Date: March 4, 2013
Cliff No.: 76538

MINISTRY OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR INFORMATION

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

II ISSUE: Woodfibre LNG Project news release, regarding investment in a proposed LNG facility near Squamish, B.C.

III BACKGROUND:

The Woodfibre LNG Project is a small scale LNG facility considering the former Western Forest Products site in Squamish BC. The site is an approximately 212 acre (86 hectare) industrial site,

s.13, s.21

s.16, s.21

The Woodfibre LNG project is being lead by Pacific Energy Corporation, a Canadian incorporated company and part of the Pacific Oil and Gas Group.

Pacific Oil and Gas is RGE Group's (RGE) energy arm. RGE is based in Singapore and has diversified businesses and operations in the pulp and paper business, agro-industry (sustainable private palm oil plantations), dissolving wood pulp and viscose staple fibre and energy resources. Chairman Sukanto Tanoto founded RGE, which has assets over $12 billion and a workforce of over 50,000 people. RGE refers to Royal Golden Eagle as well as "Raja Garuda Emas" in Indonesian. In 2008, it was reported that Sukanto Tanoto was Indonesia's richest person; he is on the most recent Forbes list of billionaires.

The Pacific Oil and Gas group has constructed marine-based LNG re-gasification terminals and is part owner of a LNG gasification terminal in China in partnership with Petro-China. The partnership built, operates and owns Jiangsu Rudong LNG receiving terminal in China (3.5 MTPA and expanding to 6.5 MTPA by end of 2014). Pacific Oil and Gas is also the first foreign company to own 100 percent of a Combined Cycle Gas Turbine power plant that has been constructed in China (780 MW for Phase 1). Pacific Oil and Gas is also a partner in three other gas power plants under construction in China.

The Pacific Oil and Gas Team is led by Ratnesh Bedi, President and CEO. The team has worked for the past year with a group of consultants to find opportunities to invest in the North American LNG trade. They have focused on specific LNG production sites in Southern British Columbia and upstream gas acquisition opportunities.

IV DISCUSSION:

On March 4, 2013, Pacific Oil and Gas will announce that it has been exploring the Squamish site for a LNG facility. s.13, s.21

s.13, s.21

s.13

V. Key Messages

s.13

- The Woodfibre announcement furthers British Columbia's commitment to bringing this new industry to the Province.
- The project would provide employment opportunities and economic stimulus to the region.

Attachment: Woodfibre LNG Backgrounder

DRAFTED BY:	**REVIEWED BY:**	
Suzanne Manahan	Brian Hansen, ADM	√
250-952-0729	Steve Carr, DM	✓

WOODFIBRE LNG
PROJECT

Backgrounder – March 4, 2013

Feasibility Study Initiated for Proposed Small-Scale Liquefied Natural Gas Project at Former Woodfibre Site near Squamish, B.C.

Pacific Energy Corp. is in the early stages of planning, analysis and community engagement regarding a proposed small-scale liquefied natural gas (LNG) processing and export facility called the Woodfibre LNG Project. The proposed facility would be located at the industrial site of Western Forest Product's former pulp mill near Squamish, British Columbia.

Early planning, analysis and community engagement includes:

- **Feasibility Study** – A feasibility study of the engineering, environment, construction and operating costs associated with redevelopment of the former Western Forest Products 212 acre (86 hectare) industrial waterfront site as an LNG export facility. This study will help define the size of the project, including the capital investment, potential government revenues, and direct and indirect jobs.
- **Site Remediation** – Western Forest Products is responsible for satisfactorily remediating the property, consistent with all regulations, to receive a Certificate of Compliance from the British Columbia Ministry of Environment. The Certificate of Compliance is a condition of purchasing the site from Western Forest Products. Remediation work may include clearing wood waste from the marine environment at the site.

It is anticipated that the potential project would be subject to a thorough environmental review and would, if approved, provide significant economic and other benefits to local communities.

First Nations consultation and community engagement will be undertaken throughout project planning and environmental review for the proposed Woodfibre LNG Project.

"If built, this project would return the existing Woodfibre industrial site to productive, environmentally-responsible use, providing employment and revenue benefits to the region." said Mr. Ratnesh Bedi, President, Pacific Energy Corp.

About Pacific Energy Corp.
Pacific Energy Corp. is a Canadian-incorporated company and part of the Pacific Oil & Gas Group, an independent energy resource development company established in Indonesia in 2003. Pacific Oil & Gas Group invests, develops, builds, owns and operates projects throughout the energy supply chain, to meet global energy requirements. Pacific Oil & Gas Group is a socially responsible business that aims to be one of Asia's leading energy resource development companies.

Contact:
info@woodfibrelngproject.ca
778-875-1613

MINISTRY OF ENERGY, MINES AND NATURAL GAS

INFORMATION NOTE FOR DECISION

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

II ISSUE: British Columbia's participation at the Pacific Energy Summit, Vancouver, Canada April 2-4, 2013

II BACKGROUND:

The Asia Pacific Foundation of Canada and The National Bureau of Asian Research (NBR) are co-hosting the fourth annual Pacific Energy Summit (Summit) on "Forging Trans-Pacific Cooperation for a New Energy Era," to be held in Vancouver, Canada, on April 2-4, 2013. The 2013 Summit will focus on best practices and solutions for successfully meeting Asia's energy needs and promoting environmental stewardship.

Launched in 2009, NBR's annual Summit is an invitation-only event that convenes leaders from government, business, and research to explore innovative solutions to the dual challenges of rising energy demand and climate change. By bridging the commercial, public, and nonprofit sectors, the Summit informs policy and inspires collaboration to help support sustainable economic development.

The Summit provides an informal, off-the-record setting for ongoing collaboration and dialogue among key stakeholders. To facilitate interactive dialogue, the Summit follows a modified Chatham House Rule, and does not use PowerPoint presentations. Media are not allowed access to the proceedings, with the exception of a few specified times.

III DISCUSSION:

Summit organizers expect approximately 150 participants in this year's event including elected officials, key industry leaders and researchers from Canada, the U.S. and Asia. The Summit will include several keynote speakers, panel sessions and round-table workshops. The moderated panel sessions will engage leaders in the field in discussion on key policies that are needed to develop Trans-Pacific energy trade and investment including:

1) Forging Trans-Pacific Cooperation for the New Energy Era
2) The Golden Age of Gas: How Far Can It Take Us?
3) The North American Policy Environment
4) Infrastructure: Building the Energy Framework of the Future
5) Finding Common Ground to Meet Energy and Environmental Goals

In the round-table workshops participants will discuss broad shifts underway in world energy markets, the urgency of addressing climate change, and the role Asia–North America ties could play in boosting energy and environmental security.

