



4th Session, 37th Parliament

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REPORT OF PROCEEDINGS  
(HANSARD)

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SELECT STANDING COMMITTEE ON  
CROWN CORPORATIONS

**Victoria**

**Wednesday, November 26, 2003**

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KEN STEWART, MLA, CHAIR

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**SELECT STANDING COMMITTEE ON  
CROWN CORPORATIONS**

Victoria  
Wednesday, November 26, 2003

- Chair:* \* Ken Stewart (Maple Ridge-Pitt Meadows L)
- Deputy Chair:* \* Harry Bloy (Burquitlam L)
- Members:*
- \* Pat Bell (Prince George North L)
  - \* Susan Brice (Saanich South L)
  - \* Daniel Jarvis (North Vancouver-Seymour L)
  - \* John Les (Chilliwack-Sumas L)
  - \* Harold Long (Powell River-Sunshine Coast L)
  - \* Barry Penner (Chilliwack-Kent L)
  - \* Rod Visser (North Island L)
  - \* John Wilson (Cariboo North L)
  - \* Patrick Wong (Vancouver-Kensington L)
  - Joy MacPhail (Vancouver-Hastings NDP)

*\* denotes member present*

*Clerk:* Craig James

*Committee Staff:* Jonathan Fershau (Committee Researcher)

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*Witnesses:* Derek Doyle (Oil and Gas Commissioner)  
David Ross (Oil and Gas Commission)  
Sheila Wynn (Chair, Oil and Gas Commission)



**CONTENTS**

Select Standing Committee on Crown Corporations

Wednesday, November 26, 2003

	<b>Page</b>
Review of Crown Corporations: Oil and Gas Commission.....	311
D. Doyle	
D. Ross	
S. Wynn	



## MINUTES

# SELECT STANDING COMMITTEE ON CROWN CORPORATIONS



Wednesday, November 26, 2003  
9 a.m.  
Douglas Fir Committee Room  
Parliament Buildings, Victoria

**Present:** Ken Stewart, MLA (Chair); Harry Bloy, MLA (Deputy Chair); Pat Bell, MLA; Susan Brice, MLA; Daniel Jarvis, MLA; John Les, MLA; Harold Long, MLA; Dr. John Wilson, MLA; Patrick Wong, MLA; Rod Visser, MLA; Barry Penner, MLA

**Unavoidably Absent:** Joy MacPhail, MLA

1. The Chair called the Committee to order at 9:04 a.m.
2. Pursuant to its terms of reference the Committee reviewed the British Columbia Oil and Gas Commission.  
Witnesses:  
British Columbia Oil and Gas Commission  
Sheila Wynn, Chair, Board of Directors  
Derek Doyle, Commissioner  
David Ross, Manager, Financial Planning, Corporate Services Division
3. The Committee met in camera to consider its Report to the House on the matter of its review of the British Columbia Oil and Gas Commission and adjourned debate on the matter.
4. The Committee met in public session.
5. **Resolved**, the Committee meet on Wednesday, December 3, 2003, at 9:30 a.m. for the purpose of preparing a schedule of meetings and related matters.
6. The Committee adjourned to the call of the Chair at 11:38 a.m.

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Ken Stewart, MLA  
Chair

Craig James  
Clerk Assistant and  
Clerk of Committees





WEDNESDAY, NOVEMBER 26, 2003

The committee met at 9:04 a.m.

[K. Stewart in the chair.]

**K. Stewart (Chair):** It appears we're having a little technical difficulty, but if I could call the meeting to order, we'll do our introductions and see how we make out with the other part first.

I'd like to invite you to the Select Standing Committee on Crown Corporations. Today our group is with the Oil and Gas Commission. What I'd like to first do is let you know what our format will be today. We'll be giving an hour for presentation. After that time, there will be approximately an hour for questions. Once the questions are concluded, the committee will go in camera and discuss the proceedings for today towards our report.

[0905]

A couple of comments. All the recordings today, other than those that are in camera, will be posted on the Web in *Hansard* within a couple of days, so you'll be able to go over what you said and clarify if there are any areas which you think haven't quite been represented in the way you want. The members may submit written questions, if they don't have time to get through all their questions. The second part of that is if you have answered a question and feel there is more information you'd like to add to it, you can also send that through the Clerk's office.

At this point in time, I'd like to start with introductions. During the proceedings we usually use first names here, so as long as that's no problem with our witnesses, we'll continue that practice. I'll just start to my left.

**C. James:** Craig James, Clerk of Committees and Clerk Assistant.

**J. Fershau:** Jonathan Fershau, committee researcher.

**S. Brice:** Susan Brice, MLA, Saanich South.

**D. Jarvis:** Daniel Jarvis, North Vancouver-Seymour.

**J. Les:** John Les, Chilliwack-Sumas.

**B. Penner:** Barry Penner, Chilliwack-Kent.

**J. Wilson:** John Wilson, Cariboo North.

**P. Wong:** Patrick Wong, Vancouver-Kensington.

**P. Bell:** Pat Bell, Prince George North, home to the Nechako basin and the largest untapped oil reserves in British Columbia.

**H. Long:** Harold Long, Powell River-Sunshine Coast. No commercials.

**H. Bloy (Deputy Chair):** Harry Bloy, member for Burquitlam.

**K. Stewart (Chair):** I'm Ken Stewart, and I'll be your Chair today. I'm from Maple Ridge-Pitt Meadows.

Now, if you'd like to introduce yourselves.

**D. Ross:** I'm David Ross. I'm the manager of financial planning for the Oil and Gas Commission.

**D. Doyle:** Derek Doyle, the commissioner of oil and gas for British Columbia.

**S. Wynn:** I'm Sheila Wynn, Deputy Minister of Energy and Mines. I also serve as chair of the board of the Oil and Gas Commission.

**K. Stewart (Chair):** If we're ready to go, we'll turn it over to you, Derek, and you can lead your people through it. You have approximately an hour.

We'll hold our questions until the end, unless there's a question on procedure.

#### **Review of Crown Corporations: Oil and Gas Commission**

**D. Doyle:** Thank you, Mr. Chairman and members of the standing committee. This morning this person will present, and then we're all available for questions. The three areas we'll focus on are our service plan and our annual report relating back to that service plan, and then we'll give the members of the standing committee some indication of looking ahead to where we're going, which impacts our service plan going forward.

First of all, let me just lay out a little navigational matter. The annual report, which the Clerk distributed, covers the year 2002-03. That's really what I will be speaking to this morning. The basis of measurement against that was the service plan that was in full force and effect at that time, noted as the service plan for 2002-05.

As we go forward, the feeling of the Clerk was that it would be beneficial for members to have the active service plan for the current year we're in. So you also have received the updated version of our service plan, noted as 2003-06. I'll start out, and I'll be focusing on the first 12 slides on the service plan and what goes before that.

Let me start by talking about the purpose of the Oil and Gas Commission. When you look through the purpose statement, both in the slide and in the hand-out, this is taken from our legislation. I would particularly draw people's attention to the fact that we are a regulatory body. We do not develop policies. We will develop our own internal procedures. Any matters that we see related to policy we will raise and identify with the Ministry of Energy and Mines. Then the Ministry of Energy and Mines will review those policy matters and take them up in the wider government circle.

We work from a set of rules that are in place — the legislation of the various departments. In that regard

we're a regulator. We are charged to do a number of things in our legislation: to be effective and efficient, and to ensure that we encourage the participation of first nations. Indeed, we consult with first nations on every application we receive that's in their particular area of interest.

[0910]

We participate in the planning processes that are carried out by other government agencies such as the Ministry of Sustainable Resource Management. We have a duty to consult not only with first nations but with the broad community. From the decisions that we take — having got input from communities, stakeholders and first nations people who hold other tenures — we issue approvals with terms and conditions imposed on them. Those approvals are done in the broad public interest, having regard for environmental, economic and social effects.

For the committee, I would stress that there are some who feel that a regulatory agency that's focused on oil and gas is an agency that is an advocate for oil and gas. Far from that. We're charged with a very broad responsibility to take our decisions with regard to environment, economic and social effects. So that's our purpose.

Looking at our services, essentially the first number of items in the service plan here are really what the external world of stakeholders, clients, oil and gas industry sees — the application review process, the aboriginal relations, the compliance and enforcement, the technical engineering work that we do in reviewing all of the public safety and public health issues, and then the determination of the extent and management of the resource when it's found and how that is developed.

The last four items on our services really relate to how we operate internally in terms of bringing forward ideas for legislation — I'll touch on some of that a little later — and our broad stakeholder relations. Industry has endowed us with an environmental fund of \$1 million a year — the management of that. Then, of course, there's our broad internal control systems — human resources, technology and a whole leadership approach to running the commission.

If I look at the broad strategic context in slide 3, what I've set out here are really the goals that we are charged to pick up on from the government's guidelines to us. I think it's very important that we hold those constantly in mind — a strong and vibrant economy, safe and healthy communities, sustainable environment, and a broad objective of doubling the oil and gas investment in the province by 2007.

Now, they translated into certain strategies of government. A particular strategy relevant to the Oil and Gas Commission was to reduce the regulatory burden. The commission, when we took a count back in 2001, had 7,338 regulatory instructions. Some people reminded us that ten commandments were good enough for others, and we should head toward a lot fewer than 7,338. I'll touch on that a little later.

