Date: July 21, 2016
Cliff: 96643

MINISTRY OF NATURAL GAS DEVELOPMENT

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Progress Update – Value Added Natural Gas and

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III BACKGROUND:

The Major Investments Office has been working across various ministries since 2013 in engaging with potential proponents wanting to develop value added natural gas opportunities in B.C., such as Gas-to-Liquids, ammonia, urea, methanol and ethylene production.

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Recently, responsibility for the Value Added initiative was transferred to the Liquified Natural Gas (LNG) Task Force. A cross government Value Added Natural Gas Team has been established and has completed an analysis of the sector, suitability to B.C., global markets, B.C.'s position and a regulatory gap-analysis.

IV DISCUSSION:

The Natural Gas Strategy identified Value Added as a key area for developing our abundant oil and gas resources. Development of value added opportunities aligns with the BC Jobs Plan and the overarching objective of diversifying B.C.'s economy.

Attracting a Value Added Natural Gas industry and specific projects to B.C. would create considerable employment, investment and provincial revenue and complements potential LNG development. Using B.C. natural gas to produce value added products would have the benefit of producing a range of products for domestic and export markets, including impacting positively on the BC jobs plan.

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The Ministry is currently working with JTST's Major Investments Office and the Ministry of International Trade on a structured engagement with proponents. This includes the execution of non-disclosure agreements, communications protocols, joint meetings between companies, government and our economic modelers to understand and test the project economics, understand the support available to the company from the cross-government team, and assess new and existing provincial program and initiatives that might be applied across this sector to encourage development and investment.

By way of update,

s.13,s.17,s.21

Progress has been made in many areas key to providing commercial certainty matters, such as:

- Fiscal regime and levers to support investment;
- First Nations engagement;
- Industrial and Crown land availability;
- Regulatory mapping;
- International and domestic investment attraction; and,
- Labour supply, local governments and citizen engagement.

While maintaining ongoing engagement with potential proponents is key, there is also the opportunity to demonstrate proactive action in the current challenging oil and gas price environment.

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V CONCLUSION:

s.13

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Executive Director	Dave Nikolejsin, DM√

MINISTRY OF NATURAL GAS DEVELOPMENT
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman meeting with Painted Pony

III BACKGROUND:

Painted Pony is an oil and gas company based in Western Canada, which is focused on the development of natural gas and natural gas liquids in the Montney.

Painted Pony is the registered title holder or payor s.21
s.21 and they have a total of 71 natural gas wells reporting production in 2016. In 2015 they ranked 12th for natural gas production, producing 88.2 million cubic feet (Mmcf) per day.

s.17,s.21
In 2015 Painted Pony drilled 15 wells, including 13 natural gas wells and 2 wells that are unclassified but could be productive in the future depending on what is discovered.

Painted Pony has participated in the Infrastructure Royalty Credit Program (IRCP) twice,

s.21

IV DISCUSSION:

According to their annual report, Painted Pony is focused on decreasing future development capital, improving well production performance and decreasing costs to continue Painted Pony's ability to grow economically in a low price environment, with a fully funded capital program. Spending for 2015 totaled $106.7 million, which included $78.7 million for drilling and completions and $22.1 million for facilities and equipment. Through well performance realized and cost reductions achieved, Painted Pony has reduced their capital spending estimates in 2016 from $287 million to $197 million.

According to their annual report, Painted Pony formed a strategic alliance with AltaGas in 2014 to build a gas processing facility at Townsend with a focus on developing liquids rich gas that will be poised to supply LNG export facilities. Construction on the Townsend facility is ahead of schedule and operation should begin in mid-2016. Painted Pony anticipates the Townsend facility will flow at volumes of 150 Mmcf per day by November 2016.

Painted Pony has also been working to diversify sales options through strategic pipeline agreements. In 2015, they signed an agreement with Spectra Energy for increasing their capacity on the T-North pipeline system beginning in November 2016. This agreement will provide long-term natural gas transportation with connections to Station 2 and Sunset Creek sales points. In January 2016, Painted Pony signed an agreement with TransCanada to participate in the Towerbirch Expansion Project. These agreements will diversify Painted Pony's sales point access increasing market opportunities.

