

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources
- II ISSUE:** Meeting with His Honour Byron Mallott, Lieutenant Governor of Alaska, to discuss the protection of transboundary waters and the efficacy of the Statement of Cooperation.

Accompanied by: **Larry Hartig** - Environmental Conservation Commissioner
Gina Shirey - Local and Tribal Government Coordinator, Department of Environmental Conservation Division of Water
Heidi Hansen - Alaska Department of Natural Resources Deputy Commissioner
Richard Peterson – President, Central Council of the Tlingit and Haida Indian Tribes of Alaska
Will Micklin - Second Vice President, Central Council of the Tlingit and Haida Indian Tribes of Alaska
Heather Gatti - Special Assistant to the President, Central Council of the Tlingit and Haida Indian Tribes of Alaska

III BACKGROUND:

The tailings storage facility failure that occurred at the Mount Polley mine heightened long-standing concerns in Alaska about British Columbia (BC) mine development along the border, which threatened to impact further mining development in northwestern BC.

On November 25, 2015 former Premier Christy Clark and Alaska Governor Bill Walker signed the *Memorandum of Understanding and Cooperation Between The State of Alaska and The Province of British Columbia* (MOU). The goals of the MOU are to strengthen cooperation between the two jurisdictions; to protect the environment, transboundary rivers and watersheds; and promote general economic development. The first part of the MOU is being implemented through a Statement of Cooperation (SoC) on the Protection of Transboundary Waters. The SoC was signed October 6, 2016 by former Minister of Energy and Mines Bill Bennett, former Minister of Environment Mary Polak, and Alaska Lieutenant Governor Byron Mallott.

The SoC is overseen by a Bilateral Working Group (BWG) of BC Deputy Ministers of Energy, Mines and Petroleum Resources and Environment, and Alaska department commissioners of Environmental Conservation, Fish and Game (DFG) and Natural Resources (DNR). In the first year of implementation of the SoC, the BWG met quarterly, and then will meet at least annually after that. The BWG oversees the three main components of the SoC:

1. Technical Working Group on Water Monitoring : Develop a process for collecting and sharing water quality data, from before, during and after mining and other industrial activity. There will be opportunities for collaboration among different agencies, Tribes,

First Nations, local governments, industry, organizations and others, in the collection of these data, observations and related information;

2. Joint Participation in Environmental Assessments (EAs) and Permitting: Formalize reciprocal procedures around the invitation and ongoing involvement of government representatives and technical staff in EAs and permit processes triggered by provincial or state law; and
3. Reporting on Mine Discharges, Operations and Closure: Identifying and sharing information on mine permitting non-compliance, design or construction deficiencies and threat or release of pollutants from mines.

The BWG met on December 16, 2016, January 26, 2017 and April 20, 2017 and most recently on October 5, 2017. The BWG approved the program description and two year monitoring plan submitted by the bi-lateral technical working group on monitoring, which has been initiated; the Reciprocal Procedures document on EAs and permitting submitted by senior Ministry of Energy, Mines and Petroleum Resources (EMPR) and Alaska Department of Natural Resources staff, which is being implemented; and the communications plan prepared by EMPR and Alaska DFG staff, which has led to the creation of a purpose-built website to facilitate access to relevant information and an inaugural newsletter to update interested parties on activities in the transboundary watershed region.

IV DISCUSSION:

BC Interests

Maintaining a positive and open working relationship with Lieutenant Governor Byron Mallott is important as softwood lumber and the North America Free Trade Agreement negotiations enter a critical phase.

The BC Intergovernmental Relations Secretariat recommends that all Ministers meeting with Lieutenant Governor Byron Mallott communicate the following:

- BC strongly values its relationship with the United States (U.S.) as its most important international partner.
- BC remains committed to working with the State of Alaska to enhance the protection of transboundary rivers and watersheds.

