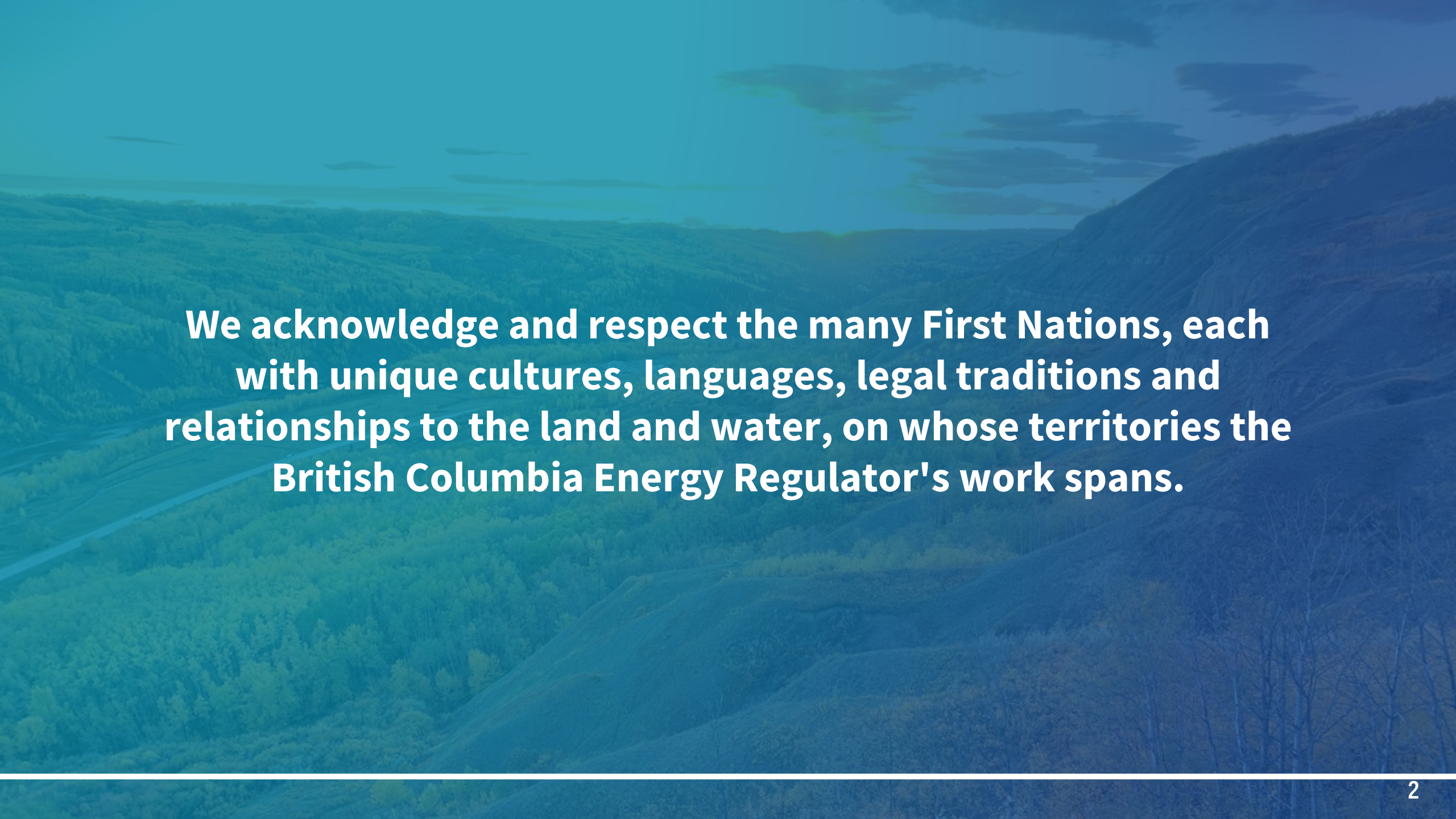
COST RECOVERY IMPROVEMENT:

POLICY INTENTIONS

BCER

BRITISH COLUMBIA **ENERGY REGULATOR**


We acknowledge and respect the many First Nations, each with unique cultures, languages, legal traditions and relationships to the land and water, on whose territories the British Columbia Energy Regulator's work spans.

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Purpose of Engagement

- The BCER is reviewing its cost recovery framework to promote a fair, resilient, adaptable, and efficient approach as B.C.'s energy sector evolves.

