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2017-18 BUDGET ENHANCES REGULATORY OVERSIGHT OF THE OIL AND GAS INDUSTRY IN SASKATCHEWAN

The 2017-18 Budget will see a significant enhancement to the regulatory oversight of the oil and gas industry.

The Petroleum and Natural Gas Division of the Ministry of Economy, which is the provincial regulator of oil and gas activities, will receive an additional \$1.4 million and 13 Full Time Equivalent (FTE) positions in the 2017-18 budget.

The additional funding will be allocated to the following initiatives:

- \$600,000 start-up funding for a multi-year Pipeline Regulation Enhancement Program (PREP) to strengthen Saskatchewan's approach to pipeline regulation;
- \$500,000 increase in core funding to increase the number of field inspectors in the ministry's field offices in Estevan, Swift Current, Kindersley and Lloydminster; and
- \$250,000 funding to expand the technical capacity of the ministry to support the Government of Saskatchewan's climate change commitments related to the upstream oil and gas industry.

The budget also includes \$460,000 in capital spending to begin the expansion of the Integrated Resource Information System (IRIS) to support the implementation of PREP. IRIS is a custom built online business system that supports the development and regulation of Saskatchewan's oil and gas industry. This funding will allow for web-based pipeline licensing, including flowlines, as well as additional reporting and mapping capabilities related to pipeline regulation.

In addition to these recent developments, in 2016 the Government of Saskatchewan introduced Bill 43 – *The Pipelines Amendment Act, 2016*. This Bill, slated for royal assent later this spring, will provide the legal foundation allow for the implementation of PREP and the enhancements to IRIS needed to support efficient industry regulation.

Ninety per cent of the new operational funding announced today will be offset by an administrative levy assessed against the well and pipeline licence holders. To accommodate expanded pipeline regulation, the existing well levy formula under *The Oil and Gas Conservation Act* will be amended to include a levy for pipeline licensees.

"The changes announced today, including the amendment to the administrative levy will enable the Government of Saskatchewan to deliver on significant improvements to its oil and gas regulatory programs," Energy and Resources Minister Dustin Duncan said. "Public confidence in our regulatory system is vital to the long term growth and development of our oil and gas industry."

Consultation with the oil, gas and potash industries on the regulations needed to implement the changes to the administrative levy will occur over the next few months for implementation this year. In addition to the pipelines being covered under the administrative levy, other planned changes include:



- Introduction of a base levy for all licenced wells, with the exception of abandoned wells, to ensure all well owners are paying an equitable share of the cost of regulating active and inactive wells; and
- Elimination of the fees for seismic licences and explosive permits since these costs will now be fully offset by the proposed changes to the levy.

The initiatives included in the 2017-18 Budget will continue the trend of strengthening oil and gas regulation in Saskatchewan. In recent years, the Ministry of Economy has implemented the following initiatives:

- Created IRIS, which is a custom-built web-based business system that supports the development and regulation of Saskatchewan's oil and gas industry and enables the industry to complete regularly performed business and regulatory tasks online;
- Developed and implemented an administrative levy to recover 90 per cent of regulatory costs from industry including the cost of expanded regulatory programs;
- Increased the number of FTEs assigned to oil and gas regulation;
- Established a single window with the Ministry of Environment and Ministry of Agriculture using IRIS to streamline the regulatory oversight of the industry;
- Created a division within the Ministry of the Economy fully dedicated to oil and gas regulation to operate at arm's length from oil and gas investment attraction activities;
- Enhanced air quality monitoring; and
- Enhanced pipeline monitoring.

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