Financial Securities for Mines

The Ministry requires security at the time of mine permitting and regular review of the amount as conditions change throughout the life of the mine. The Ministry reclamation security practice seeks to provide reasonable assurance that the costs of mine reclamation work will not fall to the Province. Under the *Mines Act*, the Chief Inspector sets the financial security requirements at the permit stage, regularly reviews them during mine operations, and can adjust them as liability or other factors change, at any point during mine life. All mines operating in BC must deposit securities (bonds) with the government to minimize the risk of reclamation costs falling on provincial taxpayers in the case of default by a company.

BC-Alaska Cooperation to Protect Transboundary Waters

BC has a similar MOU with the State of Montana addressing transboundary water concerns related the Province's southeast coal mines, signed in 2010. To date, this agreement works very well. Other agencies, such as Environment and Climate Change Canada and the Canadian Environmental Assessment Agency, are interested in and support the BC-Alaska discussions, as they are already partners with BC in a number of monitoring programs for transboundary rivers and regularly participate in joint federal/provincial EAs.

As the BC-Alaska cooperative efforts continue, various letters to the United States State Department, written by United States Senators and Members of Congress, and to Prime Minister Justin Trudeau, written by environmental non-governmental organizations and other groups, are requesting that the United States and Canada invoke the provisions of the Boundary Water Treaty and determine whether a reference from the International Joint Commission would be a more suitable venue to address transboundary concerns relating to mining in BC. Canada is not inclined to support this request.

Ministry staff and Global Affairs Canada are collaborating to enhance confidence, both in Canada and in the United States, in the sustainable mining practices and oversight in BC. BC has made significant changes to how mining is done in the Province, including new policies, additional resources and funding to improve permitting processes and strengthen compliance and enforcement.

BC has completed a review of the health and safety portion of mining code review and made updates to the code based on the unanimous recommendations from the Code Review Committee, chaired by the Chief Inspector of Mines, which includes an equal number of representatives from First Nations, mine labour unions and industry. BC has also instigated major changes to the management and oversight of tailings storage facilities and has brought into force administrative monetary penalties regulations and related penalties for non-compliance with the *Mines Act* and Mining Code.

V CONCLUSION:

The MOU and SoC formalize opportunities for BC and Alaska to work together to enhance the protection of Transboundary River and watersheds along the border; thereby building upon and improving the cooperative relationship that currently exists between the two jurisdictions.

ATTACHMENT:

1. Tulsequah Chief Mine update
2. Biography for Byron Mallott, Lieutenant Governor of Alaska and attendees

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MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources

II ISSUE: Meeting with Ratnesh Bedi, President of Pacific Oil and Gas, and Byng Giraud, Country Manager and Vice President Corporate Affairs, Woodfibre LNG Limited, regarding the Woodfibre LNG project

III BACKGROUND:

Woodfibre LNG is proposing a 2.1 million tonnes per annum facility that will utilize electrically driven liquefied natural gas (LNG) trains situated on privately-owned land near Squamish, BC. In November 2016, Woodfibre LNG announced its project received board approval to proceed.

The Woodfibre LNG Project is owned and operated by Woodfibre LNG Limited, a privately held Canadian company based in Vancouver. The company is a subsidiary of Pacific Oil and Gas Limited, which is part of the Singapore-based Royal Golden Eagle group of companies.

Woodfibre LNG announced on March 30, 2017 that it had awarded a pre-construction contract to MATCON Environmental Ltd., a Squamish First Nation owned company. It is anticipated that this work will be completed by the end of 2017.

In October 2017, Woodfibre LNG announced it was delaying the start of construction until 2018 and that the dual front-end engineering and design (FEED) process by KBR Inc. and JGC Corporation was complete, and moving to the next stage of engineering, procurement and construction (EPC) with Houston-based KBR Inc. A construction decision is expected to come once the EPC contract is complete, with the build taking two to three years.

Woodfibre LNG has recently made a number of public statements about competitiveness issues that the company views as barriers to LNG development. The competitiveness issues include the fabricated industrial steel components (FISC) anti-dumping rulings by Canadian regulators and the rate of electricity for industrial customers as well as the issues that are consistent amongst other proponents.

An Executive Project Team has been established, reporting directly to the Deputy Minister's Office to project-manage the fiscal, regulatory and environmental issues.

Woodfibre LNG has requested a meeting with the Minister to provide a project update and has indicated that the company updated its modelling and presentations to regulators.

