

Premier Gordon Campbell
Address to the B.C. Oil and Gas Development Conference
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Check Against Delivery

Thank you very much. When I look to the future of British Columbia, I am very encouraged by what I see. One of the most encouraging signs is what's going to take place in the oil and gas industry and the energy industry.

We want an energized economy that works for everyone. One of the challenges we've sometimes had in British Columbia is catching up with what is taking place in our economy. In 2000, the oil and gas industry produced a record \$4.6 billion in production – five times what it was in 1990.

We want to continue to move down that path of bold action and aggressive growth in the oil and gas industry. We believe we can do that in a way that's not just economically exciting but is also environmentally sustainable, and shows the kind of leadership British Columbians want us to show.

The industry generated \$2.7 billion of investment in 2000. That's up 17 per cent from 1999. We want to continue to build on that. There's 32,000 direct jobs in the industry right now. At a time when the economy is restructuring, we want to move forward in those places where we have strength and opportunity.

I apologize because Dick Neufeld can't be here with you today. He's sick – I guess he's been working too hard. He is a very active and strong advocate for the industry around the cabinet table. And the cabinet has committed to take bold actions that will generate an additional \$24 billion of private-sector investment over the next five years.

We believe by doing that we will create an additional 8,000 jobs in British Columbia. We will double the revenues coming to government. We will increase and enhance our economy in an enormous way.

One of the things that's great about having this conference down here is that everyone in the Lower Mainland is reminded that regardless of where you live in this province, you benefit from a sustainable and exciting oil and gas and energy industry.

The Ladyfern discovery was the largest single natural gas discovery in the last 15 years in Canada. There are more Ladyferns out there. We have to create an environment that encourages exploration so we can discover those Ladyferns, put them on the marketplace and start taking advantage of what will clearly be the energy demands of the North American market over the next decade.

I was just down in Houston talking to industry executives. Every single one of them recognized that over the long term there is going to be significant energy demand. One of the great competitive advantages we have in British Columbia is we can help meet that demand if we create the right environment for people to come and explore, to produce and to enhance our oil and gas industry.

British Columbia has about 17 per cent of the Western Canada basin, but right now we only have about six per cent of the wells that take the product out. We want to increase that: we want to double it if we can.

That's going to require a lot of work and a lot of changes in government. We want to reach across the North and go across the province. There are many areas where we can explore.

The critical thing for us to is to create an environment in which the industry wants to explore, and wants to invest. Companies must believe they can get the kind of certainty and economic return that's essential to make the massive investments up front that are required to make this industry grow and to prosper.

We've started at the base. And the base was to try and create an economic environment in British Columbia that recognized it is private-sector investment that drives the economy. It is private-sector investment that drives job creation. For too long we had a government that forgot that point, and if we forget it, we forget it at our peril.

When you think of it, eight per cent of government revenues today are generated by oil and gas – \$1.9 billion in revenues a year to the province. That pays for 12 out of 20 ministries in government, including Labour, Public Safety and the Solicitor General, Water, Land and Air Protection, and nine others.

If we can get the private sector to start generating investment in this province again, increasing and enhancing their economic activity, then I believe we can provide better public services as well as more certainty and more opportunities for British Columbians throughout the province.

The most critical component of any economy today is people. If people don't know that when they work hard in our province they can get ahead, they're going to leave. We want to bring them back, and we want to keep them here.

The dramatic cut to personal income tax we brought in on June 6 made sure British Columbians pay the lowest base rate of personal income tax of any place in the country on the first \$60,000 they earn.

On January 1 of this year we will have the second-lowest marginal income tax rate in the country. We know that if we don't have people, we don't have product, we don't have exploration, and we don't have the excitement we need in our economy. We also decided

on June 30 in our Fiscal Statement that it was time we put our corporate financial house at least closer to being back in order.

We are committed to a competitive economy. One of the great advantages that the oil and gas industry has had in B.C. was that even the last government understood that if they weren't at least partly competitive with Alberta, we weren't going to get any investment. It's not very hard to move a rig from one side of the border to the other.

Because there was at least that inkling of competitiveness in oil and gas, we had the kind of investment we needed. We have to do that across the economy, and we have to be more aggressive in dealing with that.

Right now, we're moving to eliminate the corporate capital tax: it will be gone in September 2002. We've eliminated the sales tax on machinery and equipment because we understand that machinery and equipment are a critical part of productivity.

If you don't have an economy where people want to work, that's productive and encourages investment, you don't have an economy that's going to flourish. So we took those steps early to send a message to people across the country – and frankly across the continent – that we were open for business and we were ready to serve.

The critical challenge we face today, as we look to the future, is not just to set our goals, but to listen to the responses from people in the industry so we can respond to your concerns and challenges in a way that's productive, positive and timely.

