



February 23, 2016

Infrastructure Royalty Credit Program Frequently Asked Questions and Answers

A. General:

The Infrastructure Royalty Credit Program is governed by [section 4](#) of the [Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation](#), B.C. Reg. 495/92 and any amendments thereto.

B. Application Submission

1. Are submissions required to be completed in the format provided (Section E of the RFA document) for an application to be considered?

Yes, all the information must be submitted as detailed in Section E of the RFA document to ensure the application proceeds to the evaluation process.

2. Will the information provided in the RFA be held confidential from the public?

The Ministry realizes that companies are submitting confidential information in their applications and the confidentiality of these applications is a priority.

The public has the right to request records held by public bodies under the *Freedom of Information and Protection of Privacy Act* (FOIPP Act). However, Section 21 (Disclosure Harmful to Business Interests of a Third Party) is a mandatory exemption to the public's right to access information. It protects information which, if disclosed, would harm a third party's business interests. Section 21 follows:

21(1) The head of a public body must refuse to disclose to an applicant information:

(a) that would reveal

(i) trade secrets of a third party, or

(ii) commercial, financial, labour relations, scientific or technical information of or about a third party

(b) that is supplied, implicitly or explicitly, in confidence, and

(c) the disclosure of which could reasonably be expected to

(i) harm significantly the competitive position or interfere

significantly with the negotiating position of the third party, ...

(iii) result in undue financial loss or gain to any person or organization ...

Link to FOIPP Act:

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/96165_00

3. Would the cost of drilling a water disposal well be allowed under the application?

No.

4. In a joint application with two or more producers, or two or more producers and a pipeline partner, how will the royalty deduction be split between producers and who decides?

If two or more Producers together apply for a project, there are Supporting Letter(s) that are required as part of the application (specified in Section E of the RFA). The amount of the royalty deduction requested overall in the application and then to be shared between the Producers must be clearly indicated and reflect the share of the costs to be actually paid by each of the producers.

See [section 4](#) of the [Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation](#), B.C. Reg. 495/92 for more information. This allocation of the deduction will be reflected in the Project Agreement, if the project is approved.

If a pipeline company with two or more producers apply for a project, there are Supporting Letter(s) that are required as part of the application (specified in Section E of the RFA). The amount of the royalty deduction requested overall and the share to be allocated to each of the Producers must be clearly indicated. This allocation of the deduction will be reflected in the Project Agreement, if the project is approved.

The Province has no involvement in the decision of the percentage split of the requested deduction between the Producers in this case when a pipeline company is a party to the project application and project agreement. See [section 4](#) of the [Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation](#), B.C. Reg. 495/92 for more information.

5. Are there any other ways some of the components of the required RFA application materials can be submitted to the Ministry for a joint application?

Yes. As part of the RFA Application, the Drilling, Production and Royalty Estimates Table must be completed by the Producer(s). This Table of information may be submitted confidentially and directly to the Ministry by the Producer or each of the Producers, separate from the overall RFA application submitted.

The required Cover Letter to the RFA application should indicate if this Table(s) will be sent separately to the Ministry. The Ministry will then use this Table(s), along with the rest of the complete RFA application package, to evaluate the proposed project. Alternatively, the above Table(s) can be sent with the completed RFA application package.

6. Is it possible to apply for projects that were completed or where construction work was substantially underway before the RFA closed?

No, the objective of the IRC Program is to generate new oil and gas activity in British Columbia.

7. If a project is being built 2/3 in BC and 1/3 in Alberta, would the project costs and related royalty deduction cover only the portion located in BC?

Yes, as quoted in [Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation](#), Section 4(9.1) “... to construct or upgrade road and pipelines in British Columbia in support of resource exploration or development in British Columbia.”

8. Does the amount of the royalty deduction requested affect the ranking process?

Yes, this has a direct effect on the ranking process. The amount of royalty deduction requested is used in calculating some of the ranking and selection factors included in the RFA (Please see Page 13, Section 4, Ranking and Selection of the RFA document).

9. Does the Province have a preference for awarding royalty deductions to small capital projects over large capital projects?

No, there is not a preference for approving smaller projects over larger projects.

10. We have been in discussion with another company with a possibility of a partnership/joint effort. However, we still don't have a commercial arrangement, but this could be reached soon. If our project is awarded a royalty deduction and a partnership agreement is arranged afterwards, is there an issue with amending the approval to add a partner?

In the event the project is approved, the Ministry will allow for changes such as adjustments to the royalty deduction allocation between the respective producers. Please note that no change will be allowed to the total maximum royalty deduction amount of an approved project.