We should be a results-oriented organization. We have many rules that set out how people would do

things, and the direction strategy of government was to become much more results- and performance-oriented. We should not in any way reduce or lessen our focus on protecting human health and on the related public health and safety issues there.

When the core review was carried out of both the Ministry of Energy and Mines and the Oil and Gas Commission, the particular shifts that arose for the Oil and Gas Commission were the four noted here — namely, that we should broaden our single-window approach.... When the Oil and Gas Commission was set up in 1997, it was in essence endeavouring to provide a one-window approach.

Over the initial years it was achieving about 60 percent one-window, but industry was having to go to many other agencies to get other permits and approvals. So one of the core review directions was to broaden that single window from where you're at to as near to a one-window approach as we can get, bearing in mind the other guidance that we're given.

[0915]

Again, the core review emphasized the moving to results- and performance-based regulations to improve our effectiveness and efficiency. In the days prior to the Oil and Gas Commission, the average time for people in the oil and gas industry to get an approval was 42 working days. That was the average time. At the time of the core review, the number was down at 21. So the establishment of the Oil and Gas Commission had shown a very significant improvement for industry in terms of efficiency and effectiveness without any lessening of the standards and, indeed, with a heightening of the standards of performance that were being sought.

Finally, the core review — that we should emphasize and carry forward and build workable working relationships with the first nations within whose areas we were operating. This was the broad guidance that came to us — and very specific deliverable requirements which were translated into our service plan.

We also, of course, were the benefactors of input from all of the people noted here on slide 4. There's an item there called a practice advisory group. That is a group of industry people organized into eight different teams. They give us advice on matters related to specific topics, whether it's seismic activity or facility operation. It's a little bit like a CSA process, where problems come up and are reviewed by people knowledgeable and expert in the area.

We have, on the top of the list, a standing advisory committee appointed by government. It advises the commission on our budget, on our service plan, on community interest and feedback — and a fairly broad-ranging mandate to give advice to the commission. That committee meets approximately three to four times each year and tables advice with the commission as a result of that.

I can report to the committee members that the advice we have received from the advisory committee is well used. Currently, we're exceeding 90 percent acceptance and full implementation of the advice they have

given us. The same can be said about the advice we receive from many others. I will certainly be looking forward, and I know the board will be looking forward, to the report you file with the Legislature, because we are very much committed to being a continuously improving organization.

With that input and looking next at some of the challenges and risks we face.... We face, of course, the challenge of very substantial industry growth, given what we hear from industry itself and the way it views and favours British Columbia. We always have with us the challenge of first nations, who see themselves transitioning into being fully engaged in the economy — the development side — and at the same time trying to preserve the traditional values, the heritage and the traditional way of life not as a replacement or a substitute for development but as part of the very heritage of the first nations people. That creates a challenge for us.

The provincial legislation is constantly changing. Various ministries and agencies — the Ministry of Water, Land and Air Protection, the Ministry of Forests — are constantly changing legislation. As a regulator, we have the very significant challenge of having to respond very quickly and promptly when new legislation is promulgated and brought into full force and effect.

Coalbed methane is a development that is another challenge we're responding to. One of the risks we deal with is the increased occurrence of sour gas. Then you have broad global issues about commodity prices. As the commodity prices rise, of course, activity level increases very rapidly. Should commodity prices fall, then activity would drop off significantly, because the industry is driven by the opportunities and returns.

[0920]

The commission is predominantly based in Fort St. John. Our main office is in Fort St. John. We have an office in Fort Nelson. We have a small office in Victoria, and we have a tiny office in Kamloops. Our challenge, then, is to attract and retain staff in an industry that's growing and in an agency that's growing. We are currently around 125 people, so we're not a large organization, but we're growing to 140 people in response to a number of the shifts that government has made in royalty opportunities. That, of course, is stimulating oil and gas activity, and we'll talk a little bit about that later on.

If I look at our specific vision.... In fact, when I was applying for the job of commissioner, I was impressed by this vision statement. I was very pleased, as CEO, to be able to take this up: "To be the innovative regulatory leader, respected by stakeholders, first nations and clients." The challenge of being innovative, of responding to service plans and annual reports and government direction is a vital element of what we are — to be innovative and respond to opportunities and deal with the risks, and to do it by winning respect. That's not something we are given. By our performance, we'll win respect of people. As a new agency, a mere five years old, there are always huge suspicions in communities about whether you're going to whitewash it or

not. It's by our fruit we will be known. We have taken up that vision and, of course, based on our purpose that I outlined earlier, we create a mission statement.

If I go from that, then, and say I found this "prosperity through unity" circle to be useful.... At the centre of it, you have people's vision of beautiful British Columbia — the air, the land, the natural systems relationships and water. That's held very dearly. In running the Oil and Gas Commission, we hear the sound of that vision of British Columbians very, very clearly.

In the second circle, what we see are the realities of daily life. There are a huge number of services that people call upon, whether it's health, education — all the different services that people need and want. Those are being sought. As we deal with environment, economic and social, we constantly have to remind people that we need to factor in both the vision, the services, and be mindful of the engines that drive our economy — oil and gas, forestry, fisheries, tourism, agriculture, technology, etc. — and that it brings all of these together with all of the people in British Columbia, each doing their duty and striving for unity. It's not a competition, as we view it. It's much more a process of collaboration and interest-based problem-solving that we strive to do in setting out our service plan.

If I look at the specifics in the service plan — the one that the annual report addresses — we really had four major goals: to become a respected and trusted regulator; to provide resources to meet our duty and bring benefits to B.C.; to increase the knowledge to plan around land and learn how to avoid problems, how to mitigate problems and then how to restore and reclaim the land after oil and gas facilities have been there for a period of time and have depleted the resource — if it's agricultural land, the land has to be restored to as productive a condition as it was prior to the oil and gas use of the surface lands; and to become a stakeholder-centric organization, to understand what our broad community, our many different stakeholder interests are dealing with and addressing and what their concerns are.

[0925]

We receive a lot of very valued input, which I'll touch on. We had some specific objectives in our service plan, and these relate back to the goals. They report out, as you can see: broaden our single-window approach to regulating; move to results- and performance-based; improve efficiency and effectiveness; enhance our collaborative approach with first nations — all of these are picking up on the core review, the strategies and goals of government; enhance our hydrocarbon resource information for industry; improve safety and planning; become an employer of choice; conduct more business electronically — these go to our effectiveness and efficiency; and expand the use and relevance of the environment fund.

The commission is 100 percent funded by the oil and gas industry. There is no additional or supplemental public money in the commission. All of our money comes from fees and levies. In addition, industry has volunteered an environment fund of \$1 million a year

to help solve some of the problems that arise. That's put to good use.

Then to develop a client-, first nations- and stakeholder-oriented culture.

We translated these goals and objectives into very specific targets. First of all, in our non-financial area. The specific targets pick up on many of the goals. In the first one, we're broadening our single-window approach. We started out back around 60 percent, and as you can see, our goal for 2002-03 was to get to 85 percent. We want to be 25 percent results-based.

I mentioned earlier that our regulatory burden when we initiated the count was 7,338, and our target was to get to 6,300 by the end of the fiscal year just ended. We wanted to get our effectiveness and efficiency improved, so we measure that in terms of the working days, on average, across all the key application areas that are of concern to industry, to get that from 21 down to 18 days.

Then, finally, to get the compliance of industry. When we carry out audits of industry each year, we wanted to see the compliance rate steadily improve. We'd set an objective of getting from 79 percent the first year. We went and measured it in a quantitative way, with precision, to get that from 79 percent to 84 percent. That's a process of collaboration with industry and industry doing its due diligence and industry associations through stewardship programs and so on. These were the specific non-financial objectives.

If I look at the financial objectives that we had, again I would stress two points. One is that the OGC is 100 percent funded by industry through fees and levies. We're not really in the capital projects business. We do leasehold improvements, and we'll buy equipment. I know that's an area the committee has turned its attention to, so I'll just say under note 2.

We had three financial objectives. One was, of course, to maintain a balanced budget over time. As industry expands, our revenues go up. Our costs won't always be fully in step with that. If we generate industry income through fees, we were looking to balance the fees between being 45 percent of our revenue and 55 percent through levies. These were numbers that were worked out with industry in a consultative process at the time of the birth of the Oil and Gas Commission. They came to this understanding that it should be our broad guidance.

Then recognizing that from time to time we generate surpluses, and generally we shouldn't accumulate too large a surplus. As we did, we would reduce our fees and levies to maintain the priority of a balanced budget.

[0930]

When we look at some of the resources and strategies that influence our results, certainly the royalty structure that the province puts forward from time to time has a huge influence. We're certainly seeing a sea change in activity levels as a result of the work of government in recent months in terms of royalties.

The competitiveness of British Columbia with respect to other provinces, and indeed with respect to

other nations and other international opportunities for oil and gas and in the whole access to the capital market, influences significantly what can occur in British Columbia. Then, at another level is our own ability to acquire and retain staff, and not only staff for the Oil and Gas Commission but staff to serve as the industry which is building a stronger footprint in British Columbia and has huge challenges in terms of the skills for technical operating people, for their facilities, service industries, consultants, contractors and so on — huge challenges in terms of skills and levels of knowledge. Of course, commodity prices play a very significant factor.

This, then, was our service plan with some very targeted directions set out in it. Being mindful of the broad goals of government, the strategies of government, the core review, we went forward with a service plan. Now, how did we do?

