



Yukon's *Oil and Gas Act*
Draft Gas Processing Plant Regulation

**SUMMARY DOCUMENT
FOR REVIEW AND CONSULTATION**

Spring 2013

Contents

INTRODUCTION AND BACKGROUND	2
THE REVIEW PROCESS AND HOW TO PROVIDE INPUT	3
The consultation period will conclude May 8, 2013.	3
A SUMMARY OF THE DRAFT GAS PROCESSING PLANT REGULATION	4
General provisions	4
PART 1 Licences	5
PART 2 Construction	6
PART 3 Operation and Maintenance	7
PART 4 Physical and Operational Changes	8
PART 5 Records and Reporting	8
PART 6 Penalties	9
Division 2, Administrative Penalties.	9
PART 7 Consequential Amendments	10
NEXT STEPS	10
HOW TO CONTACT OIL AND GAS RESOURCES	11
COMMENTS ON THE DRAFT GAS PROCESSING PLANT REGULATION	12

INTRODUCTION AND BACKGROUND

The Yukon *Oil and Gas Act* (Act) was enacted in 1997, and the transfer of responsibility from Canada to Yukon for the management of oil and gas resources occurred in November 1998. The Yukon government has since developed a suite of regulations under the Act to manage the resource and industry.

Some important events and changes have taken place since then:

- Final land claim agreements have been reached with 11 of the 14 Yukon First Nations;
- The new *Yukon Act*, which implemented the *Devolution Transfer Agreement* between Canada and Yukon came into effect in 2003; and
- The Yukon Government and Yukon First Nations continue to work together to develop a common oil and gas regime for both First Nations lands and Yukon oil and gas lands.

The Energy for Yukon: The Natural Gas Option analysis examines the feasibility of developing Yukon's significant natural gas resources to meet Yukon's current and future energy demands and examines what is required to develop these valuable resources. This report suggests natural gas from the Eagle Plain basin in northern Yukon can meet Yukon's energy requirements for the foreseeable future, is likely less expensive than diesel fuel and has 40% less greenhouse gas emissions.¹

Yukon government has discussed various potential projects which will provide Yukon markets with Liquefied Natural Gas (LNG) as a fuel source for mining operations and the generation of electricity. These discussions indicate that the project sponsors are intent on beginning development in the next year or two.

The proposed LNG projects are based primarily on the economic advantages of using natural gas as a fuel rather than diesel, however, another benefit is that the reduction in greenhouse gas emissions will be significant. The need for a regulation that will ensure gas plants in Yukon are regulated from cradle to grave is clear and immediate.

¹ Energy for Yukon: The Natural Gas Option, Wolf Island Engineering et al, November 2010

In order to properly regulate and set safety and environmental standards for this new type of oil and gas activity in Yukon, the Oil and Gas Branch has developed a draft Gas Processing Plant Regulation that will cover these proposed projects as well as all other gas processing facilities that may occur in the future.

THE REVIEW PROCESS AND HOW TO PROVIDE INPUT

The Yukon government is currently consulting on this draft regulation. This summary document will provide an overview of the proposed regulation.

To further assist with consultation, the government has also prepared a draft text² of the Gas Processing Plant Regulation. The Yukon government welcomes comments on both the information contained within this summary document and the draft text.

The review process will include discussions and meetings with First Nations, conservation groups, interested members of the public, industry representatives and other Yukon government departments. Meetings with respondents will be arranged as they are requested.

Comments may be submitted by completing the comment section contained at the end of this document, or through a separate submission. Comments may be hand delivered, mailed, faxed or emailed to the Oil and Gas Resources Branch through the information provided on page 14.

The government encourages all of those interested in this matter to submit written comments before the end of the consultation period.

The consultation period will conclude May 8, 2013.

All submissions will be reproduced and made available on the Energy, Mines and Resources, Oil and Gas website, www.yukonoilandgas.com. As well, comments provided during the consultation period will be summarized in a “What We Heard” document which will also be available on the website after the consultation period is completed. The “What We Heard” document will be mailed to those who provide an address with their written submission.

² The draft text of the regulation, along with this summary document, is available online at www.yukonoilandgas.com or by request from the Yukon Oil and Gas Resources Branch. Contact information is provided near the end of this document.

A SUMMARY OF THE DRAFT GAS PROCESSING PLANT REGULATION

The regulation will allow government to ensure that any gas processing facilities in Yukon are designed, constructed, operated and abandoned properly so that the environment is protected and workers and the public are kept safe.

