

March 14, 2019



Commission Responds to Audit on Non-Operating Oil and Gas Sites

The BC Oil and Gas Commission has accepted all of the recommendations of the B.C. Auditor General's report *The BC Oil and Gas Commission's Management of Non-operating Oil and Gas Sites* and is working to address all of the matters raised in the report. Our official response can be found below:

The BC Oil and Gas Commission (Commission) thanks the Office of the Auditor General for its audit of the *The BC Oil and Gas Commission's Management of Non-operating Oil and Gas Sites*, which focused on the period between January 2015 and October 2018. As part of its continual improvement to its strategic management systems, the Commission instigated a number of new initiatives prior to, during and since the audit period, including:

- Partnering with First Nations from northeast B.C. to restore former oil and gas industry sites to their natural state, [News Release 2019-01](#);
- Developing a Comprehensive Liability Management Plan, [Information Bulletin 2018-02](#);
- Changes to orphan liability levy, Industry Bulletins, [2018-20](#) and [2019-01](#); and,
- Developing a Restoration Framework.

Many of the responses below reference these initiatives.

In May 2018, the provincial government enacted the Energy, Mines and Petroleum Resources Statutes Amendment Act (Bill 15) enabling a number of improvements to the regulatory framework in B.C. for management of non-operating oil and gas sites. The amendments have allowed the Commission to improve the funding model, strengthened the Commission's authority to make regulations in the areas of orphan site treatment and closure, risk assessment/mitigation, and accelerate the rate of inactive site restoration. These new tools will address the restoration of orphan sites in a timely manner, while ensuring no direct costs to taxpayers.

As part of its ongoing improvement efforts, the Commission is developing a Comprehensive Liability Management Plan (CLMP), which holds industry accountable, addresses unrestored oil and gas sites, and protects the environment and public safety. Phase one of the CLMP involves the Commission establishing regulations to increase industry's rate of restoration and reduce the number of inactive oil and gas sites. Requiring timely restoration will also reduce the number of potential orphan sites in the province. Engagement on the CLMP with local governments and local First Nations, industry, land owners, stakeholders and the public is ongoing.

The Commission is developing a Restoration Framework that integrates restoration initiatives undertaken by the Commission and other ministries. Incorporating the recommendations from this audit into the Framework will assist in establishing a prioritized, effective and coordinated approach to restoration.

These activities, and the actions associated with implementing the recommendations, will improve the Commission's management of non-operating oil and gas sites within British Columbia.

Office of the Auditor General Recommendation	The BC Oil and Gas Commission Response
1. We recommend that the BC Oil and Gas Commission review its restoration regulations and guidelines and make changes as needed to ensure that the expected outcomes and timelines for ecologically suitable revegetation are clear.	<p>Agreed</p> <p>Through the establishment of a Restoration Framework, the Commission, in conjunction with the Ministry of Energy Mines and Petroleum Resources will review the current restoration regulations, incorporate input from several pilot programs underway, seek input from Industry, First Nations and government ministries, and consider amendments as appropriate. The Commission will update its restoration guidelines as appropriate.</p>
2. We recommend the BC Oil and Gas Commission complete its work to develop and implement regulations, policies and procedures to ensure that operators decommission wells and restore sites in a timely manner.	<p>Agreed</p> <p>The Commission is committed to ensuring operators decommission and restore wells sites in a timely manner. The passing of Bill 15 in 2018 provides the Commission with the authority to develop regulations for timely restoration outcomes.</p> <p>The Commission will continue to build on its improvement efforts in this area through the projects associated with the phased implementation of Bill 15. This includes the development and implementation of the <i>Dormant Site Regulation</i>, designed to achieve timely clean up, provide flexibility to achieve cost-efficient restoration and promote communication with land owners, local governments and First Nations with an interest in such sites.</p>
3. We recommend that the BC Oil and Gas Commission include surface reclamation (Part II of the Certificate of Restoration) as part of its field investigation work to ensure that sites are adequately reclaimed.	<p>Agreed</p> <p>The Restoration Framework under development will include compliance verification activities of surface reclamation.</p>
4. We recommend that the BC Oil and Gas Commission review, in coordination with Ministry of Environment and Climate Change, the Memorandum of Understanding and the Oil and Gas Site Classification Tool to ensure the effective oversight of high-risk contaminated oil and gas sites.	<p>Agreed</p> <p>The Commission will develop a plan in conjunction with ENV for the review of the Memorandum of Understanding and the Oil and Gas Site Classification Tool with the objective that there is effective oversight of high-risk contaminated oil and gas sites.</p>
5. We recommend that the BC Oil and Gas Commission continue to partner	<p>Agreed</p>

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with local First Nations to identify and implement improvements to restoration policies and practices.	The Commission will continue partnering with First Nations from northeast B.C. to restore former oil and gas industry sites and utilize the learnings from these pilot programs in the Restoration Framework. The Commission will continue to consult on the development of the Dormant Site Regulation with First Nations from northeast B.C.
6. We recommend that the BC Oil and Gas Commission report annually on the outcomes of site restoration activities to ensure transparency and accountability to the legislature, the public and First Nations.	Agreed The Commission will report on the development and implementation of various projects associated with the Restoration Framework, including annual outcomes of site restoration as a component of its transparency initiative.
7. We recommend that the BC Oil and Gas Commission manage the environmental risks of legacy sites by using a risk-based approach to ensure that any contamination is identified and addressed, including setting timelines for completing the work, and monitoring and reporting on progress.	Agreed The Commission will develop and implement a plan to manage legacy sites. The risk-based approach will include: <ul style="list-style-type: none"> • Defined environmental risks. • Timelines based on risk and the availability of resources. • Transparent reporting. • Monitoring based on risk and the availability of resources.
8. We recommend that the BC Oil and Gas Commission continue work to understand the long-term environmental risks of decommissioned wells and restored sites, and develop a plan to mitigate those risks.	Agreed Will develop a plan to explore the options with First Nations, Geoscience BC, universities, industry and others.
9. We recommend that the OGC review the Liability Management Rating program to ensure that it is responsive to changing industry risks and results in operators covering their restoration costs.	Agreed Under the Comprehensive Liability Management Plan, the Commission has begun to enhance its approach to Liability Management. This initiative will build on the existing Liability Management Rating program and provide additional tools to assess and mitigate risk to the public and the orphan site reclamation fund.
10. We recommend that the BC Oil and Gas Commission monitor and assess whether implementation of the new funding process for the Orphan Fund is resulting in adequate funding to restore orphan sites in a timely	Agreed The Commission has allocated sufficient funding for the \$14 million orphan program for 2018/19. Plans are in place to collect sufficient funds to address orphan expenditures in accordance with the

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	manner, and implement changes as needed.	Commission's policy for timely treatment and closure.
11.	We recommend that the BC Oil and Gas Commission ensure timely restoration of orphan sites by assessing and reporting on its progress against the orphan site work plan, and making adjustments to the plan as needed.	Agreed The Commission has implemented a policy to restore orphans within 10 years of designation, and progress tracking indicates we are meeting this commitment. Measures are reported through internal and external documents, and additional vehicles will be considered as part of the transparency initiative.

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