- The BCER's expanded mandate and a changing energy market has highlighted the need to assess and modernize the organization's cost recovery framework to promote continued fairness and organizational resilience.
- Early in this process, we seek feedback on the themes and policy intentions that will guide the review. Any examples shared are for discussion only and do not represent proposed solutions.
- We will be seeking feedback on:
  - Whether the four policy intentions address the right issues
  - Potential impacts or unintended consequences
  - Information that should inform the next phase of option development
  - Forms of financial assurance in relation to security

Engagement Process & Timelines

Shaping Future Improvements Together

Phased engagement from mid-2026 to Fall 2027, with iterative validation and decision points.

BC Energy Regulator (BCER)

- The BC Energy Regulator is an independent Crown corporation and B.C.'s single-window regulator for energy resource activities, overseeing activities throughout project lifecycles from application to end-of-life.
- Presently, the BCER has oversight of oil and gas, hydrogen, ammonia, methanol, geothermal, wind, solar, and select transmission lines.
- The BCER is established under the Energy Resource Activities Act (ERAA), which sets out its governance structure and provides authority for regulatory oversight of energy resource activities in B.C.
- The Renewable Energy Project (Streamlined Permitting) Act (REPA) expanded the BCER's mandate to include oversight of renewable energy activities.

BCER's Mandate

Protect public safety and the environment

Support reconciliation with Indigenous peoples

Conserve energy resources and support the transition to low-carbon energy

Foster a sound economy and social well-being

Legislative and Regulatory Framework

- ERAA authorizes the BCER Board to establish and amend regulations governing energy resource activities.
- This authority includes determining cost recovery mechanisms, subject to Treasury Board approval.
- BCER cost recovery instruments are established through the Fee, Levy and Security Regulation (FLSR) and the Renewable Energy Projects Regulation (REPR).

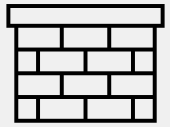
Current Cost Recovery Framework

- The BCER is a cost-recovered organization that collects its operating revenues through a combination of fees and levies.
- Fees recover costs associated with a specific service, whereas levies recover general operating costs incurred in administering the BCER's regulatory mandate.
- The BCER has application fees for the activities that it regulates, as well as permit amendment fees, and fees for other services such as environmental assessment consultation or document production.
- BCER revenues are collected from its production levy, which levies a per/unit charge on oil and gas production. BCER revenues are also collected from infrastructure levies, such as are currently in place for pipelines and major LNG facilities.

Themes and Intentions

THEME 1
Fairness

Intention: A policy framework for cost allocation that promotes fairness and proportionality across sectors.



THEME 2
Resilience

Intention: A policy framework that supports alignment between revenues and the cost of effective oversight.

THEME 3
Adaptability

Intention: A flexible funding model that adapts to a growing range of industries, reflects their distinct business and operating models, and supports cost recovery throughout the project lifecycle.

THEME 4
Efficiency

Intention: A funding model that is administratively efficient, procedurally predictable, and timely in the recovery of costs incurred.

THEME 1
Fairness

Intention #1

A policy framework for cost allocation that promotes fairness and proportionality across sectors.

Fairness

Context

- BCER's mandate now encompasses a broader range of regulated activities and industries than when the current cost recovery framework was established.
- Different sectors and activities may require different levels and types of regulatory oversight.
- As the regulatory landscape evolves, it is important that costs continue to be allocated in a manner that is fair and proportionate to regulatory oversight requirements.

