cubic feet of gas in the Queen Charlotte Basin.

These are estimates based on information from similar geology elsewhere, resources extracted from onshore drilling, and other data that is available to estimate the potential hydrocarbon resources in a given area.

The specific economics of any offshore development will depend on the size, location and formation of the oil and gas field, as well as a host of other factors, including prices and government policies.

Although it is impossible to predict the value of the resource, the economic potential based on Geological Survey of Canada estimates is too significant to ignore.
Exploration dates back to the late 40s. Between 1967 and 1969, Shell Canada drilled 14 wells from Barkley Sound north through Queen Charlotte Sound and Hecate Strait.

Five provincial permits involving offshore areas are still active, one in the Queen Charlotte Strait near Fort Rupert, the remaining four permits are in the Strait of Georgia.

There are numerous federal tenures covering significant portions of the province’s offshore areas. Federal tenures are currently held by Shell, PetroCanada, D.F. Smith (Chevron), Mobil and Unocal.

In 1984, an independent federal-provincial environmental review panel was established to assess the potential environmental and socio-economic effects of exploration. In 1986, the panel made 92 recommendations for steps to be taken before exploration could once again proceed.

Concurrent with the environmental review, Canada and BC began negotiating a so-called “Pacific Accord,” similar to the Atlantic Accords on the East Coast. These negotiations terminated without a draft agreement when the province declared its moratorium in 1989.
• This photo and article appeared in the Victoria Daily Times on Dec. 21, 1966. This is the drilling rig used by Shell in the 1960s exploration. The rig was built in Victoria, British Columbia by Victoria Machinery Depot. It was Canada’s first home-built ocean drilling vessel, and, at the time, one of the world’s largest rigs.

• During the exploration program the rig reportedly experienced seas of 80 feet and winds of 70 miles per hour off Vancouver Island, and seas of 65 feet (with one rogue wave of approximately 100 feet) in Hecate Strait. Apparently, non-commercial levels of oil were found off the Queen Charlotte Islands, and some gas shows were found off Tofino.

• Victoria, and all of BC, currently lack the industrial capacity to build another rig. A resumption of offshore exploration would offer opportunities to this sector.
In 1972, the Government of Canada made a policy decision to cease issuing exploration permits for the BC offshore, and to suspend all work obligations under existing permits. This decision effectively froze all federally authorized activity and has become known as the federal moratorium.

In the midst of negotiating the Pacific Accord, oil spills in Washington and Alaska led British Columbia to announce in 1989 that it would not allow offshore exploration for at least five years. This policy became known as the provincial moratorium. Concurrently, the federal government reaffirmed its 1972 policy and announced it would not consider any offshore development until requested to by British Columbia.

The Province also suspended work requirements on the five existing provincial offshore tenures.

In general, either government could remove its moratorium simply by announcing a policy shift or by indicating a willingness to consider applications for exploration.

However, lifting the moratoria is not enough. There is no comprehensive regulatory process that would apply to the west coast offshore.
**Province’s Initial Steps**

- Commitment in 2001 Throne Speech
- Oct. 2001 – Appointed Scientific Review Panel to determine if offshore resources can be extracted in a scientifically sound and environmentally responsible manner
- Oct. 2001 – established Offshore Oil and Gas Task Force

- The Province recognizes offshore oil and gas is a complex public policy issue, with many differing and often competing interests. The government has proceeded carefully, but has a clear goal in mind.
- The Government’s first Throne Speech in 2001 included a commitment to determine whether offshore oil and gas can be extracted in a way that is environmentally responsible and scientifically sound.
- In October 2001, Jacques Whitford Environment updated a 1998 report by AGRA Environment, which was based on the 1986 Environmental Assessment Panel report on BC offshore hydrocarbon exploration. The firm’s report found there are no “fatal flaw” issues that would rule out offshore exploration and development in BC. It concluded no specific design, geohazard or environmental issues exist that would preclude development of British Columbia’s offshore oil and gas reserves.
- Concurrent with public release of this report, the Minister of Energy and Mines appointed an independent Scientific Panel to determine whether offshore resources could be extracted in a way that is scientifically sound and environmentally responsible.
- At the same time, the Premier tasked a subgroup of the government’s Northern Caucus, the Offshore Oil and Gas Task Force, to determine the views of northern coastal communities, residents and First Nations.
Scientific Panel Review

- Concluded: “there is no inherent or fundamental inadequacy of the science or technology, properly applied in an appropriate regulatory framework, to justify a blanket moratorium” on offshore oil and gas activities.
- Also made 15 recommendations for further research and analysis.

PANEL MEMBERS
- David Strong, panel chair, a professor in the school of earth and ocean sciences at the University of Victoria and former president of the university.
- Derek Muggeridge, dean of the faculty of science and associate vice-president of research at Okanagan University College.
- Patricia Gallaugher, director of continuing studies in science and director of the Centre for Coastal Studies at Simon Fraser University.

