

MINISTRY OF ENERGY, MINES AND LOW CARBON INNOVATION

BRIEFING NOTE FOR INFORMATION

PREPARED FOR: Honourable Bruce Ralston, Minister of Energy, Mines and Low Carbon Innovation

ISSUE: Exports of thermal coal from British Columbia

BACKGROUND:

There are two primary types of coal – Metallurgical coal mined to produce the carbon used in steelmaking, and thermal coal used to make steam that generates electricity. British Columbia (BC) is Canada's largest producer and exporter of coal with over 95 percent of coal produced in BC being metallurgical coal. BC does not have any operating thermal coals mines, though in the production of metallurgical coal some thermal coal is produced as a byproduct.

There is no thermal coal power generation in BC. The cement industry (Lafarge and Lehigh) and the Teck Resources smelter are the main users of thermal coal in BC. Coal mines operated by Conuma and Teck Coal have used thermal coal at their operations to power industrial equipment, such as dryers, although they are understood to be evaluating transitioning this equipment to lower-carbon technology.

Canada released a policy statement in June 2021 that thermal coal projects cause an unacceptable environmental effect and are not aligned with the climate change commitments. This statement effectively prevents any future thermal coal projects from consideration under the federal environmental assessment process.

While there are no operating thermal coal mines in BC and future development is effectively banned, due to bans on development of coal export infrastructure in Washington, Oregon and California, BC is in the only jurisdiction on the Pacific coast of North America from which thermal coal can be exported. As a result, thermal coal produced in the United States (US) and to a lesser extent Alberta is transported by rail to BC ports where it is shipped to global markets.

DISCUSSION:

Environmentalists have said that Canada should ban the export of thermal coal, arguing that it is hypocritical for Canada to ban production while shipping it abroad. While Canada has publicly stated its position on domestic coal production, a federal position on exports of coal produced in the US from Canadian ports has not been communicated. Canada's position on this issue is critical as both railways and port authorities are federally regulated.

In 2017, the previous government publicly sent a letter to the Prime Minister requesting a ban on the export of thermal coal from BC ports as part of a response to US duties on Canadian softwood lumber and the dangerous impacts of coal combustion on global climate change. The letter indicated BC's intent to explore approaches to address the climate impact of thermal coal

with the tools available to the province. The Ministry of Environment and Climate Change Strategy' Climate Action Secretariat (CAS) initiated policy work, but this was not pursued further.

A ban on thermal coal exports would have fiscal impacts on BC ports. According to 2017 information, thermal coal exports from Westshore Terminal account for up to 100 full time jobs, \$30 million in marine services and local supply annually and \$21 million in taxes and fees paid to governments. Ridley Terminal, a federal Crown agency, handles Canadian sourced coal primarily from Alberta accounting for 55 percent of all exports from the terminal. There would likely also be fiscal impacts to rail carriers such as CN and CPR.

Under their mandate to reduce carbon emissions and protect the environment, CAS has initiated preliminary work to explore the options and implications of stopping the use and potential exports of thermal coal in BC. Were CAS to pursue this work further, close collaboration with the Ministry of Energy, Mines and Low Carbon Innovation and the Ministry of Jobs, Economic Recovery and Innovation will be required, in addition to engagement with Canada when possible.

SUMMARY:

- BC is Canada's largest producer and exporter of coal with over 95 percent of coal produced in BC being metallurgical coal.
- No thermal coal mines are proposed or operating in BC, but thermal coal is used by some industries in the province.
- As BC is in the only jurisdiction on the Pacific coast of North America from which thermal coal can be exported, thermal coal produced in the US is exported from BC ports.
- A ban on thermal coal exports would have fiscal impacts to BC ports and railways.
- Close engagement with Canada will be necessary should government choose to pursue further analysis on options for restricting thermal coal exports.

DRAFTED BY:

Garth Thomson
(604) 953-6743

APPROVED BY:

Peter Wijkamp, ED ✓
Peter Robb, A/DM ✓

From: [Kittmer, Jon EMLI:EX](#)
To: [Hamilton, Andrew C JERI:EX](#); [Lam, Jeanette JERI:EX](#)
Cc: [Thomson, Garth EMLI:EX](#)
Subject: RE: Thermal Coal Exports
Date: August 23, 2021 4:09:43 PM

That's perfect Andrew. Thanks for your help with this.

