

**PRESENTATION TO PUBLIC REVIEW OF THE  
FEDERAL MORATORIUM ON OIL AND GAS  
ACTIVITIES OFFSHORE BRITISH COLUMBIA**

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MINISTER OF ENERGY AND MINES**

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**CHECK AGAINST DELIVERY**

Good morning Panel Members, thank you for the opportunity to present the Provincial perspective on the question of the federal moratorium on offshore oil and gas development

I want to start by telling you a little bit about the size of my constituency, where it is, and who I represent.

My constituency, Peace River North, is the second largest in the province of British Columbia - 185,000 square kilometres.

Let me give you a sense of what that is in size. If you take Nova Scotia, New Brunswick, PEI and Vancouver Island and tuck them into my constituency, you have a little room left over. That's the landmass.

If you take Florida, it's about the same size - in fact, just a little bit bigger than Florida. If you take Washington State - it's about 15 per cent smaller than Washington State.

It's a region that has been developing oil and gas for the last 40 years. It's an icon in the province of British Columbia.

Many names come forward - McMahon and W.A.C. Bennett - who had visions about the province of British Columbia.

The Provincial government under the leadership of Premier Campbell has a vision as well. That vision includes delivering opportunities to all regions of British Columbia.

When this government took office in 2001 we set forth to work within our means. This government has been faced with tough decisions in order to bring government spending in line with revenues.

The government not only tackled the spending side of the equation, we began a process of creating an atmosphere where our citizens would be able to enjoy opportunities presented within their own communities.

Opportunities that will rebuild our great province and provide sound, family-supporting jobs the way they used to.

As I said a moment ago, oil and gas development has taken place for the last 40 years in the area I come from. It provides good jobs for those who wish to accept the opportunity.

Last year the town of Fort Nelson, a community of 7000 people, saw the creation of 80 new businesses servicing the onshore industry. Those 80 new businesses contribute to building a stable economy in that community.

It didn't used to be that way. The Northeast for many years was subject to boom and bust cycles that were hard on communities and hard on families.

Last year the Provincial government chose to implement new policies that encourage year-round employment in oil and gas. As a result BC is becoming the place to invest in oil and gas in Canada. The oil and gas industry invests \$3.5 to \$4 billion per year in BC...

...And the Northeast is only one of many locations in the province with oil and gas potential.

The Interior and the Northwest have sedimentary basins that show the same prospects.

Right here in the Queen Charlotte Basin there is potential to develop a brand new kind of industry in BC.

The area including the Queen Charlotte Islands, Hecate Strait, Queen Charlotte Sound and Dixon Entrance, is approximately 80,000 square kilometres – just a bit bigger than New Brunswick and Prince Edward Island together.

The Winona Basin, off northern Vancouver Island, and Tofino Basin, off the west coast of the Island, are about 41,000 square kilometres.

Affirming the resources in this area will provide us with the possibilities to revitalize our rural communities, contributing to the local and provincial economies.

The Ministry of Energy and Mines spends about \$42 million a year to support energy and mining with about 250 staff. The return to the province is approximately \$2 billion dollars. Those dollars go towards funding our health care and education systems.

In fact \$2 billion dollars is about 1/5 of our Health Care budget. \$2 billion is the entire budget of Advanced Education. \$2 billion is the combined budgets of Children and Families, Public Safety, and Water Land and Air Protection.

We produce about 1.1 trillion cubic feet of natural gas a year, every year. We export about 65 per cent of that and consume the balance within the Province.

We also produce about 14 million barrels of oil and consume 55 million barrels of oil.

Energy development is key to our economy. Oil and gas fuel the movement of goods and services. It fuels the secondary and tertiary industries that are growing in British Columbia.

British Columbians consume approximately five billion litres of gasoline, diesel fuel, and jet fuel every year. These are all products of oil.

The airport in Vancouver uses 3.5 million litres of jet fuel every day, seven days a week, 365 days a year, on average. A 747 will use 3500 litres just taxiing from the gate to the runway and another 4500 litres taking off.

The Port of Vancouver uses 2.6 million litres of Bunker C every day, seven days a week.

