

Richard Neufeld, Minister of Energy and Mines
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Good morning, and thank you for inviting me here today. I see there are tent cards on the tables promoting Fort St. John. I guess that's to remind me that there are people here from Fort St. John.

I am certainly pleased to speak at your first conference, on B.C. Opportunities Summit, 2005 and on oil and gas in the province of British Columbia. I want to thank the chamber for taking the lead that they did in starting these types of meetings, a get-together with people that are interested in oil and gas and those that want to see some of the benefits happen in their communities to be able to get together. So thank you very much, John, and to the B.C. Chamber of Commerce.

Let's give them a round of applause.

The Premier sends his regards, as he always does. He wished he could have been here, but he can only be in one place at one time, but he wishes he were here.

I want to talk today briefly about three items. I want to talk about the economy in general as we see it today in the province of British Columbia and the optimism that brings. I want to talk about some of the things the government has done to encourage investment, specifically in oil and gas over the last four years and, finally, where we want to go in the future.

And obviously, the future to me means May 17. There will be an election that takes place at that time, and heaven knows what's going to happen after that. I'd love to be able to continue to be the Minister of the Energy and Mines, because it's a great portfolio to have, but that decision isn't mine. That's made by our Premier at that point in time.

So this is your first conference, and it may be my last one that I can come and address. I don't know. I'll find that out later.

To start, the economy. The Premier puts it this way: it's a golden decade for the province of British Columbia and the people that live in B.C., and we ought to

take hold of that opportunity and make sure that we make the best of it for all British Columbians, regardless of where we live or who we are.

Some of the great things that have happened are that for two years in a row we've tabled a balanced budget in the province of British Columbia. This year we will pay down \$1.7 billion in debt in the province of British Columbia. To me, that's a first. That's an absolute first, and that's what happens when you have a good economy.

Now, on top of being able to pay down \$1.7 billion in debt, we're going to increase spending on health care and education, as the Premier promised to and as we said in our *New Era* document - that we would not cut the budgets to those services, but we would in fact increase them. And we've maintained that promise and have done that.

The credit unions upgraded our growth in the province of British Columbia from an estimated 3 percent to 3.8 percent. Let me tell you, as I said here to some people just the other night in Vancouver at the Canadian Energy Council: that puts us close to fighting Alberta again, the province just east of us, and that's exactly what we want to do. In 1991 we were ahead of Alberta. We want to get back to that position in Canada again, and I think our Premier's taking us in the right direction. The financial institutions are all agreeing with the strategy that we've taken as a government to move the province forward, and that strategy is working on behalf of British Columbians and, of course, investors and all of us that live in this great province.

We're No. 1 in job creation - No. 1 in job creation. British Columbia has created just under 200,000 jobs since December of 2001, and over 90 percent of those jobs are full-time jobs. They're not part-time jobs. They're full-time jobs; they're family-supporting jobs. They're the jobs that British Columbians want and need. Unemployment is at its lowest rate since 1981, and that's phenomenal - lowest rate since 1981.

I was in the interior just a while ago, and people were talking to me about their unemployment rate, which was a bit over 15 percent just a few years ago, and now it's somewhere around 6 percent - just under 6 percent. That's phenomenal. That's in the interior of the province of British Columbia. So unemployment is at its lowest rate ever since 1981, and that's across the whole province of British Columbia. That's all good news. That's the power of a strong economy.

British Columbians and even some of the Albertans here today, and who come and help explore for our resources, know that B.C. is endowed with huge riches in natural resources. We have things that every other province would love to have. We have the greatest mineralization in North America right here in British Columbia.

We have great forests. We have some unbelievable tourism opportunities in any part of the province. I don't care where you go; there are huge tourism opportunities.

And obviously, there is oil and gas. When we look at oil and gas, the activity takes place mostly in northeastern British Columbia today, but there are opportunities across the whole province. There are basins that are unexplored in the Bowser Basin in the northwest, in the Nechako Basin in the Interior, on the onshore. There are basins that have huge potential for oil and gas offshore. These resources can create opportunities for investments and jobs, and the result would be great for British Columbia.