To inform plenary sessions and prompt thought-provoking discussion, the Summit organizers commission policy papers from top experts in the field. The policy papers, along with a final report summarizing the Summit discussion and findings, will be distributed to key stakeholders in the Asia-Pacific region after the Summit.

Date: March 11, 2013
Cliff No.: 76840

Organizers are confirming panel speakers and keynotes for the Summit. They are discussing, with the Premier's office, opportunities for Premier Christy Clark to provide a keynote address. Organizers are also working with the Ministry of Energy, Mines and Natural Gas staff on options for Minister Coleman to participate as a speaker at the event. Minister Coleman has also received an invitation to the Tuesday night dinner which is a private function extended to 25 elected officials and key industry leaders.

The Province of British Columbia is sponsoring the event in the amount of $25,000. With this sponsorship level we are:

- Acknowledged as a supporter in conference materials, publications, and other related materials distributed to key leaders in Canada, the United States, and Asia;
- Provided opportunities for input regarding conference agenda and program;
- Provided free attendance for 3 executives/or staff to the invitation only conference;
- Provided access to Summit-related research by the world's foremost experts, including the summit policy papers and the conference final report;
- Able to network with an exclusive group of experts and other stakeholders at the conference.

IV CONCLUSION:

The annual Summit provides a vehicle for ongoing collaboration and dialogue on the topics of energy security and climate change and seeks to forge lasting partnerships that address these challenges jointly. The Asia-Pacific is the most economically dynamic region in the world and sits at the forefront of global efforts to effectively and sustainably meet growing energy needs. Decisions made today will define how we will meet burgeoning energy demand to sustain economic growth and address the concurrent environmental impacts.

Recommend that Minister Coleman attend the event, including the Tuesday night private dinner, and participate on Panel Three: North America Policy Environment (see attached email for more information).

Attachment: Email from Asia Pacific Foundation of Canada requesting Minister participate on Panel Session: North America Policy Environment

DRAFTED BY:	**APPROVED BY:**	
Jordie Oberg	Kursti Calder, Director	✓
	Brian Hansen, ADM	✓
	Steve Carr, DM	✓

Symes, Leslie MEM:EX

From: Jill Price [jill.price@asiapacific.ca]
Sent: Friday, March 1, 2013 4:02 PM
To: Calder, Kursti D EMNG:EX
Cc: Heather Kincaide
Subject: request for Mnister Coleman

We would like Rich Coleman for Panel Three: North America Policy Environment. He would be an excellent counterpart for Boustany (a US elected representative) who is very interested in permitting LNG exports from the US. Also there is a reminder for the invitation for the dinner on April 2nd .

Wednesday, April 3

16:15-17:45 **SESSION THREE: The North American Policy Environment and the Impact on Asia**

Canada and the United States are closely integrated along every facet of the energy spectrum. These ties will remain critically important, but the sharp shift in U.S. demand due to new oil and gas production has changed the energy outlook for both countries and led Canada to search for new partners, particularly in Asia. The potential for rising levels of investment from Asia in the energy sector, along with the potential for increased exports, has been the subject of policy debate in Canada and the United States. Foreign investors in energy in the United States and Canada must not only consider market dynamics but also navigate a complex policy environment in which federal and state or provincial policies often conflict. This session will provide a sounding board for how industry, policymakers, and experts view U.S. and Canadian energy policies, their impact on Asia–North America energy ties, and the future role of North America in world energy markets.

Moderator: Yuen Pau WOO
Asia Pacific Foundation of Canada

Panelists:

Rich Coleman
Minister of Energy, Mines and Natural Gas, BC

OH Sung Hwan
Ministry of Foreign Affairs and Trade, South Korea

James SLUTZ
President and Managing Director, Global Energy Strategies
Advisory Board, Canada Institute, Woodrow Wilson Center for Scholars, DC

Charles Boustany, Jr.
House of Representatives, US

Jill Price
Vice-President, Development and Corporate Affairs
Asia Pacific Foundation of Canada
jill.price@asiapacific.ca | 604-630-1523

Date: February 22, 2013
Date of Previous Note: November 22, 2012
Cliff No.: 75944

MINISTRY OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR INFORMATION

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

II ISSUE: Overview of Nexen Inc. and the company's acquisition by Chinese National Offshore Oil Company (CNOOC). Attendees: Wang Yilin, Chairman (Mr. Wang, pronounce "Wong"); Li Fanrong, CEO & President (Mr. Li, pronounced "Lee"); Fang Zhi, President (Mr. Fang, pronounced "Fong"); Lu Xiaofeng, Director, Liaison Division of International Cooperation Department (Mr. Lu, pronounced "Lou"); Brian Humphreys, Vice President, Government Relations, Nexen Inc.

III BACKGROUND:

Nexen, a medium sized producer in British Columbia is a global energy company headquartered in Calgary, Alberta that has three principal businesses: conventional oil and gas, oil sands and shale gas. Nexen has plans to expand its shale gas reserves and production in Alberta, Saskatchewan, and British Columbia. Internationally, the company is developing energy resources in the United Kingdom's North Sea, offshore West Africa and the Gulf of Mexico.

The company's unconventional gas strategy is focused on the Horn River Basin of northeast British Columbia. In 2010 approximately 25 percent of the company's Canadian production (excluding Alberta's Athabasca oil sands) was from shale gas properties in the Horn River. In that same year, Nexen doubled its prospective shale gas acreage in northeast British Columbia, now holding over 300,000 net acres of shale assets in the Horn River (~90,000 acres), Cordova (~82,000 acres), and Liard (~128,000 acres) basins (illustrated in the Appendix).

Expansion in Horn River is currently underway and it is estimated gross production capacity reached approximately 175 mmcf/d by late 2012. In the Cordova basin, Nexen has drilled two horizontal wells since 2008 and continues to gather information and knowledge through a series of drilling, well completion and production testing programs. With regards to the Liard basin, Nexen is still in the initial planning and exploratory stages of development. Drilling in the Liard basin is expected to commence late 2013.

IV DISCUSSION:

Acquisition
In July 2012, the Chinese National Offshore Oil Company (CNOOC) Limited announced that it was proposing to buy Canada-based Nexen in a US$15.1 billion deal, making it China's largest ever overseas deal. CNOOC Limited is a public company with shares

. . ./2

listed on the New York and Hong Kong stock exchanges. It is controlled by CNOOC, the third largest national oil company in the People's Republic of China.

The proposal underwent review from Industry Canada and the Competition Bureau. This takeover fell under the Investment Canada Act which requires Canada to receive a "net benefit" in deals of this magnitude. Shares of Nexen had been trading well below CNOOC's September 26, 2012 bid of $27.50 per share, which was a 61% premium. The stocks closed at $27.87 in Toronto as of February 20, 2013.

