

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE: July 19, 2012 meeting with Fortune Minerals

III BACKGROUND:

Fortune Coal, a subsidiary of Fortune Minerals Limited (Fortune), is the primary proponent for the proposed Mount Klappan anthracite (metallurgical) coal project. The site is located approximately 100 km southeast of Iskut. Fortune is proposing a 3 million tonne per year open pit operation with a mine life of more than 20 years. Estimated capital costs for Mount Klappan are \$768 million, and at full production, it would employ approximately 200 people full time.

Fortune acquired the Mount Klappan coal property in 2002 and initiated the B.C. environmental assessment process in 2004. The company submitted draft terms of reference for the Mount Klappan project to the B.C. Environmental Assessment Office (EAO) in 2006, and public comments were received and placed in the public registry. In 2008, Fortune chose to temporarily suspend working on its environmental assessment certificate while it re-assessed transportation options and sought a strategic partner to help develop the project. The proponent is planning to formally restart the environmental assessment process by submitting a new project description for Mount Klappan to the EAO in the near future.

The Mount Klappan property straddles the BC Rail right-of-way and largely completed railbed, 150 km north of the current terminus of track at Minaret where CN Rail is currently operating. Fortune and CN Rail are working together to upgrade the existing railway and extend it to the Mount Klappan site to enable the mine to transport its coal to the Ridley Coal Terminal in Prince Rupert for export to the overseas steel industry.

Fortune has a *Mines Act* permit for exploration activities for the Mount Klappan property, but there are currently no authorized works on the site. Total project expenditures to date are estimated at \$87 million (reported by Fortune).

In July 2011, Fortune entered into a joint venture agreement with POSCO Canada (POSCAN), a wholly owned subsidiary of South Korean steel giant POSCO. The Mount Klappan project is now being developed under the Klappan Coal Joint Venture (KCJV), in which Fortune has an 80% interest and POSCAN has a 20% interest. Under the joint venture agreement, POSCAN invested \$30 million up front: \$10 million was paid to Fortune, and \$20 million was contributed directly to the KCJV. If Mount Klappan is successfully developed, POSCAN will fund 20% of the capital and operating costs and

receive 20% of its production. Based on current capital cost estimates, POSCAN's anticipated total payments and cash contributions amount to \$181 million.

s.13, s.16, s.17

IV DISCUSSION:

s.13, s.16, s.17

V CONCLUSION:

s.13, s.16, s.17

PREPARED BY:

Sara Bose
250-387-5491

REVIEWED BY:

Stewart Guy, A/ED ✓
David Morel, ADM ✓
Steve Carr, DM ✓

Date: July 12, 2012
Cliff No: 69470

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE: Chevron Canada Limited's (Chevron) Burnaby Refinery and Priority Destination Designation application to the National Energy Board (NEB)

III BACKGROUND:

Chevron's Burnaby Refinery (Refinery) is the larger of two refineries in British Columbia (BC); Husky operates the other in Prince George. Operating since 1935, the Refinery has a capacity to produce up to 55,000 barrels of refined petroleum products every day and supplies 25 - 30 per cent of BC's transportation fuel and 40 per cent of the jet fuel used at the Vancouver International Airport.

There are 260 employees and 200 contractors involved in the Refinery which operates 24 hours a day, 365 days per year. Chevron spends \$70M annually on locally sourced supplies and services and, since 2003, has made approximately \$325M in capital investments. Chevron pays Federal, Provincial and municipal taxes in the form of income tax, excise tax and property tax.

The Refinery is serviced by the Kinder Morgan Trans Mountain pipeline (TMP) which is the only pipeline transporting light and heavy crude oil from Alberta to the West Coast. Prior to 2011, capacity on the TMP was allocated between uncommitted land shippers and uncommitted Westridge Marine Terminal (Westridge) shippers. In response to market demand TMP sought and received approval from the National Energy Board to offer firm service to Westridge. Firm service tolls are long term contracts that include a charge to reserve capacity that must be paid even if the capacity is not used. Now five firm shippers take about 27 per cent of the TMP crude for tanker export mostly to California.

As an uncommitted shipper, Chevron has not been receiving sufficient access to pipeline capacity. Demand on TMP has been increasing, and when more capacity is requested than is available, access is apportioned on a percentage basis among uncommitted shippers. Refinery apportionment is based on the capacity of the facility. Large refineries are therefore able to take a larger volume of the uncommitted capacity. As a small refinery, in some months Chevron's supply request is reduced by as much as 70 per cent. High demand from others - mostly from Washington refineries - is the cause of the reduction. Although Washington refineries have access to other supply, Canadian crude oil is preferred as it is discounted relative to world oil prices. This price discount is likely to continue due to mid-continent infrastructure constraints.

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s.13, s.17, s.21

IV DISCUSSION:

s.13, s.16

V CONCLUSION:

s.13

DRAFTED BY:
Michelle Schwabe
250-387-1585

APPROVED BY:
Linda Beltrano, ED, GSI ✓
Graeme McLaren, ADM, OGD ✓
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Rich Coleman, Minister of Energy and Mines
- II ISSUE:** July 9, 2012 Meeting with Art Sterrit and Garry Wouters Regarding Government Announcement on Gas-Fired Generation for Liquefied Natural Gas Development.
- III BACKGROUND:**

The Coastal First Nations (CFN) is an alliance of north and central coast First Nations including the Wuikinuxv, Heiltsuk, Kitasoo/Zaizais, Nuxalk, Gitga'at, Haisla, Metlakatla, Old Massett, Skidgate and the Haida. The Ministry of Energy and Mines (MBM) has worked with CFN to implement the energy chapter of a Reconciliation Protocol signed in December 2009. This included an analysis of viable renewable independent power projects (IPP) and potential transmission costs to interconnect them to the BC Hydro grid. The overall finding was that there were some cost-effective IPPs in CFN territories, but the interconnection costs made them cost-prohibitive.

s.13, s.16, s.21

s.13, s.16, s.21

IV DISCUSSION:

s.13, s.17

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V KEY MESSAGES:

s.13, s.16, s.17

PREPARED BY:
Scott Barillaro, Director,
250-952-0267

REVIEWED BY:
Paul Wieringa, Exec. Director, EAED ✓
Les MacLaren, ADM, EAED ✓
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Rich Coleman, Minister of Energy and Mines
- II ISSUE:** Meeting with the Tides Canada representatives on July 9, 2012 regarding Tides Canada's support for a national energy strategy
- III BACKGROUND:**

Tides Canada requested a meeting with the Premier in a letter sent January 27, 2012 to discuss Tides Canada's work in promoting the development of a national energy plan.

