

**BC Oil and Gas Commission**

**2021/22**  
**Annual Service Plan Report**

**August 2022**



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## Board Chair's Accountability Statement



The *BC Oil and Gas Commission 2021/22 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2021/22 – 2023/24 Service Plan* created in April 2021. I am accountable for those results as reported.

A handwritten signature in black ink, appearing to read 'Fazil Mihlar'.

Fazil Mihlar  
Director, Board Chair  
July 29, 2022

**Table of Contents**

Board Chair’s Accountability Statement ..... 3

Letter from the Board Chair & CEO..... 5

Purpose of the Annual Service Plan Report..... 6

Purpose of the Organization..... 6

Strategic Direction ..... 6

Operating Environment..... 6

Report on Performance: Goals, Objectives, Measures and Targets..... 8

Financial Report..... 16

    Discussion of Results ..... 16

    Highlights..... 16

    Financial Summary ..... 17

    Variance and Trend Analysis..... 18

Appendix A: Additional Information..... 19

Appendix B: Auditor’s Report and Audited Financial Statements..... 20

## Letter from the Board Chair & CEO

We have the honour to provide the 2021/22 Annual Service Plan Report and appreciate the dedicated effort the BC Oil and Gas Commission has made in fulfilling its mission and mandate in what has been a rapidly changing operating environment.

A court case in the summer of 2021 involving treaty rights and cumulative effects has provided new opportunities for both the Commission and Province to forge new relationships and ways of doing business with Indigenous communities. Reconciliation is central to the Commission's work with Indigenous peoples and was demonstrated in several ways. This included facilitating a Treaty 8 Restoration Advisory Committee to incorporate Indigenous knowledge and culture into restoration standards and practices, continued implementation of the Commission's Indigenous Education Program, and participation in the Aboriginal Liaison Program.

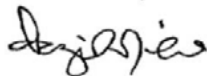
The Commission has progressed its work in restoring orphan sites and at the end of 2021, 65 per cent of the orphan wells the Commission is responsible for have been decommissioned. In addition, the Commission worked directly with Indigenous communities and Indigenous-owned service providers in the restoration of orphan sites.

The Commission also continued its involvement in research efforts to reduce methane emissions through the BC Methane Emissions Research Collaborative (MERC). The MERC is a joint initiative between industry, government, the Commission, and environmental agencies to advance research on understanding and reducing methane emissions from the oil and gas industry.

The past fiscal year was also characterized with ongoing adaptations due to the pandemic as the organization adhered to all provincial health orders, instituting a vaccine mandate for staff and contractors. These actions and other measures ensured the workplace remained safe for all employees.

One other significant event within the Commission in 2021 was the retirement of the Commissioner and the Chief Operating Officer. The Board helped guide the Commission in a robust selection and hiring process that ensured a seamless transition in November. This supported staff to continue working admirably protecting public safety and safeguarding the environment while balancing a broad range of environmental, economic, and social considerations.

Fazil Mihlar



Board Chair  
July 29, 2022

Michelle Carr



Chief Executive Officer  
July 29, 2022

## **Purpose of the Annual Service Plan Report**

The Annual Service Plan Report is designed to meet the requirements of the [Budget Transparency and Accountability Act](#) (BTAA), which sets out the legislative framework for planning, reporting and accountability for Government organizations. Under the BTAA, the Crown Corporation's Board is required to report on the actual results of the Crown's performance related to the forecasted targets documented in the previous year's Service Plan.

## **Purpose of the Organization**

Under the [Oil and Gas Activities Act](#) (OGAA), and the [Geothermal Resources Act](#) (GRA), the BC Oil and Gas Commission is a single-window life cycle regulatory agency with responsibilities for overseeing oil, gas and geothermal operations in British Columbia. The Commission oversees activities from exploration and development to reclamation and restoration.

## **Strategic Direction**

The strategic direction set by Government in 2020 and expanded upon in the Board Chair's [2021/22 Mandate Letter](#) from the Minister Responsible shaped the goals, objectives, performance measures, and financial plan outlined in the 2021/22 [BC Oil and Gas Commission Service Plan](#) as well as actual results reported on in this annual report.

## **Operating Environment**

The Commission regulates a diverse and growing set of activities at more than 35,000 sites in the province. During fiscal year 2021/22, the Commission approved over 200 applications for new activities to be developed and the inventory of primary activities regulated increased by 159 wells, 65 km of pipeline, and six major facilities. As part of the organization's efforts to ensure protection of public safety and the environment, Commission staff conducted over 4,700 site inspections and 75 compliance audits during the year and continued to advance key initiatives to strengthen the regulatory framework.

In June 2021, the B.C. Supreme Court issued a landmark ruling in *Yahey v. British Columbia*, which identified the need for fundamental changes in how decisions of provincial agencies, including the Commission, are made. Following the decision, the Commission is working with the Province to better consider and manage cumulative effects in decision making. As negotiations were underway, permit application review was reduced, and the Commission worked to transform its permit application review processes and its relationships with Indigenous nations. The Commission continued to strengthen its partnership approach with Indigenous communities in many areas of its operations, including restoration, compliance management, incident response, and regulatory initiatives. The Commission was also fully engaged with and proactively supported the Province on the implementation of the *Declaration on the Rights of Indigenous Peoples Act* (Declaration Act) and the release of the Declaration Act Action Plan.

Commission operational workload and revenues can be affected by fluctuations in energy markets and industry activity levels. During 2021/22, global energy markets and North American natural gas prices strengthened due to the post pandemic economic outlook and geopolitical conflict. Higher commodity prices drove a resurgence in profitability and overall industry activity levels throughout North America. B.C. production increased throughout fiscal 2021/22, with production on pace for a new record. Production increases were sustained by drilling on previously issued well authorizations in areas of existing land disturbance.

The Commission continued to dedicate resources toward the oversight of 10 LNG and pipeline major projects. Of these, three permitted projects met or surpassed 50 per cent construction completion. Two new projects were added to our portfolio.

Through the Comprehensive Liability Management Plan, the Commission continued its work to mitigate risks associated with permit holder insolvency and orphan and dormant sites. The final phase of this plan was implemented in 2021/22 with the launch of the Permittee Capability Assessment, which provides new tools to monitor the financial health of regulated companies and require increased security and restoration requirements where risk is evident. The Dormancy & Shutdown Regulation entered its third year, requiring permit holders to increase decommissioning and restoration activity in defined timelines. The permit holder orphan levy became fully phased-in during the fiscal year, and when paired with security surrendered by insolvent operators, it ensures that industry funding is sufficient to complete the restoration of orphan sites on a timely basis. During the fiscal year, a \$20 million work plan was implemented to complete 529 projects on orphan sites, and final reclamation was completed on 44 sites. At the end of the fiscal, there were 819 orphan sites, more than half of which have been decommissioned.

