



# Request for Applications 2017

## Infrastructure Royalty Credit Program

### Ministry of Natural Gas Development

Request for Applications (RFA) Number: Installment #15- 2017-01

Issue date: **March 2, 2017**

**Closing time and date:** Applications must be received before 2:00 PM Pacific Time on **April 21, 2017**

#### Government Contact Person:

All enquiries related to this RFA are to be directed, in writing, to the following person. Information obtained from any other source is not official and should not be relied upon. Enquiries and any responses will be recorded and may be distributed to all Applicants at the Province's option:

Dawn Kroad, Senior Project Manager, Infrastructure Royalty Credit Program

e-mail: Dawn.Kroad@gov.bc.ca

#### DELIVERY OF APPLICATIONS:

**What to Submit:** One (1) complete paper copy plus 1 electronic copy on a flash drive.

**How to Submit:** Applications **WILL ONLY** be accepted by Courier or by Hand delivery.

**When to Submit:** Applications **MUST BE** submitted by the Closing date, time and location, to the attention of:

Ministry of Natural Gas Development

**Attention: Dawn Kroad** Policy and Royalty Branch,

Courier or Hand Delivery Address: 5<sup>th</sup> Floor – 1810 Blanshard Street, Victoria, BC V8T 4J1

#### Applicant Section - RFA Cover Page – complete and attach this page to all applications

A person authorized to sign on behalf of the Applicant **must** complete and sign the Application Section (below), leaving the rest of this page otherwise unaltered, and include the originally-signed and completed page with the first copy of the proposal.

**The enclosed application is submitted in response to the above-referenced RFA, including any addenda. Through submission of this application we agree to all of the terms and conditions of the RFA and agree that any inconsistent provisions in our proposal will be as if not written and do not exist. We have carefully read and examined this entire RFA (including sample Agreements, templates and all attachments), and have conducted such other investigations as were prudent and reasonable in preparing the application. We agree to be bound by statements and representations made in our application.**

Signature of Applicant Contact:

Legal Name of Applicant(s), (and Doing Business As Name if applicable):

Printed Name of Applicant Contact:

Address of Applicant Contact:

Title:

Date:

Designated Contact phone and email address:

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## B. Definitions and Administrative Requirements

### 1 Definitions

Throughout this RFA, the following definitions apply:

- a) **“Applicant(s)”** means a Producer(s) or Pipeline Company(ies) applying jointly with a Producer(s), that submits an application or applications in response to this RFA;
- b) **“Agreement”** means a written agreement resulting from this RFA executed by the Province and Successful Applicant;
- c) **“Successful Applicant”** means a Producer(s) or a Pipeline Company(ies) applying jointly with a Producer(s) with whom the Ministry intends to enter into negotiations for an Agreement;
- d) **“Ministry”** means the Ministry of Natural Gas Development;
- e) **“must”, or “mandatory”** means a requirement that must be met in order for an application to receive consideration;
- f) **“Producer”** means “producer” as defined in the *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation*;
- g) **“Pipeline Company”** means “Pipeline Company” as defined in the *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation*;
- h) **“Province”** means Her Majesty the Queen in Right of the Province of British Columbia as represented by the Ministry of Natural Gas Development and includes the Ministry; and
- i) **“Regulation”** means the *Petroleum and Natural Gas Royalty and Freehold Tax Regulation*, B.C. Reg. 495/92 and any amendments thereto.

See Section C – Additional Definitions for specific definitions for road and pipeline projects.

### 2. Term and Conditions

The following terms and conditions will apply to this RFA. Submission of an application in response to this RFA indicates acceptance of all the terms that follow and that are included in any addenda issued by the Province. Provisions in applications that contradict any of the terms of this RFA will be as if not written and do not exist.

### 3. Eligibility

Applications will only be accepted from Producer(s) or Pipeline Company(s) applying jointly with Producer(s) as defined in the *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation*.

### 4. Changes to Applications

By submission of a clear and detailed written notice, an Applicant may amend or withdraw its application prior to the closing date and time. Applicants will not change the wording of their applications after closing and no words or comments will be added to the application unless requested by the Province for purposes of clarification.

### 5. Late Applications

Late applications will not be accepted and will be returned to the Applicant un-read.