Before getting into the annual report, I'd just like to mark out a shift in governance. The original concept, set out in legislation, of the board of the commission was where the commissioner and the deputy commissioner constituted the board of the commission. That board reported to the Minister of Energy and Mines. Bill 36, which was brought in, in February 2002, modified the board's structure very beneficially and significantly in that it created a three-person board made up of the chair of the board, the Deputy Minister of Energy and Mines, Sheila Wynn — that, of course, connected the guidance of the commission much more strongly to the policy direction, legislative direction of government; the vice-chair of the board, the commissioner of Oil and Gas and CEO of the agency; and then a citizen member who is appointed as the third member by government. That member, John Bechtold, is a person with long service in the oil and gas industry, a former senior executive. That provides a completely different guidance, direction and governance model in terms of how we are structured, what our budgets are like and what our service plan will look like.

The new board had its first meeting in August of this year, and already we're seeing some very significant shifts in focus in our agency. The circumstance, then, is that the service plan I'm reporting on in the annual report is with the commissioner and deputy commissioner as the board. As we go forward, committee members would be interested in our new governance model.

Just a little point on that. The new board, at its first meeting, reviewed and restructured — fine-tuned — the organization of the commission to make it more responsive to the anticipated growth in the industry and put in place a leadership approach. We have instituted a leader of our operations, a leader of our relationships and client services and a leader in our corporate services capacity — under the overall leadership of the commissioner. We've embraced a very strong leadership approach to pick up on a number of government's initiatives with leadership centres, and so on, to bring that right into the day-to-day governance and activity of the commission.

[0935]

The second thing the board did was set out some broad guidance in terms of improving the service plan that we are now drafting and that will be tabled in the spring of the year as the next generation of our service plan. Thirdly, the new board set some very challenging budget guidance so that we will demonstrate continued improvement in terms of our efficiency and effectiveness.

Looking at the specific annual report, we had set out a target of enhancing our single-window approach to get to 85 percent. That was achieved generally — I'll touch on some of these in a little more detail in a minute — through Bill 36, which empowered the commission more and set up some of the structures for ministries to delegate some of their responsibilities and authorities to the commission.

We've moved to further enhance "results based." A limiting factor on "results based" is also the capacity of industry to respond, because industry has to have the wherewithal, the capacity, the knowledge, the due diligence, the processes in place to avail itself of "results based." This is very much seeing everyone improve together.

Reducing the regulatory burden. Our target was 6,300. At the end of the fiscal year we had achieved 6,091. Members may be interested to note that currently, or at least at the end of September, our count was down at 5,608. Thus far, on that direction by government, we've achieved 23.6 percent reduction from our base, and we anticipate that we will meet the government target of 33 percent within the time frame.

We've broadened our collaborative approach with first nations. We had set a target of having consultation agreements in place with all of the Treaty 8 first nations in British Columbia, and that has been achieved. Certainly, it's fraught with many challenges. When you have an agreement with first nations, it's a challenge each day and each week to see that as a living instrument and to work with it. They are in place, and they are working effectively at this time.

The average working days — our goal was 18 percent in our service plan. We achieved 17.8 percent. We'd set our goal for the compliance rate we were seeking from industry when we audit them at 84 percent. The audit done in January-February-March of this year, ending out the last fiscal year, was 86 percent. We will continue to work with industry collectively and individually. We target people who are the least enthusiastic about being in compliance. That's where we put a significant amount of our effort.

In terms of our achieving a balanced budget, our target was to be balanced, to have no net operating income. We had a significant net income at the end of the year, and that arose for a number of reasons. One of the reasons was a significant increase in the level of industry activity as the commodity prices were favourable. Our own efforts to staff up our organization weren't fully realized, so we had just in excess of \$1 million of uncommitted staff as we staffed up. Then the flow of gas that we generate a levy from, with Lady-

fern, increased substantially and gave us an increase there. At the moment on our financial statements we are showing a significant surplus, but as we scale up to the new level of activity, that surplus will quickly abate.

[0940]

Looking at the time, we're at 33 minutes, so I won't go through each of these next slides. They just add a little more detail about what the specifics are that were undertaken to achieve the performance goal set out in the service plan of 85 percent. These were that were enacted and then brought in and proclaimed under Bill 36, and they're all in full force and effect today. That increased our one-window approach significantly.

In terms of moving to results-based, a number of items. "Permit by rule" in there is that we set out some of the rules and tell industry: "If you comply with this, you can consider yourself permitted." At the bottom of the list, there's "notification to flare." If you can flare a small quantity, if the gas is not sour gas, then instead of you applying to flare, you can provide us with notice that you are flaring and you're in compliance with the rules. Again, that cuts down on the time frames for people to get their wells connected, to test them out, to commence the flow of gas or oil and thus to create the benefits back to the province through royalties.

The time frames. I've mentioned these numbers previously, and while we're at 17.8 working days — WDS stands for working days — for the end of the fiscal year that we're reporting, our long-term goal over the next two to three years is to get to 13 working days in the areas we specifically measure. From a number of the initiatives from Bill 36, where we had an item there on a general development permit and plan, these are the kinds of mechanisms that will ensure that these ongoing efficiencies are driven as we move forward.

In terms of our budget for the year and achieving a balanced budget, you can see there that for our net operating income, from a projected budget of a nominal more-or-less-nil balance, we ended up with \$3 million in net operating income. That arose, as you can see there, from a delay in staff hirings. It's not that easy to acquire and build staff in places like Fort St. John. There's a limited pool of staff, and we experience an inordinate turnover of staff. That's a constant challenge for us.

In terms of buildings, in anticipation of growth we were looking at acquiring additional space. The leasehold arrangements that were made allowed that space to be renovated and come under our costs in the current fiscal year, so we deferred costs there of around \$400,000. That's where we actually got to in our performance with regard to the finances and the broad guidance.

I'd like to point out to the committee members that in addition to the service plan, which you of course are very interested in, and the annual report, within the annual report in pages 14 to 22, you will see that each of the sections or branches of the Oil and Gas Commission reports out on how it meets the four key objectives that were set — namely, broadening the single-window

approach, moving to performance- and results-based, improving effectiveness and efficiency, and our collaborative efforts with first nations.

Those sections of the annual report are used so that all of our stakeholders can see and understand the actions that are being taken from the broad guidance from government, from the firm directions of the board of directors and then the operations in the commission from the senior management right down to the front line of the organization.

[0945]

Another interesting area of the commission is this environmental fund, which is set up to contribute \$5 million over five years from industry. That carries out focused research or investigations on issues that arise. For example, there is a concern about the impact of flaring on animals, animal health and so on. Together with the provinces of Manitoba, Saskatchewan, Alberta and British Columbia, the fund is contributing \$600,000 to a major study on beef and cow health and productivity. There are over 30,000 animals being examined. There are 30 veterinary surgeons involved. There's an international committee of veterinary and human health experts monitoring and adjudicating this study to see that it has the highest possible scientific credential.

The field work done over two years of monitoring the exposure of animals and all of the laboratory work done by the veterinary science and environmental experts has concluded, and the data analysis is now underway. In the spring of 2005 that major report will come forward and will definitely be the definitive piece of work worldwide. A lot of the work is being done by the veterinary college in Saskatchewan with support and assistance from Guelph, so it's a very significant study. Alberta has put a very substantial amount of money into it.

Many other projects in terms of managing cumulative environmental impacts and ways and means of setting out ground rules, ways to monitor air health, emissions.... Indeed, we've done some studies on animal health, because first nations had some concerns about animal health, such as moose and so on. Some projects have been done in that area.

It's a fund that's very responsive to what's coming up in the community. We had a major workshop on May 29 and 30 of this year that looked at all of the projects — 30 projects, some concluded and some underway — and what the priorities would be for the future.

I think it's useful to just note that the commission itself puts in a significant effort that doesn't get into service plans but may be of interest to the committee, as noted here, about what we do. This person, for example, has met with all the councils in the active areas of oil and gas and does so a couple of times a year and responds to the community interests there. I chair a series of ongoing conversations in our communities on education, employment, enterprise, environment and communications, because indeed these are vital to the prosperity of our communities.

We have a program called Enter the House of OGC, where we bring people in who don't meet entry levels

and try to train them up and give them some experience so they will be candidates for formal positions. We've offered financial support to Simon Fraser University, together with the city of Fort St. John, to bring a part-time MBA program to Fort St. John. We are very active in our communities, and we benefit a lot from that in the kind of feedback we receive.

In the next few minutes I'd like to turn to sort of a look ahead. As I said, we have a new board appointed. There have been some very significant shifts in royalties, which we see stimulating the industry. The Ministry of Energy and Mines tells us that we could anticipate a 40 to 50 percent increase in activity levels. We're currently ramping up for that very significant growth. We're well advanced in that endeavour. That, of course, has implications for our budget condition and so on.

[0950]

The energy plan. A number of the policies under the energy plan that deal with the development of CBM, with MEM support for industry, with planning, with road improvements, greenhouse gas emission strategies and the provincial processes related to water licensing and waste permitting — all within the energy plan — will be incorporated into our go-forward service plan. This is very important guidance to us.

I've mentioned our shift in our organizational fine-tuning structure to be much more leadership-focused and how we're beefing up our senior management team with three leadership positions. Come the spring of next year.... Our busy season is usually from November through March. Once spring break comes, there's sort of a hiatus, but we will not experience that hiatus. We will be visiting a major process review as directed by our board, commencing in April of next year, to stay on course for our core deliverables and our targets of effectiveness, efficiency, regulatory reduction, etc.