The importance and focus on protecting the environment and tackling climate change continued to advance as a pressing public and provincial priority. Over the fiscal year, the Commission worked to support the CleanBC plan through its ongoing implementation of methane emission regulations and reporting mechanisms. The Commission also continued to work internally to build its capacity to support the energy transition and the GHG reduction targets identified in CleanBC's Roadmap to 2030, by enhancing its expertise in emerging energy technologies, such as the hydrogen economy, carbon capture and storage, as well as the potential role for environmental, social, and governance (ESG) criteria to support regulatory approaches.

## Report on Performance: Goals, Objectives, Measures and Targets

### Goal 1: Protect Public Safety

#### Objective 1.1: Public safety related issues are understood and mitigated to prevent incidents

##### Key Highlights

- Executed on the Annual Compliance Plan, which resulted in 4,751 inspections (66 per cent of which were risk informed) and 75 audits. 183 enforcement investigations were conducted, resulting in 77 enforcement actions.
- Developed and implemented core compliance verification functions associated with dormant sites and geothermal activities.
- Maintained ongoing inspections of major projects while ensuring COVID-19 protocols were adhered to.
- Continuous improvement to expand on the suite of administrative compliance verification functions conducted annually, such as dormant sites and methane reporting.
- Continued to deliver on the Compliance Management System Improvement Program, which included process and information system enhancements to support more effective compliance management operations.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.1a Minimum number of inspections completed annually	4,947	4,450	4,751	4,450	4,450
1.1b Overall inspection compliance rate	99.3%	100%	99.7%	100%	100%

Data source: Internally monitored and tracked inspection and compliance rate data.

##### Discussion of Results

The target for measure 1.1a was exceeded. Performance in the fiscal year benefited from temporary additional resources allocated to support inspection of remote site locations and the implementation of the Dormancy and Shutdown Regulation. This measure reflects the Commission's efforts to inspect industry and ensure activities are done in compliance with regulations. Inspections cover aspects of the regulatory framework, as well as all permit specific requirements (conditions). Included are factors such as safety, environmental issues, accuracy of required measurements, adherence to defined standards, etc. The targets set are consistent with the Commission's baseline and aligned with expected industry activity levels through 2023/24.



The target for measure 1.1b was substantially met, with a slight variance of 0.3 per cent associated with deficiencies outstanding at the end of the fiscal year. The overall inspection compliance rate incorporates all compliant inspections plus inspections with deficiencies corrected within the required timelines. This combined rate provides a comprehensive indicator of the overall effectiveness of the Commission’s compliance management functions. Where deficiencies exist, the Commission takes enforcement action to achieve compliance in a manner consistent with the regulatory framework.

**Objective 1.2: The public is safe from harm should an incident occur**

**Key Highlights**

- During the November 2021 atmospheric river event, managed data gathering and analysis that informed provincial fuels management strategies and engaged with oil and gas companies to ensure critical needs for restoration of services were identified and communicated to support government coordination.
- In partnership with GEO BC and Emergency Management BC, enhanced industry access to spatial data related to natural disasters, allowing them to focus efforts on areas most at risk of disruption and minimize both direct and indirect risks to the public.
- Improved staff training objectives to include Indigenous relations competencies in preparation for increased engagement and participation in emergency management exercise processes.
- Engaged with Energy Safety Canada, a national safety association, to provide feedback on revisions to Industry Recommended Practices that are commonly used by operators to standardize safety approaches to better align with regulatory guidance.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
1.2a Per cent of active companies with complete Emergency Response Plan <sup>1</sup>	100%	100%	100%	N/A <sup>1</sup>	N/A <sup>1</sup>

Data source: Internally monitored and tracked company filing data.

<sup>1</sup> Future targets are not available as performance measure 1.2a has been replaced by two new measures in the Commission’s [2022/23 -2024/25 Service Plan](#).

**Discussion of Results**

The performance target for measure 1.2a was achieved. All active companies are required to have an Emergency Response Plan (ERP) on file and the Commission assesses each for completeness and compliance with regulations. Having an ERP in place enables the company to work through and plan for situations which, if not addressed quickly and methodically, could have an impact on the safety of its employees and the public who live around its area of operations.

Two new performance measures replace performance measure 1.2a in the Commission’s [2022/23 Service Plan](#). The new measures will shift the focus from submission of ERPs to the

effectiveness of permit holder’s emergency response capabilities and the Commission’s effort to minimize incidents.

**Goal 2: Respect those affected by energy resource development**

**Objective 2.1: Indigenous peoples’ and their governments’ rights are respected, and interests are considered and incorporated in Commission decisions and programs**

**Key Highlights**

- Created an internal strategic project team to oversee the transformation of the permitting process and ensure decision making incorporates the consideration of cumulative effects in a manner that is responsive to the court decision and to the protection of Treaty Rights.
- In response to community feedback, engaged with Indigenous communities on regulatory improvements through the Regulatory Affairs Quarterly newsletter, hosted open conference calls, and launched a new engagement portal on the Commission’s website.
- Continued delivery of the Aboriginal Liaison Program which provides Indigenous communities and the Commission opportunities to collaborate on compliance monitoring, environmental stewardship, and emergency management.
- Facilitated a collaborative Restoration Advisory Committee, which provided a venue for information sharing with respect to regulatory activities, shared priorities, and incorporation of Indigenous Knowledge into restoration.
- Carried out the Orphan Site Reclamation Program, which built economic capacity by creating contract opportunities for Treaty 8 Indigenous businesses through Standing Offers with the Commission, thus making opportunities to work on orphan well sites accessible.
- In cooperation with the Ministry of Advanced Education and Skills Training, the Commission supported community capacity building through its Indigenous Education Program which hosted courses on Environmental Site Assessment and Environmental Monitoring, training 46 Indigenous students from across the province.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
2.1a Per cent of applications where the duty to consult is met	100%	100%	N/A	N/A <sup>3</sup>	N/A <sup>3</sup>
2.1b Satisfaction level on how well the Commission is engaging Indigenous groups <sup>2</sup>	N/A	87%	73%	N/A	88%

Data Source: Internally monitored and tracked consultation data. Performance is assessed against a judicial review process.

<sup>2</sup> Data Source: The surveys are given to a wide range of Indigenous groups throughout the province and are conducted biennially by an external third party. The results are tracked and analyzed internally.

<sup>3</sup> Future targets are not available for performance Measure 2.1a as it has been replaced by a new measure and 2.1b future targets have been updated in the [2022/23 -2024/25 Service Plan](#).

## Discussion of Results

Performance measure 2.1a was discontinued and no longer tracked following the June 2021 *Yahey v. B.C.* court decision. The measure is replaced with a new metric that will provide a more valuable indicator of performance earlier in the consultation process. During the fiscal year, no Commission statutory decision was overturned by the Courts. Work is ongoing to review and consider how the Commission fulfills the duty to consult; including working with Treaty 8 First Nations to build a collaborative approach to consultation and decision making that ensures decisions on oil and gas applications are consistent with the exercise of Treaty 8 Rights.

This survey for measure 2.1b is completed biennially and was conducted in the fiscal year, between October and December 2021. This measure reflects the effectiveness of the Commission’s engagement efforts with Indigenous Groups. The survey results for 2021/22 (73 per cent) were 14 percentage points below the target performance level (87 per cent), with a lower-than-normal response rate, with only eight of 30 surveyed communities responding.

