

## POEA Perspective

### What needs to be done for the BC Offshore to become an opportunity?

#### The setting

On February 11, 2003, the throne speech from the BC government called for oil and gas production by 2010, a priority reinforced by establishment of the BC Offshore Oil and Gas Team, headed by the ex Deputy Minister of Energy and reporting to two cabinet ministers (<http://www.offshoreoilandgas.gov.bc.ca>). This followed a community consultation by the Northern Caucus (2002-The Report of the Offshore Oil and Gas Task Force) and a report from the Scientific Panel suggesting that exploration could be restarted. (2002 - Report of the Scientific Review Panel.)

“Restarted” – this is not new for BC. Seismic surveying and exploratory drilling did occur in the 60’s. A major environmental review was undertaken in the mid 80’s. (1986 - *Report of the West Coast Offshore Exploration Environmental Assessment Panel*.) Follow up environmental research, geological studies and re-analysis of the seismic data have all been undertaken. (1998 - *AGRA Limited - Review of Offshore Development Technologies and 2001 - Jacques Whitford Environmental - Offshore Technology Update*).

The Geological Survey of Canada has re-analysed prospects for the region and raised the probability that the region may offer hydrocarbon potential similar to Canada’s Atlantic coast. (1998 *Petroleum Resource Potential of Sedimentary Basins on the Pacific Margin of Canada: GSC Open File Report 3629*). However, both government and industry agree there is a clear need to employ current seismic technology and geological concepts to fully assess offshore oil and gas potential. Drilling selected, strategically located exploration wells can test this potential. Until these wells are drilled and only then, the true potential of the offshore cannot be determined. Over 40 exploration wells were drilled on Canada’s Atlantic coast before the first discovery was made. To date, 14 offshore wells have been drilled on Canada’s West Coast.

There have been numerous panels, workshops, seminars and symposia at which the issues surrounding the potential for a B.C Offshore Industry have been discussed and debated:

- B.C Natural Gas Symposium: May 2003
- Offshore Oil and Gas development in BC Environmental Implications: Jan 2003
- BC Energy the New Playing Field: Dec 2002. Insight Information Co.
- Assessing the Potential of BC Offshore Oil and Gas Development: April 2002 Pacific Northwest Section of the Society of Naval Architects and Marine Engineers (SNAME)
- Marine and Ocean Industry Technology Roadmap Workshop #7, Vancouver: April 2002 NRC and Dept of Fisheries & Oceans
- Developing BC Offshore Oil & Gas: June 2002 Can. Inst. of Marine Engineering, Van Island Branch.
- B.C Govt. Report of Offshore Oil and Gas Task Force: Jan 2002. 9 communities visited and 200 presenters

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Oil and gas companies hold permitted rights (in moratorium) to large areas of the offshore, however there has been no active interest in the region since their participation in the 1985-86 review. In the past, the BC and Canadian governments have worked on an accord to coordinate management of the offshore, but there is no current management or regulatory regime in place for the BC offshore. There are interests of the First Nations that will need to be addressed, along with jurisdictional claims of BC and Canada, before a regulatory regime is established. There are campaigns by environmentalists against restarting exploration that are likely to complicate and delay development of any regulatory regime. **As of now, there is no regulatory regime.**

The current view of industry is that they would consider the prospects of the BC offshore interesting when there is more certainty about the regime under which they would operate. (2003 - Shell Canada: Collyer paper presented at B.C. Natural Gas Symposium May 7, 2003) **As of now, there is no industry proponent.**

The Province of BC has embraced the target. It now faces the challenge of being both proponent and regulator.

### The technical timeline

A recent presentation by Shell Canada (Collyer, May 7, 2003) outlined a possible 13-year scenario leading to first oil. BC industry involvement would be minor before year 7, the year of a discovery.

Year	Activity
1	Base studies
2	2-D Seismic field programme
3	Seismic interpretation, plan for 3-D
4	3-D Seismic field programme
5	Seismic interpretation
6	Exploration drilling programme starts
7	If exploration successful, start of delineation/appraisal drilling
8	Development planning, approvals, financing etc
9	
10	
11	Development (facility construction and installation, production well drilling, pipelines or transshipment infrastructure etc
12	
13	First production

From a technical perspective, first production from the BC offshore is unlikely before 2017.

This assumes the rapid identification of prospects in seismic surveying and that exploratory drilling is successful in the first few wells drilled. The timeline could easily extend at these critical points. Shortening the timeline could be achieved by an intensification of seismic data collection and interpretation. It could also be shortened if there was a streamlining of the development planning and approval process. A high priority commitment by industry could influence the former and the latter would require a commitment to facilitated review processes by government. The prospect that seismic data collection could be expedited by a BC government sponsored program seems unlikely given the regulatory vacuum that exists and the uncertainty of jurisdiction and tenure as discussed below.

