

The New Brunswick Oil and Natural Gas Blueprint

First Progress Report
Department of Energy and Mines
June 2014

The New Brunswick
Oil and Natural
Gas Blueprint

First Progress Report

Department of Energy and Mines

June 2014

The New Brunswick Oil and Natural Gas Blueprint

**First Progress Report
Department of Energy and Mines
June 2014**

Province of New Brunswick
P.O. Box 6000
Fredericton, New Brunswick
E3B 5H1

www.gnb.ca

ISBN 978-1-4605-0359-1

9840 | 2014.06 | Printed in New Brunswick | Cover photo courtesy of Canaport LNG



Message from Hon. Craig Leonard

Minister of Energy and Mines

As Minister of Energy and Mines, it is my pleasure to provide you with the first progress report of *The New Brunswick Oil and Natural Gas Blueprint*.

I am pleased to share that significant progress has been made in implementing the action items identified in *The New Brunswick Oil and Natural Gas Blueprint*, which was released in May 2013 and developed to help guide policy in a fast-changing oil and gas sector.

The Department of Energy and Mines has been collaborating with many other government agencies and departments to move forward and implement the action items set out in the blueprint, including the development of a new natural gas royalty regime for the province. Based on approximately two years of research, discussion and analysis by government, with input from expert consultants, government staff and key stakeholders, this new regime is poised to increase royalty revenues by about 50% over the lifespan of a natural gas project as compared to our previous royalty structure.

In addition, the Province of New Brunswick created the New Brunswick Energy Institute (NBEI), comprised of a Scientific Advisory Council, Research Fellows and an Energy Roundtable. The NBEI has since announced two major research investments. The first is to examine environmental water flows in partnership with the Canadian Rivers Institute, and the second aims to gather the groundwater baseline data needed to assess domestic well water quality in areas where oil and natural gas development is possible.

Our government continues to work toward the implementation of the action items identified as in progress and ongoing in *The New Brunswick Oil and Natural Gas Blueprint*. By taking a methodical and cautious approach to developing the remaining blueprint action items, our government is ensuring maximum diligence and stringency in their implementation.

By working today to improve our province's oil and natural gas policies, we can ensure that New Brunswick's resources are developed safely and responsibly for generations to come.



Table of Contents

- Oil and Natural Gas Blueprint – Progress Report Card 1**
- Oil and Natural Gas Action Plan Progress Report 3**
 - Responsible Management of the Industry. 3
 - 1. *Strategic Water Management for the Oil and Natural Gas Sector* 3
 - 2. *Responsive Air Quality Monitoring*. 4
 - 3. *Enhancing the Regulatory Framework for the Oil and Natural Gas Sector* 4
 - 4. *Compliance and Enforcement Strategy*. 5
 - 5. *Alternative Regulatory Agency Models*. 5
 - Addressing Community Concerns and Needs 6
 - 6. *Ongoing Public Health Engagement* 6
 - 7. *Dispute Resolution* 6
 - Optimizing Economic Benefits. 7
 - 8. *Oil and Gas Royalties* 7
 - 9. *Royalty Revenue Sharing*. 7
 - 10. *Economic Impacts* 8
 - 11. *First Nations Economic Opportunities Plan* 8
 - 12. *Economic Development and Investment Attraction*. 9
 - 13. *Workforce Development Strategy* 9
 - Informing Future Directions 10
 - 14. *New Brunswick Energy Institute*. 10
 - 15. *Regional Natural Gas Supply Planning* 10
 - 16. *Offshore Oil and Natural Gas Opportunities*. 11