Each year we bring forward a new service plan that reflects all these changes that are about us, but one of the guiding aspects is to keep our focus on the one window, the effectiveness and efficiencies, the relationships we build with stakeholders and first nations and the results approach to regulation. That will continue.

Just a brief look at approvals in three major areas. The geophysical activity sort of precedes people doing any specific applications for a well. They carry out geophysical activity, and that gives them a rough picture. It's like looking at a fuzzy television screen. It gives them a rough picture of the underground situation, and from that, they choose where to drill their wells or where to petition the ministry for tenures to be offered for sale.

The Ministry of Energy and Mines sells the tenures for oil and gas, and once a company has acquired a tenure, it comes forward with a specific application to drill a well. If the well is successful in terms of its viability, then, of course, there's an application for pipelines and many of the other subsequent approval processes. This gives you some idea of what we're seeing this year versus last year, 2002-03. You can see that the effects of

the royalty are certainly starting to show up in terms of the approvals we're granting.

Just a little slide to show where oil and gas has been very dominant in the province — certainly, in the northeast. You can see in those numbers that thousands of wells are in the northeast — over 10,000 wells. There are a number of wells, mostly in the pursuit and experimental stage, the evaluation phase, of coalbed methane in the Elk Valley, down in the bottom right-hand corner near Cranbrook, and then some test wells drilled over the years in other areas.

As Mr. Bell said, these activities are certainly moving into the foothills areas, and we're seeing more interest in that right now. We will see significant interest in the coalbed methane resources. We've had one well drilled in the Comox area on Vancouver Island. I apologize for some of the gaps in that chart. It's a printout of our GIS system, so it would be difficult to recognize all of the boundaries properly. We can correct that.

[0955]

Looking at the overall history of oil and gas, we've seen 13,000 wells drilled. There are 1,000 oil wells operating and 2,600 gas wells. We have an investment in the province. Industry invested about \$4.4 billion in 2002-03. The production was about \$4.2 billion, and government revenue from the sale of tenures and from oil and gas was at \$1.2 billion for that period.

On our horizon we see a number of things. Our general development plan and permit, which allows companies who have acquired all of the rights in an area to come forward with many different wells and pipelines in that area and get collective approval of a development plan, will be a very significant initiative and improve a number of our efficiencies.

We are in the early stages of working collaboratively on framing an orphan wells program. It's interesting to note that British Columbia has, as of our best records today, four orphan wells in the province. That is where companies don't exist to look after the wells. In Oklahoma, for example, they have over 30,000 orphan wells, so it's a timely setting for British Columbia to consider developing legislation that would place the responsibility for orphan wells on industry collectively. Alberta has an elaborate system for companies contributing to a fund so that the inventory of orphan wells is constantly reduced. We have four, and we're presently in the consultative stages toward developing some possible legislation for government's consideration.

Similarly, in the area of pipeline integrity management on our downstream system, we want to move to a results-based approach rather than a detailed inspection approach. That's another new initiative.

Cumulative impact management, or managing the kinds of impacts that accumulate from ongoing industry. The Oil and Gas Commission acts as a window, in part, for first nations who want to apply to the economic measures fund of the treaty negotiations office for business and employment support. Because we're in the Treaty 8 communities on a daily basis, we provide them with some support and assistance to apply

to the fund. The merits of their applications are adjudicated by TNO together with their advisers from other ministries, from Energy and Mines, etc.

We have an active program endeavouring to reduce flaring and emissions. Our current level of flaring and emissions is at about 46 percent of 1997 levels. We'll be framing goals and objectives and strategies to try to get down to 40 percent of 1997 levels, notwithstanding the very substantial increase in activity.

Finally, we're just in the process now of appointing a farmers advocate into the OGC, which will in essence be a landowner liaison inspector, an inspector who will have all the power of an inspector but will have a strong background in agriculture to be able to deal with industry-agriculture interactions in a way that's responsive to the needs of the surface producers on those lands.

The last thing is that I would just summarize by saying the OGC receives all of its legislation, policy, guidance and direction from government. We get input from stakeholders. We get a lot of input from other government departments about how they expect and want their rules and regulations to be applied. Then we carry that, in our own guidance and direction, to industry. We are the recipient of all of these things from government and the input from stakeholders, and in due course, we'll welcome the comments of this committee after you've reported back to the House.

Mr. Chair, that covers our topic in 53 minutes.

**K. Stewart (Chair):** Now we've got some lights on. We have a process for questioning. We just basically go around, and we'll start with Susan this morning.

[1000]

**S. Brice:** Thank you, Mr. Doyle, for the presentation. Certainly, you kept coming back to the themes, and I found that very helpful. But my interest was primarily on slide 14, where you talked about key objectives and performance baseline. I would be interested in hearing from you how the targets were established, particularly relating to the results-based, and what you see down the road in terms of the percentage that can be achieved in that particular category.

**D. Doyle:** The long-term view of this regulator is that we probably won't go beyond 60 percent results-based. The reason for that is that in some cases, it is easy to set out a result that one wants. For example, do not damage the terrain on the road that you put in, in winter, and be gone in spring before the road deteriorates. The result is evident to see.

In other cases, if you're dealing with flaring of gas, there's a lot of technical mathematics and so on. So one may be better off setting ground rules than performance and result, because you can't come back afterward and determine: "Gee, when they flared there last week, did they do it effectively and efficiently?" One will set out certain requirements in terms of temperature of flares, etc., and that equipment is properly maintained. So I think the long term would be 60 percent.

**S. Brice:** Just a follow-up. Establishing your annual targets — what is the process within the commission for that to occur?

**D. Doyle:** The process within the commission is that we look at where we're at today. We look at the many pressures and the guidance that we get in terms of government direction. We look at what the board is saying to us, and we say: "Given those directions, what is a feasible, achievable target, recognizing that we want to be an innovative regulatory leader?" We look at a target, and then we set out the specific actions that are required to achieve that. That's why in the annual report we report out by specific branch on their contribution by the actions that they take, because many of the actions take internal collaboration.

So it's a collaborative, consultative process. Ultimately, when the service plan goals and objectives are framed, it goes to the board of directors of the commission, and the board has already given broad guidance to the service plan we're currently updating. Then they review and approve the service plan before it goes forward to government.

**D. Jarvis:** I've got a couple of questions here in regard to permitting. First of all, I couldn't see in your service report here that there had been any sort of improvement on the permitting end of the Oil and Gas Commission.

I'll give you a little bit of a preamble with regard to, for example, fish farming in B.C. and everything that's controlled by the Department of Fisheries. Most of my colleagues feel that we'd like to get the DFO out of this system as much as possible. They've gone all the way upstream now, right up to where you are up here. For example, one fish farm took longer to permit than the entire building of the Confederation Bridge in P.E.I. — by the DFO.

[1005]

Then I was quite alarmed. The next day or so, after we had a long discussion on this, I saw in the paper where you had done an audit, and it said you had found widespread environmental infractions related to stream crossings up in your area. Ostensibly the ground freezes over in the winter, so the trucks go back and forth across streams, which freeze. They use snow and all the rest of it to get across. But the violations you stated were: not built properly or not torn down in time, and incorporated sticks and earth that might find their way into the streams. Well, you know, I've never seen a stream that doesn't have dirt and sticks in it. I can't see how that... I'm not as familiar as you are with the area, but very few of those streams have fish in them, if any do at all.

I was surprised, because that just gives more ammunition to the DFO to stay where they are in B.C. rather than retreat back to Ottawa, where I think they should be.

**D. Doyle:** Okay. First of all, a general observation with regard to DFO as a regulatory agency. We work

closely with DFO, and the audits that are on our website, our environmental audit report that was carried out in each of the springs for the last three years — January, February, March... Each of those reports was done with DFO participation in it. We bring DFO into our process because we don't want to have two songs being sung to industry. We don't want a B.C. song and a DFO song. We want an environment protection song, to give clarity.

So DFO isn't active, yet we do consult and involve their people out of Prince George in a number of our activities. We are actually discussing with DFO people in Vancouver the possibility of them working in a much more collaborative way so that, indeed, industry may be able to come to OGC and get the permitting requirements that are today obtained from DFO, if they're putting in a river crossing like a bridge or something and they need to be in a stream. So we're working through a collaborative process of trying to engage DFO with us.

With regard to the streams themselves, certainly we deal with thousands and thousands of stream crossings every year. The vast majority of them are well done. The ones we particularly monitor are the significant road accesses that are being constructing into new well sites. That's what is reported in our compliance audit. There is a lot of debris that goes into streams during the spring freshet every year everywhere in Canada. However, the Fisheries Act says that one shall not allow a material injurious to fish to enter a river. So the guidance to the oil and gas industry is to keep out the dirt that they might put into a river.

In fact, industry has been very responsive to that. For example, a number of the companies, if they have a significant road to put across a river, will actually bring in snow-making equipment and make snow, which they will then push into the river and compact to make a firm crossing for the winter season. Where we see that companies don't take due care on river crossings, they are the people that get reported, because we know there are better means available to them if they wanted. As a regulator, we cannot allow those who don't take care to get a competitive advantage, because other people in the industry will say: "Mr. Oil and Gas Commission, you're not running a level playing field. Treat us all the same."

In fact, we generally find that the number of complaints we receive come as much from other practitioners in the oil and gas industry as from citizens. The sense here is that the relationship with DFO is developing. Certainly, there is a long way to go, but we work at it continuously.

