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On hydraulic fracturing and scientific review...

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Background:

- The Deep Royalty Credit Program, introduced in 2003, was designed to improve the economics of very deep wells and make them competitive with other jurisdictions, as BC natural gas plays are much deeper than Alberta's which makes them more expensive to develop;
- Deep Royalty Credits function as a "negative royalty" in the company's royalty bill – they are only used if the associated wells are producing and paying royalties;
- It was introduced in June 2003, modified in December 2003, made permanent in 2006 and expanded to two tiers in 2014.
- It applies to vertical wells of a depth greater than 2,500 metres and horizontal wells of a length greater than 1,900 metres.
- A minimum royalty of 3 percent was added in April 2013 to all wells qualifying for the Deep Program to ensure royalty payments are collected sooner by the Province.
- When the program was expanded in 2014, the new qualified "tier 1" wells were made subject to a 6 percent minimum royalty.
- The deductions granted by the program reflect the increased costs associated with drilling in deep resource plays and were designed to encourage greater exploratory drilling activity and maximize the development of known resources.
- In a very low price environment, it takes longer for the royalty credits to be used, which has generated an accumulation of unused Deep Royalty credits;
- This accumulation represents a 'stock' of \$3.2 billion in Deep Royalty Credits;
- It is expected some of this 'stock' might never be used as some of the older wells are abandoned.

Fraser Institute – oil and gas

Highlights:

- The Fraser Institute released a report ranking BC as the least attractive Canadian jurisdiction for oil and gas investment.

Contrast:

s.13

Solution:

s.13

Background:

- The Fraser Institute has released its 11th annual survey of petroleum industry executives and managers on barriers to investment in oil and gas exploration and production facilities in various jurisdictions around the globe.
- A total of 333 respondents participated in the survey. 97 jurisdictions are rated on a Policy Perception Index.
- British Columbia's score dropped to 76th of 97 this year compared to 39th of 96 last year.
- According to the Fraser Institute report, British Columbia is now ranked as Canada's least attractive jurisdiction.

Mungall, Michelle EMPR:EX

From: Nikolejsin, Dave MNGD:EX
Sent: Friday, November 24, 2017 3:29 PM
To: Sheldon, Tim FLNR:EX; Caul, Doug D IRR:EX; Shoemaker, Wes AGRI:EX; Wanamaker, Lori FIN:EX; Plecas, Bobbi ENV:EX; Jeakins, Paul OGC:IN; Zacharias, Mark ENV:EX
Cc: Piccinino, Ines MNGD:EX; Wright, Don J. PREM:EX; Mungall, Michelle EMPR:EX
Subject: FW: thank you

Please see the note below from the Industry co-chair from yesterday's session. I can tell you I have had very similar feedback from many of the industry participants. I have heard many remarks regarding how different is in BC, where we genuinely seem to work together, we are transparent, and we understand the challenges of industry. Thank you all for making the time to do this annual session. It is important and reflects well on BC as a place to do business. And please pass my thanks to those ADM's of yours that were involved. They are part of the strong BC team. And finally – thanks again to Wes for chairing during the time I had to be away.

From: Terry Anderson [<mailto:TAnderson@arcresources.com>]
Sent: November 24, 2017 1:25 PM
To: Nikolejsin, Dave MNGD:EX <Dave.Nikolejsin@gov.bc.ca>
Subject: thank you

Dave,

It was great to see you yesterday. Sorry I had to leave early to catch a flight back home and therefore missed you in the afternoon. In my presentation there is a slide that talks about the new TCPL 1.42 BFGD main-line contracting and I wanted to thank you for all your help in making that a reality. Your involvement was instrumental in making the deal a success, so Thank you.

I cannot say enough of how impressed I am with all the Deputy Ministers that spoke yesterday. There is a consistent message that the government wants to work with industry and is willing to collaborate to responsibly develop this massive natural gas resource for the benefit of British Columbia and Canada. This industry and government relationship we have of mutual respect is very unique, thanks for continuing to foster it.

I appreciate all the support and direction on items like the main-line contracting to electrification, it is much appreciated.

Take care. See you soon.

Terry Anderson
SVP and COO
ARC Resources Ltd.


Generic Pivots

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Main Messages – Energy, Mines & Petroleum Resources

 **Connect:**
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Contrast:
s.13

 **Solution:**
s.13

Site C

Highlights:

s.13

Solution:

s.13

Background:

- The report finds that suspending the project and restarting later would greatly increase costs and this is not a recommended option.
- The report concludes that based on an assumption of a \$10 billion cost for Site C, and the use of BC Hydro's low load forecast scenario, when compared with the BCUC's alternative energy portfolio, either option would have very similar impact on ratepayers.
- However their sensitivity analysis finds that if project costs increase to \$12 billion (as was noted was a possibility by Deloitte), it would be significantly lower cost to cancel Site C and build an alternative portfolio.
- Conversely, if electricity demand rose in line with BC Hydro's medium load forecast, it would be significantly cheaper to proceed with Site C.
- BCUC estimates that costs of terminating the project and remediating the site would be \$1.8 billion and accepts BC Hydro's estimate that \$2.2 billion will have been spent by year end.
- BCUC questioned BC Hydro's load forecasts and assumptions underlying their cost estimate of alternative energy portfolios.
- The BCUC has adopted BC Hydro's 'low load' forecast as the most realistic.
- The BCUC developed their own alternative energy portfolio for analysis based on wind power, demand-side management, and industrial load curtailment.
- During the process, BC Hydro filed new information indicating that the project was a year behind their construction schedule and will cost an additional \$610 million – bringing the total cost to \$8.95 billion according to BC Hydro
- The BCUC projects that \$10 billion is a more realistic final cost for the project.
- BCUC also indicated that there are further risks to cost and schedule that could increase final costs beyond \$10 billion.
- The panel received 620 written submissions and more than 300 people made presentations at community and First Nations public input sessions around the province.
- Ministers Mungall and Fraser met with Treaty 8 First Nations on November 14th.