### The regulatory timeline

Canada has offshore oil and gas administrative and regulatory processes at work on the Atlantic coast ([www.oilandgasguides.com/guides](http://www.oilandgasguides.com/guides)). Government and industry are reviewing this experience and these reviews can be a guide to development of a regime appropriate to BC.

**However**, the BC condition imposes unique requirements to encompass First Nations interests, and a moratorium-fuelled environmental opposition.

Industry is clearly asking for the establishment of an integrated planning process, regulatory regime and environmental assessment.

The legitimate interests of the First Nations, the BC government and the Government of Canada and their policy objectives will need to be brought together. Short-term prospects for creation of this forum are not strong. Without strong government leadership, this is unlikely before 2006 – the current federal consultative process will only report in mid 2004.

A common forum and some alignment of policy objectives could result in formation of a regulatory body and start development of a regulatory regime addressing:

- Jurisdictional issues
- Fiscal regime and revenue sharing
- Regional benefits
- Rights, leases and tenure
- Operational regulations
- Environmental assessment and monitoring.

Adoption of approaches based on the Atlantic experience could streamline this, but it may take a further two years – perhaps 2008.

It seems unlikely that industry will emerge as a proponent of any renewed activity before this critical point, leaving government(s) to lead through this phase, and, adding as much as five years to the technical timeline above. Once the initial regulatory framework has been developed, many of the regulatory and environmental review activities might be expected to operate in parallel to the technical initiatives, although they clearly have the potential to add delays.

The BC Offshore Team workplan opens the potential for a seismic programme in 2005. Although a seismic programme is possible under current regulations, it would likely trigger an environmental assessment, which would likely have to be started in early 2004 at the latest. A unilateral initiative would be unlikely to achieve the critical support by First Nations and the federal government that would be needed. It is not likely to be supported by industry in the absence of regulatory, jurisdictional and ownership agreement. Currently, there appears to be no proponent for such an initiative.

The issue of rights and tenure issued to industry is one area that may become a critical delay point. The existing permit holders claim first rights to explore, but their permits are much more extensive than typical modern offshore forms of tenure. A process to administer a reworking of this type of tenure has been underway for a year in the Laurentian Channel on the East Coast with considerable delay expected before new tenures will be accepted. Hopefully, lessons learned can translate into an accelerated process for BC. If not, this step might add two years or more.

### **Moving on the opportunity**

Without leadership, prospects for offshore hydrocarbon production before 2020 are low. But the elements of leadership are in place and can be built upon.

The Province of British Columbia has completed background reviews that allowed a policy target to go forward. The Government of Canada will have a consultation and review process active in the next six months. Informed support for renewed offshore activity may raise the opportunity as a federal priority. ***It is critical that this informed support participates in the federal process.***

In the absence of an industry proponent, who might be expected to lead community education initiatives? Leadership in building an informed understanding of responsible offshore activity falls to the Government of BC and appropriate business, regional and community groups. ***These proactive communication efforts need to happen before the consultation by the federal panel.***

The time while the federal review process is active, affords the BC government a window to review experience in the Canadian offshore, to refine its policy objectives and explore the necessary involvement of the First Nations. Being prepared to develop a multiparty accord, and having a regulatory framework ready for refinement, could fast track the planning and regulatory certainty that industry needs. ***Proactive leadership could anticipate a favourable outcome from the federal review, build on the Atlantic Canadian experience and achieve the essential certainty by 2006.***

If industry was confident in a planning and regulatory regime, lease/permit reviews might be possible by 2007, seismic proposals by late 2007, environmental assessments in 2008 and surveys in 2009. ***Proactive leadership by governments could cut five years or more from the development timeline.***

Industry recognises potential commercial strengths for the BC offshore (positive resource potential, strong gas markets, access to regional and export markets etc) but sees the organisational and political/social challenges as a significant addition to the normal business risks associated with exploration. Investment decisions made on an international menu of exploration choices are likely to be heavily influenced by this uncertainty. ***Without proactive leadership in the drive for responsible offshore exploration and development there may be critical delays in building industry confidence.***

It is urgent that the public becomes fully informed about the experience with offshore oil exploration and development in Atlantic Canada, Alaska, the North Sea and other areas. It is important that the public understand the responsible approaches that are taken by government and industry, and of the ways that First Nations, businesses and communities would benefit.

Time is of the essence – even if we anticipate development taking decades. Government raised the prospect of renewed exploration in 2001. If we cannot create the conditions to attract industry commitment before 2005 or 2006, the continuation of a *de facto* moratorium seems probable.



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