**D. Jarvis:** Just to follow up. I had sort of a double-barrelled question on the permitting end of it. Is there anything in your service plan that indicates your permitting is getting quicker? I didn't see that in there.

[1010]

**D. Doyle:** Yes. On one of the slides — slide 14, which Ms. Brice referred to — we reported the average



working days to complete application. That is where we look at all the permits we receive for seismic activity, wells and pipelines. Specifically, on slide 17, the pre-OGC number of 42 working days was noted, and then the results for each year, going down from 20.8 to 17.8, and our long-term goal of 13 working days.

In addition to that, we are creating other methods. I spoke about a general development permit where a company could come forward, in an area that they're intensifying wells.... For example, they might be putting 20 wells in a pool that they have discovered, and they've documented the size of the pool. They could apply for those 20 wells and the associated pipelines, roads and infrastructure at one time.

We piloted, created, that opportunity through Bill 36, which allowed for general development permits. Bill 36 gave us the authority to do that. It was pilot-tested in the year 2002-03. We learned a lot from that, and it's in full effect this year. We expect a lot more of industry to be using it next year. That really gives people an opportunity to come forward with a development plan as against coming forward with every individual application.

Does that answer you?

**D. Jarvis:** Yes, okay. Thanks.

**J. Les:** First of all, perhaps an editorial comment. I refer to slide 9 — the "prosperity through unity" circle, whatever that is. To me, it's Orwellian, new-age eco-speak. Frankly, I don't appreciate it.

Anyway, as I said, that's an editorial comment, and I find that kind of stuff creeping into so many aspects of government today that it's, frankly, disconcerting.

You mentioned earlier that you're looking to increase your staff. I believe you have about 125 on staff now and you're looking to increase that to 140. I'm not sure that's appropriate. I understand that the industry is increasing and expanding, but that, to me, does not necessarily mean that you need to be increasing the staff and the empire.

I would be much more encouraged if I saw a more aggressive approach to results-based applications and performance. I see you have set a modest target of 30 percent from the current 25 percent. Could you maybe expand on that a little bit and tell us why you're not more aggressively targeting results-based performance?

**D. Doyle:** We are targeting results-based performance. We have to proceed with that at a pace that we can translate what we're now doing into a results-based format. Let me just use an example I used earlier. We can specify to companies that they must have produced a certain result — for example, be off the land to avoid disturbance of the land.

Significant companies, large companies have the wherewithal to do the due diligence, to monitor their land activities, to monitor weather conditions and be able to understand that if they want to get a rig off a well site, it's going to take them maybe six or eight

days to break the rig down and get it out. If they want to do that, they have to know that the road is good for those eight days.

[1015]

Very small companies don't have all the science, engineering support and technology that the bigger company has. They much prefer to be told: "Just give me a date that I have to be out by." Given a particular winter, we might say March 31 in this particular area, and then they can work with that without having the necessary resources within their own organization to do the due diligence to achieve the result that we might specify.

In a number of areas where companies demonstrate that they have the capacity to deliver the result, we will give them the opportunity to do so. Where companies say, "We don't have the capacity; just give us a rule," we apply a rule.

We continue to work with the Canadian Association of Petroleum Producers, CAPP, and with SEPAC, the Small Explorers and Producers Association of Canada. We work with a practice advisory group made up of eight specific teams of people, all from industry, looking at these challenges on a continuous basis. They are operating committees.

We are committed to implement from all of those sources. We have committed to implement 80 percent of all the recommendations that they come up with. We are working on these problems of "results based" in a collaborative way. We're also adding to that the issue of professional accreditation where we get materials submitted to us by professional engineers, professional foresters, biologists. We don't want to be replicating the work they are doing, so where companies choose to use professionals, we will accord them the benefit of that in terms of effectiveness and efficiency.

"Results based" needs a number of things. It needs the due diligence and capacity of the companies. In many cases, we will be rewriting some of our legislation. That is a matter on our go-forward program to update our legislation — create the appropriate empowerment within the legislation and then modify the regulations to a results-based process.

We are gathering the ammunition, but my answer to Ms. Brice would still stand. From what I see today in industry and their ongoing enthusiasm to be good stewards and buying into various levels of stewardship programs, in the long term I think we'll probably find there's a good balance between results and broad ground rules at about the 60 percent level.

**B. Penner:** Just to follow up on a question that Mr. Les asked regarding the proposal to increase your allotment of employees from, I believe, 125 currently to 140. Did you say that?

**D. Doyle:** Yes.

**B. Penner:** What would be the cost of expanding your staff in that fashion? I haven't seen any mention of that.

**D. Doyle:** Well, in round numbers — when you put in all the support costs and everything else — the cost of that will be roughly \$100,000 per person. Adding 15 more people would add, in round numbers, \$1.5 million to our budget.

**B. Penner:** Okay.

**K. Stewart (Chair):** Go ahead. That was a quick one, so you've got a further one.

**B. Penner:** Just looking at your expenses year over year from 2002-03, it's comforting to see that there is a decrease. It appears that the biggest reason for that decrease is a significant drop in payments to first nations. I'm referring to page 43 of the 2002-03 annual report, which was provided to us.

I do have some questions around how much is spent on travel and meeting costs, etc., that you referred to for the commission. I don't see a separate line item there. I do see travel and vehicle costs. I don't know if you have a more specific number on how much was spent by the commissioners on travel, attending meetings and so forth.

[1020]

**D. Doyle:** Well, there is only one commissioner. We're in the process of hiring a deputy commissioner. The travel costs of the commissioner are reported under the Budget Transparency Act, and I'd certainly be pleased to provide the committee with the travel expenses of the commissioner.

**B. Penner:** I'm sorry. I should have been clearer in my question. I meant to refer to the advisory committee.

**D. Doyle:** Oh, sorry. The advisory committee operates really on a pro bono basis. There is no stipend paid to the members. Their expenses are covered. I'll confirm the number, but I think the expenditure last year, the period this year, was of the order of \$3,500 in total for the eight-member committee for the four meetings that they held over the year.

**K. Stewart (Chair):** If you wish, you could just send that through to the Clerk — the actual detail of that.

**D. Doyle:** Okay. We'll confirm the advisory committee expenditure.

**K. Stewart (Chair):** Great. Thank you.

**J. Wilson:** I have several questions. I'm going to go back to what Dan raised. It sounds as if you are implementing DFO standards out there. When you refer to, say, dirt being pushed into a creek crossing in the wintertime that's in with a bit of snow.... Under the framework in place, the policy that's there under the DFO, it's not allowed. It wouldn't matter whether it was a shovelful of dirt in a creek that may have 50 million gallons of water going down in it in the spring in

an hour period of time or whether it was a few truckloads of dirt.

The actual impact on the environment may not be.... There may be no impact in some cases, but yet the fact that something is there allows it to be put down as a violation. These are the things that industry has to live with, but in a lot of cases they're really — how would I word it? — rather nonsensical. For instance — I don't know; I've never examined a snow bridge — on the average, where you're doing these assessments, what would be the volume of organic material, peat or dirt that you would find in one?

**D. Doyle:** Everything you have said I would concur with, Dr. Wilson, about the significance of the quantity of dirt that may be included in or allowed to enter a river. When one looks at the compliance issue, all of the officers in the field exercise discretion. When the officer is there, under the strict application of the law you could say: "Well, this shovelful is non-compliant." The reality in an officer exercising his discretion is to take into account the very things you say: "I'm looking at a stream that's carrying tens of thousands of tons of silt in the spring freshet down the stream, and am I going to make a fuss over this?"

On the other hand, if the officer encounters a situation where the person putting the stream in chose to bulldoze the bank of the river into the river to create a crossing and put it there, that was a blatant act. That would be dealt with in a very different way than the shovelful.

[1025]

Our experience of inviting the DFO to join with us as we do our duty under the laws of British Columbia is to allow them to see that we exercise duties in an appropriate, sensible and practical way in the field and that by doing that, they will be satisfied we are doing a good job to protect the environment.

**K. Stewart (Chair):** John, I'll give you one more.

**J. Wilson:** I was looking at your science and community environmental knowledge fund, \$2.1 million. In some cases, it's starting to look a little bit like a mini FRBC here. This is a lot of money to put out. Are we getting anything for it?

I see MSRM, cumulative effects case study — \$104,000; overview inventory of fish and habitat — \$106,000; soil productivity and forest regeneration success on reclaimed oil and gas sites — \$58,000, Ministry of Forests; Foothills model forest grizzly bear research — \$50,000; northeastern B.C. boreal caribou study — \$50,000; analysis of moose cysts — \$80,000; development of a practical framework for cumulative effects assessment and management for the northeast B.C., MSRM — \$234,000; Prophet River traditional plant study — \$75,000.

**K. Stewart (Chair):** If I could interject here, maybe what would be helpful, in response to the question, would be to quickly and concisely, knowing our time

constraints, state the process in which those funds are granted. Would that be helpful?

**J. Wilson:** Mr. Chair, I'm just making a point here.

**K. Stewart (Chair):** Okay, so you don't want an answer.

**J. Wilson:** I'm not asking for an explanation or anything.

This is a lot of money to put out. The benefit of that I'm not sure about. We have done most of these studies already under FRBC, in many cases, and probably a lot more. Have we even pulled that data out of a data bank, if it ever existed or was ever put into one, to do things that maybe we should be doing out there?