Nexen shareholders voted to approve the takeover;

s.13, s.16 s.13, s.16

The deal passed its final hurdle after Canadian, European, and now U.S. regulators issued their approval. The deal is expected to close between February 25 and March 2, 2013

Oil
Nexen is a funding participant in the Enbridge Northern Gateway pipeline and has signed an agreement committing to volumes of oil.

Liquefied Natural Gas (LNG)
In November 2011, Nexen entered into a joint venture agreement to sell a 30 percent non-operated interest in its northeast British Columbia shale gas lands for $700 million to a consortium led by INPEX Corporation (INPEX) and JGC Corporation (JGC) of Japan. JGC is an engineering contractor having project management capabilities in refining and gas processing, LNG, and petrochemicals. The sale has now closed with Nexen's interest in the shale gas lands falling to 60 percent.

Nexen/INPEX and their partner JGC have confirmed that they intend to proceed with a liquefaction facility in British Columbia and have been working directly with the Ministry of Energy, Mines and Natural Gas (EMNG) on identifying a suitable site for development purposes.

The EMNG in partnership with the Ministry of Forests, Lands and Natural Resource Operations (FLNRO) released a Request for Expression of Interest (RFEI) with regard to Crown Land for LNG Plant Development at Grassy Point, near Port Simpson. The RFEI focuses on ensuring the Crown Land disposition process for LNG purposes is open and transparent and responsive to several LNG proponents wanting to confirm a site. The government looks forward to Nexen/INPEX's response to the RFEI.

s.16, s.17, s.21

s. 17, s.21

V CONCLUSION:

Nexen's large upstream land position, emerging partnerships, and significant ongoing investments in the Province confirm the company's confidence in investing in British Columbia. CNOOC's recent acquisition shows that potential in British Columbia's energy market is being recognized overseas. British Columbia's support throughout the acquisition process has been recognized and there is a sense of overall enthusiasm to continue with Nexen's investment activities in British Columbia once the deal closes.

PREPARED BY:

Nicholas Hartley/Jiali Leng
250- 953-3735/250-953-3799

APPROVED BY:

Linda Beltrano, ED, OGD ✓
Inés Piccinino, A/ADM ✓
Brian Hansen, ADM ✓
Steve Carr, DM ✓

VI APPENDIX:

Nexen Acreage in Liard, Horn River and Cordova Basins

s.21

Date: February 12, 2013
Cliff No.: 75555

MINISTRY OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR INFORMATION

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

II ISSUE: History of BC Hydro's net income, dividends, and regulatory account transfers.

III BACKGROUND:

Until 1990, BC Hydro did not pay a dividend to the Province. Beginning in fiscal 1990, BC Hydro was required to make payments based on its 'distributable surplus,'[1] unless its debt/equity ratio exceeded 80:20. In 1992, payments were capped based on the return on equity of the most comparable investor-owned utility (by implication, FortisBC's predecessor), with any excess to go into a rate stabilization account (RSA), which would be drawn down in years with low distributable surplus. BC Hydro paid $181 million into the RSA in 1992, and prepared to redeem in full $235 million in preferred funding from government, but did not make a payment to the Province. In fiscal 1993, BC Hydro repaid the now $238 million in preferred funding, and from fiscal 1994-1996 continued to make payments to the Province despite declining net income until the RSA was fully drained in fiscal 1996. During this period, rates were frozen and would remain so until 2004.

In 1997, an Order in Council suspended the use of the RSA for fiscal 1997-1999. Funds that would have gone to the RSA were instead directed to government in 1997 and to ratepayers – in the form of a $32 million profit-sharing grant – in 1998. In 1999, net income was slightly lower and the payment to government was also slightly lower than it would have been if funds had been in the RSA. In fiscal 2000 and 2001, BC Hydro resumed making contributions to the RSA, while spending $310 million in 2001 to give residential customers each a $200 rebate. From fiscal 2002 through fiscal 2004, however, the RSA was depleted.

A key change was the *Budget Transparency and Accountability Act* of 2000, which moved budgeting from a consolidated revenue fund basis to a summary accounts basis. After the change, BC Hydro's net income, rather than its dividends, has been reflected in government's income statement. Dividends still have the effect of reducing government's taxpayer-supported borrowing requirements.

Fiscal 2005 brought three more notable changes to BC Hydro's finances. Under *Special Directive HC1*, the RSA was eliminated. This distinction is academic, however, as net income since 2001 has never been high enough that it would have triggered a transfer to the RSA. Rates increased for the first time since 1993,

[1] Generally this refers to consolidated net income from all sources (between 1992 and 2003 this was defined to be before rate stabilization account transfers), less interest during construction.

shoring up the relatively low net income and income before regulatory accounts of fiscal 2002-2004. Finally, a series of regulatory accounts were formed to mitigate the effects of forecast uncertainty around the cost of service from heritage assets, essentially variations in inflows to the hydroelectric system, (heritage deferral account), net income from trade activities (trade income deferral account), and other uncontrollable variance (non-heritage deferral account).

Since 2005, BC Hydro's net income before regulatory account transfers has ranged between a low of -$249 million (in fiscal 2010) and $379 million (in fiscal 2007), while net income has ranged between $266 million (in fiscal 2006) and $589 million (in fiscal 2011). Payments to government have ranged between zero (in fiscal 2009) and $463 million (in fiscal 2011). The payment of zero in fiscal 2009 was due to a redefinition of equity to exclude deferred revenue, contributions arising from the Columbia River Treaty and contributions in aid of construction. This had the effect of increasing the regulatory debt/equity ratio from 70:30 to 81:19.

IV DISCUSSION:

During the period where the RSA was used for rate stabilization, BC Hydro's use of regulatory accounts to limit costs to ratepayers while providing revenue to government was constrained by funds already in the rate stabilization account. In years with high net income, surplus income would flow into the RSA rather than go to the shareholder or remain with BC Hydro. In years with low net income, the RSA would be drawn down until depleted, at which time the payment to government would drop below 85 percent of distributable income. Both times the RSA developed a positive balance, it was allowed to deplete. When it depleted in 1996, government suspended the RSA for three years. Instead of filling the account, it took a larger payment in 1997 and had BC Hydro reimburse its customers for the surplus in 1998. In 2001, when the RSA had increased for two consecutive years, government again had BC Hydro pay out a rebate to its customers. The RSA was run down again until 2004, when it was replaced with regulatory deferral accounts.

Deferral accounts avoided low net income or rate increases without setting aside funds in advance. These regulatory deferral accounts have increased net income in every year from 2009 to 2012 and in two years made the difference between a net loss before regulatory account transfers and positive net income. Although they have supported payments to the government (in fiscal 2005, 2006, and 2008-2011 payments to government have actually exceeded net income before regulatory account transfers), these post-2005 payments were in fact lower than the average over the decade to 2005.