Tides Canada is a national non-profit organization that engages businesses, communities and civil societies on environmental and social issues. Tides Canada is active in British Columbia and has been involved in variety of environmental non-governmental organization initiatives, including efforts to preserve the Great Bear Rainforest.

In early 2011, Tides Canada released a discussion paper called "A New Energy Vision for Canada" based on consultation with Canada's business, faith, labour, health, environment, and aboriginal communities. The document envisions Canada moving to clean and renewable energy sources by 2050, and includes a set of recommendations for a national energy strategy or framework that would deliver such a future. Tides Canada has had the document endorsed by over 150 organizations, and it was presented to Energy and Mines Ministers in July 2011.

Tides Canada was encouraged by Premier Christy Clark, Premier Redford, and Premier Wall's December 2011 announcement supporting the idea of a Canadian Energy Strategy. Given Tides Canada's work that calls for a national energy strategy focusing on renewable energy development and energy efficiency measures they have requested a meeting with Minister Coleman to:

- Outline their work going forward on their vision and describe how they hope to present British Columbia's commitment to sustainable energy as part of their work; and
- Discuss their current thinking on the top policy priorities for British Columbia in growing jobs and the economy through the sustainable energy sector.

IV DISCUSSION:

There have been discussions at a political level to establish a Canadian Energy Strategy over the last year. The idea for a strategy first originated when Energy and Mines Ministers met in 2010 and directed officials, "to identify areas of common interest as well as goals and objectives related to energy that will lead to greater Pan-Canadian collaboration."

This "Pan-Canadian Approach to Energy Collaboration" concept was refined in preparation for the meeting of Energy and Mines Ministers when they met in July 2011.

At that meeting, Ministers supported a collaborative approach to energy and agreed to a shared vision for Canada as a recognized global leader in secure and sustainable energy supply, use and innovation. National working groups were established to define common principles and objectives to guide energy policies, and are expected to report to energy ministers when they meet again in September 2012.

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V RECOMMENDED RESPONSE:

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British Columbia continues to encourage industry to pursue clean energy business development opportunities in British Columbia. The Government is committed to enabling the development and operation of three LNG terminals by 2020 that use local clean energy and natural gas generation while keeping rates low for all British Columbians.

Not Responsive

DRAFTED BY:

Scott Cutler, GRB
250-952-0706

APPROVED BY:

Derek Griffin, Exec. Dir., Electricity ✓
Les MacLaren, ADM, EAED ✓
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honorable Rich Coleman, Minister of Energy and Mines

II ISSUE: Upcoming meeting with Macau Natural Gas Company Limited

III BACKGROUND:

Macau Natural Gas Company Limited (MNG), a subsidiary of China Energy Development Holdings Limited, is the first commercial natural gas supplier in Macau. MNG constructs natural gas storage and transmission facilities, including Liquefied Natural Gas (LNG) receiving terminals.

Macau, a former Portuguese colony, became a Special Administrative Region (SAR) of the People's Republic of China in December 1999. Macau is a key part of the Pearl River Delta Economic Zone, which is one of the fast growing regions in China.

In September 2006, Sinosky Energy (Holdings) Company Limited (Sinosky Energy), a consortium made up of MNG and China Petroleum & Chemical Corporation (SINOPEC), was granted a 15-year concession contract by Macau SAR Government. According to the contract, the consortium could purchase LNG/natural gas and construct relevant facilities in Macau, receive and store LNG/natural gas, as well as supply natural gas to network operators and end users.

In October 2009, MNG entered into a joint venture with a Japanese utility company and a trading company to develop the Macau LNG project. The project involved two phases:

IV DISCUSSION:

Natural gas demand is expected to grow rapidly in Macau. According to MNG's forecast, Macau's annual gas demand will reach up to 520 million cubic meters in 2015. The incremental demand will be mainly driven by the power sector because LNG is becoming a significant alternative to oil or coal for power generation. To meet rising demand for natural gas and to minimize the effect of market fluctuations, MNG is looking for long-term stable LNG supplies around the globe. Presently, the company is seeking opportunities to secure LNG supplies from British Columbia producers for a 25-year term.

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BC is facilitating LNG development by implementing the Natural Gas Strategy and LNG Strategy.

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V CONCLUSION:

MNG is a key player in the Asian LNG market. The company is actively pursuing long-term opportunities to secure LNG supplies from British Columbia to Macau. The company's potential investment into LNG projects in British Columbia would make a significant contribution to the provincial economy.

DRAFTED BY:

Jiali Leng
A/Senior Economist LNG - OGD
250-953-3799

APPROVED BY:

Inés Piccinino, A/Exec Lead - OGD ✓
Graeme McLaren, ADM - OGD ✓
Steve Carr, DM 

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Rich Coleman, Minister of Energy and Mines
- II ISSUE:** Briefing on July 17, 2012 regarding Tretheway Creek, Shovel Creek and Big Silver Creek Hydroelectric Projects - Application for an Environmental Assessment Certificate.
- III BACKGROUND:**

Innergex Renewable Energy Inc. (the Proponent) submitted an application for an Environmental Assessment Certificate (EAC) under the *Environmental Assessment Act* (EA Act) to the BC Environmental Assessment Office (EAO) for the Tretheway Creek, Shovel Creek and Big Silver Creek Hydroelectric Projects (the proposed projects). The application review began January 4, 2012, and completed July 6, 2012.