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Once tenure is purchased, a company must obtain activity permits from the Oil and Gas Commission which has a process in place for working with First Nations to secure access for development.

V CONCLUSION:

Painted Pony is a smaller company, but in 2015 they ranked 12th in British Columbia for natural gas production.

s.12,s.21

The Oil and Gas Commission has a process in place for negotiating with First Nations during the activity permitting process. The Crown continues to work with First Nations on agreements to facilitate oil and gas development in British Columbia.

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Date: June 23, 2016
Cliff No.: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman's meeting with Cutbank Ridge/Encana

III BACKGROUND:

Encana is a North American Energy Producer focused on developing its strong portfolio of resource plays producing natural gas, oil and natural gas liquids. In 2012 Encana and a subsidiary of Mitsubishi formed the Cutbank Ridge Partnership (CRP) to focus on development in the Montney in Northeastern British Columbia. Under the partnership, Mitsubishi purchased a 40 percent working interest in Encana's undeveloped Montney holdings for an initial investment of $1.45 billion and agreed to invest another $1.45 billion over five years. Encana is the managing partner and holds the other 60 percent interest in the partnership.

Encana, combined with the CRP, is the title holder or payor for s.21
s.21

Excluding the CRP, Encana has 827 natural gas wells reporting production in 2016. In 2015 Encana ranked fifth for natural gas production in British Columbia, producing 335.4 million cubic feet (Mmcf) per day.

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In 2015, Encana drilled 12 wells, including 5 natural gas wells and 7 wells that have not yet been classified but have the potential to become productive depending on what is found through further investigation.

On its own the CRP has a total of 189 natural gas wells reporting production in 2016. In 2015 the CRP ranked third in BC for natural gas production, producing 466.6 Mmcf per day.

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In 2015 the CRP drilled 14 natural gas wells.

Encana has participated in the Infrastructure Royalty Credit Program (IRCP) since its inception in 2004. Encana has seen s.17,s.21 The CRP has participated in the IRCP since 2009,
s.17,s.21

Encana considers their holdings in the liquids rich Montney area in BC one of the company's four core assets. Encana's other core assets are located in the Duvernay in Alberta and the Permian and Eagle Ford, both in Texas. In addition to their Montney holdings, Encana holds tenure in the Horn River Basin also in Northeast BC.

IV DISCUSSION:

According to the Corporate Presentation available on Encana's website, Encana has been strongly focused on cost reductions over the past few years, which have been achieved, in part, by the sale of a number of unessential assets and the realignment of their organization in late 2014. In March 2015 Encana, as part of the CRP, sold midstream natural gas gathering and compression assets in Northeast British Columbia to Veresen Midstream Ltd. This sale will allow Encana to continue act as the operator of these facilities while focusing capital on upstream development.

Encana and the CRP have a water hub in the Montney, which accesses saline water that is unsuitable for human consumption through deep water source wells. The water resource hub supplies operations in the area and conserves fresh water by relying on saline in the deep water source wells.

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V CONCLUSION:

s.12,s.17,s.21

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Date: June 23, 2016
Cliff No.: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman's meeting with ARC Resources Ltd.

III BACKGROUND:

ARC Resources Ltd. (ARC) is a Canadian oil and gas producer with operations across Western Canada.

ARC is the registered title holder or payor for

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In 2015 ARC ranked fourth for natural gas production, producing 348.1 million cubic feet (Mmcf) per day; ARC ranked third for oil production in the province, producing 3,389 barrels per day.

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In 2015 ARC drilled 47 wells, including 20 oil wells, 18 natural gas wells and 9 wells that are not yet classified but could be productive in the future depending on what is discovered.

ARC has actively participated in the Infrastructure Royalty Credit Program (IRCP), starting in 2009,

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IV DISCUSSION:

In 2016, ARC celebrates their 20th anniversary. According to their financial report, in 2015, ARC had one of their best years of operational performance on record, despite the challenges of low commodity prices. Through bought deal financing, ARC raised $386 million in net proceeds which financed strategic projects in the Montney, including the Sunrise gas plant, the Tower Oil Battery and the Dawson Phase III gas plant. In the second half of 2015, ARC announced a 37 percent reduction to their capital budget to $550 million, and ended the year by reducing their capital budget for 2016 to $390 million and lowering the monthly dividend from $0.10 per share to $0.05 per share to ensure long term financial stability.

