

Opening

At the request of the Minister of Energy and Mines, a six-member sub-committee of the BC Government Caucus held a series of public hearings on the issue of the offshore oil and gas moratorium.

The committee held hearings in nine coastal and northern communities: Port Hardy, Masset, Skidegate, Bella Bella, Bella Coola, Terrace, Kitimat, Kitkatla and Prince Rupert.

Interest in the hearings was high. Individuals, organizations and local government representatives made more than 150 oral presentations and nearly 130 written submissions to the task force.

This report touches upon four themes that were prevalent throughout the hearings: the environment, First Nations, regional economic issues and social impact.

The mandate of this committee was to solicit the viewpoints of individuals and groups who would be the most affected by potential changes to the provincial moratorium on offshore drilling. It was not the committee's task to examine the scientific feasibility of offshore drilling, nor was it the committee's responsibility to pass judgment on the social, environmental or economic merits of lifting the moratorium.

Instead, the purpose of this report is to convey to the Minister of Energy and Mines the concerns and challenges that residents of coastal communities expect to face with regards to the potential exploration for, and development of, offshore oil and natural gas.

The committee would like to extend its thanks to the presenters and host communities. Without their interest and dedication to this issue, the development of this report would not have been possible.

Respectfully submitted,



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Timeline

<u>Year</u>	<u>Event</u>
1949	Drilling for oil begins in the Queen Charlotte Island region.
1967	Shell Canada begins a drilling program off Barkley Sound, Vancouver Island. Over the next two years, 14 wells are drilled in the offshore region from Barkley Sound north through Queen Charlotte Sound and Hecate Strait. The drilling rig was built in Victoria.
1969	Shell Canada leases its exploration rights to Chevron.
1972	Canada makes a policy decision not to approve any new exploration permits or programs in the west coast offshore area and to suspend all work obligations under existing permits.
1981	British Columbia designates that all oil and gas resources in the area landward of a line drawn off the west coast of Queen Charlotte Islands south to the west coast of Vancouver Island are reserved for the province.
1984-1986	An independent federal-provincial environmental review panel is established to assess the potential environmental and socio-economic impacts of offshore oil and gas exploration. The final report recommends that exploration can proceed if specific requirements are met.
1986-1989	British Columbia and Canada negotiate over jurisdiction of offshore oil and gas exploration/development in west coast waters (the Pacific Accord).
1989	British Columbia announces that no offshore drilling will take place for a minimum of five years.
2001	British Columbia announces the appointment of an independent scientific review panel to determine whether

offshore oil and gas can be extracted in a scientifically sound and environmentally responsible manner.

A six-member task force of the BC Government Caucus conducts nine public hearings to solicit viewpoints on offshore oil and gas from northern and coastal residents.

Current Situation

The provincial government is currently attempting to determine if offshore oil and gas exploration is economically feasible, socially desirable and environmentally acceptable.

The Minister of Energy and Mines, the Honourable Richard Neufeld, has appointed a scientific panel headed by former University of Victoria president Dr. David Strong to assess whether oil and gas reserves off the British Columbia coast can be extracted in a scientifically sound and environmentally acceptable manner. Their report is due on January 15, 2002.

In October 2001, Jacques Whitford Environmental Ltd. released a report, which updated work completed in 1998 by AGRA Earth and Environmental Ltd., on the advancement of offshore technology. The Whitford report found there are no “unique fatal flaw issues that would rule out exploration and development activities.”

These two reports are built upon the work done in 1986 by a joint Canada-British Columbia environmental assessment panel, which advised that exploration was environmentally feasible assuming certain conditions could be met.

The federal government placed a moratorium on offshore exploration in 1972 and indicated that they would consider lifting this moratorium once regulations for exploration could be established. Federal officials recently stated that they are willing to re-open discussions on this issue with the province of British Columbia.

The federal government has reached agreements with Newfoundland and Nova Scotia on the subject of offshore exploration and development

A provincial moratorium was implemented in 1989, although it was never given legal force by Order-in-Council. The moratorium was initially put in place for a five-year period only.

The Environment

No single issue elicited greater passion or emotion from presenters than did the environment. As the Offshore Oil and Gas Task Force was repeatedly told, residents of coastal BC have a special relationship with the natural environment.

Proponents of offshore oil and gas asserted that drilling can and does occur in an environmentally acceptable manner. Newfoundland, Alaska, Norway and the North Sea were all cited as examples of jurisdictions where offshore activity operates with little-to-no environmental impact. John Chittick, a municipal councillor with the town of Port McNeill, commented: “That these moratoria exist today is a provincial embarrassment given the advanced level of technology and environmental management systems currently available and employed in more rational jurisdictions.”

