



NEWS RELEASE

For Immediate Release

March 14, 2019

Growing number of unrestored oil and gas sites increases environmental and financial risks

VICTORIA – The Office of the Auditor General of British Columbia has released a new report: *The BC Oil and Gas Commission’s Management of Non-Operating Oil and Gas Sites*.

In B.C., oil and gas operators are not required to decommission wells and restore well sites unless the BC Oil and Gas Commission (OGC) explicitly orders them to do so to address specific safety or environmental issues on a case-by-case basis.

“We found that gaps in legislation meant that the OGC lacked the regulatory tools to compel operators to decommission and restore well sites in a timely way,” said Carol Bellringer, auditor general.

The number of inactive wells that had not been decommissioned almost doubled—from 3,800 to 7,474—between 2007 and 2018. The OGC estimated that decommissioning inactive wells and restoring sites will cost operators \$3 billion.

When an oil and gas operator is bankrupt or cannot be located, the OGC designates the operator’s site as orphaned and the OGC becomes responsible for the decommissioning and restoration work.

“The Orphan Fund, which is funded through security deposits and a tax on operator’s production, is meant to cover the costs of restoration, but it was short by \$16.6 million in 2016 and \$13.1 million in 2017,” said Bellringer.

The number of orphan sites increased from 45 to 326 between 2015 and 2018. The OGC anticipates that the number of orphan sites and associated restoration costs will continue to increase.

In 2018, the legislative assembly passed amendments to the *Oil and Gas Activities Act* to provide the OGC with the authority to require operators to restore sites, as well as giving it greater flexibility to collect and use revenue from operators to restore orphan wells. At the time of this audit, the OGC was developing accompanying regulations that will detail the requirements, including timelines to decommission wells and restore sites.

The oil and gas industry is an important component of B.C.’s economy. The OGC is responsible for regulating oil and gas activities to protect public safety and the environment.

An inactive well is decommissioned by permanently sealing it with cement. To restore a site means remediating any contamination and reclaiming the land to pre-activity conditions.



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The full report is available on the Office of the Auditor General website at www.bcauditor.com.

Bellringer will answer questions pertaining to the report via a news conference.

News Conference Date: Thursday, March 14, 2019

Time: 11:30 a.m. (Pacific time)

Dial-in Information:

From Vancouver: 604 681-0260

From elsewhere in Canada and the USA: 1 877 353-9184

Participant Pass Code: 44848#

During question and answer period, to ask a question: Press 01

During question and answer period, to exit the question queue: Press #

About the Office of the Auditor General of British Columbia

The auditor general is a non-partisan, independent officer of the legislature who reports directly to the legislative assembly. The *Auditor General Act* empowers the auditor general and staff to conduct audits, report findings and make recommendations.

Contact us:

To speak to the Auditor General, call Hannah English: 250-419-6260

For general questions, call Colleen Rose, Manager, Communications: 250-419-6207

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