

STRATEGIC IMPERATIVES FOR BRITISH COLUMBIA'S ENERGY FUTURE

Summary of Recommendations

Strategic Imperative 1 – British Columbia Should Protect and Promote its Real Advantages in the Energy Sector

British Columbia has a diversified supply of energy and great potential to develop new supply for domestic consumption and export. This is at a time when energy demand in North America is expected to remain strong while many conventional sources of supply outside British Columbia are depleting. In addition, China and India have become economic forces with large energy requirements. BC must plan for and regulate energy in a manner that preserves its real advantages.

Recommendations

To protect and promote British Columbia's energy sector potential:

- The provincial government must ensure it has a long-term energy plan that is kept current and it must closely monitor implementation of the plan by all involved parties, such as various government ministries and agencies, including BC Hydro, the BC Transmission Corporation, the Columbia Power Corporation, the BC Utilities Commission and the BC Oil and Gas Commission. Annual progress reports on energy plan implementation are needed;
- All orders of government (provincial, federal and local) must keep the energy sector competitive. This will require constant government attention to industry demands regarding their tax burdens of all types, royalty regimes, regulatory efficiencies and the availability of skilled labour. It will also require ongoing balancing of economic, environmental and social objectives if the public is to continue to support development of the industry;
- Government, communities and industry must forge working relationships with First Nations. The energy sector requires access to land, water and resources. Without a mutually beneficial working relationship with First Nations, access is complicated and slow, and full potential for all parties involved in the energy sector simply cannot be realized;
- The public sector needs to develop a creative and sophisticated human resources plan to attract and retain highly qualified individuals to formulate public policy in energy, regulate the energy sector including environmental assessment, and provide the commercial acumen needed by BC Hydro, the BC Transmission Corporation and the Columbia Power Corporation. This will be a significant challenge given the demand for energy sector expertise for energy developments world wide, and the difficulty the public sector faces in competing financially with the private sector for labour; and,
- The provincial government should establish a small “blue ribbon” panel of experts to advise the government by on how best to use its future natural gas and oil royalties, taking the experiences of Alberta, Alaska and Norway into consideration.

Strategic Imperative 2 – Northeast British Columbia Should Remain the Primary Focus of BC’s Natural Gas Industry

The demand for natural gas in Canada and the United States remains strong. British Columbia has numerous undeveloped or underdeveloped sources of natural gas including the BC portion of the Western Canada Sedimentary Basin (northeast British Columbia), the Bowser and Nechako Basins, the BC offshore, and coalbed methane located in many places throughout the province. These sources of supply are significant. Even the northeast is undeveloped relative to Alberta, though it has been producing natural gas for more than 50 years.

Recommendations

To build on our competitive advantage in natural gas:

- The oil and natural gas industry and government should continue to focus on natural gas development in the northeast. The northeast has extensive natural gas reserves and infrastructure, including roads, gathering systems, processing facilities, a growing service sector, good transportation pipelines, and community and First Nations awareness and involvement;
- The federal and provincial government should provide more detailed information to the public on the potential for BC’s offshore oil and gas industry and make the analysis of this potential a priority with clear direction on the environmental safeguards, actions and time frames required to move forward;
- Government should allow one or two pilot projects with regard to the extraction of coalbed methane in British Columbia. Coalbed methane extraction is a new industry to British Columbia and is not well understood. Furthermore, it requires extensive environmental safeguards and land management, and modern technology. Therefore, developing the resource incrementally once community concerns about issues such as noise, water pollution and extensive land use have been successfully addressed, is the prudent course of action; and,
- Public agencies should adopt the use of natural gas in public transit.

Strategic Imperative 3 – British Columbia Should Become Self-Sufficient in Electricity

British Columbia is now a net importer of electricity and this dependency runs counter to ensuring provincial energy security and benefiting from export opportunities. British Columbia needs to increase its electricity supply and can do so from a range of sources including alternative energy.

Recommendations

To become self-sufficient in electricity:

- The provincial government must establish a clear provincial policy that BC’s goal is to be self-sufficient in electricity. British Columbia should be in a position to meet its own electricity needs. This policy should include provision for the province to be a net exporter of electricity and also promote the trading of electricity where it is cost effective to do so.

- The provincial government and BC Hydro must explain clearly the need for additional supply. This case pertains to the need for greater domestic security to meet expected population and industrial growth in coming years. It also pertains to the benefits of export and the significant risks of being import dependent;
- BC Hydro must call for competitive and comprehensive proposals for electricity supply recognizing the long lead times involved to build facilities and the variety of potential projects that must be considered, from small run-of-river projects to Site C on the Peace River;
- BC Hydro must provide greater certainty and predictability on how new electricity generation projects will be included in BC Hydro's electricity supply, including defining clearly what qualifies as clean energy and the contractual arrangements involved; and,
- The provincial government should foster greater public-private partnerships in energy in order to increase investment in the sector and transfer project risk from the public sector to the private sector.

Strategic Imperative 4 – British Columbia, Alberta and the US Pacific Northwest Can Benefit from Their Joint Energy Interests

British Columbia and Alberta have joint energy interests. These interests include the development and transmission of electricity and the transportation of oil and natural gas for domestic use and export. The development of the Alberta oil sands and the need to get both Alberta oil and electricity to market provide an unparalleled opportunity for cooperation and resulting benefit between the two provinces.