Oil and Natural Gas Blueprint – Progress Report Card

Item	Oil and Natural Gas Action Items	Status	Completion Year
1	Strategic Water Management for the Oil and Natural Gas Sector	In progress	2014
2	Responsive Air Quality Monitoring	In progress	2016
3	Enhancing the Regulatory Framework for the Oil and Natural Gas Sector	In progress	2015
4	Compliance and Enforcement Strategy	In progress	2014
5	Alternative Regulatory Agency Models	In progress	2014
6	Ongoing Public Health Engagement	Ongoing	Ongoing
7	Dispute Resolution	In progress	2014
8	Oil and Gas Royalties	Completed	2014
9	Royalty Revenue Sharing	In progress	2014
10	Economic Impacts	In progress	2016
11	First Nations Economic Opportunities Plan	Ongoing	Ongoing
12	Economic Development and Investment Attraction	Ongoing	Ongoing
13	Workforce Development Strategy	In progress	2016
14	New Brunswick Energy Institute	Completed	2013
15	Regional Natural Gas Supply Planning	In progress	2014
16	Offshore Oil and Natural Gas Opportunities	Ongoing	Ongoing

- Completed
- In progress
- Ongoing

Oil and Natural Gas Action Plan

Progress Report

Responsible Management of the Industry

1. Strategic Water Management for the Oil and Natural Gas Sector

The Province of New Brunswick will ensure that water management and protection measures keep pace with oil and natural gas development.

Progress and Next Steps

Water Monitoring

The Department of Environment and Local Government (DELG) is continuing its development of a Strategic Water Monitoring Plan for the oil and natural gas sector, to identify future monitoring needs as the industry expands. A draft plan is currently being finalized. The plan will address surface and groundwater monitoring at both the site-specific and regional scales. The plan envisions an integrated monitoring system that incorporates the work of the New Brunswick Energy Institute and the continuation or expansion of partnerships with other agencies including Environment Canada and the Canadian Rivers Institute.

Water Use in Exploration and Extraction

DELG is continuing to prepare a plan to manage water use by the oil and gas sector. It will elaborate on the requirements described in *Responsible Environmental Management of Oil and Gas Activities in New Brunswick: Rules for Industry* and will be used to help DELG evaluate proposed water withdrawals by oil and gas operators. A draft plan has been prepared and is currently being finalized.

Water-related Public Information

DELG has released a document entitled *Overview of Water Protection Measures for the Oil and Natural Gas Industry in New Brunswick*, which is available online. This document provides an overview of the water-related content contained within the *Rules for Industry* for managing and protecting New Brunswick's water resources.

The target completion date for this action item is 2014.

2. Responsive Air Quality Monitoring

The Province of New Brunswick will continue to monitor air quality and ensure that current air monitoring network and activities keep pace with any growth in the oil and gas sector.

Progress and Next Steps

The Department of Environment and Local Government has developed a responsive air quality monitoring study in partnership with Health Canada to inform future needs with respect to monitoring the oil and gas sector. The study consists of four phases: Phase I — Baseline; Phase II: New/Active Well; Phase III: Gas Plant; and Phase IV: Inactive (Capped Well).

Data collection is completed for all phases of the study, except Phase II: New/Active Well, which is underway.

The first interim report was published in February 2011; additional interim reports for Phases I, III and IV will be published throughout 2014 and 2015; and the final report will be completed in 2016.

The target completion date for this action item is 2016.

3. Enhancing the Regulatory Framework for the Oil and Natural Gas Sector

The Province of New Brunswick will continue to enhance the regulatory framework applicable to the exploration and production of oil and natural gas.

Progress and Next Steps

The Department of Energy and Mines (DEM) and the Department of Environment and Local Government (DELG) have used the *Rules for Industry* as a source of additional guidance to enhance the existing regulatory framework in the province. These departments continue to work collaboratively with other government departments and agencies in a province-wide effort to ensure the effective and progressive regulatory oversight of the province's oil and natural gas industry.

DEM has updated additional oil and natural gas technical standards, beyond those already included in the *Rules for Industry*, which all will be consolidated with existing legislation and regulations.

DELG is using existing legislation with a principle focus on continuous improvement to develop a guidance document for the oil and natural gas industry. DELG's environmental operating standards that seek to clarify certain sections of the *Rules for Industry* have been completed.

