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## **BC's New "Green" Energy Plan**

### **Introduction**

On February 27 British Columbia issued "The BC Energy Plan: A Vision for Clean Energy Leadership" (Energy Plan 2007). The document is an extensive statement of provincial energy policy, and a roadmap for future government action in BC's energy sector. It is the second such sweeping expression of provincial energy policy in the last 5 years, the first provincial energy plan having been issued in November, 2002 (Energy Plan 2002). Energy Plan 2007 is not on its face a departure from Energy Plan 2002, and indeed is said to "build on the strong successes" of its predecessor.

Energy Plan 2007 focuses sharply, but not exclusively, on environmental issues, and in particular green-house gas (GHG) emission issues. It indicates that the provincial government has accepted at the highest level that global warming is occurring; that it is occurring because of GHG emissions; and that the province ought to take steps to reduce GHG emissions in British Columbia. Where it is perhaps somewhat ambiguous is whether such steps as outlined in the plan will have a net economic cost or benefit.

Energy Plan 2007 is also noteworthy in its detailed and in some cases prescriptive "policy actions" the government intends to take in both the electricity and oil and gas sectors. A total of 55 such policy actions are listed in Appendix A to the plan, and attached to this Bulletin. The following paragraphs provide a brief summary of the more significant ones. Because a significant number of the "policy actions" provide relatively little detail, it is clear that government is still in the process of developing them. This suggests that there may yet be room for input from interested parties, and that Energy Plan 2007 will be something of a "moving target" in the near future. The entire Energy Plan 2007 is available on the government of British Columbia's website at <http://www.energyplan.gov.bc.ca>.

### **Policy Action Items – Oil and Gas Sector**

#### Eliminate All Oil and Gas Well Flaring

Energy Plan 2007 states that all routine flaring at producing oil and gas wells is to be eliminated by 2016, with an interim goal of reducing such flaring in half by 2011. Additional policies designed to reduce flaring will be adopted at test sites and pipelines and steps will be taken to encourage compressor station efficiency to cut back emissions.

### Coalbed Methane

One of the key environmental issues arising from the production of coal bed methane is the disposal of the very significant quantities of water that are used to produce gas from coal deposits. Energy Plan 2007 states that government will act to ensure that such waste water may not be surface discharged and must be re-injected below any domestic water aquifers. In addition, coal bed methane developers must demonstrate their previous experience with coal bed gas development and information must be made publicly available as to how the company plans to meet and be accountable for these best practices.

### Renewable Fuel Standards

Under Energy Plan 2007 government plans to implement a 5% average renewable fuel standard for diesel fuel, and support the federal government's plans to increase the ethanol content of gasoline to 5% by 2010.

### Nechako Basin

Under Energy Plan 2007 government will encourage development of unconventional gas resources in BC with a particular focus on the Nechako Basin. To encourage development in the Nechako Basin, the government will undertake to actively engage communities in the development and implementation of a comprehensive pre-tenure engagement initiative for First Nations in the region. Specific tenure and royalties will be explored to encourage investment through consultations with government industry communities and First Nations.

### Petroleum Registry

Energy Plan 2007 contemplates a new petroleum registry that will function as essential database to improve the quality and management of volumetric, royalty and infrastructure information associated with the industry to promote competition while providing transparency around oil and gas activity.

### Technology Transfer Incentive Program

A new oil and gas technology transfer incentive program will be considered to encourage the research, development and use of innovative technologies to increase recovery of existing reserves and encourage responsible development of new oil and gas reserve strength. Royalties may be adopted to recover program costs overtime.

## **Policy Action Items - Electricity Sector**

### Self-Sufficiency in Electricity

Energy Plan 2007 states that British Columbia is to be "self-sufficient" in electricity by 2016, including incremental BC electricity supply for "insurance" purposes. The plan itself provides very few details on the manner in which this objective is to be accomplished, or indeed what "self sufficiency" means, although the issue has been the topic of significant debate in BC Hydro's recent Integrated Electricity Plan and Alcan energy supply contract proceedings before the BC Utilities Commission.



As one way of addressing electricity self sufficiency BC Hydro will be directed to develop a standing offer program where small green generation projects (under 10 MW) will have a standing offer from BC Hydro to purchase plant output at a fixed price. This simplified process is intended to encourage the development of small green IPP projects. There are a number of other policy initiatives which seem designed to assist private sector IPP proponents to successfully develop independent power projects. As well, BC Hydro and government will enter into initial discussions with first nations, the Province of Alberta and communities regarding the Site C project on the Peace River.

