



Stalled offshore

Nearly a year after asking Ottawa to lift its “unofficial” moratorium against offshore exploration, British Columbia is still waiting for an answer

BY DIANE COOK



Lifting the federal moratorium on offshore drilling off the west coast of British Columbia will take Herculean efforts on the part of the government of British Columbia. A myriad of jurisdictional, environmental and socio-economic issues plague these efforts and the complexities of these issues run as deep as the water in the Pacific Ocean. It is here, deep below the ocean floor, where the heart of the controversy lies.

The Geological Survey of Canada estimates there could be as much as 9.8 billion barrels of oil and 43.4 trillion cubic

feet of gas in the four offshore basins located just off the coast of British Columbia—the Queen Charlotte, Georgia, Tofino and Winona basins. The majority of the potential—all of the oil and more than half of the gas—is concentrated in the Queen Charlotte Basin.

One would think that with the tantalizingly vast potential of the basin, the government and the citizens of British Columbia would be eager to poke a few holes in the offshore, just to see what's really there. But such has never been the case until recently.

The history of the federal moratorium dates back to 1972 when Canada made "a policy decision to not approve any new exploration permits or programs in the west coast offshore and to suspend all work obligations under existing permits." Although officially a "policy decision," this decision became known as a federal moratorium.

A year earlier, in 1971, the British Columbia legislature passed a resolution opposing tanker traffic. This was to prevent Alaskan crude oil tankers from travelling through the Dixon Entrance, Hecate Strait and Queen Charlotte Sound and was, in effect, the first of the two moratoria imposed.

Prior to Ottawa's "policy decision" banning exploration drilling off the West Coast, there had been some limited activity in the Queen Charlotte Island region, with drilling dating back as far as 1949. By far, the most active player has been Shell Canada: between 1963 and 1968, it shot about 32,000 kilometres of seismic and followed that effort up with a total of 14 wells between 1967 and 1969, all drilled in the Queen Charlotte Basin and all essentially fruitless.

Chevron Canada conducted 6,225 kilometres of seismic between 1971 and 1972. While the company proposed drilling a couple of wells, they were both scuttled by the federal "policy decision." Other Canadian offshore tenure holders include Petro-Canada, Exxon Mobil, and Canadian Forest Oil.

After the two moratoria were imposed in the early 1970s, the issue of exploration off Canada's west coast sat quiet until 1984, when the Supreme Court of Canada ruled that British Columbia had jurisdiction over the Strait of Georgia. The jurisdictional issues between British Columbia and Ottawa date back to 1967, when the Supreme Court of Canada decided "the Territorial Sea off British Columbia, outside of bays, harbours and inland waters, belongs to Canada." Most of

the jurisdictional issues between the province and Canada have since been resolved.

With the jurisdictional battle won, Victoria set out in 1984 to overturn the moratorium, and participated in an independent Federal-Provincial Environmental Review Panel that was established to assess the potential environmental and socio-economic effects of offshore oil and gas exploration. That panel held a series of hearings between 1984 and 1986.

Following on the heels of the hearings, Ottawa and B.C. negotiated off and on for three years, between 1986 and 1989, in an effort to come up with a deal covering the management and regulatory regime of offshore oil and gas exploration. Although nothing official ever came of those talks, a draft Pacific Accord was negotiated, modelled after similar arrangements covering the east coast offshore. Negotiations toward an official accord, however, were terminated in 1989 before a final agreement could be reached.

In March of 1989, after the infamous Exxon Valdez oil spill and the Nestucca Barge spill, British Columbia reaffirmed its 1971 self-imposed moratorium by making a policy announcement that there would be no drilling offshore for at least five years. In the same year, Canada said it would not consider any offshore exploration or development activities until British Columbia specifically requested that the federal government do so.

Twelve years later, in its 2001 Throne Speech, British Columbia's new liberal government, headed by Premier Gordon Campbell, unveiled its Heartlands Economic Strategy, promising a revitalization of all sectors of the province's economy and hinting at the creation of an offshore oil and gas industry.

Campbell's government believed the citizens of British Columbia could realize significant benefits from having an offshore oil and gas industry, that offshore oil and gas activity could help restore the economic and social well-being of coastal communities along the four basins, and result in first-of-its-kind partnership opportunities with First Nations.