According to ARC's financial report, the Montney is the centerpiece of their capital program with 85 percent of the total budget directed to those areas. In 2015, construction on the Sunrise Gas Plant was completed ahead of schedule and under budget, and the expansion of the Tower Oil Battery was finished in the fourth quarter. ARC was also able to initiate construction of the Dawson gas plant, which should be completed in late 2017.

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V CONCLUSION:

ARC produces both natural gas and oil in British Columbia with a focus on their operations in the Montney. A media scan did not turn up anything of significance on ARC in recent months.

s.21

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Date: June 24, 2016
Cliff No.: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman's meeting with the National Energy Board

III BACKGROUND:

The National Energy Board (NEB) is an independent federal regulator established in 1959. The NEB has quasi-judicial powers, with the rights and privileges of a superior court, established by the *National Energy Board Act*.

The NEB does not create or debate federal energy policy. The Parliament of Canada and its elected officials have that mandate. The only way that the NEB participates in the government's energy policy is if they are asked to provide expert opinion on energy matters that are then used by the government in setting energy policy.

The NEB's purpose is to promote safety and security, environmental protection and efficient energy infrastructure and markets in the Canadian public interest. This is done within the mandate set by Parliament in the regulation of pipelines, energy development and trade.

The NEB's main responsibilities include regulating the construction and operation of interprovincial and international oil and gas pipelines, international power lines and designated interprovincial power lines. The NEB also regulates the tolls and tariffs for pipelines under its jurisdiction, as well as regulates the export of natural gas, oil, natural gas liquids (NGLs) and electricity, and the import of natural gas.

On June 20, 2016 the Government of Canada announced that it is gearing up for an across the board review of the NEB, environmental assessments and protection of fisheries and navigable waters.

IV DISCUSSION:

Changes to the NEB's mandate are occurring. On June 19, 2016 the *Pipeline Safety Act* came into force expanding the NEB's jurisdiction to provide oversight of pipelines post-abandonment. The most significant changes to the Act relate to absolute liability and financial resource requirements, abandonment, pipeline releases, damage prevention, as well as audit and enforcement powers.

On June 20, 2016 the Government of Canada announced a review of the NEB, environmental assessments and protection of fisheries and navigable waters. The Government of Canada's review of environmental and regulatory processes is meant to restore public trust. The scope of the review is to include the NEB's mandate, its governance and structure, enforcement and ongoing monitoring of facilities like pipelines and also how it makes decisions on major project applications.

Separate expert panels will look at the *Canadian Environmental Assessment Act* and the NEB with a review deadline of January 1, 2017. The expert panels will be tasked with engaging

Indigenous peoples, key stakeholders and Canadians across the country and ultimately providing advice in the form of a report to the Minister of Natural Resources on potential reforms Natural Resources Canada.

The British Columbia Environmental Assessment Office (BCEAO) will represent British Columbia interests and will engage collaboratively across the British Columbia government to gather input from Ministries to provide feedback into the federal consultation process.

The NEB review could have implications for new and proposed NEB regulated natural gas pipeline systems which are important to British Columbia for transporting British Columbia natural gas to markets in Canada, US and internationally via liquefied natural gas.

The NEB review could have implications for the Equivalency Agreement that BCEAO has with the NEB. On January 13, 2016 a British Columbia Supreme Court decision found that a portion of an Equivalency Agreement entered between the BCEAO and the NEB was invalid. The Court determined that British Columbia retained a duty to consult with First Nations and to also make a decision.

The Ministry currently monitors and evaluates NEB pipeline applications and prepares for, participates in and/or monitors NEB hearings for both oil and natural gas pipelines.

V CONCLUSION:

The Government of Canada is reviewing the NEB's environmental and regulatory processes and states that there will be an extensive consultation process. British Columbia will participate in this process as it is important that the outcome of the review have positive implications for British Columbia regarding new and proposed NEB regulated facilities such as pipelines.

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Date: June 28, 2016
Cliff No.: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman's meeting with Chevron

III BACKGROUND:

Chevron's business includes the full cycle of hydrocarbon products. Their upstream business explores for and extracts natural gas and crude oil, and their downstream business refines, supplies, trades and ships crude oil and natural gas worldwide, and manufactures and markets a range of products including fuels, lubricants, bitumen and liquefied petroleum gas for home, transport and industrial use.