IV DISCUSSION:

In addition to providing a project update, representatives from Woodfibre LNG will likely wish to discuss competitiveness issues with the Minister. The LNG competitiveness review began in early 2017 to examine whether BC had competitiveness issues that were preventing projects from moving forward. One of the six streams of the review is a consultation with projects, such as Woodfibre LNG, through the BC LNG Alliance. Through this stream, the Ministry has been made aware of Woodfibre LNG's concerns.

Import Duties on FISCs and Floating Storage Units

Recently, Canadian International Trade Tribunal (CITT) and Canadian Border Services Agency (CBSA) have ruled that FISCs from China, Korea and Spain are being dumped into Canada and/or subsidized by foreign governments, thereby causing or threatening to cause injury to Canadian firms. As a result of the ruling, anti-dumping duties in the range of 45 percent could apply for a period of five years.

A number of industrial and engineering companies, including Fluor Canada (a contractor to Woodfibre LNG, who had worked with one of the engineering companies involved in the FEED study) and LNG Canada, have argued that Complex Modules (ones that contain FISCs and other goods) should be excluded from the scope of these rulings since such modules are not produced in Canada, therefore no Canadian firms can be harmed from their import. However, CITT and CBSA have stated that there is not sufficient evidence at this time to exclude Complex Modules from potential duties.

Potential duties could also be levied against Woodfibre LNG for their floating storage facility. Two years ago (July 2015), the CBSA issued a decision to levy a 25 percent import tariff of the Douglas Channel LNG floating facility that had been proposed by AltaGas. s.16,s.21

s.16,s.21

Woodfibre LNG has applied to the CBSA for an exemption and is awaiting a decision.

These rulings create additional cost uncertainty for LNG proponents.

Electricity Rates

BC Hydro and the Ministry are re-engaging with commercial discussions on the Woodfibre LNG project. On February 21, 2017, the Province announced that the Provincial Sales Tax (PST) on electricity will be reduced to 3.5 percent from seven percent, effective October 1, 2017, and fully exempt April 1, 2019.

V KEY MESSAGES:

- The Province understands the LNG industry's competitiveness and is actively engaging with industry, First Nations, communities and the federal government with recommendations due towards the end of the year.
- The Ministry will continue to engage with the federal government to see that rulings related to import duties have a minimum impact on LNG proponents.
- The Province is working with BC Hydro to provide reasonable and predictable long-term energy costs for the LNG industry, while protecting BC Hydro rate payers.
- s.13
- s.13,s.16,s.21
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LNG Project Fact Sheet

WOODFIBRE LNG

November 2017

Recent Announcements

Oct 12 Woodfibre LNG announced that it now expects construction to commence in 2018 (previously the company had been stating by the end of 2017). The project also announced that the dual front-end engineering process by KBR and JGC was complete and that the project would be moving to the next stage of engineering, procurement and construction (EPC) with Houston-based KBR. A construction decision would come once an EPC deal is in place, with the build expected to take two to three years.

Jul 12 The British Columbia Environmental Assessment Office granted Woodfibre LNG the approval needed to formally change the cooling technology from seawater to air cooling. The design changes were the result of the Squamish Nation selection of air cooling as the cooling technology for the project as well as ongoing front-end engineering design (FEED) work.

Facility Concept



Major Permits and Authorizations

Export License:	25-year license issued Application for 40-year license approved.
Provincial Environmental Assessment Status:	EAC issued October, 2015.
Federal Environmental Assessment Status:	EADS issued March, 2016.
LNG Facility Permit:	Pre-Application

Summary Table

Shareholders:	Pacific Oil & Gas (100%)
Facility Type:	Liquefied Natural Gas Facility and Marine Terminal
Location:	Squamish—Former Woodfibre pulp mill site
Output Capacity Total:	2.1 MTPA
Feedstock Pipeline:	Eagle Mountain—Woodfibre Gas Pipeline
LNG Buyers:	Signed HoA with Guangzhou Gas Group Co., Ltd for 1 MTPA
Pre-FEED Contractor:	KBR Inc.
FEED Contractor:	KBR, Inc. and JGC America, Inc.
EPC Contractor:	KBR Inc. (contract yet to be signed)
Capital Expenditure (est.):	\$1.6 billion
Operating Expenditure (est.):	\$542 million / year
Construction Jobs (est.):	650
Operations Jobs (est.):	100