That's a lot of fuel to bring us tourists and to import and export our goods.

By way of illustration, BC fuel cell industry pioneer Geoffrey Ballard characterizes the continuing role of oil and natural gas as follows:

*"Although it is of great interest to society to reduce the amount of oil burned in internal combustion engines, studies of the advent of fuel cell cars, even using a very aggressive scenario, indicate that the use of oil will continue to increase for the next 30 years. After the gradual decline of oil for transportation, there will be a healthy demand for oil as a petro-chemical feedstock.*

*Oil and Natural Gas exploration and production appears to be a very safe economic bet for the future of BC and one that should be encouraged and supported.”*

In British Columbia we have about 110 trillion cubic feet of natural gas, 90 trillion cubic feet of Coalbed Methane, and 18 billion barrels of oil yet to be discovered.

I get excited for British Columbia when I think of the prospects that present themselves to us.

That is why it is so important that I come here to speak to the issue of offshore development.

Based on a series of scientific studies undertaken to date and emerging provincial public policy decisions, the Province is of the view that there is no justification for maintaining the moratorium, and that it should be lifted to enable oil and gas activity to proceed.

Interest by the oil and gas industry in potential offshore hydrocarbon resources has remained relatively steady since the 1960s, with significant money and time invested in both early exploration activity and government-sponsored studies.

The Province has set a clear policy direction for the responsible development of BC offshore oil and gas resources.

The BC Energy Plan and Heartlands Economic Strategy strongly supports this provincial public policy direction.

An offshore oil and gas industry could bring significant public benefits including:

- government revenue to support health care, education and other vital public services;
- jobs and training in the energy, ocean/marine and service sectors associated with offshore development;
- local and provincial business opportunities in supply and service industries;
- expansion of British Columbia's R&D and educational capacity;
- growth in energy and technology intensive industries (e.g., petroleum refining, petrochemicals, advanced robotics, engineering);
- investments in ports, airports, shipping, pipelines, telecommunications and other infrastructure;
- increased exports of goods and services;
- indirect and induced benefits, e.g., from the respending of income by offshore-related businesses and workers; and
- increased security of supply.

And that's not all...



- There are unique partnership opportunities to pursue with First Nations.
- Offshore oil and gas activity can help restore the economic and social wellbeing of coastal communities.

The Province appreciates that lifting of the federal moratorium on offshore exploration and development, while critical, is only the first of several steps that must be taken.

That is why the Province has launched a comprehensive Plan to achieve its goal of scientifically sound, and environmentally responsible offshore exploration and development.

The foundation of the Plan is a long-term strategy, which sees the commencement of exploration activity by 2010. We are focusing on three key themes to achieve this:

- Working with First Nations and coastal communities to identify their concerns, provide information and establish mutually workable solutions.
- Developing options for the provincial position on a comprehensive management and regulatory regime, from initial granting of exploration rights to decommissioning of

facilities and site cleanup. Our focus is on 'best practices'.

- Working with Ottawa and our universities to advance the state of scientific knowledge regarding the BC offshore, and ensuring that knowledge is made more accessible to the public.

### First Nations

It is clear that the issues facing aboriginal communities in considering the potential benefits and risks of offshore oil and gas activities are complex.

They need reliable information to come to an informed view. To that end, the Province has begun work with a number of coastal First Nations and aboriginal organizations to address these information needs.

We will:

- Continue to work with coastal First Nations and aboriginal organizations to provide relevant information to assist them in identifying their interests and means to address these interests.
- Convene workshops with First Nations to identify existing sources of information on offshore development and to adapt these sources to reflect First Nation views on

effective communications and information exchange.

- Begin discussions with First Nations on approaches to management and regulation, including a role for First Nations in those processes.
- Begin discussions with First Nations on fiscal arrangements that could apply to offshore development, including options for First Nation participation in benefit sharing.
- Encourage First Nations to establish broad-based organizational structures that would facilitate the development of coast-wide approaches.

### Coastal Communities and Other Key Stakeholders

The Province recognizes that coastal communities also require extensive, factual and relevant information on the potential benefits and risks associated with offshore development. Going forward the Province will:

- Continue to work with coastal communities and stakeholders to provide relevant information to assist them in identifying their interests and means to address these interests.