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The Proponent is proposing to develop three run-of-river hydroelectric projects with one 47 kilometer (km) shared transmission line. Development would be over a four-year period and the proposed projects would operate for a minimum of 40 years. The three waterpower projects have a planned capacity of up to 72 megawatts (MW).

The sites are all on tributaries of Harrison Lake in the Fraser Valley Regional District approximately 70 km north of Chilliwack, British Columbia. Nearby communities include Harrison Hot Springs, Agassiz, Kent, Chilliwack and Mission as well as the Xa'xtsa and Sts'ailes Indian reserves.

The Tretheway project proposes to divert up to 88 percent of the mean annual discharge of Tretheway creek over 4.5 km to create the capacity to generate 23 MW of electricity. The Big Silver diversion would be up to 90 percent of mean annual discharge for 3.1 km to create the capacity to generate 36 MW of electricity and the Shovel diversion would be up to 90 percent of Shovel Creek's mean annual discharge over 2.6 km for the capacity to generate 13 MW of electricity.

The Proponent is a Quebec-based company and has been involved in developing, owning and operating run-of-river hydroelectric facilities, wind energy projects and solar photovoltaic installations in North America since 1990. Innergex currently has nine small-hydro projects in operation within British Columbia capable of producing 257 MW of power. Innergex is currently constructing two other hydroelectric projects in British Columbia (Kwoiek Creek and Northwest Stave River). Innergex is also in the development stages of three other hydroelectric projects in British Columbia including the Upper Lillooet Project, which is currently undergoing an environmental assessment.

The proposed project triggered a screening level review under the *Canadian Environmental Assessment Act* (CEA Act) due to fisheries and navigational issues. As a result, the project went through a coordinated federal and provincial environmental process, which resulted in an Assessment Report for provincial ministers that also serves as the screening report for federal decision makers.

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IV DISCUSSION:

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V CONCLUSION:

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PREPARED BY:
Scott Cutler, GRB
250-952-0706

REVIEWED BY:
Sue Bonnyman, Director, GRB ✓
Les MacLaren, ADM, EAED ✓
Steve Carr, DM ✓

Pages 13 through 24 redacted for the following reasons:

Not Responsive
s.13, s.14, s.17
s.13, s.17

Date: July 16, 2012
Cliff No: 69348

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Briefing with Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE: Developing of coal strategy for use in Northeast British Columbia

III BACKGROUND:

There are a number of strategic challenges to development of north east coal. These challenges have been well documented in the NE Coordination Plan, the Caribou Interim Guidelines, and the Significant Areas Approach amongst other reports. They include:

- Consultations are occurring on individual permits and tenures with no framework or mandates to examine broader implications of coal development with First Nations and possible benefits such as revenue sharing;
- The capacity of First Nations negotiation and consultation processes to cope with some of the issues of concern to First Nations such as significant areas and cumulative effects, and the volume of consultation work required to support authorizations; and
- The decline in caribou populations and the need to address the impact of coal development on that decline and associated treaty rights to hunt.

Ministry of Energy and Mines is developing a strategy to help address these issues consistent with the NE Coordination Plan.

IV DISCUSSION:

Key elements of the draft strategy include:

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V CONCLUSION:

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Timeline

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July 24 th
July 30 to Aug 2
TBD
Sept
Sept/Oct

s.13, s.14, s.16, s.17

PREPARED BY:
David Morel, ADM
250-952-0473

APPROVED BY:
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE:

The Intergovernmental Geoscience Accord (IGA) is due for renewal on September 10, 2012. The IGA is renewed every five years and this will be its third renewal. It has been an effective tool for enabling collaboration amongst the federal, provincial and territorial geological survey organizations.

III BACKGROUND:

Geoscience information comprises a range of earth science data and interpretations derived from geological, geophysical, geochemical, and mineral studies. This information is used by governments to manage their lands, mineral, energy and water resources, to protect the environment and human health, and to assess risks due to geological hazards such as earthquakes, landslides, volcanic eruptions and floods. A major use for government geoscience information in Canada is to promote and assist energy and mineral exploration and development by the private sector. Government geoscience programs of interest to the private sector are generally regional in scale, "pre-competitive" in nature, and produce data in the public domain to attract and serve multiple users.

In Canada, geoscience information is provided by federal, provincial and territorial geological survey organizations. These organizations conduct diverse programs of field and laboratory research, compile information and data from public and private sector sources, create, maintain and interpret geoscience knowledge bases, release information in printed and electronic forms, and provide expert advice.

The IGA defines the distinct and complementary roles and responsibilities of the federal, provincial and territorial geological surveys. Since 1996, the IGA has been effective in promoting cooperation and collaboration among the geological surveys, and providing a mechanism for the development of successful national initiatives, such as the Targeted Geoscience Initiative and Geomapping for Energy and Minerals.

IV DISCUSSION:

The IGA has been very useful in setting out the guidelines under which the federal, provincial and territorial geological surveys collaborate in the delivery of government geoscience. The IGA is not legally binding, but it does provide a clear framework for cooperation that is to be adhered to by all signatories. Historically, the federal government and all the provinces and territories have signed the IGA, except for Quebec. Newfoundland declined to sign in 2007, but is expected to sign this renewal.

V CONCLUSION:

s.13, s.16, s.17

Not Responsive

PREPARED BY:

Stephen Rowins
Chief Geologist

REVIEWED BY:

David Morel, ADM ✓
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honorable Rich Coleman, Minister of Energy and Mines
- II ISSUE:** July 11, 2012 meeting with British Consul General Rupert Potter, "British Columbia Interests with the UK" and his predecessor, Mr. Alex Budden

III BACKGROUND:

Mr. Rupert Potter is taking over for the departing Mr. Alex Budden who met with the Minister last year. Mr. Potter takes up his position as British Consul General in Vancouver on July 13, 2012, and will be the British government's representative in British Columbia, the Yukon and the Northwest Territories.

