

INVESTIGATION

B.C. to be first among western provinces to tackle inactive wells

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British Columbia's energy regulator says it will introduce as soon as April timelines for cleaning up thousands of dormant oil and gas wells as the province seeks to head off growing financial and environmental risks posed by the uneconomic sites.

The commitment is a first among Canada's western provinces and represents a major rewrite of current rules under which idle wells can languish indefinitely. Premier John Horgan's NDP government had introduced legislation in May giving the BC Oil and Gas Commission (BCOGC) powers to establish timelines, but the regulator is only now saying when they will take effect.





Such wells no longer produce oil and gas, but they have not been plugged. Thousands more have been abandoned, meaning they have been sealed but the surrounding land has not yet been restored to its predrilling state.

BCOGC chief executive Paul Jeakins told The Globe new regulations would be in place by next May. However, he would not discuss specifics – such as how stringent the timelines will be, nor what penalties would apply should companies fail to meet the toughened standards.

He also said companies would have flexibility to propose alternative cleanup plans, so long as the work is done in a timely way. Still, the intent is to reduce a glut of inactive sites before they become a financial burden for the wider industry – and potentially taxpayers – should an operator fail.

“What we’re looking at is how do we put in place an accelerated timeline for industry to actually restore those sites, so not just leave it open-ended, which is what it was before,” he said in an interview.

The goal is to “actually close that loop now so that they’ve got a timeline that we dictate to them. And then we also can prevent operators that have got a history of insolvency from operating in B.C. So it’s a bit of a one-two punch.”

All three western provinces have struggled as the number of inactive sites and those with no legal owner have spiked through the industry-wide downturn in oil and natural gas prices.

Adding to the strain is a brisk trade detailed by The Globe in which major companies routinely offload properties saddled with hefty cleanup obligations onto smaller players with scant ability to pay for remediation, despite regulations meant to prevent such deals.

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...the growing inventory of abandoned wells that the industry now says may be met when they will be introduced. The Alberta Energy Regulator has refused to comment on the issue and on Thursday referred questions about potential changes to the minister's office, which provided no further details.

B.C.'s commitment comes as the energy industry gears up for major expansion in the province, buoyed by Royal Dutch Shell's \$40-billion plan to drill and export natural gas in liquid form from the northern coast.

Mr. Jeakins said the regulator is taking a harder look at permit transfers between companies to ensure major producers don't offload liabilities onto smaller players that cannot pay for well abandonment and cleanup. That includes assessing how much debt a purchaser is carrying when it acquires wells, its ability to raise money in the market and whether or not the wells being transferred are still economic.

Industry groups had lobbied against hard timelines for cleaning up inactive sites, saying the sector cannot afford increased costs at a time even large companies are struggling with volatile prices and export bottlenecks.

Mr. Jeakins said the regulator's data show only a fraction of inactive wells in B.C. are ever revived. The Globe's own analysis found that wells languished even when commodity prices were much higher than today's levels. Nearly one-fifth of inactive wells in Alberta and roughly 10 per cent each in B.C. and Saskatchewan have been idle for 10 or more years.

"If somebody really wants to think that they're coming back into an area, they can certainly show us what that's going to look like, but it's not to get around the timelines," he said.

"We've got a fairly sophisticated group here that can look at the likelihood just as easy as their geologists and reservoir engineers. So I'm not worried that they're going to pull a fast one on us."

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