#### Investment in Transmission Infrastructure

Energy Plan 2007 contemplates further investment in transmission infrastructure by BC Transmission Corporation. Of note, BCTC will follow an approach that builds infrastructure in advance of need. This will likely mean that electricity consumers generally, rather than individual customers or generators such as IPPs, will pay for at least some system upgrades. BCTC and government will also develop a congestion relief policy to ensure that facilities are planned and built with a view to relieving transmission system congestion. Finally, reliability standards consistent with industry developed standards will be introduced in BC after consultation with industry to discuss options for implementation.

#### DSM to Meet 50% of BC Hydro's Incremental Resource Needs by 2020

A very aggressive demand side management (DSM) target of 50% of incremental resource needs by 2020 has been established for BC Hydro. This compares with a target of about 33% in BC Hydro's current preferred resource portfolio. To assist in meeting this goal, government has indicated in Energy Plan 2007 it intends to explore new rate structures that encourage energy efficiency and conservation, and technology to provide customers with useful information about their electricity consumption to allow them to make informed choices. Additionally, Energy Plan 2007 contemplates changes to BC's Building Code that by 2010 would require new buildings to meet certain energy efficiency standards.

#### GHG Emissions from Generating Plants to be Curtailed or Eliminated

All new electricity generating plants "connected to the grid" will be required to have "zero net" GHG emissions, and all existing plants will be required to have "zero net" GHG emissions by 2016. Any coal-fired plants in BC, by contrast, will be required to have "zero" GHG emissions. Thus, while non-coal thermal facilities will be able to acquire carbon offsets to mitigate their GHG emissions, coal-fired thermal facilities will not be granted that indulgence.

#### Wood Waste Energy Call

BC Hydro will issue a call for electricity targeted to technologies that burn sawmill residues, logging debris and timber affected by the mountain pine beetle infestation.



## Remote Community Electrification

BC Hydro is to expand or take over electricity service in remote communities that are not currently served by BC Hydro.

## Policy Action Items – General

### Innovative Clean Energy Fund

A \$25 million dollar annual fund<sup>1</sup> will be established through a charge on all energy utilities in BC to help “promising clean power technology projects to succeed.” To be eligible for funding, projects will have to address specific environmental and energy issues identified by government, showcase BC technologies with potential for application elsewhere and demonstrate commercial viability.

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<sup>1</sup>We infer it is an annual fund, although the plan is not explicit on this point.

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# APPENDIX A The BC Energy Plan: Summary of Policy Actions

## ENERGY CONSERVATION AND EFFICIENCY

1. Set an ambitious conservation target, to acquire 50 per cent of BC Hydro's incremental resource needs through conservation by 2020.
2. Ensure a coordinated approach to conservation and efficiency is actively pursued in British Columbia.
3. Encourage utilities to pursue cost effective and competitive demand side management opportunities.
4. Explore with B.C. utilities new rate structures that encourage energy efficiency and conservation.
5. Implement Energy Efficiency Standards for Buildings by 2010.
6. Undertake a pilot project for energy performance labeling of homes and buildings in coordination with local and federal governments, First Nations, and industry associations.
7. New provincial public sector buildings will be required to integrate environmental design to achieve the highest standards for greenhouse gas emission reductions, water conservation and other building performance results such as a certified standard.
8. Develop an Industrial Energy Efficiency Program for British Columbia to address specific challenges faced by British Columbia's industrial sector.
9. Increase the participation of local governments in the Community Action on Energy Efficiency Program and expand the First Nations and Remote Community Clean Energy Program.

## ELECTRICITY

10. Ensure self-sufficiency to meet electricity needs, including "insurance" by 2016.
11. Establish a standing offer for clean electricity projects up to 10 megawatts.
12. The BC Transmission Corporation is to ensure that British Columbia's transmission technology and infrastructure remains at the leading edge and has the capacity to deliver power efficiently and reliably to meet growing demand.
13. Ensure adequate transmission system capacity by developing and implementing a transmission congestion relief policy.