Site C – cost overruns

Highlights:

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s.13

Contrast:

s.13

Solution:

Background:

- On October 4th, BC Hydro filed new information with the BCUC showing the project will miss the target for a fall 2019 river diversion, setting the project back a year and adding \$631 in costs.
- BC Hydro's total cost projection was increased from \$8.335 billion to \$8.95 billion.
- The BCUC report concludes that \$10 billion is a more realistic final cost for the project.
- BCUC also indicated that there are further risks to cost and schedule that could increase final costs beyond \$10 billion.
- Conversely, if electricity demand rose in line with BC Hydro's medium load forecast, it would be significantly cheaper to proceed with Site C.
- Vaughan Palmer reported on the issue on October 7th:
 - "The delay and overrun disclosed this week were caused by tension cracks and other problems on the construction site, plus a contractor who keeps falling behind schedule for whatever reasons.
All problems that date back to the B.C. Liberal time in office, much as they try to shift the blame anywhere else."
- The BCUC projects that \$10 billion is a more realistic final cost for the project.
- BC Hydro submission to the BCUC on August 30, 2017:
 - [Ministry of Transportation and Infrastructure] has since advised that they are willing to discuss the implementation of mitigation measures that would manage the risk of flooding while allowing River Diversion to continue. **This development will allow BC Hydro to proceed with River Diversion as scheduled**, maintaining the project schedule, while also postponing the commencement of highway work in Cache Creek"

Highlights:

- The BCUC delivered its final report on the Site C review on November 1st.
- The BCUC assumed that the cost of Site C would rise to \$10 billion and that BC Hydro's low load forecast was the most realistic scenario.
- The BCUC assembled their own alternate energy portfolio based on wind power and significant demand management.

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Contrast:

s.13

Solution:

s.13

Background:

- The report finds that suspending the project and restarting later would greatly increase costs and this is not a recommended option.
- The report concludes that based on an assumption of a \$10 billion cost for Site C, and the use of BC Hydro's low load forecast scenario, when compared with the BCUC's alternative energy portfolio, either option would have very similar impact on ratepayers.
- However their sensitivity analysis finds that if project costs increase to \$12 billion (as was noted was a possibility by Deloitte), it would be significantly lower cost to cancel Site C and build an alternative portfolio.
- Conversely, if electricity demand rose in line with BC Hydro's medium load forecast, it would be significantly cheaper to proceed with Site C.
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- BCUC questions BC Hydro's load forecasts and assumptions underlying their cost estimate of alternative energy portfolios.
- The BCUC has adopted BC Hydro's low load forecast as the most realistic.
- The BCUC developed their own alternative energy portfolio for analysis based on wind power, demand-side management, and industrial load curtailment.
- During the process, BC Hydro filed new information indicating that the project was a year behind their construction schedule and will cost an additional \$610 million – bringing the total cost to \$8.95 billion according to BC Hydro
- The BCUC projects that \$10 billion is a more realistic final cost for the project.
- BCUC also indicated that there are further risks to cost and schedule that could increase final costs beyond \$10 billion.
- The panel received 620 written submissions and more than 300 people made presentations at community and First Nations public input sessions around the province.

Ministers Mungall and Fraser will be meeting with First Nations in mid-November.

Site C

Highlights:

- The BCUC will deliver its final report on the Site C review on November 1st.
During the review, BC Hydro filed new information which showed the project will miss the target for a fall 2019 river diversion, setting the project back a year and adding \$631 in costs.

Contrast:

s.13

Solution:

s.13

Background:

- BCUC released their preliminary report on Site C on Wednesday Sep 20.
- BCUC found that BC Hydro and Deloitte have similar estimates for cost of suspension and maintenance through 2024 but BC Hydro has a much higher estimate of costs to restart the project – BCUC is asking for more info.
- BCUC estimates that costs of terminating the project would be \$1.05 billion and accepts BC Hydro's estimate that \$2.2 billion will have been spent by year end.
- BCUC also raised some questions about BC Hydro's load forecast and on assumptions underlying their cost estimate of alternative energy portfolios. BCUC has requested further information on each.
- On October 4th, BC Hydro filed responses to Information Requests from the BCUC which included the revelation that the project was one year behind BC Hydro's intended schedule and will cost an additional \$610 million.
- The total projected cost is now \$8.95 billion and the in service date is still projected to be November 2024 because there was 1 year of float built into the schedule.
- BC Hydro also indicated that there are some big procurement risks upcoming including the two remaining major contracts.
- BC Hydro's submissions contend that even with the increase in projected costs, Site C is more affordable than the cost of cancelling the project and building additional renewable energy to meet future demand.
- A number of stakeholders have conversely submitted that BC Hydro could meet future energy demands at a lower cost using a combination of wind, battery storage and energy conservation.
- Over 240 individuals and organizations have made written submissions to the BCUC review and more than 300 people made presentations at community and First Nations public input sessions around the province.
- The BCUC's final report is expected to be posted late Wednesday Nov 1st.
- Ministers Mungall and Fraser will be meeting with First Nations in mid-November.