I've been told that the processing of permits in British Columbia is slower than it is in Alberta. We're going to do everything we can to speed that up. We think time is critical in British Columbia and in the Peace River with regard to those permits.

We understand there are many other things we have to do. The deputy minister of energy and mines has said that if you are facing any significant problems, he wants you to call him so we can start solving them. We can't solve problems that are not put on the table for us to solve.

We want to work with you as we develop our energy policy because we know if that policy doesn't attract investment and exploration, we are not succeeding. There are mutual benefits in us working together and understanding the challenges that both sides of the table face.

We've dealt with a number of tax issues, and we're going to continue to do that as we build an economic plan and foundation that allows us to move forward with confidence and with security. In terms of the energy industry, we are currently in a major review of WCB.

I have heard – as many others have heard – that our WCB costs in the energy sector in British Columbia are about two times what the costs are for the energy sector in Alberta.

Why is that? We have to ask ourselves that question. Is it that people don't care about the safety of workers in British Columbia? No. Is it because employers aren't responsible in British Columbia? No. So let's get to the facts, and let's start solving those problems together. We are committed to doing that.

We are undertaking a major review of the Employment Standards Act. Different sectors of the economy need different conditions to get the same results. One of our mantras is that one-size solutions don't work. They don't work in the private-sector economy, and they don't work in the delivery of government services.

That's why it's so critical you feel a sense of partnership and commitment with Minister of Energy and Mines Richard Neufeld, and also with the people who work in the ministry. We are sending the message out to those people that the oil and gas industry is important to British Columbia – that the energy is a critical component of our economy.

One of the things we have to understand in government is that if we want to achieve our objectives, we have to be able to work with the people who deliver on them. So if we want \$24 billion in private-sector investment, if we want those 8,000 additional jobs, and if we want to double that revenue, we are going to have to work with you. My commitment and Dick Neufeld's commitment is that we are going to do just that.

We believe in competition. We think that when we level the playing field, British Columbians can provide the best service around. We know we can meet the competitive market.

Some challenges are ahead of us, including a skills challenge. One of the things we're going to do in working with the industry is develop ways that we can make sure British Columbians gain the skills to meet the needs of the industry. It's not like you go outside and get people to sign up for 8,000 jobs. They are 8,000 jobs with skills and talents that are necessary, and we have to make them available. We want to make sure we do that with you as well.

One of the things I discovered on June 5th and later is there has been no energy policy in this province. There has been no real oil and gas policy saying where we're going and how we're going to get there.

So we've taken a moment to bring together people who are very good in the field, and we've said, "Let's create an energy policy that will take us not just a year or two years or five years, but 10 years. Let's think about the structure of that policy to maximize the benefits to the people who live in this province."

That energy policy task force will have a report out within the next few weeks. I encourage you to look at that report. It's a draft, and I use that word advisedly. It's the best they've been able to do, and they're going to put it out, and we'd like to hear from you. We'd like to hear from your organizations, from your companies, and from you as

individuals on where we've missed or where we've hit the mark. Both of those things are critical.

One of the things I've noticed in public life is that it's easier to be critical than it is to be positive. There's no end to the things I hear that we're doing wrong, and we want to fix those. Sometimes we're doing things right, and it's equally important for you to tell me when our staff and processes are working for you so we can reinforce those things.

If all you ever talk about is what's wrong, it doesn't take long before you've seized everything up. So if you see some things in that policy you think work and make sense, we want you to tell us so we can push that harder.

We know we have to secure access to land: we have to have security of tenure. Richard Neufeld is working right now with Stan Hagen, our minister of sustainable resource management, to restructure the land application process. They are bringing together our databases so we can shrink down the approval processes so you can get answers from us far more quickly.

There are two possible answers to any question: yes and no. People feel frustrated when it takes them too long to get to "no." It would be better to say no right away then pretend you're going to do it, then put it off and let it go into process "never-never" land.

We want a process that's direct, that's explicit and that gives you a sense of confidence in why decisions are made and how quickly they can be made. Stan and Richard are working very hard to do that.

We want to reduce the backlogs. We want to improve efficiency. We want to ensure a principled and scientifically based approach that enhances stewardship and provides for sustainability.

We're also working on a number of other initiatives. We're working on performance-based permitting and compliance and enforcement. We are not a government that believes everyone's out to do something wrong. We think nine times out of 10, people are trying to do things right. We want to reinforce that and work with the industry to make sure that is done in a cost-effective and thoughtful way.

We are going to streamline our approval times, and we are moving to a single-window, full-authority permitting agency that will approve more applications faster. That takes a little bit of work, as I'm sure you're aware: we have to bring together all of government. We have committed to do that around the cabinet table.

We have a cabinet committee working on that even as we speak. I am confident that over the next few months we will be able to move in that direction so you can come to one window, get the answers you need and move forward.