Contact: [LNG Task Force](#)

Appendix 2: Biography Ratnesh Bedi and Byng Giraud



MR. RATNESH BEDI – *President Pacific Oil and Gas*

Mr. Bedi has been the President of Pacific Oil and Gas (PO&G) since 2011. His key area of focus is PO&G's new venture to develop and construct an LNG liquefaction plant in British Columbia. On behalf of PO&G and the investor, Mr. Bedi manages financing and oversees the ongoing work for the project to ensure that the engineering team and local staff have the necessary support to secure permits, appoint world class EPC contractors, build and commission the facilities while continuing to work and engage with First Nations and the community. Mr. Bedi also leads the oil and gas exploration and exploitation initiatives, growth and operations in the Indonesia's business in this current role.

Prior to his appointment in PO&G, Mr. Bedi was Chief Financial Officer of Asia Pacific Resources International Limited (APRIL), a world-leading pulp and paper manufacturer, from 2007 until 2010.

Mr. Bedi was previously with KPMG Indonesia as Manager of Corporate Recovery and Restructuring Division and Deloitte Advisory as Executive Director in corporate and financial advisory services. Mr. Bedi graduated with a BComm from New Delhi, India and is an associate member of the Institute of Chartered Accountants of India.



MR. BYNG GIRAUD – *Country Manager and Vice President Corporate Affairs, Woodfibre LNG Limited*

Mr. Giraud joined Woodfibre LNG Limited in April 2013 as the company's first North American employee. As Country Manager, Mr. Giraud is the senior representative of the company and responsible for the day-to-day operations of Woodfibre LNG Limited. He is also currently Chairman of Ridley Terminals Inc. a Canadian government owned bulk export terminal in Prince Rupert, BC, a member of the board of the Vimy Ridge Foundation and a member of the Board of Governors of the BC Business Council. Most recently he was asked to sit on the BC Assembly of First Nations-BC Business Council "Champion's Table", a body dedicated to breaking new ground in economic reconciliation.

Mr. Giraud has been involved in innovative efforts at First Nations economic reconciliation, including the first agreements between operating mines and First Nations in BC, and the innovative Squamish Nation Environmental Assessment process.

Prior to joining Woodfibre LNG Limited, Mr. Giraud was in an executive role in Corporate Affairs for a Canadian copper/gold mining company. In the past, Mr. Giraud has served as a Vice President with both the Association for Mineral Exploration BC and the Mining Association of BC. Before that, Mr. Giraud worked with some of Canada's top public affairs agencies. He has also served on the board of directors of Geoscience BC, Canada Place Corporation, Initiatives Prince George, and a number of other organizations.

In 2012, Mr. Giraud received the Queen Elizabeth II Diamond Jubilee Medal for volunteerism.

Mr. Giraud holds a MSc. Econ. from the University of Wales at Aberystwyth and an MBA from the University of Cambridge (Jesus College).

Away from the office, Mr. Giraud volunteers as a Scouts Canada leader. On the weekends, he collects bruises playing old boys rugby.

MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources

II ISSUE: Call with David Keane, President and Chief Executive Officer of the BC LNG Alliance (BCLNGA) to discuss the Canada-China LNG Memorandum of Understanding (MOU)

III BACKGROUND:

BCLNGA is a consortium of industry partners working together to foster a safe, environmentally responsible and globally competitive liquefied natural gas (LNG) industry in BC. The role of BCLNGA is to provide British Columbians with reliable information on LNG, industry operations and best practices, and the challenges and opportunities they face as an industry. It also engages with communities, First Nations and other stakeholders, and represents BC projects at international conferences and events.