We have a problem in this province with noxious weeds. It's a huge problem. I don't see anything in here dealing with noxious weeds. The oil and gas industry opens up the entire country to the introduction of foreign plant species. Yet there is nothing here to address something as significant as that, which could impact all of the environment out there that all of these animals require to live on. It may not have reached that area yet, but it's just over the hill. Believe me, it's coming like a wildfire. The time to fight it is before it gets there, not after it's introduced.

Recreation has used your seismograph lines all the time. The ability to carry seeds around is really great. At the moment the province is something like \$3 million short on fighting noxious weeds. We have to find that money somewhere. This may be an opportunity for you to really help in this area, because once it comes in, you're going to find it's very, very difficult to get rid of, if not impossible.

**K. Stewart (Chair):** I don't believe we need a response to that. Are you waiting for a response?

**J. Wilson:** No.

[1030]

**P. Wong:** On page 7 regarding the financial performance indicator and targets, you mentioned that you're going to move forward toward 45 percent fees and 55 percent levies to cut the costs. Also, you mentioned about surplus under \$1.5 million. Is there any reason that you need a 45 percent-55 percent split between fees and levies? Also, are you obligated to get a surplus under \$1.5 million? Are there any legal requirements for that?

**D. Doyle:** The legal requirement is that the Oil and Gas Commission be 100 percent funded by the oil and gas companies so that no cost is borne by the taxpayers of British Columbia for the work of the Oil and Gas Commission. That's our legal requirement. We have to raise all of the money from the fees and levies we impose on industry.

The fees and levies we impose were established through consultation with industry, based on the rule

of government that industry is going to pay for the Oil and Gas Commission 100 percent. The 45 percent-55 percent split was industry's expression of how they wanted us to collect the money from them. They gave us that guidance.

The \$1.5 million surplus ceiling is really saying that if you're accumulating more than \$1.5 million in your accounts, then we would expect to see some reduction of fees and levies so that over the long term you stay back at a balanced budget. In our go-forward budget, for example, for this current year, we're experiencing... We didn't increase any of our fees and levies for the last number of years, despite the fact that the Oil and Gas Commission itself has been growing. That's been offset in part by increased activity and in part by using up our accumulated surplus from industry.

Does that answer the question, Mr. Wong?

**P. Wong:** In the service plan 2002-05, on the second-last page, I can see that there is a three-year financial summary there. Notably, the levy is more or less between 30 and 40 percent. Even in the forecast 2004-05, the levy is only 40 percent. I don't understand why this number is still sitting there at 40 percent whereas your target is 55 percent.

Secondly, you said that you are obligated, more or less, to the industries. If a surplus exceeds \$1.5 million, you are obligated to spend the surplus of that money. The choice is simple. Either you're going to spend it on salaries and benefits, or you have to reduce the revenue 23 cents per whatever the levy.

I looked at that in the annual report on page 43. I read that the payment of first nations between 2002 and 2003 has dramatically reduced from 50 percent of the total expenses to about one-third. Why is that? On one hand you reduced the payment to first nations, and on the other hand you increased the salary expenses. Is there any reason for that kind of cost allocation?

**D. Doyle:** I'll ask David Ross to maybe respond to why the payments to first nations are significantly down in 2003.

**D. Ross:** Yes, we had new agreements signed during the year. The new agreements changed the structure of our payments to the first nations. The overall result of the new agreements with the various Treaty 8 first nations was an overall reduction in our expenses. It's quite simply related to the new agreements we signed. The old agreements required higher development payments initially.

[1035]

**R. Visser:** Most of my questions relate to the service plan. You're currently working on your '04-07 service plans. I've got a lot of these, and this is one of the more interesting ones. On page 13 in the service plan you have objective 4: "Enhance our collaborative approach with first nations." In "Performance Measures" you

have: "Consultations completed with written response."

One of the things that's troubling with service plans and performance measures and objectives and benchmarks and things is that they're really not meaningful. The fact that you have 3,800 consultations and responses actually doesn't say anything. It just says you wrote 3,800 letters and somebody wrote you back. It doesn't say you got 3,800 noes. That's a lot different than 3,800 yeses. That will affect your ability to be a "respected and trusted regulator by achieving our mission and vision of regulating for the benefits of all."

I think some of these things need a little more clarity around them. They become either (a) more meaningful or (b) in fact deliverable. If the goal of this is to be transparent to the public and to set the tone for your organization on a moving forward and improving basis, these types of things need to be relevant and significant. You also have no indicators of that — below that, on page 13 — that I can see.

You probably could just plug in your indicators from page 19 at the bottom — public and first nations attendance at annual conferences or first nation satisfaction with the organization of your group. I don't know if you understand where I'm going with this, but this stuff seems to be a little bit all over the map.

I don't understand why, on page 15, at the bottom — "Reduce the risks to British Columbia and its citizens through improvements in safety" — an indicator.... "Percent of pipelines with integrity management plans." I don't understand that measurement and why that would be more important than other measurements or the significance of that one.

**A Voice:** How many questions do you want to ask?

**R. Visser:** Lots.

"Percent of total salary amount spent on training" on page 16. What are you training them for? I think the single most significant thing is satisfaction of staff and making great improvements there. I see this — percentage of total salary spent on training — in a lot of service plans, but nobody's ever been able to say that actually improves outputs. What type of training are you doing? Is it meaningful? Do you train 100 people at ten hours or ten people at 100 hours?

The most illogical one I can find is on page 17: "Reduction of square footage used for filing systems" and "Reduced use of paper maps." If your activities are going to increase by 50 percent and you're only going to increase the amount of on-line transactions by 10 percent, it would seem to me that you're going to have an awfully hard time meeting those indicators.

I know it's nitpicky, but the point of these comments is to show that you really have to tighten up your service plans in a way that has some meaning for the public and has some meaning for your employees and has some meaning for the industry and for your stakeholders if they're to be successful.

These are ways of reminding ourselves, as governments and Crown corporations and ministries and oth-

ers, that we do have an obligation to get better and improve and be relevant and have measurables. It's something that I know the Premier's tried to instil in all of us, and I think it's the objective of this committee to try and push those ideas back onto you folks to make sure that as you do your good work up north....

[1040]

I'm not complaining about the work you do. I think the results at the end of the day speak for themselves. It's just that there's some real improvement you can do in here in tightening up your goals — you know, between goal A, goal B, goal C and goal D — and the strategies, the performances and the indicators. That's all I ask.

**K. Stewart (Chair):** Again, back to Derek. One of the big parts of this committee is outcomes, measurements, meeting those objectives and the tools that are used to demonstrate that the objectives have been met. I think Rod has encapsulated that quite nicely. I would suggest that if you have some individual responses to the areas, that might be something better for a written context to come back because it would probably take quite a long time to go over. But if you have a short general response or comment, that would probably be appropriate.

**D. Doyle:** I find the comments very helpful and very useful, because by putting out a service plan in this format and getting response from the members in the spirit in which it's given, that causes us to live up to our vision statement and to innovate and improve the performance measures and indicators that we use. The comments are very much appreciated. Thank you.

**K. Stewart (Chair):** Maybe we'll just move on to Harold.

**H. Long:** First off, Derek, thank you. I enjoyed your presentation. I think it was very thorough, and it was informative for me. The commission's mandate is probably what I want to talk about a little bit — to some of the in-the-field type of work.

If we're trying to free up the oil and gas industry and make sure we have everybody on side and everything's working in the right direction, the end result of everything you're doing here is to make sure that we get some economic development in the province.

I'd like to ask a question. You mentioned earlier, when they were talking about when you had to get a rig out of the bush, that the smaller companies could in fact take a date. You would give them a predesignated date to be out of the oilfield or out of their particular location, where other companies would have the opportunity to know when they had to come out.

I have to ask the question, because this happens in the logging industry as well. If someone has a predesignated date and for some unforeseen reason they may have a.... It could be a climatic reason; it could be all kinds of things where they just cannot meet their mandate and get finished that drilling on that date. What's

your ability to work with them to give extensions on coming out of that area if, in fact, they haven't finished their job?

I've seen this happen in the forest industry where a person has to do a block cut, but because of fire season and many other things, they can't get in and all of a sudden they're held to a specific time. They give them one week when they need two months. That's the question I have to ask.

The other thing that concerns me... You dealt with flaring and the subsequent problems with flaring — sour gas and so on. This is an environmental thing. As you said, you have the studies with the cattle and how they affect livestock, so I've got to ask the question: is flaring absolutely necessary? Is there any other way to contain that gas that can be dealt with differently, or is it just the normal way we flare? How big a problem is it? I know you have the study going out, but how big a problem is that?

**D. Doyle:** Well, Mr. Long, the quantity of flaring has been reduced by about 56 percent over the last four years. That's by taking action where action can be appropriately taken by reducing the quantity of a flare. Flaring occurs in a number of different circumstances, and it would take quite a bit of time to sort of go through flaring. I'd be pleased to provide some paper to the committee on that.

With regard to whether we have the capacity to vary our conditions on approvals to respond to local field conditions, we do. I could mention that in the spring of this year, a number of operators came forward who were well advanced on drilling a well and needed extra time to complete. We developed a contingency plan with them, which allowed them to stay longer and complete their activity. In fact, that resulted not only in the wells being concluded but in the pipelines being connected in, the gas flowing, the revenue being generated and the royalties.