Those are some of the things government can directly control – that we can say, “If we do this, this will happen.” There are some things that are not in our control. The marketplace is obviously not in our control. But one of the things that came through to me loud and clear when I talked to of energy executives over the last four or five months is that the critical component for us is to get our costs down. We are not the only place in the world with oil and gas deposits. We are not the only place on the continent that sells energy to the continental market.

So obviously as we move to become competitive, we have to reduce the costs people face so they are more encouraged to come and invest in British Columbia. We are going to work to do that as a provincial government.

We are also going to work to remove some of the uncertainty that exists. Over the last few months there’s been a lot of work with the Treaty 8 First Nations to remove some of the uncertainty that’s been placed there.

We have signed a five-year agreement that is designed to improve the communications between the B.C. Oil and Gas Commission and the First Nations. It will allow them to make timely decisions. It will increase economic activity and certainty for everyone. That memorandum was signed in October with the Blueberry River, Prophet River and West Moberly First Nations, and we’re working with others from the Peace at this time.

I want to talk briefly about First Nations and the approach our government intends to take. We believe the oil and gas industry will be an enormous benefit to the entire province. First Nations deserve to share in that benefit, and our goal is to work with First Nations up front to make sure they see the benefits of the exploration and the economic activity so they become partners with us and with you.

I believe the industry itself has been a leader in working with First Nations and that the government is running to catch up with you. I believe that by working together we will create the kind of platform necessary for us to succeed in our objective.

It’s important for us to think of the future in terms of the obvious opportunities we have in front of us. There are enormous oil and gas reserves offshore in the northwestern part of our province. Ten billion barrels of oil has been estimated, and 42 trillion cubic feet of natural gas.

Those billion words are very easy to say, but they’re very difficult to comprehend. I can’t imagine what 42 trillion even looks like, but it’s an enormous reserve off the northwest coast of this province. A scientific review panel is examining the offshore oil and gas potential for British Columbia and whether or not we can explore in a way that’s scientifically secure and that protects our environment.

It is a critical exam, headed by the former president of the University of Victoria. They are expected to report back by January 15th. We’re all looking forward to receiving their report. If they believe we can move forward in an economically and environmentally

sustainable way, we will start a very exciting consultative opportunity across the North, particularly in the Northwest communities, with companies, the scientific community and the environmental community.

We should not lock ourselves into the past. With new technologies and with new approaches, there is a great deal we can accomplish and a great deal of leadership we can show in British Columbia.

I want to touch on one other area that has often been overlooked by British Columbians. That's the whole area of coal bed methane. In the United States, seven per cent of all natural gas production is from coal bed methane. We have an estimate of up to 250 trillion cubic feet of coal bed methane spread all across the province.

I hope we can create the kind of environment that will allow for exploration and for the development of those technologies that will allow us to move forward in a scientifically secure, environmentally sustainable way. We have to create the regulatory policies for that. We have to make sure the regimes are in place so we protect the infrastructure, but we believe that's a significant opportunity as well.

Let me mention one last thing. As we talk about all this exciting stuff under the ground, we have to remember there are some things on the ground we have to do in order to access it. Obviously one of the critical components is the roads and pipelines and storage facilities that are necessary to tap into this incredible resource.

I have had the opportunity to drive on a number of roads in the Peace River. I don't get to go to the Peace River country without Dick Neufeld or Blair Lekstrom driving me over their favourite road, which normally causes a certain amount of whiplash before I've finished the trip. I can imagine what it's like for the people in the industry to use those roads.

So we are looking at ways that we can improve and enhance the quality of that road infrastructure. We are looking at ways that we can improve the opportunities for pipeline development and storage facilities. If we work together in partnership with the industry, we will be able to create the physical infrastructure that's necessary for us to tap into the exceptional opportunities the oil and gas industry presents.

The energy economy in British Columbia is an enormous opportunity for all of us that we shouldn't miss. It's an opportunity that requires open and honest interaction and discussion about the challenges we face and about the way we can respond to the new demands that are going to be created in the continental marketplace.

There is no question that Canada has an exceptional energy resource, and British Columbia should have a major part of that. We should be known across the continent for our energy and resources for the way we deliver them to the continental marketplace.

We want those investors. We want them investing in the Peace. We want them looking at the other basins in the province. We want people who are going to examine the potential for coal bed methane. We think all of those things are possible if we establish the right environment.

So the road ahead for us in oil and gas is a multi-lane highway. It's a road we're going to walk down together. It's a road where we're going to learn from you about the things we have to do to make sure the people of this province benefit from this exceptional natural resource. It creates jobs, it creates economic opportunity, and it creates resources for our public services.

The contribution you have made to our economy and the well-being of British Columbia has not gone unnoticed. We intend to work with you, and hopefully, over the years, you'll be able to say that the best place in the world to invest in oil and gas is British Columbia. Thank you very much.