Transportation systems to get energy to markets in the Pacific Northwest are also critical to British Columbia. Approximately 50 percent of BC's natural gas is exported to Washington and Oregon and transportation systems for oil and natural gas are built incrementally as demand dictates. Transmission systems for electricity were built decades ago and now need upgrading and new investment to meet growing demands in British Columbia. They are also required to take advantage of the trading opportunities between British Columbia and Alberta and Washington State, as the regional electricity supply becomes more integrated through the application of common standards and rules of operation. British Columbia also needs to position itself to benefit from opportunities related to pipeline development in Alaska and the Northwest Territories.

Recommendations

- Establish a British Columbia/Alberta joint strategy, co-sponsored by the two energy ministers, to do the following:
 - Attract and retain skilled labour for the energy sector in both provinces, including for the regulation of the sector;
 - Identify significant energy opportunities of mutual benefit (for example, manage the electricity systems in the two provinces to benefit both jurisdictions);
 - Start planning for utility corridors given the need to move BC and Alberta energy to foreign markets;
 - Begin joint planning with BC Port Authorities on how best to strengthen and expand BC ports to move BC and Alberta energy to external markets;

- Inform the two provincial Cabinets of action required by government to grow the energy sector (for example, the need for common standards to facilitate the movement of large equipment); and,
- Engage the private sector in developing regulatory improvements (for example, the design of outcome-based regulation).
- The provincial government, through BC Hydro, the BC Transmission Corporation, and the Centre for Energy should explain to British Columbians the regional interdependence in electricity transmission and in oil and natural gas transportation, and that this regional interdependence requires reliable and efficient transmission and transportation so that the public will be more supportive of new transmission and transportation projects;
- The provincial government needs to ensure that the BC Transmission Corporation has the plan and the resources to upgrade and expand the BC transmission system. This is important within British Columbia because more energy transmission is required especially near and in the Lower Mainland as its population grows; and,
- With regard to opportunities in Alaska and the NWT, the BC government needs to maximize benefits to British Columbia:
 - British Columbia, Yukon and Alaskan governments must strike a trilateral economic arrangement focusing on the potential transportation of Alaskan natural gas through the Yukon and British Columbia;
 - British Columbia and the Northwest Territories must reach a bilateral agreement that focuses on the gathering, processing and transportation of natural gas from the NWT; and,
 - British Columbia should market Northern BC as the best choice for the terminus of the anticipated Alaska and Mackenzie Valley pipelines. This will position Northern BC to become the location of a major trading hub for natural gas.

Strategic Imperative 5 – Conservation and Energy Efficiency are Essential

Climate change is the most prominent environmental and economic global issue of our time. Air quality is a growing health concern for British Columbians, especially in the Fraser Valley. BC energy demand exceeds supply, but it is increasingly difficult for new large electricity generation, transmission or natural gas pipeline projects to get public approval in BC due to the required trade-offs in lower air quality due to higher emissions, environmental impact, and costs. We must reduce energy consumption and emissions. Energy conservation, energy efficiency, and alternative energy sources are the only way to achieve this imperative.

Recommendations

- The provincial government should implement its Energy Efficiency for BC Buildings strategy with a strong emphasis on, and funding for, public education, awareness and incentives to change behaviour;
- The provincial government, through the BC Utilities Commission should direct BC Hydro to introduce pricing of electricity that sends the correct signals to all consumers for their energy decisions, mindful of the government’s pricing policy with respect to heritage assets;

- BC Hydro and FortisBC should increase public awareness and greater accessibility to the energy conservation and energy efficiency options they offer and establish ambitious targets for public participation in these options and the resulting energy savings; and,
- BC businesses and utilities must take advantage of the funding offered by the federal government as part of its Kyoto Protocol greenhouse gas reduction obligations to develop new business opportunities in conservation, energy efficiency, and alternative energy sources for domestic use and for foreign markets.

Strategic Imperative 6 – The Public Requires Information About the Reality of BC’s Energy Supply and Demand So We Can Make Informed Choices

The BC public is not well informed on energy issues. Orderly development of an energy sector requires public knowledge and participation.

Recommendations

- BC Hydro should partner with an organization that specializes in public communication and education with regard to the energy sector, such as the Centre for Energy,¹ to develop and implement a comprehensive public information and education strategy with the goal of increasing public understanding of BC’s electricity supply shortage and the choices we face in increasing supply;
- The provincial government, with BC Hydro, the BC Transmission Corporation, and the Centre for Energy should explain to the public our interdependence with Alberta and the U.S. in electricity transmission and natural gas and oil transportation. The public will only support new pipeline and transmission line projects if it understands their purpose and benefit to British Columbians;
- Natural gas companies and the provincial government should communicate the advantages of natural gas in displacing other fossil fuels and in being more energy efficient than electricity for many uses; and,
- BC Hydro and FortisBC should increase public communication about the energy efficiency and energy conservation options that they currently have available for consumers with the goal of increasing their use.

¹ See www.centreforenergy.com. The Centre for Energy was established in 2002 with funding from the Canadian Association of Petroleum Producers, the Small Explorers and Producers Association of Canada and EnCana Corporation with the mission “to be the primary source of information, data and educational materials pertaining to Canada’s energy sector and energy-related issues.”