

Standing Committee on Resource Stewardship

*Report Respecting Presentations by
Ministry of Energy*

Eagle Spirit Energy Holdings Ltd.
G Seven Generations Ltd.

Twenty-Ninth Legislature
Fourth Session
November 2018



Standing Committee on Resource Stewardship
3rd Floor, Edmonton Federal Building
9820 – 107 Street
Edmonton AB T5K 1E4
780.644.8621

ResourceStewardship.Committee@assembly.ab.ca



STANDING COMMITTEE ON RESOURCE STEWARDSHIP

November 2018

**To the Honourable Robert E. Wanner
Speaker of the Legislative Assembly
of the Province of Alberta**

Pursuant to Standing Order 52.08(1) and (3), I have the honour of submitting, on behalf of the Standing Committee on Resource Stewardship, the Committee's report on presentations received at its meeting on October 23, 2018.

Sincerely,

(original signed by)

Rod Loyola, MLA
Chair, Standing Committee
on Resource Stewardship

TABLE OF CONTENTS

MEMBERS OF THE STANDING COMMITTEE ON RESOURCE STEWARDSHIP	ii
1.0 INTRODUCTION	1
2.0 SUMMARY OF PRESENTATIONS	1
2.1 Ministry of Energy	1
2.2 Eagle Spirit Energy Holdings Ltd.	2
2.3 G Seven Generations Ltd.	3
APPENDIX: List of Presenters	4

MEMBERS OF THE STANDING COMMITTEE ON RESOURCE STEWARDSHIP

29th Legislature, Fourth Session

Rod Loyola, MLA
Chair
Edmonton-Ellerslie (NDP)

Wayne Drysdale, MLA
Deputy Chair
Grande Prairie-Wapiti (UCP)

Erin D. Babcock, MLA
Stony Plain (NDP)

Todd Loewen, MLA
Grande Prairie-Smoky (UCP)

Greg Clark, MLA
Calgary-Elbow (AP)

Hon. Brian Malkinson, MLA
Calgary-Currie (NDP)

Thomas Dang, MLA
Edmonton-South West (NDP)

Christian E. Nielsen, MLA
Edmonton-Decore (NDP)

Derek Gerhard Fildebrandt, MLA
Strathmore-Brooks (FCP)

Prasad Panda, MLA
Calgary-Foothills (UCP)

David B. Hanson, MLA
Lac La Biche-St. Paul-Two Hills (UCP)

Eric Rosendahl, MLA
West Yellowhead (NDP)

Anam Kazim, MLA
Calgary-Glenmore (NDP)

Kim Schreiner, MLA
Red Deer-North (NDP)

Jamie Kleinsteuber, MLA
Calgary-Northern Hills (NDP)

Substitutions on October 23, 2018, Pursuant to Standing Order 56(2.1-2.4):

Devin Dreeshen, MLA*
Innisfail-Sylvan Lake (UCP)

Brandy Payne, MLA†
Calgary-Acadia (NDP)

Dr. A. Robert Turner, MLA‡
Edmonton-Whitemud (NDP)

Member also in attendance

Richard Starke, MLA
Vermilion-Lloydminster (PC)

* Substitution for David B. Hanson, MLA

† Substitution for the Hon. Brian Malkinson, MLA

‡ Substitution for Kim Schreiner, MLA

1.0 INTRODUCTION

The Standing Committee on Resource Stewardship is one of three Legislative Policy Committees appointed by the Legislative Assembly of Alberta. Standing Order 52.01(1)(c) indicates that the Committee's mandate is related to the areas of Environment and Parks, Transportation, Municipal Affairs, Treasury Board and Finance, Energy, and Indigenous Relations. Under Standing Order 52.08(1) the Committee has the ability to hold public meetings on any matter within its mandate.

52.08(1) A Legislative Policy Committee may hold public meetings on any matter within its mandate.