Several presenters suggested fears about the environmental impacts of offshore drilling had been overblown. Ronald McVeigh, a fisherman and a former employee of the offshore drilling industry, told the task force that oil companies are ethical corporate citizens who take extreme measures to preserve the integrity of the environment. “If I had been responsible for the loss of just one barrel of oil, I would have lost my job,” he concluded, noting this is standard procedure for all employees.

Opponents of offshore drilling expressed the belief that any threat to the environment, regardless of how minute, was too great a risk.

Presenters spoke at length of the dangers posed by potential oil spills. A large oil spill could be detrimental to fish stocks, ocean plants and other forms of marine life. Such a disaster could have a significant impact on the local fishing and tourism industries, putting the livelihoods of thousands of residents in jeopardy. Comments made by Jeff Ardron of the Malcolm Island Protection Society were representative of those opposed to offshore activity. “Major oil spills, though hopefully rare, are sooner or later inevitable with an active offshore oil and gas industry. They are traumatic to humans and wildlife, requiring decades for recovery,” he said.

As well, supporters of the moratorium fear an oil spill could interfere with the ability of local residents to enjoy their natural environment. Lynn Lee of the World Wildlife Federation painted a bleak picture of life on the coast in the wake of an oil spill. “Relatively small oil and chemical spills are a part of the regular

operations for oil and gas developments, whether from operational activities associated with drilling or transportation. Over time chronic pollution of the marine environment is inevitable, evident on the beaches of Southern California dotted with blobs of black oil,” she said. Further to this point, Ivy Mills of Skidegate spoke of the importance of being able to share the “small wonders” of pristine beaches with her grandchildren.

Several presenters warned of the perils of drilling in Hecate Strait’s extreme weather conditions, while others made reference to the successes of the industry in the treacherous North Sea and in Iceberg Alley, located off the coast of Newfoundland.

Some presenters expressed concerns about the possible effects of seismic testing on ocean life. Such individuals are fearful that seismic testing, an important component of exploration, would kill large numbers of fish and disrupt the migratory patterns of whales. Other presenters had a very different viewpoint on the subject, asserting that offshore drilling technology had progressed to the point where seismic testing would have only a very minimal impact on the environment.

The Offshore Oil and Gas Task Force recognizes that the coast of British Columbia is home to a unique and varied eco-system. The government remains committed to preserving this ecological diversity through the highest environmental standards.

Matters of science and technology, however, fall outside of the mandate of the task force. The independent scientific panel, chaired by former University of Victoria president Dr. David Strong, is examining these issues.

First Nations

As First Nations play a significant role in the economic, social and cultural life of coastal British Columbia, it is not surprising that aboriginal issues were the focus of many presentations. Although First Nations have a great deal to gain from offshore development, many presenters expressed the fear they also have a great deal to lose. As such, many First Nations expressed reservations about lifting the moratorium.

Local aboriginal groups place a high value on the cultural, social and historical importance of the sea. As Richard Spencer of the Kitkatla First Nations put it: “The ocean is our table.”

A number of presenters argued that offshore drilling would lead to the erosion of traditional lifestyles. Potential oil spills could interfere with the ability of First Nations to harvest foods like kelp and oolichan, which have been integral to the aboriginal diet for thousands of years. As Janet Gray of Tlell remarked: “Oil and gas development in the area would greatly affect the health and well-being of residents of Haida Gwaii because they would be unable to eat local seafood safely and effectively due to the effects of seismic testing, as well as the contamination due to the chronic spills that occur in the daily operations of oil drilling.”

Guujaaw, president of the Haida Nation, suggested that potential oil spills would hinder the ability of First Nations to live off their land. This, he concluded, would constitute “a clear assault on our way of life.”

Several individuals questioned the ability of aboriginal communities to benefit economically from offshore drilling. They asserted that a lack of infrastructure and an untrained workforce would prevent First Nations from playing an active role in the offshore oil and gas industry.

Many First Nations also spoke of the importance of land claims and aboriginal title. As Philip Hogan of the Heiltsuk First Nation pointed out, these issues cannot be ignored in the pursuit for offshore oil and gas. If the province decides to take the next steps, he said consultations should take place between government, industry and First Nations.

The government of British Columbia remains committed to settling land claims and reaching treaty settlements in a fair and equitable manner. We recognize it is to the benefit of all British Columbians to ensure that outstanding First Nations issues are dealt with in an open, honest and expedient manner.

Regional Economic Issues

In recent years, the North Coast has faced a number of serious economic challenges. Downturns in the traditional pillars of the region's economy – the forestry and fishing industries – have led to widespread unemployment and stagnant growth. Thus, it comes as little surprise that the economy was on the minds of numerous presenters.