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Immediately prior to his posting in Vancouver, Mr. Potter served as the Deputy Head of Mission in Bahrain from 2008 to 2012. He has also served overseas as Vice Consul at the British Embassy in Jordan from 1995 to 1998, and in the political section of the British Embassy in Sweden from 1999 to 2002.

In London, he has worked for the FCO's South Asia Department, Afghanistan Unit and North America Department, as well as working for the Cabinet Office and taking a secondment with the International Institute for Strategic Studies (IISS).

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IV DISCUSSION:

Mr. Potter requested a meeting to discuss British Columbia interests with the UK to deepen relations in the following bilateral economic, political and cultural areas: building on the successes of the 2010 Olympics, British Columbia sharing its Olympic expertise with the UK; progress on the Canada-EU trade negotiations; opportunities in the energy sector; and other bilateral commercial relations.

British Columbia is committed to cooperating with EU members, including the UK, on climate action by coordinating efforts and opening avenues for trade in environmental technology and clean energy.

Not Responsive

Note: Mr. Potter will meet with Minister Bell on July 13, 2012 with the same agenda.

s.13, s.16, s.17

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V CONCLUSION:

British Columbia continues to position itself as a clean energy leader through carefully targeted initiatives and investments, and responsible natural resource development.

DRAFTED BY:

Liz Wouters
250-387-2883

APPROVED BY:

Dan Green, Exec. Director ✓
Les MacLaren, EAED, ADM ✓
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Christy Clark, Premier
- II ISSUE:** Meeting with Her Worship Lori Ackerman, Mayor of Fort St. John on July 12, 2012, regarding BC Hydro's proposed Site C Project and their anticipated Community Engagement Process
- III BACKGROUND:**

The proposed Site C Project is located approximately seven kilometres southwest of Fort St. John.

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BC Hydro is continuing to engage with the City and the current Mayor Lori Ackerman. Community benefits arising from the project are under discussion, with BC Hydro and the Province of British Columbia having expressed a commitment to regional communities for lasting benefits from the Site C Project.

Not Responsive

The Environmental Assessment (EA) for Site C is underway and includes a joint process with the Canadian Environmental Assessment Agency and the British Columbia Environmental Assessment Office, guided by the February 13, 2012 three stage "Agreement to Conduct a Cooperative Environmental Assessment, Including an Agreement to Establish a Joint Review Panel of the Site C Clean Energy Project", signed between Canada and British Columbia. The complete process including a Joint Review Panel is anticipated to last three years.

BC Hydro views consultation as a key component of planning for the Site C Project. From 2007 to 2009, BC Hydro held more than 120 public and stakeholder meetings across the province.

In addition to formal consultation meetings, BC Hydro regularly presents to local government councils and provides updates at one-on-one meetings. As part of the current environmental and regulatory review stage, BC Hydro is continuing to engage with communities through several streams of consultation, including:

- Property Owner Liaison
- Local Area Consultation on key issues (e.g., Hudson's Hope Berm)
- Project Definition Consultation, which is broad public and stakeholder consultations, including open houses and local government meetings.

In April 2010, BC Hydro established the Regional and Local Government Liaison Committee (RLGC) in cooperation with local governments in the Peace Region.

The purpose of RLGC is to engage key local and regional government stakeholders to ensure they are kept up to date on the status of the project, and are consulted on key issues, particularly those that are directly related to local governments.

The RLGC is chaired by the BC Hydro Executive Vice-President for Site C, Susan Yurkovich, and the committee has met every quarter since April 2010. An annual summary report is published on the Site C website outlining key issues raised as part of the committee and the current status of those issues.

Local government engagement also includes a Local Government Technical Engagement (LGTE) Committee, which provides a forum for municipal staff to meet with Site C Project staff on a community-by-community basis to work through issues.

Since April 2010, the Site C Project team has met with the City (staff and/or elected officials) more than 20 times as part of RLGC, LGTE and on area-specific issues.

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BC Hydro is in regular contact with the City.

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IV DISCUSSION:

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BC Hydro takes issues of concern from the City seriously and is committed to working with the City on each of these issues.

It is important to note that BC Hydro-led consultations are being held over and above those held as part of the environmental assessment process. The EA consultations include multiple public comment periods, as well as open houses - including in Fort St. John - and a future public hearing process.

More opportunities for public comment will take place once the Environmental Impact Statement (Application) is submitted by BC Hydro in early 2013. In addition, there will be public hearings held as part of the joint review panel process.

V. Next Steps

BC Hydro's Site C Project team will continue to consult and work with the City on a regular basis; with a goal of reaching a community benefit agreement prior to submitting the Environmental Impact Statement in early 2013.

PREPARED BY:
Sue Bonnyman, GRB
250-953-3747

REVIEWED BY:
Les MacLaren, ADM, EAED ✓
David Morel Acting DM for Steve Carr✓

BC Hydro Key Contact
Susan Yurkovich, 604-623-4179

Pages 35 through 37 redacted for the following reasons:

s.13, s.16, s.17

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Rich Coleman, Minister of Energy and Mines
- II ISSUE:** Update on Provincial Natural Gas Vehicle Actions
- III BACKGROUND:**

In February 2012, the Province of British Columbia released its Natural Gas Strategy. The Strategy identifies the transportation sector as a key opportunity for diversifying the market for natural gas. Within this sector, medium and heavy-duty vehicles and marine vehicles represent the most suitable market segment for natural gas use.

British Columbia is home to world-leading natural gas vehicle and fuelling technology companies. Increased use of natural gas in the transportation sector will support economic development in British Columbia and reduce emissions. The Province has implemented both regulations and programs that are intended to jump-start the natural gas transportation market, enabling a transition period to a fully competitive, growing market.