### 6. Ownership of Applications

All applications submitted to the Infrastructure Royalty Credit Program 2017 are under the custody and control of the Province, and become the property of the Province and are subject to the provisions of the *Freedom of Information and Protection of Privacy*

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Act. The application(s) will be used to assess project(s) that may be eligible under the Program. For more information regarding this Program, refer to the Government Contact Person on page one.

### 7. Acceptance of Applications

- a) This RFA should not be construed as an agreement to purchase goods, services or construction. The Province is not bound to enter into an Agreement with any Applicant. Applications will be assessed in light of the stated review criteria. The Province will be under no obligation to receive further information, whether written or oral, from any Applicant.
- b) Neither acceptance of an application nor execution of an Agreement will constitute approval of any activity or development contemplated in any application that requires any approval, permit or license pursuant to any federal, provincial, regional district or municipal statute, regulation or by-law.

### 8. Evaluation of Applications

Evaluation of applications will be by a committee formed by the Province and may include employees and contractors of the Province. Applications will be checked against the mandatory criteria. Applications not meeting all the mandatory criteria will be rejected without further consideration. Applications that do meet the mandatory criteria will then be further evaluated and ranked.

### 9. Results Notification to Applicants

At the conclusion of the RFA process, all Applicants will be notified in writing. This notification will not constitute an Agreement.

### 10. Negotiation Delay

If an Agreement cannot be negotiated within thirty days of notification of a Successful Applicant, the Province may, at its sole discretion at any time thereafter, terminate negotiations with that Successful Applicant.

### 11. Applicants’ Expenses

Applicants are solely responsible for their own expenses in preparing an application and for subsequent negotiations with the Province, if any. If the Province elects to reject all applications, the Province will not be liable to any Applicant for any claims, whether for costs or damages incurred by the Proponent in preparing the application, loss of anticipated profit in connection with any final Agreement, or any other matter whatsoever.

### 12. Limitation of Damages

Further to the preceding paragraph, the Applicant, by submitting an application, agrees that it will not claim damages, for whatever reason, relating to an Agreement, if any, or in respect of the Request for Applications process, in excess of an amount equivalent to the reasonable costs incurred by the Applicant in preparing its application and the Applicant, by submitting an application, waives any claim for loss of profits if no Agreement is made with the Applicant.

### **13. Currency and Taxes**

Prices are to be submitted:

- a) in Canadian dollars;
- b) inclusive of duty, where applicable; FOB destination, delivery charges included where applicable; and
- c) exclusive of Provincial Services Tax where applicable and any other applicable taxes, permits and fees.

### **14. Completeness of Applications**

By submission of an application the Applicant warrants that all labour, materials and components necessary to design and construct the project described have been identified in its application or will be provided under an Agreement at no additional cost to the Province.

### **15. Partner Application**

- a) If using a partner application parties must be clearly identified in the application. A joint application means a joint submission by Applicants having no formal corporate links.
- b) FOR ROAD PROJECTS, only applications from Producer(s) will be accepted.
- c) FOR PIPELINE PROJECTS, applications from Producer(s) or Pipeline Company(ies) applying jointly with Producer(s) will be accepted.
- d) FOR ROAD AND PIPELINE PROJECTS, applications from Producer(s) or Pipeline Company(ies) applying jointly with Producer(s) will be accepted.
- e) A partner application which current or past corporate or other interests may, in the Province's opinion, give rise to a conflict of interest in connection with the project or Program described in this RFA will not be permitted. If an Applicant is in doubt as to whether a proposed partner application gives rise to a conflict of interest, the Applicant should consult with the Government Contact Person listed on RFA cover page prior to submitting an application.

### **16. Agreement**

Any Agreement will be substantially similar to the terms and conditions of the sample agreements (road or pipeline sample agreements) set out in Section 3 of the RFA webpage, which also includes reporting requirements as outlined in Section J of this document.

A successful project involving multiple parties for either road or pipeline will execute a single Project Agreement with the Ministry. No additional partners will be allowed to be added, nor other changes made, without written consent of all parties.

### **17. Liability for Errors**

While the Province has used considerable efforts to ensure information in this RFA is accurate, the information contained in this RFA is supplied solely as a guideline for Applicants. The information is not guaranteed or warranted to be accurate by the Province, nor is it necessarily comprehensive or exhaustive. Nothing in this RFA is intended to relieve Applicants from forming their own opinions and conclusions with respect to the matters addressed in this RFA.