## Objective 2.2: Land owner interests in respect of their property are valued, understood and considered in Commission decisions and programs

### Key Highlights

- Enhanced relationships with local governments, landowners and other rights holders to address concerns related to quality-of-life indicators, such as noise, and seismicity. This included updates to the Noise Control Best Practices Guidelines and revised seismicity orders for specific areas.
- Developed internal staff guidance on accessibility, diversity, and inclusiveness for consistency in the Commission’s public-facing communication.
- Built stakeholder awareness and engagement through the Regional Networking Group, the Community Connector newsletter and hosted five webinars on topics related to the oil, gas, and geothermal industries and how they are regulated.
- Updated the Commission’s Land Owner Guide to improve inclusiveness and accessibility for readers.
- Completed the annual stakeholder survey including feedback from 532 land owners and local governments and initiated an action plan to address the input received.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
2.2a Per cent of wellsite operations suspended after causing a seismic event above regulatory threshold <sup>1</sup>	100%	100%	100%	100%	100%
2.2b Satisfaction level on how well the Commission is engaging Stakeholder groups <sup>2</sup>	95%	87%	89%	88%	88%

<sup>1</sup> Data source: Seismic events are from the Natural Resources Canada (NRCan) earthquake database; fracturing events are from internal Commission data. Suspended activities are tracked internally.

<sup>2</sup>The surveys are given to a wide range of land owners and local governments throughout the province and are conducted and rolled out annually by an external third party. The results are tracked and analyzed internally.

## **Discussion of Results**

The fiscal year target of 100 per cent was achieved for measure 2.2a. This measure reflects the Commission's commitment to mitigate felt seismic events by suspending operations that may impact the public until acceptable mitigation procedures can be put in place. Over the last few years, activity has shifted to target areas and formations that have lower seismic risk, resulting in lower than expected seismic frequency and magnitude compared to historical trends.

The target for measure 2.2b was exceeded. Engaging with stakeholders, particularly those directly affected by regulated activities, is a key aspect of the Commission's work and this measure reflects the effectiveness of those efforts.

## **Goal 3: Safeguard the environment**

### **Objective 3.1: Environmental values and attributes are sustained**

#### **Key Highlights**

- Delivered data on oil and gas industry methane gas emissions for the 2020 calendar year to meet 2021 equivalency report obligations to the federal government. This is an information sharing report, required under s.3 of the Federal Equivalency Agreement, a joint effort with the provincial government, and was submitted by Ministry of Energy, Mines and Low Carbon Innovation (EMLI) in December 2021.
- In collaboration with the members of the B.C. Methane Emissions Research Collaborative continued to ensure necessary research to support CleanBC and the provincial response to climate change.
- Advanced cumulative impacts management in northeast B.C., working with other provincial agencies.
- Partnered with Treaty 8 First Nations communities for installation of hydrometric stations and stream flow data collection for small watersheds in northeast B.C. as part of a BC OGRIS funded water monitoring initiative.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
3.1a Per cent of well and facility permits issued in environmentally sensitive areas <sup>1</sup>	0%	<1%	0%	1%	1%
3.1b Per cent of freshwater withdrawn for oil and gas activities <sup>2</sup>	0.004%	<1%	0.0025%	1%	1%
3.1c Per cent of required fugitive emission leak detection surveys submitted by permit holders (Calendar Year) <sup>3</sup>	55% (2020)	100% (2021)	N/A	100% (2022)	100% (2023)

<sup>1</sup> Data Source: Internal land use and monitoring data through Area Based Analysis (ABA) is used as part of the permitting process. The ABA geographic information systems data is continuously updated by the Commission, ministry databases and partner agencies and updates based on areas that are or become environmentally sensitive.

<sup>2</sup> Data Source: Data is determined by the Commission through water withdrawals reported by permit holders relative to the total volume of fresh water available in northeastern B.C.

<sup>3</sup> Data Source: Internally monitored and tracked permit holder filing data. Performance data is tracked and reported on a calendar year basis.

## Discussion of Results

The target for measure 3.1a was exceeded. This measure represents the organization’s ability to protect environmentally sensitive areas through its guidance to permit holders and application review processes. Environmentally sensitive areas include wildlife habitat areas, ungulate winter ranges, old-growth management areas, and cultural resources. Performance in 2021/22 was influenced by lower permitting activity associated with the Province’s response to the Yahey v. B.C. court decision.

The target for measure 3.1b was met. This performance measure reflects the Commission’s efforts to minimize the impact of oil and gas activities water use on available freshwater. This includes programs to improve our understanding of stream flows, so water use by industry is sustainable by ensuring adequate data to inform water authorization decisions. The Commission’s annual target for annual water withdrawn for oil and gas activities is to authorize one per cent or less of freshwater, which represents a fraction of the 15 per cent of available freshwater, as defined in the Province’s [environmental flow needs policy](#).

Performance data for measure 3.1c is not yet available for fiscal year 2021/22. This measure is reported on a calendar year basis, with 2021 data forecasted to be available in December 2022, and reported in the Commission’s 2022/23 annual report.

This measure reflects industry compliance performance in relation to submitting methane emission assessments, and the Commission’s related performance management efforts. Methane emission assessments will contribute to broader Provincial reporting on progress toward methane emissions reductions. Baseline performance data for 2020 has been added to the measure table

above, for fiscal year 2020/21. The 2020 baseline performance reflects combined challenges of first-year implementation, delays attributed to COVID-19, availability of qualified personnel and implementation issues with new electronic data submission processes. The Commission has implemented learnings from the first year of implementation and made processes and systems enhancements to support performance improvement going forward.

**Goal 4: Support Responsible Resource Development**

**Objective 4.1: Potential liabilities associated with resource development are mitigated**

**Key Highlights**

- The Orphan Liability Levy, which went into effect April 1, 2019, was in the final year of a three-year phase-in, to ensure adequate restoration funding for orphan sites<sup>1</sup>. For fiscal year 2021/22 the orphan liability levy collected from industry was \$15 million.
- At the end of the fiscal year, the Commission implemented the Permittee Capability Assessment, a new corporate health model for liability management that is responsive to changing industry risks and is used for reviewing security requirements and permit transfers.
- Under the Dormancy and Shutdown Regulation, almost 2,900 of the 8,970 total dormant sites<sup>2</sup> had restoration work undertaken.

Performance Measure(s)	2020/21 Actuals	2021/22 Target	2021/22 Actuals	2022/23 Target	2023/24 Target
4.1a Number of orphan sites restored <sup>1</sup>	61	30	44	35	50

Data Source: Internally monitored and tracked liability and asset management data.

<sup>1</sup>Currently restoration work is underway at hundreds of sites and the number here only reflects the number of sites with restoration work being completed within the fiscal year.

**Discussion of Results**

The target for measure 4.1a was exceeded, with 44 orphan sites reclaimed for a cumulative total of 147 sites (the total number of orphan sites at the end of the fiscal year was 819, more than half of which have been decommissioned).