IV DISCUSSION:

Existing Programs and Regulations

The Clean Energy Vehicle Program, launched in November 2011, offers a \$2,500 point-of-sale incentive on the three light duty natural gas vehicle models available on the market today. Major auto manufacturers are focussing primarily on electric and hydrogen fuel cell vehicles in the light duty vehicle sector, and, as such, this market is not expected to represent a significant opportunity for natural gas use.

The Greenhouse Gas Reduction (Clean Energy) Regulation, announced in May 2012, allows utilities to offer incentives for natural gas vehicles and build natural gas vehicle fuelling infrastructure. Following the issuance of the Regulation, Fortis BC launched its Natural Gas for Transportation Incentive Program on June 15, 2012 to support natural gas use in medium and heavy-duty vehicles and ferries. The Program will provide incentives for the purchase of new natural gas vehicles, and incentives to support fleets in upgrading their maintenance areas to be natural gas-safe. The Program is anticipated to support 1,400 – 1,500 natural gas vehicles, representing approximately 1 percent of the market. Pacific Northern Gas is now also considering developing a complementary program for its service territory.

The Renewable and Low Carbon Fuel Requirement Regulation (Regulation) requires a 10 percent overall reduction in the carbon intensity of transportation fuels by 2020. Fuel suppliers can achieve compliance under the Regulation by reducing the carbon intensity of their own fuel mix, or by purchasing credits from other fuel suppliers selling lower carbon fuels. This Regulation encourages increased use of lower carbon fuels, such as natural gas, to achieve carbon intensity reductions.

The Province participates in the federally-led Natural Gas Vehicle Roadmap Implementation Committee that shares information and coordinates actions to increase natural gas vehicles across Canada.

The City of Surrey requires all new refuelling stations to provide an alternative fuel, such as natural gas.

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V CONCLUSION:

There are currently two regulations and two programs in British Columbia, one funded by taxpayers and one funded by utility rate payers that are supporting increased use of natural gas in the transportation sector. These activities are expected to help jump-start the market for natural gas vehicles, leading to economic and environmental benefits in British Columbia. Options for extending existing programs and expanding market mechanisms to encourage further uptake of natural gas vehicles are under consideration.

DRAFTED BY:

Christina Ianniciello
250-952-0686

APPROVED BY:

Dan Green, Exec Dir, AEP EAED ✓
Les MacLaren, ADM ✓
Steve Carr, DM✓

Pages 41 through 49 redacted for the following reasons:

s.13, s.16, s.17

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s.13, s.16, s.17, s.21

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR DECISION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE: Designation of Additional Inspectors under the *Energy Efficiency Act*

III BACKGROUND:

Under section 3 of the *Energy Efficiency Act* (the Act), the Minister of Energy and Mines (the Minister) can “designate in writing a person as an inspector for the purposes of this Act.”

Section 3 also gives a designated inspector the authority to enter premises which manufacture, offer for sale, sell, lease or otherwise dispose of products regulated under the Act, and temporarily remove such products for inspection or testing to verify compliance with the Act. It does not permit entry into a dwelling, such as a house.

Designated inspectors are also authorized to temporarily remove and copy supporting documents that are needed to verify compliance. The Act requires the prompt return of any products or documents removed under this section as soon as the relevant copying, examination or testing is complete.

In June 2011, four inspectors were designated: the Director of the Energy Efficiency Branch, Electricity and Alternative Energy Division, two Senior Policy Advisors in the same branch, and a consultant under contract to the Ministry as an Energy Efficiency Compliance Coordinator (Compliance Coordinator).

IV DISCUSSION:

Ensuring high rates of compliance with energy efficiency standards for products and equipment is essential to enable energy bill reductions for British Columbia families and businesses, and achieve energy conservation and greenhouse gas reduction targets within the *Clean Energy Act*. Robust compliance mechanisms help provide a “level playing field” to ensure that law-abiding companies are not undercut by competitors who charge lower prices for non-compliant products, and protect British Columbia jobs from being undercut by less-efficient products being imported into the Province.

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V RECOMMENDATION:

A Minister signature is requested on the designation lettersNot Responsivewhich will designate two additional inspectors under the Act.

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Approved / Not Approved

Honourable Rich Coleman
Minister of Energy and Mines

DRAFTED BY:

Erik Kaye, 250-356-1507
Senior Policy Advisor
Energy Efficiency Branch

APPROVED BY:

Andrew Pape-Salmon, Director ✓
Dan Green, Executive Director ✓
Les MacLaren, A/DM ✓

Not Responsive

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Rich Coleman, Minister of Energy and Mines
- II ISSUE:** Meeting with Honourable Ken Hughes, Minister of Energy for Alberta, to discuss the status of initiatives under the New West Partnership (NWP) Energy Memorandum of Understanding (MOU)

III BACKGROUND:

The Energy MOU was signed by the NWP Energy Ministers on December 16, 2010 and established a collaborative mechanism to strengthen and expand the region's energy sector.