The draft regulation is divided into general provisions and 7 major parts:

General provisions

PART 1, Licences

PART 2, Construction

PART 3, Operation and Maintenance

PART 4, Physical and Operational Changes

PART 5, Records and Reporting

PART 6, Penalties

PART 7, Consequential Amendments

General provisions

In the general provisions, various sections define commonly used terms in the regulation and describe references and programs to be used. The sections are as follows:

- 1 Interpretation – these are definitions used in the regulation;
- 2 Exemption – this section provides for the eventual termination of the licensing exemption for the Kotaneelee gas processing plant that has been in effect since 1998;
- 3 Computation of months and days – for recording and reporting purposes, this section sets a standard time frame;
- 4 References to CSA-Z276 – the regulation refers to and therefore relies on this Canadian Standard for LNG facilities;
- 5 Compliance with CSA-Z276 – the Licencee of an LNG facility must comply with the standard;
- 6 Compliance with Regulation and directions - the Licencee of any gas processing facility must comply with the regulation and the Chief Operations Officer's (COO) directions;

- 7 Requirement variation or exemption from a standard – upon request, the COO may vary or exempt a Licencee from sections of this regulation or a standard;
- 8 Prescribed programs – the Licencee must comply, monitor, audit and report on all of the prescribed programs listed in this Regulation. The COO may amend the programs accordingly;
- 9 Suspension or termination of activity – the COO may suspend or terminate any activity for various reasons including an incident or near miss.

PART 1 Licences

This Part deals with the application for, and the information required, when applying for permission to build and operate a gas processing plant in Yukon. The following sections are covered in this Part:

- 10 Application for licence – an application for a Licence for a gas processing plant or LNG facility must be submitted to the COO with supporting documentation.
- 11 Documents supporting application – the following documents are required when applying for a Licence:
 - A location map
 - A Report requiring the applicant to consult land owners, occupants and others
 - A management system verification
 - A safety plan
 - An environmental protection plan
 - A quality assurance and quality control program
 - Contingency plans including emergency response procedures
 - A non-destructive examination program for welds
 - An abandonment plan
 - If necessary, flow systems, flow calculations and a description of the process flow to be used for measurement purposes, and,
 - Information on any flaring or venting.
- 12 Management system – describes the requirements of a management system.
- 13 Safety plan – describes the requirements of a safety plan.

- 14 Environmental protection plan – describes the requirements of an environmental protection plan.
- 15 Issuance of licence – describes how the COO may issue a Licence and what it might contain.
- 16 Conditions of licence – lists the conditions that are required – commencement and completion dates; contractor; and, plant must be constructed in accordance with the Licence.
- 17 Amendment of licence – lists reasons for amending a Licence – upon application; safety, environmental or change in legislation or technology; or to correct an error.

PART 2 Construction

This Part deals with the construction of the facilities and the safety requirements needed in order to begin construction. The following sections are covered in this Part:

- 18 Designs and specifications – detailed designs and specs (satisfactory to the COO) required before construction can begin.
- 19 Construction contract requirements – the arrangements between the Licencee and the contractor and the requirement that any contractor or subcontractor must be aware of and comply with the regulation.
- 20 Construction requirements – various fire and explosion safety-related requirements that must be met.
- 21 Safety – more fire and explosion alarms safety-related requirements that must be met.
- 22 Construction responsibilities – general safety requirements that protect property, workers, the public and the environment, especially during testing and start up.
- 23 Non-destructive testing – the requirements for testing of equipment, piping and vessels using X-rays and ultrasound equipment.
- 24 Pressure testing – the requirements for subjecting the piping or vessels to hydrostatic pressure to test the safety of them.

PART 3 Operation and Maintenance

This Part deals with the operation and maintenance of the facilities. The following sections are covered in this Part:

- 25 Approval to operate – the Licencee cannot begin operation without an Approval to Operate issued by the COO.
- 26 Application for operation approval – a list of the reports, programs, plans and manuals required with an Application to Operate as follows:
 - Pressure testing report
 - An operations and maintenance manual
 - A staffing plan
 - A training program
 - An emergency procedures manual
- 27 Operations and maintenance manual – details the requirements of an operations and maintenance manual.
- 28 Emergency procedures manual – details the requirements of an emergency response manual.
- 29 Staffing plan and training program – details the requirements of the staffing plan and training program.
- 30 Visitors – keeping visitors safe at the facility.
- 31 Operations – details requirements for protecting the environment and the safety of workers and the public at or near facilities.
- 32 Inspections – details the timing and reporting requirements for the Licencee’s inspections of its facilities.
- 33 External audits – the requirement for an in-depth review and analysis of the safety and environmental – related programs of the Licencee and the operations of the facilities by either the Regulator or an independent third party.

