

Minister Richard Neufeld

Speech to Smithers Chamber of Commerce

June 8, 2006

Thank you very much, and good afternoon everyone. It's certainly a pleasure for me to be back in Smithers again on such a wonderful day. It's gorgeous out.

I arrived last night on the airplane, and I thought to myself that I'm certainly going to tell the people tomorrow that the weather, when it's like this, is a provincial responsibility. If it was raining, it would have been a federal responsibility. I can see that you enjoy some very nice weather here.

In fact, early this morning, when I got up, I went for a little walk, and I was thinking.... I live in Fort St. John, by the way. I talked to my wife, and the weather there was similar, so I thought to myself: boy, I should really be at home. But it is great to be here in Smithers with you today to talk briefly about my ministry and to take a few questions.

Your MLA, Dennis MacKay, and I have become great friends in Victoria. I didn't know him prior to.... Well, I knew him a little bit prior to his being elected. But I want to tell you that if there's a person in Victoria that lobbies me a lot and my ministry, it's Dennis, on behalf of the region that he represents, and I really appreciate that. Dennis always comes with some solutions. It's not just, "I've got a problem"; he's got some solutions. So it's great to work with him.

I sometimes talk, too, about the size of my constituency. It is the second-largest. It's the size of Nova Scotia, New Brunswick, Prince Edward Island and Vancouver Island, with some room to spare, in land mass, with about 35,000 total living in that area.

Dennis's constituency is, I think, about half again as big as mine. He has an awful lot of ground to cover. I know how much ground I have to cover, and I certainly can't get around to all of it as much as I'd like to, but there's a lot of work and a lot of time commitment, a lot of weekends and a lot of evenings actually going around and visiting those communities and making sure that you're listening to the people that you represent and bringing those issues to Victoria.

Just a little bit about my ministry. It's a small ministry. There are 272 people working in the Ministry of Energy, Mines and Petroleum Resources. The ministry is responsible for all the mining that takes place in the province of British Columbia and all the permitting — almost all the permitting; not all of it but almost all of it. It's responsible for all the oil and gas development across the province of British Columbia, and it's responsible for all the energy that's developed. By "energy" I'm referring to electricity. B.C. Hydro, British Columbia Transmission Corporation, Columbia Power Corporation and everything that has to do with electricity have something to do with my ministry.

So it's a busy ministry, and let me tell you, you often hear.... I always say this — at least, I attempt to always say it: a lot of people hear all those bureaucrats just don't do anything. Well, you know, we've got one of those bureaucrats here with us today, but he does a lot of work, and he works in the ministry. Butch Morningstar is with us here today.

All too often I hear that, but I work with these people, and I'm constantly amazed at the hours that some of these people put in and the feelings that they have for the province and doing the right thing. And that's great, and I feel real blessed to have that kind of calibre of people working in my ministry, and they're working there on behalf of all the citizens in the province of British Columbia.

I sure don't have to tell you about mining. Mining has actually picked up an awful lot in the last, I would say, three years, three or four years. In fact, \$220 million, which was almost a record of exploration dollars spent in the province of British Columbia.... About \$100 million of that was spent in the northwest part of the province of British Columbia.

If you look on a map, you can.... In fact, I was at a business today, a growing company. I looked on the map and saw all the pins of where this company is working across the northwest part of the province of British Columbia and actually in other parts of Canada. But there are an awful lot of pins on the map, and that's good news because each one of those pins represents a job, and it represents a family-supporting job. Those are the kind of jobs that I know our government wants to make sure that we help create in the province of British Columbia by facilitating things so the private sector can make the investments and create those jobs. We know those family-supporting jobs are the ones that actually make stable communities like you have here, a great place to raise your family, a great place to live and a great place just to be for the rest of your life. We want to make sure that we continue that.