- Convene workshops with coastal communities and stakeholders to identify existing sources of information on offshore development and to adapt these sources to reflect their views on effective communications and information exchange.
- Begin discussions with coastal communities and stakeholders on management and regulatory approaches.
- Continue the development and distribution of educational materials, including providing support to stakeholder and other organizations for the production and delivery of educational and public information sessions.
- Engage coastal communities and stakeholders on the recommendation proposed in the Royal Society report regarding the establishment of a broad-based advisory group.

### Management and Regulatory Regime

Both the Strong Report and the Report of the Royal Society of Canada emphasize that the existence of an effective regulatory regime is critical to their conclusion that there are no scientific or technical

reasons to maintain the federal moratorium on offshore oil and gas exploration and development.

The Province agrees with this emphasis, and recognizes that such a regime is a necessary step in providing public confidence that offshore activities will be conducted in a scientifically sound and environmentally responsible manner.

In developing a BC offshore regime, the parties will have the significant benefit of being able to draw upon models and approaches from around the world, providing a unique opportunity to choose the best and most effective ones.

This regime would be consistent with the following principles:

- A single coast-wide regime, with jurisdictional and ownership issues set aside;
- An integrated “single window” structure, to avoid interagency duplication and overlap;
- A negotiated role for First Nations in the management and regulatory process;
- “Go” and “No-go” areas that are clearly defined, including seasonal provisions and any special rules or requirements;
- Transparent, predictable and effective regulatory rules and requirements, with an emphasis on a results-based, non-prescriptive approach;

- An independent, accountable and objective regulatory agency that is sensitive to advances in technology and science.

## Science

The Province believes the existing science gaps do not warrant continuation of the federal moratorium – and it also recognizes that the state of scientific knowledge for the BC offshore can and should be improved. As noted by the Royal Society Report, the responsibility for undertaking or funding the research should fall to the party – government or industry – that stands to benefit from the information.

Determining what scientific work should be done when, and who should pay for it, cannot be accomplished by the Province alone. The full and active participation of the federal government, industry, First Nations, stakeholders and the academic community is required to establish existing knowledge as a base that can be shared and built upon in order to advance scientific investigation and knowledge.

An important science gap is the limited knowledge concerning the potential hydrocarbon resource itself, including its size, location and recoverability. Largely as a result of the moratorium, less than 30,000 kilometres of seismic studies have been conducted for the BC offshore, compared to more than 1,350,000 kilometres for the Newfoundland and Labrador offshore alone.

Next steps will consist of:

- Developing a comprehensive, staged approach to addressing gaps in scientific knowledge that recognizes that the principal beneficiary should assume responsibility for the research.
- Developing options for a multi-disciplinary scientific advisory committee to advise government and industry.
- Continuing targeted support to universities and other institutions to undertake specific research projects as required.
- Continuing the development of educational materials designed to provide plain language descriptions of important offshore scientific questions and issues.
- Developing options for undertaking seismic studies to better assess oil and gas potential.

The Province is currently in discussions with Canada over a collaborative process to implement Canada's Ocean Strategy, including establishing a common protected areas strategy.



The issue of the moratorium on offshore oil and gas activity is clearly not one of science but rather one of public policy. All science reports commissioned by both the federal and provincial governments in the last three years have made this clear.

And so we find ourselves on the threshold of a federal decision concerning the moratorium.

The Province believes there are many reasons to lift the moratorium, not the least of which is to allow for filling of some of the agreed-upon science gaps, as well as implementing the recommendations offered by those learned scientists who have studied the issues.

Development of the BC offshore holds tremendous potential to add to government revenues to support health care, education and other vital public services, provide jobs and training, local and provincial business opportunities and investment, unique partnership opportunities with First Nations, and increased security of supply.

Of course, policy with respect to the British Columbia offshore should be consistent with other parts of the country.

I urge you on behalf of the Province of British Columbia, to recommend to the federal minister that a decision to lift the moratorium be taken.

I thank the Panel for their kind attention.