On September 25, 2018, the Standing Committee on Resource Stewardship passed the following motions:

Moved by Mr. Drysdale that the Standing Committee on Resource Stewardship invite officials of the Ministry of Energy to appear before the Committee to inform Members of the Government of Alberta's plan to ensure the Trans Mountain Expansion Project is completed following the decision of the Federal Court of Appeal on August 30, 2018, to quash the Order in Council approving the project.

Moved by Mr. Hanson that the Standing Committee on Resource Stewardship invite representatives of Eagle Spirit Energy Holdings Ltd. to make an oral presentation to the Committee regarding the proposed Eagle Spirit Pipeline Corridor project between Fort McMurray, Alberta, and Grassy Point, British Columbia.

Moved by Mr. Loewen that the Standing Committee on Resource Stewardship invite representatives of G Seven Generations Ltd. and Alberta-Alaska Railway Development Corporation to make oral presentations to the Committee regarding their proposals to build a railway from Alberta to Alaska.

The Committee held a meeting on October 23, 2018, and received presentations from the Ministry of Energy, Eagle Spirit Energy Holdings Ltd., and G Seven Generations Ltd.

Pursuant to Standing Order 52.08(3) the Committee directed that a report be prepared summarizing the presentations heard by the Committee on October 23, 2018, for tabling in the Assembly and distribution to relevant Government of Alberta Ministers.

52.08(3) A Legislative Policy Committee may report to a Minister or responsible public official on issues arising from a public meeting.

This report contains a summary of the presentations received by the Standing Committee on Resource Stewardship on October 23, 2018. This report is not intended to be a comprehensive record of the Committee's proceedings. For a complete record consult the transcripts of the Committee proceedings, including the oral presentations made to the Committee, which are available online at assembly.ab.ca.

2.0 SUMMARY OF PRESENTATIONS

2.1 Ministry of Energy

Coleen Volk, Deputy Minister, Ministry of Energy, who was one of three presenters from the Ministry of Energy, provided an overview of the work of the Ministry to support the government-wide priority to secure access to Canadian tidewater for Alberta's oil resources. She discussed the importance of expanding market access for Alberta's oil so that Alberta can increase sales and obtain a more competitive price for its products, noting that the price differential between Western Canadian Select Blend and West Texas Intermediate oil has increased in recent months, which, coupled with the recent Federal Court of Appeal decision to overturn the Trans Mountain pipeline expansion (TMX) project approval, has increased the urgency for Alberta to expand its transportation infrastructure, particularly to

the west coast, thereby improving its access to more markets, like Asia, and its ability to obtain a fair price for its products.

The presenter provided information regarding the process followed by the National Energy Board (NEB) in considering the original application for the TMX project and outlined the Ministry's efforts to support approval of the project, which included making contributions to both the regulatory and legal aspects of the project's review. For instance, the Ministry tracked compliance with the NEB conditions attached to the project's approval and worked closely with the Department of Justice when Alberta was granted intervener status in the Federal Court of Appeal judicial review.

Given the recent Federal Court of Appeal's decision to overturn the federal government's approval of the TMX project, the presenter indicated that the Government of Alberta is now focused on ensuring that the new approval process is conducted appropriately so that the Government of Canada can reapprove the project. Efforts include pledging to make a significant financial commitment to support the federal government in getting TMX built and undertaking a national public advocacy campaign to promote support for the TMX project. In addition, the presenter informed the Committee that the Ministry of Energy is overseeing "Alberta's participation in the pending reference case that the Government of B.C. has brought before the B.C. Court of Appeal." The reference "case will examine the [Government of] B.C.'s intention to restrict the increase of diluted bitumen transport," which could negatively impact the TMX project and Alberta's ability to get its oil and gas products to tidewater.

The presenter also provided a status update on TransCanada's Keystone XL pipeline and the Enbridge line 3 replacement, discussed Alberta's efforts to increase rail capacity for the transportation of oil to markets, and provided an overview of the Ministry's stakeholder participation in the consideration of two federal Bills that, if passed, would impact Alberta's energy industry (Bill C-48, *Oil Tanker Moratorium Act* and Bill C-69, *An Act to enact the Impact Assessment Act and the Canadian Energy Regulator Act, to amend the Navigation Protection Act and to make consequential amendments to other Acts*).