<sup>1</sup> Orphan sites are wells, facilities, pipelines, or roads where the permit holder is insolvent or cannot be located, allowing the Commission to use the industry-funded Orphan Site Reclamation Fund to complete restoration.

<sup>2</sup> Dormant sites are wells that have not met a threshold of activity for five years, requiring permit holders to complete restoration under strict timelines defined in the Dormancy and Shutdown Regulation.

Completion of reclamation is the result of ongoing work through multiple project phases and multiple years on orphan sites. In any given year, the Commission will complete work on several hundred orphan sites, such as in fiscal year 2021/22 where 529 projects were completed on 321 orphan sites as they progress towards reclamation. This measure reflects the management and completion of the restoration of orphan sites, which, when designated, become an accounting liability for the Commission and a potential liability for the Province. Under Part 4 of OGAA, the Commission may designate a well, facility, pipeline and/or area affected by oil and gas activity as an orphan site if the operator is insolvent or cannot be located. Once designated, the Commission recognizes the liability associated with the orphan site and a work plan is implemented so the site can be restored.

Two new measures have been added in relation to Goal 4 in the Commission's [2022/23 Service Plan](#). These new measures will provide additional performance information related to the progress and effectiveness of the Dormancy & Shutdown Regulation and the Commission's capacity and progress toward meeting its goal of restoring all orphan sites within 10 years of their designation.

## Financial Report

For the auditor's report and audited financial statements, see [Appendix B](#). These can also be found on the [BC Oil and Gas Commission website](#).

### Discussion of Results

The Commission had an annual surplus from operations of \$2.3 million, and an overall surplus of \$0.26 million after accounting for accrued liabilities for the Orphan Site Reclamation Fund (OSRF).

Application fees and miscellaneous revenues were on budget, while industry levies were \$1.9 million greater than budget due to strong production volumes. Commission operating expenses of \$56.5 million, were \$0.39 million under budget. This was mainly due to savings in salaries, in benefits from higher than anticipated resignations, and a hiring freeze implemented early in the year to mitigate potential COVID-19 budget impacts.

The Commission completed remaining work of \$1.4 million under the \$15 million federal government funding to clean up orphan and inactive wells across the province. The funding came through EMLI and was directed to a new Orphan Sites Supplemental Reclamation Program and is included in the OSRF. Total reclamation work on orphan sites during the year allowed the Commission to reduce its orphan liability by \$6.3 million, offset by \$6.8 million in new orphan designations and changes in orphan estimates.

Capital spending during the year was \$4.7 million compared to a budget of \$5 million. Net additions were \$4.1 million after disposals and valuation adjustments.

### Highlights

- Operating surplus of \$2.3 million, overall surplus of \$0.26 million after accounting for the OSRF.
- Operating revenues exceeded budget.
- Operating expenses were on budget.



## Financial Summary

(\$000)	2020/21 Actual	2021/22 Budget	2021/22 Actual	2021/22 Variance
<b>OPERATIONS</b>				
<b>Operating Revenue</b>				
Industry Levies	46,545	47,574	49,484	1,910
Application Fees and Miscellaneous	10,790	9,296	9,292	(4)
<b>Total Revenue from Operations</b>	<b>57,335</b>	<b>56,870</b>	<b>58,776</b>	<b>1,906</b>
<b>Operating Expenses</b>				
Salaries and Benefits	31,585	34,258	32,770	1,488
Other Operating	18,457	17,812	18,503	(691)
Amortization	4,669	4,800	5,210	(410)
<b>Total Expenses from Operations</b>	<b>54,711</b>	<b>56,870</b>	<b>56,483</b>	<b>387</b>
<b>Net Surplus from Operations</b>	<b>2,624</b>	<b>-</b>	<b>2,293</b>	<b>2,293</b>
<b>ORPHAN SITE RECLAMATION FUND (OSRF)</b>				
<b>OSRF Revenue</b>				
Industry Levies	14,791	15,000	15,000	-
Security Deposits, Interest	469	300	2,198	1,898
Government Transfers <sup>2</sup>	13,626	500	1,374	874
<b>Total Revenue from OSRF</b>	<b>28,886</b>	<b>15,800</b>	<b>18,572</b>	<b>2,772</b>
<b>OSRF Expenses</b>				
Orphan Designations and Administration	8,178	3,330	7,960	(4,630)
Reclamation	21,879	12,470	12,641	(171)
<b>Total Expenses from OSRF</b>	<b>30,057</b>	<b>15,800</b>	<b>20,601</b>	<b>(4,801)</b>
<b>Net deficit from OSRF</b>	<b>(1,171)</b>	<b>-</b>	<b>(2,029)</b>	<b>(2,029)</b>
<b>Annual Consolidated Surplus / (Deficit)</b>	<b>1,453</b>	<b>-</b>	<b>264</b>	<b>264</b>
<b>Additional Information</b>				
<b>Capital Expenditures</b>	<b>4,017</b>	<b>5,000</b>	<b>4,743</b>	<b>(257)</b>
<b>Total Liabilities</b>	<b>115,030</b>	<b>100,221</b>	<b>107,607</b>	<b>7,386</b>
<b>Accumulated Surplus (Deficit)</b>	<b>(4,420)</b>	<b>(4,420)</b>	<b>(4,156)</b>	<b>(264)</b>

**Note 1:** The above financial information was prepared based on current Generally Accepted Accounting Principles. Refer to the Statement of Operations and Note 18 of the audited financial statements for details of revenue and expenses summarized in the above table.

**Note 2:** Government Transfers includes federal pandemic stimulus funding received through EMLI to fund the Orphan Supplemental program. This one-time program provided total funding of \$15 million in addition to normal restoration levies and was substantially completed in fiscal 2021/22.

## **Variance and Trend Analysis**

Natural gas production volumes were up nine per cent over last year and moderate growth is expected going forward. Well application revenues were impacted by the June 2021 B.C. Supreme Court decision. Following the ruling, the Commission initiated a review of its permitting process and has made a limited number of decisions while a methodology for considering cumulative effects is being developed in coordination with other natural resource ministries. This resulted in a reduction of application fee revenues of \$4.3 million and an offsetting increase in liabilities. OSRF program costs are expected to be at normal levels going forward, balanced to funds raised by the orphan liability levy.

## **Risks and Uncertainties**

The Commission's main exposure is due to the risk of insolvencies in the industry. As required by provincial legislation, the Commission's budget must be balanced. If there are more insolvencies in industry than the budgeted OSRF revenues can absorb, then a deficit will be incurred. The accounting requirement to recognize the liability of orphan sites up front can impact the Commission's ability to balance its budget on an annual basis, however, industry funding through the liability levy is expected to be sufficient to fund future OSRF costs.

The Commission monitors industry market forces and permittee financial health to determine whether the risk of a deficit exists. Orphan liability costs are estimated and measurement uncertainty in the amount recorded is noted in the Commission's financial statements.