BCLNGA currently represents seven members:

- Kitimat LNG (Chevron and Woodside Energy)
- LNG Canada (Shell, PetroChina, KOGAS and Mitsubishi Corporation)
- GrassyPoint LNG (Woodside Energy Ltd)
- Triton LNG (AltaGas and Idemitsu Canada)
- Woodfibre LNG (Pacific Oil and Gas)
- WCC LNG (ExxonMobil)
- Fortis BC

Many LNG projects are in the pre-final investment decision stage where they are evaluating cost and competitiveness and looking for ways to keep their BC projects viable. BCLNGA, along with its members, have been requesting mechanisms to improve BC's competitive position when compared against the US Gulf Coast.

An Executive Project Team has been established, reporting directly to the Deputy Minister's Office to project-manage the fiscal, regulatory and environmental components of the competitiveness review.

The Province also works closely with BCLNGA on a variety of issues and policy objectives, and BCLNGA has supported government at international and domestic events as well as regional energy education seminars.

IV DISCUSSION:

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Natural Gas Development MOUs

The Province signed an MOU with the Government of China's National Energy Administration (NEA) on Natural Gas Sector Cooperation in July 2014 which has a term of five years. This MOU can be modified by mutual consent or be terminated with a month's notice. The Province also has signed MOUs with two Japanese organizations, Japan Oil, Gas and Metals National Corporation (JOGMEC) and the Ministry of Economy, Trade and Industry (METI), to cooperate on natural gas development in BC. The Province extended an MOU until 2019 with JOGMEC that deals with unconventional natural gas and coal resources and associated technology such as Gas-to-Liquids. The MOU with METI was signed in 2013 and relates to energy cooperation and development and includes a topic on accelerating investments in upstream development in BC.

Recommendation

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V KEY MESSAGES:

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- The Province understands the LNG industry's competitiveness and is actively engaging with industry, First Nations, communities and the federal government with recommendations due towards the end of the year.

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Appendix A – Biography of David Keane (from BCLNGA website)



David Keane brings considerable energy and LNG experience to BCLNGA, having worked globally in the energy sector for more than 35 years in over 15 countries.

He has a strong track record of leadership and success, and has worked collaboratively with communities, stakeholders and governments throughout his career. Most recently, Mr. Keane was Vice President, Policy and Corporate Affairs for BG Canada in Vancouver. Prior to his time with BG Canada, he held senior roles with Dynegy, Apache Corp. and Conoco, Inc.

Mr. Keane lives in Vancouver, is married and has two grown children and two grandchildren.

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BRIEFING NOTE FOR INFORMATION

I PREPARED FOR: Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources

II ISSUE: Meeting with Steelhead LNG about updates to the Kwispa LNG project

III BACKGROUND:

Steelhead LNG has shared a project status update (October 24, 2017) with the Ministry of Energy, Mines and Petroleum Resources (Ministry) on its Kwispa LNG project (formally Sarita Bay LNG). Steelhead LNG has also requested a meeting with the Ministry to share new information about the project's development.

Steelhead LNG is a privately held energy company focused on liquefied natural gas (LNG) project development in BC. In March 2017, Huu-ay-aht citizens voted 70 percent in support for the proposed Sarita LNG project. As a result of the vote, the Huu-ay-aht First Nation (HFN) and Steelhead LNG are moved forward with a co-management relationship to develop the proposed facility at Sarita Bay.

In September 2016, Steelhead LNG announced that Calgary-based Seven Generations, a publicly traded energy firm, would acquire a stake in the company and will explore new midstream infrastructure to support the company's proposed projects on Vancouver Island. Calgary-based Azimuth Capital Management is an investor in Steelhead LNG.

Steelhead LNG has been actively marketing itself in the Asian market (mainly China) for four years to attract investors and offtake buyers for Kwispa LNG. s.21

Kwispa LNG Facility and Associated Pipeline

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The project is in the preliminary engineering and conceptual design stage and is expected to file its project description with the BC Environmental Assessment Office in early 2018. s.16,s.21

s.16,s.21

s.16,s.21 Steelhead LNG has been issued export licences by the National Energy Board to export 24 MTPA of LNG from the Sarita Bay site.