On April 21, 2011, the NWP Energy Deputy Ministers' Steering Committee approved a work plan. The status of current initiatives is as follows:

1. **Industry Water Use and Hydraulic Fracturing Technology** - This NWP working group is developing and sharing information on water use and hydraulic fracturing practices. As part of the working group's initiative to ensure the disclosure of hydraulic fracturing fluids in a publically-accessible forum, British Columbia announced the launch of the FracFocus.ca Chemical Disclosure Registry on January 1, 2012. British Columbia also made disclosure mandatory through regulation. Alberta and Saskatchewan are in the process of exploring how this initiative can be expanded into their own jurisdictions. Additional working group efforts have included a review of water use practices in each jurisdiction, a presentation on principles and operating practices for hydraulic fracturing and water use by the Canadian Association of Petroleum Producers (CAPP) and a joint workshop on water research. **Lead: British Columbia**
2. **Joint Strategy on Market Diversification and Development** - The goal of this initiative is to expand the strategy for developing and enhancing long-term energy trade relationships between NWP governments, the federal government, Asia-Pacific energy market governments and industry. The working group has hired a consultant to undertake a net public benefit analysis of Asia-Pacific energy market diversification and west coast access. The \$540,000 cost for this study is being shared by the three NWP governments (Alberta = \$320,000; Saskatchewan = \$180,000; British Columbia = \$40,000). **Lead: Alberta**
3. **Evaluation of Industry Issues** - In the spring of 2011, NWP officials held consultations with a variety of industry associations to identify the issues that industry wants the NWP to address. These issues were then prioritized for action by the NWP. As many of the issues raised by industry are within the mandate of ministries other than provincial energy departments, NWP Energy Deputy Ministers provided memoranda to their colleagues in other ministries to raise awareness of cross-cutting issues. **Lead: Alberta**

4. **Performance Metrics for Oil and Natural Gas** - In February 2012, CAPP contacted NWP Energy Deputy Ministers to propose the development of a task force to address performance metrics and reporting on the environment, social and health and safety performance of the oil and natural gas industry. Based on the need to provide citizens and stakeholders with relevant, timely and transparent information regarding the performance of the upstream oil and gas industry, NWP Energy Deputy Ministers accepted this proposal. Officials are currently in the process of establishing the terms of reference, structure and expected outcomes of this task force. **Lead: British Columbia**
5. **Environment Canada's Involvement in the Energy Sector** – The NWP Energy Deputy Ministers have identified increasing federal involvement in areas of environmental regulation that could affect energy sector development in the NWP provinces, such as air and water quality, climate change, species at risk, hydraulic fracturing and regulatory reform. NWP energy and environment Deputy Ministers are planning to coordinate policy positions and meet with the federal Deputy Ministers from Environment Canada and Natural Resources Canada.

A first-ever, public update of Energy MOU initiatives is planned to be posted on the NWP Website later this year. Concrete working group achievements and deliverables will be itemized and discussed. It is anticipated that all working groups will be ready to publically report on their deliverables by the end of 2012.

IV DISCUSSION:

Energy officials have considered future initiatives that could be developed under the Energy MOU.

s.13, s.16, s.17

s.13, s.16, s.17

V CONCLUSION:

The NWP Energy MOU has been one of the most successful initiatives under the NWP and continues to be a valuable forum for Ministers, executive and officials to collaborate and work through common issues and challenges.

DRAFTED BY:

Guy Gensey
952-0283

APPROVED BY:

Karen Koncohrada, ED, CIB ✓
Graeme McLaren, ADM, OGD
Graeme McLaren, A/DM ✓

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE: Meeting with Allan Minty, President of Heemskirk Canada to discuss planned expansion of Moberly Mine.

III BACKGROUND:

The Moberly Silica Mine and Processing Plant (Moberly), owned by Heemskirk Canada Limited (Heemskirk), is located near the Trans-Canada Highway and Canadian Pacific Rail Mainline near Golden, British Columbia. Heemskirk is planning to redevelop and expand the existing 29 year-old mine and plant to broaden its product offerings and increase capacity. Moberly currently produces silica sand that is used in glass manufacturing, tile grouts, golf courses, fiberglass insulation, traffic line markings, sand blasting and a variety of other purposes. The planned Moberly Expansion (the Expansion) will allow the production of frac sand, used as a proppant for the oil and gas sectors.

The demand for frac sand in North America has grown strongly in recent years as advances in horizontal drilling techniques have led to the exploitation of shale hosted oil and gas accumulations and deeper basins. Moberly is particularly well located to service the fields of the Western Canadian Sedimentary Basin.

s.13, s.17

Heemskirk has industrial minerals operations in Lethbridge, Alberta and Golden, British Columbia with a head office in Calgary. Heemskirk Canada Limited is a wholly-owned subsidiary of Heemskirk Consolidated Limited, an Australian company listed on the Australian stock exchange.

IV DISCUSSION:

s.13, s.17, s.21

A third Party group (MNP Corporate Finance) announced on July 26, 2012 that they will manage the financing of the Expansion. Subject to appropriate financing and commercial arrangements, the Heemskirk board intends to approve proceeding with implementation of the Moberly Expansion.

s.13, s.17, s.21

V CONCLUSION:

s.13, s.17, s.21

PREPARED BY:

Tim Munson
250 953-3885

REVIEWED BY:

David Morel, ADM ✓
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE: Meeting with Mr. Bruce Aitken, President and CEO of Methanex Corporation (Not Responsive). Mr. Aitken will provide an update on Methanex activities and discuss methanol as a clean energy source.

III BACKGROUND:

Methanex Corporation was first incorporated in Canada in 1968 as Ocelot Industries, an oil and gas exploration company. Methanex established its first methanol plant in Kitimat, B.C. in 1982. The head office is located in Vancouver, with global production facilities in Canada, Chile, Egypt, New Zealand and Trinidad and Tobago. Methanex is the largest global supplier of methanol, and has sales offices located throughout Asia Pacific, Europe, North America and South America. Methanex operates the largest fleet of methanol ocean tankers in the world.

In June 2005, Methanex requested a relaxation of provincial royalties on natural gas consumed at their methanol plant in Kitimat in order to make them competitive with natural gas prices paid elsewhere in the world. The Province of British Columbia denied the request and Methanex ceased methanol production in Kitimat in November 2005.

In 2010 Cenovus (Encana) purchased the Methanex site and loading facilities to import and process condensate, which is used to dilute bitumen for transport via pipelines. The condensate arrives by tanker and is shipped by rail to Alberta for use in oil sands developments.

In the fall of 2011 Shell Canada purchased the Methanex site and loading facilities from Cenovus with the intent to develop an LNG export facility.