### **18. Modification of RFA**

The Province reserves the right to modify this RFA at any time at its sole discretion. This includes the right to cancel this RFA at any time prior to entering into any Agreement.

### **19. Use of RFA**

Any portion of this document, or any information supplied by the Province in relation to this RFA may not be used or disclosed, for any purpose other than for the submission of applications.

### **20. No Lobbying**

Applicants must not attempt to communicate directly or indirectly with any employee, contractor or representative of the Province, including the evaluation committee and any elected officials of the Province, or with members of the public or the media, about the application described in this RFA or otherwise in respect of the RFA, other than as expressly directed and permitted by the Province.

**IMPORTANT NOTICE: Nothing in this section or document or its attachments authorizes or should be construed as the authorization to construct or upgrade a road or construct a pipeline. The construction of all roads or pipelines and all pre or post construction activities must be authorized by the Oil and Gas Commission, National Energy Board and/or all other appropriate approval authority(s).**

## C. Additional Definitions

Also refer to the Project Agreement for definitions in relation to the Project Agreement.

### 1. Roads

**Eligible Road Project** means one of the following types of projects for which an application may be submitted in response to this RFA:

- construction of a new all-season road, or upgrade to an existing road, that will be eligible for permitting as an **Oil and Gas Road**, or;
- upgrade of an existing **Forest Service Road** or **Mining Access Road** to all-season standard provided legislative requirements are upheld, and that will be eligible for permitting;
- **“Forest Service Road”** means a road constructed and operated in accordance with [section 1](#) of the *Forest Act*, R.S.B.C. 1996, c. 157, and any amendments thereto;
- **“Oil and Gas Road”** means a road constructed and operated in accordance with [section 1](#) of the *Oil and Gas Road Regulation*, B.C. Reg. 56/2013 and any amendments thereto;
- **“all-season”** means a road that will support vehicle and equipment weights associated with oil and gas activities performed outside of the traditional winter drilling season that typically runs from December 1<sup>st</sup> to March 31<sup>st</sup>. An all-season road will be open in adverse weather with reasonable maintenance; however it may be affected by rain, snow or thaw and subject to seasonal weight restrictions.

### 2. Pipelines

a) **“Eligible Pipeline Project”** means the following types of pipeline project(s) for which an application may be submitted in response to this RFA:

- i. construction of a pipeline as permitted by the *Oil and Gas Commission* or the *National Energy Board* or;
- ii. has the same meaning as provided in [section 1](#) of the *Petroleum and Natural Gas Act*.

b) A pipeline project must have a minimum of 1 km of piping.

### 3. Eligible Project

Eligible Project is either construction of road or pipeline or combined road and pipeline.

### 4. Project Construction

The construction phase of the project cannot start before April 21, 2017.

## 5. Project Completion

All projects are expected to be completed within 3 years of the signing of the Project Agreement to a maximum completion date of December 31, 2020.

## 6. Eligible Project Costs

- a) Eligible Project costs are incurred in the construction of the pipeline or road project as defined in the relevant Project Agreement.
- b) Subject to 6(c) below, eligible Project costs must be between the project start date and project completion date of a project as defined in Schedule A of the Project Agreement and which are based on the RFA Template Section 2.4 "Summary of Project Work and Step(s)".
- c) Any eligible costs for the project that are outside of the project start and project completion dates must be pre-approved by the Administrator, and included in **Schedule D –Special Equipment, Inventory or Services** of the Project Agreement. Any costs that fall outside of the project dates and are not included on Schedule D will be deemed ineligible.
- d) **For Pipeline projects:** wellsite tie-in costs are eligible costs.

## 7. Ineligible Project Costs

- a) maintenance costs;
- b) goods and services tax (GST); and
- c) contingency allowances, administration costs, consulting fees for supervision of clean-up of well site lease or pad site, overhead, accounting, interest and the purchase of, and amortization and depreciation on, capital equipment that is not integral to the operation of the project.

## D. Infrastructure Royalty Credit Program – Summary

In 2016, the Province of British Columbia enhanced the Infrastructure Royalty Credit Program with a commitment to a three year allocation of \$360 million in royalty credits for 2016 to 2018 which is available to support eligible road and/or pipeline projects. This RFA invites project applications to compete for \$120 million in approved royalty credits for the 2017 installment of the program.

