

Check Against Delivery

**Hon. Richard Neufeld, Minister of Energy, Mines and Petroleum Resources
B.C. Chamber of Commerce Energy Summit Speech**

Delta Ocean Point Resort, Victoria, B.C.

February 23, 2006

Richard Neufeld: Good morning, everyone, and thank you for being here.

We're hugely lucky in all of British Columbia to have what we have. I still like to think that the northeast is running on all eight cylinders, but it's okay, because the province has now got 16.

I know the Premier sends his regards and always has said that British Columbia is blessed with a multitude of things that we can actually use to better the lives of all British Columbians, but can also help other people across Canada and the Pacific Northwest in their quest for energy and growing their economies.

I also understand that the Premier is off to the Olympics for the closing ceremonies. We were just chatting at the table here, and apparently, as of this morning, we have 19 medals. In those 19, or among those 19, is a gentleman from Fort St. John, a community that I live in, who has won a silver for the men's pursuit in speed skating. And so we're pretty proud in Fort St. John that we've got a medal-winner in Fort St. John, and I know that when he comes back, there will be a lot of people pretty happy in Fort St. John, to see Denny Morrison. It's great to see that. And the fact that the ladies hockey team performed well and came home with gold.

I want to just briefly go through a bit about the Ministry of Energy, Mines and Petroleum Resources. And often it's a bit confused. That's why the Premier renamed it. It used to be just called Energy and Mines. Now it's called Energy, Mines and Petroleum Resources to represent our petroleum advantage that we have in the province of British Columbia. I want to touch briefly on each one of those parts of the ministry.

The first, obviously — energy — has to do with electricity. We're blessed with a great system in the province of British Columbia, a system that was built many years ago by, actually, W.A.C. Bennett. The idea came in the late 50s, and early 60s, and then we saw the construction of the dams on the Columbia and the Peace, and the Columbia River Treaty, which has served us very well in the province. And of course, when those dams were built in those days, we had a

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huge surplus of electricity, and we had a deal with the United States of America to sell that surplus electricity.

Through the years forward and getting into the 1990's, there was basically.... I guess 1985-86 was the last large dam construction in the province of British Columbia of any magnitude, on the Columbia system. Since then and through the 90's, very little was built. In fact, through the nineties, Hydro's rates were frozen. They had to reduce a lot of maintenance that they should have been doing on their system through the 90's because of frozen Hydro rates, not being able to afford it.

And we have continued to grow, and obviously, since the beginning of the 2000's we have grown an awful lot, and we've seen our surplus actually slip away. It's not because it's gone. It's because we consume it in the province of British Columbia. And that bodes well for us in the province of British Columbia, because consuming our own resources in all kinds of manufacturing across the province creates jobs, economic activity that all of us actually want in our communities, regardless of where we live, whether we live in northeastern B.C., in central B.C., in the northwest, the Kootenays or Vancouver.

So we've come to a point where last year Hydro was a net importer of 12 percent of their electricity, or just under 7,000 gigawatt-hours. It's a fairly large part of our electricity consumption, 12 percent. I actually talked to Hydro and said, you know, what we have to do is start looking forward again. We have to start looking forward 20 years and start thinking in those terms with what we should be building today — not because we can build it today. It's because if we start thinking about it today, we can maybe start building some of those things in a number of years. The days of deciding in one year that you're going to build a large plant in the next year are gone. There are too many processes that we have to go through — and rightfully so — many permits to get, and we have to actually make and allow time for that to happen.

British Columbia's consumption of electricity is about 58,000 gigawatt-hours of electricity a year. Our capacity with B.C. Hydro is about 11,300, and so we have to look seriously at how we're going to meet that shortfall. For the last five years we have been net importers.

Two hundred companies, 200 large companies actually, consume almost 70 percent of all the electricity that B.C. Hydro generates. That's significant, and that's the increase, but also increasing is the residential consumption and the

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commercial consumption, simply because our economic growth is at the highest it's been for a long time. Our unemployment rates are at the lowest that they've been for 30 years. I mean, it's a wonderful place to be, but that brings some problems, and when you start figuring out some of the solutions to those problems, there's going to be some consequences, and I believe all of us know that.

In 2002 we released the Energy Plan — the first energy plan the province of British Columbia had — and it dealt mostly with electricity. In fact, there were 26 items in the 2002 energy plan to deal with — 26 points. They've all been dealt with or are in the process of being dealt with.

