

# **BC Oil and Gas Conference**

**Fort Nelson, BC**

**September 16, 2004**

## **CHECK AGAINST DELIVERY**

Good morning, Your Worships, Councillors, Chiefs, Elders, those from out of town, and those from in town. I want to wish you a warm welcome today and to another great convention put on by Fort Nelson and the Northern Rockies.

I'd like to personally thank Mayor Chris Morey for her tremendous hard work. I have been working closely with her on a lot of issues that not only her community, but other communities in the northeast, have had to deal with. Mayor Morey, myself, and council have been able to work very well together on some of the issues that we faced in regards to development and what's taking place in this part of the province.

This year's conference theme, "Making it Work," is certainly an appropriate theme. It demonstrates what this town, and the northeast in particular is all about, *making it work!*

The panel today will be talking about different issues as they pertain to their responsibilities and how we're moving forward with responsible development. I really want to stress exactly that: responsible development of our natural resources in northeastern B.C.

Before I go further I'd like to talk about the constituency that I'm so lucky to be able to represent. I know that there's quite a few guests in the audience today that live in the constituency of Peace River North, but there are also quite a few joining us that are not from British Columbia and I'd like to help them understand some of the challenges that we have.

My constituency is about 185,000 square kilometres. How big is 185,000 square kilometres? Big. I'll just put it in terms in relation to Canada. It's the size of Nova Scotia, New Brunswick, Prince Edward Island and Vancouver Island put together. To put that into context: it's one of the largest areas in the province of British Columbia.

When I travel to the U.S. I like to mention that my constituency is larger than Florida, and it's just a touch smaller than Washington State. Peace River North is a large and diverse area. The geography is diverse. The people are diverse. And that presents many issues that government needs to deal with.

Our region supports an economy of agriculture, forestry and tourism in northeastern British Columbia. And, of course, oil and gas. For the last 50 years oil and gas become a large part of British Columbia's economy and is still getting bigger, and I'm very proud of that.

When we were sworn into office at the beginning of 2001 we faced some serious problems as a government. People were leaving the province to find opportunities elsewhere. We were experiencing an out-migration, coupled with a huge deficit. People and businesses weren't investing in the province of British Columbia or its economy. We'd become a have-not province; we went from a number-one economy in Canada to a have-not province in ten years. That's discouraging, especially with all the potential that we had to offer, all our natural resources, human resources, and entrepreneurs that were available. There was little reinvestment happening.

To date, we have invested about \$235 million in roads in northeastern BC in the past three years, something that has never happened in the history of BC. During the previous ten years of decline, the number was closer to \$3 million a year. Today, we are facing those challenges trying to find money for infrastructure that provides a valuable service to all of us.

Premier Campbell took a leadership role when he was elected. And he is continuing in his leadership to making things happen in BC, things like job growth, economic prosperity and business investment. There's definitely optimism now in the province of British Columbia that we should all be proud of.

Jobs are on the rise, in-migration is occurring and that's good news. It doesn't matter where you go in BC, whether you live in urban areas or rural agricultural areas, it's still good news, and I'm glad that we've got a leader that has shown and demonstrated ability to get this province going again with all the first-rate opportunities that we have to offer.

To encourage investment we have become competitive with our neighbours, both south and east of us. We've reviewed how we encourage investment in job creation, and we all know that investment dollars will go where they have the greatest return. That's a fact of life.

One of the actions we took was to immediately reduce taxes. We now have the lowest personal income tax rate for the \$60,000-level threshold income of any jurisdiction in Canada and we're second overall after that.

We've also reduced corporate capital tax from 16.5 percent to 13.5 percent to encourage investment. We've eliminated corporate capital tax, the tax on debt. The sales tax on machinery and equipment in the oil and gas industry, the mining industry, the forest industry - we changed those applications for the better. And at the same time, we increased funding for health care and education in the province of British Columbia.

We launched our Energy Plan in November of 2002, where we came up with 26 points that would propel us forward in the energy industry, we did this with wide consultation and a lot of work, and we got it done.