[1045]

**H. Long:** Okay. One other question. One thing I didn't see there was.... In your process of people applying for gas and oil, I did not see anything. All I saw was the northeast. Is there any activity or applications in the northwest part of the province? Is there any activity there? I've seen nothing in the northwest, even though I know that in the past possibly Shell had some activity years ago in the northwest. What is happening in the northwest?

**D. Doyle:** We don't see an interest at this time. I should maybe just briefly indicate that if a company is interested in becoming active in an area, the first thing they do is approach the Ministry of Energy and Mines and say they'd be interested in buying the mineral rights in that area. Then the Ministry of Energy and Mines puts that out for public auction in that area, and companies bid on that piece of mineral resource. The highest bidder usually acquires the resource, and it's only after they've acquired the right to the resource

that they'll then apply to the Oil and Gas Commission to drill a well. At this time, I think the map I showed indicated some activity in the Elk Valley area but no activity in the northwest part of the province.

**H. Long:** Okay. Thank you.

**H. Bloy (Deputy Chair):** Thank you very much. I'm sorry I had to step out for a few minutes.

Most of my questions have been answered, but my next question was kind of following up what Harold just spoke about. It was on permit by rule and professional sign-off. When you say that when people apply for permits, as long as people follow the rules, there's no acceptance or rejection of applications?

**D. Doyle:** That is correct. We can set out criteria. For example, if you're going to be discharging water and if the water meets certain standards that are specified in regulation, then instead of going through a bureaucratic process to apply when you know you can demonstrate you're in compliance, you are considered permitted. You just file a notice that you're permitted, because you're in compliance with the rules.

**H. Bloy (Deputy Chair):** Okay.

And for professional sign-off, who's the professional? Is it a biologist that signs off?

**D. Doyle:** If an applicant — let's say, a professional forester — submits a forest harvest plan associated with an oil and gas field development, then we say that has been submitted by a professional forester. Therefore, there is no need for the oil and gas regulator to check that they've complied with the professional forestry rules and requirements. We take it as accepted. Other proponents may choose not to spend money on a professional forester and do it as best they can. Then we'll review it to see that it meets the rules.

**H. Bloy (Deputy Chair):** Would you allow a biologist for streamsides...?

**D. Doyle:** Yes, and professional engineers as well.

**H. Bloy (Deputy Chair):** Okay.

**K. Stewart (Chair):** As I mentioned earlier, if we don't have enough opportunity to finish all the questions, there may be some written questions. I have three areas I'd like to explore, but I think I'll go with the operation of your board. In looking at the legislation that sets up your board, it's a relatively small board, and I notice that it has lot of connection back to the ministry.

This leads me to ask some questions about the operation of the independence of the board and the ability to expand the board — the flexibility you have with bringing other people on. I notice you have some staff people that are, effectively, on your board, and the number.... I mean, the optimum number for operation

of a board is perceived to be somewhere around 12. Do you have some comments you'd like to reflect back upon that?

**D. Doyle:** Sheila, do you want to answer that?

**S. Wynn:** As Derek explained, there has been a change in the structure just in the last few months, and I think it was deemed to be important to get that linkage of the policy-making of government into the board. It's set in legislation. I wasn't around during the discussion about that, but I think it was meant as more of an oversight committee that would make sure there was that clear linkage. I guess the wisdom was that the simpler it was, the better it would be.

[1050]

It is only three members. The third member is a community member, and in this case, he's got past experience in the industry. The only other staff members that come are really ex officio, and they would just provide board support. We're just at the very beginning stages of the board. We've just finalized terms of reference last month. I think that when we report out a year from now, we'll probably be expanding a bit on how we're functioning — very much taking a role in the budget-setting process and service plan. We see that very much as an important part, and certainly our activities in the last couple of months have been focusing on the organization.

As Derek mentioned, we have just.... In fact, on Friday it will be announced. A new deputy commissioner will be looking very much at the operation side and the process side, making sure that Derek's got some relief in terms of his workload and really looking at how we can streamline and how we can be more efficient and effective.

**K. Stewart (Chair):** Because governance is one of the aspects we are looking at, I'd appreciate it if you could send us a small summary of what your intention is to move with the board in those areas. You will also be receiving, as will all the Crowns, a questionnaire with regard to that. We look forward to completion of that too.

One other issue I'd like to touch on is the budget process. In looking at pages 42 and 43 of your Oil and Gas Commission annual report 2002-03, I noticed when you're talking about the increase of budgets that there's obviously a basic cost to open the doors. Where I'm going with this is toward the surpluses that you're starting to see and an appropriate utilization of that. We all understand that there's a basic cost to open your doors. Whether you're doing one client or however many clients, there's that basic cost. After that, in most organizations the costs ramp up based on the volume of business, the number of clients and the work that you have to do.

With your organization, it would be my understanding — in looking at some of the other slides that were in here and taking slide 23 as an example — that there's an obvious increase in activity within your industry. I think that would be a fair assumption?

**D. Doyle:** Sorry?

**K. Stewart (Chair):** There's an increase in activity in your industry. That would be a fair assumption?

**D. Doyle:** Yes, 40 to 50 percent.

**K. Stewart (Chair):** Okay. We look at a couple of things there. You've got, I'm assuming, twofold, based on the number of wells, the activity and the pipelines.... You've probably got a substantial number of both volume and players. Would that be correct?

**D. Doyle:** Yes.

**K. Stewart (Chair):** Okay. There are both. It's not just one or two big permits that are causing this. There's a combination of an increase in permits and an increase in the volume size?

**D. Doyle:** That's correct.

**K. Stewart (Chair):** Looking at that, it would certainly be understandable why you would have surpluses. That would be correct also? Given that you've got an increase in volume and an increase in clients, the surpluses would increase, because there seems to be a lag in your costs catching up with that as far as your ability to hire staff, etc.

**D. Doyle:** That is correct.

**K. Stewart (Chair):** Okay. That leads me to the situation where you have a surplus and a significant surplus over last year from — if my reading of your statements is correct — \$4.3 million to \$7.3 million. On page 42 of your financial.... I just want to make sure we're correct in this as we move along. It's page 42.

**D. Doyle:** Yes.

**K. Stewart (Chair):** We're looking at a surplus of from \$4.3 million to \$7.3 million.

**D. Doyle:** Yes.

**K. Stewart (Chair):** My understanding in listening to you today was that — and correct me if I'm wrong again — what you'd be looking at is to reduce that surplus by distributing that back through a reduction of fees to your clients. Would that be correct?

[1055]

**D. Doyle:** Yes.

**K. Stewart (Chair):** Okay. My question to you, then, is on the logic of when you have a surplus such as that, and it's based on the fact that there's an increase of clientele, an increase of volume, an increase in business. What you're now saying is that you're all out there doing business in the environment that we have set for you,

and you're doing very well. Now you're doing well, and we're going to decrease the cost of the fees that you're doing. I just wonder if that may be a little counterproductive from the perspective of government.

**D. Doyle:** The reality, in reviewing our fees, is that in the current fiscal year government has reduced the fee structure as part of a deregulation initiative. I think we had 22 fees, and we're now down to 12, so there's an income reduction that is currently clicking into the register through rationalizing that element of it. At the same time, industry is expanding 40 to 50 percent. We're expecting to expand the commission from around 125 to 140 people, so it's certainly not proportionate to the expansion of industry. Those increases in costs will be covered by the surpluses that we now have in place. We're able to respond quickly.

We are now in the process of structuring our go-forward budget for next year. As we do that, we will again examine the fees and levies and will be presenting to our board what our projections are in terms of our income stream next year, our payments to first nations, our operating costs. We'll be striking a recommendation to the board in terms of fees and levies.

The advice that we have generally from industry, Mr. Chairman, is: "Don't change your fees and levies every year. We prefer to see you accumulate a significant surplus and then let it work down over a period of years. Go for stability in fees and levies, because that helps us as an industry know how things are in British Columbia." Certainly, the board itself meets with industry and gets advice and input from them — as well as, of course, from the Minister of Energy and Mines. Before finalizing a budget, those factors get fully considered.

**K. Stewart (Chair):** We're looking at this surplus, and I want to confirm this. The surplus that's sitting there isn't based on the fact that that's future work that needs to be done, but it's actually a surplus. It's a true surplus.

**D. Doyle:** That is correct.

**K. Stewart (Chair):** All right. I trust you got the gist of my comments.

You know, in any other business that would be considered a reasonable profit — if your clients are paying what they think is a reasonable rate and they're saying to you, "That rate is okay. We're comfortable with that. Please don't change it," and because of the volume of business out there, we're sitting with a large surplus that is truly a surplus and not just an accumulation of funds for future work that hasn't been done yet, based on the fees that you've collected. I would just ask the commission to look at that surplus and the most appropriate use for it.

**D. Doyle:** All right.

**S. Brice:** My question could be responded to in writing because it would just be something I would be

interested in knowing. Under goal b, objective 2 — "safety" — there is some brief reference to worker safety. I would be interested in knowing what role, if any, the commission actually plays in that, how you assess that and how B.C. is relative to other jurisdictions with similar activities. I would just leave it at that. If it's something you can respond to at this point, great. Otherwise, something in writing would be fine.

[1100]

**D. Doyle:** The ten-second answer to that is that the Oil and Gas Commission does not deliver the workers compensation program in British Columbia. The industry is regulated, in terms of worker safety, by the Workers Compensation Board. We pick up rules and translate them into things like the width of a right-of-way so that injured workers can be transported safely from a work site and so on. In terms of those aspects of the job, we deal with it, and we support and report things that are untoward on any rig site to the Workers Compensation Board. I'll provide you with a fuller answer to that.