Site C

Background:

- BCUC released their preliminary report on Site C on Wednesday Sep 20.
- BCUC has insufficient information to determine if the project will remain on budget and on schedule due to significant risks related to tension cracks impact on river diversion and possibility of underestimated costs of major contracts.
- BCUC finds that BC Hydro and Deloitte have similar estimates for cost of suspension and maintenance through 2024 but BC Hydro has a much higher estimate of costs to restart the project – BCUC is asking for more info.
- BCUC estimates that costs of terminating the project would be \$1.05 billion and accepts BC Hydro's estimate that \$2.2 billion will have been spent by year end.
- BCUC also raised some questions about BC Hydro's load forecast and on assumptions underlying their cost estimate of alternative energy portfolios. BCUC has requested further information on each.
- BCUC will now conduct public consultations on Site C before delivering a final report by November 1, 2017.
- BC Hydro is projected to have spent \$2.2 billion by the end of this year.

Contrast:

Solution:

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Site C

Issue: The Site C proposal has been referred to the BC Utilities Commission for review. No new major contracts will be awarded during the review process.

Connect:

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Contrast:

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Solution:

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Site C

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Site C

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BC Hydro Rate Freeze

Highlights:

- The government has directed BC Hydro to amend its request to the BCUC in order to request a 0% rate increase for April 2018.
- During Estimates, the opposition questioned the \$150 million impact on BC Hydro finances and future rate increases.

Contrast:

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Solution:

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Background:

- The government has directed BC Hydro to amend its current Revenue Requirement Application to the BCUC in order to request a 0% rate increase next year.
- The previous application from BC Hydro was for a 3% increase that would have taken effect on April 1, 2018.
- The BCUC will announce its decision on the application including the request for a 0% increase in due course, likely before the end of the year.
- The rate freeze will mean BC Hydro will have to forego \$150 million in planned revenues next year, and absorb the cumulative impact of that lost revenue in following years.
- The difference in revenue for the next fiscal year will be transferred into the rate smoothing account.
- BC Hydro estimates that eliminating the planned 3% rate increases will save:
 - Residential customers an average of \$23 per year (\$2 per month)
 - Small commercial customers like smaller offices and restaurants \$58 per year (\$5 per month)
 - Medium commercial customers like public schools and hotels an average of \$519 per year (\$43 per month)
 - Large commercial customers like hospitals and universities an average of \$2,076 per year (\$173 per month)
 - Industrial customers between approximately \$133,000 and \$2.0 million per year (\$11,100 to \$167,000 per month) for each single customer site.
- The government has committed to a comprehensive review of BC Hydro to identify cost savings and keep rates low while ensuring BC Hydro has the resources required to continue delivering electricity.
- Details on the scope and process of the review will be developed once the government has made a final decision on Site C.

BC Hydro Rates

Issue: The government has promised to freeze BC Hydro rates and conduct a comprehensive review of BC Hydro to identify inefficiencies and savings.

Connect:

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Contrast:

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Solution:

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BC Hydro Rates

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Connect:

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Contrast:

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Solution:

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LNG - Pacific Northwest

Issue: Pacific Northwest LNG announced its decision not to proceed with their proposed project near Prince Rupert because of prevailing international market conditions.

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Contrast:

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Solution:

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LNG – market conditions

Supplemental

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Contrast:

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Contrast:

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LNG – market conditions

Supplemental

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Contrast:

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Contrast:

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The Lelu Island Declaration

The undersigned First Nation leaders and citizens of the Nine Allied Tribes of Lax Kw'alaams hereby declare that Lelu Island, and Flora and Agnew Banks are hereby protected for all time, as a refuge for wild salmon and marine resources, and are to be held in trust for all future generations.

Our ancestral knowledge, supported by modern science, confirms this area is critical to the future abundance of the wild salmon our communities rely on. It is our right and our responsibility as First Nations to protect and defend this place. It is our right to use this area without interference to harvest salmon and marine resources for our sustenance, and commercially in support of our livelihoods.

We hereby extend an invitation to all First Nations, the governments of Canada and British Columbia, and all communities that depend on the health of Lelu Island, Flora and Agnew Banks and the Skeena River estuary, to join us in defending this unique and precious place, and to protect it for all time.

Signed, on this day January 23, 2016, in Prince Rupert, British Columbia, Canada.

[illegible]

LNG Conference

Issue: An LNG conference planned for November was cancelled in June 13, before the BC Liberal government was defeated in the legislature.

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Contrast:

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Solution:

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LNG Conference

Issue: An LNG conference had been planned for November. The civil service issued a tools down order on June 13 and let the conference space go on June 24th, under the BC Liberals' watch.

Connect:

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Contrast:

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Solution:

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Emissions-Intensive Industries and Jobs

Issue: The BC Liberals claim the NDP's promise to protect the environment and reduce emissions means we are "Closed for Business" and are killing jobs.

Connect:

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Contrast:

s.13

Solution:

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Independent Power Producers

Issue: In August 2017, BC Hydro suspended accepting applications for the Standing Offer Program until a review of the program can be completed with government and Clean Energy BC input.

Connect:

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Contrast:

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Solution:

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Connect:

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Contrast:

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Solution:

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Mining - General

Issue: The BC Liberals have often accused the NDP of being the party of no when it comes to resource development in spite of our commitments to support the sector.

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Connect:

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Contrast:

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Solution:

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(see validator quotes on next page...)

Mining - General

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Connect:

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Contrast:

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Solution:

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(see validator quotes on next page...)

Mining - General

Validators:

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Bryan Cox, President and CEO of the Mining Association of BC:

"We appreciate the new government's support of the mining industry in BC and we look forward to working with Premier Horgan, Minister Mungall and their colleagues to ensure a competitive and thriving mining industry in the province."