I had the opportunity, also, today to visit Blue Pearl Mining, up on the mountain here. I'm sure all of you are familiar with it, but it's the first time I've been up on the mountain. I'm sure that many of you have been up on the mountain lots. It was very interesting to see the type of things that they're doing there and how they're looking at moving forward with their environmental assessment process. Butch told me that they're doing some things that are different than a lot of other companies do, in involving the public, involving the local people prior to going forward to the environmental assessment process, and I think that's great. I think that's what we see happening across the whole province, where industry is starting to get a lot more involved with communities.

There was a time when.... And unfortunately, it happened. Industry and governments, too, to be honest, kept their head down below the foxhole, as we say, and just.... If everything was going along smooth: "I'm not going to give out any information, because someone might have a question." To be honest, that was the wrong thing to do. I think to make good decisions, we have to have good information, and citizens who are involved or are living in close proximity to the projects ought to have the opportunity to have their say.

I've often said I'll sit down and meet with anybody. We don't always have to agree, but we ought to be able to sit at a table and talk about each other's feelings so that people can better understand what's happening.

We're expecting that the level of expenditures for exploration will actually exceed last year's, so the \$220 million that we had last year in mining.... We're looking to actually probably have more. I hope so.

That's always the way you go into the year, and you don't know until you get closer to the end of the year and you start adding it up, and it's always a tense time at the ministry with people adding up all the exploration dollars. I know that if it isn't more, it's going to be very close — at least from what I'm been told and when we see what's happening across the province. Some of those things are coming to pass. That's good news for us, and that's good news for this part of the province.

I also have the pleasure later today to meet with the Northwest Community College and SEG, the Smithers Exploration Group. I'm going to meet with them later this afternoon, along with Dennis, and do a few other things around the community. In fact, [inaudible] will take me for a helicopter ride so I can get a bird's-eye view of your community, and that will be great, especially on a day like today.

Northwest Community College has received but we're going to officially announce \$400,000, the first instalment of \$1 million towards the school of exploration and mining, right here in Smithers, and I think that's great. I want to give credit to a person who actually worked very hard on this and that's [your MLA], and along with the Minister of State for Mining, Bill Bennett, actually did a great job of convincing Treasury Board and government that these are the kind of things that we need. We know that we need training, but these are the kind of things we need. And different areas of the province may need a little bit different than other places, but it's certainly going to be money well spent, and I know that this region will make the best of the dollars that they get, as they do in most of rural B.C.

Energy, electricity, is another thing that's large on the minds of British Columbians — and it's not, it should be — and I know in my ministry there's a lot of time and effort going into dealing with electricity generation.

In 2002 we released an energy plan, in November of 2002. In fact, when we were elected and the Premier appointed me in the June of 2001, he said we needed an energy plan. B.C. has never had an energy plan — unbelievable, actually. For a province with all the energy that it has, of all different kinds, there was no plan. There was no plan for the future. There was no plan of where do we came from, what we had to do. So we undertook that in the ministry and developed that fairly quickly, with consultation with broad groups across the province, and released that plan in 2002.

Well, it's now 2006, and it's time to update the plan. I know some people have said, you know, isn't that a little bit quick, but in today's world, things change fairly quickly, and there are some things that we had in the 2002 energy plan that we need to actually update to continue to move us forward.

We're actually very blessed in this province with electricity. Ninety percent of it comes from clean sources. Part of the public doesn't know that, but a total of 90 percent of our electricity that we consume all over this province comes from clean sources. Now, there are a multitude of provinces and states and European countries that would love to have that — would love to have those hydro dams, that clean electricity, the biomass that we use in certain areas to generate electricity.

So we have to maintain that, and we have to make sure that we move forward in a way that we continue with getting clean electricity, so in the 2002 energy plan.... Part of it was that Hydro was requested — not mandated, requested — to acquire the new incremental supply from independent power producers across the province of British Columbia and to get at least 50 percent of their new supply from clean sources. Well, since 2002 to now they've netted almost 100 percent from clean sources, and that's pretty good, and we want to continue forward with that. In fact, that is the highest threshold of any province or state in North America. So I think that's good news for us.