**S. Brice:** I don't think it'll even be necessary. When I saw "worker safety" in there, I wondered if there was some relationship between actually collecting data or monitoring, but there isn't.

**D. Doyle:** No.

**K. Stewart (Chair):** Just before I move on, we're now at 11 o'clock. Every member has got two questions. That's why I came back to Susan. Everyone else was allowed a little more latitude. I believe we'll give about another five minutes for questions. If there are any members that have a significant question they would like to ask now, please let's prioritize and do that. Any other questions, of course, as always, can be written and submitted later. Also, if there's a long answer, we'd appreciate at this time that it be sent back in written form.

I'll now solicit. Does anyone have a significant question?

**D. Jarvis:** My questions are always significant.

Mr. Doyle, in your slide program here you mentioned, in the communities section under 21, about pre-entry job training, etc., but I noticed in your board meeting of August 21 that under "Training and Development Policy" it says: "The board does not approve this policy." Also in that same board meeting, could you explain what "the necessity of leasing an apartment in Victoria" means?

**D. Doyle:** In terms of the training question, all of the policies of the Oil and Gas Commission are approved by the board. They're brought forward to the board, and they're reviewed. The policy that was brought forward was viewed by the board and found to be too broad-based. The board declined approving that policy, sent it back, and asked that it be sharpened

up and focused on the key skills people need to carry out their job, to ensure that people conducted the training necessary so that they conducted their job in a safe and secure manner. That policy has been redrafted for the consideration of the board.

**J. Les:** I want to return to my earlier question to do with the expansion of staff. I think five minutes ago you restated your intention to go to 140 staff this year. In response to my earlier question you used the example of advising people when to get out of the bush, I guess, with their rigs. My view is that as you become more and more specific as a staff, you attract more and more risk. Every time you make a decision or you issue a directive that somebody is to do such and such, you then become, at least in part, the sharer of that risk burden. I think it's appropriate that you not do that. If people are in the oil and gas business, my expectation would be — and you can correct me if I'm wrong — that they ought to know something about that business and ought not to run to government for the how-to manual. I again want to encourage you to look for results-based performance as much as possible.

Maybe I could offer a comment, as well, in terms of the governance of the Oil and Gas Commission. The commission today is quite small. This isn't necessarily a problem, but I've noted in the past that meetings of the commission have been extremely perfunctory and brief, often with just yourself and a couple of ex officio people meeting for a very brief period of time. I think that's problematical. I'm hoping that will change over time, because again, I think accountability is important. [1105]

**D. Doyle:** I would just like to thank Mr. Les for that comment. Certainly, under the old structure we didn't have an appointed deputy commissioner, so this person was both the commissioner and the board. This meant that many of the meetings of the board, though formally called and duly minuted, tended to deal with the agenda of the day. In fact, when you read the minutes, they do look perfunctory.

Under Bill 36 and the creation of the new board, it certainly has revitalized the governance of the commission. As the commissioner, I can personally say that is a great benefit, because it broadens the view at the board from merely the same person acting as CEO, who deals with the day-to-day operations of the commission, with everyone reporting to them under the old structure. The sense here is that the new structure set out by government has responded to that reality in a very positive way and is showing very significant benefits, even though it was only constituted in August of this year. So thank you.

**S. Wynn:** Could I just add something? When the oil and gas strategy phase 2 was announced by Minister Neufeld in open cabinet ten days ago, one of the parts of it was really, truly moving to a single window so that the oil and gas would be doing 100 percent. All the permitting would be held within the Oil and Gas Commission. We are undertaking that. It's a big job. It

includes things like Workers Compensation and all the authorities from our other ministries.

At the same time, I think we will be looking at the governance structure and the board as well — looking at everything together. I think that's an 18-to-24-month time line, because it's a pretty massive undertaking. I just thought I'd better put it into the record that that's coming up.

**J. Les:** That's a very important corollary to my earlier comments about the increase of staff to 140. If you increase your staff to 140 or whatever it is and you can show a commensurate reduction elsewhere, in other ministries, that would be the kind of scenario I could entertain.

**K. Stewart (Chair):** Moving on, just so we don't lose it, Dan had a question about an apartment. Derek, I don't know if you want to answer that now or respond back to it later.

**S. Wynn:** I could answer that. Really, it was that the board had a look at the number of times the commissioner was having to do business in Victoria. There were lots of consultations and discussions with other ministries — Sustainable Resource Management, WLAP, TNO. We did a cost comparison, and it seemed it was equal in terms of establishing an apartment here for him. It was really done on a cost basis and what made most sense.

**A Voice:** That's the type of decision every member at this table makes.

**K. Stewart (Chair):** We have two quick questions — one from John and one from Patrick. Go ahead.

**J. Wilson:** Looking at your performance measures and benchmarks, it would appear that the focus is on permitting and the reduction in regulations and the achievement there. You say: "We have not yet determined the baseline satisfaction of our clients." Is there anything in the works to consult with the industry and find out how they view the commission through their lens — through an independent assessment, not something that would be done through the commission itself?

[1110]

**D. Doyle:** We looked at using the Stats B.C. organization to undertake such a survey of different user groups. The costs were significant for a small organization like the OGC. The view of the board was: "Instead of putting time and effort into designing surveys, please focus on your knitting and improve your process in terms of applications and key deliverables at this time. We'll revisit the topic of user surveys, industry, first nations communities at a later date.

**P. Wong:** We are really blessed that we have a huge amount of oil and gas reserves in the province.



It doesn't mean that, in the northeast area, we are restricted to that portion of the province. I'm glad to hear that you have a mission statement that you want to balance environmental, economic and social outcomes. Also, you have core values that you like to commit to integrating into everything and that you are socially and environmentally responsible at a time when, in the province, we are suffering from an environmental problem.

For instance, invasive plants can kill a lot of plants on Crown lands across the province. I would like your environmental fund to look into opportunities to help alleviate the pressure of this kind of situation in the province because of the surplus you have. If you don't have a surplus, I won't ask for your help. In case you have such a huge amount of surplus, which in fact is given to you by all British Columbians living in the province, I would like you to consider giving certain grants. I understand that in the 2003 financial statement your grants are only \$1. That means to no one else. So I would like you to consider putting an effort to help in the invasive plants campaign.

**K. Stewart (Chair):** Now we have two, they assured me, short questions.

**B. Penner:** Clarification on the question I asked earlier around expenses for the advisory committee. Did you tell me it was \$3,500 per year or \$35,000 per year?

**D. Doyle:** It's \$3,500, Mr. Penner.

**K. Stewart (Chair):** They also committed to getting you a copy of that too.

**B. Penner:** All right. I just have some difficulty with that number because I ran into, I think, most of the members at the Fairmont Hotel one night in Vancouver. Most of those members — I don't know where they're from — if they're travelling from the Peace country, could easily burn up \$3,500 just getting to Vancouver.

**S. Wynn:** I'll answer that because I was there. Actually, that was the Mediation and Arbitration Board, which is a board established under legislation that will hear conflicts between oil and gas industry and landowners. They were down, and it was a new board. They were just down for training.

**B. Penner:** That's a group separate from the advisory committee?

**S. Wynn:** It's a group separate from this one. Yes.

**K. Stewart (Chair):** If we could just move on, because we have asked for the documentation on that. I'll just move on to Pat.

**P. Bell:** I just want to apologize. I had a couple of radio shows I had to be on, so I was in and out of the room quite a bit and missed most of your presentation. Unfortunately, we have a railway thing we had to deal with.

Derek, I just wanted to thank you. I know you guys have done a lot of hard work up in the area. I've heard lots of positive things from oil and gas companies. I'm certainly looking forward to having you down in Prince George to start opening up the Nechako basin in the future. I think you deserve some credit for work well done. I know there's been a lot of hard work on all of your parts up there.

**D. Doyle:** Thank you.

**K. Stewart (Chair):** Just in closing, I'd like to ensure that the witnesses are aware of the process for any of the information we've requested. It's to go through the Clerk's office. This committee operates out of the Clerk's office. All our correspondence goes through the Clerk, as we are a committee of the Legislature and the House.

In closing, I'd like to thank you very much for being here today. We're very supportive of the endeavours in the oil and gas industry in British Columbia and know that your work is well received and that we are just trying to make things better. With regard to our response, I don't anticipate that you will see the report delivered until the next sitting, just as a result of the time constraints.

[1115]

That brings up two points. The written information we'd like back within two weeks. We leave a two-week window after, and that's an opportunity for you, again, to go over *Hansard*. If there are further responses you'd like to give to the questions, feel free to do that up to that two-week period.

At this point, I'd just like to thank our witnesses. I will be entertaining a motion to move in camera as soon as our witnesses and audience have completed departing.

**H. Bloy (Deputy Chair):** I move that we move in camera.

Motion approved.

The committee continued in camera from 11:18 a.m. to 11:37 a.m.

[K. Stewart in the chair.]

**K. Stewart (Chair):** We're now back in our regular open forum. I'm looking for a suggestion of a meeting next week. Do we have a motion for a meeting next week? That would be 9:30 next Wednesday, which would be December 3 — approximately one hour.

Any further business? I would look for a motion to adjourn.

The committee adjourned at 11:38 a.m.