

Oil and Gas Site Contamination Risks: Improved Oversight Needed

Released: [February 2010](#)

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

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

3rd Follow-up: [April 2012](#)

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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 strengthened 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 more than a dozen 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 addressed in previous follow-up(s):

RECOMMENDATION	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

SELF-ASSESSED PROGRESS IN IMPLEMENTING RECOMMENDATIONS

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.</p> <p>A summary report has been prepared for publication which summarizes what legacy sites exist and utilizes the Commission's Liability Management data combined with well construction, completion and production data to assess the inherent risk of these sites. Of the legacy sites, all but 54 wellsites can be linked to active companies that own or operate wells or production facilities in British Columbia or other jurisdictions.</p> <p>These Companies are responsible for any reclamation or remediation costs that may occur regarding these sites.</p> <p>Of the 54 wells that cannot be linked to existing companies, only two were placed into production (one gas well on private land and one oil well on Crown land). As such, it is expected that the collective environmental liability associated with these sites are minimal. The Commission is undertaking an investigation of these two remaining sites that were put into production.</p>	<p>Fully or substantially implemented</p>
<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 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. In setting the criteria for assessments OGC consulted with the Ministry of Environment.</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>	<p>Fully or substantially implemented</p>
<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>The Ministry of Forests, Lands and Natural Resource Operations is currently undertaking a review of cumulative effect management in B.C. and is in the process of establishing a trial project. The Commission is supporting this work as are the Ministry of Environment and the Ministry of Energy and Mines. Other related projects include the planned Mitigation and Offsetting Policy being developed by MoE as a guide for decision makers in the natural resource sector. The overall assessment of cumulative impacts and effects is multi sector and is being developed using a multisector approach by Government.</p> <p>With respect to the oil and gas sector, the Commission has worked with MFLNRO/MoE/MEM and others in the development of a tactical analysis approach at the landscape/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, subsurface and socio-economic values (value components).</p>	<p>Fully or substantially implemented</p>

Outstanding Recommendations (Cont.)

Recommendation 3: 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.

Fully or substantially implemented

Actions taken, results and/or actions planned

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 permit holder had calculated a deemed asset and a deemed liability to establish a LMR ratio that was used to review permit transfer applications. The Commission expanded the LMR program in November 2011 to require all permit holders that demonstrate financial risk to submit a security deposit if their ratio of assets to liabilities is below 1.0. Security deposits are now being collected under the expanded program, which will include bi-monthly assessments to identify any permit holders who's LMR ratio has dropped since the last assessment.