The Policy and Royalty Branch, Upstream Development Division, Ministry of Natural Gas Development (the “Ministry”), invites applicants within the oil and gas industry to submit applications for the 2017 Infrastructure Royalty Credit Program (the “Program”) to construct and/or upgrade roads or construct pipelines, that will support oil and gas exploration and development activity in British Columbia (BC).

As mandated by the **BC Natural Gas Strategy**, the Program encourages road and pipeline construction that would develop and/or sustain new oil and gas exploration and production in BC. This is accomplished through a provincial royalty credit of up to 50 percent for Eligible Projects, as approved by the Ministry. The Program is governed by the Petroleum and Natural Gas Royalty and Freehold Tax Regulation (“Regulation”).

Applicants will be required to fund the entire cost of an approved Eligible Project and may receive up to 50 percent of the lesser of the estimated completion costs for the project and the amount actually spent to complete the project, as approved by the Ministry. One of the primary goals of the Program is to provide access for future natural gas and oil development. Special consideration will be given to applications that provide access and/or enable or increase production in under-explored and/or under-developed areas of the Province.

A Pipeline Company intending to undertake a project, in a contractual arrangement with one or more producers, to construct an eligible pipeline in BC, is eligible to make an application, pursuant to [section 4](#) of the *Regulation*.

Applications will be evaluated and ranked based on the criteria contained below in this RFA.

## E. Application to the Program – Which Forms and what Format? (including hyperlinks to each)

### **IMPORTANT:**

The RFA Application must be fully completed, signed and submitted in the sequence and formats set out in the table below to ensure full consideration is given during the Ministry’s evaluation process.

**Use the 2017 RFA Application documents. DO NOT use templates from previous years as the templates have been changed.**

Doc #	Doc Title	Description and Required Electronic Format (paper copy also required)	Website Location and Link
1.	<b>Checklist for Submitting RFA Documents</b>	This is a checklist to assist in ensuring that the RFA Application package is complete.  <b>REQUIRED FORMAT: Paper copy only.</b>	Section 2 - Infrastructure RFA Documents  <b>URL link <a href="#">here</a></b>
2.	<b>RFA Cover Page</b>	This is the first page of the RFA Submission. All instructions on the RFA Cover Page must be followed.  <b>REQUIRED FORMAT: pdf or Word</b>	Section 2 – Request for Application Documents  <b>URL link <a href="#">here.</a></b>
3.	<b>Cover Letter about the Project</b>	Submit a short (two or three page) cover letter summarizing the key business case features of the proposed project application. The letter also needs to include a short corporate information overview of the Applicant company and/or companies, and a summary of the proposed project.  <b>REQUIRED FORMAT: pdf on Company letterhead</b>	N/A
4.	<b>Supporting Letter(s)</b>  <b>(if a partner application)</b>	a) One letter signed by each partner (or individual letters from each) that agrees to the joint proposed project application; b) Each letter must have the exact percentage of the royalty credit allocation between the Producers, and all contact information; and c) If applicable, a Letter of Agreement between the companies making an application to upgrade a road, and the operator of that road if they are different companies.  <b>REQUIRED FORMAT: pdf on Company letterhead</b>	N/A
5.	<b>Infrastructure RFA Template</b>	Primary document used for evaluation and ranking of the proposed project application by the Ministry. The Microsoft Word <b>Infrastructure RFA Template 2017</b> is available for download on the website. <b>EXAMPLE</b> of completed Infrastructure RFA Template: – go to the Infrastructure RFA Guidance Document on the website.  <b>REQUIRED FORMAT: Microsoft WORD</b>	Section 2 – Request for Application Documents  <b>URL link <a href="#">here.</a></b>