What the government had to do was simply change how investors and people view B.C. During the past ten years, commodity prices varied just like they do now. They were high, and they went down. But even when they were high, investors didn't invest, and we knew we had to change that. We wanted to welcome investment. We wanted to make sure that the private sector was here creating jobs that we need for the province of British Columbia, creating a wealth for British Columbians, and that had to come from the private sector. We had to build that confidence back for people who had actually left British Columbia, to come back to British Columbia and invest their dollars creating those jobs for the benefit of all British Columbians.

We started immediately with a number of changes. Many of you here will know about those changes. The corporate capital tax was eliminated, the tax on debt. We reduced machinery equipment tax on the oil and gas industry and on the mining industry, to encourage investment in the province of British Columbia. We reduced personal income taxes so that those earning \$60,000 or less pay the lowest income tax rates of any jurisdiction in Canada, bar none. And there were lots of people in the lower-income brackets who actually had a huge wage increase. Those were just the main things that we did.

Our premier also committed to reducing regulations and red tape.

In this last budget Colin Hansen, the Finance minister, actually changed the taxes again so that we maintain that base rate in Canada. Those earning \$16,000 and less a year will pay absolutely no B.C. income tax at all, and that's the lowest in all of Canada. Those that are making up to \$26,000 will have a pretty big increase in their cheques, and those that make about \$85,000 and less will pay the least income tax of any jurisdiction in Canada. That's good news, and that's starting to bring people back.

We know that in-migration in Canada has happened in British Columbia. During the last administration's time people were leaving B.C. by the thousands. Well, people are coming back over the last couple of years by the thousands. We want to continue that trend.

When we arrived in office, there were some 382,000 regulations. Our premier appointed a minister responsible for deregulation, Kevin Falcon. We had the great job in every ministry of counting every regulation. Let me tell you that was a big job. I can't remember the exact number there were in the Ministry of Energy and Mines, but it total it was 382,000 regulations. We've reduced that by almost 40 per cent, about 37 per cent in four years, to 238,000 regulations, and we still maintained our environmental integrity on the land base.

That tells you what we want to do as a government. We want to encourage folks, those in the industry, to come to British Columbia and invest their money. Some of that has paid off handsomely.

My ministry is also responsible for mining. Commodity prices are up in mining also, and they've been up at different times through the last administration. But you know, when I arrived there and was appointed minister, there was about \$29 million a year invested in exploration of the mining industry. Today four years later, there's \$130-million-plus in investment dollars.

That's phenomenal when you think of the amount of people that came back to British Columbia and the amount of miners that came back to British Columbia and said yes, I want to actually invest my money in exploration in British Columbia. Now, that may not sound like much to some folks from the oil and gas industry, but I'm told by the mining industry that if they have \$150-to-200 million invested yearly in exploration, trying to find new finds, that will continue to make more mines come on stream and have the industry expand. So that's great news.

In fact, we have 13 mines in the Environmental Assessment process. That's more than we've had since the early 1980s. We have more mines opening now than we have closing, which we experienced under the last administration.

In forestry we're facing punishing things from the U.S. in the softwood lumber deal. But the forest industry has plodded on and done a great job. Forestry is up in almost every part of the province of British Columbia, even with those punishing taxes or tariffs.

In Fort St. John, where I live, the largest OSB plant (oriented strandboard) in the world is under construction. The largest OSB plant in the world, over \$200 million investment in a business that will employ up to 500 people year-round. I think that's confidence in the British Columbia economy, in spades, and we want to see that continue.

Investment in oil and gas, those of you that were here last night will remember Pierre Alvaraz (President, Canadian Association of Petroleum Producers CAPP), when he talked about \$4.5 billion investments yearly in the oil and gas industry. When I arrived in office, it was just under a few million dollars. That's risen to \$4.5 billion on a regular basis; every year it continues to grow. Next year it will be more, as we continue to actually explore our resources.

Wells drilled are up phenomenally, the amount of wells that have been drilled in the province of British Columbia. We know that. Industry is interested. Obviously, they don't spend \$4.5 billion to have nothing happen in the ground. But it's phenomenal.

We've got huge resources in oil and gas across the whole province. As I said, most of that happens in the northeast onshore, and we want to expand that offshore. But about 115 trillion cubic feet of yet-to-be-discovered natural gas: these are estimates; these are not in-place supplies. There's 90 trillion cubic feet of coalbed gas, 18 billion barrels of oil.