Risk in the operating budget is mainly from industry market forces on production volumes and well applications. The ability of the Commission to set levy rates, within an approved range, reduces the risk that regulatory costs will exceed industry revenues.

## **Appendix A: Additional Information**

### **Organizational Overview**

The BC Oil and Gas Commission is a single-window regulatory agency with responsibilities for overseeing oil, gas, and geothermal operations in British Columbia. The Commission oversees activities from exploration and development to pipeline transportation and reclamation.

Additional information about the Commission, including its operations, mandate and plans is available at: <https://www.bcogc.ca/about>

### **Corporate Governance**

The Commission is governed by a Board of Directors that sets the strategic direction, ensuring organizational performance is in line with strategic priorities and establishing appropriate accountability and transparency mechanisms. Additional information regarding the Commission's governance is available at: <https://www.bcogc.ca/about/governance>

## **Appendix B: Auditor's Report and Audited Financial Statements**

A low-angle photograph of an oil rig's derrick structure, silhouetted against a dramatic sky at sunset or sunrise. The sun is a bright, glowing orb on the right side, partially obscured by clouds, creating a lens flare effect. The sky is filled with soft, textured clouds in shades of orange, yellow, and blue. The rig's metal beams and cables are dark against the lighter sky.

**BC Oil and Gas Commission**

**Financial Statements**

**March 31, 2022**



## Statement of Management Responsibility

The financial statements of the BC Oil and Gas Commission (the "Commission") for the year ended March 31, 2022 have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements annually.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to the Audit Committee and management of the Commission and meet when required.

The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Commission

A handwritten signature in black ink, appearing to read "Michelle Carr".

**Michelle Carr, Commissioner**

**June 8, 2022**

A handwritten signature in black ink, appearing to read "Brent Blackhall".

**Brent Blackhall, CPA, CA  
Executive Director, Finance and Administration**



## **INDEPENDENT AUDITOR'S REPORT**

*To the Board of Directors of the BC Oil and Gas Commission, and  
To the Minister of Energy, Mines and Low Carbon Innovation, Province of British Columbia*

### ***Opinion***

I have audited the accompanying financial statements of the BC Oil and Gas Commission (“the entity”) which comprise the statement of financial position at March 31, 2022, and the statements of operations and accumulated deficit, change in net financial debt and cash flows, for the year then ended and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2022, and the results of its operations, change in its net debt, and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

### ***Basis for Opinion***

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the entity in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements.***

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian Public Sector Accounting Standards (PSAS), and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the entity will continue its operations for the foreseeable future.

## *Auditor's Responsibilities for the Audit of Financial Statements*

My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement, when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



Stuart Newton, CPA, CA  
Assistant Auditor General

Victoria, British Columbia, Canada  
June 8, 2022

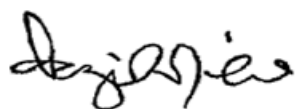


**BC Oil and Gas Commission**  
**Statement of Financial Position**  
(in \$000s)

	Note	March 31 2022	March 31 2021
<b>Financial assets</b>			
Cash		\$ 15,814	\$ 5,419
Investments	3,4	45,174	60,223
Accounts receivable	5	14,789	15,009
Due from government	6	4,286	5,464
		<u>80,063</u>	<u>86,115</u>
<b>Liabilities</b>			
Accounts payable & accrued liabilities	7	7,062	18,958
Employee future benefits	8	1,002	875
Due to Indigenous communities	9	247	129
Due to government		571	1,843
Deferred revenue	10	5,349	2,423
Deferred lease inducements		305	392
Liability for orphan sites	11, 15	65,251	64,718
Security deposits	4	27,820	25,692
		<u>107,607</u>	<u>115,030</u>
<b>Net financial debt</b>		<u>(27,544)</u>	<u>(28,915)</u>
<b>Non-financial assets</b>			
Tangible capital assets	12	22,042	22,687
Prepaid expenses		1,346	1,808
		<u>23,388</u>	<u>24,495</u>
<b>Accumulated deficit</b>		<u>\$ (4,156)</u>	<u>\$ (4,420)</u>
Contractual obligations	13		
Contingent liabilities	14		
Measurement uncertainty	15		

The accompanying notes are an integral part of these statements.

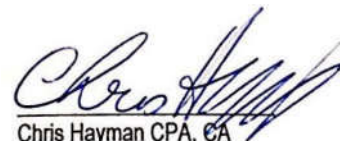
Approved on behalf of the Board



Fazil Mihar, Board Chair



Michelle Carr, Commissioner



Chris Hayman CPA, CA  
Audit Committee Chair

**BC Oil and Gas Commission**

**Statement of Operations and Accumulated Deficit**

(in \$000s)

	Note	Budget 2022	March 31 2022	March 31 2021
		(Note 19)		
<b>Revenues</b>				
Production levies		\$ 41,574	\$ 43,590	\$ 44,152
Infrastructure levies		6,000	5,894	5,936
Orphan site restoration levy		15,000	15,000	11,248
Fees		8,796	8,073	9,757
Interest		800	542	1,072
Government transfers	17	500	1,786	13,862
Remediation recoveries		-	2,107	100
Other revenue		-	356	94
		72,670	77,348	86,221
<b>Expenses</b>				
Oil and gas activities regulation	18	56,870	56,483	54,711
Orphan site reclamation fund	18	15,800	20,601	30,057
		72,670	77,084	84,768
<b>Annual surplus</b>		-	264	1,453
<b>Accumulated (deficit) surplus, beginning of year</b>		(4,420)	(4,420)	(5,873)
<b>Accumulated deficit, end of year</b>		<b>\$ (4,420)</b>	<b>\$ (4,156)</b>	<b>\$ (4,420)</b>

The accompanying notes are an integral part of these statements.

**BC Oil and Gas Commission**

**Statement of Change in Net Financial Debt**  
**(in \$000s)**

	Budget 2022	March 31 2022	March 31 2021
	(Note 19)		
Annual surplus	\$ -	\$ 264	\$ 1,453
Acquisition of tangible capital assets	(5,381)	(4,743)	(4,017)
Disposals of tangible capital assets	-	178	165
Impairment of tangible capital assets	-	286	-
Amortization of tangible capital assets	4,800	4,924	4,669
	(581)	645	817
Acquisition of prepaid expense	-	462	(714)
Increase (decrease) in net financial assets	(581)	1,371	1,556
Net financial debt, beginning of year	(28,915)	(28,915)	(30,471)
Net financial debt, end of year	<b>\$ (29,496)</b>	<b>\$ (27,544)</b>	<b>\$ (28,915)</b>

The accompanying notes are an integral part of these statements.