11. Can we apply for a royalty deduction that is less than 50 percent of the eligible costs?

Yes, the royalty deduction amount can be up to 50 percent of the eligible estimated construction cost of the project. It could be a good strategy to apply for a lower percentage of the eligible costs, as a lower royalty deduction amount will improve a project's royalty return to the Crown and possibly raise its relative ranking position.

12. What is required or defined as the “Legal Name of Applicant?”

Please use the company name that is registered in British Columbia, including the partnership name, if applicable. This is also the name that will be used to confirm that you have a client code as an oil and gas royalty payor with the British Columbia Ministry of Finance.

C. Pipeline Projects

13. Are Pipeline companies eligible to participate in the IRC Program and if so, how?

Pipeline companies can only apply jointly with a Producer(s) and only for pipeline projects. Pipeline companies cannot receive royalty deductions as they do not pay royalties. Partners to such a proposed project must privately determine what sort of business arrangement is made between the Producer(s) and the Pipeline Partner. But all project proponents will be required to be part of the project agreement with the Ministry. Refer to the Producer and Pipeline Agreement Template for more information on this.

14. Can a Pipeline Company take responsibility for performance of the Project Agreement?

Yes, a pipeline company can take responsibility for performance of a Project Agreement to which they are a party. This includes including taking responsibility for coordinating and providing all documentation under Schedules B and C of the project agreement.

However, the Producer(s) is required to provide the Royalty Deduction Submission Spreadsheet information (as required in Schedule B of the project agreement). This can be submitted with the other royalty deduction request documents or directly to the Ministry.

15. Are compressor stations or dehydration facilities eligible costs for a pipeline project?

Yes, the definition of “eligible project costs” in the RFA document includes “costs incurred in the construction of the pipeline or road project” as defined in the Project Agreements. Eligible facilities, i.e. compressor stations, dehydrators, and other properties associated with the building of a new pipeline can be included in the application.

16. Is there a diameter limit for pipeline projects?

No, there is no diameter limit. Nevertheless, pipeline applications have to be consistent with the definition of pipelines included in Section C of the RFA document.

17. Are water or other types of liquid pipeline projects eligible to apply for the Infrastructure Royalty Credit under the Program?

Yes, a water or other type of liquid pipeline does qualify as an eligible infrastructure project if used for the production of natural gas or oil. Please read the eligible pipeline project definition in the RFA document.

D. Road Projects

18. Can bridge construction be put forward as part of a road application?

Yes, bridge construction can be part of a road application as the definition of “eligible project costs” in the RFA document includes “costs incurred in the construction of the pipeline or road project as defined in the Project Agreements”. Eligible bridges and other properties associated with the road project can be included in the application.

E. Drilling, Production, and Royalty Estimates Table

19. Instead of loading in each and every well for the application, could we roll up the wells each year rather than individually? Our forecast is based on type curves which average out individual well performance so the same data would appear for each well.

No, to be in compliance with the RFA submission, one of the requirements is to input the Drilling, Production and Royalty Estimates Table with well information as instructed in the table. The determination of the timing of the drilling and production of wells associated with the project is a significant part of the Ministry’s evaluation and selection process.

20. Should we consider inflation also?

Yes, you should calculate your costs as you would usually do for a regular project.

21. Should the entire future well development program for the project area be included in the table?

The Drilling, Production and Royalty Estimates Table asks for “Chance of Success” and “Chance of Occurrence” for each well. Providing the entire well development program could also affect any future RFA infrastructure proposals in the area if all wells were included with one project.

22. In the ‘Annual Production and Royalty’ worksheet, are the production inputs risked or unrisked?

The inputs in the "Annual Production and Royalty" worksheet should be **risked**. The information provided in that table should be extracted from the "Information & Production Input" worksheets, where you should include all **unrisked** well production figures by month, then risk them by the two risk factors (chance of success and chance of occurrence).

F. Mapping

23. What mapping information is required to identify the location of the project?

The shapefiles for the centerline of the road and/or pipeline must be in a polyline format. Facility locations may be submitted in a polygon format.

If the shapefiles for the right of way location are available those could be included as well. This information is required to determine where the project is located and how it connects with existing infrastructure. **Please refer to the RFA document, Section E-8 – Mapping Requirements for specific information.**

24. What type of mapping information does the Ministry require?

You are required to provide mapping information to identify the location of all the major components of your project.

- **For road projects**, road location, main intersections and bridge locations. Features such as gravel/borrow pits, right of ways or minor stream crossing/culvert locations that may not be available at the time of the application are not required.
- **For pipeline projects**, the pipeline location, major tie-in points and proposed facilities. Features such as metering stations, pigging stations or minor facilities are not required.