The part that we're starting to struggle with is that we're net importers. For seven of the last, about, 14 years and the last five years, six years, for sure, we've been net importers. That means that when people.... Well, in fact, in my constituency, because a lot of the electricity is generated there, they say to me: "Well, all we have to do is turn the switch off and North Americans won't have electricity." Well, I'm sorry; if we turn the switch off, we won't have electricity. Our lights are going to go off, because right now [inaudible] electricity last year was just over 6,000 gigawatt-hours. Now, you multiply that by a hundred and it will tell you how many average homes that would provide electricity for. That's how much we import, and almost all of that came from the good, old U.S.A.

So we have to get back to a position where we're self-sufficient. When the dams were built in W.A.C. Bennett's time, there was great foresight. We had lots of electricity and did sell lots of electricity to the U.S. We still sell a fair amount of electricity, but we do an electricity trade. So we'll sell it to them on peak and buy it back off, but we don't generate enough to keep our own lights on. We consume about 55,000 gigawatts of electricity a year.

When I say we imported.... We were net importers last year of about 6,000 gigawatt-hours. Maybe to put that in another way so maybe you can understand it, there's a dam planned, has been planned for a long time, on the Peace River. Decisions have been made to build it. It's a 900-megawatt dam. It's a huge dam. It will generate about 5,000 gigawatt-hours. You have to put that in perspective when you think about how short we are. And in order to build Site C dam, if you start it today, by the time you have it

producing electricity — guessing the best you can and looking in the crystal ball — it's 2017. We're short electricity today. Just think of what we're going to be like in 2017.

So in the throne speech this year the government said we want to be self-sufficient within the next decade. That means that we have to actually look for, develop, and get producing about almost 20,000 gigawatt-hours of electricity. That's five Site Cs. There's not five Site C's to be built across the province of British Columbia. There's only one that might be able to be built.

And there are not very many places in the world that are building large hydro dams. I think there are more than two countries, but... China is, and if we went ahead with Site C, we would be. There are a couple of others that are being built around the world but much smaller; one about the same size in Quebec that they're talking about doing now too. And I know that in China they build dams a little bit different than they do in British Columbia or Canada.

So it's not an easy.... It wouldn't be an easy undertaking, but somehow we have to figure out how we get that electricity. In fact, over 20 years we're going to need, just to make [inaudible], about 32,000 gigawatt-hours. To put that in perspective, we consume 55,000 today.

So there are some tough decisions to be made. Are they going to be easy? No, they're not. There are some that say all you have to do is use wind energy. Well, there's nothing wrong with wind energy, and in fact, there was some bid in for the last call that B.C. Hydro made, and I assume that we'll have some wind energy coming on stream soon. But wind energy is intermittent and so is run-of-the river intermittent. We need some firm electricity.

We can use some intermittent power. By "intermittent" I mean the wind only blows a certain amount of time — on average, just about 35 per cent — so if you've got 1,000 megawatts of wind energy, you only have 35 per cent of that, actually, that can be deliverable. Then you have to couple that with other firm sources of electricity — that being hydroelectric if, in fact, you have the water, because there could be a drought — or it's going to have to be, likely, a fossil fuel plan.

And there's the possibility of.... Hydro is looking seriously, along with the Ministry of Forests and my ministry, at looking at the beetle kill and how we can facilitate beetle-kill into, possibly, the generation of electricity.

So I want to tell you there's going to be some tough decisions, and there's going to be some [inaudible], but if we want to keep our lights on and if we want to actually not depend on someone else for electricity, those tough decisions are going to have to be made in the province of British Columbia.