In April 2011, competitive natural gas prices in North America made it economical for Methanex to restart their plant in Medicine Hat, Alberta.

IV DISCUSSION:

Methanol is a clear liquid chemical that is predominantly produced from natural gas.

.../2

Methanol can be found in a variety of products such as windshield washer fluid, recyclable plastic bottles, plywood floors, household paints, silicone sealants, synthetic fibres, and health care and pharmaceutical products. Methanex manufactures methanol in a catalytic process using natural gas as the primary feedstock.

There has been strong demand growth for methanol for direct blending into transportation fuels and for the production of dimethyl ether (DME) and biodiesel

Not Responsive

V CONCLUSION:

The use of methanol as an energy source can benefit air quality, reduce greenhouse gas emissions and help B.C. meet its current GHG emission reduction targets and low carbon fuel standard.

The wide disparity between the price of crude oil and natural gas and coal has resulted in increased use of methanol in energy applications, which now accounts for approximately one-third of global methanol demand.

As the price of natural gas is likely to remain low in the near term, the use of B.C. natural gas as a feedstock to produce methanol will contribute to the Natural Gas Strategy objective of diversifying markets for our natural gas.

PREPARED BY:

Richard Caesar
Oil and Gas Division
250 356-2903

APPROVED BY:

Linda Beltrano, ED/OGD ✓
Graeme McLaren, ADM/OGD ✓
Steve Carr, DM ✓

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Rich Coleman, Minister of Energy and Mines
- II ISSUE:** Meeting with His Excellency Akbar Zeb, High Commissioner of Pakistan to Canada and Mr. Shuja Alam, Consul General of Pakistan in Vancouver, Wednesday, August 29, 2012.
- III BACKGROUND:**

His Excellency Akbar Zeb has expressed an interest in discussing the potential for increased cooperation between Pakistan and British Columbia in the areas of hydro power generation, investment in Pakistan's mining sector and alternative energy technologies. Not Responsive

Not Responsive

Pakistan is a federal parliamentary republic consisting of four provinces and four federal territories. With a population exceeding 170 million people, it is the sixth most populous country in the world and has the largest Muslim population after Indonesia.

Pakistan's major energy sources include oil, coal, hydel (temperature differential) generation, thermal, nuclear and liquid petroleum gas. The Pakistan Water and Power Development Authority (WAPDA) is responsible for the development of hydel power and water sector projects. WAPDA's total installed power generating capacity is approximately 11,246 MW.

Pakistan is endowed with significant mineral resources and has a large base for industrial minerals including coal deposits of over 175 billion tonnes of reserves at Thar in the Sindh province. This discovery has been an impetus to develop it as an alternate source of energy. Currently about 52 minerals are being explored on a small scale. The major production is of coal, rock salt and other industrial and construction minerals.

IV DISCUSSION:

Electricity Generation

Generators in British Columbia produce approximately 64,000 gigawatt-hours of electricity per year. Of this total, hydroelectricity accounts for nearly 90 percent, with biomass and wind providing three to four percent. Natural gas generation accounts for most of the remainder.

British Columbia's electricity generation comes from a mix of public and private utilities, industrial self-generators, and independent power producers. BC Hydro, a Crown corporation, generated about 80 percent of the total in recent years, although generation from clean, renewable independent power producers is increasing.

British Columbia's network of hydroelectric dams across the province has facilitated the development of a flexible, reliable electricity grid. Combined with the expertise at BC Hydro and other market participants, this network will help British Columbia integrate a variety of generation sources to meet the increasing demand for electricity.

Mining and Minerals

British Columbia is highly endowed with many commodities the world needs. Copper and metallurgical coal are the province's top exports. British Columbia produced over \$8 billion worth of mined products in 2011. Under the BC Jobs Plan, the province has committed to open eight new mines and expand nine existing mines by 2015.

A world-class service industry is in place for the thousands of oil, gas and mining companies that already make British Columbia their destination or home. In Vancouver alone there are more than 400 service suppliers to exploration, development and production companies worldwide. This expertise is augmented by universities and research centres that keep knowledge and information flowing.

Alternative Energy Technologies

Waste to Energy

In 2010, British Columbia's *Clean Energy Act* encouraged the use of waste heat, biogas and biomass. Local governments across British Columbia are considering Waste to Energy facilities as a sustainable alternative to landfills. Electricity generated from municipal organic waste is considered clean or renewable. In July 2011, the Minister of Environment approved Metro Vancouver pursuing Waste to Energy as an option. In March 2012, there were 13 biogas/biomass projects delivering clean, renewable power to BC Hydro.

Biofuel from Woody Biomass

The British Columbia Bioenergy Strategy supports energy capture from landfills, agricultural waste, sawmill and logging residues, and other renewable sources. At present, approximately 4,000 gigawatt hours per year of British Columbia's electricity generation comes from wood residue combustion. In 2010, the British Columbia wood pellet industry produced more than one million tonnes of pellets. Approximately 90 percent of these pellets were exported for thermal power production.

V CONCLUSION:

British Columbia offers significant opportunities related to its electricity generation, mining and alternative energy technologies. Competitive taxes, an ample supply of low-cost power and government's commitment to the industry make this province an ideal place to invest.

Not Responsive

DRAFTED BY:

Guy Gensey
952-0283

APPROVED BY:

Karen Koncohrada, ED, CIB ✓

MINISTRY OF ENERGY AND MINES
BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy and Mines

II ISSUE: Meeting with Ian Anderson, President of Kinder Morgan, September 2012, regarding the proposed Trans Mountain Pipeline expansion.

III BACKGROUND:

Kinder Morgan Canada Inc. (KMC) owns and operates the Trans Mountain Pipeline System (TMPL) - operating since 1953. TMPL transports approximately 300,000 barrels per day (bbls/d) of crude oil and refined products from Edmonton, Alberta to marketing terminals and refineries in central British Columbia, Greater Vancouver and the Puget Sound area in Washington State.

