Ministry of Energy

Written Responses to the Public Accounts Committee – September 7, 2017

Question 1:
Mr. Fraser: "Are you currently tracking how much money the province would be losing in revenue for each day that the Trans Mountain pipeline doesn't start construction or the delay in that?" (Hansard page PA-504)

Response:
Under current production levels, there is adequate pipeline infrastructure to move crude oil products out of Alberta into the United States, including the West Coast, through current pipelines including the existing Kinder Morgan Trans Mountain pipeline, which has 300,000 barrels per day of capacity. However, pipeline capacity is becoming limited towards the end of this calendar year as new oil sands projects are coming online. Differences in North American and international crude oil prices are currently being influenced by the damage caused by hurricane Harvey in the Gulf Coast, along with global market supply and demand issues.

The proposed expansion by Kinder Morgan will see the pipeline's capacity increase from its current capacity of 300,000 barrels per day, to 890,000 barrels per day.

Several industry analysts suggest that Alberta crude oil production will exceed pipeline capacity in the beginning of 2018, where additional production of crude oil will need to be moved via rail, which is more costly. The higher transportation costs associated with rail may entail lower crude oil prices for Alberta producers. However, additional pipeline capacity is expected to come online in 2020 with the commencement of other proposed pipelines such as Enbridge's Line 3 replacement, which will provide support to Alberta producers.

Question 2:
Mr. Panda: "Canada is importing 800,000 barrels approximately on the east coast and that means, you know, we are having lesser jobs for Albertans here. We lost 100,000 jobs in Alberta. But if we have the ability to give the option for eastern Canadians to use Alberta oil, probably we can create economic activity and many more jobs here. At least some of those hundred thousand jobs lost under this government could be repositioned. I just wanted to know your response to that." (Hansard page PA-517)

Response:
Increased transportation infrastructure to move Alberta crude oil to new markets, including Canada's East Coast, would be a benefit to the economies of Alberta and Canada.

At the moment there are constraints on transporting Alberta crude to Canada's East Coast. With the current pipeline configuration, Alberta crude can only be transported as far as Montreal on the Enbridge system. The recently cancelled Energy East highlights the importance of diversifying market access and the subsequent national priority that should now be placed on the Trans Mountain Expansion Project.

The Conference Board of Canada estimates that the Trans Mountain Expansion Project will have a combined federal and provincial revenue impact of $46.7 billion during construction and the first 20 years of expanded operations:

- $19.4 billion to Alberta
- $5.7 billion to B.C.
- $21.6 billion to the rest of Canada for sharing

The Conference Board of Canada also estimates the Trans Mountain Expansion Project would create the equivalent of 15,000 construction jobs and the equivalent of 37,000 direct, indirect, and induced jobs per year of operations. Overall, the project generates more than 800,000 direct, indirect, and induced person-years of employment during project development, operations, and higher netbacks. Alberta's share is 441,000 person-years including 15,000 during project development and 13,000 during project operations. In addition, direct construction workforce spending in communities along the pipeline route is estimated to be $480 million.

Expanded access to global markets through all proposed pipelines offers optionality and the ability to react quickly to market conditions moving crude supplies to higher priced markets as supply and demand conditions change. Market diversification is essential to ensuring Albertans capture appropriate value from their natural resources.

Question 3:
Mr. Barnes: "My question is pertaining to the petrochemicals royalty program. I'm wondering if the Energy department was aware that the two companies receiving the opportunity had other aspects in their investment decision before they committed a hundred per cent." (Hansard page PA-518)

Response:
Yes, the department was aware. This is not uncommon. In reaching a final investment decision, a company will take many factors into consideration. Other aspects in the investment decisions include: economic factors such as feedstock, construction and labour costs; financial factors such as costs of capital, taxation, and government programs (like Petrochemicals Diversification Program); and corporate strategy and experience with proposed types of projects.

In August 2017, the department received the first approval status updates from the proponents. Both proponents continue to make progress toward their investment decisions anticipated by 2018.