Jon

From: Hamilton, Andrew C JERI:EX <Andrew.Hamilton@gov.bc.ca>
Sent: August 23, 2021 4:02 PM
To: Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>; Lam, Jeanette JERI:EX <Jeanette.Lam@gov.bc.ca>
Cc: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>
Subject: RE: Thermal Coal Exports

Hi Jon

I have reached out to the ports to get their historic, current and forecasted outlook for thermal coal from the US. I have some of the historic volumes, (not US originating yet) and hope to have the break-down of volumes by end of day tomorrow.

Regards

Andrew

From: Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>
Sent: August 23, 2021 2:25 PM
To: Lam, Jeanette JERI:EX <Jeanette.Lam@gov.bc.ca>; Hamilton, Andrew C JERI:EX <Andrew.Hamilton@gov.bc.ca>
Cc: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>
Subject: RE: Thermal Coal Exports

Thanks for this information Jeanette and Andrew. This will provide us with a good backgrounder on exports of BC produced thermal coal. Did you have any luck finding data on US-produced thermal coal that is shipped from BC ports? I realize that info on this could be tricky with the ports being federal jurisdiction but I was hoping you could point us in the right direction.

Thanks again,
Jon

From: Lam, Jeanette JERI:EX <Jeanette.Lam@gov.bc.ca>
Sent: August 23, 2021 12:31 PM
To: Hamilton, Andrew C JERI:EX <Andrew.Hamilton@gov.bc.ca>; Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>

Cc: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>

Subject: RE: Thermal Coal Exports

Hi everyone,

Attached, data/insights on thermal vs metallurgical coal exports from BC in the last 5 years. Please let us know if you require more information.

Sincerely,
Jeanette

From: Hamilton, Andrew C JERI:EX <Andrew.Hamilton@gov.bc.ca>

Sent: August 23, 2021 9:07 AM

To: Lam, Jeanette JERI:EX <Jeanette.Lam@gov.bc.ca>

Cc: Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>; Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>

Subject: Re: Thermal Coal Exports

Hi Jon (and all),

I am ^{s.22} able to support your request if you still need the insight. Let me know if you want me to follow up with the ports.

Regards

Andrew

Sent from my iPhone

On Aug 19, 2021, at 2:44 PM, Lam, Jeanette JERI:EX <Jeanette.Lam@gov.bc.ca> wrote:

We'll see what we can dig up, and extrapolate for you.

Sincerely,
Jeanette

Jeanette Lam

Director, Investor Services

Trade and Industry Development Division

Ministry of Jobs, Economic Recovery and Innovation

Government of British Columbia

Phone: (604) 218-3506

From: Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>

Sent: August 19, 2021 2:14 PM

To: Lam, Jeanette JERI:EX <Jeanette.Lam@gov.bc.ca>; Hamilton, Andrew C JERI:EX <Andrew.Hamilton@gov.bc.ca>

Cc: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>

Subject: RE: Thermal Coal Exports

Thanks Jeanette,

If you could reach out to your intelligence team to find out how much thermal coal vs. metallurgical coal (i.e. steelmaking coal) is exported from BC's ports, that would be appreciated. Getting the information separate by port facility (e.g. Westshore terminal, Ridley terminal) would be an added bonus.

Thanks,
Jon

From: Lam, Jeanette JERI:EX <Jeanette.Lam@gov.bc.ca>

Sent: August 19, 2021 1:48 PM

To: Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>; Hamilton, Andrew C JERI:EX <Andrew.Hamilton@gov.bc.ca>

Cc: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>

Subject: RE: Thermal Coal Exports

Hi Jon,

My apologies.^{s.22} If this is time sensitive, MOTI (Karen DeMeo) may be able to help with specific contacts.

If you are looking for export statistics, I can certainly reach out our intelligence team to see if this information is readily available.

Kind regards,
Jeanette

Jeanette Lam

Director, Investor Services

Trade and Industry Development Division

Ministry of Jobs, Economic Recovery and Innovation

Government of British Columbia

Phone: (604) 218-3506

From: Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>

Sent: August 18, 2021 1:23 PM

To: Hamilton, Andrew C JERI:EX <Andrew.Hamilton@gov.bc.ca>; Lam, Jeanette JERI:EX

<Jeanette.Lam@gov.bc.ca>

Cc: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>

Subject: Thermal Coal Exports

Hi Andrew and Jeanette,

We received a question on thermal coal exports from our MO today. We are interested in understanding how much thermal coal is transported from the US to BC ports and then exported from there. It is my understanding that ports (and railways) are Federal jurisdiction so they may be the ones that we have to reach out to. If so, do you have any contacts over there?