14. Ensure that the province remains consistent with North American transmission reliability standards.
15. Continue public ownership of BC Hydro and its heritage assets, and the BC Transmission Corporation.
16. Establish the existing heritage contract in perpetuity.
17. Invest in upgrading and maintaining the heritage asset power plants and the transmission lines to retain the ongoing competitive advantage these assets provide to the province.
18. All new electricity generation projects will have zero net greenhouse gas emissions.
19. Zero net greenhouse gas emissions from existing thermal generation power plants by 2016.
20. Require zero greenhouse gas emissions from any coal thermal electricity facilities.
21. Ensure clean or renewable electricity generation continues to account for at least 90 per cent of total generation.
22. Government supports BC Hydro's proposal to replace the firm energy supply from the Burrard Thermal plant with other resources. BC Hydro may choose to retain Burrard for capacity purposes after 2014.
23. No nuclear power.
24. Review BC Utilities Commissions' role in considering social and environmental costs and benefits.
25. Ensure the procurement of electricity appropriately recognizes the value of aggregated intermittent resources.
26. Work with BC Hydro and parties involved to continue to improve the procurement process for electricity.
27. Pursue Government and BC Hydro's planned Remote Community Electrification Program to expand or take over electricity service to remote communities in British Columbia.
28. Ensure BC Hydro considers alternative electricity sources and energy efficiency measures in its energy planning for remote communities.

## ALTERNATIVE ENERGY

29. Establish the Innovative Clean Energy Fund to support the development of clean power and energy efficiency technologies in the electricity, alternative energy, transportation and oil and gas sectors.

30. Implement a provincial Bioenergy Strategy which will build upon British Columbia's natural bioenergy resource advantages.
31. Issue an expression of interest followed by a call for proposals for electricity from sawmill residues, logging debris and beetle-killed timber to help mitigate impacts from the provincial mountain pine beetle infestation.
32. Implement a five per cent average renewable fuel standard for diesel by 2010 to help reduce emissions and advance the domestic renewable fuel industry.
33. Support the federal action of increasing the ethanol content of gasoline to five per cent by 2010 and adopt quality parameters for all renewable fuels and fuel blends that are appropriate for Canadian weather conditions in cooperation with North American jurisdictions.
34. Develop a leading hydrogen economy by continuing to support the Hydrogen and Fuel Cell Strategy for British Columbia.
35. Establish a new, harmonized regulatory framework by 2010 for hydrogen by working with governments, industry and hydrogen alliances.

## OIL AND GAS

36. Eliminate all routine flaring at oil and gas producing wells and production facilities by 2016 with an interim goal to reduce flaring by half (50 per cent) by 2011.
  37. Establish policies and measures to reduce air emissions in coordination with the Ministry of Environment.
  38. Best coalbed gas practices in North America. Companies will not be allowed to surface discharge produced water. Any re-injected produced water must be injected well below any domestic water aquifer.
  39. Enhance the Oil and Gas Environmental Stewardship Program, ensuring sound environmental, land and resource management.
  40. Continue to work to lift the federal moratorium on offshore exploration and development and reiterate the intention to simultaneously lift the provincial moratorium.
  41. Work with the federal government to ensure that offshore oil and gas resources are developed in a scientifically sound and environmentally responsible way.
42. Participate in marine and environmental planning to effectively manage marine areas and offshore oil and gas basins.
  43. Develop and implement a comprehensive community engagement program to establish a framework for a benefits sharing agreement resulting from offshore oil and gas development for communities, including First Nations.
  44. Pursue regulatory and fiscal competitiveness in support of being among the most competitive oil and gas jurisdictions in North America.
  45. Enhance infrastructure to support the development of oil and gas in British Columbia and address impediments to economic development such as transportation and labour shortages.
  46. Encourage the development of conventional and unconventional resources.
  47. Support the growth of British Columbia's oil and gas service sector.
  48. Promote exploration and development of the interior basins with a priority focus on the Nechako Basin.
  49. Encourage the development of new technologies.
  50. Add value to British Columbia's oil and gas industry by assessing and promoting the development of additional gas processing facilities in the province.
  51. Provide information about local oil and gas activities to local governments, education and health service providers to inform and support the development of necessary social infrastructure.
  52. Work with First Nations to identify opportunities to participate in and benefit from oil and gas development.
  53. Support First Nations in providing cross-cultural training to agencies and industry.
  54. Improve working relationships among industry and local communities and landowners by clarifying and simplifying processes, enhancing dispute resolution methods, and offering more support and information.
  55. Examine oil and gas tenure policies and develop guidelines to determine areas that require special consideration prior to tenure approval.