Chevron is the registered title holder or payor for s.21
s.21 with eight wells reporting production in 2016. In 2015, Chevron was the 47th largest producer of natural gas in British Columbia producing 4 million cubic feet per day.

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In 2015 Chevron spud four wells; one is a gas well, one is cased but unclassified, and two are still being drilled or logging data.

Chevron participated in the Infrastructure Royalty Credit Program (IRCP) for the first time in 2015.

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Chevron also holds 923 square kilometers in the Duvernay Shale in Alberta and approximately overlying 809 square kilometers in the Montney tight rock formation. Chevron has a 70 percent-owned and operated interest in most of the Duvernay acreage. A total of 28 wells in Alberta had been tied into production facilities by early 2016 according to their annual report.

IV DISCUSSION:

Chevron holds a 50 percent owned and operated interest in the proposed Kitimat LNG and Pacific Trail Pipeline (Kitimat LNG's proposed pipeline) projects. The Kitimat LNG Project is planned to include a two-train LNG facility and has a 10 million-metric-ton-per-year LNG export license. The total production capacity for the project is expected to be

1.6 billion cubic feet of natural gas per day. Kitimat LNG received Provincial and Federal environmental approvals in 2006 and received a National Energy Board export licence in 2011. According to Chevron's annual report, spending is being paced until LNG market conditions and reductions in project costs are sufficient to support its development.

Chevron held a 93.8 percent operated interest in the Aitken Creek natural gas storage facility located near Fort St. John, which has a working capacity of 71 billion cubic feet, with expansion potential to about 118 billion cubic feet according to Chevron. Chevron sold the facility to Fortis Inc. for US$266 million in April 2016, which is still being reviewed by the British Columbia Utilities Commission.

In addition to the Aitken Creek facility, Chevron is also looking to sell its Burnaby oil refinery which processes roughly 55,000 barrels per day and is the largest refinery in British Columbia. Chevron is working with an investment bank to put out an offer for expressions of interest, according to a Chevron spokesperson on June 17, 2016. The offer includes a distribution network in British Columbia and Alberta with two terminal facilities on Vancouver Island, 138 company-owned gas stations, interests in another 41 Chevron-branded stations and marine-fuelling facilities near Vancouver.

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V CONCLUSION:

It is expected Chevron will be most interested in discussing the Liard Basin potential s.13,

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Date: June 30, 2016
Cliff No.: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman's meeting with Canadian Society for Unconventional Resources

III BACKGROUND:

The Canadian Society for Unconventional Resources (CSUR) is a nonprofit society established in 2002. The organization focusses on the development of unconventional hydrocarbon resources including shale gas, light tight oil, gas hydrates, natural gas from coal, tight gas sands, and carbonates. CSUR provides information about these unconventional resources and seeks to increase communication between industry, provincial and federal governments, stakeholders, and First Nations.

The society is comprised of a volunteer working board of directors which includes James Reimer (Vice-President of Geosciences & Technology for Painted Pony Petroleum), Roy Stadlwieser (Vice President of Exploration for Shell Canada Limited), and Kellen Foreman (Senior Manager of Regulatory and Government Relations at Encana). In April 2016, CSUR announced their Executive Board for the 2016/17 year:

- Walter Kozak, Chair (Calfrac Well Service)
- Joanne McNichol, Vice Chair (NCS Multistage)
- Brad Hayes, Secretary-Events (Petrel Robertson Consulting)
- Andrea Hood, Treasurer-Audit (geoLOGIC systems)

To help increase awareness about unconventional resources, CSUR offers presentations at open houses, luncheons, forums, workshops, field trips and conferences (including BC Day in collaboration with the Ministry of Natural Gas Development), all of which are often technical in nature. CSUR and the Ministry of Natural Gas Development have a Memorandum of Understanding by which Ministry staff can use their offices and facilities for meetings when in Calgary.