Thanks,

Jon Kittmer

Senior Minerals Advisor, Policy & Competitiveness Branch

Ministry of Energy, Mines & Low Carbon Innovation

Mines Competitiveness and Authorizations Division

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MINISTRY OF ENERGY, MINES AND LOW CARBON INNOVATION

BRIEFING NOTE FOR INFORMATION

PREPARED FOR: Honourable Bruce Ralston, Minister of Energy, Mines and Low Carbon Innovation

ISSUE: Options to restrict export and development of thermal coal in British Columbia

BACKGROUND:

There are two primary types of coal – Metallurgical coal mined to produce the carbon used in steelmaking, and thermal coal used to make steam that generates electricity. British Columbia (BC) is Canada’s largest producer and exporter of coal with over 95 percent of coal produced in BC being metallurgical coal.

BC has no operating thermal coal mines although some thermal coal is produced as a byproduct of metallurgical coal production. The cement industry and the Teck Resources smelter are the main users of thermal coal in BC, and BC coal mines have used thermal coal to power industrial equipment but are transitioning away from this process.

Canada released a policy statement in June 2021 that thermal coal projects cause an unacceptable environmental effect and are not aligned with the climate change commitments. This statement will make it challenging for future thermal coal projects and/or expansions to be considered under the federal environmental assessment process. On October 1, 2021, the federal Environment Minister announced an Alberta thermal coal mine expansion will undergo federal review, a process which will determine the effectiveness of the policy statement.

During the 2021 federal election, the Liberal Party of Canada released a platform commitment to “Ban thermal coal exports from and through Canada no later than 2030.” Canada has also committed to ending domestic thermal coal power generation by 2030, but has not stated a position on other domestic uses of thermal coal such as cement manufacturing.

BC is developing a CleanBC Roadmap to 2030 and including measures that will align BC with Canada’s policies on thermal coal could be considered.

DISCUSSION:

Banning thermal coal exports from BC

Due to bans on development of coal export infrastructure in Washington, Oregon and California, BC is in the only jurisdiction on the Pacific coast of North America from which thermal coal can be exported. As a result, thermal coal produced in the United States (and to a lesser extent Alberta) is transported by rail to BC ports where it is shipped to global markets. BC mines will see minimal impacts from this ban as thermal coal is less than five percent of BC coal production.

According to 2017 information, thermal coal exports from Westshore Terminal account for up to 100 full time jobs, \$30 million in marine services and local supply annually and \$21 million in taxes and fees paid to governments. Ridley Terminal, a federal Crown agency, handles Canadian sourced coal primarily from Alberta accounting for 55 percent of all exports from the terminal. Rail carriers with operations in BC may also be impacted though it is understood the rail carriers and Ridley Terminal are already planning for this transisiton.

Industry has expressed they feel any policy statement from BC on thermal coal could negatively impact investor sentiment due to the lack of differentiation between thermal and metallurgical coal. However, this risk could be mitigated through effective communication of the policy position.

Banning thermal coal projects in BC

Canada's policy statement on new thermal coal projects has a relatively low impact on the BC mining sector as there are no advanced thermal coal projects, and the policy statement does not impact the existing by-product production or the industrial use of thermal coal.

Action from the Province to align with a restriction on new thermal coal projects could be a strong policy statement as part of the CleanBC roadmap but may create risk depending on the approach:

s.13

SUMMARY:

- No thermal coal mines are proposed or operating in BC, but small amounts of thermal coal are produced at BC mines and there is some industrial use.
- Policy statements from Canada are anticipated to restrict both the mining and export of thermal coal.