Doc #	Doc Title	Description and Required Electronic Format (paper copy also required)	Website Location and Link
6.	<b>Proposed Construction Schedule</b>	<p>The <b>Proposed Construction Schedule</b> in Microsoft Excel is available for download at the RFA – Appendix A website address:</p> <p><b>EXAMPLE</b> of completed Proposed Construction Schedule: go to Infrastructure RFA Documents-APPENDIX A – Application Submission Document Download – “Proposed Construction Schedule” on the website, here.</p> <p><b>REQUIRED FORMAT: Microsoft EXCEL</b></p>	<p>Section 2 – Request for Application Documents</p> <p><b>URL link <a href="#">here</a>.</b></p>
7.	<b>Drilling, Production and Royalty Estimates Table</b>	<p>This Drilling, Production and Royalty Estimates Table Excel spreadsheet file is used to provide forecast wells, production and expected royalty revenue. Instructions for completing the excel spreadsheet file is contained in the first worksheet of that document.</p> <p><b>Additional Information and Instructions</b> for the Drilling, Production and Royalty Estimates Table:</p> <ol style="list-style-type: none"> <li>1. Well production cannot start before April 21, 2017.</li> <li>2. All wells must be unique to the project.</li> <li>3. Provide well production and drilling information for <b>ALL</b> future wells attributed to the Project.</li> <li>4. Do not delete any worksheets from this document.</li> <li>5. Only print the “Annual Production and Royalty” worksheet in paper.</li> <li>6. Submit the entire completed Drilling, Production and Royalty Estimates Table Excel spreadsheet file electronically.</li> <li>7. Partner companies may confidentially and individually submit their own Drilling, Production and Royalty Estimates Table Excel spreadsheet file directly to the Ministry, if desired.</li> </ol> <p><b>EXAMPLE</b> of completed Drilling, Production and Royalty Estimates Table: – go to the Infrastructure RFA 2017, Guidance Document on the website.</p> <p><b>REQUIRED FORMAT: Microsoft EXCEL</b></p>	<p>Section 2 – Request for Application Documents</p> <p><b>URL link <a href="#">here</a>.</b></p> <p><b>Example in Guidance Document – URL link <a href="#">here</a>.</b></p>
8.	<b>Mapping Requirements</b>	<p>The requirements are:</p> <ol style="list-style-type: none"> <li>1. <b>SITUATION MAP: SUBMIT AN 8 x 11</b> showing the location of the project in relation to existing infrastructure in the area. Existing infrastructure to be upgraded and/or new infrastructure should be clearly identified on the map.</li> </ol> <p><b>REQUIRED FORMAT FOR 8 x 11 Situation Map:</b> In paper copy and also as a digital file in Adobe.pdf format</p>	

Doc #	Doc Title	Description and Required Electronic Format (paper copy also required)	Website Location and Link
		<p><b>2. ESRI SHAPEFILE:</b> An ESRI shapefile of the upgraded and new infrastructure proposed must also be provided. Shapefiles will be accepted in either the UTM Zone 10 NAD83 or BC Environment Albers NAD83 projections. Information on type of projection must be included with the submission.</p> <p><b>REQUIRED FORMAT FOR ESRI SHAPEFILE:</b> An ESRI shapefile can be up to as many as seven different files. The most important files are:</p> <ol style="list-style-type: none"> <li>Main file with extension (shp),</li> <li>Index file (shx),</li> <li>dBase table (dbf),</li> <li>Projection file (prj).</li> </ol> <p><b>Polygon shapes are not accepted. A qualified GIS Technician must prepare this mapping information.</b></p> <p><b>EXAMPLE OF ESRI SHAPEFILE:</b> See the background ESRI shapefile format from the Environmental Systems Research Institute website link for completing the mapping shapefile as required:</p> <p><b>Note:</b> Data submitted to the Ministry in support of the mapping information of this RFA Application is not required to meet the Oil and Gas Commission ePASS submission requirements.</p>	<p>Also refer to ESRI Source information: <a href="http://www.esri.com/library/whitepapers/pdfs/shapefile.pdf">www.esri.com/library/whitepapers/pdfs/shapefile.pdf</a></p> <p>(Technical Description of Shapefile – ESRI Whitepaper July 1998)</p>

**Example of information to be included in the dBase table (dbf) shapefile:**

PROPONENT	PROJECT	H2S	DIAMETER	TYPE	COMMENTS	FEATURETYP	FILE NO.
String 50	String 50	Decimal 3,1	Decimal 4,1	String 50	String 50	String 50	String 15
COMPANY NAME	PROJECT NAME	H2S CONTENT (%)	PIPE DIAMETER (mm)	PROJECT TYPE NEW/UPGRADE	PROJECT DETAILS	ROAD/PIPELINE/COMPRESSOR STATION/ETC.	OGC FILE NUMBER (IF APPLICABLE)
<b>SAMPLE DATA</b>							
COMPANY 1	ROAD NAME	N/A	N/A	UPGRADE	10 KM UPGRADE TO WINTER ROAD	ROAD	12345
COMPANY 2	PIPELINE NAME	10.1	254 mm	NEW	9.3 KM PIPELINE	PIPELINE	23456

## F. General Submission Information

- a) Do not submit application document in a binder;
- b) All documents must be fully completed and signed; and
- c) One paper copy of all documents and one electronic copy of all documents on a flash drive must be submitted together.