Fairness

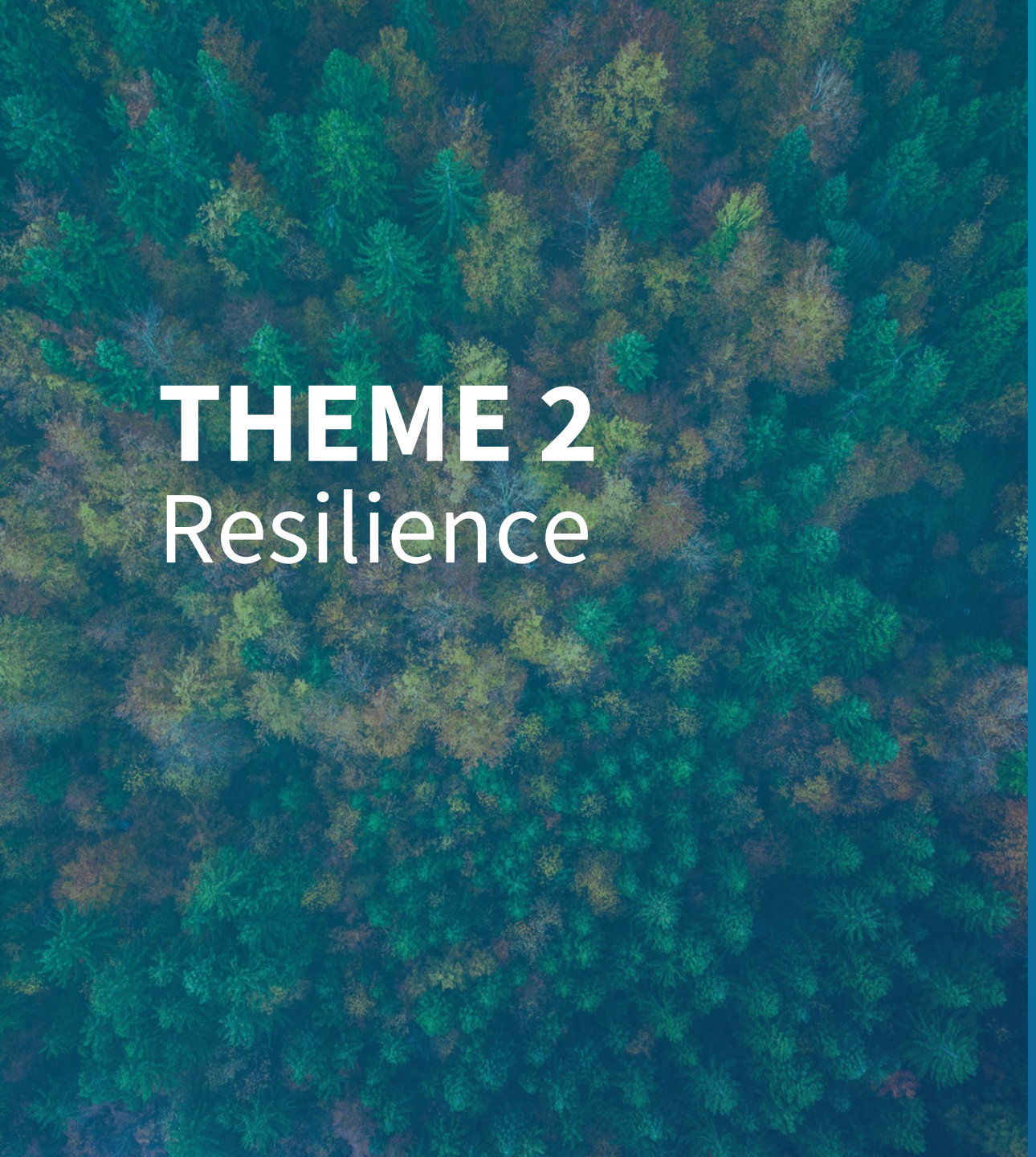
Impacts/Outcomes

- Establish principles for allocating costs across sectors and activities to preclude cross subsidization.
- Establish a predictable cost allocation model that allows permit holders to better anticipate costs.
- Different mechanisms may be considered. For example, cost allocation could be proportional to costs incurred, and/or to other, more easily predictable metrics such as production or assets.
- Cost allocation among permit holders will change if costs are redistributed using a different metric or practice than the current status quo.

Fairness

Other Jurisdictions

- Canada Energy Regulator (CER): Allocates costs using a model proportionate to economic output. Invoice amounts are calculated annually based on individual output relative to the total sector amount regulated by the CER.
- Alberta Energy Regulator (AER): Allocation varies by sector, but largely attributes cost by classing assets using metrics like production or size. Base amounts are subject to sector specific annual adjustments that are applied equally across classes.



THEME 2
Resilience

Intention #2

A policy framework that supports alignment between revenues and the cost of effective oversight.

Resilience

Context

- The BCER is a cost-recovered organization. This means that the organization needs a cost recovery framework that ensures revenues from industry fees and levies match overall organizational costs.
- Costs may change year over year due to sector activity levels , new regulatory responsibilities, increasingly complex projects or inflation.
- The BCER has the ability to adjust its fees and levies annually subject to the approval of Treasury Board. This is currently done on a fee, levy or sector specific basis when required.
- The BCER is required to maintain a balanced budget annually, unless otherwise approved by the Minister of Finance.