This government has introduced \$24 billion worth of investment in the province of British Columbia, creating thousands of jobs. That's a lot of money and a lot of jobs.

Investment in oil and gas alone this year will be about \$2.5 billion, expected to rise to \$4 billion next year. Investment in mining exploration - when we took office was about \$25 million a year; this year we anticipate over \$100 million in investment.

We've got new coalmines opening up or re-opening in northeastern British Columbia, mines like Tumbler Ridge - in fact; it's becoming so busy in the mining industry that they're having difficulty-getting people in the workforce and heavy equipment to the worksite.

B.C. Hydro has agreements for clean power, supplied with Independent Power Producers, that amount to about \$2.3 billion, and there's more to come. This didn't happen by chance.

Commodity prices played a big part, and I've always been open and honest about that. But, it wasn't just commodity prices that got investment going in the province of British Columbia again. You have to have the right climate for the investment certainty to be there.

Let me briefly expand on that, there are some who say high commodity prices create the activity without any kind of incentive program to encourage it. Well, during the previous ten years of decline, the price of natural gas was almost twice of what it is today, and still there was very little investment and economic activity happening. So it is still very important to have the right investment climate.

Revenues are up substantially. Revenues from the mining industry, in total, represent just less than one billion a year, about 8 percent of the total budget, and that revenue is directed towards government services such as health care and education.

Health care represents 42 percent of the total provincial budget, and it's on the rise. This is something we need to figure out how we're going to try and deal with. It's not just in British Columbia; this is Canada-wide; we need to solve the problem around the issues and costs surrounding health.

Certainty on the land base is also an important issue as we strive for investment and jobs across the province. Premier Campbell committed to a greater role for first nations for participation in the opportunities that arise in resource development. And, to demonstrate his commitment, he has met several times with a number of First Nations over the last three years.

We've worked with Aboriginals to provide them with funding to build capacity to help them access with the growing oil and gas potential in northeastern British Columbia. We've also initiated a \$1.9 million three-year fund of economic measures to further enhance first nation opportunities in the oil and gas industry.

Fort Nelson area First Nations are a good example of involvement in the industry through owning and operating a drilling rig. We've also followed through on a commitment we made and appointed one of our top negotiators in the province of British Columbia, Lee Doney, to finish the revenue sharing agreement that we want with the Treaty 8 Bands. That's how important we believe it is.

In the other communities throughout the province, we've increased fair shares from \$12.5 million up to another \$6 million - \$18.5 million. We have also appointed another top negotiator, Vince Collins, to strike a deal with northeast communities on policing and how to deal with taxation of the industry to provide the needed services.

To discuss oil and gas production, let's put it in context. British Columbia has 115 trillion cubic feet of probable reserves of natural gas, 90 trillion cubic feet of coalbed methane, and about 18 billion barrels of oil.

We produce about 1.1 trillion cubic feet of natural gas a year; we consume about 45 percent of that domestically, and we export the other 55 percent to eastern Canada, the Pacific Northwest, and the eastern States. We produce about 14 million barrels of oil, and consume about 55 million barrels of oil in the province of British Columbia. This production comes from about 3,500 gas wells and about 1,400 oil wells.

I also want to clear up any misconceptions around the rapid industry growth in BC. In Canada, there are about 19,000 wells, total, drilled in a year. Alberta drills 13,000 of those wells a year, Saskatchewan drills about 5,000 wells a year, and that means B.C. drills only about 1,300. So we get a pretty good bang for our buck out of that kind of activity on the land base.

We're the second largest natural gas producer, and it accounts for about 16 percent of the Canadian production and about 4.3 percent of the total North American production for natural gas.

We have a number of incentives to encourage drilling activity. Number one, we've increased incentives for new resources. We weren't getting any drilling in the foothills, and we wanted to encourage that. We know that there's potential for quite a large amount of gas in the foothills, but the geography has rough terrain, and so we need to encourage industry to take advantage of the full potential under less than ideal circumstances.

