

MINISTRY OF NATURAL GAS DEVELOPMENT

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** The Honourable Rich Coleman, Minister of Natural Gas Development
- II ISSUE:** Minister Coleman's meeting with the Ambassador of the European Union (EU) to Canada, Her Excellency, Marie-Anne Coninx.
- III BACKGROUND:**
- Her Excellency (biography: APPENDIX A) is on her first official visit to British Columbia (BC)
 - As the Ambassador of the European Union to Canada, Her Excellency intends to reach out to Canadians to inform about the European Union and to advocate the importance of the European Union's strategic partnership with Canada.
 - Her Excellency is working to engage Canadians across the country to strengthen the visibility of the European Union and to highlight the benefits for both partners in cooperating closely to address common objectives and challenges.
 - Her Excellency is working to conclude the two major agreements already under negotiation: the Comprehensive Economic and Trade Agreement (CETA) and the Strategic Partnership Agreements.
 - There are 12 LNG proposals in BC at various stages of development:
 - Discovery LNG
 - BC LNG (Douglas Channel Energy Project)
 - Kitimat LNG
 - LNG Canada
 - Pacific Northwest LNG
 - Prince Rupert LNG
 - Triton LNG
 - Aurora LNG
 - Woodfibre LNG Project
 - There are additional proponents who we are working with LNG for a development at Grassy Point
 - Most of these projects are planned for northwest BC in communities such as Kitimat and Prince Rupert. These projects are of such significance that they represent the largest private sector investment proposals in the Province's history.
 - The Montney Basin and Horne River Basin in northeast BC will be key providers of natural gas to the projected LNG export facilities.

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- BC's competitive clean economy advantages were the focus of the Premier's mission to Washington D.C. in early October and her participation in the Pacific Coast Collaborative with the Governors of California, Oregon and Washington in late October.

IV DISCUSSION:

Key Messages:

- BC has an unprecedented opportunity to create economic growth through the development of a new liquefied natural gas (LNG) industry.
- The market potential is clear and demand for LNG is growing. BC is creating an LNG industry and can help other countries make a transition from a coal fired electrical generation. By exporting natural gas to Asia, BC is providing the world with a cleaner energy alternative, and contributing to positive climate change on a global scale.
- Major industry players have shown a sincere commitment to creating a LNG industry in BC. We are working closely with proponents as they advance their plans to build LNG infrastructure on BC's coastline.

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- The advantages we provide for industry are clear:
 - Lower ambient temperature on our north coast resulting in energy efficiency for LNG production
 - We have lower shipping costs thanks to our proximity to growing markets.
 - We have a vast supply of natural gas to meet demands.
 - Our long history of safe, responsible natural gas development makes BC a reliable place to invest and conduct business.
 - We have strong relationship with BC's First Nations and continue to facilitate mutually beneficial partnerships.
- BC has a 50-year record of safely recovering oil and gas resources as well as world-leading environmental standards. Our natural gas sector is safe and responsible.
- BC's commitment is to have the cleanest LNG facilities and we are currently in discussion with industry to develop means to achieve this goal. BC already regulates the natural gas sector through its Revenue Neutral Carbon Tax, which, at \$30/tonne CO₂e, creates a significant incentive to reduce fossil fuel combustion emissions within the natural gas sector.
- BC is committed to an LNG industry that operates in an environmentally responsible manner and continues to encourage LNG proponents to use clean energy sources to power their LNG facilities and to choose the best technology.
- The Province is also committed to having the best climate action policies in place that maintain our leadership on climate change and clean energy while facilitating the economic benefits of the LNG industry.
- The Province's Natural Gas Strategy identified the need to explore carbon capture and sequestration in the course of natural gas extraction. We have already made significant gains in carbon capture through our efforts to reduce routine flaring at well sites.