While the accounts protect today's ratepayer and taxpayer, the more than $2 billion increase in net regulatory assets from fiscal 2005 to fiscal 2012 will have to come down at some point in the future. BC Hydro is in the process of documenting its plan for drawing down the balances in the regulatory accounts. This will either increase upward pressures on rates, or limit opportunities for rate decreases in the future. While they have fluctuated over time, deferral accounts intended to stabilize variations in costs and income have increased overall by about $800 million since 2005. These forecast variance deferral accounts are being recovered through a rate

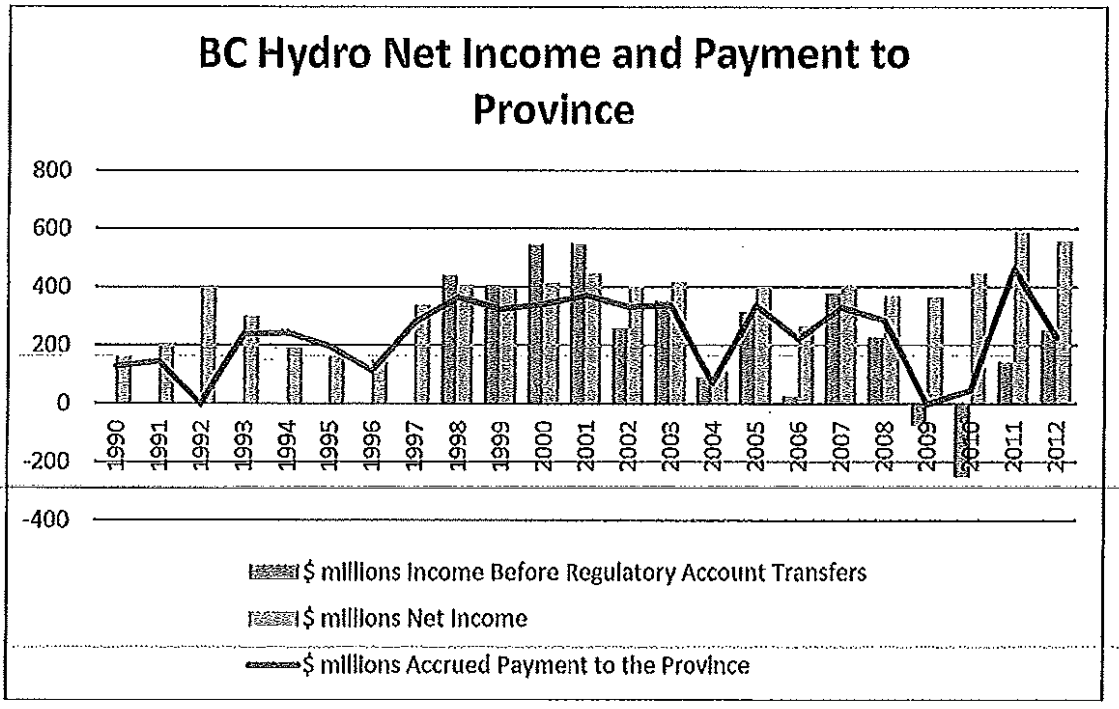
rider, currently at 5 percent on customers' bills. Additional deferral accounts for demand-side management programs; First Nation negotiations, litigation & settlement costs; Site C; and environmental compliance have also increased beyond $100 million each, and will be drawn down over time to match costs with the beneficiaries of those costs.

V CONCLUSION:

The use of regulatory accounts is common in rate regulated utilities throughout North American to smooth out the impact of costs that are expensed for accounting purposes in the current year but for regulatory purposes are charged to ratepayers over the benefit period of the associated costs. BC Hydro has used regulatory accounts to smooth out fluctuations in net income for almost as long as it has made payments to government. Governments, in turn, have adjusted the regulatory frameworks around these accounts to meet the priorities of the day. The benefits of these accounts have accrued to both ratepayers and government. However, several years of low and volatile net income before transfers has led to a dramatic increase in these accounts that must eventually be recovered from ratepayers.

DRAFTED BY:	APPROVED BY:
Jack Buchanan, GRB	Paul Wieringa, ED, Electricity Branch√
250-953-4635	Les MacLaren, ADM, EAED√
	Steve Carr, DM ✓

Appendix 1: BC Hydro Net Income and Payment to Province



Year	Net Income Before Regulatory Account Transfers	Net Income	Dividend/Payment to Province
1990	N/A. Prior to 1998, funds transferred to the RSA were counted after net income. In later years this figure also excluded customer profit sharing, employee transition costs, and restructuring costs on occasion.	160	130
1991		207	145
1992		401	0
1993		301	238
1994		190	245
1995		162	198
1996		150	115
1997		339	279
1998	440	408	366
1999	407	395	326
2000	545	416	343
2001	549	446	372
2002	258	403	333
2003	352	418	338
2004	90	111	73
2005	315	402	339
2006	25	266	223
2007	379	407	331
2008	227	369	288
2009	-73	365	0
2010	-249	447	47
2011	142 (not reported, estimated)	589	463
2012	252 (not reported, estimated)	558	230

Appendix 2: Evolution of Dividend Policy Through Special Directions

Date:	Instrument	Effect
1989	*Special Direction #1 to the British Columbia Hydro and Power Authority*	Required BC Hydro to make a payment of no less than $130 million to government in fiscal 1990 and in future years pay government up to 90 per cent of its distributable surplus if its debt:equity ratio was less than 80:20 . BC Hydro also had to make payments on $235 million in preferred funding from the Province.
1992	*Special Direction No. 8 to the British Columbia Utilities Commission*	Set BC Hydro's allowable rate of return on equity at the same level as the most comparable investor-owned utility (by implication, FortisBC's predecessor). It also capped rate increases at 1-2 per cent above inflation.
1992	*Special Direction No. 2 to the British Columbia Hydro and Power Authority*	Set payments to the province at 85 per cent of distributable surplus for 1993 and onwards. If this would be above BC Hydro's allowed rate of return, the excess would be placed in a rate stabilization account (RSA), which would be drawn down in years where 85 per cent of distributable surplus was lower than the allowed rate of return.
1997	OIC 0404	*Special Direction No. 2 to the British Columbia Hydro and Power Authority* was amended to suspend RSA from fiscal 1997 to fiscal 1999. Payments to the province were set at 85% of distributable surplus regardless of what the allowed rate of return would have been under the BCUC's formula.
1998	*Special Directive No. 3 to the British Columbia Hydro and Power Authority*	Made a one-time $32 million profit-sharing grant to customers. This is approximately the amount that would have gone into the RSA otherwise.
2000	*Special Directive No. 4 to the British Columbia Hydro and Power Authority*	Brought contributions arising from the Columbia River Treaty into the definition of equity, but did not otherwise change dividend policy. When the contributions arising from the Columbia River Treaty were later removed in 2009, the regulatory debt:equity ratio rose from 70:30 to 81:19 and resulted in no payment to government in fiscal 2009.
2001	*Special Directive No. 5 to the BC Hydro and Power Authority*	Directed a one-time $200 rebate to each BC Hydro residential customer.
2005	*Special Directive HC1*	Rate Stabilization Account eliminated. Amended in fiscal 2009 to exclude contributions arising from the Columbia River Treaty and contributions in aid of construction from the definition of equity. This had the effect of increasing the regulatory debt:equity ratio from 70:30 to 81:19.