The Sierra Yoyo Desan Resource Road is a \$45 million investment. I don't have to tell people that live here in Fort Nelson how important that is. It's about building for the future. There's a new bridge across the Fort Nelson River and one that makes good

economical sense for everyone. We also just opened the North Petitot Road, a \$5.4 million project that's going to work together with industry and government.

We've introduced summer drilling. To encourage summer drilling there's a \$100,000 royalty credit offered to a well that's been flooded between April and November. That has helped a lot of people and businesses in Fort Nelson.

We're the only jurisdiction in Canada to increase production and increase reserves. We're the only jurisdiction in Canada to do that. Summer drilling is a hundred percent higher than it was in 2002, before we put the incentives in place. That's demonstrated right here in this community. The wells drilled increased by 37 percent in the first quarter of '04, over '03. Stats Can reported an increase of 7 percent in gas production in B.C. for the period ending January '04, over '03 - compared to a 5 percent increase in Saskatchewan and a slight decrease in Alberta. We're on the way up.

I've lived in Fort Nelson. I've worked in the industry most of my life, and I know what it was like to work hard all winter every day, I still do that. But come summer you had to go find employment elsewhere. People weren't sticking to the oil and gas industry because they couldn't survive on three or four months of work a year. I wanted to see something happen where we could actually encourage the development of our resources in the summertime so that we could see healthy summer activity. Fort Nelson is a good example. All you've got to do is take a drive around here, and you'll soon see there's a fair amount of wealth to be had, through resource potential and job creation.

In the oil and gas sector, an important part of the initiatives we took was to encourage the industry to use our service sector. Our service sector has good people, knowledgeable people. They know the country; they live here; and they bring all kinds of talents to the table.

We also have the opportunity to expand basins in the province of British Columbia. We've got a great team working on offshore. There's ten billion barrels of oil out there offshore, of natural gas. We drill in the Beaufort Sea, we drill in the Great Lakes, and we drill off the east coast. There's no reason why we shouldn't drill off the west coast.

If we produce offshore at the same level as we produce gas and oil onshore, that means we could earn a billion dollars a year in revenue for the province of British Columbia which would go towards government support services such as health care.

We've also got the Bowser and Nechako Basins - the Bowser Basin in northwestern B.C. and the Nechako in the Prince George-Quesnel-Williams Lake area. They're huge reserves. Bowser is 2.5 billion barrels of oil and 8.3 tcf of gas. In the Nechako there's 5 billion barrels of oil and 9.5 tcf of gas. Shell is actively working in the Bowser Basin, as we speak, and we're currently doing geoscience work in the Bowser Basin and there is industry interest in the Nechako Basin.

We've got two new pre-tenure plans for the Muskwa-Kechika that were negotiated, which will open up natural gas, valued at approximately \$16 billion. That's a huge amount of investment and a huge amount of work for northeastern British Columbia.

For the environment – we take this very seriously, and we've looked very closely at the environment. The Premier is adamant about that. So I'm just going to quickly list a few of the things that we've done for the environment. Since we came to office, we reduced flaring by 50 percent. We encouraged natural gas re-injection; that's done in Pine Valley.

We use mats, especially in the summertime in the muskeg area and multiple well pads, and we encourage that. We have hired more wildlife biologists that work in northeastern British Columbia. There's a Science Community, Environment and Knowledge (SCEK) fund. We're also researching strategies for sour gas and orphan wells in cooperation with Alberta and Saskatchewan - a \$215-million program. And we've consulted with several environmental groups across British Columbia on how we can move forward in that area.

This is a very quick overview of what we have accomplished so far. Last year we had the highest sales of tenure rights in B.C. Almost twice that of Alberta's highest sale. It was \$418 million; that was a direct result of some of the incentives that we've put in place.

And we've balanced the budget: that was our goal. In fact, our Finance minister announced \$865 million revenue surplus that we can, as British Columbians, decide how we want to spend it and where we think our priorities are in spending it. And we'll be doing that in the next little while.

These are just some of the things that are happening in northeastern B.C. It's all about making it work here and making it happen, and we're proud to be part of it.

Thank you very much.