The target completion date for this action item is 2015.

4. Compliance and Enforcement Strategy

The Province of New Brunswick will release a compliance and enforcement strategy for the oil and natural gas sector.

Progress and Next Steps

Provincial departments and agencies with a mandate to conduct inspection and enforcement activities for oil and natural gas exploration and development have jointly prepared a draft compliance and enforcement strategy that is currently being finalized. In the meantime, the Province has already implemented a number of measures, including: a) the establishment of a lead inspection coordinator; b) joint inspections of oil and gas activities; c) additional, specialized training for inspection staff; and d) improvements in information management.

The objectives of the strategy address each of the elements identified in *The New Brunswick Oil and Natural Gas Blueprint*, including: 1) coordination of effort; 2) training; 3) information management; 4) prioritized inspections; 5) improved communications (industry and public); 6) performance measurement; 7) appropriate penalties; and 8) sufficient resources for inspection and enforcement.

The target completion date for this action item is 2014.

5. Alternative Regulatory Agency Models

The Province of New Brunswick will study regulatory agency models that may be appropriate for a future expanded oil and natural gas sector.

Progress and Next Steps

The Department of Energy and Mines and the Department of Environment and Local Government have examined the Province's current regulatory structure and studied alternative institutional models that are employed in various other oil and natural gas jurisdictions throughout North America.

Examination of appropriate institutional models for the Province to use, if and when needed, is currently underway. Further consideration of models that are deemed to be relevant to the province will require a review of important key factors that are important to New Brunswickers. Therefore, this review will include a discussion of public policy objectives, the strengths and weaknesses of the different models, model transition aspects and potential risks. The decision to implement a new model would reflect the future scale of the oil and gas industry in the province.

The target completion date for this action item is 2014.

Addressing Community Concerns and Needs

6. Ongoing Public Health Engagement

The Province of New Brunswick will ensure ongoing consideration of issues associated with public health and its social determinants during the development of an oil and natural gas industry.

Progress and Next Steps

The Department of Health (DH) is developing tools for assessing potential health impacts related to the resource industry in New Brunswick.

A literature review of studies related to natural gas from shale published up to December 2013 has been completed by the DH. A scan of literature to ensure that advice continues to be current and evidence-based is ongoing in order to monitor, research and share health impact information related to natural gas development.

Various provincial government departments will continue their ongoing study of the latest information available regarding public health as it relates to oil and gas development in order to ensure that New Brunswick's rules for the oil and natural gas industry continue to reflect the latest available data.

This action item as identified in *The New Brunswick Oil and Natural Gas Blueprint* is ongoing.

7. Dispute Resolution

The Province of New Brunswick will assess and implement effective and appropriate mechanisms for resolving disputes or claims arising from oil and natural gas activities.

Progress and Next Steps

The Department of Energy and Mines (DEM) is drafting a public information brochure for landowners with topics that include: landowner surface rights; landowner rights; what to consider before conveying lease rights; and what to do in the event of a dispute or claim. This information will be available in printed format and via the Government of New Brunswick website.

DEM and the Department of Environment and Local Government (DELG) are conducting a review of current and potential alternative dispute resolution models for the oil and natural gas sector, including proven models used in Alberta (Alberta Energy Regulator) and in British Columbia (British Columbia Oil and Gas Commission).

Once the review is completed, DEM and DELG will work with the Department of Justice and the Office of the Attorney General to implement appropriate mechanisms that will ensure potential claims are resolved fairly, efficiently, effectively, and with minimum delay.

The target completion date for this action item is 2014.

Optimizing Economic Benefits

8. Oil and Gas Royalties

The Province of New Brunswick will establish an oil and natural gas royalty regime which ensures a fair return to the Crown, while encouraging investment in this sector.

Progress and Next Steps

The Department of Energy and Mines and the Department of Finance, with input from key stakeholders, First Nations and expert consultants, developed a new natural gas royalty regime for the province.