Offshore. I'll give you those numbers. Offshore there are about 42 trillion cubic feet of natural gas and about 10 billion barrels of oil. That's a huge amount. To put that in perspective, we actually produce just over one trillion cubic feet a year of natural gas; we consume, of that, in B.C. about 45 per cent of that. The rest of it is exported to the Pacific Northwest.

We produce just under 14 million barrels a year, and we consume about 55 million barrels a year. So we've got a long ways to go to be self-reliant on oil supplies in the province of British Columbia. When we see 10 billion barrels of oil that are estimated to be out on the west coast, why shouldn't we grab that opportunity?

Economists tell us about the dollars that it's worth to British Columbia, the total dollars that it's worth to the industry. It's in the billions. It's in the billions.

Herb Ponds, the Mayor of Prince Rupert, is here with us today. Another mayor is in the crowd: Gary Molnar. Those mayors that have those communities along this coast would like to see this activity actually happen so their communities can grow and prosper - much the same as other communities have in the province of British Columbia.

There are huge opportunities, and we ought not to be shy about exploiting those opportunities. It's not because we're exploiting them for just others; we're exploiting them for ourselves because whether we like it or not, we consume those products on a daily basis, whether it's natural gas or oil.

I talked to a reporter this morning at VI news, at the TV station here. He talked about oil and gas a bit and about new technology and alternative energy coming on stream. I said, well, what we all have to remember is that we consume these products on a daily basis. I said to the gentleman: if you drove here in a car today, you consumed some gasoline.

So each and every one of us, whether we like it or not, whether we think about it, the economy of the globe is covered by oil. Do you think British Columbia, with four million people, can change that? Probably not. But technology will change how we consume those products. They have over the last hundred years and will continue on into the future. These products are going to be needed for a long, long time into the future in our everyday lives regardless of where we live or who we are.

Those from up north, from northern B.C., will understand this. When you drive here, there's pavement just about everywhere - right, folks?

In the northeast we've got lots of gravel, but down here in Victoria there's lots of pavement. The public is very surprised when I talk about asphalt; there are a lot of people that don't know where asphalt comes from. It's actually the very

bottom of the barrel of oil; it's the last thing you take off a barrel of oil. You make great streets with it.

We have to start, actually, getting people in British Columbia to understand how important industry is to us in our everyday lives - whether it's providing health care or education - how we consume these products on a daily basis, how they're part of our lives, how they will be part of our lives long into the future. Alternative energy will play a role, and we'll use technology differently in the future as we consume these products.

So I commend you for doing this out of the chamber or actually bringing these forums so people can actually come and talk about the benefits of it.

The good work that our Alaskan neighbours are doing with their offshore oil and gas, which they've been at for many years, has been very successful. Talk to people from Alaska about how successful their oil and gas industry is and the dividends that they get on a yearly basis, it's phenomenal.

Those things can happen in British Columbia, but they won't happen unless we take hold of it - government, chambers, industry, people, associations - and start moving the offshore oil and gas message forward.

In the short time that I've been the minister, we have encouraged investment by creating some other incentives to get the industry to invest in British Columbia. We introduced deep-well royalty rates so that companies could go out into the foothills where there are huge reserves and drill for oil and gas. There are incentives for that.

When the oil and gas rates were priced very high in the latter part of the 1990s, companies weren't drilling in the foothills - very few of them. But we're starting to see those companies come back and explore. So the deep-well royalty program has paid off handsomely.

Summer drill programs. The first year we introduced that, in one year the increase in summer drills, between April and November in northeast B.C., increased by about 60 per cent.

Having worked in the oil patch all my life, I can remember very well that we worked all winter; we worked hard, and we worked long hours. Then, around mid-April the company you were working for would have to let you go, saying

it's been real nice having you around for the last three months, but there's no work for you for the rest of the year, it would be really nice if you were waiting for us to hire you back next fall, in November or December; because that's when we'll be looking for help again.

That created social problems that you wouldn't believe because people didn't have full-time jobs. As the economy picked up across Canada, people moved to other jobs; they moved into the forest industry, and they moved to other places where they could find work year-round.