Date: March 25, 2013
Cliff No.: 76414

MINISTRY OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR INFORMATION

I **PREPARED FOR:** Honourable Rich Coleman, Minister of Energy, Mines and Natural Gas and Deputy Premier

II **ISSUE:** Meeting with His Excellency Enkhbold Zandakhuu, Chairman of the State Great Hural of Mongolia, to discuss mining and renewable energy projects.

III BACKGROUND

Mongolia tops The Economist's list of fastest growing economies in the world with 18.1 per cent GDP growth. Mongolia's formerly agriculture-based economy has been transformed by foreign direct investment in the development of the country's extensive mineral deposits, which include copper, gold, coal, molybdenum, fluorspar, uranium, tin and tungsten deposits.

Chinese demand for minerals is fueling Mongolia's current mining boom, but many Mongolians continue to live in poverty. In May 2012, Mongolia passed a foreign investment law aimed at capping foreign ownership in strategic industries like mining. There has been growing resource nationalism in the country and some Mongolians are concerned about their dependence on China, which is their largest source of investment and trade.

The following British Columbia mining companies have operations in Mongolia:

- **Turquoise Hill Resources Ltd.** is owned 51 per cent by Rio Tinto, with a significant percentage belonging to the Mongolian government. The company's primary operation is a 66 per cent interest in the Oyu Tolgoi copper-gold-silver mine in southern Mongolia. Production at this mine recently resumed after being shut since June 2012. Turquoise Hill's other assets include a 58 per cent interest in Mongolian coal miner SouthGobi Resources; a 57 per cent interest in copper-gold miner Ivanhoe Australia; and a 50 per cent interest in Altynalmas Gold, a private company developing the Kyzyl Gold Project in Kazakhstan, which is in the process of being sold.

- **Entrée Gold Inc.** has been having some challenges with tenure in Mongolia and hold strategic ground around the Oyu Tolgoi mine project.

- **Prophecy Coal Corp.** has been active on a coal project in Mongolia.

British Columbia's mineral exploration and mining sectors are important economic drivers with 20 major mines currently in operation (10 metal and 10 coal). In 2012, the total value of mineral production was $7.4 billion with over 29,000 people employed in mineral exploration, mining and related sectors mostly in rural British Columbia. More than 15,000 new jobs are expected to be created in this sector by 2020.

.../2

British Columbia has over 17,000 megawatts (MW) of installed generation capacity of which 70 per cent is generated by BC Hydro at 43 facilities.

A key objective of the *Clean Energy Act* is that the Province generate 93 per cent of its electricity from clean or renewable resources. This includes generation from biomass, biogas, geothermal heat, hydro, solar, ocean, wind or any other resource prescribed through regulation.

British Columbia currently has three operational wind projects. In the most recent BC Hydro acquisition process, wind constituted 45 per cent of newly contracted capacity and energy. Solar voltaic energy has not been cost competitive in British Columbia to date, however, recent technology improvements may make solar more competitive in future acquisition processes.

IV DISCUSSION

Copper and metallurgical coal are the province's top exports and Canada's only molybdenum mines are located here. Extractive industries benefit from British Columbia's low corporate tax rates, generous incentives and tax or royalty credits, and low-cost power. British Columbia benefits from Canada's sound financial system and enjoys an AAA-plus credit rating and stable economy that makes it favoured for investors.

British Columbia has a world-class service industry 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 information and technology flowing.

British Columbia is the first province in Canada to share mineral tax revenues from new or expanded mines with First Nations. Discussion of revenue sharing commences early in the development of new mines and major expansions. Our government works with the Aboriginal Business and Investment Council to facilitate partnerships between the Province, First Nations, and the energy and mining industry.

V CONCLUSION

British Columbia's mineral exploration and mining industry is a growing and integral part of the provincial economy. Competitive taxes, an ample supply of low-cost power and government's commitment to the industry make this province an ideal place to invest.

Attachment: Biography of the Chairman

DRAFTED BY:
Guy Gensey
250-952-0283

APPROVED BY:
Karen Koncohrada, ED, CIB ✓
Steve Carr, DM ✓

Date: February 18, 2013
Cliff No: 75431

MINISTRY OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR INFORMATION

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

II ISSUE: February 20, 2013 Meeting with BFI Canada regarding compressed natural gas use in BFI waste haulage fleet.

III BACKGROUND:

In May 2012, the Province of British Columbia announced the Greenhouse Gas Reduction (Clean Energy) Regulation (the Regulation) that allows utilities to offer incentives for natural gas vehicles (NGV) and build natural gas vehicle fuelling infrastructure. Fortis BC launched its Natural Gas for Transportation Incentive Program (Program) on June 15, 2012 to support natural gas use in medium and heavy-duty vehicles and ferries. Participants in the Program benefit from incentive funding to offset part of the cost premium associated with NGVs relative to conventionally fueled vehicles.

BFI Canada was a participant in the stakeholder consultations during the development of the Regulation, and expressed strong support for the Regulation and the Program.

IV DISCUSSION:

In the first round of incentive allocations under the Program, FortisBC is providing funding of up to 75 percent of the incremental cost of NGVs to over 400 vehicles, exceeding Program expectations by 50 percent. An independent fairness advisor is overseeing the development and delivery of the program to ensure incentives are provided through an open and competitive process. In order to ensure maximum impact of the program on the NGV market, the program only incents NGV purchases that would not have been made in the absence of the program.

Under a pilot incentive program in 2010, for which FortisBC is currently seeking rate recovery, FortisBC provided the City of Surrey with an incentive to purchase one CNG vehicle. Based on the favourable results of this pilot program, Surrey issued a Request for Proposals (RFP) in 2011 for waste hauling that required proponents to use NGVs. BFI Canada submitted a response to the RFP, and was awarded a 7-year curbside collection contract for Surrey in December 2011. The contract involves the use of 52 CNG waste haulage trucks. BFI Canada began service to Surrey under this contract on October 1, 2012. It is expected that the City of Surrey will save approximately $2 million per year in waste collection costs by switching from diesel trucks to CNG trucks.