Job creation was an important focus of many presentations. Residents of B.C. coastal regions are searching for ways to preserve their communities as populations decline and families separate in the quest for employment. They hope to create stable jobs that will attract new citizens to the region.

Many communities believe that offshore oil and gas has the potential to stimulate their sagging economies. Paul Grier of the Port Hardy Chamber of Commerce commented: “As you know, we on the North Island have been hard hit by the downturn in the economy due to the softwood lumber tariff, the cessation of logging in the so-called ‘Great Bear Rainforest,’ the decrease in the commercial fisheries and the challenges currently facing the aquaculture industry. The chamber welcomes responsible development that will most certainly benefit this region and the province as a whole.”

According to proponents, offshore oil and gas would generate direct and indirect jobs during all phases of development. Dave McGuigan of the North Coast Oil and Gas Task Force cited the example of Newfoundland's Hibernia project to support this assertion. “Hibernia employs 3,100 workers from 105 communities [in Newfoundland] through oil and gas related activities,” he said.

Many proponents of offshore development expressed the belief that the industry could generate new economic opportunities for the residents of northern and coastal communities. Diane Hewlett of the District of Kitimat Economic Development Corporation explained how a competitively priced and reliable source of natural gas could potentially jump-start a coastal fuel cell industry. “The environmentally clean ‘transforming technology’ of fuel cells could provide a new knowledge-based growth industry with significant job creation in BC,” she said, while noting that British Columbia is already on the cutting edge of this advancing technology.

Don Krusel of the Prince Rupert Port Authority agreed that a coastal oil and gas industry could provide the impetus for a series of spin-off industries. In the past, the City of Prince Rupert had lost several economic opportunities – a steel

manufacturing company, an aluminum producer and a liquefied natural gas export facility – because of the city’s lack of a secure, reliable source of natural gas.

Port Hardy Mayor Russ Hellberg also suggested that the establishment of an offshore oil and gas industry could lead to new and improved infrastructure in coastal communities. Through revenue-sharing agreements and/or royalty transfers, communities would have the opportunity to build new roads, recreational facilities and other such amenities.

Many presenters had very different opinions on this issue. Opponents of offshore drilling argued that development would fail to bring any real benefits to smaller centres because such communities do not possess the infrastructure and workforce necessary to attract industry-related activity. As Sarah Pugh with the Western Canadian Wilderness Committee commented: “From a jobs perspective, nobody can deny that an oil boom off the west coast would provide for short-term economic income in an economically depressed area of the province. Yet, the best and longest term jobs ... would likely be filled by highly specialized individuals, largely imported by the oil companies - not necessarily by local unemployed forestry or fisheries workers. Meanwhile, the jobs of those British Columbians currently employed in fisheries and tourism would be compromised.”

A few individuals suggested that offshore exploration could lead to a net decrease in jobs because of the industry’s potential impacts on fishing and tourism “Economically, there may be substantial benefits for people in the region, but there will also be losses for fishing groups and recreational tourism,” said Michele Patterson of the World Wildlife Federation.

In contrast, several tourism operators expressed great excitement about the potential lifting of the moratorium. Representatives of the hospitality sector explained that offshore activity could be good for business, as it would bring newcomers into the region who would rely on their services. Moreover, as Steve Smith, Chairman of Tourism Prince Rupert pointed out, a larger taxation base would allow northern and coastal communities to offer a greater range of amenities, making the region a more attractive travel destination.

Several presenters raised concerns about the North American Free Trade Agreement (NAFTA) and its potential to interfere with local hiring practices. It was suggested that NAFTA would prevent oil and gas companies from hiring British Columbian workers, forcing them to import employees from the United States instead.

Regardless of their position on offshore development, presenters were unanimous on one issue – the North Coast is in desperate need of economic renewal and diversification.

The question here is not whether offshore oil and gas development would create new economic opportunities – it undoubtedly would. Instead, some local residents are concerned that offshore oil and gas development will damage or crowd-out existing industries, such as fishing and tourism.

The Offshore Oil and Gas Task Force suggests the government gather all of the facts on the potential economic benefits and costs of this development before deciding on a final course of action.

Social Impact

There is little question that an offshore oil and gas industry would have an impact on the social fabric of coastal communities. So it's not surprising, many citizens and community leaders seized the opportunity to discuss their hopes and fears for the future of the region.

Several mayors offered conditional support for offshore oil and gas on the basis the province eventually establish a revenue-sharing program with local communities. Revenues from offshore drilling would then be used to expand and upgrade infrastructure, ensuring that communities can accommodate growth associated with the lifting of the moratorium.