The new regime is based on approximately two years of research, discussion and analysis. The new proposed royalty regime was announced in November of 2013, and draft regulations were posted online for public review from February 20 to March 19, 2014. The natural gas royalty structure came into effect on April 1, 2014.

The royalty rate for oil and condensates will remain unchanged until further review.

This action item as identified in *The New Brunswick Oil and Natural Gas Blueprint* has been completed.

9. Royalty Revenue Sharing

The Province of New Brunswick will continue to review potential royalty sharing models.

Progress and Next Steps

As per action item 8, the recent implementation of a new royalty regime for natural gas provides the basis for the Province to continue its review of royalty revenue sharing and to explore potential revenue sharing models, with a recommendation to come in 2014.

This action item is being led by the Department of Energy and Mines, in conjunction with the Department of Finance and the Department of Environment and Local Government.

This interdepartmental team is building upon the work completed and comments received as a result of the 2012 document *Sharing of Royalty Revenues from Natural Gas Activities in NB*. Their work is based on previous policy discussions and includes a cross-jurisdictional review to help determine how royalty revenue sharing can be applicable to New Brunswick.

The target completion date for this action is 2014.

10. Economic Impacts

The Province of New Brunswick will work with the New Brunswick Energy Institute to identify economic impacts from developing oil and natural gas resources.

Progress and Next Steps

The New Brunswick Energy Institute (NBEI) in conjunction with the departments of Energy and Mines, Environment and Local Government, Finance, and Transportation and Infrastructure will look to develop effective economic analytical tools to estimate the actual and potential economic impacts of an expanded oil and gas industry.

A Request for Proposals (RFP) for the development of analytical tools will be created later this year, with work on the project commencing in early 2015. The project is anticipated to involve an initial phase consisting of a literature review and comparison of different jurisdictions, followed by a second phase in which appropriate measures will be recommended. The recommendations will be to address risks while maximizing benefits and minimizing adverse socio-economic consequences to New Brunswickers.

The target completion date for this action item is 2016.

11. First Nations Economic Opportunities Plan

The Province of New Brunswick will collaborate with industry and First Nations communities to maximize First Nations opportunities in the oil and gas sector.

Progress and Next Steps

Economic partnerships with First Nations is a key step in the development of opportunities as the oil and gas sector moves forward. A Bilateral Table on Energy and Mines was created in 2013 as a forum for engagement and dialogue with First Nations. Learning sessions have been set up to increase First Nations' understanding of the oil and natural gas sector and to provide insight into the provincial permitting processes.

A draft proponent guide that aims to provide guidance to proponents of resource development projects for effective engagement with First Nations in New Brunswick has been prepared and is being reviewed internally. The draft guide will be shared with First Nations before being finalized. The proponent guide will be finalized in 2014.

The Province also provides funding for the Joint Economic Development Initiative's training and employment programs. In 2014, the New Brunswick Aboriginal Mining, Energy and Trades Program is being offered to those individuals interested in advancing their careers in the resources sector.

This action item as identified in *The New Brunswick Oil and Natural Gas Blueprint* is ongoing.

12. Economic Development and Investment Attraction

The Province of New Brunswick will maximize the economic development and investment attraction opportunities associated with New Brunswick's oil and natural gas industry.

Progress and Next Steps

Both locally and outside of the province, oil and natural gas opportunities, from resource development to pipeline construction projects, tie into the Department of Economic Development's work with New Brunswick firms. In support of this action item, government has:

- been working with New Brunswick firms to assess and enhance capabilities through a formal analysis tool;
- undertaken a number of trade and partnering activities in 2013-2014 to oil and gas markets, such as Alberta, Newfoundland and Labrador, Texas, North Dakota, Arkansas, India, China and Brazil; and
- provided ongoing support for innovation to enhance capabilities and best practices in sectors that support the oil and natural gas industry.