Edie Thome, President and CEO of the Association for Mineral Exploration

"Mineral exploration and development attracts tremendous investment and generates economic activity in BC. We are pleased that Premier Horgan has acknowledged the importance of these contributions and confirmed that his government will do its part to enable and facilitate ongoing successful exploration and development."

Taseko New Prosperity Mine – from BC Libs

Issue: Taseko has challenged the federal rejection of their New Prosperity project and is awaiting the Court's decision. The federal CEAA has also gone to court to seek an injunction against exploratory activity by the company at the site. BC Liberals may ask if the Province will stand up to the Federal government to support the mine.

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Connect:

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Solution:

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Tulsequah Chief Mine

Issue: The owner of Tulsequah Chief Mine went into receivership in August of last year and bankruptcy proceedings are currently underway in Ontario Superior Court. Testing has determined that the mine poses an environmental risk and risk to wildlife.

Connect:

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Contrast:

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Solution:

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Ajax Mine

Highlights:

- The EAO referred the proposed Ajax Mine to Ministers for decision. Minister of Energy, Mines and Petroleum Resources and Minister of Environment are statutory decision makers and have 45 days to make a decision.
- The proposal has been opposed by Kamloops City Council and the SSN First Nation.

Solution:

- The public comment period was extended by 63 days so everyone had a chance to ensure their points of view would be considered in the review.
- We thank the Environmental Assessment Office for their work in summarizing all comments received and preparing the Assessment Report and their recommendations.
- I can confirm that we have received their report and are reviewing it for decision.
- Once the Minister for Environment and I have made a decision on the project, the entire package, including all decision materials and our reasons for decision, will be posted online to ensure the process is fully transparent.

Background:

- KGHM Ajax Mining Inc proposes to develop an open-pit gold and copper mine immediately south of the Kamloops city boundary.
- The mine would have an estimated mill throughput of 65,000 tonnes of ore per day and a mine life of up to 23 years.
- The EAO conducted a coordinated environmental assessment with the Canadian Environmental Assessment Agency. Decisions on EA certificates must be made by both Federal and Provincial ministers.
- The EAO, in coordination with CEAA, held three public comment periods (2011, 2012, 2014) during the pre-Application phase and another 75-day public comment period on the Application from January to April 2016 which resulted in over 3300 comments.
- One more public comment period was added prior to referral to provincial Ministers, running from August 8, 2017 to October 10, 2017.
- Kamloops City Council conducted its own series of public engagement activities and hired a consulting firm to prepare an independent assessment. On July 17, 2017, Kamloops City Council voted to oppose the project.
- The Secwepemc Nation (SSN) has made a claim to Aboriginal rights and title within the proposed project area. SSN conducted their own community-based assessment project with involvement from the EAO.
- On March 4, 2017, SSN Joint Council announced the results of their own assessment, and stated their lack of consent for the Ajax Mine.
- Key issues identified in the EA include:
 - air quality effects;
 - water quality effects (quality, volume and flow) to streams, aquifers and potential impacts to Jacko Lake;
 - socio-economic impacts, including proximity to residential areas and economic effects on property values, tourism, agriculture and ranching;
 - loss of more than 1000 hectares of native grasslands;
 - impacts to recreational and Aboriginal fisheries values of Jacko Lake due to pit proximity; and
 - impacts to areas of cultural and asserted Aboriginal title importance to First Nations.

Ajax Mine

Issue: Ajax Mine is undergoing a coordinated Environmental Assessment with the federal CEAA. An additional public comment period to October 10th has been added. Ministers, as Statutory Decision makers have declined requests to meet with Kamloops city council.

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Connect:

- British Columbians want us to ensure that projects create and sustain jobs safely, while meeting environmental standards.
- I know that this proposal has received significant public attention.

Solution:

- I can assure Kamloops residents, City Council and the SSN First Nation that Ajax is undergoing a comprehensive and transparent review.
 - We have extended the public comment period until October 10th so everyone has a chance to have their points of view considered.
- The results of consultations and recommendations will be provided to myself and the Minister for the Environment for a final decision and the reasons for decision will be posted online to ensure the process is fully transparent.

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Carbon Tax

Issue: BC's Carbon price will be increased by \$5 each year, starting in April 2018, to match the federal carbon pricing mandate.

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Connect:

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Contrast:

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Solution:

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Carbon Tax

Stats:

- B.C. reached its first greenhouse gas emissions reduction target of 6% below 2007 levels by 2012, as set out in the Province's Climate Action Plan.
- GHG emissions went down with no impact on the economy, while the province's population grew.

Emissions-Intensive Industries and Jobs

Issue: The BC Liberals claim the NDP's promise to protect the environment and reduce emissions means we are "Closed for Business" and are killing jobs.

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Connect:

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Contrast:

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Solution:

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South Fraser Transmission Relocation Project

Issue: BC Hydro had begun site preparation work for the relocation of transmission lines that currently run through the George Massey Tunnel. Work is being wound down in light of the decision to review the George Massey Tunnel Replacement Project.

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Contrast:

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Solution:

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Pitt Meadows-Sheridan Hill Quarry

Issue: A statutory decision-maker with EMPR rejected a permit for Meadows the Quarry/Sheridan Hill quarry project because the proponent failed to conduct an archaeological impact assessment ordered by the Ministry.