I want to also say that Dennis has worked hard on the electrification of Highway 37. I'm not going to announce that we're electrifying it today, but we are in discussion, just

beginning discussions, with another ministry. That's not my ministry; that's the Ministry of Aboriginal Relations and Reconciliation; but my ministry is in talks with industry, the two mines, Red Chris and NovaGold, on how they partner in the cost of this. There's a tariff in place that requires industry, if they need electricity, to partner in the cost of the capital and to guarantee that once that project's built, if in fact the mines close, they're going to be responsible for those costs in some way.

So it's a pretty difficult negotiation, but that negotiation is taking place right now, and I'm happy about that. I think that'll be great for all of us.

Oil and gas is also a responsibility of my ministry. We produce about 1.1 trillion cubic feet of natural gas a year. We are the second -largest natural gas producer in all of the Canada — Alberta, obviously, being number one. We produce about 13 million barrels of oil. So we have extra gas that we sell on the market, a lot of it in eastern Canada through the pipeline system, and some of it south of the border into the U.S.

Oil, which is 13 million barrels a year that we produce.... We consume about 60 million barrels of oil a year. So when you drove here in your vehicle today and used some gasoline, we're actually importing that from someplace else. Each and every one of us consumes some of these products in our everyday life, not just in driving our vehicles but in a whole host of areas. Going to the store and buying your milk in a plastic jug: that came from natural gas, the plastic. Clothing, computers, probably some of the tablecloths.... I look around today, and there's something associated with either mining or oil and gas in this room [inaudible].

So we've been doing that in northeastern B.C. for well over 50 years. It's a mature industry in northeastern British Columbia. That's the only part of B.C. that's east of the Rockies. All the rest of B.C. is west of the Rockies, and that's where the western sedimentary basin comes up, through the U.S., up through Saskatchewan, and takes in all of Alberta and goes on through the Yukon and up into Alaska. And we've been pretty fortunate there in the last while, obviously, with commodity prices and the development that's been going on.

There is some talk that we're going to be short of natural gas in just a few years. Let me put this in perspective. We're the only jurisdiction in Canada, by the way, over the last six years that's increased production and increased in-place supply. We have about, in reserves, about 100 trillion cubic feet of natural gas in all of British Columbia. If we continue to produce at 1.1 trillion, that's a fair amount of gas or a fair amount of years.

Technology changes pretty quickly, too, and how you develop that. It's not that long ago that there was only vertical drilling. Today they do what they call directional drilling. And I'll use.... I'm not into metric so much, but I'll use feet and inches. They'll drill maybe 2,000 to 3,000 feet vertical, and then go horizontal for another 3,000 or 4,000 feet, and they'll follow the formation, they'll produce out of that full formation — things that they weren't doing before. And that resource was left before. So technology has taken us an awful long way.

The industry, the oil and gas industry in northeastern British Columbia, invests about \$4.5 billion on a yearly basis. In fact, we're expecting almost \$5 billion investment this year in oil and gas development. That's exploration and production and all the things that go along with it. Some great jobs. It certainly stabilizes the communities and puts programs into place to encourage drilling year-round instead of just in the wintertime, and that certainly stabilized the communities in northeastern B.C., and we see some great growth happening there.

And we'll see it continue to happen, because we continue to need the product, and we will need oil and gas in our lives for a long time to come until something magically takes its place. If you think globally about what powers the world in energy, oil and gas is a huge part of it. Fossil fuels are a huge part of it. In Europe, almost every country in Europe generates half their electricity with coal more and more — and diesel fuel.

So we will continue to need this product. In fact, Dr. Geoffrey Ballard was in Fort St. John about three years ago and said: don't think that we don't need it. And he's the founder of Ballard Power. In fact, that's.... Alternative energy is certainly part of my ministry's responsibility. We work closely with the hydrogen community and all of those industries that work in alternative energy.

He said, you know, for 50 to 60 years before actually things start changing.... You see they have to change globally to be able to change our way we use it. So that's going to change also.

