

Oil and Gas Site Contamination Risks: Improved oversight needed

Released: [February 2010](#)

1st Follow-up: [September 2010](#)

2nd Follow-up: [April 2011](#)

Discussed by the Public Accounts Committee: [June 2010 Transcript](#)

Self-assessment conducted by the 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 management rating program, management and custody of security deposits and is further enhanced by administrative tools under the new Oil and Gas Activities Act.

The Commission issues 17 public reports including an Annual Site Restoration Report which 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

RECOMMENDATIONS ADDRESSED IN PREVIOUS FOLLOW-UP REPORT(S)	SELF-ASSESSED STATUS
Recommendation 1: The OGC and the Ministry of Environment implement appropriate site classification guidelines for the restoration of oil and gas contaminated sites.	Fully or substantially implemented
Recommendation 2: The OGC assess the resources required to process backlogged sites once the site classification guidelines are operational.	Fully or substantially implemented
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
Recommendation 8: The OGC complete its assessments of the remaining orphan wells and, where appropriate, complete their restoration.	Fully or substantially implemented
Recommendation 9: The OGC improve reporting to the Legislature and public about how effectively site contamination risks are being managed.	Fully or substantially implemented

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Outstanding Recommendations

RECOMMENDATION AND SUMMARY OF PROGRESS	SELF-ASSESSED STATUS
<p>Recommendation 3: The OGC assess the risks associated with legacy sites and develop a suitable work plan to deal with the risks.</p> <p>Actions taken, results and/or actions planned</p> <p>The Commission has reviewed its role and responsibilities with respect to legacy sites and has developed a workplan to help manage the risks associated with these sites. The Commission is preparing to release a public document to outline the responsibilities of the commission for such sites and proposed actions to investigate and assess those liabilities that are the responsibility of the commission.</p> <p>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.</p>	Partially implemented
<p>Recommendation 4: The OGC work with the Ministry of Environment to implement an independent audit program.</p> <p>Actions taken, results and/or actions planned</p> <p>The Commission has established contracts with third party environmental companies to provide site investigation services for compliance assurance assessments. The program is currently being reviewed to ensure that it adequately incorporates potential environmental risks into the compliance assurance framework. The Commission will evaluate the need for periodic independent audits as a good management practice.</p> <p>Section 10 of the Oil and Gas Activities Act came into force in October 2010, and 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.</p>	Partially implemented
<p>Recommendation 5: 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>Actions taken, results and/or actions planned</p> <p>Government has many policies, practices and procedures that integrate natural resource management in a way that addresses and, where necessary, provides mechanisms to analyze cumulative impacts.</p> <p>The Commission has begun developing a tactical analysis approach at the basin level (approximately 1,000,000 ha) as well as an analysis at the Land and Resource Management Plan (LRMP) level (approximately 10,000,000 ha) to analyze and interpret government's strategic direction for surface values (valued ecosystem components). The Commission is working with the Ministries of Energy; Environment and Natural Resource Operations in the development of the overall approach and the specific valued ecosystem components (caribou; hydro-riparian areas; old growth etc). The information will be used to guide operational application reviews and permitting.</p>	Partially implemented

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Outstanding Recommendations (cont.)

RECOMMENDATION AND SUMMARY OF PROGRESS	SELF-ASSESSED STATUS
<p>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.</p> <p>Actions taken, results and/or actions planned</p> <p>The Commission's Liability Management Rating (LMR) program uses production and site information for all B.C. oil and gas operators to estimate the financial risk associated with oil and gas site restoration. Under the LMR program, each new well application, permit transfer application, and company amalgamation is reviewed to determine revised financial risk estimates. If the operator's estimated asset to liability ratio drops additional security is required. The current focus of the program is to monitor industry activity and request security where financial risk is increasing.</p>	Partially implemented