CONCLUSIONS:
- There is no inherent or fundamental inadequacy of the science or technology, properly applied in an appropriate regulatory framework, to justify retention of the BC moratorium.
- There are gaps in knowledge and a need to intensify research and a commitment to baseline and long-term monitoring; however, these do not preclude a decision on the moratorium.
- While site-specific gaps, inadequacies of data, knowledge, infrastructure and capacity exist, offshore oil and gas is produced globally and science, technology and regulations have improved.
The panel made 15 specific recommendations. These can be found on the offshore website: www.em.gov.bc.ca/oil&gas/offshore/default.htm

The Province accepted these recommendations.

The scientific panel suggested that offshore oil and gas be reviewed in the context of the Province’s overall energy policy. The government’s Plan “Energy for our Future: A Plan for BC” was released on November 25th, 2002 by the Minister of Energy and Mines.

Policy Action # 11 of the plan calls for the establishment of “a dedicated provincial offshore oil and gas team to develop a provincial position, work with the federal government and move effectively toward development of offshore resources”.
Task Force Review

• Six government MLAs.
• Visited nine northern coastal communities.
• Received more than 150 oral presentations and about 130 written submissions.
• Report to government released in May, 2002.

✓ MEMBERS
• Blair Lekstrom, task force chair, MLA-Peace River South
• Dr. John Wilson, MLA-Cariboo North
• Dennis MacKay, MLA-Bulkley Valley-Stikine
• Bill Belsey, MLA-North Coast
• Rod Visser, MLA-North Island
• Lorne Mayencourt, MLA-Vancouver/Burrard

✓ COMMUNITIES
• Port Hardy, Masset, Skidegate, Bella Bella, Bella Coola, Terrace, Kitimat, Kitkatla and Prince Rupert throughout November and December 2001
The task force based its recommendations on four different areas: environment, First Nations, regional economic issues and social impact.

The task force determined that coastal residents want to be active participants in the debate on offshore oil and gas.

The task force suggested more work should be done before offshore exploration proceeds.

Coastal residents asked that issues related to federal and provincial ownership of offshore resources be clarified.

The province accepted these recommendations.
• The grant to UNBC will support advancing the state of scientific and technological knowledge as well a socio-economic analysis.
• UNBC will help the Province respond to the recommendations and conclusions of the scientific panel and task force.
• UNBC has established an advisory committee of representatives from key stakeholder groups, communities, First Nations and the Province.
• At the same time the Province has continued discussions with the federal government, as well as First Nations and communities who could be directly impacted by offshore development.

In January, 2003 Jack Ebbels, formerly the Deputy Minister of Energy and Mines, was appointed to head the British Columbia Offshore Oil and Gas Team.

Jack will report directly to Honourable Richard Neufeld, Minister of Energy and Mines, and Honourable Rick Thorpe, Minister of Competition, Science and Enterprise.
February 11, 2003 Speech from the Throne commits province to opening up BC to new opportunities in every sector of economy. It signals governments intention to build a vigorous, thriving economy throughout the province, with the support of First Nations and communities.

The speech calls for an “offshore oil and gas industry that is up and running, environmentally sound, and booming with job creation” by 2010.

The establishment of a dedicated team reflects the Province’s commitment to undertake a full and thorough analysis of the potential development of offshore resources and to comprehensively address the issues that are associated with the offshore in order to meet the goal of an active industry by 2010.
2010 is an ambitious, but achievable goal.

There are policy and scientific questions that must be answered as government makes decisions on offshore development. Government is committed to the principle that development must be done in a scientifically sound and environmentally responsible manner.

A key consideration is balancing potential economic gains with environmental implications. We do know from other jurisdictions that technology has come a long way. Many of the earlier known risks can now be minimized if not avoided completely. There are new and safer ways of conducting offshore activities.

The Province will need input from many stakeholders and other interested parties to successfully develop a position on offshore.

A regulatory structure will have to be in place in order for industry to know the operating rules and conditions.

First Nations rights and interests will be addressed and First Nations support obtained.

We need to plan for infrastructure and labour force requirements.

Public education and information exchange will remain at the forefront.

The Team is developing a business plan that will address these issues.

The federal government will play a key role.
The Throne Speech makes clear the Province’s intention to have an environmentally sound, thriving offshore oil and gas industry in place by 2010.

The Province will meet its legal obligations to First Nations.

The Province will involve all local communities to help make sound decisions and to participate in the benefits.

The Team will operate in an open and transparent manner.

The goal is ambitious, but achievable.

- The process will not be short.
- A moratorium on offshore development has been in place for 30 years.
- There are gaps in knowledge.
- The process will not be about only scientific and technological considerations, but socio-economic factors.
- Offshore oil and gas resources have the potential to contribute significantly to the future economic health of British Columbia. The provincial government is actively and responsibly exploring the possibility of developing this resource. It would be poor public policy to do otherwise.
- Development of the offshore will be an open and transparent process.
- The offshore potential represents a great opportunity for British Columbia, therefore every effort will be made to reach the 2010 goal.
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http://www.em.gov.bc.ca/Oil&gas/offshore/default.htm