

Assessing offshore oil & gas development on British Columbia's coast



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Coastal First Nations report provides communities with in-depth information on offshore oil and gas development

The federal and provincial governments are considering lifting British Columbia's offshore oil and gas moratorium.

Some First Nations have serious concerns about the possible lifting of the moratorium, says Coastal First Nations executive director Art Sterritt.

First Nations haven't been provided with sufficient information to make an informed decision on whether the moratorium should be lifted, says Sterritt. "The governments are considering the lifting of the moratorium without adequate consultation with First Nations. We want to provide our community members with enough information to make an informed decision about whether offshore oil and gas development should take place in our Traditional Territories."

A recent study, *A Review of Offshore Oil and Gas Development in British Columbia*, is the most comprehensive study on offshore oil and gas in B.C. to date, he said. "We commissioned Simon Fraser University (SFU) to conduct the study so our community members would have current and relevant information on the issue."

Sterritt added that the SFU report is also the first report to integrate the environmental, social, legal, economic and regulatory issues associated with offshore oil and gas development.

This issue of the **Coastal First Nations** newsletter summarizes the findings of *A Review of Offshore Oil and Gas Development in British Columbia* and is meant to provide community members with valuable information on the issue of oil and gas, Sterritt said.

"First Nations have the right to deliberate and examine the issue of offshore oil and gas development and how it will impact our people, waters and lands," he said. "If

that is to occur in a meaningful way then we must be provided the time and the resources to allow our communities to come to our own conclusions on offshore oil and gas development."

Coastal First Nations can make a difference, we know what we want and we can succeed in stopping any and all offshore oil and gas development in our Traditional Territories until all the necessary science and knowledge gaps are filled, Sterritt said.

The Queen Charlotte Basin is one of the last untamed places left in British Columbia, he said. "The coast is home to salmon, herring, halibut, seals, sea cucumber, and a myriad of sea creatures, all of which depend on this fragile, unique land for survival. Yet the federal and provincial governments are considering drilling right smack in the coast's ecological heart."

For the full report go to:
www.rem.sfu.ca/sustainableplanning/OOGRG.html



Federal moratorium on offshore oil and gas since 1972

Except for a short period - from 1966 to 1969 - British Columbia has prohibited offshore exploration for oil and gas since 1959. In 1972, the federal government imposed a moratorium on offshore exploration because of environmental concerns.

The provincial and federal governments are now considering removing the moratorium to allow offshore oil and gas development. But a number of issues must be resolved before the moratorium can be removed, including:

- jurisdictional conflict between the federal, provincial, and First Nations governments over who controls offshore oil and gas;
- environmental risks;
- economic viability;
- inadequate regulatory regimes; and
- public opposition



Governments obligated to deal with First Nations Aboriginal Rights and Title

Jurisdiction over gas development is complex. Offshore oil and gas resources are located in "offshore waters" subject to federal government control and "inland waters" subject to both federal and provincial government controls.

Coastal First Nations governments have a basis for exerting control over gas development that affects their natural resources, such as fish, and/or occurs in waters subject to Aboriginal Rights and Title. Additionally First Nations as Indigenous Peoples have certain rights under international law and conventions to which Canada is a signatory. The House of Assembly of the Haida Nation approved a moratorium on all development in its territory in 1985.

Oil and gas companies also have rights based on their existing offshore oil and gas leases. The oil and gas industry has stated that they would not resume exploration activity until uncertainty over jurisdiction is resolved. This means that agreements must be struck between the federal, provincial, and First Nations governments before gas development can proceed.



Uncertainty about quantity of offshore oil and gas resources

Uncertainty exists over the quantity and the viability of offshore oil and gas resources. The Geological Survey of Canada estimates that only 1.3 billion barrels of oil (25% of the oil) and 9.8 trillion cubic feet of natural gas (75% of the gas) is likely recoverable. This is equivalent of about 2.5 years of Canadian oil consumption and 4 years of Canadian gas consumption.

Estimates of potential resources by other agencies are more conservative. Also, there is no assurance that any of the oil and gas reserves in Hecate Strait can be recovered economically. Therefore, oil and gas resource estimates remain highly speculative and development potential is hypothetical.

Offshore oil and gas development a threat to environment

There is a consensus that gas development would have negative environmental impacts and that some potential impacts may cause serious environmental damage.