Since 2006, KMC has been implementing plans for an expansion of the TMPL. The expansion project (TMX) is KMC's response to growth in Alberta's oil sands and increased demand for Canadian crude oil.

The TMX will result in the twinning of the existing TMPL, where possible on existing right-of-ways, from Edmonton, Alberta to Burnaby, British Columbia, and will increase capacity to 850,000 bbls/d. The first stage of the TMX was completed in 2008 and involved the construction of a pipeline loop between Hinton, Alberta and Rearguard, British Columbia. The completion of the TMX will require an additional 890 kilometres of new pipeline and will cost approximately \$5 billion. It will also include expanding the Westridge Marine Terminal, new pump stations along the route and additional storage at existing facilities.

On June 29, 2012 KMC filed an application with the National Energy Board (NEB) relating to the contract terms and tolls it will employ on the TMX. This application does not reference the proposed pipeline route or construction plans; KMC intends to file that application in 2014.

IV DISCUSSION:

s.13, s.17, s.21

Research recently done by the Calgary-based Canadian Energy Research Institute (CERI) concluded that the TMX expansion would generate \$8 billion to Canada's wealth over a quarter century, with \$4.4 billion going to B.C., \$2.4 billion to Alberta and \$523 million to Ontario. The expansion would deliver 66,000 person-years of employment in B.C., with the majority during the proposed construction phase starting in 2016.

s.13, s.16

V CONCLUSION:

s.13, s.17

DRAFTED BY:

Karly Thomson and Michelle Schwabe
250- 387-1585

APPROVED BY:

Linda Beltrano, ED
Linda Beltrano, A/ADM, OGD
Steve Carr, DM

✓
✓
✓

MINISTRY OF ENERGY AND MINES

BRIEFING NOTE FOR DECISION

I PREPARED FOR: Steve Carr, Deputy Minister, Ministry of Energy and Mines (MEM)

II ISSUE: The First British Columbia (BC) Liquefied Natural Gas (LNG) International Conference

III BACKGROUND:

The Government of British Columbia aims to become a global leader in secure and sustainable LNG exports. The 2011 *BC Jobs Plan* identified LNG as a key sector for BC and committed to one LNG plant in operation by 2015 and three by 2020. The *Natural Gas Strategy* and *LNG Strategy*, released in February 2012, detailed BC's commitment to LNG exports and outlined the critical priorities that would guide the development of this prosperous industry.

The LNG Task Force plans to organize a high-level, two-day conference to reinforce this vision, promote BC's LNG projects and help global producers and consumers gain more insights into new investment opportunities in BC's LNG industry

Not Responsive

Australia and the U.S. have shown their aggressive positions on LNG. Both countries have proposed several international conferences regarding natural gas/LNG development for late-2012 and early-2013. For example, the 2nd Australia Gas 2012 Conference, sponsored by the Australian Government will be held in Sydney, Australia from October 31st to November 2nd, 2012. The 17th International Conference and Exhibition on Liquefied Natural Gas (LNG 17), organized by the LNG industry and the International Gas Union will take place in Houston, Texas, U.S. in April 2013. It is expected to be the biggest global gas event in 2013.

Not Responsive

Compared to Australia and the U.S., Canada has not organized any international conferences on LNG exports. The proposed BC LNG International Conference will mark a milestone in Canadian LNG history and will provide an excellent opportunity for the country to showcase its abundant natural gas resources and commitment to development.

The conference is tentatively scheduled for February 25th to February 26th, 2013 at the Convention Centre in Vancouver, BC

Not Responsive

IV DISCUSSION:

The international trade of LNG is expected to steadily increase, and the context surrounding LNG has been changing dramatically in recent years. Therefore, it is important to further enhance understanding and cooperation between LNG producers and consumers in the world.

The MEM would like to have the BC LNG International Conference contribute to the sharing of the global LNG market perspective as well as increase collaboration. Key features of the conference include:

Attractive Topics

The key topics on the proposed conference agenda include:

s.13, s.16, s.17

s.13, s.16, s.17

Organized Sessions

The conference would consist of plenary sessions and voluntary panel discussion sessions:

- The plenary sessions would highlight prominent speakers and a broad range of topics related with LNG; and
- The panel discussion with interactive participation, specialist advice and Q&A, would strike an appropriate balance between emerging industry issues, best practices, and lessons learned.

Keynote speakers in lunch and dinner sessions would share their views on current issues surrounding the LNG.

The networking sessions would provide opportunities for participants to exchange views with government officials, regulatory bodies and producers and consumers.

Available Resources

The LNG Task Force team will ensure resources are available for this event. The team will develop effective strategies to seek sponsorship funds for the conference. It is expected the

Government Communications and Public Engagement Office will provide marketing and communications support.

The MEM's web coordinator will create a unique conference web site to provide detailed conference information. The BC Corporate Services for the Natural Resource Sector will offer a custom-designed e-commerce system to ensure a smooth and efficient registration process.

The LNG Task Force administrative support will take care of all administrative matters pertaining to the event. The venue event managers will organize the food and beverage needs of the conference.

Experienced moderators from BC Government will be arranged for panel discussion. The LNG Task Force team will provide electronic files of conference related documents to each participant. Evaluation forms for collecting participants' feedback would be provided by the team at the end of the conference.

s.13, s.17

V RECOMMENDATION:

s.13, s.17

DRAFTED BY:

Jiali Leng
A/Senior Economist, LNG Task Force
250-953-3799

APPROVED BY:

Inés Piccinino
A/Executive Lead, LNG Task Force
250-356-9825

Brian Hansen
ADM and Lead Negotiator, LNG Task
Force
250 952-0124

Pages 65 through 70 redacted for the following reasons:

Not Responsive
Not Responsive,
s.13, s.16, s.17
s.13, s.16, s.17, s.21