

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources; Honourable Bruce Ralston, Minister of Jobs, Trade and Technology; Honourable George Heyman, Minister of Environment and Climate Change Strategy
- II ISSUE:** Meeting with the Executive Vice-President and Chief Operating Officer of the Canadian Association of Petroleum Producers (CAPP)

III BACKGROUND:

The Canadian Association of Petroleum Producers (CAPP) represents companies that explore for, develop and produce natural gas and crude oil throughout Canada. The member companies of CAPP produce about 80 per cent of Canada's natural gas and crude oil. CAPP's mission is to advocate for and enable economic competitiveness and safe, environmentally and socially responsible performance.

Terry Abel is the Executive Vice-President and Chief Operating Officer for CAPP. He joined the Association in 2014 as the Director of Oil Sands and has over 30 years of experience as an energy regulator in the Province of Alberta. He holds a Bachelor's degree in Chemical Engineering from the University of Alberta and is a registered professional with the Association of Professional Engineers, Geologists and Geophysicists of Alberta.

IV DISCUSSION:

Liquefied Natural Gas (LNG) Competitiveness Review

The Ministry of Energy, Mines and Petroleum Resources conducted a review of BC's LNG fiscal framework and policies to better understand the Province's competitive position. The review began in the summer of 2017 and involved industry and industry associations (including CAPP), First Nations, and the federal government.

Recommendations for actions to improve BC's competitiveness were presented at the end of the year and are under active consideration by government.

Carbon Tax Increases

BC is increasing the carbon tax by \$5 per tonne per year until it reaches \$50/tonne in 2021. BC's carbon tax currently applies to combustion emissions. BC recognizes increasing the carbon tax could affect industrial emitters. BC is committed to working with business and industry to ensure the Province remains a competitive place to invest

while achieving its climate targets. BC is aware of the latest approaches in the Alberta and Federal Government programs and will take this into account.

Canada and Alberta's Approach to Carbon Pricing

Both the federal carbon pricing backstop, and Alberta's carbon pricing system are made up of a carbon levy applied to fossil fuels and an output based pricing system for industrial facilities from emissions-intensive, trade-exposed (EITE) sectors. EITE sectors will be exempt from the levy. Under the systems, industrial emitters set a production-weighted emission intensity 'benchmark' and receive free emissions allowances up to this benchmark. Facilities over the benchmark can meet the obligations through purchasing excess allowance credits from those under the benchmark, buying eligible offset units or contributing to a tech fund at the rate of the carbon levy.

Both systems cover not only combustion emissions, but also Industrial Process emissions, venting, flaring and fugitive emissions. Canada's system will exempt methane venting and methane fugitive emissions from oil and gas facilities (already covered by upcoming methane regulations).

BC is looking into these regimes and analyzing options going forward to address competitiveness concerns.

Climate Benefits of LNG

Displacing higher carbon fuels, like coal and diesel, with BC LNG can lead to significant global lifecycle emission reductions. A recent study by the University of Calgary and M.I.T. estimated that the export of 18 million tonnes of BC LNG to China could lead to global reductions of 25 to 52 million tonnes of greenhouse gases (GHG). The Province recognizes that LNG production is emissions intensive and could have an effect on achieving BC's targets. As a result, the Province has established measures to reduce emissions in the oil and gas sector including the LNG benchmark, the Environmental Incentive Program, the carbon tax and its upcoming methane policy.

Regulatory Process Reviews

CAPP is concerned that industry may soon experience what it refers to as regulatory fatigue given the various policy initiatives currently under review. These include:

- ***Hydraulic Fracturing Scientific Review***
As noted in our 2017 Election Platform there is the potential for significant expansion of shale gas production in the years ahead. That is why a commitment was made to appoint a scientific panel to review the practice to ensure that gas is produced safely, and that our environment is protected. This will include assessment of impacts on water and what role gas production has in seismic activity. The Province plans to appoint this Panel in the first half of 2018 and the details of the review process will be made public at that time.
- ***Upstream Methane Emissions Regulation***
The federal government is moving ahead on creating specific regulations on methane emissions from the oil and gas sector. Western provinces can achieve Canadian federal goals using their own approaches.

A team consisting of representatives of the Ministry of Energy, Mines and Petroleum Resources, BC's Oil and Gas Commission, and Climate Action Secretariat is working on the development, enactment, and implementation of applicable standards and/or other regulatory requirements. BC is advancing a methane emissions reduction strategy using a combination of targets, incentives and regulatory tools.

Target: 45 per cent reduction of fugitive and vented emissions from extraction and processing infrastructure built before January 1, 2015.

Incentives: The Clean Infrastructure Royalty Credit Program to stimulate investments in new technology for GHG reductions and a new offset protocol to further encourage innovative projects that reduce methane emissions.

Regulatory Tools: BC will make leak detection and repair mandatory and develop other requirements aligned with Alberta.

The Ministry of Environment and Climate Change Strategy is leading a number of policy initiatives likely to be of interest to CAPP and is best placed to speak to them. These initiatives include:

- Environmental Assessment Revitalization;
- Marine Spills; and,
- Professional Reliance

V CONCLUSION:

The Province supports the continued development of its natural gas industry including opening new markets by working with proponents to advance their LNG projects in line with our four stated conditions, and in doing so looks forward to continuing to collaborate with the Canadian Association of Petroleum Producers.

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Ines Piccinino, A/DM, OGD

From: Piccinino, Ines MNGD:EX
Sent: Thursday, March 15, 2018 8:19 AM
To: XT:Morrison, Geoff FLNR:IN; DAllan@csur.com; 'Gary Leach'; 'Elizabeth Aquin'
Cc: Schwabe, Michelle MNGD:EX; Petrini, Teresa MNGD:EX; Grieve, Richard MNGD:EX
Subject: Heads up/EMBARGOED: BC to announce Hydraulic Fracturing Scientific Review panel today 10 am Pacific

Good morning all,

I would like to provide you with a heads up that we will be announcing the Hydraulic Fracturing Scientific Review Panel today at 10 am Pacific.

Michelle Schwabe will be the head of our Secretariat and Teresa Petrini our logistics manager. As discussed, we appreciate the work you are putting toward building a list of experts for the Secretariat to put forward for panel consideration. We will be appreciate to get the list before the end of March.

The mandate of the Scientific Hydraulic Fracturing Review Panel is to review the practice of Hydraulic Fracturing in B.C. in the context of ensuring that gas is produced safely and the environment is protected; and provide the Province with its findings and advice on the following:

- a) what role hydraulic fracturing has in induced seismicity in Northeast B.C, and
- b) what impacts hydraulic fracturing has on water quantity and quality.

If you have any questions, don't hesitate to ask.

Thanks!!

Ines

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