<b>BC Oil and Gas Commission Statement of Cash Flows (in \$000s)</b>	<b>March 31 2022</b>	<b>March 31 2021</b>
<b>Operating transactions</b>		
<b>Cash generated from:</b>		
Production levies	\$ 58,693	\$ 56,751
Infrastructure levies	5,941	3,940
Fees	11,337	11,236
Interest	542	1,072
Government transfers	1,786	13,862
Miscellaneous and recoveries	3,374	(1,255)
Security deposits	6,710	2,938
	<b>88,383</b>	<b>88,544</b>
<b>Cash used for:</b>		
Salaries and benefits	(33,686)	(32,273)
Payments to Indigenous communities	(6,440)	(6,276)
Operating expenses	(12,809)	(13,158)
Orphan site reclamation	(30,777)	(34,190)
Security deposits refunded	(2,475)	(3,352)
Security deposits transferred to revenue	(2,107)	(100)
	<b>(88,294)</b>	<b>(89,349)</b>
<b>Cash from operating activities</b>	<b>89</b>	<b>(805)</b>
<b>Capital transactions</b>		
Cash used to acquire tangible capital assets	(4,743)	(4,017)
<b>Investing transactions</b>		
Investments in portfolio investments	15,049	(1,076)
<b>Increase in cash</b>	<b>10,395</b>	<b>(5,898)</b>
<b>Cash beginning of year</b>	<b>5,419</b>	<b>11,317</b>
<b>Cash end of year</b>	<b>\$ 15,814</b>	<b>\$ 5,419</b>

The accompanying notes are an integral part of these statements.

## **1. The Oil and Gas Commission**

The Commission was established under the *Oil and Gas Commission Act* on July 30, 1998 to regulate non-federal oil and gas activities, having regard to environmental, economic and social values, encourage participation of Indigenous communities, and advance safe and efficient practices in the industry. The Commission is accountable for delivering initiatives and programs that serve to minimize the environmental impact of oil and gas activities in British Columbia. The Commission and its purposes were continued in the *Oil and Gas Activities Act* which came into force October 4, 2010.

The Commission is funded from fees charged in respect of permit applications, transfers and amendments and through industry levies against permit holders on:

- Oil and gas production;
- Infrastructure, such as pipelines and Class C LNG facilities; and
- Total liability.

The Commission is exempt from federal and provincial income taxes.

## **2. Significant accounting policies**

### **Basis of accounting**

These financial statements are prepared by management in accordance with Canadian public sector accounting standards.

### **Financial instruments**

The Commission reports its financial instruments at cost or amortized cost.

### **Tangible capital assets**

Capital assets are recorded at cost. The costs, less estimated residual value, of the tangible assets, are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

<b>Capital assets</b>	<b>Rate</b>
Tenant improvement	over the lease term
Furniture	10%
Computer hardware	33%
Operating equipment	10% - 20%
Vehicles	20%
Business systems development	10% - 33%
Computer software	20% - 33%

Computer software includes satellite imagery which is being amortized on a straight-line basis at an annual rate of 20%.

## 2. Significant accounting policies (continued)

### Revenue recognition

Revenues are recognized in the period in which the transaction or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

### Production levies

All production levy revenue authorized and collected under the *Oil and Gas Activities Act* is first paid to the Minister of Finance. The Province is required to transfer this amount of revenue to the Commission in full. This revenue source is calculated based on production of oil and gas, and is also recognized as revenue at point of production. Production levies can be used to fund operations or orphaned sites.

### Infrastructure levies

Infrastructure levies are billed to permit holders of pipelines and Class C LNG Facilities owned at March 31 of the applicable fiscal year.

### Annual orphan liability levies

Annual orphan liability levies are billed and recognized based on a permit holder's deemed liability for permitted wells and facilities as at April 1 of the applicable fiscal year.

### Application fees

General application fees are billed upon submission while amendment application fees are billable upon completion of the review process. Fees for major projects are billable in installments. All application fee revenue is recognized in the period it is earned.

### Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Grants are recorded as expenses when the payment is authorized and eligibility criteria have been met by the recipient. Reclamation costs are estimated and accrued when determinable.

### Prepaid expenses

Prepaid expenses include flight passes, subscriptions, insurance, property taxes and other general prepaid expenses and are charged to expense when used or over the periods expected to benefit from the expenditures.

### Employee future benefits – employee benefit plan

The Commission and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable.

### Employee future benefits – future retirement allowance liability

The Commission accrues for future retirement allowances as provided under the collective agreements and terms of

**2. Significant accounting policies (continued)**

employment. The accrual as at March 31, 2022 is determined based on service and best estimates of retirement ages, expected future salary and wage increases, long term inflation rates and discount rates. The estimates are also based on assumptions about future events.

**Liability for contaminated sites**

Contaminated sites result from contamination by a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into air, soil, water or sediment. A liability for restoration of contaminated sites is recognized when the Commission accepts responsibility for the restoration of an orphan site, contamination at the orphan site exceeds the environmental standard and a reasonable estimate of the amount can be made. Uncertainty of a potential liability for orphan sites may exist when there are ongoing insolvency or court proceedings. The Commission may recognize a contingent liability prior to formal designation of an orphan site where the outcome of proceedings is assessed to likely result in sites becoming orphaned.

**3. Investments**

Investments consist of term deposits which are liquid short term investments with maturity dates of one year or less from the date of acquisition and are carried on the Statement of Financial Position at cost.

Investment funds are pooled from the following sources:

	<b>March 31 2022</b>	<b>March 31 2021</b>
Operations	\$ 13,715	\$ 16,871
Orphan site reclamation fund (note 11)	3,639	17,560
Security deposits - Liability Management Rating program (note 4)	27,820	25,792
	<b>\$ 45,174</b>	<b>\$ 60,223</b>

**4. Security deposits**

On October 28, 2010, the Commission established a Liability Management Rating (LMR) program. The objective of the LMR program is to ensure that permit holders carry the financial risk of their oil and gas operations through to regulatory closure. The Commission, through the LMR program, regularly assesses security deposit requirements. The Commission holds \$182,561 (2021: \$170,575) in security deposits, of which \$27,820 (2021: \$25,792) is held in cash and/or investments and \$154,741 (2021 \$144,782) in the form of irrevocable letters of credit which are not recorded in these financial statements. Security deposits are restricted for use in settling potential permit holder restoration obligations. In fiscal 2022, the Commission recovered \$2,107 (2021: \$100) from security deposits to help satisfy restoration obligations of permit holders.



**BC Oil and Gas Commission**  
**Notes to the Financial Statements March 31, 2022**  
(in \$000s)

**5. Accounts receivable**

	<b>March 31 2022</b>	<b>March 31 2021</b>
Production levies receivable	\$ 7,409	\$ 7,560
Infrastructure levies receivable	5,889	5,936
Fees	167	505
Other receivables	1,324	1,008
	<b>\$ 14,789</b>	<b>\$ 15,009</b>

Production levies are collected and processed by the provincial government. At any point in time, a portion of levies receivable by the Commission is payable by industry, and a portion is payable by the Province (note 6).

**6. Due from Government**

	<b>March 31 2022</b>	<b>March 31 2021</b>
Levies collected	\$ 3,819	\$ 3,771
Recoveries and other	467	1,693
	<b>\$ 4,286</b>	<b>\$ 5,464</b>

**7. Accounts payable and accrued liabilities**

	<b>March 31 2022</b>	<b>March 31 2021</b>
Accounts payable and accrued liabilities	\$ 3,863	\$ 15,766
Salaries and benefits payable	3,199	3,192
	<b>\$ 7,062</b>	<b>\$ 18,958</b>

**Employee leave entitlements**

As of March 31, 2022, the value of employee entitlements to vacation, other leave and compensatory time off, plus related benefits, in accordance with collective agreements and terms of employment was \$1,184 (2021: \$1,247). This amount is included in salaries and benefits payable.