## G. Application Timing

Anticipated Dates/Times	Event
March 2, 2017	RFA issued.
April 21, 2017 - 2:00 PM Pacific Time	RFA closes.

## H. Evaluation, Ranking and Selection

This section details all of the criteria against which applications will be evaluated and ranked. Applicants should ensure that they fully respond to all criteria in order to receive full consideration during the evaluation.

### 1. Mandatory Criteria

Applications that do not meet the following mandatory criteria may be excluded from further consideration and not proceed to the next stage, Evaluation Criteria (See following Section H.2).

Mandatory Criteria
a) Applications must be received by the Ministry at the closing location by the specified closing date and time.
b) Applications must be in English and must NOT be sent by facsimile, e-mail or regular Canada Post mail.
c) By Courier or Hand delivery: (see Cover Page) <ol style="list-style-type: none"><li>1. An unaltered, completed and <u>signed</u> RFA cover page including Applicant Section must be submitted with the application;</li><li>2. One (1) complete paper copy of all documents as outlined in Section E;</li><li>3. One (1) complete electronic copy submitted on a flash drive; and</li><li>4. Letter of Agreement for all partnered applications (if applicable).</li></ol>
d) Submitted in formats outlined in Section E (see pgs. 8-10 above of this document).
e) Project construction cannot start before April 21, 2017. This also refers to well production, which cannot start before April 21, 2017.

## 2. Evaluation Criteria

Applications meeting all of the mandatory criteria (Section H.1 above) will be further assessed against the following evaluation criteria. All questions in the Infrastructure RFA Template should be answered fully for evaluation purposes. If any questions are not addressed in the Template, the application will not be scored with full marks and may not receive the minimum required percentage for advancement to the next stage of evaluation.

Evaluation Criteria	Percentage	
	Total Available	Minimum Required
<b>1. Project Details</b> (See RFA Template) <ul style="list-style-type: none"> <li>• <i>Project Details, Description of Project</i></li> <li>• <i>Summary of Project Work and Step(s) Table</i></li> <li>• <i>Estimated Project Cost</i></li> </ul>	50%	
<b>2. Project Business Case</b> (See RFA Template) <ul style="list-style-type: none"> <li>• <i>Project Business Case</i></li> <li>• <i>Benefits Attributable to the Province</i></li> <li>• <i>Risks and Significant Issues</i></li> </ul>	50%	
<b>TOTAL</b>	<b>100%</b>	<b>65%</b>

## 3. Evaluation Process

The Ministry will evaluate applications as follows:

- a) Applications will be checked for compliance with Section H.1 material. Applications that do not meet the mandatory requirements of Section H.1 will not receive further consideration.
- b) The Ministry will check each Applicant's record of royalty payments through the Ministry of Finance. The Ministry will reject applications from Applicants that have, in the Ministry's sole opinion, an unsatisfactory record of making royalty payments to the Province.
- c) Applications will be evaluated and scored against the criteria in Section H.2 based on the information submitted in the Infrastructure RFA Template package. Applicants that achieve the minimum percentage score may be contacted to further confirm information about the submission.
- d) Applicants that achieve the minimum score for the criteria in Section H.2 will advance to the next stage: **Ranking and Selection.**

## 4. Ranking and Selection

The Ministry will use the following factors in ranking and selecting those applications that have advanced based on evaluations in Section H.3. The Ministry will:

- a) calculate the **benefit cost ratio** to the Province for each application. The benefit cost ratio for each application will be calculated by estimating the royalty revenues over a five year time period, subtracting the requested infrastructure credit, and then dividing by the infrastructure credit.