PART 4 Physical and Operational Changes

This Part deals with any design or operational changes to the facility after the operation of the facility has begun. The following sections are covered in this Part:

- 34 Direction for operational changes – because of safety or environmental concerns, the Regulator may require changes to facility operation or design.
- 35 Alteration – no plant alterations can occur without the approval of the Regulator.
- 36 Suspension – the Regulator must be notified when the plant operations are suspended.
- 37 Deactivation – this section relates to a situation when the plant or facility is shut down for a longer period than suspension and therefore, the Regulator must be notified.
- 38 Reactivation – must be approved by the Regulator.
- 39 Abandonment – Abandonment of a plant or facility involves its dismantling followed by proper reclamation of the site.

PART 5 Records and Reporting

This Part deals with the records required to be kept and reported to the Regulator. The following sections are covered in this Part:

- 40 Retention of records – Section 40 specifies that the OGLAR retention requirements do not override additional requirements in CSA-Z276.
- 41 Throughput records – the requirement for production and processing volume and heat content information of the facility.
- 42 Monthly throughput reports – the requirement for reporting the results of the throughput records.
- 43 Measurement standards – sets the standards for measurement of plant products.

- 44 Incidents and near-misses – requires the Licencee to notify the Regulator “forthwith” of any incident or near-miss and then report on it within 7 days.
- 45 Press releases and press conferences – the Regulator must be notified 24 hours in advance of any Licencee press conferences or releases

PART 6 Penalties

This Part deals with the various types of penalties that a Licencee may incur. The following sections are covered in this Part:

- 46 Penalties owing to Government – must be paid to the Government

Division 1, Reporting-related Penalties.

- 47 Definitions for Division 1 – defines terms used in this Division.
- 48 Report or notification on request – The COO must put a time limit on any information request.
- 49 Penalties for late submission or notification – if the reporting requirement is violated, the COO can issue a fine for \$10,000 (and \$10,000 monthly) or, \$500,000 for failure to report an incident or near-miss.
- 50 Penalties related to non-compliant reporting – details fines ranging between \$25,000 and \$500,000 for various reporting violations.
- 51 Penalty invoice – details the COO’s duties when issuing penalty invoices.
- 52 Appeals respecting penalties – details how a penalty may be appealed to the Minister and how the Minister can react to the appeal.

Division 2, Administrative Penalties.

- 53 Definitions for Division 2 - defines terms used in this Division
- 54 Penalties for Schedule contraventions – details the penalty requirements for pecuniary penalties listed in the Schedule.

- 55 Penalties for contraventions of licence conditions – if a condition(s) on licence is contravened, a maximum penalty of \$500,000 can be imposed.
- 56 Procedures related to findings – details how the COO proceeds during a contravention and how the subsequent hearing may proceed.
- 57 Imposition of administrative penalty – details the conditions that the COO must consider when issuing an administrative penalty.
- 58 Notice of administrative penalty – details how the COO notifies the person of the issuance of an administrative penalty.

Schedule: Contraventions and Maximum Administrative Penalties – this schedule details the administrative penalty maximum amounts.

PART 7 Consequential Amendments

- 59 Consequential Amendments - this part deals with the amendments which will be required of other Yukon legislation as a result of the enactment of the Gas Processing Plant Regulation.

NEXT STEPS

Once the consultation period is complete, the Yukon government will review the submitted comments and prepare a “What We Heard” document summarizing consultation submissions. Both the “What We Heard” document and electronic copies of each submission will be available on the Energy, Mines and Resources, Oil and Gas website. In addition, the “What We Heard” document will be mailed to those who provide an address with their written submission. All submissions will be reviewed and carefully considered before the draft regulation is revised and sent to Cabinet for consideration.

HOW TO CONTACT OIL AND GAS RESOURCES

To provide comments, for more information, or to request a meeting, please contact Oil and Gas Resources through the information below:

Email: oilandgas@gov.yk.ca
Phone: (867) 667-5087
Fax: (867) 393-6262
Mail: Energy, Mines and Resources
Oil and Gas Resources, K-11
Suite 300, 211 Main Street
Whitehorse, Yukon
Y1A 2B2

The Oil and Gas Resources Branch office is located on the 3rd floor of the Shoppers Drug Mart Building, 211 Main Street, on the corner of Main Street and 3rd Avenue in Whitehorse.

Please provide your comments by May 8, 2013.

Thank-you.