V CONCLUSION:

- BC highly values good political and economic relations with EU, and hopes that the relationship will be further strengthened as Canada and the EU have reached an agreement in principle on the CETA. BC has been an active participant throughout the CETA negotiations.
- BC commends the EU and Canada for reaching an agreement-in-principle for CETA and supports the outcomes we expect it to deliver.
- BC is open to exploring opportunities, in conjunction with our industry partners, for the supply of BC natural gas for use in the EU.

REVIEWED BY:
Brian Hansen, ADM✓

APPROVED BY:
Steve Carr, DM✓

APPENDIX A:**Marie-Anne Coninsx**

Marie-Anne Coninsx is the Ambassador of the European Union to Canada. She began her posting as the European Union's top diplomat in Canada in September 2013, after serving four years as Ambassador of the European Union to Mexico. She has been an official of the European Union since 1984.

She started her career in the European Commission at the Legal Service in 1984. From 1985 to 1996, she was a Cabinet Staff Member of the following Commissioners: Commissioner Willy De Clercq, responsible for External Relations and Trade; Commissioner Martin Bangemann responsible for Internal Market and Relations with the European Parliament (EP); and Commissioner Pinheiro, responsible for Development Policy and Relations with the EP.

Ambassador Coninsx has extensive experience dealing with multilateral issues, having served as Minister-Counsellor at the Delegation of the European Union in New York (US) from 1996 to 2000 and as Minister-Counsellor at the Delegation of the European Union in Geneva (CH) from 2000 to 2004.

Prior to heading the European Union Delegation to Mexico, Ambassador Coninsx was Head of Unit at the External Relations Department of the European Commission, overseeing relations between the European Union and Latin America from 2004 to 2009.

Ambassador Coninsx studied law at Gent University in Belgium and did post-graduate studies specializing in international law and European law respectively at Cambridge University (UK) and at European University Centre in Nancy (France).

Ambassador Coninsx is Belgian and her interests include painting, travelling and sports (tennis and skiing). She is fluent in Dutch, French, English and German. She has excellent knowledge of Spanish; basics of Portuguese and Italian.

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- I PREPARED FOR:** Honourable Rich Coleman, Minister of Natural Gas Development
- II ISSUE:** Minister Coleman's meeting with senior representatives of the Cement Association of Canada, Lehigh Hanson Canada and Lafarge Canada, (operators of BC's cement plants), to discuss BC's cement industry, how to keep it strong and available for sectors like LNG, as well as address issues about cement and carbon tax.

III BACKGROUND

- The Cement Association of Canada (CAC) represents the Canadian cement industry – eight companies with clinker and cement manufacturing facilities, granulators, grinding facilities and cement terminals.
- CAC works on maintaining a sustainable industry and publicizes the economic and environmental benefits of building with cement and concrete.
- CAC is governed by a ten-member board consisting of senior officials from the eight Canadian-based cement companies. They are responsible for setting the scope and responsibilities of the Association.
- The CAC member companies operate 15 cement plants in five provinces and produce over 98 percent of the cement used in Canada. Over 40 percent of the industry is vertically integrated, with companies owning and operating ready mix concrete, construction and aggregate businesses.
- Lafarge Canada has a cement kiln in Kamloops and Richmond.
- Lehigh Hanson Canada operates a cement plant in Delta.
- BC's cement kilns manufacture a 98 percent "made in BC" product including fuel (coal), base material and aggregate. Carbon tax on coal has resulted in a significant cost burden for the industry and leaves them at a disadvantage in comparison to foreign producers whose carbon tax payments are limited to in province transportation of products.
- The cement industry is one of the primary producers of carbon dioxide, a major greenhouse gas.

IV DISCUSSION

- CAC claims that the cement industry is suffering as a result of the carbon tax.

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- The natural gas sector will create an unprecedented demand for construction workers to build facilities, transfer stations, jetties and pipelines.
- There will be a vast need for construction materials, especially produced concrete to develop BC's LNG industry where BC can successfully transition to be a competent global supplier of natural gas and concrete.
- British Columbia cement producers do benefit from carbon tax revenue recycling measures such as the reduction in corporate income tax rates and the property tax credit for major industry.
- Maintaining the current carbon tax rates, base and structure will help to ensure that British Columbia has a balanced approach to climate action and continues to be a climate action leader by having a carbon tax which puts a price on emissions to encourage individuals, businesses and others to use less fossil fuel and reduce their emissions.
- Potential relief must also be considered in the context of the overall tax system, fiscal situation and government spending priorities.