**8. Employee future benefits**

**Employee benefit plan**

The Commission and its employees contribute to the Public Service Pension Plan, a jointly trustee pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. Basic pension benefits are based on a formula. The plan has approximately 64,300 active plan members, 49,500 retired plan members, and 18,800 inactive members.

**8. Employee future benefits (continued)**

**Employee benefit plan (continued)**

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2020, indicated a funding surplus of \$2.7 billion for basic pension benefits. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The total amount paid into this pension plan by The Commission for the year ended March 31, 2022 for employer contributions was \$2,548 (2021: \$2,583).

**Future retirement allowance liability**

The liability as reported on the statement of financial position is as follows:

	March 31 2022	March 31 2021
<b>Accrued retirement obligation</b>		
Balance at beginning of year	\$ 875	\$ 761
Current benefit cost	65	67
Interest	33	28
Amortization of actuarial loss	29	19
Benefits paid	-	-
<b>Balance at end of year</b>	<b>\$ 1,002</b>	<b>\$ 875</b>
<b>Actuarial retirement obligation</b>		
Accrued benefit obligation	\$ 1,002	\$ 875
Unamortized actuarial loss	18	175
<b>Balance at end of year</b>	<b>\$ 1,020</b>	<b>\$ 1,050</b>

The significant actuarial assumptions adopted in measuring the Commission's accrued retirement obligations are as follows:

	2022	2021
Discount rate	3.50%	3.08%
Wages and salary escalation	2.00%	2.00%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. The unamortized actuarial loss on future payments is amortized over the estimated average remaining years of service of the employee group which has been determined to be approximately 14 years at March 31, 2022 (2021: 14 years).

**9. Due to Indigenous communities**

Due to Indigenous communities includes management’s best estimate of expected liability to a number of Indigenous communities. The Commission works closely with Indigenous communities and negotiates consultation agreements and Memoranda of Understanding to establish formal consultation processes for oil and gas activities. These agreements provide resources for Indigenous communities’ capacity to participate in the consultation processes as well as set out responsibilities of the parties involved.

**10. Deferred revenue**

Deferred revenue consists of unearned application fees, major projects application fees and other revenues. The change in the deferred revenue balance is as follows:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Fees and other	\$ 2,423	13,097	(10,171)	\$ 5,349

**11. Liability for Orphan Sites**

The Commission administers the Orphan Site Reclamation Fund (OSRF) which was created on April 1, 2006 as a means for industry to pay for restoration of orphaned oil and gas sites and for related costs. Revenue for the OSRF is derived from orphan site restoration levies, production levies and security deposits.

The OSRF has assets of \$14,313 (2021: \$18,240) to pay for costs associated with orphan sites. During the year, the number of designated orphan sites increased from 742 to 819. Previously the Commission used a different method to report the number of orphan sites, which resulted in 770 sites as at March 31, 2021.

Of the designated sites, 147 (2021: 104) have been reclaimed, with the remainder to undergo restoration as resources permit. The Commission continues to monitor other potential orphan sites.

The Commission determined the liability for orphan sites based on the Commission's obligation to ensure public and environmental safety. The liability reflects the costs required to bring the sites up to a standard where the environment and the public are protected. The liability for known orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. Additional potential liability for orphan sites could result from contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. These factors are estimated based on site characteristics and are disclosed in the measurement uncertainty note.

The estimation of the liability does not include discretionary reclamation costs. Full reclamation costs for orphan sites is estimated to be in the range of \$118,000 to \$189,000.

Net present value has not been used since the estimated costs are not expected to occur over an extended long term period.

BC Oil and Gas Commission  
Notes to the Financial Statements March 31, 2022  
(in \$000s)

12. Tangible capital assets

March 31, 2022

	Tenant	Computer	Operating		Other	Application	Computer			
	Improvements	Furniture	Hardware	Equipment	Vehicles	Business	Management	System	Software	Total
<b>Cost</b>										
<b>Opening balance</b>	\$ 6,503	\$ 4,075	\$ 3,995	\$ 1,844	\$ 2,022	\$ 10,385	\$ 19,190	\$ 823		\$ 48,837
Additions	10	82	579	292	109	3,634	37	-		4,743
Impairments						(286)				(286)
Disposals	-	-	-	-	(328)	-	-	-		(328)
<b>Closing balance</b>	<b>\$ 6,513</b>	<b>\$ 4,157</b>	<b>\$ 4,574</b>	<b>\$ 2,136</b>	<b>\$ 1,803</b>	<b>\$ 13,733</b>	<b>\$ 19,227</b>	<b>\$ 823</b>		<b>\$ 52,966</b>
<b>Accumulated amortization</b>										
<b>Opening balance</b>	\$ 4,522	\$ 2,744	\$ 3,336	\$ 1,105	\$ 649	\$ 4,498	\$ 8,476	\$ 820		\$ 26,150
Amortization	387	338	417	244	118	1,390	2,027	3		4,924
Disposals	-	-	-	-	(150)	-	-	-		(150)
<b>Closing balance</b>	<b>\$ 4,909</b>	<b>\$ 3,082</b>	<b>\$ 3,753</b>	<b>\$ 1,349</b>	<b>\$ 617</b>	<b>\$ 5,888</b>	<b>\$ 10,503</b>	<b>\$ 823</b>		<b>\$ 30,924</b>
<b>Net book value</b>	<b>\$ 1,604</b>	<b>\$ 1,075</b>	<b>\$ 821</b>	<b>\$ 787</b>	<b>\$ 1,186</b>	<b>\$ 7,845</b>	<b>\$ 8,724</b>	<b>\$ -</b>		<b>\$ 22,042</b>

March 31, 2021

	Tenant	Computer	Operating		Other	Application	Computer			
	Improvements	Furniture	Hardware	Equipment	Vehicles	Business	Management	System	Software	Total
<b>Cost</b>										
<b>Opening balance</b>	\$ 6,410	\$ 4,075	\$ 3,658	\$ 1,833	\$ 2,102	\$ 7,537	\$ 18,707	\$ 823		\$ 45,145
Additions	93	-	337	11	245	2,848	483	-		4,017
Disposals	-	-	-	-	(325)	-	-	-		(325)
<b>Closing balance</b>	<b>\$ 6,503</b>	<b>\$ 4,075</b>	<b>\$ 3,995</b>	<b>\$ 1,844</b>	<b>\$ 2,022</b>	<b>\$ 10,385</b>	<b>\$ 19,190</b>	<b>\$ 823</b>		<b>\$ 48,837</b>
<b>Accumulated amortization</b>										
<b>Opening balance</b>	\$ 4,138	\$ 2,383	\$ 2,873	\$ 874	\$ 660	\$ 3,421	\$ 6,504	\$ 788		\$ 21,641
Amortization	384	361	463	231	149	1,077	1,972	32		4,669
Disposals	-	-	-	-	(160)	-	-	-		(160)
<b>Closing balance</b>	<b>\$ 4,522</b>	<b>\$ 2,744</b>	<b>\$ 3,336</b>	<b>\$ 1,105</b>	<b>\$ 649</b>	<b>\$ 4,498</b>	<b>\$ 8,476</b>	<b>\$ 820</b>		<b>\$ 26,150</b>
<b>Net book value</b>	<b>\$ 1,981</b>	<b>\$ 1,331</b>	<b>\$ 659</b>	<b>\$ 739</b>	<b>\$ 1,373</b>	<b>\$ 5,887</b>	<b>\$ 10,714</b>	<b>\$ 3</b>		<b>\$ 22,687</b>

Included in the net book value of other systems development are assets not being amortized of \$798 (2021: \$1,296) as they have not yet been completed and put into use.