IV DISCUSSION:

At the First Nation Leadership Gathering meeting, the HFN shared their support for the proposed LNG facility at Sarita and that s.21

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s.21 The HFN also indicated that it would like the Province to support the Sarita Bay LNG project. s.16,s.21

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V KEY MESSAGES:

- We are committed to continuing to support Steelhead LNG and HFN in their aspirations to advance the Kwispaa LNG project at Sarita Bay.
- The Province is supportive of the investment deal and is interested in participating in the announcement.
- We understand that Kwispaa LNG has yet to enter the environmental assessment process, and are committed to work closely with the HFN, communities and the company as project planning advances.
- The Province is committed to reviewing the proposed plans for Kwispaa LNG.

Attachments: 1. Kwispaa LNG Project Status Update

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MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

BRIEFING NOTE FOR INFORMATION

- I PREPARED FOR:** Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources
- II ISSUE:** Meeting with Korean Consul General Kim Gunn, United Kingdom's Science and Innovation Officer Niniane Tozzi, Chief of the Economic and Commercial office of the Consulate of the People's Republic of China Shanjun Yu and the Consul General of the Netherlands Gert Heijkoop. The group wishes to discuss the future of liquefied natural gas (LNG) in British Columbia and more specifically the proposed LNG Canada project.

III BACKGROUND:

Global LNG Market

- Over the last few years, the global downturn in the energy marketplace has created economic challenges for the LNG industry.
- As LNG prices declined, the number of LNG project Final Investment Decisions declined globally.
- According to the recently released World Energy Outlook from the International Energy Agency (IEA), its base case scenario (the New Policies Scenario) projects that global natural gas use will increase by 45 per cent over the next 25 years.
- Over 30 per cent of this growth is project to come from long-distance trade (by LNG as well as pipeline), with LNG accounting for nearly all of the growth in trade.
- The IEA believes that the excess supply that currently exists in the LNG marketplace will be absorbed by the mid-2020s creating a need for timely new LNG investment prior to 2020.
- British Columbia has multiple LNG proposals still on the table, demonstrating a continued interest in our province's export potential.
- Three proposed export facilities have received environmental approval from both the federal and provincial governments (Woodfibre LNG, LNG Canada and Kitimat LNG).
- One project – Woodfibre LNG – has announced it will move forward. If construction were to commence at this facility as anticipated, initial exports could begin by 2020.
- The Province is currently conducting analysis to determine if British Columbia is at a competitive disadvantage when compared to LNG projects in other jurisdictions, including the U.S. Gulf Coast.
- This review is supported and includes consultation with industry, associations, First Nations and communities.

LNG Canada's Proposed Export Project Overview

- LNG Canada is a proposed two-phase, four-train (6.5 million tonnes per annum per train) liquefied natural gas (LNG) development located on the former Methanex site at the Port of Kitimat.
- The project is being developed by LNG Canada Development Inc., an incorporated joint venture owned by Shell (50%), PetroChina (20%), Mitsubishi (15%) and KOGAS (15%).
- The project received the first 40-year export licence granted by the National Energy Board, and received both provincial and federal environmental approvals in 2015.
- LNG Canada is also the first LNG facility to be issued an LNG Facility Permit by the BC Oil and Gas Commission.
- The project is currently undertaking a competitive process to identify the prime contractor to manage all of the design and construction related to the facility.
- Recently Andy Calitz, CEO of LNG Canada, announced that the project wants to make a Final Investment Decision (FID) and commence construction in 2018.

IV KEY MESSAGES:

- Over the last few years, the global downturn in the energy marketplace has created economic challenges for the LNG industry. The marketplace is challenging everywhere, not just in BC.
- We have multiple LNG proposals still on the table in BC, demonstrating a continued interest in our province's export potential.
- BC's new government supports LNG development – with four conditions:
 1. Proposals must include express guarantees of jobs and training opportunities for British Columbians;
 2. Proposals must provide a fair return for our resources;
 3. Proposals must respect and make partners of First Nations; and
 4. Proposals must protect our air, land and water, including living up to our climate commitments.
- The Province is currently conducting a competitiveness review of the industry in consultation with industry, associations, First Nations and communities.

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