Hydro has made a number of calls for electricity since the beginning of 2002 and after the Energy Plan was put in place. What we did with the Energy Plan was to encourage the independent power producers in the province of British Columbia, so we said to Hydro: only large projects or actually looking at your own projects that you already have in place is all you can do. We actually want to throw the challenge out to the independent power producers.

And actually, they have come forward with some very good ideas. It has been remarkable, in fact. Hydro has signed about 5,000 gigawatt-hours of power purchase agreements over the last three or four years with independent power producers. The Energy Plan said 50 percent of that electricity had to be from clean sources, and I'm proud to say 100 percent of that is from clean sources.

So we know that the entrepreneurial spirit in the independent power producers is out there, who go out and start thinking about where they can go, what small rivers or what coal plants could be built across this province of British Columbia.

Hydro just made another call for 2,500 gigawatts of electricity in December. The response to that has been immense. I believe that over 90 proposals came forward and a total of 2,800 megawatts. Now, in high-level terms that's about 13,000 gigawatt-hours in a call for 2,500. You know, that's almost three Site C's when you think about it, and that's significant. That shows that the independent power producers across the province of British Columbia - and there are proposals for all kinds of different electricity generation. That means that the independent power producers are real to the province of British Columbia, that they have the ability to come forward with these proposals, and B.C. Hydro is now busy reviewing those proposals.

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So I'm pleased that since 2002 till now.... That's just a short period of time. I know some people think we should be moving faster and faster and faster, but if we think about it, November of 2002 to December of 2005 we've had that kind of response from the independent power producers. I think that's remarkable.

We look forward to another 5,000-gigawatt-hour call from B.C. Hydro next fall, and the fall after or the summer after — somewhere in there — another 2,500 gigawatts of electricity.

But we need about 30,000 gigawatts of electricity over the next 20 years' anticipated growth in the province of British Columbia. That will be met through a number of processes. Conservation will be a big part of it. Conservation, I believe, is very important in the province of British Columbia as we look at all of our natural resources. We have to figure out how we can conserve more, how we can convince Fred and Martha to use less, how we can help industry consume less electricity. And we have to continue to encourage the independent power producers across the province of British Columbia, and I believe that with the calls that B.C. Hydro has made and the excellent response that we've received, it bodes well for us well into the future.

Just briefly about mines. I have a Minister of State that's responsible for mining in the province of British Columbia. And I know there's probably not a lot of miners here. Allen Wright is here from the Coal Association.

I want to tell you that coal mining is a big, big part of our economy in the province of British Columbia, and I know mining is taking off unbelievably. When we came to office, there was \$29 million a year spent on exploration, and this last year Bill Bennett and I announced \$220 million spent in 2005. That's almost to a point where we can actually keep mines coming along as some close, because unfortunately, the mining industry, just the same as the petroleum industry.... Mines do run out of ore, and so they do close, but we need lots, lots of work on the ground to actually discover new mines across the province of British Columbia.

I know that some of the things we did earlier in our mandate for the mining industry certainly encouraged the mining industry back to British Columbia when we removed almost 40 percent of the needless regulations that the industry had to actually work with. We put in a two-zone system, a system that says there are places where you can go to mine and there are places where you can't, and there are only two zones. We put in, or we initiated, Mineral Titles Online, and

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that's way out ahead of our other provinces across Canada, and that's been very successful.

We have a mining plan in place, and the tax cuts that we made to encourage mining and all industry to the province of British Columbia certainly paid off, and we can see a lot of enthusiasm by that type of investment. When we came to office, if I remember correctly, there were no new mines in the environmental assessment process. Today I believe there are somewhere around 13, with some more a way behind that just gathering some more information. That's remarkable when you think about it — from 2001 till now.

I will say that commodity prices helped — there is no doubt about it — but commodity prices apply to everyone, especially the mining industry and the petroleum industry, and we saw in the 1990s, as our mining industry left British Columbia, other provinces and the one just east of us were actually doing quite well.

So you need more than just commodity prices to actually encourage an industry to invest the amount of money that it takes to get mining on stream. It is huge, and there has to be a willingness by government to actually embrace that type of investment back into the province of British Columbia. Our Premier has certainly done that, and it's paid off well. Those are well-paying jobs, the same as the oil and gas industry — somewhere around \$100,000 a year. In any event, average wages in the mining industry are \$95,000 and they create a lot of jobs in the province.