- Including measures under the CleanBC roadmap that align with these federal policy statements could send a signal on BC's climate priorities.
- BC has few tools to influence an export ban but could work with Canada to manage economic impacts and support the broad policy direction.
- Any policy statement from BC on thermal coal production or exports would need to be carefully messaged s.13
-

DRAFTED BY:

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APPROVED BY:

Peter Wijkamp, ED ✓
Nathaniel Amann-Blake ✓
Peter Robb, ADM ✓
Fazil Mihlar, DM ✓

From: [Dupont, Denis](#)
To: [Thomson, Garth EMLI:EX](#)
Cc: [Boyland, Mark](#); [Kittmer, Jon EMLI:EX](#)
Subject: RE: BC thermal coal exports
Date: October 6, 2021 4:52:37 AM

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Hi Garth

These times would work for us:

- Thursday October 7 at 2pm Ottawa time (11am in BC)
- Friday October 8 at 1 pm Ottawa time (10am in BC)

Thanks

Denis Dupont
(343) 551-0665

From: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>
Sent: October 5, 2021 19:46
To: Dupont, Denis <denis.dupont@NRCan-RNCan.gc.ca>
Cc: Boyland, Mark <mark.boyland@NRCan-RNCan.gc.ca>; Kittmer, Jon EMLI:EX <Jon.Kittmer@gov.bc.ca>
Subject: RE: BC thermal coal exports

Hi Denis,

Thank you for sharing this info. It would be great to connect later this week to discuss this data. We do not have much in terms of export data but can speak to some of what we are hearing on economic impacts.

If you can suggest a few times that work for you on Thursday or Friday I'll set up a calendar invite.

Cheers,
Garth

From: Dupont, Denis <denis.dupont@NRCan-RNCan.gc.ca>
Sent: October 4, 2021 1:42 PM
To: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>
Cc: Boyland, Mark <mark.boyland@NRCan-RNCan.gc.ca>
Subject: RE: BC thermal coal exports

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Hi Garth,

Attached are coal trade statistics displayed by province of origin (columns) and clearance (rows). I filtered out metallurgical coal (HS 27011210) to focus on thermal. The dataset provides a good account of domestic material transiting through BC, but we recently learned that re-exports (foreign goods exported in the same state as previously imported), which are currently filtered out, might not capture the full extent of foreign materials transiting through Canada. You can view re-exports by selecting the tick mark under the “re-exports” dropdown.

Below is information we received from StatCan regarding the treatment of in-transit shipments and temporary imports.

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In the case of coal, it seems that significant amounts may be coming from the U.S. and shipped through BC, but are not reflected in the trade data for the reasons stated above by StatCan.

As an example, Westshore coal terminal reported in their Annual Information Form (attached) having handled 9.6 million tonnes of thermal coal in 2020, while trade statistics show 4.7 million tonnes of thermal coal exported from Canada, including 843 tonnes of re-exports. Westshore specifies that Teck Resources accounted for 63% of the volume shipped through their facilities and a U.S. clients accounted for 28% of their volume. Since Teck exclusively produces metallurgical coal, it's likely the U.S. client accounts for the bulk of the thermal coal shipments.

Hope this helps, but let me know if you would like to have a quick call to chat and I can explain the data and limitation more clearly. We would also be very interested in any findings or additional information you might be able to share back with us on this.

Thanks

Denis Dupont
(343) 551-0665

From: Boyland, Mark <mark.boyland@NRCan-RNCan.gc.ca>
Sent: October 4, 2021 14:11

To: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>
Cc: Dupont, Denis <denis.dupont@NRCan-RNCan.gc.ca>
Subject: RE: BC thermal coal exports

Garth,

Yes, I'd doing well. s.22
already? ;)

and in routines, and ... wait. It's October

On thermal coal – as luck would have it we are just now looking into thermal coal exports. Our particular issue was around re-exports of US thermal coal. But I believe we captured the whole issue somewhere.

Let me have a look.

Mark

From: Thomson, Garth EMLI:EX <Garth.Thomson@gov.bc.ca>
Sent: October 4, 2021 9:36 AM
To: Boyland, Mark <mark.boyland@NRCan-RNCan.gc.ca>
Subject: BC thermal coal exports

Hi Mark,

Hope you're doing well. Following the election we are looking at the platform commitment to "Ban thermal coal exports from and through Canada no later than 2030." I am wondering if NRCan has done any analysis on economic impacts of this? Our Minister has asked about this but we are having trouble gathering data on amount of thermal coal coming through BC as it is not produced in the province and both rail/ports are federally regulated.

Thank you,
Garth

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