Due to the timing of the Surrey RFP and the contract award in relation to the start of the Program, BFI Canada did not receive incentives for these initial 52 CNG trucks. However, BFI Canada applied to the Program, and was successful in receiving incentives

for 34 additional CNG trucks intended for the commercial waste haulage market. Under the Program, BFI Canada will receive 75 percent of the incremental cost for the 34 CNG trucks. The additional trucks are expected to be in service this year. It is expected that BFI Canada will save 40 percent on fuel costs through the use of CNG rather than diesel.

The CNG trucks utilize B.C.-based engine technology from Cummins-Westport. The 52 CNG trucks will consume approximately 60,000 Gigajoules per year displacing 1,552,000 litres of diesel, representing an approximate emissions reduction of 420 tonnes of CO_2e per year.

FortisBC entered into a CNG fueling station agreement with BFI Canada in February 2012 and subsequently built a CNG refueling station on the BFI Canada property in Coquitlam with capacity to fuel up to 89 waste haulage trucks.

V CONCLUSION:

BFI Canada is currently operating 52 CNG trucks under a waste haulage contract with the City of Surrey. BFI Canada expects to place an additional 34 CNG trucks in service this year to serve the commercial waste haulage market.

The FortisBC NGV Incentive Program will be providing incentives to BFI Canada's latest 34 CNG vehicles. In addition, FortisBC has built a CNG refueling station on the BFI Canada property with the capacity to fuel up to 89 waste haulage trucks.

DRAFTED BY:
Alan Barber
250-387-2665

APPROVED BY:
Dan Green, Exec Dir, EAED __√
Dan Green A/ADM _√_
Steve Carr, DM ✓

CONFIDENTIAL

BC Hydro Issues Note
North Coast Transmission Project On Hold

BC Hydro has put the potential North Coast Transmission Project on temporary hold.

ADVICE AND RECOMMENDED RESPONSE:

- BC Hydro continues its discussions with LNG proponents to understand their electricity requirements and determine alternatives for meeting potential load.
- One of these alternatives is the North Coast Transmission project, a potential new transmission line between Prince George and Kitimat.
- Pending a more definitive outcome, BC Hydro is putting the North Coast Transmission project on temporary hold.
- BC Hydro continues to keep electricity supply options to the North Coast open, should significant industrial loads materialize.

KEY FACTS ABOUT THE ISSUE:

- North Coast Transmission (NCT) project is a potential 500 km, 500 kV transmission line between Prince George and Kitimat, via Terrace, largely paralleling existing transmission lines.

BACKGROUND:

- BC Hydro has been studying the NCT project as an alternative to meet the potential high load growth triggered by planned LNG facilities in northwest B.C.
- BC Hydro has always framed the NCT project as one alternative to supply power to the north-coast region of BC; the others being 1) a combination of thermal and/or clean energy, and 2) the proponents' alternative to self-supply.
- Because of the long time-lines needed to build new transmission lines, BC Hydro began work on the NCT to ensure that, should LNG proponents opt to take power from the grid, NCT could be operational in time to meet LNG facility in-service dates.
- Specifically, BC Hydro commenced consultation with 17 First Nations and two First Nations groups; contacted potentially impacted property owners and initiated some studies on privately held land; met with local governments and retained an environmental consultant to lead the environmental assessment process.
- Pending a more definitive outcome with regards to determining LNG electricity requirements, BC Hydro is notifying these First Nations, local government and property owner stakeholders that the NCT project is on temporary hold.
- The second phase of communications will be undertaken when final decisions have been made by LNG proponents regarding their energy supplies.

Date: March 22, 2013
Date of Previous Note: NA
Cliff No.: 77094

MINISTRY OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR INFORMATION

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

II ISSUE: Meeting with Minister of Agriculture, Honourable Norm Letnick and Richard Bullock, Chair, Agricultural Land Commission – March 26, 2013.

III BACKGROUND:

The Provincial Agricultural Land Commission (ALC) is an independent Provincial agency responsible for administering the Province's land use zone in favour of agriculture. The purpose of the ALC is:

- to preserve agricultural land;
- to encourage farming in collaboration with other communities of interest; and
- to encourage local governments, First Nations, the government and its agents to enable and accommodate farm use of agricultural land and uses compatible with agriculture in their plans, bylaws and policies.

ALC signed a Delegation Agreement with the Oil and Gas Commission (OGC) in 2004. The Agreement delegates decision making authority for specific oil and gas non-farm uses to the OGC and provides OGC the oversight on oil and gas uses that are exempted from the requirement to submit an application. ALC remains responsible for oversight of decisions made by delegated authorities, which means the auditing function is still their responsibility.

Changes in natural gas development patterns have made evident that the Delegation Agreement needs to be updated. On April 16, 2012, OGC sent a draft update to the Delegation Agreement for ALC's consideration. The updated Delegation Agreement has not been signed by ALC yet due to their concerns about funding of an expanded auditing function.

The Canadian Association of Petroleum Producers (CAPP) and individual companies have repeatedly indicated to government that ALC application timelines are not sustainable and are creating incremental costs to development. Similar applications are processed in one month when they go through OGC, while it takes from six to twelve months to go through ALC. An expanded Delegation Agreement is expected to greatly improve these timelines, thus reducing unnecessary costs to natural gas development in the Province.

.../2

IV DISCUSSION:

Over the life of the existing Delegation Agreement between the ALC and the OGC, 96-99 percent of oil and gas applications in the ALR were streamed as Exempt. Up until fiscal 2009/10, roughly equal numbers of ALC applications were decided by ALC and OGC. No applications were decided by OGC in the last two years due to the fundamental changes in development patterns generated by shale gas. It is important to note that those applications that do go through ALC are critical to development and range from padsite expansions to compressors.

Recognizing these new realities in oil and gas development, on April 16, 2012, OGC sent a draft update to the Delegation Agreement for ALC's consideration. OGC presented the draft to the ALC board on September 19, 2012. The updated Agreement was further discussed at a second ALC Board meeting in November 2012.

ALC has indicated concerns about an expanded Delegation Agreement. Those concerns range from a high level discussion on their mandate of preserving agricultural land, to more pointed ones like getting the resources needed to be able to audit activities subject to OGC decisions as part of the Delegation Agreement.

ALC recently requested government direction on a new fee proposal to have access to additional funding. The proposal was not approved. s.17

s.17

OGC has offered both technical support to design an adequate auditing framework and, if required, to provide funding to ensure ALC can comply with its audit requirements. More specifically, the draft updated Delegation Agreement has provisions for a biannual independent audit contracted by ALC and OGC has indicated it could s 17 help support the function.