### 13. Contractual obligations

The Commission has entered into a number of multiple-year contracts for the delivery of services, the construction of assets, and operating leases. These contractual obligations will become liabilities in the future when the terms of the contract are met. Disclosure relates to the unperformed portion of the contracts.

	2023	2024	2025	2026	2027	Thereafter
\$	4,476	\$ 4,509	\$ 4,071	\$ 2,442	\$ 2,407	\$ 8,294

The Commission is also committed to make certain payments under Indigenous capacity agreements.

### 14. Contingent liabilities

The Commission may become contingently liable with respect to pending litigation and claims in the normal course of operations. In the opinion of management, any liability that may arise from pending litigation would not have a material effect on the Commission's financial position or results of operations.

See Note 11 regarding potential reclamation costs related to the Orphan Site Reclamation Fund.

### 15. Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to levy production volumes, revenue deferrals, rates for amortization, estimated orphan restoration and estimated employee future benefits. Actual results could differ from these estimates.

#### Fees

In June 2021, the B.C. Supreme Court issued a landmark ruling in *Yahey v. British Columbia*, which identified the need for fundamental changes in how decisions of provincial agencies, including the Commission, are made. Following the decision, the Commission is working with the Province to review how it fulfils the duty to consult, in particular with Blueberry River First Nations and other Treaty 8 First Nations. The Commission initiated a review of its permitting process and has made a limited number of decisions while a methodology for considering cumulative effects is being developed in coordination with other natural resource ministries. Management has made a general estimate of 50% for work competed to date on the permits under review and has recorded a related \$4.3 million in deferred revenue as at March 31, 2022. Management anticipates fully completing the remaining permit processing in the new year.

#### Liability for orphan sites

Reported	Low	High
\$65,251	\$48,000	\$94,000

Liability for known orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. The estimation of the liability does not include contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. Additional potential liability for the designated sites resulting from these contingencies is also estimated based on site characteristics. Changes in this estimate would also affect orphan reclamation expenses and annual and accumulated surpluses.

**BC Oil and Gas Commission**  
**Notes to the Financial Statements March 31, 2022**  
(in \$000s)

**16. Related party transactions**

The Commission is related through common ownership to all Province of British Columbia ministries, agencies and crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity.

The financial statements include the following transactions with related parties of the Province of British Columbia:

	<b>March 31 2022</b>	<b>March 31 2021</b>
<b>Revenues:</b>		
Government transfers	\$ 1,786	\$ 13,862
Interest	129	60
	<b>\$ 1,915</b>	<b>\$ 13,922</b>
<b>Expenses:</b>		
Salaries and benefits	\$ 1,693	\$ 1,438
Professional services and training	225	514
Building occupancy	161	150
Telecommunications and information systems	112	101
Travel and vehicle costs	50	31
Office supplies and equipment	31	27
	<b>\$ 2,272</b>	<b>\$ 2,261</b>
<b>Tangible capital assets</b>		
Additions	<b>\$ 186</b>	<b>\$ 427</b>

In addition, the Commission is related to the BC Oil and Gas Research and Innovation Society (BC OGRIS) by virtue of a member of the Commission's senior management serving on the board of directors of BC OGRIS. During the year, grants of \$1,508 (2021: \$2,000) were provided to BC OGRIS.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 17. Government transfers

Government transfers includes funding received from the Ministry of Energy, Mines and Low Carbon Innovation through the Government of Canada to clean up of orphan and inactive oil and gas wells across the province under the Orphan Sites Supplemental Reclamation Program (the "Program"). The Program was completed during fiscal 2022.

## 18. Expense by Object

	Oil and Gas Regulation	Orphan Site Reclamation Fund	March 31 2022	March 31 2021
Salaries and benefits	32,770	1,050	33,820	32,643
Indigenous communities	6,558	-	6,558	6,266
Building occupancy	4,526	-	4,526	4,286
Professional services and training	1,951	8	1,959	1,890
Amortization and impairments	5,210	-	5,210	4,669
Travel and vehicle costs	673	-	673	577
Telecommunications and information systems	2,429	64	2,493	2,221
Grants	1,833	-	1,833	2,453
Reclamation	-	19,420	19,420	28,499
Office supplies and equipment	579	-	579	644
Bad debts	(46)	59	13	620
	<b>\$ 56,483</b>	<b>\$ 20,601</b>	<b>\$ 77,084</b>	<b>\$ 84,768</b>

## 19. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the final budget approved by the Board of Directors on February 24, 2021 (Capital Plan approved on May 26, 2021). Amounts may differ from the budget prepared earlier for the purposes of the Annual Service Plan.

## 20. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

## 21. Financial risk management

It is management's opinion that the Commission is not exposed to significant credit, liquidity or interest rate risks arising from its financial instruments.

**Credit Risk** - Credit risk is the risk of financial loss to the Oil and Gas Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Oil and Gas Commission's exposure to credit risk related to the value of accounts receivable in its normal course of business is managed by minimizing the amount of transactions which require recovery. The Commission continually monitors and manages the collection of receivables.

The Commission's cash and investments are held at Canadian chartered banks and credit unions and irrevocable letters of credit are held with Schedule I, II or III banks; Canadian credit unions; and government owned financial institutions. The Commission is not exposed to significant credit risk.

**Liquidity Risk** - Liquidity risk is the risk that the Oil and Gas Commission will have difficulty in meeting its financial obligations when they come due. The Oil and Gas Commission manages liquidity risk by continually monitoring cash flows.

**Interest rate risk** - Interest rate risk is the risk that the Commission's investments will change in fair value due to future fluctuations in market interest rates. The Commission's investments are measured at cost. Income they generate varies as market interest rates vary. All other financial instruments are non-interest bearing. The Commission mitigates this risk by monitoring interest rates.

**COVID-19** - The Provincial Health Officer declared a public health emergency on March 17, 2020 in response to the COVID-19 pandemic. The Commission has taken steps to protect its staff, maintain operations and continue relations with stakeholders and Indigenous communities. Management identified no significant risks to operations during the pandemic.