V CONCLUSION

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- I PREPARED FOR:** Honourable Rich Coleman, Minister of Natural Gas Development
- II ISSUE:** Minister's Meeting with Tom Lively, President and CEO of Fraser River Pile and Dredge (FRPD) (GP) Inc., regarding marine construction and the *Coasting Trading Act* (CTA).
- III BACKGROUND:**
- FRPD is a privately owned marine construction and dredging contractor who operates mainly in Western Canada and Northwest Territories.
 - As a federal law, the CTA is the responsibility of the Minister of Transport Canada and the licence application process is administered by the Canadian Transportation Agency and the Canada Border Services Agency.
 - The CTA reserves marine activities of a commercial nature to Canadian registered and duty paid vessels. The CTA also provides for an administrative process to allow a resident of Canada to temporarily import a foreign or Canadian non-duty paid vessel to undertake a specific activity under licence, when no Canadian registered vessel is suitable or available.
 - When proponents intend to undertake a marine activity, they must first verify if a suitable Canadian vessel is available before applying for a coasting trade licence. During the licence application process, the Canadian Transportation Agency notifies Canadian companies of the application to give them the opportunity to offer their vessels for the specified activity. This provides Canadian ship owners opportunities to offer their services before a foreign vessel is imported into Canada.
 - Coasting trade licences are issued for a maximum 12 month period. Therefore, if a specific activity continues beyond 12 months, the proponent must apply for a new licence – thereby providing Canadian ship operators an additional opportunity to offer their services.
 - Priority to engage in Canada's coasting trade is given in the following order:
 1. Canadian registered, duty paid, vessels;
 2. Canadian registered, non-duty paid, vessels under licence;
 3. Foreign vessels under licence.
 - Unlike some other national coasting legislation, the CTA also applies to moveable drilling platforms, seismic vessels and other "vessels" used in the exploration for and extraction of oil and gas in offshore waters of the continental shelf up to the 200 mile limit. As few "vessels" of this type are available in Canada, the CTA governs the temporary admission of foreign equipment.
 - The United States (U.S.) has their Merchant Marine Act (Jones Act) which is similar in purpose to the CTA except it is more restrictive. The Jones Act is more restrictive than the CTA as it includes as a condition to being coastwise qualified that the U.S. registered vessel be built and owned in the US and

created by U.S. citizens. The build requirement does not exist in Canada hence the possibility to register or import foreign built vessels into Canada. In the U.S. the dredging in shallow waters and the outer continental shelf is restricted to U.S. built dredges.

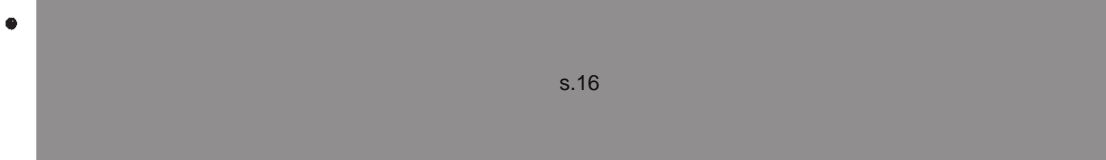
IV DISCUSSION:

- Mr. Lively would like to discuss British Columbia's (B.C.) marine construction industry and its expertise and capabilities with regards to providing services to developing our liquefied natural gas (LNG) industry.



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- The CTA supports domestic marine interests by reserving the coasting trade of Canada to Canadian registered vessels, with limited exemptions.



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- The administrative process provides Canadian Shippers and users of marine services and equipment the ability to access the larger international fleet when suitable Canadian vessels are not available in Canada for a specific activity – thus responding to business/operation needs when no Canadian option is available.

V CONCLUSION:



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