V CONCLUSION:

Desired outcomes from the meeting:

s.17

Attachment: s.21

PREPARED BY:

Ines Piccinino
250- 952-0284

APPROVED BY:

Steve Carr, DM ✓

Attachment: Industry Example on ALC Timeline Overview

ENCANA - ALC APPLICATION TIMELINE OVERVIEW

s.21

Date: January 02, 2013
Previous Cliff No.: 73999
Cliff No.: 74608

MINISTRY OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR DECISION

I PREPARED FOR: Honourable Rich Coleman, Minister of Energy, Mines and Natural Gas (EMNG)

II ISSUE: Vancouver Airport Fuel Delivery (VAFD) Project Environmental Assessment Referral

III BACKGROUND:

On December 14, 2012, the Environmental Assessment Office (EAO) provided a Referral Package to the Minister of Environment and to the Minister of Energy, Mines and Natural Gas (Ministers) for the VAFD Project. The *Environmental Assessment Act* provides the Ministers with 45 days from the date of the referral to decide on whether to issue an Environmental Assessment Certificate. s.13

s.13

The Project
Vancouver Airport Fuel Facilities Corporation (VAFFC), owned and operated by a consortium of commercial airlines, is seeking approval to build and operate a new jet fuel delivery system to serve Vancouver International Airport (YVR) and meet its long-term fuel needs. The proposed Project did not trigger the Reviewable Projects Regulation of the British Columbia *Environmental Assessment Act* (BCEAA), but was designated as reviewable at the request of VAFFC. It also is subject to a federal screening level review under the *Canadian Environmental Assessment Act* (CEAA). EAO and Vancouver Fraser Port Authority (VFPA), the designated authority accountable to the federal Minister of Transport, have undertaken a coordinated environmental assessment (EA), which began in early 2009, with the EAO responsible for administering the review requirements of both the CEAA and BCEAA.

VAFFC states that YVR's growth over the last two decades has driven up the demand for aviation fuel. Currently, YVR receives its jet fuel from two sources: the BP Cherry Point refinery near Blaine, Washington, from which jet fuel is delivered by truck; and the Chevron refinery in Burrard Inlet, which transforms crude oil into jet fuel that is shipped via the Kinder Morgan Trans Mountain Jet Fuel pipeline system. Tanker trucks from the Cherry Point Refinery have delivered additional fuel since the 1990s, as YVR's fuel needs exceed the pipeline's capacity, particularly during peak travel periods. YVR now receives over 1,000 tanker truck deliveries a month, with each tanker truck travelling more than 140 kilometres round trip per delivery. According to VAFFC, without a replacement delivery system, this is projected to rise to more than 3,000 a month within 20 years. These heavy duty trucks contribute to safety concerns, wear and tear, and traffic congestion on highways, as well as environmental emissions.

The proposed Project will include:

- upgrading an existing marine terminal and a new fuel receiving facility in Richmond at existing industrial sites on the north shore of the South Arm of the Fraser River;
- construction of an 80 million litre capacity fuel storage facility on adjacent land;
- construction of a one kilometre underground pipeline to transfer fuel from the marine terminal to the storage facility; and
- construction of a 15 kilometre fuel delivery underground pipeline from the new fuel storage facility through the City of Richmond to YVR.

Project Benefits

According to the Proponent, the proposed Project has a number of benefits:

- Access to fuel supply sources to meet YVR's long-term fuel requirements;
- Enhanced global competitiveness of YVR;
- Economic contribution during construction and operation;
- Modernization of the fuel receiving, storage and delivery infrastructure to YVR;
- Elimination of the need for tanker trucks to transport jet fuel along Highway 99, City and local streets, and the corresponding emissions and safety concerns; and
- Reduced vessel transit distance in Canadian waters, with a corresponding reduction in greenhouse gases.

IV DISCUSSION:

s.13

V CONCLUSION:

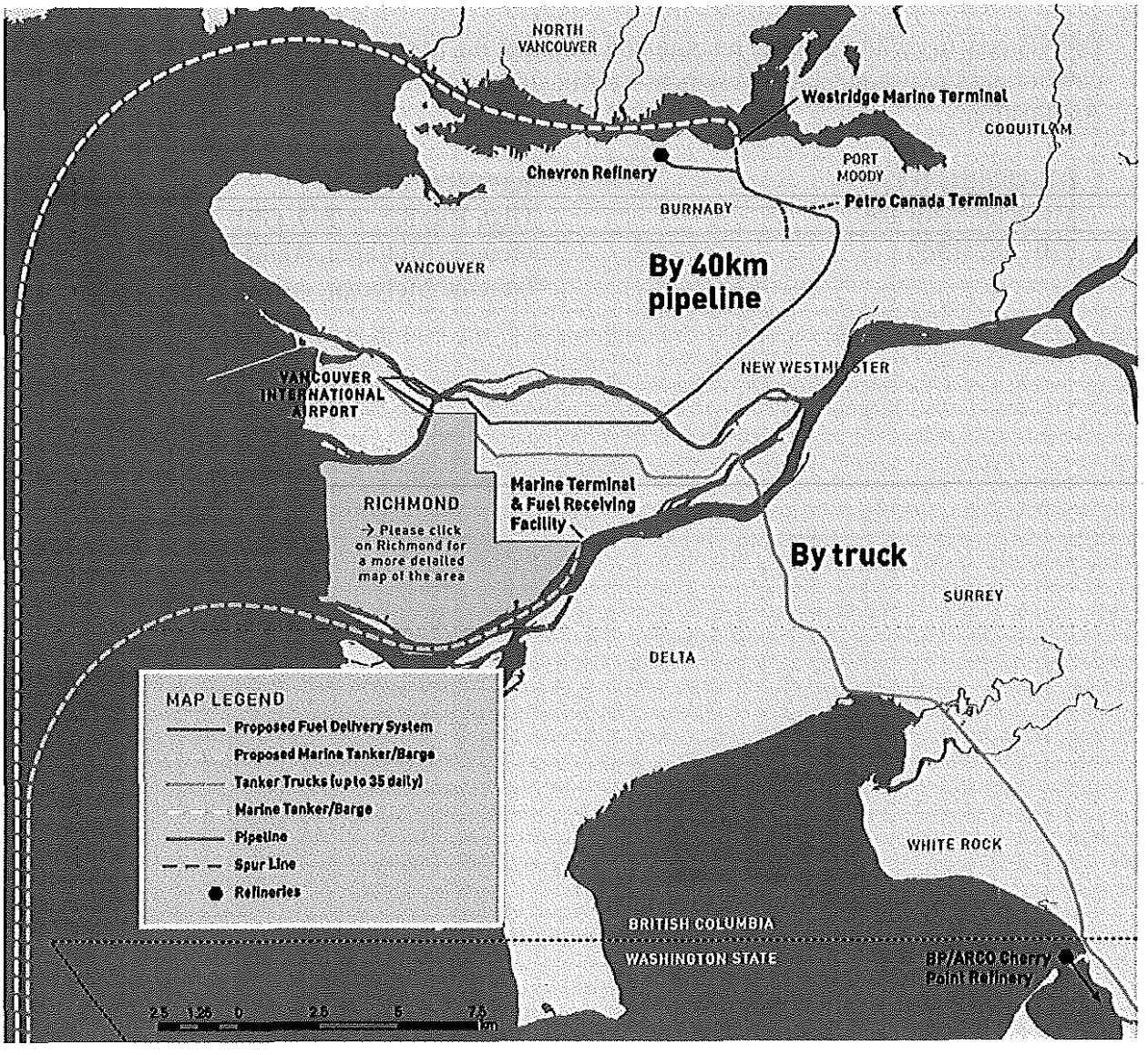
The EAO has completed the review of VAFFC's application for the VAFD Project which will result in a new jet fuel delivery system to serve YVR and meet its long-term fuel needs. The VAFD Project is an energy project that will contribute to EMNG's Service Plan objective for secure and reliable energy supply.