Invest NB has undertaken a number of industrial investment attraction initiatives to fully leverage the emergence of natural gas development in the province. Invest NB continues to work with foreign direct investment companies in the oil and gas and energy sectors and in the advanced manufacturing sector, which includes chemicals, plastics and fertilizer manufacturing.

This action item as identified in *The New Brunswick Oil and Natural Gas Blueprint* is ongoing.

13. Workforce Development Strategy

The Province of New Brunswick will create workforce development, attraction and retention strategies to support a growing oil and natural gas sector.

Progress and Next Steps

The Department of Post-Secondary Education, Training and Labour (PETL) is implementing workforce development, attraction and retention strategies.

PETL is implementing these strategies by: (a) building awareness of career and employment opportunities for students; (b) streamlining the apprenticeship program; (c) identifying repatriation and immigration initiatives; and (d) increasing support for early stage co-op initiatives.

Elements of these strategies to support a growing oil and natural gas sector have been incorporated in the *New Brunswick Labour Force and Skills Development Strategy 2013-2016*.

The target completion date for this action item is 2016.

Informing Future Directions

14. New Brunswick Energy Institute

The Province of New Brunswick will create the New Brunswick Energy Institute, to facilitate independent research in relation to oil and natural gas exploration and development.

Progress and Next Steps

In May 2013, the Province of New Brunswick created the New Brunswick Energy Institute (NBEI). Since that time, NBEI has formed a Scientific Advisory Council, serving as its Board, and a stakeholder group, known as the Energy Roundtable, as well as appointing an Executive Director and a new permanent Chair and President.

The mandate of NBEI is to serve as an advisory body to the provincial government and a resource to the people of New Brunswick. The role of NBEI is to review and assess the environmental, social, economic and health factors relating to energy extraction, development or production within New Brunswick.

The NBEI is currently funding a two-year Baseline Groundwater Monitoring Study by researchers from the University of New Brunswick (completion April 2016) and a six month Environmental Flows Project with the Canadian Rivers Institute (completion September 2014). The NBEI is also partnered with the Geological Survey of Canada to fund the installation of up to five seismic monitoring stations as part of a baseline and ongoing induced seismicity monitoring program. Additional work is currently underway to develop a surface water monitoring project, anticipated to begin in the summer of 2014, and a wastewater management study for 2014 and 2015.

This action item as identified in *The New Brunswick Oil and Gas Blueprint* has been completed.

15. Regional Natural Gas Supply Planning

The Province of New Brunswick will work with industry and regional governments to monitor and address natural gas supply strategic issues.

Progress and Next Steps

To advance understanding of regional-scale natural gas supply and demand issues, the Province of New Brunswick is currently working with its regional partners to look at various natural gas aggregation models. A management consulting and financial advisory firm was selected through a competitive process to conduct a study on natural gas aggregation models for the Maritimes, which is currently underway.

The Department of Energy and Mines will continue to share information on natural gas supply issues with its partners in Atlantic Canada as well as in New England.

The target completion date for this action item is 2014.

16. Offshore Oil and Natural Gas Opportunities

The Province of New Brunswick will pursue the potential of its offshore oil and natural gas resources by negotiating a joint management Canada-New Brunswick offshore accord with the Government of Canada.

Progress and Next Steps

The Department of Energy and Mines is seeking to partner with the Geological Survey of Canada to expand its knowledge of the potential for a New Brunswick offshore petroleum resource through the study of historical data, and to negotiate a Canada-New Brunswick offshore accord with the federal government.

The aim of this accord is to: (a) achieve the joint and equal management of any potential offshore petroleum resource between the province and federal government; (b) make New Brunswick the principal beneficiary of its offshore petroleum resources; and (c) optimize the social and economic benefits of any potential development for all New Brunswickers.

Discussions between the Government of Canada and the Province have taken place. The Province is drafting a document that will eventually lead to negotiations and engagement with various stakeholders in New Brunswick.

This action item as identified in *The New Brunswick Oil and Natural Gas Blueprint* is ongoing.