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Contrast:

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Solution:

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Sheridan
HM

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 PRINT THIS

 **Gravel quarry expansion in Pitt Meadows cancelled**
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 Find this article at:
<http://www.bclocalnews.com/news/443255303.html>

ADVICE TO MINISTER

CONFIDENTIAL ISSUE NOTE

Ministry of Energy, Mines and Petroleum
Resources

Updated: September 8, 2017

Minister Responsible: Hon. Michelle Mungall

Pitt Meadows – Sheridan Hill quarry application

ADVICE AND RECOMMENDED RESPONSE:

- On, August 30, 2017, the Ministry of Energy, Mines and Petroleum Resources statutory decision maker informed the Meadows Quarry/Sheridan Hill proponent that the ministry had rejected its permit application.
- The ministry statutory decision maker rejected the permit application after the proponent failed to initiate the required archeological impact assessment by August 29, 2017, as ordered by the ministry.
- The proponent may submit a new notice of work application.

'f pressed:

- The proponent may file a judicial review of the decision.

KEY FACTS REGARDING THE ISSUE:

On, August 30, 2017, the Ministry of Energy, Mines and Petroleum Resources statutory decision maker informed the Meadows Quarry/Sheridan Hill proponent that the ministry had rejected its permit application for a quarry that, had it been approved, would have been located on private land in Pitt Meadows.

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The NoW application was submitted by Bob Mclean, acting as an agent on behalf of Meadows Quarry proponent Brian Craig, and is on Sheridan Hill within the traditional territory of the Katzie First Nation.

ADVICE TO MINISTER

The proponent proposed a 240,000 tonne-per-year operation that would have resulted in the removal of the southern peak of Sheridan Hill, reducing its elevation by about 30 metres (i.e., from 75 to 45 metres). If the NoW was approved, a mixture of aggregate and rock (i.e., construction aggregate) could be mined at Meadows Quarry.

On May 26 2017, the Ministry of Energy and Mines received a letter from the British Columbia Assembly of First Nations requesting that the ministry rescind the quarry application and cease any mining exploration or mining activity within Sheridan Hill.

On September 1, 2016 Katzie's lawyer advised the Province that they have been successful in their application to be an Intervenor in the K'Tunaxa Appeal, to be heard by the Supreme Court of Canada on December 1, 2016. The K'Tunaxa sought judicial review of FLNRO's decision to approve the Master Development Agreement for the development of a year-round ski resort in the Upper Jumbo Valley on two grounds:

- Violation of their freedom of religion guaranteed under section 2(a) of the Canadian Charter of Rights and Freedoms; and,
- Breach of the Crown's duty to consult and accommodate asserted Aboriginal rights under section 35 of the Constitution Act, 1982.

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On May 13, 2016 the Maple Ridge News ran a story regarding the decision by the Minister of Environment to refuse to order an environmental assessment for the proposed Meadows Quarry on Sheridan Hill. In the article, Pitt Meadows Mayor John Becker states he is "disappointed in the result" and is "...not happy with the process."

On March 17, 2015, the Save Sheridan Hill Society and the Pitt Meadows council requested that the Minister of Environment designate the proposed quarry a reviewable project under Section 6 of the Environmental Assessment Act.

The Act states that, even though a project is not reviewable under the regulations, the Minister of Environment may designate it as reviewable if:

- the Minister is satisfied that the project may have a significant adverse effect and the designation is in the public interest; and
- the Minister believes on reasonable grounds that the project is not substantially started at the time of the designation.

Additional letters requesting the designation were also submitted to the Chief Inspector of Mines at the Ministry of Energy and Mines (MEM) by the City of Pitt Meadows and concerned private citizens. The key concerns included:

ADVICE TO MINISTER

- effects due to additional traffic, dust and noise;
- potential impacts to sandhill crane breeding grounds and wildlife, surface and groundwater, neighbouring land users and recreational activity; and
- impacts to the Katzie First Nation's interests.

The concern has also been raised that the proposed quarry, once permitted under the Mines Act, could exceed its target production of 240,000 tonnes/year.

EAO engaged staff at MEM, Forests, Lands and Natural Resource Operations (FLNRO), Aboriginal Relations and Reconciliation (MARR) and the City of Pitt Meadows regarding this request. EAO sent a letter to Katzie First Nation (Katzie) on August 26, 2015, making them aware of the Section 6 request and asking for their input. Katzie responded on October 6, 2015, that they have been consulting with FLNRO staff on the Mines Act permit and the comments they have provided to FLNRO would be applicable to EAO regarding the Section 6 request.

Based on a recent court decision, EAO consults with First Nations, particularly where a strong strength of claim for Aboriginal title exists, if the Minister is considering a Section 6 request, even if the request is not from the First Nation itself.

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MEM has committed to conducting an enhanced Mines Act permitting process for the Quarry through a Mine Development Review Committee (MDRC). The enhanced process will assess potential environmental impacts as well as fulfil the government's duty to consult with the Katzie First Nation.

The Ministry of Energy and Mines received an application for a proposed aggregate quarry from Meadows Quarry and informed the municipality on January 30, 2015. No decision has been made on the application, and no decision will be made until appropriate consultation has taken place. Once the review process is completed, the Ministry of Energy of Mines statutory decision maker will decide whether to issue a Mines Act permit for the proposed Meadows Quarry.

BACKGROUND:

The proponent submitted a NoW application for construction aggregate to FrontCounter BC on October 3, 2014. On January 30, 2015, MEM initiated the referral period and informed the Municipality of Pitt Meadows and First Nations that it had received a NoW application from Meadows Quarry for a proposed aggregate quarry on private land on Sheridan Hill.

The Katzie First Nation asserts rights and title over the proposed quarry site; and there is documented historical evidence that the Katzie consider Sheridan Hill their place of origin. Both the City of Pitt Meadows and the Katzie are concerned that the Sheridan Hill proposal is for an annual extraction rate of 240,000 tonnes, just under the 250,000 tonnes that would trigger an environmental assessment (EA).