s.13

DRAFTED BY:
Michelle Schwabe
250- 387-1585

APPROVED BY:
Olga Klimko, A/ED, GSI ✓
Graeme McLaren, ADM, OGD ✓
Graeme McLaren, A/DM ✓

APPENDIX 1: CURRENT SYSTEM AND PROPOSED FUEL DELIVERY PROJECT MAP



Date: April 2, 2013
CLIFF: 77294

MINISTRIES OF ENERGY, MINES AND NATURAL GAS

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Dr. Terry Lake, Minister of Environment

II ISSUE: Meeting with Sorgent.e Group, Concerning Potential Investment in Run-of-River Hydro Projects in the North Thompson

III BACKGROUND:

Sorgent.e is negotiating with TransAlta Corporation (TransAlta) to acquire the three run-of-river hydro projects totaling approximately 27 megawatts. Sorgent.e has met with BC Hydro to discuss the potential to obtain Electricity Purchase Agreements (EPAs) from BC Hydro under the Standing Offer Program (SOP). There is currently insufficient transmission capacity to accommodate the proposed projects and those in the Robson Valley.

BC Hydro's transmission tariff assigns access to transmission capacity through a queue. The proposed Robson Valley IPP projects identified by the Ministry of Jobs, Tourism and Skills Training in their Regional Economic Development Pilot currently have a higher queue position than the proposed Sorgent.e projects. BC Hydro has indicated previously to Sorgent.e that it cannot deviate from its tariff.

BC Hydro was recently engaged with Yellowhead Mining (Yellowhead) on the options available to supply electricity to the proposed Harper Creek Mine (Harper Creek), north of Kamloops. BC Hydro undertook the first set of System Impact Studies to identify incremental transmission costs related to the project. Yellowhead subsequently funded the first part of the detailed System Impact Studies to more accurately determine the technical design as well as detailed cost estimates. Yellowhead advised BC Hydro that it did not wish to proceed with further studies in fall 2012. Accordingly, BC Hydro is no longer working on interconnection options for Harper Creek.

IV DISCUSSION

BC Hydro is currently updating its Integrated Resource Plan (IRP) with information from the most recent round of discussions with liquefied natural gas proponents.
Early indications suggest that BC Hydro will have an energy surplus for an extended period of time (likely 2024 or later). Consequently, there may be much less need to acquire incremental renewable IPP generation through power calls or the SOP.

On May 22, 2012, BC Hydro announced it would fund up to $50 million of upgrades to the Valemount substation provided commercial terms could be reached with Robson Valley IPP developers, including a contribution to transmission line and the development of an eco-industrial park in McBride. BC Hydro has negotiated a binding term sheet

(with several conditions) with the three IPP proponents in the Robson Valley. However, the proponents still need to provide BC Hydro with a large amount of technical data before the term sheet becomes firm. The transmission capacity needs to be held until either BC Hydro signs EPAs with the Robson Valley proponents, or the negotiations cease with no agreement.

s.13, s.21

s. 13, s.21

s.21, s.17

V CONCLUSION

s.13, s.16, s.21

PREPARED BY:
Scott Barillaro, Director

REVIEWED BY:
Paul Wieringa, Executive Director ✓
Les MacLaren, ADM, EAED ✓
David Morel, A/DM, MEMNG ✓

Date: March 8, 2013
Cliff No.: 76699

MINISTRY OF ENERGY, MINES AND NATURAL GAS
BRIEFING NOTE FOR INFORMATION

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

II ISSUE: A Kitsumkalum First Nation request that BC Hydro be directed to enter Electricity Purchase Agreement (EPA) negotiations for a biomass project.

III KEY POINTS:

- BC Hydro negotiated an Impact Benefit Agreement (IBA) regarding the Northwest Transmission Line (NTL) with the Kitsumkalum First Nation (KFN).
- The IBA included provisions for BC Hydro to consider EPAs for power projects proposed by the KFN.
- EPAs for cost-effective energy would be considered for projects above 15 MW capacity under "potential future procurement processes", or if the IRP identified a need for energy.

s.16

IV BACKGROUND:

Prior to NTL construction, BC Hydro negotiated an IBA with the KFN, which was signed in February 2012. The IBA committed BC Hydro to negotiate one or more EPAs with power projects in which the KFN was a proponent or significant equity participant. Energy pricing would be negotiated, and based on power requirements in the northwest. EPA negotiations for projects over 15 MW would be considered under potential future procurement processes based on identified need; direction, or regulation from the government; need for energy based on the demand/supply balance set out in the Integrated Resource Plan (IRP); and if the energy was cost-effective relative to other resources identified by the IRP. Negotiations for 15 MW or less did not require a procurement process as they could qualify under the SOP.

In 2012, government changed BC Hydro's critical water planning criteria to average water, and exempted natural gas-fired power generation from the 93 percent clean and renewable energy objective in the *Clean Energy Act*. These changes deferred BC Hydro's need for new clean and renewable energy to the early 2020's (or 2030's, depending on whether Site C is approved and constructed).

s.16

s.16

V DISCUSSION:

s.16, s.17, s.21

VI CONCLUSIONS:

s.13, s.16

DRAFTED BY:
Jack Buchanan, GRB
250-953-4635

APPROVED BY:
Les MacLaren, ADM, EAED & A/DM √