I wanted to work year-round. I've always worked. So I went out and found other jobs to keep myself occupied.

But it always stuck in the back of my mind, and as I got older in Fort Nelson, I lived there for 19 years, I could see that happening over and over.

The oil and gas industry would come in, start working around Christmastime and leave at the end of March. Then, people left to find other employment: I wanted to change that. I wanted to get the industry interested in working in the summer because I thought it was just as cheap to work in the summer as it was in the winter: that was a hard sell.

One of the things that we had to do, besides talking with the industry people, was change the royalty rules.

So we offered a \$100,000 rebate to every well that was flooded between April and November, and it paid off. Companies started using mats to help them drill into muskeg. They were drilling multiple holes off the same well site. In Fort Nelson where you have a lot of muskeg, you had to wait for winter to freeze up the ground. But the summer drill program has been very successful.

Marginal well royalty rates. We had marginal wells. Marginal wells mean that they didn't produce very much, and in fact, it was cheaper in British Columbia to leave it than it was to operate it. We thought that was rather ridiculous because the government wasn't getting any money out of it, no one was working, and the wells were just sitting there. So we changed the royalty rate to actually encourage putting those wells back on stream, and also to go and look for wells that maybe weren't as prolific as wells in good operating stead.

Road Royalty Permits. When we encouraged the summer drill program, we put in place a program where government would fund up to \$30 million a year for certain roads in the oil and gas industry that would be used by multiple companies, as long as industry ponied up with a dollar for each dollar the government invested. That meant \$60 million. The first year was oversubscribed, and it has continued to be oversubscribed every year. Those are ways that we can encourage industry to work and develop long-term, year-round jobs.

We've also done a lot more work than the previous administration did on Ministry of Transportation and Highway roads, roads I talked about earlier, industrial roads. Our road system had been left to decay for ten years.

It was disappointing to see what was happening with our road system in northeastern British Columbia. Northeastern British Columbia has about 10 per cent of the roads in the whole province, and they weren't maintained, they weren't looked after. The rehab that was needed to keep those roads in shape wasn't taking place.

I'll give you one quick example. When you start towing school buses with four-wheel drive to take kids to school on the main highways, you know there's something wrong.

We've spent up to \$70 million a year as a government on roads in northeastern British Columbia. We've probably spent more each year than what took place over the last ten years by the last administration. We want to do the rehab on the roads, which should have rehab done, so that the industry can continue to invest in British Columbia.

We've harmonized with Alberta on a lot of our regulations, so there's almost a seamless border. That doesn't mean that we just can adopt everything Alberta does. Alberta has been very good because they've adopted some things that we've done because it was better.

We talked about revenue sharing. We're negotiating right now with several First Nations in northeast B.C. about revenue sharing. That's the same as we talked about on the west coast, around the rest of the province, revenue sharing and mining, oil and gas. We've said that we would revenue share along the west coast, offshore, with First Nations, and we intend to do that. There's only so much money there, so we have to be able to sit down and start talking about issues.

Service sector strategy was another one that we improved. The service sector as we understand it, are those people who have businesses in British Columbia that work in the oil and gas industry, and we have a lot of influx from Alberta companies that were coming in. Entrepreneurs in Fort St. John and Fort Nelson and Dawson Creek didn't think they were getting a fair shake.

We worked with industry. They responded great. In fact, they're doing a phenomenal job of making sure that we keep B.C. contractors busy but we do this on an on-going basis. We want to make sure that everybody is competitive, that we make it as competitive as we possibly can and we've actually seen that increase a lot.

I just want to give you a few numbers here on what happens when we start improving investment climate. There are more new businesses in the northeast, in all the communities in northeastern British Columbia. So in 2002 there were 437 new businesses in northeastern British Columbia. Most of those were in the oil and gas industry. In 2003, there were 488 new businesses. In 2004 there were 570 new businesses started.

Offshore oil and gas, is a division in my ministry. I have a deputy minister responsible for offshore oil and gas consultation. It is their job to eat, dream and sleep offshore oil and gas day after day after day.

I'd like to speak about how hard it is dealing with the federal government sometimes, trying to bring the issues forward with offshore oil and gas. Here we have a government that allows offshore oil and gas off the east coast of Canada, in fact encourages it, while they're saying no to us about lifting our moratorium while at the same time reducing taxes for companies that are drilling off the east coast of Canada.