We use oil and gas differently today than we did 30 years ago, even differently than we did ten years ago. If you think about the vehicles that we drive, they're much different. I collect antique cars. I've got a 1936 Ford half-ton. It runs on gasoline. My wife's got a brand-new Ford truck. It runs on gasoline. But the way that the gasoline was formulated and the way it was burned in the 1936 vehicle and at that time is way different than the way it's burned today and formulated in today's world. So we do look at all those things, and industry looks at those things to make sure that we respect the environment as much as we can.

There are huge other opportunities in the province of British Columbia than in just the northeast. There's offshore. There's the ability to go offshore. There's about 42 trillion cubic feet of natural gas expected to be offshore and 18 [million] barrels of oil. That's a lot of product. It's not something that we could look at and say I don't think.... You know, we could just leave it. We need it. We'll consume it and we use it in our everyday lives.

There's the Bowser and Nechako Basin, and we've had some activity in the Bowser Basin, and we'd like to get some happening in the Nechako Basin. There's the shale gas and the pipe gas that I talked about earlier where they do the directional drilling. I mean, that's mostly in northeast B.C. along with deep gas that's very deep wells and, of course, coalbed gas, which is relatively new to Canada but not so new to the U.S. In fact, the

U.S.... About almost 10 percent of their natural gas actually comes from coalbed gas, and they consume in the neighbourhood.... I think the last statistics I saw were about 20 trillion cubic feet of natural gas needed in the U.S. today. So 10 percent of it is coalbed gas.

So we've got some huge opportunities in coalbed gas across the province. We've got about 2 billion tonnes of coal in the province, and almost... Wherever there's coal, almost always there's coalbed gas.

It is controversial, no doubt about it, and we've taken some time over the last number of years to put together programs, to put together water-handling processes, to make sure that we can actually look after the environment and do it in a proper way. So I know that in your community there has been some.... It's actually in this community too. There's been two open houses, one in Telkwa and one here. There's a company interested in doing some coalbed gas in Telkwa, and they're in the pre-[inaudible] stage where they have to go out and talk to the people, and we as a ministry facilitate some meetings so that people can tell us what they're concerned about.

That by no means gives them the right to go out and drill. They still have to actually acquire a number of permits, and there are a number of steps that have to be taking place and are closely monitored by the Oil and Gas Commission in the province of British Columbia.

So produced water, which is water that comes from coalbed gas or from natural gas or from oil, is an issue. We've been dealing with produced water for well over 50 years in northeastern British Columbia, because it's water with natural gas almost [inaudible] water and the same with oil, and that is re-injected back in the earth into deep basins. We've been doing that for well over 50 years. They have all over. It's not just B.C. That's standard practice.

So we think we have a pretty good handle on dealing with produced water, so in coalbed gas there is, as I'm told, sometimes water that's pure enough that it can be released to the environment, and that can happen only if you're releasing it into the environment in a way that's not going to affect the environment, even if it is pure water. And so there are some pretty stringent rules. It's not just my ministry. It's the Ministry of Environment that actually is responsible for those things.

And we have 84, an estimated 84, trillion cubic feet of coalbed gas, so if you put that into perspective, you will [agree] we're still across British Columbia producing 10 or 15 percent of it. That's an awful lot of coalbed gas.

I think I'll probably just leave it there and leave some time for questions. I've probably been a little longer than I should have been. But I want to say one thing about the ministry. It's a small ministry; 272 people work in it. Last year it provided to the provincial treasury in royalties and lease sales alone — nothing else, just royalties and lease sales from oil and gas — \$3 billion. That's pretty substantial; 10 percent of the total

provincial budget. And when you when think about the costs that are coming to continue with health care and with education and with social services, we do as government need that money to provide and to continue to provide those services.

So it is a great industry. It's a great place to work. There are lots of people in my community that work in the oil and gas industry and have all their life and love it.

So thank you very much for taking the time out of your day.

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