

MINISTRY OF ENERGY, MINES AND LOW CARBON INNOVATION

BULLETS

PREPARED FOR: Honourable Bruce Ralston, Minister of Energy, Mines and Low Carbon Innovation

ISSUE: Meeting with PETRONAS regarding Royalty Review and Blueberry River First Nation

BACKGROUND:

PETRONAS is an oil and gas producer in British Columbia (BC) that is wholly owned by the Government of Malaysia. Together with its North Montney Joint Venture partners, (Japan Petroleum Exploration Company (JAPEX), PetroleumBRUNEI, IndianOil Corporation, and Sinopec-China Huadian), PETRONAS Energy Canada is the largest natural gas reserves owner in Canada with approximately 800,000 acres of largely contiguous mineral rights in the North Montney and over 52 trillion cubic feet worth of reserves.

Petronas Energy Canada and its partners are one of the largest natural gas producers and royalty payors, averaging 423 million cubic feet per day of natural gas production. They paid \$18.9 million in net royalties in 2021 and represented 7% of total provincial production. Petronas has 25 percent ownership in the LNG Canada project along with Joint Venture partners, Shell, Mitsubishi, PetroChina and KOGAS.

In 2021, condensate production averaged 4,425 bbl/d, accounting for 7% of provincial production, ranking Petronas 5th amongst other producers. Crude oil production averaged 61 bbl/d, accounting for 0.5% of total provincial oil production, ranking 14th amongst other producers.

PETRONAS has asked for this meeting in advance of an upcoming board meeting on April 26, 2022.

DISCUSSION:

BC Royalty Review:

Petronas is the second-largest holder of Deep Well Royalty Credits (DWRC)^{s.17} in its DWRC bank on December 31, 2021.^{s.17} . They have 1,556 non-active wells in the province, representing 6% of all wells in that category.

Petronas has been part of discussions with EMLI staff during the Royalty Review and have made their company's perspective clear to the Ministry.

Blueberry River First Nation:

The Blueberry River First Nations (BRFN) court decision was clear that provincial decisions have led to treaty right infringement for BRFN. This means a new path forward, working government-to-government, is required. The Province is working with Blueberry River and other Treaty 8 Nations to develop new approaches to restoration, wildlife management, land use planning, cumulative effects management, decision-making and honoring the treaty.

s.12; s.13

This is a significant decision with major implications for industry on how the Province authorizes activities in BRFN territory and we are committed to keeping our industry partners informed throughout discussion with Treaty 8 Nations. While BRFN has stated that this judgement will not “turn off the taps” for development, the ruling means a change in how, when and where the Province authorizes development in Treaty 8 territory.

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The Ministry has heard concerns, about the potential impacts to capital and jobs. The Ministry is committed to working with BRFN and Treaty 8 First Nations on a path to reconciliation,

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RECOMMENDED RESPONSE:

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