According to the SFU report environmental impacts would occur in the exploration, development, production and decommissioning phases. While some impacts are local and short in duration, others affect larger areas and last longer.

Also there is considerable uncertainty regarding the exact nature and magnitude of environmental impacts. The uncertainty is due to several factors that include:

- research on environmental impacts of development is incomplete; there are substantial gaps in knowledge.
- impacts are unique to each ecological system. Results based on the experience of other regions would not accurately predict impacts for the Queen Charlotte Basin.
- impacts are based on unknown probabilities of events, such as accidental oil spills.
- impacts would vary depending on the type of regulations and management practices governing development.

While the frequency of oil spills is declining; small oil spills, defined as less than 1,000 barrels, are a common occurrence in offshore oil and gas development. Recent analysis for



oil and gas development in the Cook Inlet in Alaska uses past oil spill statistics to forecast a total of 484 small spills over the 25-year life of the proposed development. The same analysis forecasts that the probability of a large spill, defined as over 1,000 barrels, is 19% over the life of the project. The SFU report states although probabilities vary depending on the magnitude of the project, the Cook Inlet probability forecasts are a reasonable indication of the oil spill risks that B.C. would face if offshore oil and gas development went ahead.

Oil spill clean-up measures are largely ineffective in mitigating the impacts of oil spills. Clean-up efforts on average recover only 5-15% of the hydrocarbons and the clean-up process can itself cause additional environmental damage.

Recent research shows that the impact of oil spills lasts at least several decades. Recovery time from spills is therefore lengthy.

Oil and gas development in the Hecate Strait would have greater negative impacts than it has in other regions because it is more environmentally vulnerable.

No analysis on impacts of oil and gas development on Tourism and Fisheries Sectors

Tourism is an important sector of the B.C. economy, supporting over 113,000 jobs, 13,000 of which are in the ecotourism sector. In the North Coast region, tourism supports directly and indirectly about 7 % of total employment. To date, no analysis has been done on the impacts that development would have on the B.C. tourism sector. Potential impacts on tourism need to be carefully assessed before any decision is made on the moratorium.

The fishing sector supports between 6% and 9% of the total employment on the North Coast regional economy. The commercial fisheries based in Prince Rupert employs approximately 2,400 workers. No analysis has been done on the impacts on B.C. fisheries. The experience elsewhere, however, indicates that it imposes risks on the fisheries. Seismic surveys during exploration produce noise that can reduce fishing catches in affected areas by up to 70%. Pollution resulting from development and production of oil and gas can contaminate fish. An impact study of proposed development in Cook Inlet showed



that even a relatively small oil spill of 1,500 barrels could result in the closure of an entire fishery for at least one year. Clearly, the impacts of development on the fisheries sector needs to be carefully assessed before any decision is made on the moratorium.

Economic benefits of offshore oil and gas development limited

Oil and gas development is promoted as an economic development initiative to stimulate both the regional and B.C. provincial economy. But according to the SFU report the regional economic benefits are limited by the following factors.



- Development is a very capital intensive industry that generates few jobs and would rely on highly skilled services and equipment produced outside of B.C.
- Oil and gas development is a cyclical industry that can create significant economic instability.
- It may have negative impacts on other sectors such as fishing and tourism.
- Offshore development generates few royalties compared to onshore oil and gas development because it is higher cost. Royalty rates in Eastern Canada, for example, average only 4% of gross value of oil and gas compared to rates on conventional production in B.C. that average 28%.
- An economic impact analysis of a possible development scenario in B.C. illustrates the limited regional development benefits. Overall, the B.C. development scenario would generate only 173 direct jobs during production and most of these jobs would be taken by people from outside the North Coast region.

Regulatory system for offshore oil and gas development inadequate

The SFU report states all the studies in B.C. emphasize the need for a sound regulatory system as a precondition for development. The study by the Offshore Oil and Gas Research Group at Simon Fraser University evaluated the current regulatory regime against international best practices. The results of the evaluation of the current regulatory regime show that seven evaluative criteria are not met, five are partially met, and none are fully met.

Some of the regulatory regime criteria include:

- *Roles and Responsibilities*: should be clearly defined.
- *Legislative Base*: the structure of the management regime should be formally structured through legislation or regulation.
- *Decision-Making Criteria and Methods*: the decision-making process should be based on clear criteria and methods for assessing options
- *Efficiency*: decisions should be reached in a timely manner at a reasonable cost.
- *Stakeholder Involvement*: a framework should be in place to ensure that stakeholders are fully engaged in the decision-making process through shared decision making.
- *First Nations*: legal and fiduciary obligations, such as to consult and address First Nations' interests, should be fully met.