Resilience

Impacts/Outcomes

- An adjustment process for fees and levies to create BCER revenue predictability and cost alignment.
- Greater predictability for industry regarding how adjustments to fees and levies may occur over time.
- Reduced risk of funding misalignment by increasing the BCER's ability to respond to regulatory or energy market changes year over year.
- Greater adjustment flexibility also allows the BCER to scale revenues down appropriately in cases where oversight costs decrease.

Resilience

Other Jurisdictions

- CER: Calculates invoice amounts annually by dividing permit holders economic output relative to the total regulated amount. No base amounts.
- AER: Uses a formula to increase or decrease base levy revenues to ensure that annual revenues match sector and overall budget requirements. Adjustment is applied equally across base amounts.

THEME 3
Adaptability

Intention #3

A flexible funding model that adapts to a growing range of industries, reflects their distinct business and operating models, and supports cost recovery throughout the project lifecycle.

Adaptability

Context

- BCER regulates a diverse and growing range of industries, activities and authorization types. This includes energy resources identified in ERAA and renewable energy resources identified in the Renewable Energy Projects (Streamlined Permitting) Act (REPA).
- Different sectors may have distinct business models, project lifecycles, project development timelines and regulatory interactions.
- The BCER must establish cost recovery mechanisms for new sectors when the organizations mandate expands.
- The BCER currently issues invoices at various points in the project lifecycle with different approaches applied to different sectors.

Adaptability

Impacts/Outcomes

- A modern cost recovery framework that is capable of accommodating current and future regulatory responsibilities without requiring significant redesign to meet the needs of new or changing sectors or regulatory activities.
- A cost recovery framework that applies a consistent principles-based approach across sectors, but accounts for industry specifics and maturity.
- A cost recovery framework that predictably recovers costs across the project lifecycle.

THEME 4
Efficiency

Intention #4

A funding model that is administratively efficient, procedurally predictable, and timely in the recovery of costs incurred.

Efficiency

Context

- BCER relies on a complex mix of fees and levies to meet its annual revenue requirements.
- Administrative complexity can increase workload and create uncertainty for regulated parties.
- Industry has other financial responsibilities to the province for various approvals, rents, charges, and royalties.

Efficiency

Impacts/Outcomes

- Streamlined and more predictable cost recovery processes.
- Improved predictability as a result of greater understanding of BCER cost recovery mechanisms and processes.
- The timing of when payments are collected may be affected if the chosen model were to emphasize one mechanism over another (e.g. fees vs. levies).
- Simplify processes while maintaining accountability and ensuring the timely recovery of regulatory costs.
- Avoid duplication of services and oversight with other provincial bodies for which revenues are collected.

Efficiency

Other Jurisdictions

- Alberta Energy Regulator (AER): The AER does not use application fees in the same manner as the BCER; however, they are enabled to direct bill for unforeseen costs incurred by a specific permit holder.
- Canada Energy Regulator (CER): The CER does not use application fees in the same manner as the BCER; costs fully recovered using a formula that determines share of costs annually.
- BC Utilities Commission (BCUC): Annual invoice amounts determined based on a proportional representation of market share using a single standardized energy unit across all regulated parties.
- Technical Safety BC: Uses a fee for service model to recover the organization's costs. Fees are set by modelling the programs direct and indirect costs.

Financial Assurance

CONTEXT

- The BCER collects security from permit holders to manage closure liabilities in cases where proponents are unable to meet their obligations.
- Presently, acceptable forms of security are cash or an irrevocable letter of credit from an accepted institution.

IMPACTS/OUTCOMES

- BCER is considering expanding acceptable financial assurance, for example to include surety bonds.
- This would expand the consideration of financial assurance, giving permit holders greater flexibility.

NEXT STEPS

Providing Feedback

WRITTEN SUBMISSIONS

- Submit comments to the RegulatoryAffairs@bc-er.ca inbox.
- Data, analysis, and modelling are welcome

FOCUSED MEETINGS

- Opportunity to ask questions and provide detailed feedback
- Meeting requests may be submitted through the Regulatory Affairs inbox throughout the engagement period
- Please provide discussion topics or questions in advance

PHASED ENGAGEMENT

- Feedback on this initial engagement phase is welcome through November 13, 2026.
- From mid-2026 through fall 2027, there will be multiple opportunities for engagement, iterative validation, and key decision points.

We welcome feedback from all interested parties.

Please reach out to RegulatoryAffairs@bc-er.ca

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Scan here to see our Strategic Plan on a Page (S-PoP)