The three Ministry presenters responded to a number of questions from Committee members regarding expanding market access and the TMX project. Specifically, Ministry officials provided information regarding the effect of possibly changing the current planned route for TMX, noting that such a decision would necessitate starting the project approval process from the beginning, which would take significantly longer than continuing with the current reapproval process. They explained that the TMX phase 3 federal consultation process, which is being conducted again as a result of approval of the TMX project being overturned, is in the control of the Government of Canada but that the Government of Alberta has communicated ways they are willing and able to assist with the process. They also discussed the new, hopefully more effective approach the federal government plans to take during this new round of consultation with the Indigenous community. The presenters also answered questions regarding the anticipated positive effect of expanding pipeline capacity on access to Asian markets as well as prices for bitumen and refined products along with the possible increased use of rail to transport oil to tidewater.

2.2 Eagle Spirit Energy Holdings Ltd.

Eagle Spirit Energy Holdings Ltd. (Eagle Spirit) is proposing to build a pipeline project from Fort McMurray through northern Alberta and northern British Columbia to Prince Rupert, British Columbia. The project would include two pipelines to transport liquefied natural gas (LNG) and two pipelines to transport upgraded bitumen. Each of the LNG pipelines would transport three billion cubic feet of LNG and two billion cubic feet of natural gas per day. Each of the oil pipelines would ship two million barrels of upgraded bitumen each day. The project would include partial upgraders in Fort McMurray and Prince Rupert as well as a dehydrogenation petrochemical feedstock plant in Prince Rupert.

The presenters indicated that their intent is for the project to be built and operated in an environmentally friendly manner, that the project would maximize the market price for the resources it transports, and that it has the complete support of the First Nations communities along the pipeline route. In fact, the presenters indicated that this project would be owned by those First Nations communities. The environmental aspects of the project include a plan to use alternative energy sources along the pipeline corridor and hydroelectric energy from the Site C dam in circumstances in which alternative energy sources are unavailable. In addition, the presenter indicated that they plan to use an alternative bitumen extraction method known as STRIP (solvent thermal resource innovations process) enhanced oil recovery, a process they indicate will efficiently extract bitumen directly from the ground and reduce greenhouse gas emissions.

Regarding increasing the market price for the products to be transported in their pipelines, the presenters indicated that they plan to partially upgrade the bitumen at upgrading facilities in Fort McMurray and Prince Rupert and argued that the upgraded product should sell “at or near Brent crude pricing.” They also contended that their plan to include a dehydrogenation petrochemical feedstock plant in Prince Rupert would increase the revenue from the LNG pipeline by \$5 billion. Additionally, according to the presenters Prince Rupert’s port is sufficiently large to accommodate a tanker that can carry two million barrels of product at a time, which, they suggest, is significantly larger than the tankers that can be accommodated at the port in Burnaby, British Columbia. Furthermore, the presenters indicated that the route to Asian markets is significantly shorter and therefore less expensive from Prince Rupert than it would be from the Gulf Coast. Therefore, the presenters argued that they would be able to export a larger quantity of LNG and partially upgraded bitumen to major overseas markets, with lower transportation costs than products being exported from Burnaby or the Gulf Coast. The result, according to the presenters, would be better financial results than what currently exists for the sale of Alberta’s oil and gas.

The presenters indicated that they believe they have the full support of First Nations communities along the planned pipeline route, noting that ensuring the project would be built and operated in an environmentally friendly manner was key to obtaining that support. The presenters indicated that they have signed agreements in principle for the project with First Nations communities “all the way along the route” and that their next step will be to negotiate with those communities to enter into binding agreements to proceed with the project.