Since 2001, B.C. has taken a number of steps directed at ending the federal moratorium.

The first step was the commissioning of the *Whitford Report* in October 2001, a technology review conducted by Jacques Whitford Environment Ltd. that concluded that "the evidence, from a relatively extensive review of conditions off British Columbia in comparison with other oil

and gas areas worldwide and the latest engineering technology that applies to development, indicates that there are no unique fatal flaw issues that would rule out exploration and development activities.”

The second step taken was the creation the same year of an MLA task force, which held public hearings in nine northern coastal communities to learn the opinions of communities, local residents and First Nations.

The third step was the commissioning of yet another report, *British Columbia Offshore Hydrocarbon Development: Report of the Scientific Review Panel*, also known as the *Strong Report*, to determine if offshore oil and gas could be produced in a scientifically sound and environmentally responsible manner. Appointed by Energy Minister Richard Neufeld in October 2001, the Scientific Review Panel concluded that “while there are certainly gaps in knowledge and a need for intensification of research and a continuing commitment to baseline and long-term monitoring, these do not preclude a decision on the moratorium. There is no inherent or fundamental inadequacy of the science or technology, properly applied in an appropriate regulatory framework, to justify retention of the B.C. moratorium.”

The Scientific Review Panel went on to make 15 specific recommendation on “scientific and technological considerations, further research needed, specific government actions required and specific conditions that should be established as part of government’s decision”.

Following the publication of the *Whitford* and *Strong* reports and the conclusion of public hearings, British Columbia requested that the federal government remove the moratorium. The response to the request came in the form of a three-part Federal Offshore Moratorium Review.

The first report was a scientific review conducted by the Royal Society of Canada, chaired by Jeremy Hall. The *Hall Report*, released in 2004, concluded, “Provided an adequate regulatory regime is put in place, there are no science gaps that need to be filled before lifting the moratoria on oil and gas development.”

The second report, produced in 2004 by a Public Review Panel chaired by former National Energy Board (NEB) chair Roland Priddle, Dr. Diana Valiela and Don Scott, dubbed the *Priddle Review*, recommended four options:

1. Keep the moratorium.
2. Keep the moratorium or defer the decision on it while undertaking a suite of activities, along or collaboratively



with others, and subsequently review it at a predetermined or at an indefinite future time.

3. Lift the moratorium and undertake a suite of activities prior to accepting any oil and gas activity applications.
4. Lift the moratorium and allow applications for exploration.

The third report was on First Nations engagement. Contracted by the Canadian government to conduct the third part of Canada’s review of the moratorium, this report was headed by Cheryl Brooks, a former associate deputy minister with the B.C. Ministry of Energy and Mines. It found less than overwhelming support for offshore drilling from the Aboriginal community.

“The vast majority of coastal First Nations opposed lifting the moratorium for reasons ranging from concerns about environmental impacts to insisting governments could not make this decision until land claims were resolved or there was absolute clarity on how aboriginal rights were going to be protected,” the *Brooks Report* notes.

Based on this knowledge, the *Brooks Report* goes on to make a series of constructive suggestions as to how governments could engage with First Nations on this subject in a positive manner. The report has not served to gel action among First Nations nor has it elicited any action from Ottawa.

The *Hall Report*, the *Priddle Review*, and the *Brooks Report* were all submitted to Federal Natural Resources Minister John Efford by November 19, 2004, together with a formal request from the province that the moratorium be lifted. Nearly a

year later, the province is still waiting on an answer from Ottawa.

Although the summaries from the *Whitford*, *Strong* and *Hall* reports sound positive and are generally in favour of lifting the moratorium, the reports list a combined total of 92 recommendations that must be addressed before efforts to lift the moratorium can proceed.

The government of British Columbia says it wants offshore oil and gas development to occur in a “scientifically sound, environmentally safe and socially responsible” manner and Premier Campbell’s government isn’t ready to jump in the ocean just yet.

Based on the results of these reports, the government of British Columbia contracted the University of Northern British Columbia to undertake scientific and technical research and develop a plan that would address the reports’ recommendations.

In January 2003, the British Columbia Offshore Oil and Gas Team was created as one of the policy initiatives of the B.C. Energy Plan. The team is a division within the Ministry of Energy, Mines and Petroleum Resources, with a mandate to enable offshore oil and gas development to occur in British Columbia.