The benefit cost ratio will be:

$$\text{Benefit Cost Ratio} = \frac{(\text{Gross Revenue less Deep Credits}) - \text{Infrastructure Credit}}{\text{Infrastructure Credit}}$$

- b) calculate the **net present value** to the Province for each project in terms of royalty revenues attributable to the project over 180 months (15 years) against the requested infrastructure royalty credit in the application.
- c) calculate the **payback period** to the Province to determine when royalty revenues attributable to the application exceeds the level of the requested royalty deduction.
- d) consider the **leverage impact** of each application in terms of opening up unexplored, under-explored or under-produced oil and gas areas.
- e) evaluate the effect and degree the application has to **“accelerate”** the timing and amounts of new capital the proponent will invest in British Columbia. Where identified in the application, accelerated land sales, new oil and gas reserves, and accelerated drilling, production and royalties - will be factored into an application’s ranking.
- f) **rank** applications according to sections (a) to (e) above.

**Note:** The Province reserves the right to approve royalty credits to only one, more than one, or no applications.

### I. Project Agreement Process

On approval of a Project under the Program, the Producer(s) or Pipeline Company jointly applying with a Producer(s), will be required to enter into a Project Agreement with the Province and provide the information required in the Project Agreement and the Program Requirements for Approved Projects, as outlined in **Section J** below.

It is recommended that all applicants review the Sample Agreements that can be accessed directly in **Section L** below as changes may have been made from past iterations of the Infrastructure Royalty Credit Program documentation.

## J. Program Requirements for Approved Project(s)

The Project Agreement sets out the requirements for an Approved Project. It is strongly recommended that the Applicant(s) carefully read and review the Project Agreement to ensure greatest success. The Project Agreement example may be accessed directly in Section K below. The following are some of the key points in the Project Agreement that will apply to all Approved Project(s):

- a) An Agreement will be entered into between the Applicant(s) and the Royalty Administrator that represents the Province.
- b) Any changes to the Project must be submitted in writing to the Administrator for consideration. Any amendment to an approved Project will not be considered within 6 months of the Reference Date of the Agreement. The Administrator has the discretion to accept or reject any proposed amendments to the Project Agreement. If accepted, an Amendment to the Project Agreement will be necessary.
- c) Construction of the project must be completed within 3 years of the signing of the Project Agreement, to a maximum completion date of December 31, 2020.
- d) The Applicant(s) must notify the Administrator that the Project has been cancelled in a timely manner.
- e) The Project must be completed as outlined in the Project Agreement – Schedule A – or any amendments thereto as per (b) above. If the project is not completed as outlined in the Project Agreement or any Project Agreement Amendment, the royalty deduction may not be eligible for release.
- f) The Producer(s) of an Approved Project(s) are responsible for submitting a request for royalty deduction within six months of the completion date of project as outlined in the Project Agreement - Schedule B.
- g) An infrastructure royalty deduction may not be granted until sufficient royalty revenues have been generated by the wells attributed to the Project.
- h) All requirements set out in the Project Agreement must be met.
- i) The Ministry may undertake an audit review of project costs of a completed Project, or a completed Step of a project, as set out in the Project Agreement. The Producer(s) of an Approved Project(s) must comply when requested.
- j) Annual well information must be provided to the Ministry for a period of 60 calendar months following completion of the Project as set out in the Project Agreement. The Ministry will notify the Producer(s) of an Approved Project annually for updated well information and provide a template to submit the information.

**Note:** It is recommended that the Producer of an Approved Project(s) review the Ministry Royalty Deduction Submission webpage which provides information on the Royalty Deduction Process.

## K. Infrastructure RFA - Sample Project Agreement templates

See Section 3 – Sample Project Agreement Templates on the RFA 2017 website.

It is recommended that the appropriate Sample Project Agreement is reviewed to ensure that all applicants understand the requirements of the Program.

Sample Project Agreement templates:

Pipeline Agreement – [PDF File](#)

Road Agreement - [PDF File](#)

Road and Pipeline Agreement – [PDF File](#)

Producer and Pipeline Company Agreement – [PDF File](#)

## L. Infrastructure RFA Guidance Document

Before submitting an application, it is recommended that the [Guidance Document](#) located at the bottom of the webpage is reviewed. This document may be helpful to applicants, and provides additional information on the objectives and requirements of the Infrastructure Royalty Credit Program, “Tips for Success”, and suggestions and examples to assist with the preparation of the documents required for applying under the Program.

## M. Further Information

To request or receive further information regarding this RFA, please contact by email:

Ms. Dawn Kroad, Senior Project Manager,  
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