Pitt Meadows Mayor John Becker and members of council have told media that they are strongly opposed to the project and will fight it with every means available. The mayor has stated that the municipality will support the Katzie First Nation in opposing the quarry. A number

ADVICE TO MINISTER

of local residents also oppose the project and have raised concerns about the blasting and the possibility of large trucks hauling aggregate on municipal roads. Media covering this issue includes Maple Ridge News, Global and CBC. The mayor has also said that the city and the Katzie FN have not been consulted in a meaningful way.

The proponent has informed MEM staff that he did discuss the proposal with the previous mayor of Pitt Meadows in 2014. He also says that the municipality was party to discussions he, the proponent, had with Translink regarding the proposed quarry.

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The proponent is also required to advertise in the BC Gazette or locally, and post a notice on the property advertising that the property is the subject of a Mines Act permit application. The proponent has indicated that it was advertised on March 19th 2015 and that the notice on the property was posted in March 2015.

A 30-day public engagement period is also required as part of the application process and a public meeting will also be required as part of this application. This meeting has not been scheduled yet, pending studies that are due from the proponent.

Local citizens group, Save Sheridan Hill Society, says that it has received more than 1,700 letters supporting its efforts to stop the quarry. The society has said that it plans for more media coverage of this issue.

Under the Notice of Work application, Meadow Quarry Group seeks to operate the quarry for five years, excavating 240,000 tonnes of rock per year. The quarry would remove the southern peak of Sheridan Hill, reducing its elevation about 30 metres, to 45 from 75 metres. If the application is approved as submitted, the company would be allowed to clear trees, remove soils, drill and blast, crush rock, stockpile it, and reclaim the site as it is mined. Under the Notice of Work application, the operation could run year-round, Monday to Saturday, from 7 a.m. to 6 p.m. The notice also allows that it may be necessary to operate outside of these times. If the application is approved, MEM has the authority to change any or all of these conditions when it issues the Mines Act permit.

The decision to approve or reject a Notice of Work application is made by the MEM statutory decision maker (SDM) based on whether or not the application meets all of the requirements under the Mines Act to:

- Protect employees and all other persons from undue risks to their health and safety arising out of or in connection with activities at mines.
- Safeguard the public from risks arising out of or in connection with activities at mines.

ADVICE TO MINISTER

- Protect and reclaim the land and watercourses affected by mining.

If the application is approved, the SDM may modify or add conditions when issuing the Mines Act permit. These can include, but are not limited to:

- Water discharge and management on site, if not covered by a MOE permit. MOE does not issue discharge (effluent) permits on aggregate operations.
- Blasting conditions for the protections of public infrastructure, aquatic life, and residential areas including but not limited to overpressure (noise) and ground movement.
- Dust control beyond what the code requires.
- Setting specific hours of work for the operation.
- Monitoring and reporting of various conditions.
- Production limits.
- Ongoing hydrology for ground water monitoring, on site and off site.
- In some cases noise (operational) limits at the property line.
- Traffic control such as specifying times when heavy truck traffic may or may not enter/leave the site. For example, to accommodate school bus pick-up and drop-off times.
- Various conditions to deal with First Nations concerns such as excluding portions of a site to protect archeological areas.

The Mines Act ensures that any application to build and operate a quarry is considered independently by government officials with relevant technical expertise who give careful consideration to all of the concerns raised by the residents.

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The proponent has been informed that there will be a number of studies required to inform the Mines Act permit decision and that the proponent will be expected to fund those studies, which include, but are not limited to archaeological studies, background noise studies and a traffic impact assessment study.

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File Created: Feb. 9, 2017
File Updated: Aug. 28, 2017

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ADVICE TO MINISTER

**CONFIDENTIAL
ISSUE NOTE**

Ministry of Energy, Mines and Petroleum
Resources

Date: Sept. 11, 2017

Minister Responsible: Hon. Michelle Mungall

**TERMINATION OF CONIFEX
ELECTRICITY PURCHASE
AGREEMENT****ADVICE AND RECOMMENDED RESPONSE:**

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ADVICE TO MINISTER

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KEY FACTS REGARDING THE ISSUE:

On Sept. 11, 2017, BC Hydro advised Conifex Mackenzie Forest Products that it was exercising its right to terminate the Electricity Purchase Agreement (EPA) for the Conifex Mackenzie Combined Heat and Power (CHP) Project.

The Conifex Mackenzie CHP Project was a planned gas-fired cogeneration project to be located in Mackenzie, B.C. and owned by Conifex Mackenzie Forest Products, Inc. The planned project had a capacity 11.4 megawatt (MW) and expected annual generation of 81.6 gigawatt-hours per year. The electricity was to be generated from a natural gas turbine with the heat being used for lumber drying kilns and possibly drying woody biomass at Conifex's mill in Mackenzie.

The project was awarded a 20-year Electricity Purchase Agreement in April 2015, with a target Commercial Operation Date of October 1, 2016.

The termination is due to the proponent's non-compliance with its EPA, which includes the requirement that Conifex provide BC Hydro with a formal plan setting forth the process for interconnecting the project to the transmission system. In June 2017, BC Hydro advised Conifex that the project was at risk of being removed from the interconnection queue due to lack of progress in proceeding with the required interconnection studies. BC Hydro requested that Conifex provide a formal plan as to how it would proceed with the interconnection studies. Because Conifex did not respond to BC Hydro's request for a formal plan regarding the interconnection process, the project was deemed to have been withdrawn, resulting in the loss of its interconnection queue position. BC Hydro has elected to exercise its termination right under the EPA.