The last part of it, petroleum. We explained a little bit about some of the exciting things that we have ahead of us here in this province of British Columbia. We produce about 1.1 trillion cubic feet of natural gas a year, and I want you to remember that, and about 13 million barrels of oil. We actually consume about 40 percent of our natural gas in the province of British Columbia. The rest goes into markets, whether it's in the Pacific northwest or east of British Columbia through the Alliance pipeline or other pipelines to our other markets. We also consume in the province of British Columbia about 65 million barrels of oil. So we're in a huge deficit for oil when you think about it in the province of British Columbia. We are net importers.

Northeastern British Columbia is where most of the activity takes place, and this year we anticipate there will be about 1,400 wells there. But we have to remember we've had an awfully warm winter, and that has impeded a lot of the

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work that generally takes place during the winter. Hopefully, next winter it's a little bit colder, but I think the industry is starting to get used to doing a little bit more work year-round and in the summer than just doing all of it in the winter.

There are about 26 trillion to 44 trillion cubic feet of natural gas in northeastern British Columbia left yet to discover that we know of today. That's an awful lot of gas at 1.1 trillion cubic feet a year. But on top of that, some more exciting stuff is taking place in northeastern British Columbia from the ministry. They have come to a conclusion that there could be upwards of 250 trillion cubic feet of tight gas in northeastern British Columbia and about 250 trillion cubic feet of shale gas.

That's an awful lot of natural gas. That's enough to supply us for along time. And we have the opportunity to actually encourage the industry to come in and explore for those resources in northeastern British Columbia.

Well, to put this in a bit of perspective, when I say we drilled 1,400 wells, that may seem like a lot to some people that are in this room, but to other people I know that are in this room, it's not very many. Alberta intends to drill 25,000 wells this summer or coming year, in comparison to about 20,000 wells last year. That's phenomenal when you think about it.

The one advantage that we have over Alberta: as we continue to drill, our reserves are increasing. In fact, they've increased over 100 percent over the last seven years. Actually, in Alberta there is a bit of a decline. And we have a great future in front of us just in northeastern British Columbia. I know they're talking about some of the other parts of British Columbia where we also have a bright future.

We're tied into a great pipeline system. There's people here that represent the pipeline industry. They can move gas out of northeastern British Columbia to the east, to the markets in eastern Canada or to the Chicago area very easily. They can also move that gas very easily south on the Duke energy system to Sumas in the Lower Mainland, where a lot of the natural gas is consumed that we produce. So we have some great pipelines in place that move gas.

We are also in a great position if and when the Alaska Highway pipeline is built. I understand that today Governor Murkowski made an announcement that he's come to an agreement with Conoco and Exxon on building the Alaska Highway pipeline. I know it's probably still a number of years out, and we'll have to wait

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to see what those agreements are, but that pipeline is to traverse a large part of northeastern British Columbia and into the Alberta system, but it gives us the opportunity in northeastern B.C. to expand our petrochemical industry, and to actually get a petrochemical industry going in northeastern British Columbia.

So I'm pretty excited about that, and that's part of the job of the ministry — is to look at those things, to evaluate them, to see what we can do to actually encourage that kind of investment in northeastern British Columbia in that part of the industry.

We also have some other things happening in the province with the pipeline to Kitimat from Edmonton and the Enbridge proposal, the expansion of Kinder Morgan down to Vancouver to also move oil. We also have an application before the EA, environmental assessment for the LNG port in Prince Rupert. I think all these things bode well for all of us here in British Columbia — in fact, for all of us in western Canada and the Pacific northwest of the U.S.

I'll talk about the other basins that we have. We have the Bowser and Nechako basin. The Bowser is in the northwest part of the province of British Columbia and has some fair reserves of natural gas and some oil, and Shell has actually been active up there — not this last year but the year before. They're actually in negotiations with the Tahltan right now in going for coalbed gas, and I believe they've drilled three or four wells in the Bowser basin. That's good news.

And in the Nechako.... We've had some interest in the Nechako. We're starting to do a lot more geological work in the Nechako to see if the reserves that the Canadian Geological Survey branch says are there are there.