IV DISCUSSION:

In terms of public issues, CSUR does not campaign publicly but is approached by media publications for comment on specific stories. Examples of this can be found below:

- For Business Vancouver in March 2016, then Vice President Dan Allan commented on Eastern Canadian gas needs previously supplied by Western Canadian gas being displaced by gas from the Marcellus formation.
- In a November 2015 Financial Post article, former President Kevin Heffernan was skeptical Alberta's hydrocarbon industry would be able to meet the Alberta Government's target of reducing methane emission by 45 percent.

- In a February 2015 article in Business Vancouver on wet gas, then Vice President Dan Allan was quoted saying “The Montney is really the granddad of the unconventional resource plays, and BC has such a big part of it… The fact that there is a liquids-rich component makes it very valuable today”.

CSUR has had a fundamental role in coordinating and contributing to discussions on induced seismicity. The fact that many of CSUR’s members and service sector companies involved directly in hydraulic fracturing operations, has been key in helping develop scientifically based messaging on this and many other topics related to upstream operations in Northeast BC.

V CONCLUSION:

Given the recent success of BC Day in Calgary, future collaboration between CSUR and the BC Government on the communication of technical information will likely be a topic for discussion.

The meeting with CSUR will also allow Minister Coleman to hear directly from service companies in the sector about BC’s opportunities and challenges.

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June 30, 2016
Cliff: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman's meeting with the Gas Processing Association of Canada

III BACKGROUND:

The Gas Processing Association Canada (GPAC) was formed in January 1, 2005 through amalgamation of the Canadian Gas Processors Association (which shared technical information regarding gas processing and provided networking opportunities for members) and the Canadian Gas Processing Suppliers Association (which acted as more of a lobby group). The GPAC's mission includes:

- serving the needs of the processors, suppliers, relevant industry associations and other parties affected by the natural gas processing industry,
- responding and interacting with external parties on relevant and significant issues affecting the natural gas processing industry,
- promoting improved safety and environmental awareness and performance, and
- promoting research and providing educational resources in the area of natural gas processing.

The GPAC has a membership of 300 companies and roughly 750 people according to their annual report. GPAC is a non-profit organization and their board of directors is made up of volunteers from supporting gas processing companies. The GPAC's revenue (roughly $300,000 annually) is from various social events that act as fund-raisers, yearly conferences, and membership dues from companies and individuals (roughly $80,000 a year). Supporting companies include small, mid and large upstream developers, pipeline companies like Spectra and TransCanada, and gas processors like AltaGas and Verasen.

IV DISCUSSION:

At the Globe 2016 conference in Vancouver in March 2016, on the issue of natural gas exports, Greg Bury, the president of the GPAC, stated to a journalist: "We've got a big tank of gas up here and we've got limited customers. If we don't get to the coast, ultimately we are going to have stranded gas and we are going to stop building projects. It's happening every day as we speak. I have been intimately involved with so many project cancellations that it's ridiculous." It should be noted that Mr. Bury was not a speaker at the conference, but an attendee.

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Mr. Bury, in addition to being GPAC's President, is also Universal Pegasus International's vice president of business development in Canada.

V CONCLUSION:

s.13,s.21

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Date: June 30, 2016
Cliff No.: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Minister Rich Coleman's meeting with Canadian Natural Resources Limited

III BACKGROUND:

Canadian Natural Resources Limited (CNRL) is one of the largest independent crude oil and natural gas producers in the world with operations on several continents. In western North America they are focused on Northeast British Columbia and Northwest Alberta.

CNRL is the registered title holder or payor for s.21 with a total of 2,246 gas wells and 259 oil wells reporting production in 2016. In 2015 CNRL was the second largest producer of both natural gas and oil in British Columbia, producing close to 520 million cubic feet (Mmcf) per day of natural gas and just over 3,890 barrels per day of oil.

s.17,s.21 In 2015 CNRL spud two wells, both of which are gas wells.

CNRL has participated in the Infrastructure Royalty Credit Program (IRCP) since its inception in 2004, s.21

IV DISCUSSION:

According to their 2015 annual report, CNRL will continue with their strategy of preserving their large, undeveloped land base in Northeast British Columbia. CNRL is one of the largest holders of undeveloped land in British Columbia and has extensive infrastructure in the area allowing for low-cost entry into certain areas of the province. According to the company's website, CNRL will continue to acquire new land and assets that fit with their existing infrastructure.

