



Resource Municipalities
COALITION

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Oil and Gas Division

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December 10, 2021

RE: BC's Royalty Review Submission

The following submission is from the Resource Municipalities Coalition, consisting of the Northern Rockies Regional Municipality, City of Fort St John, District of Taylor, District of Tumbler Ridge, and the District of Mackenzie - bringing communities together to plan, collaborate and embrace opportunities that protect and enhance the quality of life and services for all residents, now and into the future.

The Resource Municipalities Coalition advocates for responsible resource development as we believe responsible resource development sustains communities by addressing impacts on ecosystems as well as cumulative impacts to a healthy natural environment and to citizens by ensuring the provision of effective social services that improve quality of life while building a sustainable future. It is based on this fundamental belief that we reach out in support of the provinces initiative to modernize the BC Royalty Program to support a competitive and investment friendly economy.

The natural resources of British Columbia have been the foundation of strong economic success – the oil and gas sector has supported British Columbians throughout the province by creating an additional 8.4 jobs for every 1 job within the sector. As the province modernizes the BC Royalty Program, focus must be on ensuring that the province remains competitive to investors, supports reconciliation, and drives a sustainable net-zero carbon economy.

While we celebrate the successes of the sector and its ability to drive our economy and support community, we must recognize that there have been significant challenges that increase uncertainty for investors through regulatory delays and concerns on the implications of many provincial initiatives as it pivots to a net-zero carbon economy. Likewise, various unresolved issues surrounding rights and titles with First Nations, further overshadow opportunities within the province.

(2)

Negotiations currently underway regarding the Yahey v BC court ruling and the unrest that surrounds the Coastal GasLink Pipeline project, with the Wet'suwet'en Hereditary Chiefs, that provides natural gas to the provincially supported LNG Canada project in Kitimat – each of these issues, impact investor confidence and erode the economic opportunities of the province. Even the introduction of a Royalty Program review itself, stalls growth as investors speculate the implications of the new program. Therefore, we encourage the province to ensure that these matters are resolved effectively prior to the implementation of a new Royalty Program.

The Resource Municipalities Coalition recognizes the importance of our First Nations neighbors and the impacts recent court rulings and government decisions have had on all First Nation communities. We strongly encourage government to resolve these matters prior to the implementation of a new Royalty program as it will demonstrate the importance of First Nations within the oil and gas sector and demonstrate, lasting and meaningful reconciliation.

Likewise, a new Royalty Program must support the innovative spirit and dedication of our First Nations who have steadily increased their ownership within this sector and demonstrated leadership in environmental stewardship, sustainable economic growth within their Nations and provide responsibly developed energy that the world needs.

To address specific elements of the discussion paper released on November 10th, 2021. The Resource Municipalities Coalition provides the following views for consideration:

- **Government Goals for the Natural Gas Royalty Framework**

Economic Development: Recognizing impacts to provincial revenues in recent years has broader implication on community social frameworks that support British Columbians. In addition, recognizing that rural and remote communities are the drivers of the oil and gas sector, any reduction of supports to the social framework impeded the quality of life and puts further strain on communities to deliver the supports required to maintain or improve the quality of life and sustainability of programs provided. The noted goals: economic development, fair return on the public resource, and environmental protection, are equally important to the royalty framework and must be considered in harmony throughout to development, implementation, and execution of the program.

Fair Return on the public resource: While we recognize the challenges of determining a fair return on public resources as it is influenced by varied external sources, and while it may result is less value shared between industry and the Crown, it is critical to ensure the return reflects stability and supports an attractive and competitive investment environment to industry and the province.

Environmental Protection: The impacts of the oil and gas sector on our natural environment in past years have been reduced as the sector has embraced innovative technologies that have resulted in the sector now being one of the cleanest producers globally, due to federal and provincial legislation that has worked to reduce GHG's and the physical impacts to our landscape. This must be continued in harmony with economic development opportunities found within the province to ensure a sustainable future for generations to come.

- **Framework Design Objectives**

Revenue Minus Cost: In reviewing the various models presented by the province, we believe the Revenue Minus Cost model is most likely to effectively achieve the governments' - equally important - three goals of the royalty framework, economic development, fair return on the public resource, and environmental protection.

We believe the Revenue Minus Cost model better supports a growing resource economy, as it is proposed to eliminate differential impacts on investment and production decisions, accounts for all direct costs of production, tie royalties to the true economic value of each well, maximizing the public benefits of development, rather than a Flat Rate model.

- **Transition**

The Resource Municipalities Coalition believes that a transition plan can only be effectively determined once a decision has been made on the preferred royalty model, and the development of a transition plan, must be inclusive of First Nations and industry. While we recognize that there may be an eagerness to move swiftly to transition to the new model, a transition plan must be gradual, effective, and administratively feasible to all parties.

- **Existing Royalty Incentives**

Existing royalty incentives should be used to implement a community legacy programs that support ongoing and future opportunities. By re-investing these funds into the local economy, communities can build capacity to better serve the needs of their community.

While the Oil and Gas sector has strong economic influence on our local economies through direct and indirect employment, these industry's also support the social framework of our communities which is reflected when the province becomes less competitive and discouraging to investors. By ensuring that the province is resolving matters with our First Nation neighbors, implementing a Royalty Program that supports a competitive BC and attracts investment, the province will be putting the people of British Columbia first, and supporting a strong, sustainable economy that works for everyone.

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The RMC encourages the province to advance the noted recommendations in partnership with First Nations and industry in a way that is equitable, effective, transparent, and supports investment that then ensures sustainability of the sector.

Sincerely,



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City of Fort St John



Mayor Rob Fraser
District of Taylor

Keith Bertrand

Mayor Keith Bertrand
District of Tumbler Ridge



Mayor Joan Atkinson
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