

## **February 2023 – BC Day 2023**

As in previous years, CSEE welcomed BC Government representatives for a full day in-person session in Calgary. The objective was to provide the industry with a review of key updates from 2022 and to look ahead to activities, programs & pending changes this coming year. Delegates from both the BC Ministry for Energy, Mines & Low Carbon Innovation (EMLI) and the BC Energy Regulator (BCER – previously BC Oil & Gas Commission or BC OGC) were present during this event. Also in attendance at this year's session was Shannon Baskerville, Deputy Minister – EMLI. The moderator for the day was Bill Whitelaw, CSEE Board Chair and Managing Director, Strategy and Sustainability at geoLOGIC Systems Ltd. & JWN Energy.

To set the stage for the day and to provide context regarding the agenda for the day, Michelle Carr, CEO and Commissioner – BCER and Mark Urwin, Executive Director, Energy Information and Analysis – EMLI, welcomed the audience and delivered introductory comments.

To begin the day, Michelle Schwabe, Executive Director, Oil & Gas Division (EMLI) and Sara Gregory, VP – Legal, Regulatory & Corporate Governance (BCER), provided a high-level overview of the recent legislative changes & regulatory updates and corresponding operational & legal (liability) adjustments. Specifically, Bill 37 (Energy Statutes Amendment Act) now incorporates the development and regulation of all oil, natural gas, and hydrogen under the Clean BC Roadmap to 2030. Countries all around the world are accelerating their transition to include hydrogen into their energy mix, which is consistent with the vision of the BC Government. In BC, all production facilities, including hydrogen produced from water & biomass and associated activities, including methanol and ammonia manufacturing plants will be under BCER's umbrella. The speakers also summarized changes and definitions (where applicable) for orphan wells, overall compliance & management, storage reservoirs, and the regulatory governance structure.

To elaborate on the recent & historic implementation agreement signed in January 2023 between the BC Government and the Blueberry River First Nation & Treaty 8 Nations were Garth Thoroughgood, VP Indigenous Relations & Community Engagement (BCER) and Viva Wolf, Executive Director, Oil Infrastructure Group (EMLI). Garth provided some background & context of the litigation (going back to 2015) and the subsequent June 2021 decision by BC Supreme Court in favour of the Treaty 8 First Nations. Instead of continuing with litigation, the BC Government decided to negotiate an agreement. The subsequent implementation agreement encourages proactive communication and pushes for a more collaborative approach to resource development together with continuous consultation (prior to & during any strategic or development planning) with the various Indigenous groups to protect their treaty rights, including mandatory pre-engagement requirements. The agreement also includes components for a restoration program and addresses topics such as wildlife, water and economics. As indicated by Viva Wolf, the next steps include an implementation plan, cumulative effects management measures, restoration protocols & plans, area-specific measures, new disturbance limits, and revised petroleum and natural gas (PNG) tenures.

Grant Nulle, Executive Director, Royalty Policy & Administration (EMLI), then presented the new royalty framework for the province. He noted that BC's existing system was set up about 30 years ago and needed to be updated to incorporate the new economics of natural gas production, North American & Global market influences, address climate change initiatives, and accommodate for the previously

mentioned reconciliation efforts with Indigenous peoples in BC. The new framework is to take full effect on September 1<sup>st</sup>, 2024, with a transition period that began on September 1<sup>st</sup>, 2022. Some of the key implementation features include a revenue minus cost structure (similar to AB's royalty structure) and price-sensitive royalty rates across commodity types. Grant also touched on the Healing the Land & Emissions Reduction Program (HLER) administration, which addresses the components of a newly created Restoration Fund that industry can contribute to in exchange for a deduction to their future royalties.

Between the morning & afternoon formal presentations, our Moderator sat down for a conversation with EMLI Deputy Minister (DM) Shannon Baskerville on a variety of subjects. The DM acknowledged that the agreement with the Blueberry River First Nation was indeed an historic one. There was a multi-organizational & cross-ministerial consultation and collaboration process in achieving the agreement. She further noted that this would likely be a precedent setting pact for the rest of the country. The deal includes commitments to values of various groups & building land relationships with indigenous groups and could result in implications to the money / investment train. She further communicated that with the Clean BC framework and within the new energy & technology world, the BC Government needed to have a "people strategy". This would demonstrate ways to retain sustainable industries, showcase an ethics / value proposition, encourage innovation & opportunities for new sectors, build a holistic energy strategy together with the private sector, and create opportunities for upscaling & training.

Updates regarding BC's Methane Emissions were presented by Michelle Schwabe (EMLI) and Laurie Welch, Executive Director – Responsible Stewardship (BCER). In summarizing the goals within Clean BC's Roadmap to 2030 and the actions necessary for the industry to implement and execute, Michelle highlighted the progress and continuing decline in emissions from operations & activities in the Oil & Gas Sector. This trend has continued over the past 15 years even with increased natural gas production year by year, which indicates that the industry continues to make progress in reducing GHG Emissions Intensity. The province is currently working on their own emission reduction framework in conjunction with federal emission reduction requirements, partnerships with other organizations & programs, and various research initiatives. From a regulatory perspective, Laurie Welch spoke about the requirements for methane emissions reductions in the corresponding amended Drilling and Production Regulation (DPR). The DPR was initially amended in 2018, with the most recent review done in 2022 to assess the efficiency and effectiveness of the amendments conducted in 2020. She also reiterated the mandatory submission and compliance requirements for various data that has been in place. This data is used for equivalency reporting, monitoring & modeling purposes to ensure reduction targets are being met, and for managing overall regulatory compliance & effectiveness.

The final presentation of the day dealt with the topic of Carbon Capture & Sequestration (CCS). Ron Stefik, Supervisor – Reservoir Engineering (BCER) and Chris Pasztor, Executive Director – Tenure and Resource Stewardship (EMLI) elaborated on the specific regulations and tenure types for CCS applications. In cooperation with other organizations (i.e., Alberta Energy Regulator, Geoscience BC, Universities & other research entities, etc.), BCER has been developing technical protocols for CCS, as indicated by Ron Stefik. BCER has been mandated to regulate subsurface sequestration of CO<sub>2</sub> from all sources in secure storage, taking into consideration environmental protection & safety, instituting appropriate measurement, monitoring, & verification (MMV) protocols, and to utilize multiple pools if the opportunity is available. He highlighted several basins and storage targets that have been identified for CCS opportunities, including depleted & semi-depleted pools and deep saline aquifers. The storage

project application mimics the Acid Gas Disposal application and is evaluated on a project-by-project basis. Each application is evaluated by a multi-disciplinary technical review team (drilling, reservoir, geology, hydrogeology, seismology & facilities). The estimated total effective storage potential in NE BC from Geoscience BC's recent report is ~4,200 Mt of CO<sub>2</sub> (~1,200 Mt into depleted pools & ~3,000 Mt into saline aquifers). Chris Pasztor then finished off the session identifying the various tenure types for storage or disposal of CO<sub>2</sub> and the corresponding licencing requirements. He indicated that the ministry continues to engage with industry on the development of the appropriate regulatory policy, including adapting the operational guidance materials as the technology changes or evolves.