

# SELF-ASSESSED PROGRESS IN IMPLEMENTING RECOMMENDATIONS



## Report 8, 2009/10 - Oil and Gas Site Contamination Risks: Improved oversight needed

As at July 2010

Introductory comments from BC Oil and Gas Commission

*The Commission continues to oversee the risks associated with oil and gas contaminated sites through compliance and enforcement field activities, well suspension requirements, security deposits and management of the Orphan Sites Reclamation Fund. Management of contaminated sites has improved with the implementation of a liability rating system to manage security deposits and will be further enhanced with administrative tools when the new Oil and Gas Activities Act comes into force this year.*

*The Commission's Annual Site Restoration Report provides transparent contaminated sites reporting and includes performance measures, and an overview of the Commission's professional assurance model, wellsite contaminated risk information and inactive, legacy and orphan sites.*

### Recommendations

RECOMMENDATION AND SUMMARY OF PROGRESS	STATUS
<p><b>Recommendation 1:</b> The OGC and the Ministry of Environment implement appropriate site classification guidelines for the restoration of oil and gas contaminated sites.</p> <p><b>Actions taken, results and/or actions planned</b></p> <p><i>The Commission has recently implemented the site classification guidelines.</i></p>	Fully or substantially implemented
<p><b>Recommendation 2:</b> The OGC assess the resources required to process backlogged sites once the site classification guidelines are operational.</p> <p><b>Actions taken, results and/or actions planned</b></p> <p><i>The Commission assesses staffing requirements on an annual basis as part of its regular business planning cycle. The Commission will continue to monitor application levels and processing times in order to assess staffing requirements, and will increase resources as necessary.</i></p>	Fully or substantially implemented



**Recommendations continued...**

RECOMMENDATION AND SUMMARY OF PROGRESS	STATUS
<p><b>Recommendation 3:</b> The OGC assess the risks associated with legacy sites and develop a suitable work plan to deal with the risks.</p> <p><b>Actions taken, results and/or actions planned</b></p> <p><i>The Commission is reviewing its role and responsibilities with respect to legacy sites.</i></p> <p><i>The legal authority to request industry to conduct environmental reviews and any additional remediation work on legacy sites is contained within the Environmental Management Act.</i></p>	<p>Partially implemented</p>
<p><b>Recommendation 4:</b> The OGC work with the Ministry of Environment to implement an independent audit program.</p> <p><b>Actions taken, results and/or actions planned</b></p> <p><i>The Commission has implemented a post-certification compliance assurance review that involves the physical investigation of a representative number of sites to provide assurance that the environmental site conditions are consistent with those documented on the applications received by the Commission. The Commission will evaluate the need for periodic independent audits as a good management practice.</i></p> <p><i>Section 10 of the new Oil and Gas Activities Act which comes into force in Fall 2010, provides authority for the Minister of Environment to order an audit of the performance of the Commission in relation to the protection of the environment.</i></p>	<p>Partially implemented</p>
<p><b>Recommendation 5:</b> The OGC work in conjunction with key government ministries and other stakeholders to assist in developing a formal program for conducting cumulative effects assessments.</p> <p><b>Actions taken, results and/or actions planned</b></p> <p><i>Government has many policies, practices and procedures that integrate natural resource management in a way that addresses and, where necessary, provides mechanisms to analyse cumulative impacts.</i></p> <p><i>The Commission agrees that the cumulative effect of multiple land based activities is an important consideration towards fulfilling our environmental mandates. In conjunction with key government ministries, the Commission has been developing additional tools contained in new legislation and regulation that will increasingly contribute towards a provincial framework for managing cumulative effects.</i></p>	<p>Partially implemented</p>

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## Risks: Improved oversight needed



### Recommendations continued...

#### RECOMMENDATION AND SUMMARY OF PROGRESS

#### STATUS

**Recommendation 6:** The OGC ensure that its well site information allows risks to be assessed and that regulatory oversight is provided to ensure that inactive sites are restored in a timely manner.

Fully or substantially implemented

#### Actions taken, results and/or actions planned

*Although the number of inactive sites is growing, the ratio of inactive wells to total wells has remained constant over the Commission's tenure. Given the significant expansion of industry activity over this time, this constant ratio indicates active management of potential risks. In April 2009, the Commission issued Well Suspension Requirements which outlines the requirements for the appropriate suspension and reporting on inactive wells. Once in force, the Oil and Gas Activities Act will provide additional regulatory tools to facilitate the restoration of inactive sites in a timely manner.*

**Recommendation 7:** The OGC ensure that operator net assets and security deposits are sufficient, and reassessed on an ongoing basis, to cover the potential cost to the Province of dealing with site decommissioning and restoration.

Partially implemented

#### Actions taken, results and/or actions planned

*The Commission has prepared a database of all B.C. oil and gas operators that calculates their projected assets and environmental liabilities. An Environmental Liability Rating group has been established to manage this database and utilize the information to calculate a Licensee Liability Rating for each of the oil and gas operators. The group currently uses the information to review new well applications and license transfers, which can result in a request for deposit in high risk situations. The Licensee Liability Rating program is currently under further revision to implement a framework that will routinely review security deposits for all operators and ensure their environmental liabilities do not exceed their deemed assets. This comprehensive framework will be discussed with industry and will be phased in over the next year as facilities data integrity is confirmed and information systems are in place.*

**Recommendation 8:** The OGC complete its assessments of the remaining orphan wells and, where appropriate, complete their restoration.

Fully or substantially implemented

#### Actions taken, results and/or actions planned

*The Commission will continue with assessment of orphan sites as they are identified and will conduct abandonment and reclamation operations according to resources available and assessed risks.*

*The Orphan Site Reclamation Fund is administered by the Commission and allows the Commissioner to designate an oil and gas site as 'orphan' in order to pay for restoration work that is deemed necessary.*

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## Risks: Improved oversight needed



### Recommendations continued...

RECOMMENDATION AND SUMMARY OF PROGRESS	STATUS
<p><b>Recommendation 9:</b> The OGC improve reporting to the Legislature and public about how effectively site contamination risks are being managed.</p>	Fully or substantially implemented
<p><b>Actions taken, results and/or actions planned</b></p>	
<p><i>The Commission agrees with this recommendation and has taken steps to improve transparency and reporting including publication of the first annual Site Restoration Report and orphan site status update in 2009.</i></p>	