Numerous speakers pointed out that the majority of coastal residents do not currently possess the skill sets necessary for employment in the oil and gas industry. Local communities should be able to supply pools of skilled workers if they want to derive maximum benefits from this potential industry. Keith Hamilton of the Bella Bella Development Society remarked: "Comprehensive human resource development plans need to be established so that local people can be included as an important component of the operations. Offshore development today would not provide many good jobs that local people have the skills and experience to fill. Offshore drilling that employs Newfoundlanders and Albertans is not in our best interest. We need to ensure that long-term training plans are implemented, starting right now, to make sure that on the day that the oil companies begin working offshore there are trained local people and trained British Columbians at the controls."

Many presenters expressed the belief that offshore drilling is the key to community revitalization. Port Hardy businessman Roy Summerhayes pointed out the coastal region has a long history of wealth-generation from resource extraction. "From [the coast] came not only raw materials that were used to construct the early towns and settlements of the province but just as importantly it generated the jobs and the various taxes that were devised and extracted to build the infrastructure that was needed to build, expand and maintain a way of life and a standard of living that ... [we] take for granted today," he told the task force.

In contrast, other presenters expressed fears that an influx of newcomers would be disruptive to communities. It was suggested that offshore drilling could lead to problems such as unstable relationships, drug use and high crime rates.

Several presenters also highlighted the need for government to engage in consultations with local communities. Aboriginal and non-aboriginal groups emphasized the importance of applying local knowledge and expertise to the decision-making process.

Regardless of their position on this issue, the vast majority of presenters agreed on the need for greater community stability in the northern and coastal regions of the province.

The Offshore Oil and Gas Task Force understands that any steps towards oil and gas development will require the involvement of local communities. The government is committed to creating new economic opportunities for northern and coastal residents and providing all British Columbians with renewed hope and prosperity.

Conclusion

At the beginning of this report, it was noted that the committee's mandate was to solicit and report on the opinions of British Columbians on offshore oil and gas development. To this end, the Offshore Oil and Gas Task Force traveled to nine communities and heard from nearly 200 presenters. Public hearings provided committee members with insight into the challenges and concerns associated with offshore development.

Before government decides upon a final course of action, the public would like to see the following issues addressed:

- Who owns the offshore resources? We must establish who actually owns offshore resources: the provincial government or the federal government. Certainty with regard to ownership will be key to encouraging investment decisions in this project.
- What is the actual size of offshore oil and gas reserves? Development will require massive investment and long-term commitment. A 1998 Geological Survey of Canada review estimated that there are reserves of 9.8 billion barrels of oil and 43.4 trillion cubic feet of natural gas in British Columbia's offshore area. Investment decisions will be based on updated information about the actual size and recoverability of the reserves.
- How can First Nations be involved in offshore activity? During the hearings, First Nations made it clear that they do not support the lifting of the moratorium at this time. However, many did express a willingness to be involved in future discussions on offshore oil and gas development. We recognize it is to the benefit of all British Columbians to work co-operatively with First Nations on issues of economic and environmental concern and to encourage their involvement in the process of economic renewal.
- Can we develop offshore oil and gas resources without threatening the environment? Presenters spoke eloquently of the importance of the sea, both to coastal communities and to First Nations. Many individuals expressed the belief that any threat to the ocean - regardless of how small - was too great a risk to take. It was made clear that any decision on the future of exploration and development would have to be based on sound science and careful risk-benefit analysis. The province is committed to finding a balance between economic need and environmental stewardship. The independent scientific

panel, chaired by Dr. David Strong, will provide the Minister of Energy and Mines with the necessary facts to make an informed decision on this issue.

- Can we develop offshore oil and gas resources, as has been done in other jurisdictions, without threatening the tourism and fishing industry? Presenters expressed concerns that offshore development would have a negative impact on fisheries and tourism, both of which are dependent on a healthy, thriving natural environment for economic viability.
- What would be the actual economic and social benefits to local communities of an offshore oil and gas industry? What would be the economic and social costs of such an industry? Concerns were raised about how much local residents actually stand to gain from the development of this industry.

If the members of the Offshore Oil and Gas Task Force learned a single lesson from the public hearings, it was this: coastal residents want to be active participants in the debate on offshore oil and gas. The government must continue to provide the people of British Columbia with honest and accurate information on offshore development. This information should be provided in an accessible format, using simple language.

During public hearings, the task force explained that this report is simply the first step towards a final decision on offshore oil and gas. Many speakers expressed concern about the economic, social and environmental impact of offshore development. If accurate answers can be provided to the aforementioned questions, it would do much to address community concern and build support for the next steps in this process.

Touring the coastal communities provided the Offshore Oil and Gas Task Force with insight into the tremendous pride that residents have in their region. The task force members appreciate the candour and openness that was shown by presenters. The public hearings clearly demonstrated that all citizens, regardless of their position on the issue, have a desire to work together and bring about economic renewal on the coast.