The terms of the EPA provide BC Hydro with a termination right if the Seller (in this case Conifex) fails to complete any application, payment, filing, study, document or other step in accordance with the requirements and such failure results in a loss of the interconnection queue position.

Since the project has not obtained project financing, has uncertain financial viability and no timeframe for construction or completion, the termination of the EPA should not have an impact on Conifex's operations. However, BC Hydro understands that Conifex has invested approximately \$300,000 in the development of the project, and that this investment will need to be written off.

In addition to Conifex Mackenzie CHP, Conifex holds an EPA for the 36 MW Conifex Green Energy Project, also located in Mackenzie. This project reached commercial operations in April 2015. This project should provide sufficient process heat available to dry lumber.

As of April 1, 2017, BC Hydro has electricity purchase agreements with 119 IPPs whose projects are delivering power to British Columbians, and agreements for 16 projects that are in development.

ADVICE TO MINISTER

Background: Conifex initially applied for an EPA under the Standing Offer Program (SOP) in 2012.

The SOP originally included both renewables and high efficiency cogeneration. As natural gas prices came down, adding a cogeneration plant to an industrial operation was becoming a money maker. This led to the price BC Hydro was willing to pay for cogeneration power being reduced in the fall of 2013 to reflect lower gas prices, and eventually, cogeneration power was eliminated with the 10 Year Rates Plan at the end of 2013. Three SOP cogeneration projects were grandfathered at the lower price. Only one, Houweling Nurseries' cogeneration project for its greenhouses has proceeded.

Conifex has been unable to secure project financing for Conifex Mackenzie CHP. Since it originally applied for an EPA under the SOP in 2012, Conifex has indicated that project's economics have been challenged by the reduction in SOP prices for high-efficiency cogeneration projects and the uncertainty related to changing Carbon Tax Legislation. As a result, Conifex has been assessing the financial impacts of Carbon Tax Legislation and looking for ways to mitigate the risks to project returns.

In August 2016, the BC Government released the Climate Leadership Plan, which directed that going forward, 100% of new electricity resources acquired by BC Hydro for the integrated grid must be from clean or renewable sources, with limited exceptions. Under the Climate Leadership Plan, Conifex Mackenzie CHP would not be eligible for a new EPA.

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File Created:	Sept. 11, 2017	
File Updated:		

EMPR Office Budget Increase

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Connect:

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Contrast:

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Solution:

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Commitments Not Funded

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Connect:

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Contrast:

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Solution:

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BC Hydro - Conifex electricity purchase

Issue: BC Hydro terminated an electricity purchase agreement with Conifex Mackenzie Forest products for a planned natural gas-fired cogeneration power project.

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BC Hydro - Conifex electricity purchase

Background:

- On Sept. 11, 2017, BC Hydro advised Conifex Mackenzie Forest Products that it was exercising its right to terminate the Electricity Purchase Agreement (EPA) for the proposed Conifex Mackenzie Combined Heat and Power Project.
- The Project had been awarded a 20-year Electricity Purchase Agreement in April 2015 with a target operation date of October 1, 2016.
- The contract was terminated because the proponent was not in compliance with its EPA as a result of failing to provide a formal plan for interconnecting the project with the transmission system.

OGC and Hydraulic Fracturing

Highlights:

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Solution:

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OGC and Hydraulic Fracturing

Highlights:


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Solution:

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Oil and Gas Dams

Background:

-  A review of water storage sites in Northeast BC by the Oil and Gas Commission and FLNRO revealed 51 sites that qualify as dams and were not properly licenced.
- Two dams owned by Progress Energy should have undergone an Environmental Assessment but did not. The company is seeking an exemption.

Contrast:

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Solution:

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On hydraulic fracturing and scientific review...

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Background:

- The BC Oil and Gas Commission presently regulate more than 20,000 wells and over 40,000 kilometres of pipeline infrastructure
- The BC office of the Canadian Centre for Policy Alternatives and other groups released a call for a full public inquiry into hydraulic fracturing citing:
 - “Escalating water usage by fracking companies.
 - Poor or misleading consultations with First Nations.
 - Widespread industry non-compliance with relevant provincial water laws through the construction of dozens of unlicensed dams.
 - Record-setting induced earthquakes at BC fracking operations.”
- The call for a public inquiry was endorsed by 17 groups including: UBCIC, David Suzuki Foundation, Wilderness Committee, West Coast Environmental Law, Sierra Club BC, Council of Canadians.
- “We believe that the NDP’s campaign promise to appoint a scientific panel to review fracking won’t be enough to fully address the true risks of deploying this brute-force technology throughout northeast BC. Current realities dictate that we need a wide-ranging, public inquiry,” says Ben Parfitt, a resource policy analyst with the Canadian Centre for Policy Alternatives
- According to the groups, the Inquiry must address whether or not provincial agencies adequately oversee fracking operations, ensuring that companies comply with existing laws and regulations, safeguard public health, and protect the environment. The Inquiry must have powers and sufficient funds to compel legal testimony, commission professional research, and hold public hearings across BC.
- The OGC closely regulates hydraulic fracturing to protect groundwater. Legislation and regulation guiding the protection of domestic water wells is very specific, including setback distances and well casing requirements.
- After the hydraulic fracturing process, fluids flow back to the surface and are collected at the wellsite. It is against the law in BC to introduce flowback fluids onto the surface environment.

Hydraulic Fracturing

Issue: The BC Greens have criticized the environmental and climate impacts associated with hydraulic fracturing.