That's not acceptable. It's not acceptable. Organizations like this, like the chamber, industries can help us to get Ottawa to think a little bit different. They give out permits to drill in the Great Lakes. John Hunter told me last night they drilled another 19 or 20 wells in the Great Lakes again. That seems to be okay.

We need help trying to get the federal government convinced to work with coastal communities, work with first nations and work with communities, not everyone going off in their own direction, but together as a group to work as best we can to have the best outcome we can for Canada. We need your help there.

We're done good things with education. I talked a bit about that last night, how we train people in the industry. The Ministry of Advanced Education is committed to 250,000 new spaces in the next ten years in our colleges and universities. That is a huge uptake.

We just spent a lot of money on kindergarten to grade 12 education and trying to get people thinking about trades more in the K-to-12 system. A few weeks ago the Premier went to Fort St. John and announced the Centre of Excellence for Oil and Gas and we committed \$6 million from the Ministry of Advanced Education, that is being matched by industry, \$3 million of that coming from one of your sponsors here today EnCana.

That's phenomenal when you think about it. You can build a \$12-million facility in northeast B.C. and train people in the oil and gas industry and industry is there helping us do it by coming in with half of the capital and they also worked with us on another funding initiative we have in my ministry to encourage or to fund colleges for oil and gas training in northeastern British Columbia which amounts to \$1 million a year, half a million from my industry and half a million from industry. I think that's great.

I've had people from Victoria tell me that their children were up in Fort St. John and Fort Nelson and Dawson Creek and were working in the industry making good money, and seeing that part of the province.

Some would say commodity prices and low interest rates are the only things that have actually built this boom in the province of British Columbia, but that's not entirely true. I've often said that if you can't get a good price for the widget, no one is actually going to produce a widget. You need to have the right environment for someone to think about producing the widget. So when you get the right environment, which our Premier has done, and actually instructed us as ministers to get our taxes in line, to get our regulations in line to invite business in, to make business welcome back again in the province of British Columbia, that's when they will look at the province of British Columbia and take advantage when commodity prices are high.

Commodity prices have been high before, long before we came into office. When the last administration was in office, oil and gas prices were much higher, but the interest wasn't there because industry wasn't comfortable investing.

To put that into perspective, prices for oil and gas or copper or coal are all set on a worldwide basis. People can see that interest rates are across all of Canada.

When the last administration came into office there was \$17 billion of debt in the province of British Columbia. In ten years they drove that debt to \$34 billion.

There were good commodity prices during that period of time. In fact, Canada experienced some great growth. Just east of us, Alberta experienced some great growth due to commodity prices. So at the same time we were doubling our debt Alberta was reducing theirs. In fact, Alberta almost eliminated their debt in the same period of time. How did they manage to do that? I'll tell you how they did that. They took advantage of the situation. They took advantage of the prices. They looked seriously at their mining industry and to making sure that they developed their resources. That's one thing that we're trying to do here in British Columbia.

We want to have a province that runs on all cylinders, and it's firing pretty well right now, but it can still fire a lot better in the future. If we move forward in a responsible manner, and I mean in a responsible manner with offshore oil and gas, in a responsible manner with communities, cultural communities regardless of whom they are or where they are, First Nations and we look at that responsibility and collectively sit down. We may not always agree, but we ought to be able to sit down and talk about our differences and talk about how we can develop those resources for the benefit of everyone. We can enjoy those things as other provinces have in Canada. On the east coast with offshore oil and gas, the onshore oil and gas that happens in Alberta. We still haven't gone out into those frontier areas to find out exactly what's there. That's what we need to do. One of those frontier areas is obviously the west coast.

Alberta's resource revenue is expected to rise this year to \$9.6 billion. Their budget is about \$22 billion. Almost half of their total budget is oil and gas. We can certainly get a lot more than what we have today by working together.

I want to thank John. John knows that the public is aware of what's going on. I want to thank the chamber again for doing what they are doing. I want to thank each and every one of you for attending this conference, for bringing your wisdom, your regards and your hard work. I know that together we can build a bigger and better province of British Columbia.

Thank you very much, and have a good conference.