Summary of government review processes on offshore oil and gas moratorium

B.C. Provincial Public Consultation (2001-2)

The provincial public consultation process was undertaken by a committee of six Liberal members of the legislature. The committee concluded that the public would like to see the following issues addressed before the government makes a decision on the moratorium.

- Resolution of ownership of offshore resources
- Estimates of offshore resources
- Processes for involvement of First Nations
- Assessment of environmental, economic and social impacts



B.C. Provincial Scientific Review Panel (2001-2)

The provincial government appointed a scientific panel on October 19, 2001 to review scientific issues relevant to gas development. In its report published January 2001 the B.C. scientific panel recommended that the following initiatives be implemented before proceeding with oil and gas development.

- Development of an integrated federal-provincial regulatory framework
- Negotiation of an Accord providing for revenue sharing between the federal, provincial, and First Nations governments

The panel concluded that conditions such as an adequate regulatory regime need to be met before proceeding with oil and gas development.

Federal Review Panels (2003-4)

The federal government mandated the Royal Society of Canada to appoint an expert panel on July 2003 to identify gaps in scientific knowledge that need to be filled before a decision is made on the moratorium. In its report published February 2004 the federal expert panel found that there were environmental risks to gas development and there were 17 key knowledge gaps where more information is required.

The federal government also appointed a panel to solicit public comments on gas development in July 2003. The panel held hearings in the spring of 2004 and will publish its report within the next few months. The federal consultation also includes a special process for consultation with First Nations.

Other moratorium reviews

U.S. Moratorium

The U.S. Congress imposed a moratorium on offshore oil and gas development for most of the east and west coast of the United States in 1982 because of concerns about environmental impacts. In 1989, former President George

Bush asked that a review be undertaken to assess the risks of development. The review concluded that there are significant risks and uncertainties associated with oil and gas development. Based on this extensive review, President Bush imposed a moratorium covering much of the east and west coast of the United States until 2000. In 1998, President Bill Clinton extended the moratorium to 2012 due to continued uncertainty and risk over impacts of development documented in additional studies.

B.C. Moratorium review process inadequate

The current moratorium review process being conducted by the federal and provincial governments can be evaluated using international best practices criteria for good process design. The process has inadequate engagement of stakeholders, inadequate information, no framework for partnership with First Nations, and inadequate explanation of decision-making criteria. Assessments are being completed in short periods of time and exclude key variables in the analysis. Consequently, no decision to lift the moratorium can be made on the basis of the current review process.

For information on offshore oil and gas development visit:

www.davidsuzuki.org

www.moratoriumpublicreview.ca

www.bcm-mcb.nrcan.gc.ca

www.rsc.ca/BC_offshore/indexEN.html

www.offshoreoilandgas.gov.bc.ca



Key facts from the SFU Report on offshore oil and gas

1. Jurisdiction over offshore oil and gas development is unclear, with overlapping responsibilities between the federal, provincial and First Nations governments.
2. There is a consensus in scientific literature that offshore development would have negative impacts on the environment and that these negative effects could be severe to catastrophic depending on the occurrence of events such as major oil spills. Further, there is a consensus that the B.C. coastal region is vulnerable to severe impacts because of the nature of currents and regional ecological conditions.
3. The risk of oil spills is declining with new management practices and technology. However, oil spills are a relatively common occurrence in oil and gas development. Newfoundland has recorded 138 small oil spills from 1997-2002.
4. Creating an economic development fund to support fishing, forestry, and tourism is a more effective strategy for developing the North Coast regional economy than waiting for a hypothetical offshore oil and gas development. The economic development initiative could be funded by having the province return some of the resource royalties currently collected from the region.

Conclusion

Based on a review of international literature and moratorium assessments done in the United States and Canada the SFU report concludes the current moratorium should be retained. None of the five criteria used to assess whether the current B.C. moratorium should be lifted were met.

Next Steps

The SFU report also recommends a new process for reviewing the issues associated with offshore oil and gas development in B.C. be created based on the following principles:

- An equal partnership between the federal, provincial, and First Nations governments
- Greater engagement of stakeholders in the review process
- A comprehensive research program to fill all key information gaps



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