Connect:

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Solution:

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LNG – market conditions

Issue: Pacific Northwest LNG announced its decision not to proceed with their proposed project near Prince Rupert because of prevailing international market conditions. Natural Gas prices dropped sharply

Connect:

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Contrast:

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Solution:

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Transition Costs

Highlights:

- In September, the Premier's office proactively posted its direct award contracts for July. These contracts showed transition costs incurred by the incoming government.
- Recently, opposition MLAs and media have taken interest in the costs.
- Opposition MLAs claimed that the costs were over \$500,000. In fact, the actual amount billed was \$295,000, well under the \$812,000 that was the maximum possible value of the contracts.
- A total of 35 contracts were signed averaging \$8,400 each.
- In September's disclosure, only 28 contracts were posted. Administrative issues prevented 7 contracts from being included. Government has since provided the full list of 35 contracts to media.
- In September's disclosure, the maximum possible value of each contract was posted but not the actual amount billed, making the value of the contracts appear larger than they actually were. Government has since provided the actual values to media.

Contrast:

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Solution:

s.13

Q & A

s.13

Land Tenure and Leases

Highlights:

Greg D'Avignon, president of the Business Council of BC, said that the Agriculture Minister's letter to Marine Harvest "calls into question the certainty of tenures, leases and use of Crown lands on everything from agriculture to recreational properties to the natural resource industries".

Contrast:

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Solution:

s.13

Q & A

s.13

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Greg D'Avignon, president of the Business Council of BC, said that the Agriculture Minister's letter to Marine Harvest "calls into question the certainty of tenures, leases and use of Crown lands on everything from agriculture to recreational properties to the natural resource industries".

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Solution:

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BC Hydro Mandate and Renewables

Highlights:

- The Greens will ask a question on BC Hydro's mandate and renewable power.
- Weaver has repeatedly argued that BC Hydro's mandate under the Clean Energy Act only allows them to build dams.
- He has advocated for BC Hydro to instead put out a call to see what price the market would deliver power at.

Solution:

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Background:

- In 2002, the first Energy Plan stipulated that the private sector would develop new electricity generation while BC Hydro would be restricted to maintaining and improving its existing hydro facilities (but leaving the door open to Site C).
- The Standing Offer Program was introduced in 2008 to encourage private sector development of smaller energy projects. Contracts were signed at very high rates raising concerns about impact on hydro ratepayers.
- In August 2017, BC Hydro suspended accepting applications for the Standing Offer Program until a review of the program can be completed with government and Clean Energy BC input
- Weaver comments on BC Hydro mandate:
 - “Rather than let the market take the risk for energy infrastructure projects, this government is using billions of taxpayer dollars to get Site C ‘past the point of no return’. It’s a project that was dreamt up to support the pipedream of LNG. Now it’s a project without a home, and all we’ve seen is the cost go up and up while other opportunities vanish.” (February 2016)
 - I recognize that B.C. Hydro operating under the Clean Energy Act has no other option in their mandate to build anything other than dams. In my view, the government has one of two choices to protect the rate and taxpayers from the unnecessary costs of the Site C construction.
 - First, they could either change the mandate of B.C. Hydro to allow it to invest in alternate energy technologies. Or, the second, they could require B.C. Hydro to issue calls for power to see how the market will respond. Either of these choices are acceptable and would allow the generation of other sources of power in British Columbia.” (Weaver during Site C Debate)

Mt Milligan Mine

Highlights:

- The Mount Milligan Mine, north of Fort St. James, is running short of water needed for operations.
- The situation will become critical by January 2018 and the company says they will be forced to shut down for a few months starting February if they don't get a permit for more water.

Messages:

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Background:

- Thompson Creek Metals Company's Mount Milligan Mine is a 62,500 tonnes per day open-pit copper and gold mine northeast of Fort St. James with an estimated life of 15 years. It began commercial production in February 2014.
- The project currently employs 530 employees, 15 percent of whom are First Nations and 64 percent of whom live in the nearby communities of Prince George, Mackenzie, Vanderhoof, Fraser Lake and Fort St. James.
- The project is located within the traditional territories of the Takla Lake First Nation, Nak'azdli Whut'en First Nation, McLeod Lake Indian Band, West Moberly First Nations, Halfway River First Nation and Yekooche First Nation.
- The project's mill production relies upon water collected and reclaimed from the Tailings Storage Facility which, prior to this year, has been adequate.
- The project's initial authorized design included a freshwater reservoir to store water to ensure sufficient water during dry conditions. However, the reservoir was never built in part due to cost considerations.
- The company notified MEMPR and the EAO in July 2017 that they were projecting a critical water shortage in early 2018. Ministry staff have since been working with the company on solutions.
- An alternate water source is required before January 15, 2018 in order to avoid a 3 month shutdown which the company says would impact 450 employees, \$5 to \$8 million in lost revenue and \$6 to \$12 million of lost regional income.
- In order to temporarily withdraw water from two nearby lakes, the company requires an EAC amendment, a short term Water License and other permits.
- EAO and the Major Mine Permitting Office have received letters of support from two First Nations and Vanderhoof and Mackenzie for the request.
- First Nations have expressed concerns about potential impacts to Aboriginal interests from water quantity reductions, potential impacts to fish and cumulative effects.
- EAO, EMPR and FLNRORD are engaged in expediting a solution to allow continued operations.
- Consultations need to be finished with local First Nations on the possibility of drawing water from nearby lakes.

Oil and Gas Dams

Background:

- A review of water storage sites in Northeast BC by the Oil and Gas Commission and FLNRO revealed 51 sites that qualify as dams and were not properly licenced.
- Two dams owned by Progress Energy should have undergone an Environmental Assessment but did not. The company is seeking an exemption.

Message:

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