The team is responsible for moving the offshore oil and gas industry forward, including reviewing and making information publicly available and working with representatives of coastal communities and First Nations to find out what they believe would make a successful offshore oil and gas industry.

Since the team was created, the government has been communicating with coastal communities, First Nations and

communities and municipalities throughout the province.

First Nations have identified and communicated their concerns about the risks of offshore drilling to the government, but these concerns have not been addressed yet. The primary concerns of First Nations are negotiating land claims (while some First Nations have signed treaties with the government, others have not and there are some land claims that overlap between First Nations), benefit-sharing arrangements, a co-management role where activities take place in the First Nations claimed traditional areas, compensation for lost opportunities if offshore drilling affects

fishing agreements, and compensation for oil spills or other related environmental accidents.

Coastal communities are generally concerned with socio-economic issues, including being granted the first opportunity for jobs in the new industry, receiving oil and gas royalties from the government, safeguards to ensure industry activity doesn't damage their existing tourism and fishing industries, and compensation for oil and gas development activities or environmental accidents.

Several private polls have been conducted in the past four years to gauge the opinion of all citizens of British

Columbia on lifting the federal moratorium. A poll taken in April 2005 found that 52 per cent of respondents either felt strongly for or were somewhat supportive of lifting the moratorium. A poll taken two months earlier in February 2005 found that 56 per cent of the respondents either felt strongly for or were somewhat supportive of lifting the moratorium.

Both of these polls compare favourably to research from a poll taken in March 2003 that found 54 per cent of the respondents believed that the benefits of offshore drilling outweighed the risks while 31 per cent believed that the risks outweighed the benefits and that development should not proceed. Polls taken in January 2003, February 2002 and September 2001 found that respondents were strongly or somewhat supportive of lifting the moratorium, with combined results of 60 per cent, 70 per cent and 64 per cent, respectively.

To date, 45 communities have passed resolutions at the local level that support lifting the federal moratorium and a significant majority of delegates at the 2004 Union of British Columbia Municipalities Annual Conference endorsed a resolution to that effect put forward by Prince Rupert.

Still, with virtually every poll over the last five years indicating that only a little more than half the residents of B.C. are in favour of lifting the federal moratorium, it's clear that the provincial government, at least, has much work to do.

"Right now, the government is taking a principled approach to discussions with coastal communities and First Nations, developing a management and regulatory regime, developing fiscal and local benefits options and identifying scientific issues," says Patrick O'Rourke, assistant deputy minister for offshore oil and gas in British Columbia's Ministry of Energy, Mines and Petroleum Resources.

If everything goes according to plan, and the federal government provides a favourable decision to the Federal Offshore Moratorium Public Review Panel's submission, the government of British Columbia's next step would be to conclude the federal-provincial agreement on a management and regulatory regime.

"We believe the federal government will make a positive decision, enabling British Columbia to explore and develop offshore oil and gas, as is being done in other parts of the country, such as offshore Atlantic, the North and the Great Lakes," O'Rourke says. ■

Don't miss the...



2005 PSAC Fall Conference, Forecast Session & A G M

The PSAC 2005 Fall Conference offers an excellent opportunity for delegates to learn about the critical issues affecting business growth. Wednesday's sessions will focus on finances, forecasts and industry trends. Thursday's concurrent workshops will cover research and development, safety issues, and the bottom line impacts of "soft" business issues like human resources and communication. This year's dinner will feature technology trends guru Tod Maffin.

Join us for two days of valuable information sessions covering such timely topics as:

- Load Levelling Business Case
- Building a Culture of Ethics and Integrity
- PSAC 2006 Canadian Drilling Activity Forecast
- Preserving Corporate Wisdom with Knowledge Management
- How to Fit a Heart Attack into Your Busy Schedule
- Contractor Safety Questionnaire
- Tackling the Labour Shortage
- Behaviour Based Safety

Who should attend

- Presidents, CEOs, CFOs, COOs and Vice Presidents
- Financial, Operations, HR, Sales, Marketing and Project Managers
- Research and Development Team Members
- Government and Industry Associations

Sponsored by:



For more information: Contact PSAC at (403) 264-4195 or visit www.psc.ca

FOR FURTHER INFORMATION SEE PAGE 77