The presenters responded to questions from the Committee regarding their ability to build this pipeline within a reasonable time given the significant amount of work it takes to get a pipeline approved and built. They believe that the regulatory process will be complete in approximately two years and that the construction will take another two to three years. At the request of the Committee they also elaborated on their efforts to consult with Indigenous communities along the proposed route. The presenters reiterated the processes they are following to ensure they fully consult with Indigenous communities. For example, they indicated that they have spent and continue to spend considerable time informing and engaging with Indigenous communities along the proposed routes about their plan to protect the environment, including the use of effective spill-prevention methods (e.g., using double-wall pipes when the pipeline route travels under streams).

2.3 G Seven Generations Ltd.

G Seven Generations Ltd., a British Columbia-Alberta Corporation, is proposing to construct a new, approximately 2,450 km long, two-track railway from Fort McMurray and the Peace River region connecting to the ports of Valdez and Anchorage, Alaska. The locomotives would run on batteries that are charged using wind-generated electricity. The railway would be designed to ship Alberta’s oil and gas products to ports in Alaska, giving them access to markets in Asia, as well as to ship other commodities such as agriculture, forestry products, and minerals between Alaska and Alberta. First Nations along the route would have a 50 per cent ownership interest in the railway.

The port of Valdez, Alaska, was chosen as the destination of the railway for two reasons: 1) the managers of the port have established effective spill response and spill prevention policies and practices, and 2) it takes tankers two fewer days to get to Asia from Valdez than from Prince Rupert, British Columbia, and four fewer days than from Vancouver, British Columbia.

The presenter provided information to the Committee with respect to why this project has been proposed and the efforts his company has made to date to secure support for it from communities along the route, First Nations, and government. G Seven Generations made the proposal for the project in 2010 as an alternative to the proposed Northern Gateway pipeline after hearing concerns from First Nations communities in northwestern Canada regarding the proposed route for the pipeline and its potential effect on the salmon-bearing rivers in the area. The presenter indicated that the project has preliminary support from all the First Nations and municipalities from Fort McMurray to Valdez, Alaska, along with the port of Valdez, the Assembly of First Nations, and the Prime Minister. However, he acknowledged that they have not yet begun the formal consultation process with First Nations along the route and that this process would begin on a timeline set by the First Nations communities. The presenter noted that engineering and financial feasibility studies have been completed, both of which indicate that the project is viable. He also indicated that the project would meet the requirements of Bill C-69, should it become law. In addition, the company has completed the White House permitting process necessary for undertaking this type of project in the United States. The presenter indicated that it has been seeking Government of Alberta (nonfinancial) support for this project for a number of years and that in October 2018 the company presented a business case for the project to a strategic initiative group set up by the Ministry of Energy, which was composed of officials from the Ministries of Energy, Economic Development and Trade, and Treasury Board and Finance.

The presenter responded to questions from the Committee relating to a number of issues, including the project's cost, proposed route, and safety issues. Specifically, the presenter indicated that the cost of the project is estimated to be \$27 billion and that certain entities, in addition to the First Nations communities along the route, have expressed interest in investing in the project. He told the Committee that a safe route has been designed (with broad curves and a grade of less than one per cent) and that, because of First Nations involvement in the railway, he does not anticipate significant protests along the proposed route. The presenter also explained the safety measures that would be put in place, including a spill-response plan along the route, a container design that limits the amount of spillage if the wall were to be punctured, and shut-off valves at both ends of each rail car. In addition, he indicated that they would possibly use a drone to scout the route in advance of train travelling it in order to identify any potential hazards or problems.

APPENDIX: List of Presenters

Individual	Organization
Colleen Volk, Deputy Minister	Ministry of Energy
Mike Ekelund, Assistant Deputy Minister, Resource Revenue and Operations	Ministry of Energy
Doug Lammie, Assistant Deputy Minister, Strategic Policy	Ministry of Energy
Calvin Helin, Chairman and President	Eagle Spirit Energy Holdings Ltd.
Fred Schneider, Senior Technical and Business Adviser	Eagle Spirit Energy Holdings Ltd.
Len Wilson, Partner, Managing Director	G Seven Generations Ltd.