It's estimated that between those two basins there's 17 trillion cubic feet of natural gas and eight billion barrels of oil. I'll tell you that it's an awful lot of product that we can look at that could create an awful lot of activity.

And we have to look at that activity in those regions seriously because of the pine beetle devastation that's taken place in the forest industry. Once all those trees are cut, there is going to be, I think, some fair economic hardship for those communities that are in the Nechako and the Bowser basins. We want to see if we can get some more geological survey work done in both the basins to maybe encourage mining and also to encourage oil and gas development in those regions so that those communities actually have a future ahead for them.

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The other one is offshore. We spent an awful lot of time and put an awful lot of effort into developing or attempting to develop our offshore resources. We now have a new government in Ottawa, and in fact we're meeting with the minister shortly to talk to him about the advent of lifting the moratorium and when that moratorium can be lifted — that it makes sense for British Columbia and for Canada if and when that happens.

There's 42 trillion cubic feet of natural gas estimated to be there and 18 billion barrels of oil. It's far too large to ignore. With the technology that is around today for offshore oil and gas, there is no reason why we can't go in there and do it environmentally sensitive, and that's been the commitment from our Premier from the start. I'm sure the Conservative government in Ottawa feels the same way. We have to continue to work with people along the coast, to talk to them so they understand that we're not going in there to ruin their economies that they already have, but we're going in there to actually add to their economies that that they have right now on the coast.

We're actually embarking — in fact, I announced last fall — on renewing the energy plan that we released in 2002. We're into that process now. We're going to do it in about three stages. We're doing electricity and alternative energy or the renewable energy, and we hope to have that segment of it done by July sometime. The second segment will deal with oil and gas, and that would include offshore and the other basins that I spoke about.

And the third part of it will be dealing with transportation and greenhouse gas. We hope to have all of that done and the new energy plan out by this fall.

In fact, in closing, I do want to ask you folks, especially the Chamber of Commerce, that we have to talk — all of us, not just government, industry too — talk more about why we need oil and gas and why we need electricity. When we make those decisions, there are some consequences to making those decisions.

There are also consequences to not making decisions. I think that not making decisions around developing our natural resources for the benefit of all of us that live in the province of British Columbia will have a far larger negative effect in the long term than actually making those decisions and trying to deal with the consequences in a rational way.

The general public doesn't know that we don't have a surplus of electricity anymore. They also think that we export just huge amounts of our natural gas

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and oil to the United States. We have markets in the United States for our electricity, or we actually buy back and forth from the United States for our electricity. We also have a market in the United States for our natural gas but not our oil. So to those people that say all we have to do is turn off the switch, I say to them, if you want your electricity turned off at your house – when we use that terminology, “turn off the switch, don’t send them any more,” it means we go without.

It’s the same as natural gas. People say, well, we shouldn’t ship them any natural gas. Most of the natural gas that we produce, about 1.1 trillion cubic feet produced in British Columbia, 20 per cent is consumed in B.C. A large portion of it, 60 per cent that’s left, is consumed in the rest of Canada, and some of it makes it to the U.S.

When you think about the U.S.’s consumption, I believe it’s about 23 trillion cubic feet of natural gas a year. They import, I believe, about 2.5 trillion cubic feet a year. If we think we’re just going to shut our valve and not actually export any of that natural gas to them, they’ll change to something else, and we won’t have that market.

That market means a lot. The Finance Minister just released the budget on Tuesday. Natural gas is the largest natural resource generator of cash for the province of British Columbia producing well over \$2 billion a year, for services like health care and education and social services that we all want in the province of British Columbia. It’s very important. So we need to foster that industry. We need to continue to work with that industry. We need to continue to have that industry invest their \$5 billion a year in the province of British Columbia.

And we need to work with our independent power producers to actually invest the money that they have too, so that we become energy self-sufficient in the province of British Columbia once again, well into the future. We all have to do that together. I think it’s incumbent not just on government; it’s incumbent on industry; it’s incumbent on the Chambers across the province.

I want to thank the Chamber for the work that they do, a great amount of work. When you think about this Energy Summit that’s put on and the other things that the Chamber has done across the province, it’s great. I’m not saying you’re not doing anything. I’m saying we all have to work a little bit harder to get that message out to everyone.

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Thank you very much for inviting me here today.

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