Due to the low current price of natural gas, especially for natural gas wells with little or no natural gas liquids, CNRL has a serious economic challenge for its natural gas wells in the greater Helmet area located in the far northeast corner of British Columbia. The Helmet area includes the Midwinter, July Lake, Peggo, Tooga and Pesh fields. CNRL shut in production of about 72 wells in the Midwinter field in fall 2015, amounting to 15 million cubic feet per day (Mmcf/d). Further, CNRL has indicated they may also shut-in the remaining 30 Mmcf/d (approximately 300 additional wells) in the Helmet area as they assert this gas production is currently not economic. A key issue for CNRL is the current arrangement that moves the gas through the Spectra system where they face challenging prices, operating costs and fees. They have indicated they might be able to turn the Midwinter wells back on and avoid shutting in the additional 300 wells if they could redirect gas production from the Helmet area to Alberta to access a better market price by entering the Alberta Nova pipeline system.

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V CONCLUSION:

CNRL is one of the largest oil and gas producers in British Columbia s.21
s.21

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Date: July 4, 2016
Cliff No.: 96127

MINISTRY OF NATURAL GAS DEVELOPMENT
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Natural Gas Development and Minister Responsible for Housing and Deputy Premier

II ISSUE: Meeting with the Canadian Association of Petroleum Producers Executive Policy Group for British Columbia

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 90 percent 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.

Almost 250 member volunteers lend their expertise to the 11 Executive Policy Groups (EPGs). Each focuses on a specific aspect of the industry such as Alberta, British Columbia, or Aboriginal relations. The EPGs provide advice to CAPP executive on policy matters.

IV DISCUSSION:

Since January 2016, Ministry staff has consulted with CAPP on proposed policy in the new Climate Leadership Plan, most notably on methane reduction, electrification of oil and gas operations and the proposed Clean Infrastructure Royalty Credit Program (CIRCP).

Through the consultation process, a methane reduction strategy, which aligns with the federal government strategy, was developed. Cost impacts to industry will be mitigated through the CIRCP for legacy equipment and through offsets for new equipment. Some CAPP members have requested offsets to be 'stackable' with other incentive programs, but that is not a unanimous position at CAPP.

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CAPP is supportive of the proposed CIRCP and would like some assurances that it will be ongoing and well funded. The Ministry has received Treasury Board approval for a one year pilot of the CIRCP with an allocation of $20 million in royalty deductions for 2016/17. The $20 million for the first pilot year would provide royalty deductions up to 50 percent of the cost of developing clean infrastructure targeted at methane emissions reductions. CAPP is interested in seeing the CIRCP awarded for projects other than GHG (e.g. water conservation).

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CAPP has expressed some concerns over the timing of applications for both the CIRCP and the Province's existing Infrastructure Royalty Credit Program as it relates to their members' expenditure planning. The Ministry is taking their concerns into consideration for next year.

The British Columbia EPG may inquire as to when amendments made to the *Petroleum and Natural Gas Act* (Act) in 2014 will be brought into force. The OIC to bring the amendments into force along with associated regulations is pending approval of Cabinet and the Lieutenant Governor in Council (LGIC). A key change in the package that would be of interest to the EPG is the addition of a new continuation option for five-year leases. s.13
s.13 five-year leases will be eligible for a one-year continuation by penalty payment (may be used only once for each five-year lease; ten-year leases will continue to be eligible for up to three years of continuation by penalty payment). CAPP and their members were actively consulted on the amendments to the Act.

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Some of CAPP's members have been impacted by the recent increase in companies declaring bankruptcy or becoming insolvent as they have working interests in the tenures held by these companies, but those interests are not recorded on title with the Ministry. The Tenure and Geoscience Branch of the Ministry recently posted guidelines to assist companies with the process of having tenures that are in the name of an insolvent or bankrupt company transferred.

s.12,s.13
The Province of British Columbia and the Oil and Gas Commissions will be participating as interveners in the appeal.

V CONCLUSION:

Ministry staff regularly engages with CAPP and the British Columbia EPG on a variety of issues that impact oil and gas producers in British Columbia. Having CAPP BC's Manager, Mr. Geoff Morrison, located in Victoria has been very useful in maintaining an ongoing, BC-focus dialogue in the last few years.

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